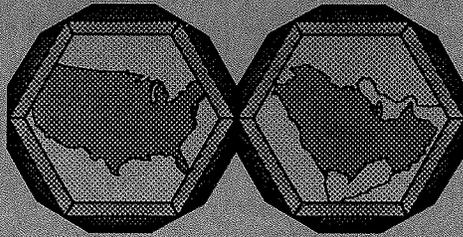


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# The Dynamics of GCC Summitry Since the Kuwait Crisis

by

**John Duke Anthony**

O C C A S I O N A L

P A P E R

S E R I E S

N U M B E R 2

# THE U.S.-GCC CORPORATE COOPERATION COMMITTEE

One of the most important, and yet least understood, international commercial relationships the United States has is with the six countries of the Gulf Cooperation Council – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. Although America has experienced overseas trade deficits overall in recent years, U.S. trade with the GCC countries has frequently yielded a surplus.

The U.S.-GCC Corporate Cooperation Committee is composed of major American multinational corporations. The Committee's objective is to raise American awareness of the benefits to the United States from increased relations with the GCC. The Committee seeks to improve understanding and appreciation of the Gulf Cooperation Council in the United States at the leadership level. It sponsors public affairs activities in the U.S. that inform American leaders and the public at the local, state, and national levels about the shared interests and common concerns among the U.S. and the six GCC countries.

The Committee pursues its goals of strengthening the private sector relationship between America and the GCC's member countries in meetings with high-ranking members of the Office of the U.S. Special Trade Representative and the Departments of Commerce, State, and Treasury. It also hosts gatherings where GCC country officials and business leaders can meet their U.S. counterparts, publishes informative booklets and issue papers, and sponsors a variety of other educational activities.

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# Foreword

The Gulf Cooperation Council, established in May 1981, is one of the world's most recently formed international organizations. Until the U.S. flag was hoisted atop Kuwaiti oil tankers transiting Gulf waters from July 1987 until March 1989, few Americans were aware of the GCC's existence, let alone its roles in regional and world affairs.

In the ensuing years, however, the GCC's pivotal position in matters of war and peace has become well known. Little wonder: the GCC countries possess more than half the world's energy resources and are the dominant players in the Organization of Petroleum Exporting Countries (OPEC). More and more Americans are therefore mindful of a single overarching fact that binds the U.S. to the GCC countries and vice versa – the GCC countries are the single most important source of America's energy imports, and the U.S. is the single largest consumer of the GCC countries' energy exports. A more natural, complementary, and compelling interdependence between the U.S. and the GCC would be hard to imagine.

Even if the GCC as an organization and coordinating mechanism for its six member states – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates – is increasingly well known to Americans, very few are aware of how the GCC actually functions. For example, only a handful of American specialists are conversant in what transpires at a typical GCC heads of state summit, in the GCC's strategic priorities and interests, or in the organization's needs and concerns.

The way in which the GCC operates and the agenda of interests and concerns to all the GCC members, addressed annually at the GCC's heads of state summit, is difficult-to-come-by information. To lend insight into these operations and agendas is not an easy task, but a necessary one in order to comprehend the rationale behind the GCC's and its member countries' decisions, positions, actions, and attitudes on a range of foreign policy issues. In this vein, the U.S.-

GCC Corporate Cooperation Committee is pleased and proud to offer a detailed account of what transpired at a major GCC Summit at a critical juncture in the organization's development.

The author of the monograph, Dr. John Duke Anthony, has endeavored to convey the actual proceedings of a GCC Heads of State meeting, in contrast to American media reports. He focuses on one of the GCC's most important summits – the Kuwait Summit of 1991, convened in the aftermath of Kuwait's liberation from the Iraqi invasion and occupation. The issues deliberated at the Kuwait Summit illustrate themes and trends which the GCC has addressed ever since its inception. He also considers the implications of various GCC policies and positions for U.S. interests and involvement in the region.

This is the second in the U.S.-GCC Corporate Cooperation Committee's series of Occasional Papers on the role of the GCC in regional and world affairs. It is hoped that the monograph, together with the broad range of other Committee activities, will contribute to the national dialogue on U.S. policies toward the GCC countries and toward a better understanding of the GCC. Interested readers are invited to contact either the Committee or its Secretariat with questions or comments about this essay or for information about the Committee.

**Ronald Pump**

AT&T

Chairman

U.S.-GCC Cooperate Cooperation Committee

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# The Dynamics of GCC Summitry Since the Kuwait Crisis

*by*

**John Duke Anthony**

Most Western media reports provide little more than sketchy accounts of the annual GCC Heads of State summit. In general, the accounts imply that the GCC is of marginal significance in regional and world affairs. Even one of the GCC's most momentous summits – held in Kuwait in the aftermath of that country's liberation from Iraq – was no exception in this regard.

Most of the press coverage focused only on a proposal to strengthen and expand the GCC's small joint defense force. Because the summiters decided to defer the proposal for further study, the media judged the meeting a failure. However, in so doing, reporters ignored numerous important issues that were addressed and several areas in which progress was achieved. This report, based on my having attended the summit as an observer, focuses on what most commentators either overlooked or downplayed regarding the meeting's agenda and its results.

The 1991 Kuwait Summit, like the 1992 and 1993 Summits in Abu Dhabi and Riyadh, addressed six broad categories of GCC interests and concerns: (1) Iraq, (2) intra-GCC affairs, (3) the "GCC plus two," *i.e.*, the six GCC states plus Egypt and Syria, (4) Iran, (5) the five permanent members of the UN Security Council, and (6) the goal of implementing the GCC's Economic Unity Agreement of 1981. To be sure, defense-related matters were discussed in each of these categories, but geopolitical, diplomatic, and economic considerations were also noteworthy.

### **Iraq**

The summiters dealt with Iraq both in general terms and with particular regard to Kuwait's concerns. The most prominent among the latter were: (a) repatriation of the many Kuwaiti hostages in Iraq; (b) compensation to Kuwait and other victims of Iraq's aggression; (c) demarcation of the Kuwait-Iraq boundary; and (d) full implementation of the UN Security Council Resolutions pertaining to Iraq.

Some Western observers were surprised and disappointed that the summiters were not supportive of the rebellions among Iraq's Kurdish minority in the north or its Shia population in the south. However, although clearly hoping Saddam Hussein will be removed from power, the GCC remains largely committed to the principle of non-intervention in the domestic affairs of another country and to perpetuation of the regional status quo with respect to the Gulf countries' national sovereignty, political independence, and territorial integrity.

Partly because of its own concern over Iraqi and Iranian expansionism and Iranian-fueled Shia radicalism, the GCC had supported these principles throughout the 1980-1988 Iran-Iraq War. The member states responded neither to Iran's insistence on "liberating" the Shia shrines of Karbala and Najaf from Baghdad's control nor to Baghdad's fueling of secessionist aspirations among the Arab population of Iran's southwestern province of Khuzistan.

Regarding the Kurds, GCC strategists argue that an independent Kurdistan carved from Iraqi territory would almost certainly presage similar quests by Kurds in Iran and Turkey. GCC leaders recognize that such a situation would portend far greater bloodshed and even more regional instability than has already occurred. Noting that Turkey's Kurdish population of 12 million is three times that of Iraq's and Iran's, the GCC is keen to see the territorial integrity of Iraq, Iran, and Turkey maintained.

### **Intra-GCC Relations**

The summiters spent much time discussing how best to prevent a recurrence of the invasion that occurred the year previously. At the GCC's December 1990 summit in Doha, Qatar, Oman's Sultan Qaboos had been appointed chairman of a GCC Supreme Council on

Security tasked with suggesting ways to enhance the member states' collective deterrence and defense.

At the Kuwait summit, Oman recommended that the GCC's modest 10,000 man joint force at Hafr Al-Batin in Saudi Arabia be expanded to 100,000 troops and that the force's command be rotated among the member countries. Oman's rationale for the proposed ten-fold increase in the force's size: an army equivalent in numbers to the much-touted Iraqi Republican Guard. Oman believed that a rotating command would enhance the level of commitment among the member countries and underscore, politically and symbolically, the collective security aspects of their respective defense efforts.

The summiters voiced only modest support for the Omani proposal and recommended its further study. The reasons embraced a range of opinions expressed primarily by the GCC's three northernmost countries: Bahrain, Kuwait, and Saudi Arabia. There is, however, a generalized lack of confidence in the usefulness of a force that would require quite an effort to establish.

Although Bahraini leaders voiced continued support for the GCC's joint force, they reasoned that even a significantly expanded force would be unlikely by itself to constitute a sufficient deterrent against any future threat from either Iran or Iraq, both of which have much larger populations and armed forces. Its strategists contended accordingly that a more credible framework for the GCC's deterrence and defense for the foreseeable future would be to complement the joint force by an intimate defense arrangement with the Allied Coalition countries.

Kuwait agrees with Bahrain, but arrives at its position from a different perspective. From the time of its independence in 1961 until the Iraqi invasion in 1990, Kuwait was second to none among Arab countries supporting the principle of seeking intra-Arab solutions to intra-Arab disputes. Kuwait's sovereignty, independence, and territorial integrity, however, have been threatened three times since its independence: in 1961, when the regime of Abd Al-Karim Qasim mobilized Iraqi armed forces in support of Iraq's claims to Kuwait; in 1986, when Iran sought to shut down Kuwait's oil shipments, lifeblood of the country's economy, by attacking its oil tankers; and in 1990, when Iraq invaded. In each instance, it was not so much Arab or Islamic, as Western, forces that countered the threat.

For Kuwait, the effect of these lessons has been to dilute its previous hope that inter-Arab, pan-Arab, or pan-Islamic efforts might be relied upon to resolve major Arab territorial disputes. Kuwaiti officials now believe that only a combination of its own substantially strengthened defense forces and the superior capabilities of Western, and primarily American, arms and political support are likely to protect it from future aggression.

These officials agree that a pan-GCC force will continue to have important strategic and symbolic significance. However, regardless of its size, equipment, defense systems, and overall effectiveness, such a force by itself could not substitute for an unambiguous commitment by the Allied Coalition countries to Kuwait's, and the GCC countries', defense.

Saudi Arabia was even more reluctant than Bahrain and Kuwait to endorse the Omani proposal. Riyadh's priority is to increase the size, equipment, and overall effectiveness of Saudi Arabia's own armed forces first. Although this, in itself, would take years, the Kingdom believes this approach to be more sound than augmenting a pan-GCC force aimed at deterring Baghdad, Tehran, or any other potential aggressor.

Individual Saudis acknowledge that a 100,000-man GCC force would mean numerical parity with Iraq's Republican Guard as presently constituted. However, they reason that by the time such a GCC force were created, the nature of the threat would probably be different. In addition, the size and composition of Iraq's force, not to mention Iran's, would likely be larger and different from their current makeup. Such calculations render dubious the likelihood of attaining parity.

Germany's and Japan's lengthy recovery from their defeat in World War II is hardly instructive. As oil-producers, both Iran and Iraq have the potential to bounce back much faster than either Germany or Japan had. Neither Iran nor Iraq needs to restore its industrial infrastructure in order to acquire arms. Once the sanctions are lifted, Iraq will be able to, and Iran already can, buy or barter oil for weapons from a host of willing suppliers.

From this perspective, Saudi Arabia is keen to increase its own armed forces from 70,000 to 140,000. The effort involved in meeting

this ambitious objective will preclude the Kingdom's simultaneous commitment to a ten-fold expansion of the GCC force.

Beyond the reservations of Bahrain, Kuwait, and Saudi Arabia, the summiters also deemed it prudent to weigh the implications of Iran's favorable reaction to Oman's proposal. This was in itself grounds for hesitation in the eyes of the many GCC leaders who believe that the greater long-term threat to the GCC is not Iraq but Iran.

Iranian observers at the summit lost no opportunity to argue that if Oman's proposal was adopted, the rationale for individual GCC countries' signing defense agreements with the U.S., Great Britain, and other Western powers would be negated. To all present, it was, and still is, self-evident that Iran strongly opposes such agreements.

An additional cause for concern by the GCC's three northernmost members is Iran's relationship with the GCC's three southernmost countries – Oman, the United Arab Emirates, and Qatar. In these countries, Iranian influence has traditionally and historically far outweighed Iraq's. In this context, how credible, various Bahrainis, Kuwaitis, Saudi Arabians, and others asked, would a pan-GCC force be if threatened by Iran, especially if the force were commanded by one of these three countries?

The basis for such concern among leaders of the GCC's three northernmost countries is not imagined. They are well aware that Oman has consistently acknowledged the strategic imperative of maintaining good relations with Iran which it faces across the Hormuz Straits. Muscat is also keen to avoid antagonizing a neighboring country that outnumbers its citizens by a ratio of 50 to one.

Regarding the UAE, the ratio of its population to that of Iran is the same as that of Oman. Moreover, three islands claimed by two of the UAE's emirates, Ra's Al-Khaimah and Sharjah, have been occupied by Iran since 1971. Numerous UAE defense officials acknowledge the potential for further Iranian encroachments in the future.

Qatar, too, has reason to be far more concerned about Iran than Iraq, not least because of the extreme disparities in population – Iranians outnumber Qataris by a ratio of 250 to one. Moreover, the fact that Qatar possesses the world's largest reservoir of

unassociated gas in its offshore North Field is potentially problematic. The field extends well into the Iranian side of the Gulf's median line boundary. This past December, Iran successfully drilled into the field for the first time.

Even though the two countries' record of cooperation has been commendable to date, the seeds nonetheless exist for a portentous and, in terms of power, vastly unequal dispute between them over production and development of the field in the future. Hence, in any conflict with Iran, depending on which GCC country would be commanding the pan-GCC force at the time, the credibility of such a force could be called into question.

### **Egypt and Syria**

A few days after the liberation of Kuwait, the GCC's Ministerial Council (comprising the six members' foreign ministers) and the foreign ministers of Egypt and Syria met in Damascus. Their purpose was to discuss how best to begin building a new Arab order. At the end of the meeting, the eight countries' representatives signed the Damascus Declaration.

The Damascus Declaration dealt with a wide range of issues and enunciated various principles as a basis for inter-Arab relations in the future. Spokesmen in Cairo and Damascus suggested that Egyptian and Syrian forces would be forming integral components of a Gulf security scheme. In so indicating, the spokesmen implied that the signatories had opted for a historically unprecedented concept: namely, that Egyptian and Syrian troops would be central to a *Gulf* security arrangement.

Since the spokesmen implied that the troops would not merely be assisting in a pan-Arab force to protect the six northernmost *Arabian Peninsula* countries, they provoked a rejectionist and condemnatory reaction from Iran. Tehran minced no words in indicating that it could not possibly accept a regional security arrangement that included two countries from outside the Gulf.

Iran served notice that it would not agree to an arrangement among signatories that neither consulted with nor referred to, but rather excluded, the country with the largest Gulf coastline and a citizenry more than quadruple in size to that of all the GCC countries combined.

Reassessing the implication of such an arrangement was awkward for the GCC. In the short run, it was also the source of critical comment by the media in Egypt and Syria. It was necessary, however, in order not to damage the GCC's strategy of engaging Iran constructively on as many fronts as possible.

Conceding the validity of Iran's concerns nonetheless had a positive side. It precluded the GCC's contradicting its previous support for Article Eight of UN Security Council Resolution 598 of July 1987. Article Eight called for a "comprehensive" accord, *i.e.*, a tripolar agreement among Iran, Iraq, and the GCC, on Gulf security. The Article's objective had been a cornerstone of GCC strategy since the Iran-Iraq ceasefire. It still is.

The scaled down prospects for the eight countries' collective defense cooperation notwithstanding, the Declaration's principles for governing inter-Arab relations in the future remain alive and relevant. Indeed, the GCC, Egypt, and Syria are all in agreement that inter-Arab relations in the postwar period must be restructured to preclude a breakdown that would allow a recurrence of the Kuwait crisis or any other threat to the post-crisis order that, over time, is expected to take shape.

By restructuring the *modus operandi* of inter-Arab relations, the signatories hope that the Arab League will be able to resume its previous role as a forum for addressing, ameliorating, managing, and possibly resolving inter-Arab disputes. However, for the above to occur, all are aware that either the League's Charter will have to be amended to incorporate a new set of ground rules, or the members will have to acknowledge, *de facto*, that the tenets of the Damascus Declaration or a similar set of new principles will govern their inter-relationships in the future.

More specifically, the Declaration's signatories agreed in Article One of the Declaration that the following principles of coordination and cooperation must be followed: respect for the territorial integrity of the existing Arab state system, the equality of sovereignty, the inadmissibility of gaining territory by force, non-intervention in other countries' domestic affairs, and commitment to settle disputes by peaceful means.

An additional principle, contained in Article One (5) of the Declaration, is that the region's natural resources belong rightfully

to the countries in which they are located. The "rich versus poor" issue which re-surfaced during the Kuwait crisis is thus addressed. Poorer Arab countries are uncomfortable with the implications of this principle. However, the GCC stresses that the principle is not new; it has been accepted by all Arab countries since the 1950s when the quest for sovereign control over their natural resources began to gather momentum.

### **Iran**

At first glance, the Declaration's principles regarding the proper ground rules and framework for future Arab inter-state relations may seem bland and innocuous. Behind the rhetoric, however, lie important ideas. Moreover, as the Kuwait summit made clear, several of the Declaration's principles apply as much to Iran, Israel, and potentially, to Turkey, as to other Arab countries. Indeed, the GCC insists that Iran, in particular, incorporate these concepts into its behavior toward the GCC. Without an acceptance of these principles, Iran will not have any prospect of securing the GCC's political goodwill or economic assistance.

The signatories agree that the principles applicable to Iran are: (1) non-interference in the domestic affairs of other countries; (2) peaceful settlement of inter-state disputes; (3) respect for international law and legitimacy; (4) recognition of existing, internationally recognized, national borders; and (5) "good neighborliness."

All five principles have been the antithesis of Iranian policies and actions toward the GCC for most of the period since 1980 and the onset of the Iran-Iraq war. In this regard, Kuwait's 1991 summit merely re-emphasized the consensus of previous summits, especially the 1987 summit in Riyadh which posited a set of minimum standards for Iran to manifest in its relations with the GCC.

Concerns about Iran continue to run deep. Especially objectionable are: (1) Iran's strident denunciation of the GCC's reliance on Allied Coalition forces to build a more credible system of deterrence and defense in the Gulf; (2) Tehran's continuing intrusion into the domestic affairs of other countries, *e.g.*, Lebanon, increased support for religious extremists in Afghanistan, Algeria, Iraq, Sudan, Tunisia, Yemen, and the six Islamic republics of the

former Soviet Union; (3) its pattern of hunting down and assassinating opponents of the Iranian regime abroad; and (4) Iran's insistence on having a predominant role in future Gulf security arrangements, undercutting its accession to the aforementioned UN Resolution 598, which envisioned a tripolar balance among Iran, Iraq, and the GCC countries, not predominance by any one of the three.

Iran's ambitious re-armament efforts and its insistence on having a critical voice in any GCC-related defense arrangements are evidence that Tehran's intentions toward the GCC are less than benign. The moderation of some of its tactics notwithstanding, Iran is likely to remain a strategic adversary.

For the short term, however, the GCC is comforted by the unlikelihood of an Iranian military threat since Tehran needs massive infusions of foreign capital to revive its ailing economy and its military is still recovering from the 1980-1988 war with Iraq. Iran's current situation, in this context, provides a much-needed breathing space which could benefit the GCC's planning for defense.

Nevertheless, the GCC will continue to accentuate the positive in its relations with Iran. If its efforts are not reciprocated and Iran fails to practice the principles contained in the Damascus Declaration, Iran will jeopardize not only its diplomatic relations, commercial ties, and exchanges of officials and business and professional leaders with the GCC countries, but also its foreign investment prospects.

### **The Great Powers**

The GCC perceives the UN Security Council's five permanent members as the world's Great Powers. For the GCC, the permanent members form the geopolitical core of its hopes for building a successful system of deterrence and defense.

Lacking the demographic, industrial, or technological base to field a credible army of its own for protection against more powerful potential adversaries, the GCC acknowledges the vital necessity of being able to borrow such power from its friends, allies, and strategic partners. In this regard, the U.S., Great Britain, France, and to a lesser extent, Russia, and China all have potentially very important

roles to play in enhancing the GCC's prospects for an enhanced security posture.

Certainly, the combined efforts of all five of these countries was critical to the internationally concerted action in defense of the GCC following Iraq's aggression against Kuwait. They were essential to the twelve UN Security Council Resolutions that sought to reverse the aggression and compel Iraq to abide by the frequently articulated GCC principle of international legitimacy.

The GCC knows that the support of these five countries may not be as forthcoming in the future as it was in the Kuwait crisis. However, a high priority for the GCC is to obtain an unambiguous commitment that these and other countries will defend the GCC in the event of a renewed threat to their security.

Some GCC countries have moved faster in this direction than others. All, however, agree that only in association with the vastly superior defense systems of the Great Powers is the GCC likely to repel any aggression in the future. No combination of pan-GCC, pan-Arab, or pan-Islamic forces is likely to project a comparable degree of capability and credibility.

Since its liberation, Kuwait has outpaced other GCC countries in enlisting Great Power support for its future defense requirements. Prior to the summit, Kuwait authorized the United States to preposition equipment and utilize Kuwait's military facilities and logistical and operational services in the event of a future threat to Kuwait.

A similar agreement has been signed between Kuwait and Great Britain, and discussions are underway for an additional one with France. Kuwait also intends to strengthen and expand its longstanding close relationship with Moscow. Moreover, an as yet unspecified arrangement or understanding will be sought with China.

Bahrain and Qatar have also signed a similar agreement with the U.S. Oman, which entered into such an arrangement with the U.S. as early as 1980, renewed that agreement in 1990. The UAE, moreover, is engaged in discussions with the U.S. which may lead to yet additional agreements.

In addition, the British and French are likely to provide at least tacit assurances of future support to virtually any GCC country. And,

if requested, China and Russia would welcome playing a more tangible role in GCC defense planning. Both countries would likely respond positively were any GCC country to place orders for advanced military equipment. In the case of the UAE, with respect to tanks, Russia already has.

In contrast to the other GCC countries, Saudi Arabia is unlikely to sign a formal defense agreement with any of the Great Powers because of widespread domestic opposition to such an agreement and Riyadh's belief that UN Article 51, which was invoked when Iraq invaded neighboring Kuwait, is sufficient for securing assistance if needed.

Saudi Arabia, as the guardian of Islam's two holiest places, also wishes to avoid a repeat of the controversy that was engendered by having Western troops on its soil. Until the Israeli-Palestinian conflict is solved and legitimate Christian and Muslim rights with respect to Jerusalem are secured, most Arab and Islamic countries would oppose Saudi Arabia's relying formally on Western forces for its defense.

The Kingdom is also uncertain with respect to support from the U.S. Congress for such an agreement. Saudi strategists believe that the prospects for objectionable conditions being attached to a draft agreement are high and not worth the risk.

### **Economic Cooperation, Integration, and International Relationships**

Although the above items dominated the agenda at Kuwait, the summiters also considered other matters, among them the prospects for further economic cooperation and integration. As with each previous summit, the delegates reviewed the degree to which the GCC's Economic Unity Agreement of 1981 had been implemented.

In this context, the summiters noted the slowed pace toward integration during the previous year. Nonetheless, they renewed their support for the GCC's economic mission, which is to coordinate and integrate the policies of the six member countries toward a common market with the prospect of an eventual merger into a single economic entity.

The GCC's major goals continue to be the diversification of the six economies away from dependence on crude oil exports for national income; to industrialize, both "downstream" in the

petroleum sector and into non-oil sectors; and to increase exports and reduce the heavy reliance on imported goods.

The GCC has been edging its way toward a breakthrough with one of its most important trading partners, the European Community. At the eighth GCC summit in 1987, the heads of state authorized the Ministerial Council to negotiate a draft agreement with the EC on the subject of the EC's protective tariffs against GCC-produced fertilizers, plastics, and chemicals.

The EC subsequently agreed to freeze tariffs at the 1987 levels and conclude a wide-ranging agreement, on the basis of preferential treatment, to rationalize the tariff structure. An interim draft "agreement to agree," freezing EC tariffs at their existing levels in anticipation of negotiation of their steady reduction, and of a possible free trade agreement, was signed in 1988. Further GCC-EC meetings of these and related issues were held annually through 1993.

In the course of pursuing the goal of strengthening the members' economic clout in the international arena, GCC representatives are keen to negotiate with the EC and, eventually, with the U.S., a free trade agreement much like that which exists between the U.S. and Canada and the U.S. and Israel. With or without an agreement of this magnitude, the GCC is determined that there must be steady, incremental progress toward the goal of placing its relationship with all of its major trading partners on firmer footing.

On the U.S.-GCC side of the ledger, a side that is far less developed than the economic relationship between the GCC and the EC, the consultations have proceeded to a stage where the American and GCC participants have established three areas of focus: trade and commerce, investment, and energy. One of the main agenda items remains the exchange of trade data between the GCC and the U.S. as a prelude to any major trade agreement.

GCC officials, from the outset, have been keenly aware of the barriers to their trading relationship with the United States. As one of the participants in the talks remarked to this writer: "From where we sit, segments of the U.S. Congress appear to be as protectionist as those between the two World Wars."

He continued: "We have reason to fear such sentiments, especially those that relate to our exports. These appear to be threatened by talk that surfaces from time to time about an import

tax on crude oil, refined products, and petrochemicals. At least with Europe, we have reached a stage where we can negotiate an agreement in which we can both begin to plan with confidence for the future. We want to achieve the same kind of understanding with the U.S.”

In GCC and U.S. eyes alike, what's at stake is hardly insignificant. Indeed, apart from their ranking among the top fifteen U.S. trading partners for the past decade and a half, the GCC countries account for the lion's share of U.S.-Arab joint commercial ventures in the region as a whole. Further, U.S. corporate investments in the GCC countries represent half of the entire world's investment in the GCC countries.

The GCC's economic importance to Europe has also been significant and is likely to remain so for the indefinite future. For example, the GCC remains critical to the prospects for the Eastern European countries' ability to reform and develop their economies, with those prospects turning heavily on the need for substantial inputs of energy at manageable prices. In this regard, the GCC countries are the foremost forces in support of price restraint and the single most available and amenable source of supply.

The EC has been propelled into the forefront of GCC economic considerations for several reasons. First, the EC presently accounts for nearly 40% of the GCC's lucrative import market. The United States, by contrast, accounts for less than 20%. Many Americans have been slow to recognize this substantial asymmetry. One of the reasons is because, from a bilateral, country-to-country perspective, the U.S., for most of the past decade, has held the premier position in the import market of Saudi Arabia, the GCC's economically most powerful member. However, the absence of a multilateral perspective, which takes into account the EC and its interest in the GCC, has generated a complacency that is unwarranted by the facts.

This situation, already twice as favorable to the EC as it is to the U.S., is likely to increase to Europe's further advantage for several reasons. First, the size of the EC market: 325 million population versus the U.S. market of 250 million. Second, time and distance, which are also factors in costs: the EC's closer proximity to the GCC countries – three time zones versus seven to the U.S. – gives Europe a competitive advantage in land, sea, and air transportation.

A third reason is the potentially even larger EC-Eastern Europe market that the GCC can reach effectively if its ongoing consultations and negotiations with the EC produce an agreement on lowering GCC-EC tariffs. Moreover, there are also the longer-term prospects associated with the spillover effects that seem likely if the Russian and other former Soviet economies are brought into a closer relationship with the EC.

A fourth reason is that the GCC and EC have been discussing the mutual need to strengthen their economic relationship for a period longer than any other regional grouping involved with the GCC. One of the principal participants in all of the GCC's consultations with its major trading partners informed this writer that, "We began with the Europeans for the simple reason that they were the most interested and willing to give serious attention and efforts to such talks. They still are."

He continued: "The Americans and the Japanese, by contrast, have been farther behind and, until quite recently, much less interested. In fairness, the fact that the EC has a secretariat in Brussels that we can visit at any time and know in advance that we'll be well received and our presentations given serious consideration, versus the situation where nothing remotely comparable exists yet in either Washington, D.C. or Tokyo, has, of course, had a lot to do with this."

### **Energy: The GCC's Engine of Development**

Owing primarily to the member countries' prodigious petroleum reserves, and also to their commercial and financial acumen, the GCC, despite its youth, is certain to remain one of the world's most economically influential organizations, both regionally and globally. Its members possess half the world's proven oil reserves and lift most of the oil produced by OPEC. Also, not lost on many observers is the fact that the relative stability in OPEC oil prices from late 1986 until the period just prior to the August 1990 Iraqi invasion of Kuwait, notwithstanding the contribution of market forces and other variables, was largely due to GCC influence within OPEC. And in the period since Kuwait's liberation, it has had the same stabilizing influence.

The GCC is well aware that what it has plenty of – energy – is the backbone of the international economy. More than any other commodity, it drives not only the GCC's engine of development but, also, the engine of much of the world's productivity.

In this context, GCC influence on the day-to-day life of hundreds of millions of people is increasingly obvious. This is especially the case with regard to the U.S., which has become both the world's greatest consumer and biggest importer of oil and for whom the GCC has become its largest source of foreign oil.

Moreover, the four GCC countries in OPEC – Kuwait, Qatar, Saudi Arabia, and the UAE – have been a consistently moderate force within that organization for two decades. For most of this period they have worked to keep price increases in tandem with or lower than rates of inflation.

During the Kuwait crisis, Qatar, Saudi Arabia, and the UAE worked with the U.S. and other oil-importing countries, especially those hard hit by the imposition of sanctions against Iraq and Kuwait, to make up the production deficit and thereby ensure a steady flow of oil in adequate amounts at manageable prices.

GCC member countries Kuwait and the United Arab Emirates (UAE) both possess petroleum reserves greater than those of the United States. The reserves of Saudi Arabia are greater than those of Kuwait and the UAE together. Saudi Arabia is the world's number one exporter of energy and is number one also in production and sales.

Indeed, in just one of Saudi Arabia's oil fields, there is more oil there than there is in all the oil fields in the United States, Canada, and Europe combined. The Kingdom's second biggest field exceeds half that amount.

Moreover, it was announced in October 1990 that the amount of new oil discovered in the Kingdom in that year alone – 60 million barrels – exceeds the entire reserves of Venezuela, a major oil producing country and a founding member of OPEC. All of these attributes place the GCC countries at the epicenter of the international energy industry.

The summiters acknowledged that there are several forces and factors favoring a more interdependent energy relationship between the U.S., the EC members, other industrialized nations, and the GCC

countries in the future. Among the most important is the world's steadily deteriorating energy situation, on one hand, and the GCC's favorable energy situation, on the other. For example, whereas America's oil reserves have been declining each year since 1969, Saudi Arabia, during the same period, has annually discovered more oil than it produced and has steadily added to its reserves.

At a continuous production level of the Kingdom's 8.5mbd average in 1992 – even if not an additional barrel were discovered – Saudi Arabia's reserves would last well into the first quarter of the 22nd century. Moreover, GCC members Kuwait and the UAE are situated in comparably favorable circumstances.

In concluding the economic portion of their deliberations, the summiters vowed to make 1992 a year in which they would work harder at implementing the principles of their Economic Unity agreement, especially those pertaining to the free movement of people, goods, and services, promotion of joint ventures between and among the member countries, and placing relationships with their principal trading partners on a firmer footing.

Regarding the last-mentioned item, the summiters were buoyed by the imminent renewal of their economic dialogue with the U.S. Government. Indeed, within weeks of the summit's conclusion, the dialogue had resumed. In January, there were several days of meetings between high-level GCC and GCC member countries' officials and their U.S. counterparts in Washington, D.C. By all accounts, the meetings were a success, with further meetings already scheduled.

A feature welcomed by both sides was the preparation and distribution for further study and comment of a "White Paper" outlining the major commercial challenges and opportunities in the GCC countries and American private sectors, respectively.

A major force behind the paper, having come into being since the last GCC-U.S. meeting in Bahrain in February 1987, was the U.S.-GCC Corporate Cooperation Committee. The Committee is a grouping of twenty-two "Fortune 500" companies spanning the entire range of trade, investment, and technology transfer with the GCC countries.

The GCC and the U.S. recognize to a greater extent than before the advantages that could ensue from a tightening of their private

sector links. A GCC-U.S. relationship that is strong, healthy, and mutually beneficial is seen by both sides as enhancing not only the GCC's deterrence and defense capabilities. No less important, it is seen as key to improving the prospects for GCC and U.S. economic development and prosperity in the 1990s and beyond.