

U.S. POLICY AND THE INTIFADA: HURTING U.S BUSINESS INTERESTS?

**By
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NOVEMBER 30, 2000

Several weeks ago, Gulf Wire asked its readers if they would share information and insight, whether empirical, anecdotal or otherwise, as to what extent, if any, the Intifada has harmed or is likely to harm U.S. business interests in the region. In response, Gulf Wire's publisher, Dr. John Duke Anthony, who has been in and out of the GCC region and Arab North Africa since the Intifada began, filed the following report.

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Summary: Despite U.S. efforts to downplay the effect of calls for an unofficial, popular Arab boycott of U.S. products in support of the Palestinian Intifada, evidence mounts that the boycott is having an impact. Statements implying that decisions by individuals not to purchase American goods and services hurt only or mainly their Arab franchise holders are not going unchallenged within the region. A variety of Arab and American business representatives view such statements as indulgences in denial and a misleading spin-doctoring exercise. The statements overlook the fact that almost all such franchises are held in partnership with American investors. They ignore the damage to the image of American products in the eyes of consumers. They fail to take into account the possible long-term impact upon children who have yet to purchase anything but who learn in school that to patronize an American product is wrong. They do not weigh the implications of Arab leaders' reluctance to hype new business deals with Americans, including some worth billions that might otherwise have reached successful conclusion by now. And they do not acknowledge the blow the boycott has dealt to many who had counted on new marketing strategies to increase market share and enhance brand identity.

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[November 30 - GCC region] Is popular reaction to the Intifada hurting U.S. business? The answer, yes and no, is far more the former than the latter. Following are arguments in support of both propositions.

YES, THE BOYCOTT IS HURTING BUSINESS...

The evidence or at least a set of indications, a mixture of the factual and anecdotal, is as follows:

(Thursday- November 30) Following are summaries of conversations in recent days with representatives of major American corporations with agencies, franchises, and distributorships in the region. Point one: [From the CEO of a major U.S. hi-tech corporation]: "We are not putting our company's placard on either the doors or the exterior or interior walls of the building we're in." Comment: For reasons of not wanting to attract the attention of uninvited visitors with potentially hostile intentions, a proven marketing means of projecting and reinforcing one's brand name to the public is being foresworn.

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From Fast-Food to Slow-Moving Food to No Food

Point Two: "[A major U.S. fast-food chain's] volume is down 40%" since the boycott began. Point Three: A different American fast-food chain has posted signs in the windows saying that it is 100% locally (i.e., not American)-owned.

Point Four: [Manager of yet another U.S. fast-food restaurant]: "My business is way down." The reason: "Expatriates have stopped coming. They leave work and either stay home or go to non-American establishments instead. Comment: It is presumed, but not confirmed, that the customers who are staying away do not want to be seen patronizing an American establishment that they think may have been targeted for protest.

Alternatively, it may be that such stay-aways have chosen, in this rather low-key but highly symbolic way, to show their support for the boycott. Many see this as a means of expressing solidarity with their Arab counterparts, friends, and colleagues who, like them, are dismayed at the ineffectiveness and insensitivity of U.S. policy since the Intifada began. As one American CEO said to me, "What our government is doing is wrong."

Whatever the reason, all agree that, as a direct result of the Intifada, sales of American goods and services in numerous commercial sectors are down. Last week, the trend picked up significant momentum. Absent any turnaround in American policies or positions, the trend is likely to continue and, possibly, accelerate.

Point Five: In what is one of the largest foreign markets for American vehicles, a prominent U.S. automotive dealer recently advertised a major discount campaign in the hope of attracting buyers. An astute local citizen observer pointed this out and told me, "This is the first time in history that anyone can recall that company offering a discount on anything. It's an indication that its profits have declined, and this is its way of trying to boost sales. There is no other reason. The company is desperate."

Point Six: An Agence France Presse Report from Dubai, UAE, on Friday, 24 November, had the following to say. "Leading scholars in the Gulf have urged people to boycott hundreds of U.S. products ranging from Big Macs and Coca-Cola to Calvin Klein and Levi jeans in support of the Palestinian Intifada. ...A list carrying the names of hundreds of U.S. products to boycott was ...distributed at schools, shopping centers and other establishments throughout the Gulf, notably in Qatar and the United Arab Emirates. The detailed three-page list included U.S. cars, health care,

hospitals, clothes, cosmetics, food, restaurants, computer hardware, and electronic goods. ...U.S. restaurants will lose millions of dollars if boycotted."

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Painful, Yes, But No Choice But to Stay the Course

Two years and going on three months - that's how long it has been since key Saudi Arabian leaders met with the heads of major western energy firms. The meetings, with reason, were hailed as a major breakthrough for both sides. The firms were encouraged to submit investment proposals for mutually beneficial projects in the Kingdom's energy sector. Within a year, more than half a dozen among the companies invited to do so did submit proposals. Their CEOs came to Saudi Arabia to present them to the Kingdom's decision-makers in person.

As both sides were entering uncharted waters, everyone recognized that the process would not be rapid. Few had any idea of how long it might take. Not only that, but neither side envisioned that other, far more pressing issues would intervene. No one in either camp imagined that the price of oil would have spiraled as high as it has.

Neither did either side anticipate that there would be a new Palestinian Intifada, one quite different from the 1987-1991 uprising that produced the peace process that now lies in tatters. Nor did either of the would-be partners factor into their calculations that the Israeli and U.S. response to the Intifada would cause such widespread, and mounting, damage to American goodwill throughout the Arab and Islamic world.

No one will deny that the effects of the Intifada have massively distracted the attention of the Kingdom's decision-makers that supported the energy investment initiative. As one who is close to them said to me, "Given their responsibilities, how could anyone expect them to have spent their time these past two months other than they have? They've got their priorities right. There's no question that numerous other pressing issues have had to take a backseat to what we are facing nationally and regionally as a result of the Intifada."

U.S. and Arab leaders in the Kingdom agree that, for reasons owing to the heightened anti-Americanism stemming from the Intifada, and the U.S. government's response to it thus far, now is not the time to formally or informally announce or hype any mega-business deal involving U.S. companies.

In this context, the heads of multi-national energy companies that have been waiting in hopes of being able to close on such ventures find themselves in a quandary. For the most part, they have two choices: either to continue to wait, for no one knows how long, or forfeit the game and leave. The cost of the former option, everyone agrees, would be substantial. But the potential costs of the latter option are reckoned as significantly greater.

Knowledgeable Saudi Arabians have made clear what, in their view, a major part of the second option's cost would be. The company that opted to choose this course of action would not only be dropped immediately from further consideration. It would not be invited to compete for future business

opportunities once the Intifada ends, as all envision that, some day, sooner or later, it will. One CEO told me, "Once we got the message about the importance of staying no matter what happens, we ran it up the corporate ladder for a response. We're staying."

Thus far, it appears that all have chosen to stay the course. One of the stalwart CEOs who has been around longer than the others, and who, as a result, knows the Kingdom quite well, mused about some of his colleagues who are new to the game. He acknowledged that the experience for them is unprecedented and that the cost has already far exceeded what they had envisioned. In a conversation we had recently, he said, "I honestly don't know what they do here all day. The Intifada is cause enough for them to have no choice but to wait and to realize that they may have to continue to wait, perhaps indefinitely."

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A local newspaper report at the time of Secretary of Defense Cohen's visit last week to Saudi Arabia commented on a supposedly pending \$2 billion sale of U.S.- manufactured air-to-ground missiles for the Kingdom's F-15 aircraft, an unspecified number of armored vehicles, and other defense equipment. The implication was that any such sale, or sales, if and when they occur, would not be announced any time soon. The atmosphere is not receptive. The moment is not propitious. The necessary goodwill is absent.

The day after Cohen left the region, an official of one of the GCC countries asked me, "Does he really believe that we are likely to do as before in response to his requests regarding Iraq? He and others might find us in a better frame of mind if the United States were to insist that the UN resolutions against Israel be enforced."

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"Time is Money"

In Kuwait, numerous commentators have noted for quite some time that a significant component of the Parliament is becoming more and more nationalist and anti-western. In this regard, of particular concern to western business interests is that a sizeable number of deputies remain strongly opposed to proposals that western energy firms be allowed to invest in Kuwait's northern oil fields.

The proposed venture's advocates continue to argue that the move would benefit the country in numerous ways. For example, it would strengthen Kuwait's deterrence against a revanchist Iraq. It would generate a substantial inflow of capital. It would further Kuwait's stated goals of obtaining greater access to advanced technology, training, and human resource development. It would facilitate entry to foreign markets for the anticipated near-term increase in the country's oil exports.

Opponents don't dispute these points. Instead, they take issue with the fact that, in their view, the Kuwaiti Constitution prohibits foreign ownership of the country's natural resources. This concern was expressed before the onset of the Intifada. Compounding the situation since then, however, are new voices that question how in good conscience could one even

consider such a proposal at the present time in light of western unwillingness to support the Palestinians in their struggle against the Israeli occupation.

American and other countries' oil corporations, meanwhile, continue to wait. Their hope is that the parliamentary imbroglio, together with the fallout from the Intifada, will pass.

In the interim, the matter is one of no small consequence for those to whom time is equated to money. It is a concern of no less magnitude for those to whom time misspent is regarded as a "lost opportunity" cost, one that, eventually, must be accounted for, and not just by auditors, but, also, by shareholders and others, including would-be investors. Here again would appear to be an indication of where the Intifada, in providing a new stimulus to an already existing delay, seems to be giving reason to prolong the postponement even further into the future, with who knows what greater cost as a result.

But whether the additional rationale in support of delay is more strategic than tactical remains an open question. A reason why some believe it may be more of the latter than the former is that, in comparison to other GCC countries, the call for a boycott of American products is believed to have wrought less commercial damage in Kuwait than elsewhere. For example, in a front-page report published in "Arab News" on November 28, an executive from Kuwait Food Company (Americana) that holds franchises for fast-food firms in the region like Kentucky Fried Chicken, Pizza Hut, Hardee's, and Baskin Robbins, said, "the drop is now small, maybe five percent or so."

But if some trends affecting U.S. business interests are being portrayed as only modestly down, it would appear that another trend of equal if not greater concern is on the rise. For example, membership in militant anti-western, and especially anti-American, groups in Kuwait, from the perspective of some, seems to be growing.

Another way of looking at the same phenomenon could be that Kuwaiti government efforts to apprehend such militants are becoming increasingly effective. In recent weeks, the government has twice uncovered and arrested local citizens who were caught with illegal possession of weapons, explosives, and detonators.

For these reasons, as well as for what was revealed in the course of their interrogation, it appears that the suspects had decided to become militant towards Americans and other westerners. What is uncertain is whether their militancy is rooted in the angst of Arabs practically everywhere over what is happening in Palestine or in a more macro-focused condemnation of much that is associated with western ideas and values.

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In the United Arab Emirates, there appears to be a different twist to what many acknowledge to be a slowed momentum on the business front. In recent days, all have welcomed Shaikh Zayid's return home via London after an extended period of convalescence following a kidney transplant operation in the United States.

The evidence to hand is anecdotal, but many cite Shaikh Zayid's prolonged stay abroad as reason for the recent slowdown in overall commercial activity. What other reason could there be, some ask, for the lowered business tempo in what, according to a host of different criteria, is reckoned far and wide to be one of the most robust economies in the GCC region and in the developing world in general?

The same reason is given for what western business representatives and local financial analysts report as having been lengthy delays in UAE government payments on accounts due. And they cite the same factor to explain what some say have in many cases been payments for only half of what is owed.

But what in other times might have seemed a credible explanation, for reasons owing to the UAE head of state's absence abroad, is in this instance being interpreted also as the consequence of other factors. These, in the eyes of some, are the palpable feelings among government bureaucrats and others of a lessened sense of urgency, or obligation, to address the pressing payment needs of western corporate claimants as rapidly and routinely as in days past.

One financial and corporate analyst long resident in the UAE expressed this sentiment as follows: "Why," he asked, "should they rush to accommodate westerners at this time? Why, especially, when the policies of western governments toward the Intifada, and what these individuals' corporate management may or may not have done to influence their elected representatives, quick as they are to condemn the Palestinians, leave much to be desired?"

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Delays in Investment

An additional perspective by an official of another GCC country's government is worth noting. This individual said to me, "All of us, for quite some time, have been hoping to be able to attract increased foreign investment. This is certainly not being helped by what potential investors see as regional uncertainty and the potential for instability. They're alarmed by the popular reaction to what is happening in Palestine." The official added, "What we're finding out is the saying that 'capital is a coward,' certainly in our case, is true."

But, in fairness, not all of the delays on the business and investment front within the GCC region can be attributed to the Intifada. And thus far, it is an encouraging sign that no one is claiming this to be the case. Everyone recognizes that the much hoped-for repatriation of the more than \$400 billion in GCC private sector moneys invested abroad has been slow to materialize for a host of reasons. Until recently, none of them had anything to do with the tragedy that continues to be visited upon those resisting the Israeli occupation.

Even so, for those who are already hesitant to embark upon a new initiative for one reason or another, it is only human for them to seize upon additional reasons for caution. It is in this context, in the wake of all the questions and doubts raised by the Intifada, that the prudence of Arab

capital owners who have been unwilling to repatriate their investments takes on new meaning.

One longtime analyst who follows such matters closely had the following to say. "Unless these investors see the near certainty of a risk-adjusted return on their money of from 12 to 15 percent, which they can continue to earn abroad by sitting tight right where they are, they see no sound business or financial reason for changing course."

This, then, is yet another window on the different ways in which the Intifada is having an impact on individuals and institutions whose business is business. The uncertainties occasioned by the Intifada have given many would-be investors valid additional reasons to hold fast to what, even before the Palestinian Uprising, for the overwhelming majority, was an extended "wait-and-see" attitude.

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From yet another perspective, it could be said that an official agency in one GCC country, in a report issued two weeks ago, indirectly acknowledged the impact on investment stemming from continuing concerns about the questionable near-term prospects for sustained regional stability. The report, in what was clearly an effort to strike an upbeat tone for the benefit of would-be investors, stated that the country had been able to attract roughly \$1.2 billion in new foreign investments in the past year.

However, some critics pointed out that what was just as important, if not more so, was what the report did not say. In so doing, they did not make light of the fact that \$1.2 billion in new investments was achieved. Instead, they noted that the sum fell short of what some earlier press reports had projected would be as much as \$100 billion in new investments.

The critics, in fairness, do not appear to have done their homework. Glossed over was the fact that the higher figure was one that was believed to be possible only over a much longer period of time. In addition, it is important to note that all of the figures upon which the report was based dated from long before the Intifada began. Indeed, the figures predate the round of meetings among President Clinton, Israelis, Palestinians, and Syrians over the past six months.

Even so, it will be interesting to see to what extent, if any, inward foreign investment flows for the period since the report was issued have increased or decreased. In the event that inward investment figures for the second half of this year turn out to be lower than those for last year, few would doubt the reasons why.

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There are still other insights into things that are not happening on the trade and investment front that many people had hoped would occur. One of them is the following. A major bilateral private sector organization whose members include numerous prominent investors has postponed indefinitely what would have been two major conferences. The reason: popular opposition to U.S. policies in what were to have been the run-ups to the events.

The first meeting was to have taken place at the time of Operation Desert Fox in December 1998, when, for a period extending over several weeks, U.S. fighter aircraft and cruise missiles bombed Baghdad and other sites in Iraq. The bombings were in retaliation for Saddam Hussein's violations and other acts of defiance against the UN sanctions in force since his country's invasion and occupation of Kuwait. The second one was to have taken place this past September around the time that the Intifada erupted.

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Yet another dimension of the overall impact of delayed domestic and inward foreign investment as a result of uncertainties associated with the Intifada is as follows. As one analyst put it, "Without such investment, it's unlikely that they will be able to meet their strategic economic targets. These are two-fold: one, to create jobs, and two, to generate an annual gross domestic product (GDP) increase of 4 to 4.5%, or any level that is higher than their population growth rate. If they fail to meet these objectives, income per capita will continue to decline and, with it, so will economic and a host of other opportunities."

The analyst continued: "If they are unable to make steady progress on these two fronts, sooner or later there will be a social cost. Most likely, it would take the form of instability of one kind or another. That, in turn, would provide many would-be investors with all they needed as reason not to invest. Viewed in this light, the effect of the Intifada is multi-faceted. It is definitely hurting business and economic development opportunities in the short-term. No one doubts that, if it continues, it will have a negative effect on their medium and longer-term planning as well."

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Pupil Power and Kiddie Clout

Two major means of propagating and reinforcing the boycott message are the weekly sermons in mosques and daily classroom lectures throughout the region. The combination is rapidly instilling a degree of anti-Americanism at the grassroots that has not been seen in recent memory.

In both venues, the basic thrust of the message is, "How can anyone purchase anything American when the United States is doing nothing to stop the injustice in Palestine?" By word of mouth, by cell phones, and through pronouncements conveyed by preachers and teachers - in these and other ways, the unofficial boycott of American goods and services is gathering steam.

There is no doubt that information technology, and TV in particular, is helping to fuel much of the fervor. Widely publicized scenes of unarmed citizens toppling governments in Belgrade and the Ivory Coast through peaceful means, and pictures of people from all walks of life resisting the Israeli occupation in southern Lebanon, and now in Palestine, have not been without effect. In this instance, individually and collectively, they have had an exhilarating and almost spiritually uplifting effect upon many.

Further, and almost unprecedented in modern Arabian history, is the following. A significant decline in patronage of U.S. brand fast-food restaurants, and of innumerable other American goods on prominent display in

shopping malls, can be attributed in part to what, for lack of a better name, could be called "pupil power" or "kiddie clout."

Both phrases refer to the role that school children are playing in the protest against U.S. policies. Parroting their teachers and classmates, students of all ages are asking their parents not to have anything to do with this or that American product. Adults, echoing not only what they are hearing in mosques and discussing with their friends and relatives, but acting also in answer to their own consciences and not wishing to be seen as moral laggards in the eyes of their sons and daughters, are doing the same.

A few days ago, one parent, a prominent member of a GCC country's foreign policy-making establishment, told me the following story. "My wife and I went to pick up our six-year-old daughter from school to take her where we usually go for a family outing at the end of the week. As she climbed into the car, she said, 'No, Baba, we can't go there. It's an American place. What the Americans are doing in Palestine is wrong.'" He added, "If it is this way, down at her level, can you imagine what it will be like as she and her classmates grow older?"

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The Impact as Observed Elsewhere

Some American-brand eateries beyond the GCC region have been vandalized by those angered by U.S. policies towards the Intifada. A friend returning from Cairo told me of having seen the smashed-in windows at a McDonald's restaurant there. "It was awful," he said. Then he added, "It was also sad."

But then, again, what is sad for some may be seen differently by others. At least, for anyone wondering whether Egyptians may have lost their sense of humor, there is the following that appeared in a report by Reuters carried on the front page of "Arab News" on November 30. "In Egypt, opposition newspapers have published a blacklist of dozens of U.S. firms, including Pepsi Cola, because it said 'Pepsi' stood for 'Pay Every Penny to Save Israel.'"

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The same report noted that "professional associations and intellectuals in Jordan and Lebanon, both with large Palestinian communities, have said they would issue a blacklist of names of U.S. companies."

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Bahrain, too, has felt the impact. Latheef Farook, in an article titled, "Fast-Food Chains Feel Backlash in Bahrain," writes the following in the November 3 issue of the daily Gulf News. "The American fast-food chains here, widely popular among the younger Bahrainis, are beginning to feel the pinch in their business as public sentiment turns against the United States for what has been described as its blind support of Israel in the current wave of violence in the Palestinian territories. An operations manager of one of America's fast-food chains said yesterday that, 'Israel's senseless killing of stone-throwing Palestinians who are fighting for their

rights and the American government's support to Israel is certainly kindling the feeling of people here and having its own impact in our business.'"

Even in faraway Morocco, one can see and feel the impact. It so happened that I was there with my family for a visit that coincided with the first ten days of the Intifada. Two days into the uprising, we were driving from Marrakech to Fes, where the National Council on U.S.-Arab Relations has an Arab and Islamic studies program for American students. En route, we passed through a small village where a school had just let out for the afternoon.

In coming to a bridge that spanned a wadi at the edge of the village, it was impossible to continue as a mass demonstration of students and teachers suddenly swept onto the road. At the head of the procession was a teenage boy. Carried forward on the shoulders of his friends, he hoisted the Palestinian flag that was tied with strips of cloth to the end of a branch from a tree that, only moments before, had been put to service as the crowd's makeshift standard.

The village was nearly 3,000 miles to the west of Palestine. But in terms of the emotion expressed by the demonstrators who had taken to the streets -- there were none, it was a dirt footpath -- one for a moment could easily have thought that it was deep within Palestine itself. And had one asked any of the students and teachers who were demonstrating, they would have said that, in an important way, certainly in their hearts, it was.

A week later, I returned to Rabat, the capital. That afternoon, in the middle of the city, several hundred thousand more Moroccans joined hands to march in protest against Israel and the United States in what was the single biggest demonstration to have occurred anywhere in the world to date. Among other things, the demonstrators torched the Israeli and American flags and called for the closure of the Israel Trade Office. The call was heeded.

As matters stand now, virtually all the other Israeli Trade Offices that had been opened in the Arab world -- in Oman, in Qatar, and in Tunisia, and the reciprocal ones that were opened in Tel Aviv -- have also been closed. In addition, Egypt has recalled its Ambassador to Israel, and Jordan has delayed indefinitely the date when its ambassador to Israel will return to Tel Aviv. Of the 22 members of the League of Arab States, only Mauritania, an impoverished country that lies facing the Atlantic Ocean in one of the most remote regions of the Arab and Islamic world, retains full diplomatic relations with Israel.

All of these additional happenings in recent days and weeks can be considered collateral damage to the collapse of the peace process. Any attempt to arrive at a net assessment of the material damage they have caused should be calculated not only in the currency of commerce. It should also take into consideration that which is of value that has also been lost in terms of macro strategic, economic, and political interests, together with everything else that Arabs and Israelis, together with Americans, had invested in the cause of enhancing regional economic cooperation.

The amount of American investors' money that was co-mingled with Arab and/or Israeli funds in commercial ventures facilitated by the trade offices that have been shut down is unknown. But whatever the amount, the prospects for

forging new business ventures between Arabs and Israelis, which was the purpose for which the offices were established, have been placed on indefinite hold and, in that sense, constitute yet another commercial casualty caused by the Intifada.

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It is little different thousands of miles to the east. In Indonesia, in Malaysia, and in Pakistan, there have also been repercussions. These, thus far, have been mainly in the form of political protests through street demonstrations, almost all of them in support of calls for a boycott of Israeli and American goods and services.

In Indonesia, the potential impact on U.S. business interests has taken a turn that, thus far, has not been emulated elsewhere. Three weeks ago, members of a militant group went to a local hotel that is sometimes patronized by Americans. They demanded of the proprietor that he show them a list of all the registered guests and to indicate their nationalities. In the eyes of the proprietor and the hotel manager, who reported the demands to the police and the media, the clear implication was that the group intended to confront, and possibly harm, any Americans that were staying there.

The incident was widely publicized. The impact on the occupancy of U.S. hotel chains in Indonesia, and of other hotels that are ordinarily frequented by Americans, is not known. Neither is it clear as to whether the militants were acting solely or mainly out of anger at the alleged heavy-handed intrusion of the U.S. embassy in Indonesian political affairs in recent weeks, or in support of the Intifada, or, perhaps, a combination of the two.

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Then there is tourism, one of the mainstays of Israel's economy and a cornerstone of Egypt's and Jordan's as well. I have not seen figures for how far the tourism industry has fallen in Egypt or Jordan in the past two months. However, it would seem fair to say that the downturn in tourism that can be attributed directly to the Palestinian Uprising has to be substantial. If figures pertaining to tourism in Israel are in any way a guide to what may also have happened in Egypt and Jordan, it is worth noting that, according to a report published on November 27, the volume of tourism in Israel is down 40 percent since the Intifada began.

Some U.S.-based travel agencies have provided data on the impact on the tourism industry directly to GulfWire. The impact on many agencies and other specialized travel-abroad organizations has taken the form of having to cancel tours that, in numerous instances, had been planned for more than a year in advance. The Smithsonian Institution was one that announced the cancellation of its scheduled tour to Saudi Arabia several weeks ago.

One American tour operator shared with GulfWire the following. "Two trips to Morocco were cancelled for October, a trip to Egypt was cancelled, and the same for trips that had been planned for Syria and Jordan in November. The biggest blow has been to my office in Jordan. In two days I had over 800 cancellations - two full charters out of Ireland. I have had to lay off my Amman office employees. There is no work for them. We have also had

numerous cancellations from people who had planned to travel to Israel. The other offices I work with are hurting, too. This will affect our work for next year. We are toning down our programs - we have changed the focus to deal with in-bound tours to the United States from the Middle East just so we can keep our heads above water."

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Notwithstanding all of the foregoing, it is important to point out that not everyone who agrees that the boycott is having an impact has arrived to this conclusion from the same perspective. Quite a few, for example, believe that, in the short term, the "Boycott America" campaign is hurting local citizens more than anyone else. They note that almost all U.S. products and services are marketed in joint partnership with an Arab citizen in the country where the boycott is taking place.

True enough. But this perspective is valid only up to a point. In other ways it is flawed. For example, it fails to take into account a key commercial constant in almost all American-Arab franchise arrangements. That is, the American share of the profits in such a venture may remain the same, but there is little doubt that the profit to be shared will be less as a result of the boycott of what the company has to sell.

Even in such instances where a citizen operates a "wholly local-owned" American franchise, appearances can be misleading. That is, they may not reveal the fact that, in many cases, in order for local nationals to obtain the right from the American parent company to market their wares in such a manner, the local franchisee must first guarantee the American principals a certain volume of return on sales. Otherwise, they may not only not be able to obtain the privilege of exclusive title to the franchise's brand name, but, also, they may jeopardize their opportunity to retain it.

In this context, a widely accepted hypothesis is this: "When and if the boycott moves into higher gear, the sales of fewer and fewer American firms will increase, and the sales of more and more U.S. companies will decrease."

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"Bloody American. Filthy Yank"

The highly respected London-based daily, Financial Times, in its Tuesday, November 21 edition, leads into a report titled, "U.S. Faces Growing Public Hostility in Gulf States," by its Gulf Correspondent, Robin Allen, as follows.

"A westerner stops his car at an intersection in the Red Sea port of Jeddah, Saudi Arabia's second city and commercial capital, and a car full of young Saudi males draws up alongside. 'You American?' they shout. He starts to wind down the window to tell them 'no' but before he can open his mouth, rotten tomatoes, eggs, and insults are hurtling his way. 'Bloody American. Filthy Yank,' they scream and their car roars away to the noise of the screeching tires."

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Two Officials' Ruminations on What It All Means: Food for Thought

From the outbreak of the Intifada until the present, there have been innumerable pronouncements by high-ranking leaders and commentators of one kind or another. Viewed in the round, one statement among them stands out above all the others in the minds of American business representatives. It came in the form of a comment by Saudi Arabian Second Deputy Premier and Minister of Defense and Aviation Prince Sultan bin Abdalaziz Al-Sa'ud. The comment came as a "wake-up call" to every U.S. executive who read it.

The context was the significant region-wide public backlash that ensued in the wake of the U.S. Congressional vote of 360 to 30 on October 25 that exonerated and praised Israel while condemning and admonishing the Palestinians for their respective actions since the onset of the Intifada.

En route to making another point in a meeting with various media representatives, Prince Sultan said that American business leaders "are the constituents of Congressmen." Everyone in the Kingdom agrees that, in the recent history of the Saudi Arabian-U.S. relationship, such a statement, given the context, and even discounting for the fact that emotions on all sides were running high, was unprecedented.

Yet various analysts pointed out that the statement should not have come as a surprise. It was, after all, little more than an echo, a close paraphrasing, of what Saudi Arabians in very large numbers have been emphasizing to their American friends and colleagues ever since the Intifada began.

That is, articulated by one person to the next with only slight variations, an almost universal question that Arabs have been asking each other, and any American willing to listen, has been the following. "How can the United States behave so irresponsibly with regard to a matter of such great sensitivity to us, especially when so many of their interests are at stake?"

The sub-message, which Prince Sultan's comment helped to drive home, was one that no American official with whom I have spoken anywhere in the area thus far has sought to challenge. It was this: American companies' leaders have themselves and their elected representatives to blame in the event that their business interests suffer in this region as a result of the Intifada.

Coming from someone who has dealt with every American Secretary of Defense since Robert MacNamara, dating back to 1962 in the Kennedy Administration, Prince Sultan's comment was not only the quote of the week. It was seen by many in the Kingdom as "a word to the wise" from one friend to another in support of their and their companies' self-interests.

As evidence that he did not want his remarks to be misconstrued as some kind of threat or intimidation, Prince Sultan, in almost the same breath, made another statement that provoked less comment, but, in its attempt at lending balance and providing context, was just as remarkable. The gist of the second remark was that it is understandable that many might want to adopt an antagonistic approach to the United States at this time for its role in the collapse of the peace process.

But this, Prince Sultan cautioned, would be wrong. The better approach, he said, would be for Arabs and Muslims to try harder to win support among Americans for the Arab and Muslim point of view on the issues in dispute regarding Palestine. In a further attempt at striking a note of levity, he pointed out, "This is not the first time that a U.S. institution" has acted in such "a prejudicial manner."

For added context and perspective, the tone of Prince Sultan's remarks was very similar to the one that characterized a situation two years ago when he spoke with equal candor. The occasion was in response to the significant effort then exerted by U.S. defense leaders to persuade the Kingdom to allow the United States to use its air bases in conjunction with Operation Desert Fox.

That campaign, as noted, saw the United States, as head of the Allied Coalition formed during the 1990-91 Kuwait Crisis, mount an extended campaign in which Baghdad and other sites in Iraq were bombed in retaliation for Saddam Hussein's continued violation and defiance of the UN sanctions against Iraq.

Prince Sultan and other key Saudi Arabian leaders refused to grant the American request. In so doing, the Kingdom came in for a pounding by certain quarters within the U.S. media. Despite this, Riyadh stood firm. I remember one of America's top military commanders explaining the situation to me at the time as follows. "What he (Prince Sultan) did, in effect, was say to us, 'Look, we are your friend. Sometimes, friends have to prevent their friends from making a mistake. In this case, we saved you from what would have been a disaster. That's what friends are for.'" The American commander told me, "He was absolutely right. We were wrong. He called it as he saw it. In my book, that's the best kind of friend."

* * *

All of the above would appear to provide ample evidence of the damage that the Intifada, and U.S. and other foreign actions and attitudes in response to it, has caused to western and especially American commercial and economic interests to date. Yet there are signs afoot that the situation is hardly likely to remain static, and indications that, not very far down the road, there may be more damage yet to come.

That is, over-shadowed in the past week, in the sense that much of the media appears to have dropped all reference to it, is a sentiment imbedded in something else. The sentiment was contained in one of the two separate speeches that Saudi Arabian First Deputy Premier, Crown Prince, and Commander of the Saudi Arabian National Guard Prince Abdallah bin Abdalaziz delivered to the aforementioned OIC summit less than two weeks ago in Doha.

Prince Abdallah and the other delegates called for an end to the Israeli occupation and the establishment of an independent State of Palestine, with its capital in East Jerusalem. There was nothing new in this. Indeed, in so doing, he and his colleagues were largely giving added weight and support to what the League of Arab States had similarly called for in its heads of state summit, the first in ten years, in Cairo only three weeks earlier. [Here it is important to note that the Ministerial Council of the Gulf Cooperation Council countries - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia,

and the UAE - issued an identical call last weekend. The Council did so at its meeting to set the agenda for the forthcoming GCC heads of state summit in Bahrain that is scheduled for December 29-31].

However, in his OIC speech, Prince Abdallah went further than others in touching a spiritual and emotional chord that resonated throughout the entire Islamic world. His precise words were, "It is our duty to underline the need to break diplomatic relations with any country which transfers its embassy to Jerusalem."

Were such a scenario to materialize in the form of the United States relocating its embassy from Tel Aviv to Jerusalem, as the U.S. Congress has mandated, the implications for a variety of American interests would appear to be less than heartening.

Among U.S. strategic, economic, political, commercial, and other interests and arrangements that could be affected are those that range from regional stability and defense, to trade, investment, technology cooperation, and the establishment of mutually beneficial joint business ventures.

Observers and analysts in the region are not unmindful of what could happen in the event there were to be an American misstep on the Jerusalem issue in the period ahead. Not least among the implications, they believe, would be almost certain damage to American interests on a par with, and likely far greater than, anything that has already occurred as a result of the call to boycott American products on behalf of the Palestinian Intifada.

* * *

NO, THE BOYCOTT IS NOT HURTING BUSINESS ...

The evidence in support of the proposition that the "Boycott America" campaign can be equated to "much ado about nothing," or to, at least, much ado about very little, is spotty. One high-ranking official of a GCC country told me that he did not see a boycott being effective for the following reasons. "Look, regarding consumer issues, people are not suicidal. They are not going to buy an inferior product when they want the better one and they can afford it.

"The same, even more so, can be said for the millions of expatriates in this region. Many are from Africa or Asia. Large numbers of them do not necessarily identify with the Palestinian problem one way or another. The vast majority of them identify with what most affects their wallets and pocketbooks. What they are looking for is good value for their money. Their families back home expect them to make good purchases on their behalf. So the likelihood of a large segment of our population participating in any anti-western or anti-American boycott is less than many think."

* * *

A somewhat similar view was expressed in an article that appeared on page 2 in the November 28 edition of the Jeddah-based daily, "Saudi Gazette." Edgar C. Cadano, in a piece titled, "Boycott Not Very Useful - U.S. Embassy," reported that Kenneth R. Audroue, press attache of the U.S.

embassy, commented as follows on the call to boycott U.S. products in support of the Palestinian Intifada. "'It is best for [those calling for the boycott]," Audroue said, "to look into the ownership of the companies they are targeting since these could be franchised firms owned by Saudi businessmen. They may be hurting people they don't intend to harm unintentionally.'"

"'For us,' Audroue concluded, 'this is not a major issue. Personally, the boycott may only harm the small businesses involved in services, restaurants, and food firms that are franchised to a number of Saudi businessmen.'"

* * *

Conclusion

At the 12-14 November Organization of the Islamic Conference (OIC) triennial summit in Doha, Qatar, Iranian President Muhammad Khatemi called on the world's 1.2 billion Muslims to boycott any and all American goods in protest against U.S. policies towards Palestine. At the same meeting, the summiteers, representing the heads of state and other leaders of the 56-nation member body, unanimously called on the U.S. to be "humanitarian and honest."

The clear message to Washington officialdom, and to adherents of the Islamic faith everywhere, was that the U.S. government is being inhumane and dishonest. This has reinforced the view among officials and populace alike that, in their response to what is happening in Palestine, Americans are not only being untrue to their stated values and ideals. They are being morally unjust. The potential implication for U.S. business interests and possibly a great many additional interests, should the Intifada continue indefinitely, would appear to be self-evident.

As with many of the stories in the Middle East, the reaction of the Arab world to the Intifada is not being well told to Americans. The Administration's and Congress's actions and inaction on their behalf are doing more than creating a short term economic morass. They are complicating the already complex knot of defense issues and relationships in the Gulf.

A new generation in the Arab world -- growing up in the countries of America's coalition partners, not just nations many consider "radical states" or "rogue regimes" -- are being inculcated with a deep-seated anti-Americanism that three months ago did not exist. The rules and the stakes have changed for America's interests in the Arab world. One can only hope that Americans will come to understand it in time to correct the course or learn to accept the consequences.

Dr. John Duke Anthony, publisher of GulfWire, is President and CEO of the National Council on U.S.-Arab Relations and Secretary, U.S.-GCC Corporate Cooperation Committee. Both are non-governmental, non-profit organizations dedicated to educating Americans about U.S. interests and involvement in the Arab world.

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