

**NATIONAL COUNCIL ON US-ARAB RELATIONS &  
US-GCC CORPORATE COOPERATION COMMITTEE**

***“The Gulf Cooperation Council at 31:  
Implications of Trends and  
Indications for GCC and US Interests”***

**THURSDAY, MAY 24, 2012**

**RONALD REAGAN BUILDING & INTERNATIONAL TRADE CENTER  
WASHINGTON, DC**

***Participating specialists:***

**Dr. Odeh Aburdene**, President, OAI Advisors; and Senior Advisor, Capital Trust S.A.

**Ms. Randa Fahmy Hudome**, President, Fahmy Hudome International; and Member of the Board of Directors, National Council on U.S.-Arab Relations.

**Mr. Andrew Rabens**, Special Advisor for Youth Engagement, Office of Public Diplomacy and Public Affairs, Bureau of Near East Affairs, U.S. Department of State Department.

**Mr. Robert Sharp**, Associate Professor, Near East South Asia Center for Strategic Studies, U.S. Department of Defense/National Defense University.

**Ms. Molly Williamson**, former Deputy Assistant Secretary at the U.S. Departments of Commerce and Defense, former Acting Assistant Secretary at the U.S. Department of State, former Senior Foreign Policy Advisor at the U.S. Department of Energy, and Distinguished Scholar-In-Residence, National Council on U.S.-Arab Relations.

**Mr. Joshua Yaphe**, Arabian Peninsula analyst, Bureau of Intelligence and Research, U.S. Department of State.

***Moderator:***

**Dr. John Duke Anthony**, Founding President & CEO, National Council on U.S.-Arab Relations; and Member, U.S. Department of State Advisory Committee on International Economic Policy and its subcommittees on Sanctions and Trade and Investment.

National Council on U.S.-Arab Relations  
1730 M St NW, Ste 503, Washington, DC 20036

**ncusar.org**  
**us-gcc.org**

*Remarks as delivered*

[Dr. John Duke Anthony] We have a rich array of individuals who've spent most of their professional lifetime focused on the region of interest and emphasis today, namely the six countries of the Gulf Cooperation Council, which this month, 31 years ago, established a six-state sub-regional organization. At the time, many people were quite surprised because these had been seen for so much of modern history as amongst the most forgotten if not also the most forlorn of the countries of the Arab East. And several countries wanted to be invited to join this organization at the beginning but they were not. And there were resentments, jealousies, envies as a result. And from its inception until now, the GCC probably has been more misunderstood than understood. And this is no more accurately the case than in North America and the United States in particular. It is true that most Americans now who follow foreign affairs issues realize that the GCC is something more than animal, vegetable and mineral. What they're not exactly certain of is what it is and what it is not, and what it is empowered to do and what it is constrained in terms of not being able to do. Much of it will be shared by our specialists this morning.

So without further ado, you're going to see and hear these speakers as you see them from your left to your right in sequence. And we'll try to have equal time for those who will provide presentations to the discussion questions period and Q&A. And we ask that you confine your questions to one of the 3x5 cards that should have been on your chair that will be collected by the National Council staff and brought to me for asking of the panelists. We have several distinguished guests with us today. We have the League of Arab States Ambassador, the Ambassador of Tunisia to the United States, the Ambassador of Bahrain to the United States and other embassy and diplomatic and consulate personnel. Might I ask that the three of you that I just recognized stand to be recognized in the audience.

We'll start first with the honorable Molly Williamson and I will not introduce her because you have the introduction in your handout materials that were distributed when you came in. But suffice it to say that she is one of the very few Americans who have worked at the Deputy Assistant level in four of the cabinet positions in the United States. You don't find people like this, with this kind of empirical education and experience. The Honorable Molly Williamson.

\*\*\*

[Ms. Molly Williamson] Thank you so much John. This is a particular honor for me to join with this wonderful panel to review the history of both the GCC as an organization and U.S. interests as they have continued and evolved with this critical region over that period. As John has mentioned the organization was itself established 31 years ago as an economic and strategic grouping to brace against what was then seen as regional turmoil coming through and following the Iran-Iraq war.

The organization of these critical six states has been designed to develop and promote mutual benefit and mutual security for this critical region. This is not an easy matter. And it's not unique to this particular collection of countries to have concerns, tensions, and differing ways of approaching shared problems. I point to the European Union for example as struggling with perhaps a common goal but different focus on agenda priority timing in the like. And this is also not lost on the GCC member states as they look to try to develop common currency, common customs schedule or a federation-like union. It's not easy. That they choose to embark on this endeavor and to maintain the overarching goal of mutual benefit and mutual security in such a difficult circumstance and such a difficult area, is to be noted and applauded.

So what are some of these challenges to regional security, regional stability and tranquility? And these, my fellow colleagues and panelists, will explore in greater depth. Certainly there has been a constant of risk of war, risk of violence, both spilling over from the Iran-Iraq war of almost a decade. And the concern about Iran's intentions, never mind the nuclear aspect, there is a history of hegemonic aspirations that have worried this region for some time. What this has meant as a way of trying to respond to these challenges, to these tensions, has meant more joint exercises, a sharing of goals, a sharing of operational effectiveness focusing on not just military but larger communication challenges to share interoperability and share common interest.

Another aspect of course has been the risk that extreme violence, even terror, may make vulnerable critical infrastructure not just of the oil producing installations but of larger concern for public law and order and stability. And what this has meant has been greater cooperation and sharing in terms of critical infrastructure protection, and in terms of shared efforts in communication and alertness.

Unemployment. This is itself also a powerful challenge. We are talking about a region in which the majority of the populations are under the age of 20. And to have talented, but unemployed, young people is itself a tremendous challenge. And so the power of the demographics of the region have caused these countries to approach opportunities for development, to coming up with their own programs, coming up with proposals for creating more jobs. In some cases this has meant a whole embrace, perhaps with some reluctance at times, of WTO requirements, opening up the economy so that there could be greater interest and confidence in the foreign direct investment community to come in to invest, to create jobs. Similarly, proposals to explore and in some cases to bring to fruition free trade agreements which have redounded to mutual agreement of the parties. These issues have also brought a certain awareness of the volatility of these economies heavily dependent on one commodity, oil, and that has put a greater emphasis on the volatility of the marketplace, the power and the burdens, of being swing producers in the event of, say, enhanced sanctions on Iran, for example. The need to develop more alternative fuels or to work on the environmentally responsible options that may be available, whether it's carbon capture and sequestration for the Saudis in enhanced oil

recovery, whether it is peaceful nuclear energy that we've seen out of the Mubadala initiative in the UAE, and by the way that's a model in case Iran was looking for a way to develop its peaceful nuclear energy in a way that the international community can embrace.

Finally, a greater policy reach from this grouping at a time when there is widespread regional unrest. There has been a willingness, an openness to have, as the group, speak about concerns with respect to Libya, speak with respect to concerns about Syria even so far as to take the cases to a larger sphere in Arab League and to the United Nations Security Council. The approach is not itself without controversy. It is not easy to achieve consensus. That is not unique to this part of the world, witness the Security Council's conduct over the last 60 years.

So these are challenges. The group is itself determined for the purposes of mutual benefit and mutual security, tranquility and stability to do these very difficult measures. And finally I cannot avoid mentioning the importance for this region of seeing some progress on the Israel-Palestine front, as well. For governments to be, or be seen, as tolerating what is so dramatically portrayed as an uneven, unbalanced, difficult position of — whether you use the word 'occupation' or not — this relationship costs those governments not trying to be part of the solution. To that end, there has been a very dramatic effort from at the time, Crown Prince Abdullah, now King Abdullah, to promote recognition that there is no military solution to this issue that it must be a negotiated outcome. In the process, there should be protection for those who might fear coming to a conclusion, coming to an agreement, coming to some approach that requires profound concession and compromise.

That initiative has been endorsed by this body, the GCC, has been endorsed as well by the Arab League. And so that also has been a part of the political reach. I fear I'm over running my time, but these various aspects of common concern to all six of these countries, the political the strategic, the economic, the trade, all of this is very much on the plate, very relevant, very much of the day and we will have experts coming forward to talk about the various aspects of them but it's an extraordinary time, a very challenging time, one in which this particular group, the GCC, is rising to the fore to try to address these issues, not paper over them, not run away from them, and that is to be recognized.

\*\*\*

[Dr. Odeh Aburdene] I agree with you [Dr. Anthony] that in Washington we have many people with opinions on the GCC but very little knowledge and you can apply the same to the whole region. What I'm going to do is focus on economic and financial aspects of the GCC as it relates to the global economy and in particular to the U.S. economy.

First, when we look at the GCC, it possesses 45 percent of the world's oil proven reserves and 25 percent of the global gas reserves. At the moment, the GCC is producing nearly 16.5 million barrels, which accounts for 20 percent of the total worldwide production of oil. In 2011, the GCC exports reached \$538 billion. In 2012, they could range from \$530 billion to as high as \$570 billion. In 2011, these countries accumulated over \$350 billion in surpluses and their foreign exchange holdings by the end of 2011 reached \$2.3 trillion.

We hear a great deal about China. Everybody is talking about the Chinese foreign exchange reserves that amount to \$2.3-2.5 trillion, as compared with \$2.3 trillion of gross reserves for the GCC. Why did these reserves go up? The key reason for the increase in foreign exchange holdings is the price of oil. In 2003, the average price per barrel was \$30. In 2011, the average price was almost \$92 a barrel.

Secondly, the investment policy of these countries were overly conservative and we have seen the results of that conservatism in what happened in 2007-2008 when we had a financial crisis that hit the U.S. and Europe and that continues today because of Greece, Portugal and Spain. Now, if we look at Saudi Arabia as an example, the Saudi's had the most conservative policy. They invested the bulk of their assets in US notes and bonds and when the markets tumbled in 2008 and 2009 the value of the Saudi bond portfolio jumped substantially.

Secondly they did not engage in speculation nor in investing in sub-prime assets like many of the U.S. institutions and European banks and you can say the same about the rest of the GCC. The UAE has followed similar policy, Kuwait, Qatar, and also Bahrain.

In '73 I recall, John, when the price of oil jumped, everybody was telling us how the Arabs are going to take over the world. We were told that they would take over CBS, IBM, Exxon, and others. There was a great deal of concern and worry about the GCC countries taking over U.S. companies, but as we have seen they have not done that. They have invested in U.S. equities such as Microsoft, Time Warner, and Chevron. They also have done the same in Europe and in Asia. For nations that hardly had a banking system prior to 1970, you had very few big banks in the region. For example, the Abu Dhabi Investment Authority came into being in the mid-70's. SAMA had a small staff. Since then, Qatar has established the Qatar Investment Authority. They have established professional financial investment authorities.

If we look now at the banking sector, the banking sector in the region in the past five years has again been prudent, they have not really suffered from the financial crisis. These banks are liquid. They have good balance sheets. However, you can say some banks

in Kuwait and the UAE have exposure to the real estate market in these countries. So if the price of oil were to drop, the income of these countries would decline, and real estate prices could come down and that could have an impact on the earnings of

some of these banks. But as we have seen in Dubai, when Dubai had difficulties, the public sector in the UAE, mainly Abu Dhabi, stepped in, made an advance to Dubai, helped Dubai restructure its debt and today Dubai is back and financially sound. The UAE government realized there was a problem that had to be addressed quickly and not fixed piecemeal. The banks in Dubai are on a sound footing. Historically, the GCC's investments have been mainly in the U.S. They have invested in Europe and in Japan. They also have invested in the Arab region. But the U.S. has been the largest recipient because the U.S. has the largest and most liquid market. Therefore they pursued a policy of investing in U.S. bonds, mainly U.S. government bonds, in bank deposits and in real estate.

If we look at the financial transactions between the GCC and the U.S., they involve the following: First, U.S. exports to the GCC have been increasing. Last year, the UAE was the largest export market for the U.S. Exports were over \$15 billion. Saudi Arabia was next, then you had Kuwait and Qatar and Oman and Bahrain. But aside from the trade exports, there is the service sector which benefits the U.S. balance of payments, and creates jobs. Here we're talking about the service sector, which includes military sales, it includes tourism, and consultancy businesses by American firms in the region, American universities that are engaged in the region obtain lucrative fees for their educational services. Additional revenue to the U.S. arises from the thousands of students from the GCC who attend American colleges and universities. So if you look at the services sector it has been a major contributor to the U.S. economy and you could say probably has averaged maybe over \$30-40 billion a year.

So in sum, the GCC from an economic perspective has been a major market for the US, and it has been a recipient of billions of dollars. It is estimated that 50,000 Americans are working and living in the GCC.

Now as we look at the GCC and we look ahead, you know today the bulk of the income arises from oil, from refined products. These countries have substantial assets but if you look 50 years down the road, in my view the GCC countries have to think about human capital and education because if you look at the West, the productivity, the innovation, the creativity, are results of good education, especially in the area of science and technology. A lot has happened in the region. If you compare the education system today with the 70's, you will see that many American universities have opened branches. You have colleges of science and technology. However, we need to see the Arab region create a venture capital culture where people with money would bet on people with talent, ideas, and excellence.

The GCC merchant community has been excellent in terms of trading. But I think looking ahead 50 years from now, you have to think into venturing out, into the fields of science and technology.

I always tell my friends in the region, at some point down the road, we need to have an Arab Bill Gates, we need to have an Arab Google, we need to have an Arab MIT.

As we have seen, the region has resources and people and the GCC countries need to create an environment and a culture of efficiency that will attract talent from the region and outside the region.

Thank you.

\*\*\*

[Ms. Randa Fahmy Hudome] Thank you. Today I'd like to examine whether or not the GCC has a comprehensive energy policy, not just in the traditional sense of the word for traditional sources of energy. I'd really like to focus on something that is not highlighted regularly which is a renewable energy policy, that is certainly picking up in the GCC countries.

So with respect to cooperative policy on energy sources, of course four out of the six members of the GCC — Saudi Arabia Kuwait Qatar and the UAE — are members of OPEC. Collectively as Odeh [Dr. Aburdene] mentioned, they are responsible for almost half of the world's oil reserves. Of course we've heard the latest news on cooperative efforts on gas production, a "Gas PEC" if you will, of which some of the members of the GCC are extraordinarily active in.

Of course there's even cooperation between the GCC countries, the producer countries, and the consuming countries based in Riyadh, Saudi Arabia. The international Energy Forum highlights and encourages cooperation between producer and consumer countries. So I would say in the traditional sense of the word, there is a sort of comprehensive energy policy. But is there such a policy when looking at renewable energies?

Now individually I can go through all six countries and give you examples, and I certainly will, of the strides that are being made within the renewable energy sectors in each one of these GCC countries. In fact, I was speaking to an official from one of the state-owned oil companies the other day and he indeed confirmed that this particular country within the GCC is aggressively pursuing renewable energy not only a policy but renewable energy programs, knowing of course that there is an end to the traditional sources, but also is a matter of diversifying their economy and certainly creating jobs.

So starting with the UAE, of course I think everybody is familiar with Masdar City, a \$22 billion project that's going to rely primarily on renewable energy sources, "clean energy city" if you will. As a target, Abu Dhabi committed to \$15 billion or a 7 percent target by 2020, that means 7 percent of their energy to come from renewable energy sources.

Again, the United Arab Emirates is home to the new International Renewable Energy Agency, which will be an international home for many to come and learn about new technologies. The UAE, of course, was very famous, as Molly [Williamson]

mentioned, for bidding out the 14 peaceful uses of nuclear power plants and did it certainly the right way.

In Saudi Arabia, they themselves have set their target at 10 percent renewable energy by 2020. Most recently they announced that \$100 billion is going to be devoted to nuclear and renewable energy at the King Abdullah City for Atomic and Renewable Energy. It's called KA-Care. And the KA-Care program is going to begin with rounds, two rounds of bidding, on solar, photovoltaic, wind, geothermal, and waste to energy capacity.

In Oman, Oman just announced that they are going to be investing in solar power technology. To start with some of the lower outputs at 10 to 50 mega watt demonstration projects with the possibility of working their way up to 200 mega watt solar power projects.

In Bahrain, they just recently announced, and this is news by the way from the last month, in the month of May, they just announced that the first phase of their national energy plan is going to generate energy from renewable energy sources and through an interesting consortium consisting of their national oil and gas authority, the Bahrain Petroleum Company and Caspian energy holdings, they are going to create a five mega watt solar energy project using technology from a U.S. company called Petra Resources. And so there is this conglomeration of international sources coming together to create a solar energy plan in Bahrain.

In Kuwait, the Kuwait Institute for Scientific Research has a renewable energy program and they just announced again that they are going to be focusing on a solar energy project in conjunction with who? The Kuwait Petroleum Company. So isn't that interesting? And that's going to be one of two phases that they're going to be focusing on.

In Qatar, Qatar hosts what's called the alternative energy summit. I likened it to sort of a Clinton global initiative but what they do in Qatar is they bring together the investors who are interested in primarily putting their money into renewable energy projects. It's an international conference, doesn't just focus on the Middle East but it brings a lot of the investors in the region to focus on the financial aspects of renewable energies. And also in Qatar itself, their science and tech park has focused on the development of technologies for some 60 different projects in the solar area.

Now, when you talk about funding, of course there's no lack of funding in the GCC countries. Their internal funding coupled with the Islamic Development Bank, many of you may or may not be familiar with the Islamic Development Bank, but they are the development bank of the Islamic world, the 56-member countries in the Islamic world. They're very similar to the World Bank, and they just announced recently that they are going to put \$250 million into an initial project for renewable energies

in their member countries and their member countries of course include all of those GCC countries. And they're focusing on everything from wind to solar to nuclear.

Now what does the GCC need then, if they've got these renewable energy projects going? What is it that they need? I found it interesting that Ernst and Young just came out with a study where they noted, and they weren't specifically talking about the GCC, they were talking about the broader MENA region, that there is a lack of a renewable energy or a clean energy policy that there is no framework for implementation and strategy. What they were highlighting was that auctions and tenders are no substitute, if you will, for a comprehensive policy and a comprehensive policy of course means legal and regulatory framework. And what this Ernst and Young study found was that it was clearly lacking in this region.

What could the GCC do, then, to create more cooperation amongst themselves in the renewable energy area? Well through my research, I have found that the GCC actually has something called the Clean Energy Business Council, where they bring together the public and the private sector entities within the GCC that are interested in working on renewable energy projects. Local, national, state and international integration of all of these. And what they do and focus on, is they're trying to assist the governments in developing policy frameworks, policy frameworks that would not only encourage the development of renewable energy but would also help attract investors because as many of you know, what investors want is a solid regulatory framework.

I was even delighted to find that the EU and the GCC are cooperating on the renewable energy front. In fact, this month, two weeks ago, in Doha, in Education City the GCC and the EU got together to discuss a variety of clean energy projects, in research, in tech, in policy, in energy efficiency and carbon capture.

So the question is, then that leaves us with, what is the United States and the GCC doing on renewable energy? And I've researched and researched and if any of my colleagues are here from DOE I welcome you to stand up. But I haven't found much. I haven't found much.

I think among things that the United States does well are regulations, policy framework, and technology. And I believe that if the United States and the GCC did come together in some sort of initial conference, if you will, or some sort of formalized structure, the United States certainly can be helpful. And I would even argue sometimes we're over regulated in this country, but that is one thing that we do do well is regulations and legal framework.

The other idea, and I certainly have talked about this before, is this idea of technology. We have incredible technology in this country. What we don't necessarily have in this country is the financial ability to support not only the development of that technology but taking that technology to market. I give you the solar industry, one perfect example in America. I constantly get asked, "Why aren't

we using more solar here? Why aren't we using more solar?" Bottom line is, we just don't have the financial ability to develop that particular industry here in America. I would argue the GCC has the financial resources, the United States has the technology. Let's get together and do more on the renewable energy front. I'll be happy certainly to answer any of your questions on this topic and other issues.

\*\*\*

[Mr. Joshua Yaphe] Thank you very much, Dr. Anthony. It's an honor to be up here on stage with you and these wonderful speakers who did an excellent job so far. And I would agree with everything they've said.

At the GCC summit a little less than two weeks ago, as you may have read in the newspapers, there was an announcement that they may at some point explore the idea this year of a union. It's not clear quite what that means. The idea that gets tossed around is some sort of a confederation that would involve greater integration than currently exists in the GCC.

A lot of newspapers and commentators expected that there would be an announcement of a sort of preliminary confederation of Saudi Arabia and Bahrain, and maybe exploration of greater integration down the road, but that's not exactly what happened. What happened was Foreign Minister Saud Al-Faisal, Prince Saud Al-Faisal made the announcement that they'll continue to study the idea of a GCC union and perhaps at the next summit they will revisit the idea once they have had more time to consider this.

He made a number of other statements and what you had, though, in spite of this measured and tempered approach to such a concept, what you had was a very vocal reaction on the streets, the streets in Iran and certainly among some protestors in Bahrain and some Iraqi Shia politicians all certainly felt that this was a slight to the public in Bahrain. Although if you read the Bahraini newspapers you find there are multiple opinions that this is not entirely viewed upon negatively by the Bahraini people or certainly not the Bahraini government which supported this idea. So there are mixed opinions on different sides regarding that matter. But it was certainly a heated debate and a heated issue and there were enough differing viewpoints in the newspapers about what this means, where this leads to that it's worth exploring. I think it's worth mentioning and discussing even if nothing comes of it in the foreseeable future.

It prompted a couple of questions from colleagues of mine in the [State Department] building as to what were the conditions 31 years ago that created the GCC the first time around? What is similar and what is different today. So I thought it would be interesting to go back to some of the analysis and commentaries from 1980-1981 when this was first being discussed and what you find is a very nuanced version of events. As Molly [Williamson] said earlier Iran, and the Iran-Iraq war, was certainly

a primary concern on everyone's minds. Iran then as now posed a number of dangers and threats to the region and the war was certainly a problem for everyone in the Gulf.

But there were other things that came out of those first meetings as Dr. Anthony can surely attest to. He's written eloquently about these first initial meetings and he was certainly on the scene for many of them, for all of them I believe. Probably one of the only people that can say that for sure.

So some of the concerns from sort of the secondhand reports that you get at the time are that South Yemen was a concern and the Strait of Hormuz. Oman in particular, Sultan Qaboos, was worried about both of those issues. Sheikh Zayed after the summit where they announced the formation of GCC had a press conference where he unequivocally stated the UAE's right to control Abu Musa and the Tunbs, the three disputed islands. But he called for a diplomatic solution not a military solution to the problem.

A lot of this will sound very familiar to today. I think you'll recognize a lot of these same concerns in what we talk about now. We certainly had a lot of press, a lot of paper being spilled over the three disputed islands just a few months ago and the same perspective taken by the UAE which is certainly a wise and peaceful approach to the problem.

The GCC at its initial setup, they created a \$6 billion investment fund which is little known today but there was a lot written about it at the time. But when you read the analyses from 1981, what they felt was, the suspicion was that this fund was really intended for GCC internal use and when I say that, what you read is analyses that talk about "this fund is a chance for Saudi Arabia and the other oil rich GCC states to provide a sort of assistance fund for Bahrain and Oman," which again is similar to what we saw two years, a year and a half ago in the beginning of the uprisings, the proposal for a \$20 billion fund for those two countries. That was floated about.

There was also, back in 1981, discussion of a monetary union. The idea of a Gulf "dinar" had been around since the mid '70s. Kuwait was a big proponent of it at the time. But of course economists thought given the current economic climate, again 1980-1981, that that probably wouldn't be occurring right at that moment, a monetary union. Again we talk about the same thing today, given the current economic climate that we have right now.

Perhaps most interesting is that the United States back then had proposed in 1980 the use of a "rapid deployment force" in the Gulf and the GCC states did not take an immediate opinion on that. What they said instead publicly was that they did not believe that foreign countries should have basing access on the Peninsula or in the region. They did not object to a military presence and they did not explicitly or publicly object to a U.S. military presence in the Gulf. They simply didn't want troops

or bases stationed on their soil. I'll let you draw your own conclusions with parallels in recent years.

Some of these analyses discuss a fascinating thing which is that, so you had a revolution in Iran that toppled the Shah. And the countries that became the GCC states were certainly worried about revolutions spreading throughout the region, which was a very real concern back then. But even more than that, they blamed the United States for not supporting the Shah enough, and they felt that the United States could have saved the Shah and kept him in power if it had wanted to and tried to. So there was a lot of hurt feelings over the U.S. involvement or position regarding the Shah before he fell from power.

But I think the most interesting analysis comes from The Economist from right after the February summit in Taif, where the GCC signed a defense pact. This was the prelude to the announcement of the Gulf Cooperation Council. And in that The Economist draws the conclusion that this defense pact that led to the creation of the GCC, it's a new strategy to maintain the stability of the regimes, to improve the income of Saudi, and this is considered a Saudi initiative, the living standards of average Saudis to prevent further political disturbances.

It was the idea of the elimination of the threat of any popular government taking over power in any of the states by means of close coordination between the security forces in those countries. And they matched it up with a number of initiatives that the Saudi government was taking at the time to provide low-income housing and to provide greater subsidies to its own people.

So those were the analyses of the time. I'm not offering my opinions of whether I agree or disagree with them now, that was what people thought. That's what they considered. Those were the ideas being floated around. But again, today when we talk about GCC union we have the same problem where a lot of people don't understand. They are unsure of why this is being discussed or floated or proposed. And to lead towards my conclusion, I know this is a lot of a lot to take in and a lot of talking so I'll try and be kind to the audience here.

The opinions that you read today and the analyses about this proposal for GCC union, there are a lot of them. both negative and positive views. A number of the newspapers in the GCC have been running editorials that are quite positive and you also get a lot of dour assessment of this proposal. What you read in some of the more negative reviews, the more skeptical opinions, about this union which I thoroughly disagree with, but it's important to at least acknowledge their presence, is that the idea of a union is nominally a gesture directed against Iran but in fact the idea comes from the fear that popular uprisings could spread into the Gulf. Again we saw that opinion in The Economist's view from 1981.

Secondly, a lot of these more negative opinions say there's no need for a union because if as the GCC says that the laws, institutions, the religious and social

practices of each state will continue to be respected then why do you need anything more than what you have now in the GCC Secretariat?

And third, kind of browsing through the range of negative opinions that you read out there, you read that Saudi Arabia is advocating for this union, King Abdullah is, but the people, the publics of these societies haven't bought into this concept and there's been no efforts trying to get their accession. You can sum all this up by a joke that a friend of mine makes that, "Some people borrow money they don't have, to buy things they don't need, to impress people they don't like." And that's what a lot of these negative opinions if you want to think of them sort of as what they're kind of commenting on. I disagree with those things quite vociferously.

Iran certainly poses a threat to each of the GCC states and certainly there are concerns about Iraq after the U.S. withdrawal and the instability in Yemen and these states have those fears and those are fears that cannot be ignored. And union is about more than just military and security cooperation. There is a Peninsula Shield Force. Clearly the idea of proposing a union involves more than military defense and security issues.

Secondly, the GCC Secretariat would have to undergo a lot of changes in order to create a union, and that's true and that will involve a lot of organizations, institutions that in theory could impinge upon the national sovereignty of these countries but I don't think that necessarily has to be the case at all. And there's no reason why these individual states have to abandon their consultative councils or the sort of progress they are all making towards greater participation, political participation. They all have made steps, albeit modest in some cases but significant in others, and there's no reason why that has to be abandoned by GCC union.

And third, even if you did not have a GCC union even, if that never comes about, the Secretariat is going to have to develop more robust institutions, more standing committees, more of a permanent presence just to manage the high level of activism they're already involved in and the high level of activity that Secretary General Zayani is accomplishing right now, very ably, I might add.

So just to finish off, I would note that I think the important thing is that, yes, King Abdullah supports this. King Abdullah supported sort of a more robust role for the Peninsula Shield Force a year and a half ago and again he supported a few months later the concept of inviting Jordan and Morocco to join the GCC and now he is supporting the idea of a union or a greater confederation of sorts, whatever that form will take. The commission that was assigned to study the union proposal hasn't publicly issued a report.

So King Abdullah is searching for something. He is searching for an answer to a question he has and I don't know if he's found his solution yet. We'll see what happens. But if this doesn't work, if a union isn't the solution that he's looking for, then what's the next step? Where do you go from there? These are certainly three

different approaches that have been floated and if it's not the end, then what is? Secondly, what confidence-building measures can Saudi Arabia take and what concessions is it willing to make in order to get the buy-in from its neighbors and from its partners in this venture? And third, what can Saudi Arabia or the GCC more broadly do to convince its citizens of the benefits of a union, of the tangible benefits of increasing their cooperation.

So that's all I have to say, thank you very much.

XXX

[Mr. Andrew Rabens] Thank you, Dr. Anthony and let me begin by saying I am truly humbled to be on a panel with this distinguished group of practitioners and also in the room with this group of experts and fellow practitioners as well.

I am currently the Special Advisor for Youth Engagement at the State Department in the Bureau of Near East Affairs, Office of Public Diplomacy and Public Affairs. I have been in the State Department for about four years focusing on youth engagement for that time, first in the Office of the Under Secretary for Public Diplomacy, then in the Bureau of Africa Affairs and now in the Bureau of Near East Affairs. And I was asked to come today and give some of the youth perspective, the youth demographics that we're up against in the Gulf and the MENA region at large.

So I'd like to focus my time today on three areas. One being, I want to discuss the kind of environment that we're operating in from the youth perspective. Two, I want to showcase some of the best practices, tools, programs, and infrastructure that the U.S. Government already has in place in the MENA region and in the Gulf. And then three, I want to take advantage of all of you being here and brainstorm — and this will bleed into the Q&A section — and start talking about how we can better tackle some of the youth related challenges that we face in the Gulf.

But let me begin very quickly by saying that at State Department and the U.S. Government as a whole, we've been trying to make the case more recently that youth engagement is not just a demographic box to check but a powerful means, a powerful vehicle of tackling your key foreign policy priorities. About a year and a half ago the State Department launched a youth engagement, a youth policy framework that produced a document that was released last summer. They also then created a new Global Youth Issues Office at the State Department that's spearheaded by a young 24-year-old youth activist named Ronan Farrow, and the Secretary has backed up her interest with action this past February, February 25 in Tunis gave remarks where she said, "Young people are at the heart of today's great strategic opportunities and challenges, whether it's building or rebuilding the economy, combating violent extremism, or building sustainable democracies, youth are at the forefront of these issues."

And while she was talking in a global context in Tunis, these issues apply even more acutely, I'd argue, in the MENA region and in GCC countries as they're trying to deal with repercussions of the Arab Spring, underlying demographics, current economic conditions, culture, and fast-moving change. Yet there are incredible opportunities and challenges. So let's dive right in.

Current engagement environment. Ms. Williamson referenced earlier, the massive youth demographic. Sixty percent of the world is below the age of 30. Sixty-five percent of MENA populations are below the age of 30. High levels of school enrollment have taken place and high levels of graduate rates have taken place in recent years in the MENA region. Positive development. I think the U.S. Government, including many of the folks in this room, can pat themselves on the back a little bit in terms of helping to spur that along. But the problem is that trends in the youth labor market haven't kept up with the rising graduate rates and the rising education rates. Brookings estimates right now that about 20-30 percent of eligible youth workers in the MENA region are unemployed. In places like Algeria, Iraq, Yemen, we're talking 40-50 percent of eligible youth workers are unemployed. In places like Bahrain, one of the GCC countries, a number we keep hearing, that a number of youth grads, very qualified, youth graduates of college remain unemployed.

So it creates a critical gap between expectations and opportunities. Many of our youth contacts in the field are doing the right thing. They're going to school. They're getting an education. They're working hard. They're graduating. They're trying to enter into the labor market. They're trying to enter into the political process and the jobs just aren't there. But it's not just that the jobs aren't there, because if you don't have jobs you probably don't have a living wage. You probably aren't going to be able to move out of your parents home. If you can't move out of your parents home well you might not be able to court the person you're trying to date and get married. If you can't get married you're probably not going to have kids. Can't get kids? Well you're probably not going to move to the next transition of adulthood.

So it creates this immense, understandable frustration, heightened instability, and also the real potential for exploitation from external factors — Al Qaeda in the Arabia Peninsula and other external forces. So there's a U.S. imperative, a critical U.S. interest in tackling this gap between expectations and opportunities.

Similarly, we're making a hard pressed effort at our embassies throughout the MENA region, in the GCC, to find out, to work with our youth contacts and to find out where that mutual interest lies. Are you all familiar with Venn diagrams from high school? You've got your big circles — so you've got your circle of U.S. interest. Then you have your circle of young, GCC youth interests and those are found through your coffees, your relational meetings, your contacts, your built up relationships over time. And then there's that sweet spot in the middle of those two circles where those are the interests that are overlapping, and that's the area we're really looking to play ball in in.

We're looking to team up collaboratively and move forward together. And in places like Saudi Arabia or UAE, Bahrain, wherever else, where it's imperative that the government is involved as well. Well maybe you have a third circle below. That sweet spot becomes a little smaller, but we still have plenty of room to move forward collaboratively, to play ball in.

Some of the current engagement tools. I'm going to make the case that State Department has a number of powerful tools in its quiver. We have programs and exchanges broken into two categories. Our bread and butter programs are Fulbrights, our international visitor leadership program exchanges, our "Yes" exchanges for high school students, our Middle East Partnership Initiative young leader exchanges, and our access English language scholarships. We work in 15 NEA countries and train over 11,000 students annually in English.

I found out recently that Dr. Anthony actually was, he and his wife, were early Fulbrighters out in Yemen and I'm sure had a significant role in terms of building people to people capacity in relationships there.

And then we have our innovative new programs. Programs such as Tech Women and Tech Girls that bring young women in the tech business to Silicon Valley or New York for summer internships. Programs such as youth entrepreneurship summits like the one we had last year in Istanbul and in the future upcoming in December there's going to be our big entrepreneurship summit in UAE and we're hoping to have some sort of youth component there as well.

There's an effort to have a global youth jobs alliance. We're having a Coca-Cola partnership this summer for a number of college and graduate students from the MENA region. So a number of programs, innovative new programs, that we're trying to push forwards.

We also utilize alumni. Alumni of these exchanges go back to their home countries and then we try to utilize them and help them move forward in their respective fields. And then finally, from a State Department programmatic standpoint, we're trying to launch youth councils, youth councils at our embassies throughout the world and particularly in the NEA region. And the idea here is that over time we've built up this amazing "Rolodex" and contact list at our embassies through State Department, USAID, Defense Department, our political and econ sections, our public diplomacy folks. And now we're trying to really bring them together, interconnect youth that we know, interconnect youth that may not know each other from different embassies or different countries around the Gulf and around the MENA region, and have them actually advise the ambassador, advise our country team on programs, on needs, on the way in which we can better effect their lives through programmatic aspects.

And I'd like to just close by raising some other youth engagement challenges I mentioned earlier, and Ms. Williamson did as well — the massive youth

demographic and unemployment issues and that critical gap between expectations and opportunities. But there are many others in the Gulf right now. Booz and company did a really nice report that came out recently and they noted a few of these. The high cost of living, the lack of affordable housing, dissatisfaction with the education system in certain countries, low participation in community development and volunteerism, discrepancies in gender expectations. Women in the Gulf in GCC countries seem ready to lead, ready to take on positions of power and influence and it's a question of whether those men in all cases are ready to allow them to come into the fold. So how do we address those? Also, the entitlement culture. There's an entitlement culture for exchanges that we find in terms of trying to foster more exchanges to the United States.

So in conclusion, the GCC has immense opportunity to harness the creative and economic potential of this youth demographic. As was mentioned by Dr. Aburdene earlier, as Gulf countries try to transition from that oil-based economy into that knowledge-based economy, your youth are the source of inspiration, innovation, experimentation. They can be the next Bill Gates, the next Mark Zuckerberg, the next Jack Dorsey at Twitter. How do we reinvest in Gulf countries and partners in that youth demographic, so that we're taking a positive dividend from this youth demographic? I really look forward to the Q&A portion and again thank you so much for allowing me to be here.

\*\*\*

[Professor Robert Sharp] Thank you. Good morning distinguished speakers, partners and guests. Thank you also to the National Council for the invitation and also for the bringing together of such an informed group.

The NESACenter, where I work, has been honored to partner with Dr. John Duke Anthony for some time now. He is a distinguished academic and a regional expert, with whom we enjoy both a professional and a personal relationship. We always welcome the opportunity to come here to speak and hear views.

Today I'm going to speak not on behalf of the Government of the United States, nor the Department of Defense, nor the NESACenter, but for myself. And in deciding what to say, I've gathered views and opinions from my colleagues where I work and also from Ambassador James Larocco who is our Director, previous U.S. Ambassador to Kuwait, who has spent 35 years in the region and his experience has helped me in drafting these words.

I've been asked to speak about defense and security with respect to the U.S. and GCC interests versus Iran. The so-called Arab Spring, the January 2012 U.S. Defense policy pivot and the threat from Iran provide unequalled opportunity for the GCC right now. I posit that this is now a time a formal strategic relationship, a formal strategic dialogue between the GCC and the U.S.

I wish to talk about the Arab Spring because Iran is exploiting it. I want to talk about the strategic context derived from the January 2012 U.S. defense policy pivot in the Indian Ocean region because that presents the GCC opportunities, too. I also wanted to share my views about what the GCC can and maybe should do relating to Iran and also for regional security.

So Arab Spring. Arab Spring is a transition unprecedented since the European Spring of 1848 in my view. For the region, there's not been a single moment in history that has presented so many challenges but also so much opportunity since the end of colonization. And these changes are affecting leaders and institutions across three dimensions nationally, regionally, and globally. And we see change that is moral, physical, and conceptual.

These changes extend to other countries inside Europe, also to China, Russia, the U.S. and also Iran. I believe that we're not seeing an Arab Spring, Arab transition or Arab awakening. It's none of these things nor is it exclusively Arab. What I believe we're seeing is a global human transition whereby people are pressing for their rights in a manner unprecedented in recent history. We've seen demonstrations across the globe.

The human transition so far has tended to focus on the Arab world because arguably that's where the gap between the have-nots and the haves is the most alarming. It's also where most positive change can and should be found as better governance emerges. So for me, it's all about freedom. Freedom from suppression and freedom for a better future for our children. Through the transition, the U.S. has discovered it has less influence, less directive power, and less effective information gathering in the region than some might have hoped, a matter that I think Iran is exploiting.

History will determine whether the U.S. response to Arab Spring was too much, too little or about right, not the current army of commentators who largely report superficialities and intend to predict the future in terms of sound bytes about sound bytes. I mention this because I believe the multiple messages emulating from the U.S. is confusing to people in the region.

Let's talk about the US defense policy pivot. What concerns Washington today is the policy strategy match, irrespective of who's in power in the White House and irrespective of the threat. So what has changed are the means available, the resources and the capabilities. We therefore need to change our ways in order to do more with the same, or even less, resources. We need more partnerships. The Administration's January 2012 priorities for 21st century defense, defense guidance, demonstrates this point. It refers to a strategic pivot into the Indian Ocean region in order to and I quote, "focus on the broader range of challenges and opportunities including the security and prosperity of the Asia Pacific." Now the chokepoints of the Bab el Mandeb, Suez Canal, Strait of Hormuz, and the Strait of Malacca together with a rise of both India and China means the Indian Ocean region will become the globe's busiest and most important trade interstate. India and China are rising

powers and will likely wrestle for control of the region in order to protect the flow of resources to their increasing populations. Most of these resources come from the Middle East.

World energy consumption is set to rise by 50 percent by 2030. Those of you who have read Robert Kaplan's book "Monsoon," will remember that he states that 40 percent of seaborne crude oil passes through the Strait of Hormuz in the west and 50 percent of world merchant fleet capacity is hosted at the Strait of Malacca in the east. So the U.S. approach, the new U.S. approach does not pivot the U.S. out of the Middle East, it pivots the U.S. into the Middle East and thus into the Indian Ocean region.

It also focuses more on action rather than sustainment, and in effect, the U.S. in my view is transitioning from a policy of confrontation to one of engagement and deterrence. This policy emphasizes building partnership capacity through assisting neighbors and partners.

The rising economies of India and China will help all. A rising tide lifts all boats and that analogy can be applied to regional economies but also to regional stability and security. Iran is threatening that stability and security. And if you want a U.S. view, listen to the statements of the President, not the sound bytes of the alleged experts. We have no issue with the Iranian people per se. We have issues with the regime and we will not allow Iran to gain nuclear weapons. So please focus on our values and interests for they will not change. And a read of our national security strategy over the last 10 to 30 years will prove that fact.

OK, what can the GCC do, what should the GCC do? GCC partners will be asked and supported to do more. The GCC is perfectly positioned. Today the opportunities for defense sales are arguably higher than ever before because the region is more volatile than ever. The GCC has progressively advanced in terms of structure and mission over the decades but only with the onset of new and significant threats to the members states in recent years, like Iran, and successes, like Yemen, has it truly galvanized as an institution to address a range of issues and strengthen utility. Political and financial unity is still a distance away.

The GCC can and maybe should do the following:

Deter. And Iran is a clear example of the GCC banding together as a defense pact to deter Iranian meddling, expansionism, and aggression. From political statements, to integration of air defense, the deterrence role of the GCC is a grouping that's expanded dramatically in recent years. Looking to the wider Indian Ocean region, that expansion can continue to occur in strategic partnership with the U.S.

The GCC can help counter Iranian influence and the asymmetric threat through things like effective command and control, a consultative structure among defense

ministers, secure communications networks, shared military intelligence, and of course an integrated air missile defense shield.

Stabilize. Yemen is a good example of stabilization with the added benefit of reducing Iranian meddling. The GCC stepped up with political influence and persuasion. It is clear that the GCC has a variety of tools to draw on and use as necessary and they can do more. A future case for stabilization may be Syria. The GCC states in my view see the Syria situation as rapidly destabilizing and clearly linked to Iran. The GCC increasingly seems to support stabilization measures to support the opposition. The GCC role in any such measures will be of great importance.

Assist. The GCC role in leading the Friends of Yemen is well known, and the Friends met in Riyadh yesterday [May 23]. Development is key in Yemen but also in other key countries in the region to counter radicalization and to counter the Iranian narrative. I believe a similar multilateral role of assistance may be called for in the case of maybe even Egypt and certainly Syria.

This leadership role is natural and welcomed by struggling states. The GCC has also launched a different kind of assistance effort that's more about sustainment with Jordan and Morocco and more on that later.

Mediate. The GCC role in resolving disputes is taking on greater urgency in recent years, whether by member states working through the GCC Secretariat or in support of international institutions like the Organization of the Islamic Conference, the Arab League, the Istanbul process for Afghanistan or the UN for Syria. The GCC has shown readiness to play this role in regional issues and the U.S. welcomes and encourages this.

Outreach. The GCC has expanded its horizons by welcoming Jordan and Morocco as having a special relationship with this institution. While I do not see membership in the future for these two non-gulf countries, I do believe the special relationship could be better defined and expanded for the benefit of the GCC and of the nations concerned.

Membership. Sustaining stability, economic viability, and political coordination may call for Yemen to be admitted as an associate but not full member of the GCC. Attending relevant, or maybe even all, meetings. Yemen is the only country on the Arabian Peninsula not in the GCC. And Iranian influence in Yemen by the Houthis appears to be growing.

Observer status and agreements. The GCC has maintained dialogues with the U.S. and the EU for years. In the case of the latter, these dialogues have been regularized with moves to develop a variety of agreements. It is now time to establish a formal strategic dialogue between the GCC and the US that will contain a list of baskets for discussion leading to some form of some formal agreements.

I look forward to your questions. Thank you.

\*\*\*

## QUESTIONS AND ANSWERS

[Dr. John Duke Anthony] Now for the Q&A session and discussion. Again if you don't have a 3x5 card hold your hand up and if you do and you have written a question, also hold your hand up and I'll do my best to cover as many of the questions as have been submitted that were not directly addressed or even indirectly addressed by the members of the session here. Let me read them in terms of a group of five or six so that the speakers can begin thinking if they wish to make a point or comment here.

How can sovereign wealth funds be used to advance GCC interests?

What is the likelihood of GCC countries having to lessen their oil exports due to increased domestic demand in the coming years?

A missile from Iran could strike the UAE in minutes. With the acquisition of advanced air defense systems such as those that have been purchased in recent years by the UAE including the Patriot missile defense, is this enough to deter Iran? If so how is it enough; if not, what else is needed?

Can you explain the situation in Yemen in terms of US interests and how and where are they aligned with GCC interests given the steadfastness of the GCC as a whole, in terms of their unwillingness to admit Yemen as a full member? Professor Sharp touched on this somewhat.

What types of jobs will be needed to absorb the youth bulge, that Andrew, you addressed, in recent university graduates.

Will Iran enrich it's nuclear material up to weapons grade and have a Japan-like position in a role of some ambiguity but also increased capacity or is this a little more than a rouse to keep the GCC and the United States on its toes in reacting to Iranian needs, concerns, and initiatives?

What is the likelihood of the proposed GCC federation coming to fruition and what are the positions of the GCC members regarding this Saudi Arabian initiative?

These are excellent questions. Perhaps, Odeh you want to have a crack at the one about how can sovereign wealth funds be used to advance GCC interests but the others are welcome to comment as well.

[Dr. Odeh Aburdene] I want to comment on what Joshua said. What are the motives for a GCC union? I think the economic reasons are very compelling. Saudi Arabia has the largest GDP in the region and if you have a totally economic union that could provide more investments in certain countries like Oman and Bahrain, you can have people from Kuwait going to a larger market like the Saudi market, the same thing for the UAE. So I think economically, it makes sense to have an economic union. And it would be beneficial for everyone.

Big markets are good. They create more opportunities. It could help in the case of Bahrain. Bahrainis could cross over to Saudi Arabia and work. It's only a matter of 45 minutes. As far as the GCC, the sovereign wealth funds have been independently operating. There's no coordination between SAMA or the Abu Dhabi Investment Authority or the Kuwait Investment Authority. However, if there is an economic union and they can pool their resources to create new industries, they have resources. The challenge now is really how to create a labor force that is talented, that is skilled, that's innovative. First you have to have a good education. Secondly, you have to have a wider market. And a GCC market is bigger than an individual market. So I think in the area of new technologies, new investments, for example, in the area of transportation, a lot of innovation is necessary. And if this innovation is actualized, it would be used in America, it could be used in China, it could be used in Japan, it could be everywhere.

So I do feel with the challenges education, encouraging, private entrepreneurs, the states in the region are making efforts to go after clean energy, green energy, but I would like to see individuals, I like to see people become like John D. Rockefeller. As I said before we have traders but we don't have really industrialists. When you look at the region, except for the national oil companies we don't have any multi-national Arab companies. You don't -- despite the \$2.2 trillion -- I do not see a global Arab investment bank. You have Kuwaiti banks, you have Saudi banks, you have Omani banks, you have Bahraini banks. So there are plenty of opportunities to become more of a global player in the fields of finance, in trading and in venture capital. I would like to see an Arab Microsoft and a Mark Zuckerberg. That's the way ahead. If you really want to create jobs, if you want to eliminate unemployment, it has to come through industrialization, innovation and it has to go beyond just exporting oil.

[Anthony] Thank you. What is the likelihood of the GCC countries having to lessen their oil exports due to increased domestic oil demands in their own economies in the next ten years? Perhaps Molly, you and Randa have a whack at that.

[Ms. Molly Williamson] It is the case now that the oil producing countries are using more of their revenues and more of their own commodities in order to develop their economies to build infrastructure and develop jobs and relevant education. As Odeh pointed out there is a growing skills gap in the region. The people who are unemployed and the jobs that are needed don't have a good match. And so there is more and more attention being put to creating those institutions that will fill that gap and that means more and more of the oil revenues going to these institutions and these infrastructure needs and more and more of their commodity being used to fuel the growth of these economies. That has in turn produced tremendous effort on the parts of these same governments to come up with alternative fuels, alternative opportunities. Randa just went through a wonderful itemization of the alternative fuels efforts, the renewables efforts that would also have the impact of putting, leaving more of the traditional hydrocarbons in the marketplace, so that the

very tight supply and demand equation that the world is looking at can have a little more stability and a little less volatility in the marketplace.

So the governments recognize that these are at risk and that the needs are growing and that it is essential to create that skills bank that will make it possible for the young people to have opportunities, to have jobs, to have a better infrastructure with which to work.

[Anthony] Randa, do you want to comment?

[Ms. Randa Fahmy Hudome] Yes. Just a note. If we were to look ahead ten years from now it is very difficult to say what the price of oil is going to be. My guess is that it is going to be nowhere near what it is now, which is over \$100 a barrel. It makes economic sense if you are producing oil, to export it, to get the most you possibly can for the exact reasons Molly was taking about, to be able to fuel your own internal economy. I think in the next ten years the renewable energy industry will take off like wildfire in the Middle East. And what you will see is the replacement of the renewable energy field not only to diversify the economy to provide jobs for the youth and to provide the energy resources. Remember, oil, petroleum, gas is a finite resource. At some point they are going to run out. And the better they are prepared for that the more likely they'll be successful in the future.

[Aburdene] I think renewable energy will lengthen the life of the oil resources so it is in the interest of the GCC countries to have oil last for 200 years instead of 50 years. Therefore when you look at alternative energy resources it is an opportunity for you to make investments that will give you a return on capital and that will also give you a new source of energy.

[Anthony] Thank you, all three. Perhaps one would go to you, Bob. A missile from Iran could strike the UAE in 40 seconds. In other GCC countries, probably longer. With acquisition of advanced air defense systems such as the Patriot, is this enough to deter Iran? And, if so, how so? And, how do you read the Iranian annual seaborne exercises in the area of the Strait of Hormuz and their increased capacity at special operations, namely undersea activities, as much of the GCC's offshore energy structure is indeed beneath the waters? Professor Sharp.

[Dr. Robert Sharp] I think the solution is an anti-air missile defense shield. Iran does pose a threat. What Iran will do and where it will do it depends on where Iran sees the weakness. It won't necessarily try to attack targets people think they will attack. It will probably go for the ones that would least be expected. I can't talk in environments of a classified nature in terms of specifically the threat, but I think my earlier comment will stand alone.

As far as what Iran was doing with exercising, it was being provocative and trying to stir up trouble. In so doing it is attempting to destabilize the region to determine some form of reaction and fragment the group of countries that are currently lined

up, arguably, in opposition to their expansion efforts and their meddling and aggression. I think that the solution is some form of air defense shield. I believe Iran is trying every dirty tactic it can to generate some form of reaction to give them an extra day to continue to progress the process towards gaining nuclear weapons.

[Anthony] Joshua would you like to add something?

[Joshua Yaphe] Absolutely. Not to that particular issue, but I would address the other question on the likelihood of GCC union? There are a number of issues where there are clear reasons for greater cooperation, information sharing, combined action. You have issues of human trafficking and drug smuggling in the Gulf. You have issues of how to deal with questions over legal approaches to defining citizenship and naturalization. They all have common interests, common goals in these areas for the most part.

Health care and the environment, health tourism, which is a big issue in the Gulf. But also it's a common environment. Certainly if Iran accomplishes its goal of a nuclear program there are environmental issues related to that, that all of the GCC nations are going to have to confront and terrorism is always an issue where greater combined effort is welcomed and necessary.

So then you can conceive of a number of institutions that would be valuable to grow out of the GCC Secretariat whether as stand-alone brick and mortar centers or as informal cooperative mechanisms. And then you can imagine more concrete efforts. There are articles earlier this year suggesting the GCC ministers of interior had discussed the need for a common police force or gendarmerie, maybe not a police force in terms of domestic policing sense, local policing sense, but in terms of more a gendarmerie, like you would get in Europe as an attachment to Peninsula Shield.

So there are many different gradations of union that can exist, many different gradations of cooperation beyond what already exists. And I think all those things will occur at some point, will progress at some point. How long that is, how long that takes to get there? I don't know. But the Article Four of the GCC charter is very clear that the ultimate goal of this effort is union, is unity. So at some point down the road, I wouldn't be surprised if there is a real political pact. Thank you.

[Anthony] Thank you, Joshua. Andrew what types of jobs will be needed to absorb the youth bulge and university graduates.

[Andrew Rabens] That's a great question. I think if we knew that we would take that and apply it to the U.S. first then export it out to the Gulf. But you hit the nail on the head. That's the golden question. And I would kind of triple track it, if I was advising one of the governments.

You have to first try to find where are the emerging markets? Some of the panelists here have touched on it. You have your tech sector. You have your renewable

energy sector, transportation sectors. Where are the potential job markets that are going to be there 20-30 years down the road? The places where country leadership wants to start investing today? Then I think you have to start, regardless, reinvesting, expanded investment in your early and higher education programs.

I think that there is an element, you know we talked about the next Mark Zuckerberg, the next Bill Gates? Do you remember what college did Bill Gates graduate from? What college did Mark Zuckerberg graduate from? They didn't graduate college. Or maybe they did way down the road.

These guys as freshman and sophomores in school already had the mental capacity and the technical capacity to start companies that were going to have incredible global reach and impact. So we're talking about, I think there's a piece of that that is the inquisitive question inducing thinking. You know, how do we apply programs and I think that we wrestle with this in the United States as well, but how do we get students at early ages to start asking those questions, to start applying, being a little bit arrogant in their thinking and starting to try things in an entrepreneurial fashion on their own?

So both from an early Ed and a higher Ed stand point, and finally, again I think as Ms. Williamson mentioned, it's finding the mismatch currently with jobs and skill sets. There's clearly at least at some level a gap between where jobs are in the Gulf and current skill sets so how can we provide some immediate vocational programs on the ground. I think State Department and the US Government does some of that already in the field but how can we work collaboratively with the government on a larger scale to try to find where those gaps are and then to build skill sets for either current recent graduates or frankly for graduates who are older who need the transition skill sets.

[Anthony] Yes, Odeh.

[Aburdene] It is missing in the region. Bill Gates and Steve Jobs and Mark Zuckerberg and Larry Ellison, when they began their research or their inventiveness, there was capital. There were people who were willing to risk that capital. In the Middle East, you don't have this capital. People are willing to buy a hotel. People are willing to trade or represent Toyota or Mercedes Benz.

So we need to create an environment where you have, Arabs are talented as anyone else and what is lacking in the region and I see it -- there are many American Arabs who have great ideas and would like to go back but you don't find risk capital. Here, there is plenty of risk capital and that's where the jobs have been created in the last 40 years, hundreds of thousands of jobs.

So that's why I keep saying, you know you have to come up with risk capital. Capital is available. The banks are very liquid but very little money has gone to back

entrepreneurs and venture capitalists. And that's where I think the US can show the way.

[Anthony] Let me get back to the GCC-Iran fears of threats, intimidation, attack. None of the speakers on the energy portion of this discussion brought in or made reference to another country in the Middle East already having nuclear weapons. And when we call, or others call for a nuclear-free, nuclear weapons free Middle East environment, somehow the eastern end of the Mediterranean doesn't come into focus as such. And to posit that, were Iran to obtain this capacity, despite our opposition and opposition of others, what would likely be the scenarios of other countries in the region feeling they had no choice but to do the same?

In other words, if your neighbor has obtained a shotgun and you don't have one, would you be wise or unwise if you did not also obtain a shotgun? Perhaps Professor Sharp could have first whack at it and then Randa and Molly because when you worked on the energy questions, you had the nuclear file?

[Sharp] That's a really hard question. There's a wonderful book by Kissinger who talks about the fact that we are at a place in history where for the last 60 or so years, we have not used the weapon of maximum effect. And that we have refrained from doing that because of the balance of possession of that weapon.

If Iran gets nuclear weapons, then clearly that balance changes. You know Kissinger talks about lots of little nuclear wars. I think that's why we are saying we do not want Iran to have nuclear weapons. We don't mind nuclear technology. The UAE is developing it peacefully through an IAEA process. That's fine. But we do not trust the Iranian regime.

So I think a scenario of Iran gaining a nuclear weapon will lead to a world very different than the one the day before they got it. And unlike maybe the restraint occurring in countries like the US, they're probably going to try and use it somewhere. And then all bets are off.

[Hudome] This is a big issue. But on the IAEA issue, which I worked closely with when I was at the Department of Energy that was under the international portfolio. I think they've proven themselves to be a very legitimate international organization in not only monitoring this but being able to solve some of the crises as we've seen. If we believe what we hear, there is some sort of breakthrough in Iran.

Iran's the most difficult nut to crack, but I do have to say this, I mean who gets to decide who has nuclear weapons or not? We do. Who's we? The United States. Of course under the auspicious of agreement of the whole international community but we are the superpower.

Now, where we see this run into problems of course is when we enter and we bring Israel into the equation, which I think everybody knows has nuclear weapons. And

you have Egypt next door who's pushing the nonproliferation treaty, saying we're going to sign it, why don't they sign it? The whole, "If the neighbor has it, why don't we have it?" You have some overriding issues in the region there but I think the ultimate question, India-Pakistan. Look at it. All across the region, North Korea, is the question of who gets it, why do they get it? And who gets to decide who gets it or not?

I do think there is a comprehensive agreement around the world that you cannot let nuclear weapons fall into the hands of people and leaders that are not stable ergo, the programs we've had to take weapons of mass destruction out of dictators hands. Iraq, Libya and others.

[Williamson] I think we're talking about a very delicate and messy kind of situation. A great deal depends on how people view the intent to acquire nuclear expertise, sophistication, perhaps capability, perhaps even develop weapons grade material, perhaps even develop weapons, perhaps even develop delivery systems capable of putting those weapons on a target.

The analysis of intent is a very difficult challenge that every capital on the planet has to deal with. How do you know what you can trust in terms of what is stated by any capital? And if there is not trust, then there will be continuing deep suspicion as I think we're seeing now globally with respect to Iranian intentions.

Iran claims it does not seek nuclear weapons and the world claims it does not want Iran to have nuclear weapons. So, the space to negotiate is how can the world be satisfied that Iranian stated claims are in fact their goal and their behavior? And how do you guard against the possibility that in simply saying it does not seek nuclear weapons, it is not in fact buying time in order to develop that same technology and capability. We're playing with fire, they're playing with fire. It's a very, very dangerous time. And that has put an extra burden, an extra weight, on having the IAEA and its monitoring and inspection teams have access.

If in fact we have some greater access, that's what's going to be necessary to test that intention question. And it will not be something that can be done once and everybody goes away, but it has to be continued monitoring. And this means evermore intrusive access, that's a difficult thing for many countries, not just Iran, to tolerate. And it's very difficult for the rest of the world and in particular, its neighbors to say, "Oh well, OK, now we trust."

That's what's at stake. It's not easy, it's not going to be easy, it's maybe never going to be easy.

[Anthony] This question is for me, I believe. Why did this concept of pursuing greater union of and within the GCC occur at this time, and in Riyadh, and articulated by King Abdullah? My answer would be the following.

One, that the fact that it came forth from Riyadh makes it itself by definition more important than if it came from any other of the GCC capitals simply because of the weight of Saudi Arabia. Simply because Saudi Arabia is the one GCC member whose borders are adjacent to all the other five GCC members and none of the other GCC capitals have that particular position.

It's also about the size of Saudi Arabia's economy, the fact that it is a major regional power and has 13 borders. It has been a cofounder of more than a dozen regional, sub-regional international organizations. And that it came from King Abdullah perhaps merits the following as a consideration. Here's an individual in terms of all of the sons of the late King Abdul-Aziz, the founder of the modern third Saudi Arabian state. His father married the widow of one of the most powerful chieftains in the kingdom that had opposed the Al Saud and so this one son of Abdul-Aziz knows more than any other the power of tribal and marital unification. Indeed marriage is the quintessential institution of unification.

Thirdly, that particular tribe of his mother had branches, has branches elsewhere outside of the kingdom. In Bahrain, in Kuwait, in Syria, in Jordan and Iraq, to a powerful extent that does not always go acknowledged by the media. Another aspect of it is that when the Caliphate of the Islamic world headed by the Ottomans came to an end in the 1920s, many Muslims worldwide were aghast that for the first time in nearly half a millennia, there would be no Caliphate. There were those who urged that his father give serious and favorable consideration to at least being a nominee or a candidate for the Caliphate. But his father wisely refused out of recognition that the duties of a Caliphate for what is now almost a quarter of humanity are enormous. And massive and pervasive as they were he realized that just administering Saudi Arabia itself and its expanded realm would almost be beyond any mortal's reach. But now we're in 2012, the world is profoundly different and the role of the king of Saudi Arabia being the Custodian of the Two Holy Places, which are the epicenter of prayer and pilgrimage of faith and spiritual devotion. So between a fifth and a quarter of humanity have placed upon the Custodian of the Two Holy Places greater opportunities and challenges and possibilities than ever before.

And related to that is that from 1962 onward, he knew every American Secretary of Defense from the Administration of John F. Kennedy, straight through to the present. And as the head of the Saudi Arabian National Guard which was melded on the backs of the country's most prominent tribes, perhaps no one else in the Saudi Arabian government has personified what unification can do, can be, and entails. On top of which, there are the mounting problems of Syria, the mounting problems of Iraq. No Arab head of state has more deserved credentials of trust and confidence in Damascus and Baghdad than King Abdullah of Saudi Arabia.

To be sure, there are the ongoing problems between Kuwait and Iraq but Saudi Arabia's support for Kuwait in those claims is of immense importance. To be sure, Yemen is the place of extended massive pervasive turmoil that Professor Sharp

alluded to, but no country among the GCC countries has been more extensively and intensively involved in Yemen than Saudi Arabia. No other GCC head of state is fully aware of the implications of Yemen having 135,000 villages of fewer than 200 people. And when you have fewer than 200 people in a village you have no school, you have no electric power plant, you often do not have a water system or sewer system, and your roads are not exactly paved. So Saudi Arabia's investment and involvement in Yemen exceeds that of all the others combined.

And with regard to the UAE, Saudi Arabia stands fast with its opposition to Iran's ongoing occupation of three UAE islands. So there are all of these forces, factors, phenomena that came together in 2012 that give insight and perspective on why them, why Saudi Arabia, why Riyadh, why King Abdullah.

In terms of the last few minutes that we have, regarding the question of unemployment that was touched on by several speakers here, how does one approach even resolving if not resolving ameliorating, if not ameliorating then better managing this problem that does not apply to Kuwait or to the Emirates or to Qatar, but it does apply to Saudi Arabia and to Oman and to Bahrain, where you don't have a system yet of the minimum wage, where you don't have a regional labor exchange, a unit that lets Omanis know of jobs in Kuwait. And Saudi Arabians and Omanis and others have worked outside of their country in the past generation. How does one see this domestic stability, the youth bulge, the unemployment and the ongoing quest for security and stability, these being the keys to peace and prosperity unfolding? A last comment from each of you would be welcomed. Who would go first, Odeh?

[Aburdene] Just to go back to the idea of a GCC union, all you have to do is ask a Kuwaiti, "What happened when Saddam took over Kuwait?" If it wasn't for the Saudis, if it wasn't for King Fahd, if it wasn't for Saudi bases, we as Americans could not have kicked Saddam out of Kuwait.

So it's a lesson that many of the GCC countries realize that ultimately, in terms of their security, a close relationship with Saudi Arabia is necessary.

[Hudome] I would just say that these countries can benefit from something that we can benefit from here in the United States and that's something called vocational training. You know we're talking about we're studying how young people today really aren't getting great educations at colleges and universities and I kind of believe that. Where does anybody really get any good experience when it comes to employment? It's in practical experiences. And so I think any kind of vocational type of training and actual practical experiences, internships if you will, can actually provide practical training for some of these youth in the areas in which they will hopefully and eventually work

[Williamson] I'd like to underscore Randa's point there. I think it is essential that the world of industry have a strong voice in this matter. It has to be consulted. It's going

to be the employers. And when industry says, "We need this. We need the following 27 sets of skills that we're short of here." Those need to be acknowledged and met. And so I would call for a strong cooperative programs to be established with industry as partners so that they can have the skill sets that they're looking for and that people who can get the training have jobs instead of merely the expectation that they can look for work.

[Sharp] I'd make two points and I would make those points directly at leadership. And I would say first of all share the wealth -- locally, nationally and regionally because the differential between haves and have-nots is enormous. And secondly, lead, don't rule. Create opportunity and enhance the human capital.

[Rabens] I'd just add again I think it's the emerging markets, it's early-higher Ed, it's vocational training and then even, I think countries for the immediate term can artificially stimulate and deal with some of the unemployment issues. Figure out from a leadership standpoint, I mean we do this in the US. Where are our needs right now? Where do we want to reinvest? Is it in roads? Domestic infrastructure? Is it in particular sectors of the economy and then have the government help to supply the short term jobs or help incentivize your youth down particular paths and skill sets to help create those jobs for the future.

[Yaphe] There's certainly overlapping competencies that can contribute to each other's good. In Qatar, you have a lot of the mechanisms for developing good vocational programs like the Qatar Foundation. And Sheikha Moza's efforts to work with consultancies from the West to develop those programs has been phenomenal. And in the United Arab Emirates you have a lot of creative thinking of how to get young people into training and into apprenticeship programs so there's a lot of ways that these different countries have approached the problem and a lot of ways that they can contribute to each other's solutions. And so I think there's a wonderful opportunity there for them to work together

[Anthony] Thank you. In closing, one person slipped a note to ask that I remind the audience that among the other forces that compelled the GCC to come into existence when it did, were the Soviet invasion of Afghanistan, barely at an hour's flight away from Muscat to Kabul, and of course the reaction and chaos and uncertainty and turmoil occasioned by the Iranian revolution when the Shah, so to speak, hit the fan in 1979. But also less noted were the functional individuals, the unsung, non-political leaders in the GCC region who sought to have a center place for the cooperation on standards, weights, measures, specifications, on electricity grids, on transportation issues, civil aviation, water issues, food processing, food and health issues. These too have been longing for a headquarters of some kind and they all came together then.

1979 was a year like no other year in the Middle East with the Iranian revolution, the hostage taking of Americans, the seizure of the Grand Mosque at Mecca, the

quadrupling of the price of oil as the turmoil continued in Iran and also unrest in Yemen and the conclusion of the Camp David Treaty and those implications.

Here, you have all of those still, Afghanistan, and you have Yemen again but you have Egypt also and the unresolved issues of the Arab-Israeli conflict in terms of Jordan in terms of Palestinians first and foremost in terms of illegitimate needs, concerns, rights, and objectives.

This is the end of this session. I've learned a lot, I hope you have as well. Thank you for coming.

<end>