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THE POLITICAL, ECONOMIC, SOCIAL, CULTURAL, AND RELIGIOUS
TRENDS IN THE MIDDLE EAST AND THE GULF AND THEIR IMPACT
ON ENERGY SUPPLY, SECURITY AND PRICING

SEMINAR REPORT

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OIL AND CULTURE

According to Michael Fischer of MIT's Department of Science, Technology and Society, culture can be defined as long-term strategies for implementing values or value orientations. The phrase "value orientation" comes from Max Weber's distinction between short-term, means-end schemes and long-term, value implementation strategies. Professor Fischer suggests that while culture in this sense might be compared to a game, the rules of which cannot be reduced to a single rationality or reason or strategy for playing. Rather, culture presumes complex, layered conceptual worlds where perhaps many "games" or strategies are taking place simultaneously. These strategies might either be supported by or give resistance to institutional pressures.

In the 1970s (and lingering until today), the orientation of many Mideast oil producers was to have oil industries that were modern and commercial in the Western, or perhaps even more specifically, American capitalistic sense. Even though the oil industries of Iran, Iraq, Kuwait, and Saudi Arabia were state-controlled, monopolistic ventures, they represented a locus where scientific and technocratic prowess and Western business techniques and models were held in the highest esteem. The personnel for this elite oil establishment came from a cadre of intellectuals and students who were sent to the West for university to bring back the means of the game and eventually wealth and glory for the state. This trained core was able to move in both societies and served as a bridge to the West both literally and culturally. This pattern was also found in the world of Middle East financial and investment institutions and many other industries such as petrochemicals, and medicine. Generally speaking, this orientation had as its end product economic success and world power and might fit a cultural description as a "great resource game" where socio-political and cultural actions are judged in terms of political economy. It was a pattern that caused no problems for the US power elite. Imitation was the keenest form of flattery.

Then, in 1979, the bubble burst. The Iranian revolution provided a competing paradigm, one that caused fear among Western policy-makers: Islamic fundamentalism. The central preoccupation of Islamic fundamentalists is the moral unity of the community or *ummah* and the role that Islamic religious law or Shariah plays in upholding this unity. Thus,

beginning with Rashid Rida, fundamentalists advanced the concept of an Islamic state as a vehicle to create an ethical community which prevents people from giving in to their baser desires. If the state ceases to fulfill this mission, where it tolerates the spread of corruption and social disintegration, the state is no longer Islamic and must be reformed or replaced. In the case of Iran, the philosophy ushered in totally new goals and priorities. Short term rationalities of capitalistic and modernistic emphasis, imposed from the top down by the late Shah, were to be usurped by other long-term, more religiously-oriented values, to quote Ayatollah Khomeini's famous assertion that the Islamic Republic of Iran had not been fought "to reduce the price of melons."

The revolution at its heart was presented as a demonstration of the failure and disenchantment with Westernization in Iran, and upped the ante for the practice of revolutionary politics in the Middle East. It leaned on five core principles: 1) the Western model of separation of church and state was the cause of Iran's social and economic ills and imbalances 2) these imbalances could be repaired through the reassertion of Islam as a total way of life 3) a return to Islam would bring about a restoration of lost Muslim power internationally 4) laws must be based on Shariah to bring a moral and socially just society 5) there must be willingness for jihad and martyrdom in the cause of Islam. Further, Khomeini's constitution proclaimed that the goal of the new state was to "perpetuate the revolution both at home and abroad." (Esposito, 1990)

To the Western eye, the abandonment of a keen focus on national economic gains and fast-paced modernization for the sake of moral unity seems threatening indeed. If moral standards are culturally defined in a "different", potentially even hostile way, how will communications and political relations unfold? And, in the arena of oil, can economic relations proceed without jeopardy?

After the 1979 revolution, Iran made a conscious effort to build economic ties to its developing neighbors such as Pakistan, and India and emergent economies of Asia, Africa and Central Asia to the detriment of economic relations with the US in a "game" of alternative economics. But the policy probably would have languished under the sheer weight of financial profitability but for the imposition of US trade sanctions which forced

Iran out of the US market and necessitated increased marketing to the Third World. To drive home the limits of a Third World-only trade policy, it need to be noted that even after the blockade on sales to the US, the foreign subsidiaries of US refining companies still stood as Iran's largest customers despite any inclination to avoid business with the "Great Satan," until 1995 when Congress forced the US President to close to loophole on any oil business dealings at home or abroad. And, trade between Iran and major European states and Japan remains brisk despite US arm twisting to the contrary.

To date, the Iranian revolutionary leadership has never sought to leave its oil in the ground rather than sell it to "infidels." If anything, Iran's oil industry, even with interference from the clergy, has remained commercially-oriented. Oil and gas has been used to open diplomatic initiatives or influence regionally, but always in an offer of supply rather than a threat of denial. Past evidence seems, therefore, to support the view that the West has little to fear a priori from Islamic governments with regards to oil flows. An Islamic orientation does not appear by its inherent nature to indicate a forthcoming deprivation of access to energy supplies for non-Muslims.

However, that being said, there is a side of Islamic culture that bears watching where the optimum development of oil resources is concerned. In popular Islamic culture, particularly in Iran, oil does not hold a prestigious place but rather is viewed as a negative, corrupting force. Indeed, the political and intellectual elites of the Middle East have tended to have an ambivalent attitude toward oil. On the one hand, oil has served as an important source of revenue to meet development goals, but on the other, oil resource wealth has invited "Western penetration and hegemony."

In popular Iranian culture, oil can be also considered a temptation or infatuation. To a common member of the Bazaari commerce class, oil is a corrupting influence, and there are those at the extreme who advocate to destroy all the oil facilities to eliminate dependence on the West. However, it is a large leap for a religious leader once holding the reigns of power to articulate an extreme policy such as the cutoff of oil flows or even limit sales to Islamic nations given the link between oil exports and external finance. The challenge to the government of Iran is to show it is using its oil wealth to move society on

a godly path. To the people of the street, oil has produced little advantage economically or otherwise. If anything, some analysts believe the average Bazaaris see oil wealth as a curse that has invited interference from the West. There are those at the extreme who advocate to destroy all the oil facilities to eliminate dependence on the West. Although the younger generation of Iranians are cynical and the successes of the present government remain unclear in the eyes of the overall population, the country retains its religious culture that would be susceptible to a new charismatic leader. Were such a leader to make an argument to abandon oil trade with the West, his words could find resonance with these existing preconceptions.

However, it is a large leap for a religious leader once holding the reins of power to articulate an extreme policy such as the cutoff of oil flows or even limit sales to Islamic nations given the link between oil exports and external finance. In this regard, the situation in the Gulf differs somewhat from that of Iraq or Iran. The Gulf states have not managed to develop non-oil productive industries that can generate national revenue independent of government spending. Thus, they remain highly dependent on oil export revenue to finance the operations of government and services inside their countries. A Saudi leader, therefore, would not have much leeway to leave oil in the ground or limit his oil sales to only Muslim countries. However, the economies of Iraq and Iran are more diversified, and can withstand a loss of oil sales revenue more easily as the prolonged oil sanctions against Baghdad have shown.

Ironically, US sanctions policy, by forcing Iran to be as self-sufficient as possible economically, may be rendering the appeal of a "Islamic nations only" exports policy or

"burn the oil" oration more plausible or even compelling than if Tehran was fully integrated into the world economy. Iran has been forced by the practical considerations of Western sanctions policies to be creative in its oil marketing efforts, relying more heavily on Asian consuming nations such as India, Pakistan and China to replace business with the international majors that has been blocked by the US Congress. This change parallels the military import trade, where Western military sanctions has similarly prompted Iran

to seek the majority of its weapons and weapons systems from China and North Korea in an effort to circumvent the restrictions imposed by Western powers.

Questions remain as to how effective oil sanctions have been in restricting the flow of money into and out of Iran. However, some loss of oil productive capacity seems to have resulted from US-led restrictions on equipment procurement. To the extent that this has impacted Iranian export revenues, an impact on social welfare inside Iran is thought to be a key casualty. Again, ironically, worsening economic conditions inside Iran breed a widening audience for hard-line, Islamic-oriented policies, thereby raising the question as to whether sanctions are hitting where they are supposed to or in fact promoting the tendencies they were designed to dissuade against.

Scholars and practitioners seem to agree that intellectual and doctrinal impact of Iran's revolution has been more limited than first anticipated. While the Khomeini government proclaimed the goal of the new state was to "perpetuate the revolution both at home and abroad," revolutionary Iran remains relatively unsuccessful in actively propagating and disseminating its unadulterated version of ideas to the Arabian Gulf or to Iraq and Egypt (Middle East Journal Spring 1980). Iran's revolution has served as an "inspirational" model reinforcing preexisting political tendencies rather than as a catalyst able to initiate new revolutionary forces. Admiration for the revolution remains but Khomeini's unique revolutionary ideology has a distinctively Iranian and Shii focus that has not proven exportable in its current form. While Iran has provided some funding support for local opposition movements in other countries in the Middle East, it would probably take a rearticulation of Islamic revolutionary philosophy in a Sunni or at least less culturally Iranian context to produce an ideological seachange within the region.

Even in Bahrain where Iranian Hojjat al-Islam Hadi Mudarissi created a Shii opposition network, the follow-up organization, the Islamic Front for the Liberation of Bahrain, was quieted by the government for over a decade and a half. More recently, the

Bahraini opposition takes the form more of a call for constitutionalism and power sharing under a legalistic structure than of any advocacy to be a satellite of Iranian clergy and its

specific doctrines. Bahraini opposition leaders call not for a link with the monolith of Iran's Islamic republic but for a return of its own internal Majlis, and they seek courts that would maintain professional standards. Expansion of Consultative Shura has not satisfied the opposition, and the Bahraini government has responded militarily, potentially hardening positions on both sides. Reports indicate that a culture of martyrs is starting to spring up that could prove problematic for the regime.

The Shiis in Iraq, lacking organization and leadership, similarly failed to take up the mantle of the Iranian revolution given the combination of economic incentives for loyalty provided by Baghdad's regime and terror used against opposition figures. A Shia-led Iraqi nationalist movement appears to have lacked the credibility or support to give it momentum, leaving Iran with only military means to assert its will. But Iran failed to achieve victory over Iraq in the eight-year war, and this fact alone weakened the prestige of Iran's mission even among its own population. Moreover, a battered economy and a general deterioration in overall living standards has put the Iranian regime under pressure and highlighted factional divisions within the ruling elite.

Shiis constitute 12-15% of the Saudi population and reside mainly in al-Hasa, the kingdom's oil-rich eastern province. For the Saudi religious and political establishment and majority, Shiism with its focus on saint worship is antithetical to the Wahhabi movement of Islamic orthodoxy that is rooted in the formation of the modern Saudi polity. In the late 1980s, Saudi Shii groups took credit for a series of terrorist attacks, and many Shiis fled the country to escape a government crackdown. In October 1993, Saudi authorities reached an accommodation with elements of the Shii opposition that resulted in the closure of major opposition publications. In the aftermath of the bombing of US facilities at Al Khobar, a new round of arrests of Shii dissidents were made. Still, the Shii movement in Saudi Arabia while considered a security problem is not seen as a major challenge to the regime regardless of whether it would receive support from Iran as it is generally viewed as impotent to undermine the fundamentals of the current framework of Saudi rule. However, the ability of such dissidents to organize sabotage attacks against military assets opens the question of whether oil facilities could be similarly targeted.

Moving to a Period of Transition in the Gulf

There seems little doubt that in the aftermath of the Gulf War, the Middle East Gulf region is moving toward a period of cultural and ideological transition. An open debate exists on the role of Islam versus the presence of American and other Western influences with no clear outcome to date. Outside of Iran, the region is struggling to distinguish a viable paradigm. Saudi Arabia and Iran have an unbridgeable ideological rift where the very legitimacy of the two regimes is intrinsically incompatible, and this fact alone creates an ideological struggle which emanates from the geopolitical balance of power actions of both states.

The search for new cultural and political ideologies can open the way for political instability in the region of the sort which might temporarily disrupt oil exports. This process of rethinking value orientations could accelerate between the year 2000 and 2010 when the older generation in Saudi Arabia, the United Arab Emirates, and Kuwait must pass the reins of power on to the younger generation. The stationing of American troops in Saudi Arabia was a watershed and serves as a lightning rod for such debate, and there is an increasing gap between religious authority and the state in the kingdom.

Both junior and senior members of the religious establishment are questioning appropriateness of government guidelines, resulting in the creation of an Office of Religious Affairs to respond to new demands. Junior government officials are finding themselves at an increasing distance from the center of power, which is not new. But in the current climate it is resulting in the antagonization of people who might need to cooperate if the primogeniture system is instituted.

More broadly speaking, financial belt-tightening in the Gulf as a result of lower oil revenues is perceived to have affected the general population more than the royal families, bringing a backlash against the regimes, especially in Saudi Arabia. The windfall in oil revenues that have exceeded levels forecast in the kingdom's 1996 budget will alleviate some problems created for some businesses when the state treasury could not fulfill the timely payment of outstanding bills. However, burdens remain including sporadic power

shortages and lower levels of public services currently available. A number of public facilities are also in need of repair and maintenance.

Subsidies have been revoked for the general population. The royal family has maintained some of its stipend system which distributes patronage within Saudi society. Patronage remains as a stabilizing force in distributing economic gains; however, in a more cash constrained system with a growing population, this traditional form of allegiance cultivation has become a more difficult proposition.

Still and all, experts believe, however, the real crunch, if it ever materializes, will come over the issue of jobs. As a result, the government is forcing a reduction of visas for foreigners. Still, in the ten largest Saudi cities, the unemployment problem is impacting the middle classes with about 20-30% of people unemployed, and there exists a discernible disinclination against factory work among the native population that thwarts broader development. Writes senior author Amir Taheri in the leading Saudi daily Asharq al-Awsat which generally reflects official thinking, "There are, of course, still many psychological barriers that prevent some Saudis from seeking industrial, technology-based jobs rather than positions within the bureaucracy and its numerous branches. But the fact is that the bureaucracy is no longer capable of producing the jobs needed...It is safe to assume that the bureaucracy will have to shed many jobs and accept "negative growth" over the next few years."

The Saudi regime is finding increased fundamentalist and sectarian opposition, but the forces opposing the royal family are disorganized. Still, the message that members of the regime have exhibited too much waste and corruption is taking root, and potential for a rift between senior royal family members remains and could spread to branches of the military loyal to different leaders. History reminds that Saudi Arabia, despite the royal family's tendency to stick together, has not been immune to military uprisings. For example, a coup plot was discovered inside the Royal Saudi Air Force back in 1969. Today, some discontent exists in the military, and younger princes no longer find military positions favorable to government positions where they can find lucrative financial

opportunities. Still, cohesion is expected to remain within the ranks of the royal family as the consequences of a breakdown in consensus rule are so grave as to invite restraint.

Besides opening up invocations against bringing the "infidel" to Saudi soil in the form of US soldiers, the Gulf War prompted sharp criticism that the Saudi and Kuwaiti regimes wasted huge swatches of the national budget on military arms purchases only to find that these weapons provided no real security to the state. Military spending is now questioned and tarnished in the view of many sectors of the public as merely a "reward" to the West for providing a security umbrella. This umbrella is seen as defective by virtue of the fact that it is 8,000 miles away, creating a new paranoia on the part of the older generation of ruling elites.

Changing Role of the Merchant Class

Traditionally, there has been a symbiotic relationship between the regimes in the Gulf and the wealthy merchant class. But even from this previously loyal sector, the regimes are finding new challenges to authority.

Future economic development will have to harness the private sector in a bigger way, giving more freedom of action. Nevertheless, privatization will raise expectations for political participation. To encourage private sector participation in certain industries, the government has had to make institutional and other organizational changes to entice private investment.

The business elites are calling for more accountability in the way the government operates and spends money. In particular, they want a more structured system of rules and regulations to be applied in Saudi Arabia and Kuwait. To the extent that this process of power-sharing proves difficult for these regimes, they have little means to silence the debate given the proliferation of information technology.

It is expected that the populations in the Gulf will demand public accountability for the national budget process and other allocations of assets as is already happening in Kuwait's Parliament. Many risks exist in how this process proceeds, and the

accumulation of private wealth has created a generous, hard to control, internal source of finance for indigenous opposition movements.

Their new found wealth and autonomy has encouraged the important families of the Gulf to make economic and political demands. The business elites are calling for more accountability in the way the government operates and spends money. In particular, they want a more structured system of rules and regulations to be applied in Saudi Arabia and Kuwait. To the extent that this process of power sharing proves difficult for these regimes, they have little means to silence the debate given the proliferation of information technology. Most of the current regimes have displayed an aversion to tackling thorny issues such as regional security, economic reform, human rights and other social issues such as the status of women and freedom of the press.

As technology has provided the impetus for more complete debate, Saudi society has become more embolden in the topics it entertains privately. A ban on satellite dishes is not being enforced. Even Saudi television has been forced to upgrade its coverage due to the competition from "illegal" stations. Taheri of al-Sharq Al-Awsat notes that reform and reorganization of political and social institutions is the "single biggest challenge the kingdom faces," and he adds that the basis for such reforms should be "the creation of a more efficient system of information and communication capable of involving the citizens in the process of debating policies and decision-making. Saudi Arabia has a new middle class that is numerically strong and culturally open to new ideas and practices...This new middle class will obviously have to be the vanguard of the kingdom's industrialization." However, Taheri notes the importance to maintain "social cohesion" and warns against temporal law that grants unlimited tolerance to alternative lifestyles. "The wealth and order that industrialization, urbanization, and modernization produce could be used as a powerful means of underpinning and protecting society's moral foundations," he states, as opposed to leading to moral disintegration of society as the opposition claims.

It is expected that the populations in the Gulf will demand public accountability for the national budget process and other allocations of assets as is already happening in

Kuwait's Parliament. Many risks exist in how this process proceeds, and the accumulation of private wealth has created a generous internal source of finance for indigenous opposition movements. Private sector support of radical opposition movements could pose a more serious threat to internal stability than support provided by rogue nations such as Iran or Libya for two reasons. Firstly, many of the nations that would traditionally support radical dissident movements are suffering from domestic fiscal constraints. In addition, funding provided by the private sector is far more difficult for governments to control, making the process of co-optation a high imperative but all the more elusive and costly politically.

The region is at a pivotal junction from the point of view of the social contract between ruling elites and the populus. Calls for broader participation may eventually bring changes that could enhance the grassroots strength to the regimes of the area or the process could be derailed in which case the governments could become unstable. The quest for reform has not always been smooth in the Gulf. For example, the Bahraini opposition's demands for a return of the Majlis and an enhanced role for courts with professional standards was met with a military clampdown, resulting in a hardening of positions. The question emerges: should the US be doing more to foster democracy and openness much as was done in South America or would such interference aggravate current problems?

In the midst of this minefield of cultural transition comes a generational transition of great challenge. Within the next ten years or so, the older generation of Gulf leaders must pass the reigns of power on to a younger generation where the field of politically-ambitious candidates is wide and potential for interpersonal conflict great. Succession disputes can be expected in several Gulf Arab states, including possibly Saudi Arabia and the United Arab Emirates.

In the United Arab Emirates, several of Ruler Sheik Zayad al-Nahayyan's sons aspire toward a key role. Not only will this immediate succession issue need to be resolved from among the sons of Sheik Zayad, but new accords must be reached with the next generation of leaders in the other emirates as well. Lines of succession in some of these

other emirates are also considered open to question given the ambitions of various family members. But a shift to radicalism within the emirates is considered unlikely as the younger generation there seems inclined to concern themselves with creating stability in the region to promote economic activity. Other more political agendas appear to be more dormant.

In Saudi Arabia, King Fahd is of ailing health. Chances now appear good that Crown Prince Abdullah bin Abdul Aziz will accede to the throne. Although the King has traditionally received the full support from his family, many observers of the Al-Saud ruling establishment note that a rift has emerged between Crown Prince Abdullah and his half brother Prince Sultan, now Defense Minister and proposed future Crown Prince.

Adding to the fray is the role of other senior Princes, some of whom have opened dialogue with opposition dissidents. Beyond the competition among today's senior Princes is a generation gap that the ruling family must face. A multitude of qualified and influential younger Princes must be taken into consideration in transferring the mantle of authority. Even among the religious ulama, doctrinal tensions exist between the older and younger generations.

Against this relatively politically unstable backdrop within the family, is a broad cultural and demographic shift within the wider Saudi society. In recent years, a large, idle class of students has evolved inside Saudi Arabia. This development is of keen importance when studied in the context of revolutionary movements in the region in modern times. For example, the students of Qom and other religious centers provided key momentum for the Islamic Revolution in Iran and a ready core of leaders to take part in a shifting cultural/political pattern of state organization there. Students have played similar revolutionary roles in Egypt, Algeria, and Baathist Syria.

From 1970 to 1990, the Saudi population has doubled from 6 million to 12 million. By 1992, some 48% of Saudis were under 15, 58% were under 20 and 68% were less than 25 years old. Whereas during the 1980s some 10,000 Saudis studied in American and

Western Universities, that number dropped to 3,500 by 1994, limiting the exposure to Western ideas and culture.

If the ulama see the senior Princes degenerate into an open struggle for power and resources, it may be considered a breakdown of the umma and Islamic rule of law, widening the gulf between society and the state and weakening the legitimacy of the Saudi regime. The University under these circumstances can become a center for collective action. Saudi students now stay on average for 8.8 years at King Saud University to get an BA degree. An increasing number of students are choosing the religious classes of study as they are considered the "easiest" to pass, creating a fertile ground of students with long beards and Islamic orientation. With employment opportunities in the kingdom low and attitudes toward working not ambitious, the government is losing its ability to coopt this expanding group of the younger generation.

A basic contradiction exists in the kingdom today where the regime sits watching the University confer so many degrees in religious studies while at the same time it attempts to muzzle the expression of religious ideology. To date, the government's responses to perceived threats from Islamic dissidents has been either to take repressive actions in the political arena which have alienated the religious sector or to offer financial largess in return for stronger political allegiance. The latter has become increasingly difficult to administer given state revenue limitations. Some minimal administrative, political reforms have also been taken but they have not been effective in silencing the opposition.

Beyond the Majlis al-Shura on the national level, there have been several calls for a consultative council for various sectors of Saudi society. In 1991, such petitions came first from a group of liberally minded intellectuals and technocrats and then later by 400 clerics and fundamentalist intellectuals. In the autumn of 1992, a new petition was circulated. This time 107 religious leaders distributed a 46 page treatise "Memorandum of Advise." In it, they sought the application of Islamic law more broadly in public and private life and called for an end to the military alliance with the United States. The memorandum was subsequently criticized by Abdulaziz Bin Baz, who had recently been elevated from Director of the Council of Ulema to Mufti.

In the aftermath of this event, the Saudi royal family created a Ministry of Religious Affairs under the directorship of Abdulah Bin Abdul Mohsen al-Turki, the rector of Imam Muhammad Bin Saud Islamic University. The ministry was put in charge of mosques, religious property and proselytizing. The regime also reorganized the mutawain or religious police, removing some identified zealots. But into the 1990s, more arrests of religious dissidents and other measures continued to be necessary. Among those detained in 1993 and 1994 were Dr. Mohammed el-Masari, a former physicist and leader of the Committee for the Defense of Legitimate Rights (CDLR), Sheik Safat al-Hawali, dean of Islamic studies at Mecca's Umma al-Qura University and Sheik Salman al-Audah, a charismatic militant cleric who has been called Arabia's Khomeini. Al. Masari left Saudi Arabia for London in 1994 where he has mounted a vocal internet and fax campaign against alleged Saudi royal family corruption and use of torture. The CDLR is fundamentalist in orientation and advocates that "rights" come from Islamic law. It has portrayed the future of the Royal family in apocalyptic terms, coming to downfall either via a popular uprising or through a civil war created by royal family infighting. As pressure on the regime mounted, in 1995, King Fahd established the "Supreme Council of Islamic Affairs," headed by Defense Minister Prince Sultan, reasserting the royal families control of matters of religious politics.

These opposition movements are not considered an immediate threat to the Saudi regime as they lack credible organizational strength and support. However, the government clampdown on the activities of such groups has served to alienate the regime to some extent from religious authorities. In response to this isolation and to bolster his own personal legitimacy as a future ruler within the country, Crown Prince Abdullah has tried to garner support from religious leaders, and has curbed some of the spending excesses within the Royal family. Creation of the Majlis al Shura (Consultative Assembly) that has exercised a measure of authority, particularly regarding difficult decisions about expenditures, but it has not been enough to silence the language of Islamic revivalism inside the kingdom. While it is not expected that such dissidence will topple the regime, such movements can widen the gap between the state and society, lending an unspoken legitimacy to acts of violence by militants such as was seen in the al-Khobar attack.

As the Gulf region moves toward the succession of leadership from the older, traditional leaders to the next generation, the role of clergy will likely be reassessed. Clerical institutions are currently under severe pressures in almost all the countries of the Gulf Cooperation Council (GCC) to meet popular expectations. How they will balance fragile relationships with patron-establishments will have great bearing on future ideologies and political movements. Moreover, the leaders of the younger members of the ruling families will have to forge their own relationships with clergymen. However, the question remains whether this new generation will seek its legitimacy through patron relationships with religious leaders or through some other format. As power shifts in the Middle East region, many questions arise: Where will the new generation find its power base? What ideologies will it choose to motivate its populations? What kind of broad consensus will emerge in the Middle East? What is the potential for a charismatic leader --Islamic or otherwise?

Embryonic change is emerging in Middle East society as loyalties to the old systems break down. Individuals are starting to think more about their particular roles in society, and expectations for leaders are shifting. This leaves open the possibility for cultural changes in the region but no clear philosophy or leader has yet to emerge to inspire or unite the populations even within one nation, let alone throughout the region.

One hint to the possibilities for emerging socio-economic political strategies that could evolve comes from examining Fischer's game of "alternative modalities" where different time horizons of history, technology and culture are merged together to reinvent regional identity. In the case of the Middle East, this could take the form of the reemergence of old empires such as that of Turkey which is now trying to widen its sphere of influence to Central Asia or in the fusion of third and first world images. Opposition movements have focused on anti-Americanism and blames Western focus for social and even economic ills. However, within the business community, criticism has centered on the Middle East regimes' inability to stimulate an adequate vision and implementation plan to promote economic growth. This opens the door to value orientations that begin with an economic rather than religious or political in their main content.

The Middle East is wondering "why it missed the boat," of economic progress, why it has failed to develop in a sustained manner like Indonesia or Malaysia, other Muslim countries that have been able to develop diverse economies that attract foreign investment. As the weaknesses of the Iranian-style model of Islamic government particularly in the economic sector become more transparent to regional populations, a new inclination is emerging, particularly in the commercial classes, to admire the Asian development model. Citizens of Dubai, for example, aspire to be like Singapore or Hong Kong.

The Mideast countries are moving away from the Euro/American models in favor of copying the Asian harness of economic growth which is seen as more closely protective of moral order and less oriented toward individual freedoms. Notes Saudi daily *as-Sharq al-Awsat*, "The kingdom does not suffer from the burden of archaic industries whose replacement would cause economic dislocation and social tension. Thus, the kingdom... could directly move toward today's and tomorrow's industries. It is precisely the same advantage that enabled the Asian tigers to achieve rapid economic transformation within the life span of a single generation." Questions arise whether, given the wide-spread use of non-indigenous labor and the lack of a similar work ethic to the East, the export-based Asian model can succeed in the Middle East as a means of cultural organization but the affinity is significant.

Another possibility is the non-zero sum alternative economics model of regional trade-oriented political organizations that transcends national boundaries and nation-state identities, such as is now emerging in Europe under the European Union model. Regional water, electricity and natural gas grids would be a starting point for a Middle East economic union that promotes local trade and prosperity. Already, such images have been generated on paper in the Arab-Israeli peace process but these proposals face steep political and cultural obstacles to actual fruition and acceptance by the general population.

The Peculiar Situation of Iraq

To the extent that political unrest and economic hardship cracks open a window for new ideologies, the ambitions of Iraqi strongman Saddam Hussein cannot be overlooked.

Although the media may give the impression that Saddam's launch into Kuwait was "economically" motivated or that he wanted to amass more oil reserves, his motivations lean more directly toward the political.

To the regime of Iraq, oil revenues are a tool to be deployed for political, ideological goals in a single-minded focus on regional and international power. Thus, from Iraq's perspective, the invasion of Kuwait was not a means for Iraq to "balance its budget" or deal with worsening economic factors at home. The conflict stemmed instead from the regime's "inexhaustible ambitions" and a long-term orientation "to change the rules of the game in the entire Middle East."

Past behavior might suggest that the Iraqi leader grabbed Kuwait not to drive up the price of oil per se, if at all, but because what could be gained or lost politically seemed more compelling than the economic factors involved. Iraq may have misinterpreted US obsession with "security concerns" regarding the stability of the Gulf Arab regimes to mean that the US would welcome Iraq's control of Gulf oil resources, militarily or otherwise. Under Saddam's grip, so he reasoned, the Western powers wouldn't have to worry about sudden revolution in the oilfields of Saudi Arabia or Kuwait or Islamic fundamentalist influence rising there. Iraq worked from the assumption that the US and European powers preferred to deal with a stable, reliable regional leader and supported his dictatorship as efficient and lacking the risk of a more democratic government system. In his own view, Saddam Hussein provided a "face" to the Arab world, a single, powerful, politically-secure and organized leader who could speak for the region and deliver political and economic favors. Indeed, Saddam perceived that Iraq had made huge economic sacrifices to protect the Gulf from the encroachment of Iran's Islamic aspirations, and that this had boosted his status for a special friendship with the United States. Prior to the Gulf war, the Iraqi leader suffered from resentment that his "great service" was going unrecognized, particularly among his "unappreciative" Gulf neighbors.

Iraq sees its sphere of influence as considerable, as is apparent in the events of recent years. Although Iraq's oil marketing policies were strictly commercial, in contrast to Iran, it acts from purely political motivations which have not found an echo in economic

motivations. Over and over again, leader Saddam Hussein has shown his willingness to sacrifice economic gains in order to progress along his hegemonic, long-term roadmap of political ambitions. Saddam was willing to sacrifice a United Nations-sponsored deal for \$1.5 billion food for oil deal last summer to embark on a military adventure that extended his reach back into Northern Iraq, perhaps if only temporarily. More significantly, he invaded Kuwait despite the fact that Western oil investment capital was about to pour into Iraq, greatly facilitating the regime's access to higher productive capacity and thereby, higher revenues. This latter fact highlights the weakness in the argument that Saddam Hussein sought solely to expand his reserve base by grabbing Kuwait.

Moreover, prior to the Kuwaiti invasion, Iraq had already utilized its considerable military threat to its smaller Gulf Arab neighbors to orchestrate the Organization of Petroleum Exporting Countries to raise the target price from \$18 to \$21 a barrel, and the regime had by the same strong-arm tactics forced Kuwait to drop its production by 500,000 b/d, making room for Iraq to raise its exports by the same amount with potentially no loss in revenue from weakening oil markets. Indeed, having accomplished this economic goal, many senior Gulf Arab officials believed Saddam would withdraw his troops from the border with Kuwait without any military activity. This interpretation proved incorrect.

While Saddam Hussein's ambitions should not be underestimated, for the time being, his weakened internal situation is prompting the leader at least temporarily to mend fences with powerful neighbors who could support his continued hold on power in Iraq. In this regard, Saddam is likely to argue that the region would be destabilized without his military strength and leadership within his country. While this pitch is likely to resonate among some of the leadership elite of the region, it is probably still safe to assume that were Saddam to reassert his power and feel secure again inside his country, his regional ambitions would be reignited.

Given his ambitious nature, it seems reasonable to assume that if Saddam Hussein retains the reins of power and were to perceive the region had an ideological vacuum to fill, he would take advantage of the situation to propel his leadership role. Saddam readily uses

rhetoric that could place him at the forefront of popular sentiment beyond Iraq's borders. Most likely, given the secular nature of the Iraqi regime, philosophies or propaganda emanating from Baghdad would serve as an alternative to Islamic visions even if Saddam cloaked his rhetoric in religious terminology or symbols. For Saddam Hussein, Islam is more of a device than a meaningful value orientation, and he would utilize its power only as a vehicle to attract an audience.

In the aftermath of the Kuwaiti invasion, the Iraqi regime has created a "rational" explanation for its actions that resonates as consistent with ambitions to be the great pan-Arab leader in the model of Egypt's Gamal Abdul Naser. Iraq has disseminated propaganda that it fought the Gulf War against the "villain" of Western colonialism. Some of the younger generation that were educated in the West are said to be soured on their experiences in the more liberal, freewheeling environments of the US and Europe. This has created an anti-American bias that is prone to accept Iraq's explanation of events. Even wealthy members of Gulf society are now saying that the US purposely tricked Iraqi leader Saddam Hussein and drew him into a conflict so it could have the opportunity to destroy his massive military machine and defeat "a great Arab state" and alter the Arab-Israeli military balance before its power expanded to proportions that would compete with the Western world. In this version of events, the widely reported comments of the US Ambassador to Baghdad just prior to the invasion are reinterpreted as evidence that the US knowingly sent Saddam the signal to invade Kuwait in the hope of creating an opportunity to attack Iraq.

Iraq's post-invasion rhetoric revolves around the contention that the US and its allies want to control the resources of the Arab World (ie, oil prices) and the distribution of those resources to suit solely the needs of Western populations against the will and best interests of the Arab peoples. It thus becomes heroic for Saddam to resist the UN and US military to stand up against this colonial conquest for resources. The regimes of the Arab Gulf are portrayed as traitors helping with the perpetration, thusly undermining their political legitimacy and playing on existing sentiment among the populations in the Gulf that the regimes there haven't done enough to pursue higher oil prices and the revenue prizes that would accompany them.

Although Saddam Hussein has reinvented his conflict with the US into a "great resource game," it should not be construed that the resources or even higher oil prices are the end-goal for the Iraqi strongman. Iraq seeks to establish its place at the top of the regional balance of power. To this extent, Saddam may view nascent Islamic revivalist tendencies in the Gulf as an opening for a rapprochement with Western powers. Iraq might perceive its strength and alternative power will be called upon once again by the West as the only viable choice in a series of difficult options. However, Iraqi culture poses its own difficulties.

Within Iraq, the widespread use of terror has created a value orientation that transcends historical, religious or other cultural factors. The violence and secrecy of the regime has become an alternative modality on its own, leaving no countervailing forces in the society. No opposition is able to articulate its point of view. Institutionally, over 700,000 armed men are charged with controlling the Iraqi population, two to three times the number used in Iran, a far larger country, during the time of the Shah. Saddam has shown his inclination in more than one incident to extend this terror beyond Iraq's borders, and therefore cannot be considered a long-term stabilizing force in the region.

Internally, the legitimacy of Saddam's authority finds its roots beyond the terror in his unique ability to provide the most convincing idea of "Iraq." Saddam stands alone as a genuinely national leader who provides no favor by ethnic background by loyalty alone. To quote author and opposition figure Kenan Makiya, "What the tragedy (September 1996) unfolding in northern Iraq shows, is that the Iraqi opposition in general still lacks the very element that Saddam Hussein's terror has so successfully created for him: a commitment to a whole that is larger than the sum of its parts, a commitment, in other words, to a convincing idea of Iraq." This status as a national leader goes a long way to explain the staying power of the regime in the face of incredible odds. However, internecine fighting over blackmarketering businesses and other spoils continues to weaken the regime substantially as exemplified by the assassination attempt against Saddam's son Ouday, raising questions about its long-term viability.

As Saddam's regime seems to hold a monopoly on nationalistic sentiments and identity, it is difficult to predict what kind of system could replace the Tikritis as a ruling elite. The Shia population lacks the conceptions, numbers and organizational leadership it would take to create an Islamic republic in Iraq, according to Makiya and other analysts. Like Kurdish leaders in the North whose focus has remained considerably ethnic, the Shia community has not been able to embrace a vision that would attract broad support and may lack the religious structures and clerical hierarchy to forge such a cultural movement even within its own community. In balance, Iraq's population is urban and secular in its orientation, lessening the chances that a Islamic revivalist movement could gain momentum nationally. This has led many analysts to conclude that a breakdown in orderly political conduct might ensue were Saddam to lose control of power, especially if foreign influences were to interfere in internal Iraqi affairs. The possibility of a breakdown of order in Iraq remains a potential destabilizing force in the Middle East.

While the US and Western allies can respond effectively and successfully to military adventurism in the Gulf region, fashioning effectual policy responses to internal instability or ideological movements will be far more difficult. The Western powers have shown the will and capacity to respond to events such as an Iranian and Iraqi military threat to the free flow of oil from the Gulf. Internal upheavals may pose different, more difficult problems, however. And, the opportunity for such turmoil becomes more likely as the region moves toward the transfer of power from the current generation to the next. While attacks on oil facilities by Islamic elements have been limited to date, the possibility of civil war within a major country in the region such as Iraq or Saudi Arabia cannot be completely discounted. The dilemma for the Western economies is that they, to large measure, must rely on regimes whose legitimacy could be weakened by anti-imperialist and Islamic-oriented philosophies.

It remains to be seen whether transcultural alternative modalities, such as the Asian development model, will be strong enough to wean opposition support away from Islamic or other regional ideologies such as pan-Arabism.

POLICY RECOMMENDATIONS:

*US policy toward the Persian/Arabian Gulf is being driven today primarily by a preoccupation with military concerns. While Gulf security remains in the vital interests of the industrialized world, US policy toward the region must look beyond military issues to the emerging situations in each of the individual Gulf countries for economic, political, social and cultural change, with special consideration given to the role of religious groups. While the US should be and is prepared to deter and defend against external aggression in the Gulf, we must also assess what the US can and should do in the face of generational and regime change in the Gulf and in Iraq.

*The US needs to gain a fuller understanding of the cultural and political transition period that will emerge in the next decade in the Middle East and the Gulf. Active engagement should be undertaken with potential leaders from the younger generation of political and religious elites to gain clearer understanding of their motivations and ideologies and to build bridges for long-term relations.

*US policy makers must seriously reassess the costs and benefits of imposing oil sanctions on several oil producing countries simultaneously. Effectiveness of sanctions, especially unilateral sanctions, in meeting targeted goals should be rigorously examined and the policy of dual containment should be seriously reassessed. Iran's influence on the question of exports from Central Asia should also be revisited.

*The United States, with its global responsibilities, must maintain a firm and consistent policy on Iran. However, the US must recognize that it has not been successful in bringing our allies to the same level of sanctions of Iran. In particular, the US policy has negatively impacted Japanese-Iranian relations and disadvantaged Japan with regard to Iran to other regional powers such as China. US policy does not advocate the overthrow of the Iranian government, and US policies directed at Tehran are not identical to those aimed at the regime of Saddam Hussein. Thus, the rhetorical use of the term "dual containment" by the US is neither helpful or an accurate description of policy. The US has in the past and should in the future leave open the door for a possible dialogue with

Iran. Such contacts should be pursued openly and without preconditions. Japan could serve as a useful bridge to engaging Iran into a more open and constructive dialogue with the West. The possibility of constructive dialogue with the West can help keep alive the forces of reform in Iran.

* The United States should support the governments of the Middle East region in promoting political reform, privatization and broader participation in the economic system to diminish the manifestations of social injustice and economic deprivation which give rise to extremism. In doing so, we must be sensitive to the complexities involved and remain attune to the unique cultural aspects of each society. Job creation and economic diversification will play an important role in diffusing support for extremist religious movements.