

ADVICE TO PRESIDENT OBAMA

Dedicated to the Memory of Professor Louis J. Cantori¹

Augustus Richard Norton, Eva Bellin, Eric Davis, Michael C. Hudson, Bahman Baktiari and Kristin Smith Diwan

A quarter century ago, about the time that the Middle East Policy Council was created, little serious attention was paid to the Middle East at the annual meetings of the leading disciplinary associations, including the American Political Science Association (APSA). Professor Louis J. Cantori and a small group of colleagues, including this writer, decided in 1983 to create the Conference Group on the Middle East (CGME), which convened for the first time in 1984. Just a few months ago, the group convened for the twenty-fourth time in conjunction with the national meeting of APSA in Boston. From the start, it was Lou who cheerfully assumed the leadership of the group, as well as the administrative burden of organizing the annual meeting. Over the years, the CGME provided a forum for several dozen younger scholars from the Middle East, who, thanks to the support of the Ford Foundation, often gained the opportunity to participate in their first U.S. meeting. The CGME focused on myriad themes, including U.S. foreign policy in the region, Islam and politics, the domestic determinants of foreign policy in Middle Eastern states, women and politics, and the prospects for political reform. Several of the annual meetings inspired collections of articles in this journal and several other respected periodicals. This year, the CGME invited participants to offer advice to the next president and the resulting pieces follow.

Sadly, Lou Cantori was not in the room when the group convened. With his customary humor and courage, Lou confronted a degenerative disease that took far longer to complete its grim course than the best doctors predicted. Lou finally succumbed on May 12, 2008, after a rich academic career that included studies at al-Azhar University in Cairo and professorships at UCLA and the University of Maryland-Baltimore County.

Lou had been a Marine, and, while he was often deeply critical of U.S. security policies, he loved the customs and traditions of the military. He served for a year in the 1980s on the West Point faculty as a visiting professor. Then, as though he had won a soldier-scholar trifecta, he went on to visiting appointments at the Air Force Academy and

the USMC Command and Staff College at Quantico, where he savored the idea of Sergeant Cantori lecturing to large audiences of bright field-grade officers from the Corps.

Lou was a generous man in every respect. All who knew him will always remember his compassion and his endearing, hearty laugh. Anyone who had been around the field of Middle East studies knew that laugh, which came from some special place deep inside him; it was his fingerprint. We know that Lou would have appreciated the articles that follow, and they are dedicated to his memory. It is fitting that they appear in *Middle East Policy*, since he was an enthusiastic supporter of the Council.

— A.R. Norton

MR. PRESIDENT, SAVE A FEW SEATS FOR POLICY SKEPTICS

Augustus Richard Norton, a former West Point professor and a retired Army colonel, professor of anthropology and international relations at Boston University. In 2006, he was an adviser to the Iraq Study Group. A new edition of his Hezbollah: A Short History has just been published by the Princeton University Press.

Presidential transitions are opportunities to rethink old policy directions and promise new priorities. No doubt, the profound economic challenges confronting the United States at home will be the immediate preoccupation of the president. Even so, as George W. Bush discovered in 2001, the Middle East does not like to be kept waiting.

The requiem for the Middle East policy of President Bush is already well underway, and whatever the definitive verdict of history, many in the region will mark the inauguration of the new president with relief. Outside of Israel, where Bush was perceived as the most pro-Israeli president since Harry Truman, Bush came to be widely reviled and disdained. At the height of his influence in the region, until the United States became mired in the occupation of Iraq, Bush also inspired fear, as in Egypt, where the long-entrenched President Hosni Mubarak bent to U.S. pressure to permit a contested presidential election in 2005. Bush's "freedom agenda" rightly recognized the importance of political reform in the Middle East as an American interest. While he often embraced the rhetoric of reform, one suspects that he did not spend much time pondering the implications of the policy. The policy was effectively shelved after Hamas won the Palestinian elections in 2006, with the result that the United States was accused, in the Arab world and elsewhere, of hypocrisy. Eventually, the contradictions and the shallowness of many of the Bush policies became so obvious that even friendly governments often paid only lip service to U.S. demands. In Egypt, for instance, Mubarak and company listened to low-octane U.S. demarches and then smugly returned to business as usual — jailing, harassing and intimidating opponents and critics.

Reestablishing America's credibility in the Middle East must rank as an important objective. My colleagues offer succinct, sensible suggestions about how the United States might reframe its policies and understand some of the pressing challenges.

Eva Bellin calls for tempering idealism with a good dose of realism, specifically in the realm of political reform. She sensibly favors an agenda of liberalism that emphasizes the promotion of individual rights rather than democratization.

Eric Davis emphasizes the folly of drawing conclusions based on a snapshot during a period of extraordinary violence. Acknowledging the hard-won security improvements in Iraq in 2007 and 2008, he argues that Iraq may finally become a model for incremental political reform.

Michael Hudson sagely urges a rejuvenation of U.S. diplomacy in the Israeli-Palestinian realm in order to realize Bush's commendable, but unrealized, vision of a two-state solution for Palestine and Israel. Hudson also argues that the new president needs a new peacemaking team.

The last administration was justifiably preoccupied with Iran's nuclear program, but it was lost on few observers that Iran's growing clout owed much to the Anglo-American invasion of Iraq to topple its major regional adversary. Bahman Baktiari envisages a grand bargain between the United States and Iran, a watershed agreement that would not only address the nuclear question, but also acknowledge Iran's major role in the region, while insisting that Iran recognize America's presence and legitimate interests in the Middle East.

Kristin Smith Diwan provides an incisive overview of the Arab Gulf states, and the declining influence of the United States as the Gulf states diversify their economies and rebalance their foreign policies. She cautions that many of the key struggles in the Gulf are economic, not cultural, and that Washington should not rush to attach sectarian labels to these struggles.

Each of the contributions emphasizes the complexity of the Middle East puzzles that confront the new administration. The Bush administration did not "do" nuance and saw no shades of gray, only black and white. This penchant was on display in Lebanon, where U.S. policy was premised on the erroneous notion that pro-U.S. forces would be able to dominate the country's weak political center. Rather than supporting a return to consensus decision-making, which is the norm in Lebanese politics, U.S. officials spurned compromise. The problem is that the Hezbollah-led opposition, which the United States understandably opposes, enjoys the support of roughly half of the Lebanese population. In May 2008, after Hezbollah-led raids into West Beirut, consensus decision-making was restored through the mediation of the Qatari government. A solution that was on the table nine months before, only to be nixed by Washington, was finally attained, but at significant cost for U.S. prestige. It is a legitimate goal for the United States to seek to erode Hezbollah's hostile influence in Lebanon. However, expunging a deeply embedded party with a broad political base is not easily done, and the U.S. attempt to marginalize Hezbollah arguably buttressed its core support, just as the 2006 war, which the United States encouraged and supported, lent credibility to the Shii group's narrative.

Substantial evidence reveals that Bush was neither inquisitive nor well-served by aides intent on exposing him to policy skeptics who might have challenged the premises of his policies in Iraq, Lebanon and elsewhere in the region. This was one of the profound failures of Condoleezza Rice as national-security adviser. Even inquisitive presidents need to work hard to insure that alternative perspectives reach the incredibly insulated Oval Office. This was especially so in the rush to war with Iraq, when skeptics were unwelcome in the White House, as well as in the Pentagon. I experienced this first-hand with the U.S. Army War College Strategic Studies Institute, when I was commissioned to write

on Iraq in October 2002. Once the director of the institute discovered that the paper revealed my reasoned doubts about the coming war, he tried to kill the paper. This is an ostrich's approach to strategic planning.

To be fair, it was not just government advocates of the Iraq War who had their heads in the sand. The mainstream media was right there alongside them. In a piece that I was invited to write by *the New York Times* "Week in Review" right after the war began in March 2003, I wrote:

There are two Iraqs: One exists in the minds of the Washington officials who planned the war and who expected that, as Saddam's despicable regime was systematically dismembered, liberated Iraqis would rise up anxious to taste the elixir of freedom. The second Iraq is a tougher, more complex place that defies inside-the-beltway theories. Iraqis may not only hate all that Saddam symbolizes, but also be deeply suspicious of America and its mantra of freedom and democracy.

Iraqi opposition figures have spoken, sometimes poignantly, about the savage cruelty that the Baghdad regime inflicted upon its populace. The brutality is incontestable, but what these same voices do not explain is how a society bereft of a civil society and devoid of democratic traditions and institutions could be converted in short order into a democracy.

As the war crunches forward, there is no doubt that many of the opposition men will be propelled into privileged positions in the colonial apparatus that America will erect. We shall discover soon enough whether these heralds of a democratic Iraq truly know the land of the Euphrates and the Tigris or have spent too much time on the banks of the Potomac.

The *Times* did not use the piece, which the editor found "too far ahead of the news cycle." Actually, she was not willing to rain on the parade of all those who were acclaiming the success of the invasion in its first days. Of course, some government analysts held views parallel to my own, but neither in-house contrarians nor outsiders found their views welcome in White House circles. The merits of my opinion are no doubt debatable, but the key point is that the new administration must work hard to insure that it does not re-create the orthodoxy of certitude that wreaked such disastrous results over the past eight years.

Rather than blacklisting trenchant critics, as the Bush administration did, the new administration should give them a chance to take their best shots. In my experience, *some* previous administrations have made it a practice to hear out policy skeptics. For instance, while I was quite critical in high-profile op-ed articles of President Ronald Reagan's policies in the Middle East, it was fairly common for me to meet senior aides in the White House; not because they shared my views, but precisely because they wished to bounce their views off mine, to get a reality check. A side benefit, perhaps, is that critics are likely to re-examine their own views in the process.

The reader may well be thinking that President Barack Obama is very likely to seek out a wide range of expert opinion on Iraq or Afghanistan, and he probably will. However, will he do so in politically riskier realms, not least the Arab-Israeli conflict? Early signs indicate that the new administration will have no shortage of players keen to respond to Israel's interests but tone deaf to the concerns of Palestinian Arabs, for instance. If the new president is truly serious about moving deliberately to resolve the Israeli-Palestinian

conflict, as has been hinted, then it is imperative that he seek out informed views that challenge the embedded orthodoxies rather than echo them.

The contributions that follow provide a sampling of what scholars of the Middle East might have to say to the new president.

REALISTIC IDEALISM AND DEMOCRACY PROMOTION IN THE MIDDLE EAST

Eva Bellin, associate professor of political science at Hunter College and the Graduate Center, City University of New York. She is the author of Stalled Democracy: Capital, Labor and the Paradox of State-Sponsored Development (Cornell University Press, 2002).

What stance should the new administration take on the question of democracy promotion in the Middle East? For eight years the Bush administration made democratization a central touchstone of its foreign-policy rhetoric in the region. Should the new American president abandon this ambition to democratize the Middle East?

True democrats are reluctant to retreat from the goal of democracy promotion. Idealists have long chastised the United States for its historic alliance with dictatorship in the Middle East, its willingness to collude with repression in order to guarantee access to oil and gas or to secure allies in the war against communism. Yet surprisingly, when the Bush administration announced its embrace of democracy promotion in the Middle East after 9/11, the response of many democrats was muted. Some were concerned about policy overreach. Others were concerned that the administration's mixed motives would taint democratization with imperialist associations. Nor did the actual policies carried out in the name of democratizing the Middle East do much to enliven enthusiasm for this project. If anything, the experience of the last administration taught the following lesson: when it comes to democracy promotion in the Middle East, the United States must embrace realistic idealism.

The need for more realistic idealism grows out of recognition of three core truths. First, wishful thinking to the contrary, it is impossible to eliminate the conflict between U.S. ideals and interests in the region. President Bush tried to collapse the two by arguing that America's best hope for peace and security lay in the expansion of democracy and freedom in the Middle East. But, almost immediately, progress on the democratic front in the Middle East led to troublesome results: the reinforcement of sectarian cleavage in Iraq, the electoral victory of Hamas in Palestine, and the development of political paralysis in Lebanon. It seemed that democratization in the Middle East was as likely to undermine U.S. interests as serve them, at least in the short term.

Historically, the United States has had three core interests in the Middle East: preserving access to oil and gas, securing the free flow of maritime traffic through the Suez Canal, and guaranteeing the safety of key regional allies such as Israel and Egypt. More recently, a fourth interest has emerged: securing assistance in the war against terrorism. At times, protecting

these interests will necessarily conflict with advancing American ideals such as democracy promotion. There is no wishing this contention away. However, recognizing this conflict does not give the United States a blank check to ignore its commitment to advancing human rights and basic freedoms around the world. Rather, the United States must weigh the costs and benefits of a given policy on a case-by-case basis. A calculation of trade-offs in terms of interests and ideals must be carried out for each policy choice (e.g., how much security should be sacrificed for how much freedom) rather than taking a blanket approach to all. No doubt, this will spell a certain level of inconsistency in U.S. policy. But the multiple commitments and responsibilities of any great power make a measure of inconsistency in foreign policy inevitable.

Second, realistic idealism in the Middle East is obligatory because U.S. leverage in the region is increasingly weak. Two of America's primary sources of soft power have taken a beating of late. America's economic leverage in the region has been reduced by the surge in oil prices, hugely enriching quite a few countries in the region (especially in the Gulf and North Africa). America's moral leverage as a model of freedom and democracy has been compromised by American conduct at Guantanamo and Abu Ghraib (not to mention the fact that a majority of Middle Easterners perceive America's intervention in Iraq as an interest-driven imperialist adventure). As for hard power, the war in Iraq has made clear the limits of political leverage afforded by military might. None of this means the United States exercises no power in the Middle East. But it suggests real limits to what the United States can do.

Third, realistic idealism is always advisable when it comes to democracy promotion. Democratization is everywhere a long and uncertain process. It is prone to stalls and setbacks. It is sometimes violent and often chaotic. For this very reason, democratization must always be a primarily home-grown phenomenon. No outside power has either the interest or the endurance to see this protracted, non-linear process through to its end. Democratization must be the work of forces on the ground who daily make their own calculations of the costs and benefits of mobilizing collective power and challenging the status quo. Outside powers may cheer the democratization process on and provide assistance in small ways, but they can never "own" the process. Ambitions to the contrary will always be disappointed.

What does realistic idealism mean in concrete terms? America must deflate its rhetoric and rein in its ambition when it comes to democracy promotion in the Middle East. Overreaching only invites failure and exposes the United States to charges of hypocrisy when it fails to deliver on this goal. Instead, the United States must embrace restraint. It must commit itself to the defense of basic freedoms and human rights in the region but leave the battle for full-fledged democracy to local forces on the ground. It must pressure its allies to respect the dignity of the individual, expand press freedoms, and open up political space to opposition parties, even as it recognizes that measured liberalization may not deliver full-fledged democracy in any immediate way. The United States must also embrace multilateralism and cultivate alliances with local democratic forces to decouple the drive for democratization from imperialist association. Finally, the United States must embrace principled inconsistency. The United States will not always be able to deliver on its ideals. However, it should be prepared to make an argument clarifying

the interests and principles at stake in each policy position. Transparency in this difficult reckoning will have to compensate for iron-clad consistency.

Realistic idealism will best serve United States ideals and interests in the Middle East. This is the most important lesson the new administration can learn from the past eight years.

U.S. POLICY AND THE ARAB-ISRAELI CONFLICT: WHAT SHOULD AND CAN THE NEXT PRESIDENT DO?

Michael C. Hudson, professor of international relations in the Edmund A. Walsh School of Foreign Service and director of the Center for Contemporary Arab Studies at Georgetown University. He has written widely on domestic and regional politics of the Middle East and on U.S. relations with the region.

Pundits tell us that the Arab-Israeli conflict will not make it to the next president's top-ten list of problems to worry about. Even without our looming financial and economic crisis, this issue might still languish as the new administration struggles with "more pressing" foreign-policy issues such as Iran, Afghanistan, Iraq and, of course, terrorism. Let us hope the pundits are wrong, because there is no foreign-policy issue that requires higher priority than the historic Palestine problem. The broader Middle East is the locus of the most serious security issues facing the United States, and every one of its "more pressing" crises is fueled by Palestine. It is a cancer that, unchecked, has metastasized across the region from Afghanistan to Algeria. Those who assert that there is no linkage between Palestine and these other situations are mistaken. Few Middle East specialists would claim that solving the Palestine problem would lay to rest all the other problems of the region, but most would argue that allowing it to fester will contribute significantly to their intractability. Hobbled by domestic pressure groups, the United States, despite its stated good intentions, has probably done more to exacerbate the conflict than to move it toward a stable solution. The next administration ought to exercise the full weight of American influence to correct this situation. But to do so, it will have to free itself from domestic political pressures.

A Century of Conflict, No End in Sight

The struggle for Palestine is the oldest major regional conflict in the world, dating at least from the end of the nineteenth century. The conjuncture of Ottoman decline, the rise of Zionism and Arab nationalism, and the collapse of Britain's brief mandate led in 1948 to the establishment by force of the Israeli state and the displacement of some three-quarters of a million Palestinians. The "Palestinian refugee problem" (as it was known for two decades) was managed but not solved, and eventually the Palestinians themselves reasserted their political claims to their lost homeland through an armed resistance movement. Seven wars (1948, 1956, 1967, 1969-70, 1973, 1982, 2006) and two uprisings (the *intifadas* of 1989 and 2000) have not settled the matter, nor have the two most promising diplomatic initiatives (out of dozens of clear failures) — the Camp David agreement of

1978 and the Madrid-Oslo “peace process” of the 1990s. The present situation is hardly propitious, characterized as it is by a weak, right-wing government in Israel, a weak and deeply divided Palestinian leadership, the U.S. presidential race in which both candidates are pandering to Jewish and fundamentalist Christian voters, and a tense regional environment marked by Iranian nuclear assertiveness and the Islamist extremism of the al-Qaeda variety.

This sorry history has shaped and perhaps warped the consciousness of peoples across the Arab world and the broader Middle East. “Palestine” is an indelible landmark in the region’s cognitive terrain. And “Palestine” connotes Western colonial domination with the attendant injustices and suffering imposed by the “outsiders,” be they European Zionists, British colonialists or American hegemons. “Palestine” conjures up images of Israeli expansionism, brutality and arrogance. “Palestine” also symbolizes the collective failures of the Arabs and promotes popular cynicism and contempt for ineffectual, selfish and corrupt Arab regimes. To many in the West, the Palestine issue has been around so long that it has become boring. This is not so, however, for people in the Middle East, especially with the advent of the information revolution. Al-Jazeera has brought Palestine vividly to life for a new generation across the region. Palestine remains perhaps the most potent symbol in the public discourse of anti-Western resistance from Pakistan to Morocco.

Recent U.S. Policy

Saddam Hussein’s failed invasion of Kuwait in 1990, coming as it did after the collapse of the Soviet Union, created a strategic opportunity for the United States to try once again to untie the Gordian knot of Palestine. Israel owed America a favor for protecting it and hobbling Iraq. The Palestinian movement was also severely weakened. President George H.W. Bush’s secretary of state, James Baker, succeeded in bringing the key players, including Syria and representatives of the Palestinians, to a conference in Madrid. This was followed by a series of bilateral negotiations between Israel and its various antagonists. Just as the “Madrid process” was running out of steam, secret negotiations brokered by Norway between Israeli and PLO representatives bore fruit. This “Oslo peace process” was adopted (some would say commandeered) by President Clinton in 1993, with an Israeli-Palestinian agreement on a Joint Declaration of Principles. It set forth a series of interim targets that were supposed to lead, under a certain timeline, to an agreement on “final status” issues, including Jerusalem, borders, refugees and security. Seven years later, the process came crashing down at another Camp David conference, and the Clinton administration’s eleventh-hour efforts to resuscitate it in the Taba talks of January 2001 failed. Why? Needless to say, there has been a great deal of finger-pointing. The lead American negotiator and the Israelis assigned the blame to Palestinian leader Yasser Arafat. Palestinians blamed Israeli Prime Minister Ehud Barak. But in the opinion of some well-informed observers, including American officials who were involved, the Clinton administration must bear a great deal of responsibility. They squandered the inheritance of Madrid and Oslo by failing to exert strong and evenhanded pressure on the Israeli side as well as the Palestinian.

If the Clinton administration was disappointing, the performance of the George W. Bush administration has been disastrous. Even though President Bush began on a promis-

ing note by formally declaring America's support for a Palestinian state alongside Israel, he failed to follow through in a serious manner until the waning days of his administration. The kindest explanation would be that he became sidetracked following the attacks of September 11, 2001. The administration's response to 9/11 sucked up all of Washington's attention and capabilities and channeled them first into the "global war on terror" and then into the quagmire of Iraq. Consequently, the Roadmap, the plan put forth by the administration to restart the peace process, remained essentially a piece of paper, while the vehicle for moving it forward, the Quartet — the United States, the European Union, the United Nations and Russia — never gained much traction. Underlying this pattern of neglect was the ideological affinity among the neoconservative network controlling Bush's foreign policy, the right wing in Israel, and Israel's well-organized supporters in the United States. They shared a reductionist view of the security threat to Israel, conflating Palestinian "terrorism" with al-Qaeda and Saddam Hussein's Iraq. They also shared an assumption that American and Israeli security interests were essentially identical. Thus, when President Bush's first secretary of state, Colin Powell, sought to activate the Roadmap, his efforts were undercut by Vice President Dick Cheney.

In fairness, internal developments on both the Palestinian and Israeli sides made the diplomatic task all the more difficult. The victory of Hamas in the Palestinian elections of 2006 and the subsequent Hamas coup in Gaza were accompanied by the weakening of the Israeli government. Prime Minister Ehud Olmert was accused of personal corruption, and public opinion had hardened in the aftermath of Palestinian rocket fire into southern Israel following Israel's unilateral withdrawal of its settlements in Gaza. Only in the last months of President Bush's second term, as the influence of the neoconservatives began to wane, did Secretary of State Condoleezza Rice belatedly try to restart the moribund peace process. Unfortunately, the influence of President Bush was also waning: a lame duck president was poorly positioned to move diplomacy forward.

What Should President Obama Do?

Any U.S. policy recommendations that deserve to be taken seriously should, in my view, be predicated on three elements: first, commitment to a *just* settlement; second, concern for America's legitimate security interests; and third, due attention to the strengths and limitations of American power. That said, it may be helpful to distinguish between general options and specific recommendations.

Ever since Britain drove Turkey from Palestine in 1917, statesmen and diplomats have pursued two broad pathways to a definitive end to this particular "war of Ottoman succession": partition, involving the creation of an Arab and a Jewish state in historic Palestine; and a bi-national solution in which both national communities would co-mingle in a single state. Events on the ground since Israel captured the West Bank, East Jerusalem and the Gaza Strip in 1967 have not rendered irrelevant either of these options, but they may have made each more difficult to achieve. The next American president should ponder carefully which of the following four long-term strategies to pursue.

1. The historic two-state model. This would require engaging in vigorous and even-handed diplomacy within the parameters of U.N. Security Council Resolution 242 and the

“Clinton parameters” for a two-state solution that were advanced after the failure of the 2000 Camp David conference. The incessant expansion of Israeli settlements in the West Bank and Jerusalem, however, has created so many new facts on the ground that it may be politically impossible to roll them back. This means it may be too late to create a politically viable Palestinian state. Washington bears heavy responsibility for having allowed Israeli settlement building and expansion to continue over the past decades, in contravention of international law. Nevertheless, the two-state solution remains “the only game in town” for most of the international community and for substantial portions of Palestinian and Israeli public opinion.

2. A one-state solution. This would mean going back to the old bi-national model, in which the state of “Israel-Palestine” would be created, presumably with consociational democratic structures and equal rights for all. Individuals would be free and equal but each national community would maintain its distinctiveness and enjoy security, without geographical cantons. Israel-Palestine would be both a Jewish state and a Palestinian Arab state. Setting aside myriad practical difficulties, an immense problem remains: would Israelis ever accept such a thing? To them, might it not mean the end of the Zionist dream of a (purely) Jewish national home? As prospects for the Palestinians appear ever bleaker, a growing number of them are reconsidering the two-state strategy. Yet, would Palestinians and their supporters in the Arab and Islamic worlds accept the risk that Palestinians might become second-class citizens in a bi-national state (like their compatriots in pre-1967 Israel) still called Israel and flying the flag of the Star of David?

3. A policy of disengagement. On the well-founded assumption that effective and balanced U.S. diplomacy is impossible, even counterproductive, the new American president might decide to engage in “masterly inactivity.” He could start by cutting military and economic assistance to all sides. He could reverse the traditional American insistence on dominating Arab-Israeli peacemaking and instead toss it to others: the United Nations or a multilateral consortium of, say, the United Nations, the European Community, the Arab League and China. He might insist that the parties reach an agreement on their own. Here too, of course, there are problems. “Extremists” could take control of Israeli, Palestinian and neighboring political authorities. Another Arab-Israeli war might become more likely, maybe even inevitable; but, it might be argued, the world has learned to live with them. On the other hand, given America’s less-than-stellar performance, who is to say that the local parties, along with more disinterested foreign helpers, might not do better knowing that Uncle Sam is not standing in the wings.

4. The present inconclusive course. This means more of the same old failed policies. The new president would continue to proclaim Washington’s good intentions and commitment to justice for both sides, something that nobody believes, while maintaining massive military, economic and diplomatic support for Israel. He would continue to humor the Palestinians, Arabs and Muslims with the notion that the United States is an honest broker. He would allow Israel to complete its de facto reoccupation of the West Bank and Jerusalem. He would assume that Israel’s overwhelming power would ensure relative stability in the region. Here too, though, there is a problem. It is always possible that Palestinian, Arab and Muslim resistance will be re-born, perhaps with help from outsiders

not friendly to the United States, and that the ongoing situation will encourage transnational terrorism. Scenarios of larger regional chaos involving Iran, Syria and Lebanon might move from the realm of the possible to the probable.

Faced with this unpalatable menu of options, the new president might be forgiven for wanting to forget about Palestine altogether, but, as should be evident, this is not an option. My own recommendation to the president would be to continue to pursue Option 1, notwithstanding all the growing problems with it. But to make a two-state solution work, the president will have to insist on more far-reaching concessions on the Israeli side than on the Arab side. In light of almost certain strenuous Israeli resistance and a firestorm of domestic opposition from Congress and the Israel Lobby, it is hard to imagine any U.S. government being willing and able to insist on them.

Some Specific Recommendations

American politicians have very short time horizons, usually determined by the election cycle. What, then, might the next American president do in the short term to begin to deal effectively with this important problem?

- Get a new team of advisers. The old ones are too partisan and are locked into a simplistic understanding of the Middle East.
- Be multilateral. The United States cannot and should not arrogate “management” of this diplomacy to itself. It should genuinely share an international initiative including the Arab League, Europe, Russia, China, Japan and India.
- Significantly increase economic and humanitarian assistance to the Palestinians, in conjunction with the international community.
- Do not be intimidated by the Israel lobby. Also listen to liberal voices in the American Jewish community, and urge them to use their influence in Israel.
- Offer “tough love” to Israel, including a warning that the historic aid relationship might be reviewed.
- Offer security guarantees to both Israel and the Palestinian state. Intrusions and violence, governmental or irregular, from either side must be prohibited.
- Ease Israel’s onerous restrictions on the Palestinians. Insist on an immediate removal of most West Bank checkpoints, and enable Palestinians to visit Jerusalem more easily.
- Do not move the U.S. embassy to Jerusalem until an overall agreement on Jerusalem’s status has been reached.
- Insist on an immediate and significant reduction of settlement expansion and an eventual complete removal of West Bank settlements. Special status should be negotiated for the settlements in and around Jerusalem.
- Support a significant Palestinian presence in East Jerusalem, including unequivocal backing for a Palestinian capital and Palestinian authority in East Jerusalem.
- Support the creation of a genuine Palestinian state. Going back to the terms of UN 242, only minor territorial changes should be contemplated. The next president should reiterate that the Palestinian state must have territorial coherence and integrity. He

should declare that Palestinians must have direct and unimpeded access to the outside world through Jordan and Egypt and by sea at Gaza and by air in the West Bank. A secure land corridor must be established between the West Bank and Gaza.

- Accept the internationally recognized right of return for Palestinians displaced in 1948 and 1967. Admit this in principle, recognizing that in practice few would want to return to Israel proper, and press energetically for a compensation regime for Palestinians who lost their property and valuables.
- Deal with the legitimate Palestinian authorities. Be prepared to deal with whoever the legitimately elected representatives in the Palestinian territories may be, including politicians from Hamas.
- Encourage Israeli-Syrian negotiation over the Golan Heights, rather than discouraging them, and be prepared to lift sanctions and the terrorist label from Syria if these negotiations prove fruitful.

What Can the New President Really Do?

There is a big difference between what an ivory tower academic might recommend and what the new president might actually do. Judging from their rhetoric in the campaign, neither Barack Obama nor John McCain seemed inclined or capable of a strategy that might bring this old conflict to a definitive end. Guided by their own understanding of the situation, the nature of American public discourse and the unchallenged influence of the Israel Lobby, it seems most likely that the next president will stick to the present unproductive course (Option 4), dismissing most of my specific recommendations out of hand. I continue to believe that the American president could use his bully pulpit to reshape a domestic environment that for so many years has hamstrung an effective and just American policy. If he does, the benefits to the United States will be enormous.

THE NEXT PRESIDENT, THE NEXT STAGE IN IRAQ

Eric Davis, professor of political science, Rutgers University, and former director of the university's Center for Middle Eastern Studies.

What lessons should the United States learn from its involvement in Iraq? Based on these lessons, what advice can we offer the next president after the Bush administration leaves office in January 2009? Clearly, unilateralism in foreign affairs should by now be thoroughly discredited as a *modus operandi* in foreign policy. What some have referred to as “cowboy diplomacy” and an irresponsible occupation policy in Iraq have led to thousands of needless deaths of Iraqis and Americans and widespread material destruction. They have also undermined the U.S. standing in the Middle East and throughout the world. While no one disagrees that Saddam Hussein and his regime should have been removed from power, Iraq underscores the need to depose political leaders who engage in massive human-rights violations through the institutions of international law, not the unilateral use of force. As the July 2008 arrest of Radovan Karadzic makes clear, the

next president will need to put much more effort into strengthening the international legal system so that genocidal leaders can be removed from power through internationally sanctioned legal mechanisms.

The war in Iraq raises serious questions about excessive reliance on military force as a tool of foreign policy. U.S. forces must remain on the cutting edge of military weaponry, technology and force-level preparedness. Nevertheless, the American military's difficulty in securing Iraq and the major challenges that it faces from the Taliban in Afghanistan, despite NATO involvement, makes it clear that force alone cannot serve as the primary instrument in the conduct of foreign policy. With American forces stretched thin and the military having difficulty sustaining force levels, Iraq teaches us that new strategies are needed in the conduct of U.S. foreign policy in the Middle East during the twenty-first century.

Yet there are larger lessons to be learned from Iraq, beyond diplomacy and the use of military force, that concern the way in which we think about the non-Western world. These considerations challenge students of Middle East politics to revisit the conceptual and theoretical approaches that we use in studying the region. First, Iraq underscores the argument of many social scientists that *history matters*. Adopting a largely ahistorical approach, many academics, pundits and policy makers, especially the myriad Iraq "experts" who suddenly appeared after May 2003, argued that Iraq was a lost cause. In their view, mentioning "Iraq" and "democracy" in the same sentence constituted an oxymoron. The development of wide-scale sectarian violence was cited as evidence that Iraq was really only a collection of ethnic, confessional and tribal groups, and thus an artificial nation-state. Apart from neoconservatives, both in and outside the Bush administration, who blithely argued following Saddam's toppling that economic prosperity and democracy were right around the corner, few thought Iraq could move beyond sectarian-based violence and political instability.

Most analysts have failed to take *time* into account. To assume that meaningful conclusions about Iraqi politics could be derived from a four-year time frame that stretched from the summer of 2003, when the Iraqi insurgency began in earnest, to the summer of 2007, when Mahdi Army leader Muqtada al-Sadr called for a truce and the "surge" began, was highly problematic. Those who argued that Iraq was condemned to sectarian strife have been unable to explain the subsequent dramatic decline in violence. Analyses that have only focused on this four-year period, or portions of it, demonstrate an ignorance of modern Iraqi history, especially the positive impact of the Iraqi nationalist movement on notions of *political identity*. Likewise, a failure to study the past led many analysts to ignore the devastating impact of the 1990s, when Iraqi society collapsed under the impact of a repressive UN sanctions regime. The significance of the 1990s is less the rise of sectarianism — even though Saddam Hussein tried his best to incite such feelings as part of a "divide and conquer" strategy — than the institutionalization of a network of criminal organizations, based on "wholesale" oil smuggling by the state (Arab and Kurdish) at the national level and "retail" smuggling by crime syndicates at the local level.

Another lesson learned from Iraq is that *democracy* cannot be thought of in terms of "one size fits all." The Bush administration's concept of democracy differs from understandings of the term that have developed in Iraq over time. The neoconservative vision

sought to impose on Iraq a form of governance characterized by a “night watchman” state, one that was dominated by technocrats and practicing regional “isolationism.” The assumption behind this idea was that markets in Iraq would rebound after the collapse of the Baathist regime; thus, there was no need for an economically interventionist state.

The idea that Iraq’s economy would quickly return to some form of normalcy was naive in the extreme. That the revival of markets could in itself jump start a democratic political system in Iraq was even more farfetched. Iraq’s economy had been devastated by the Iran-Iraq and Gulf wars, the February-March 1991 uprising (*intifada*) and the 1991-2003 UN sanctions. An already prostrate economy was further eroded by the massive looting in Baghdad in April 2003 that destroyed most government ministries and offices. The looting had psychological and political as well as economic effects. When Iraqis realized the United States lacked a coherent occupation policy and possessed little or no understanding of Iraqi society and politics, many were loath to cooperate with American officials.

Matters were made worse in the spring and summer of 2003, politically as well as economically, by the acts of the Coalition Provisional Authority (CPA): dissolving the 385,000-man Iraqi army, firing 500,000 public-sector employees and ending agricultural subsidies. The Bush administration’s economic “shock therapy” led to increased unemployment and encouraged further rural-to-urban migration by poor peasants, creating a huge recruitment pool for insurgent and criminal organizations. In other words, the clash between two differing concepts of democracy (and I would argue that the neoconservative vision constituted a very “thin” form of democracy that would have restricted political participation and power to wealthy Iraqi elites) resulted in greater instability by providing the conditions for neo-authoritarian forces to assert themselves after 2003.

These considerations point to the failure of many analysts to understand the impact of the Iraqi nationalist movement, particularly its role in constructing historical memory, another concept that has not informed the framework through which Iraqi politics has been analyzed. During the period between the 1908 Young Turk Revolt and the Baathist putsch that overthrew the regime of Abd al-Karim Qasim, the majority wing of the Iraqi nationalist movement generated a tolerant and participatory vision of Iraq. It was based in cross-ethnic political cooperation, a vigorous press that promoted inter-ethnic cultural exchanges, extensive associational behavior — seen in the establishment of numerous professional associations, cultural organizations, women’s-rights and student groups, and a powerful labor movement — and an artistic movement that drew upon local and international aesthetics to challenge traditional authority. The form of democracy that developed within the crucible of the Iraqi nationalist movement centered on “the social question,” not the neoconservative injunction that the state withdraw from intervention in the economy and from providing social entitlements to the needy.

While the first Baathist regime largely destroyed the Iraqi nationalist movement in 1963, the movement reemerged outside Iraq following the 1991 Gulf War in the form of a coalition of secular and Islamist organizations. What was particularly relevant about the Iraqi opposition during the 1990s was its raising of issues that heretofore had not constituted a significant part of Iraqi and Arab political discourse. One of the key issues that

Iraqi intellectuals confronted was sectarianism, previously considered political dirty linen and not meant to be discussed in public. Another issue they raised was the need to reintroduce the liberal ideas that had enjoyed considerable support in Iraq before the overthrow of the Hashemite monarchy in July 1958, and the need to take the rule of law and human rights seriously. In effect, many of the writings of Iraqi opposition figures on human rights during the 1990s complemented the emphasis on social justice that had dominated political discourse prior to 1958. While much of this literature failed to reach a large audience inside Iraq, it laid the basis for an intellectual revival that sprang up almost immediately after the fall of the Baathist regime.

Two considerations are critical here. One is the legacy of cross-ethnic cooperation that has continued to work against sectarian identities since 2003 as Iraqis seek to return to the “true” Iraq, where ethnic, confessional and tribal backgrounds do not determine the manner in which Iraqis interact socially and politically. Second, the nationalist movement structured an understanding of democracy that considers procedural electoral rights to be only a part of its definition. True democracy can only exist when citizens have access to material benefits, especially employment, and protections from human-rights abuses by the state. While Iraq has a strong entrepreneurial tradition, the market is not the first concept that comes to mind when Iraqis discuss notions of democracy.

When Western social scientists deploy their conceptual frameworks, they need to avoid an empirical focus that concentrates solely on the individual nation-state to the detriment of regional factors. Another factor that has received varying levels of attention is “neighborhood effects.” This involves the efforts of surrounding countries such as Iran, Syria, Saudi Arabia and Turkey to influence political developments in Iraq after 2003. Greater focus on the extent to which all the major neighboring states have maintained a strong interest in preventing Iraq from becoming a tolerant, stable and multiethnic democracy is crucial; such a state poses negative implications for their own domestic politics. Thus, we need to realize the extent to which neighborhood effects, and not just sectarian identities and criminal activity, have structured political instability and violence in post-Baathist Iraq. If a significant portion of Iraq’s violence and instability can be explained by exogenous rather than endogenous variables, perhaps there are not as many domestic impediments to the development of civil society and democratic governance as many analysts would argue.

Finally, there are the concepts of the absent state and of sectarian entrepreneurs. The absent state refers to the inability and/or unwillingness of Middle East states to provide necessary services, such as police protection, education, health care and a decent standard of living. In Iraq and much of the Middle East, citizens assume that the state is a rapacious institution whose goals are in all instances anti-civic, rather than designed to serve the public good. It is into this vacuum that sectarian entrepreneurs move to exploit ethnic and confessional differences, often providing social services to leverage support for nefarious political and economic goals. The absent state, combined with the vertical identities that sectarian entrepreneurs seek to create, work against civic goals. However, they suggest that, if certain services were provided, support for sectarian identities would decline.

What do the lessons of Iraq suggest about the future of U.S. foreign policy in Iraq and the larger Middle East? It is instructive to recognize that the significant decline of violence in Iraq was not just a function of the Mahdi Army truce of August 2007. Nor was it primarily a result of the surge that both increased U.S. troop levels and embedded them in violent neighborhoods, where they could provide protection for Iraqi civilians. Without doubt, the emergence of the *Sahwa* (Awakening) movement, especially in al-Anbar, formerly one of Iraq's most violent provinces, was critical to eliminating al-Qaeda and insurgent organizations.

Yet a key factor that has received relatively little attention was the dramatic change in the manner in which the United States approached Iraq in the area of *reconstruction*. Under the new policy implemented by General David Petraus and Ambassador Ryan Crocker, Provincial Reconstruction Teams (PRTs) were significantly expanded and a new "bottom up" approach was emphasized. Rather than developing projects in Washington, reconstruction efforts were organized around local needs as expressed by Iraqis. The process of listening to Iraqis, and hence demonstrating respect for them by tailoring projects according to their expressed needs, has worked wonders in developing new relationships built on trust between U.S. personnel and Iraqi citizens.

The relationship between Iraq and the United States that is organized around Iraqis defining their own development agenda, with the United States providing critical technical expertise, constitutes a model for diplomatic relationships elsewhere in the Middle East. Efforts to create a more prosperous society where there is hope for the future undermines the ability of sectarian entrepreneurs to exploit social and economic discontent. Successful reconstruction efforts also create a more propitious environment in which competing elites can negotiate solutions to their differences.

This is not to argue that reconstruction should be the only focus of U.S. foreign policy in the Middle East. However, the implementation of a massive program of economic development — a Marshall Plan for the Middle East, as it were — constitutes a means of offsetting the anger and radicalism of those under the age of 25, who constitute 60 percent of the population in the region. A unique opportunity exists to mobilize the Middle East's massive hydrocarbon wealth to create the type of education systems, economic opportunity and prosperity that could provide the social and economic foundation for the political change that the region desperately needs.

The next president must approach Iraq and the larger Middle East with a new vision. The contrast between Iraq under the administration of neoconservatives from 2003 to 2007, and the dramatic reduction in violence from 2007 to 2008 under the Petraus-Crocker condominium, sends a powerful message that new directions are needed in U.S. foreign policy. Continued support for dictatorships in Egypt, Tunisia, Libya and Algeria, and authoritarian regimes in Saudi Arabia, Morocco and Jordan will not endear the United States to the youth of the Middle East. Unless the next administration starts thinking about the long term, the United States could face instability in the region that dwarfs current problems. A reconstruction partnership that earns us the gratitude and admiration of the peoples of the Middle East, while providing employment for American citizens and contracts for U.S. firms, could dramatically change the perception of the United States in

the region. If the United States can help Iraq's oil industry modernize in the process, increased Iraqi exports could place downward pressures on global oil prices. Combined with a vigorous public-diplomacy strategy, in which the Muslim community in the United States plays an active role, a new reform-based American foreign policy could lead to dramatic changes for the better in the Middle East.

A GRAND BARGAIN WITH IRAN

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What to do about Iran has divided every U.S. administration since 1979. Iran's ruling factions have likewise differed over how, or whether, to deal with the United States. For three decades, the United States and Iran have engaged in mutual satanization. Yet, after 30 years of acrimony, we see the emergence of pragmatic voices in Washington and Tehran calling for engagement and dialogue. Five former U.S. secretaries of state issued a joint statement calling on the next American administration to start a dialogue with Iran. The five — Colin Powell, Madeleine Albright, Warren Christopher, James Baker and Henry Kissinger — all said they favored talking to Iran as part of a strategy to stop Tehran's development of a nuclear-weapons program.² In another public statement, several scholars of Iran and the Middle East signed a joint statement endorsing dialogue with Iran, calling for "unconditional and comprehensive negotiations at the senior diplomatic level, where personal contacts can be developed, intentions tested and possibilities explored on both sides [and to] adopt policies to facilitate unofficial contacts between scholars, professionals, religious leaders, lawmakers and ordinary citizens."³ Informed experts have also buttressed these calls by providing detailed proposals for a "grand bargain." According to Flynt Leverett, a "grand bargain" between the United States and Iran means putting all the principal bilateral differences between the United States and Iran on the table at the same time, mutual with agreement to resolve them as a package.⁴

I believe both countries have learned from the past 30 years of acrimony and have reached a dead end; nothing, from sanctions to threats of military action, has succeeded in changing anything on the ground. Although the clerical regime in Tehran is saddled with serious economic problems, it has failed to deliver on its promises, and its youth no longer listen to tough talk from the regime. But Iranians have a strong sense of nationalism and independence. The ruling clerics have used Western opposition to Iran's nuclear program to generate national unity and purpose inside Iran.

The United States needs to approach Iran with both determination and realism. The key is to make the leaders see that they will be better off and more secure without nuclear weapons than with them. The United States must offer Iran a "grand bargain" that has the support of the international community, offers the right carrots and sticks, and

provides the Iranians with face-saving ways to step back from the nuclear brink. Then there will be hope for seeing improvement in U.S.-Iranian relations. As former Israeli leader Yitzak Rabin used to say, “You make peace with your enemies, not your friends.”

It is possible, though, that Tehran would spurn a grand bargain, despite the attractiveness of the incentives. There are significant cultural barriers between the United States and Iran that make bargaining over any issue extremely difficult.⁵ Nevertheless, Iran did propose a grand bargain with the United States in 2003, addressing a whole range of issues, from full transparency in its nuclear program to termination of any support to Palestinians and acceptance of the two-state solution in the Middle East. In return, Iran’s main requests were mutual respect and acknowledgement of its legitimate security interests in the region.⁶

All accounts seem to agree that the proposal was written by Iran’s then-ambassador to France, Sadegh Kharrazi. (Kharrazi is no longer in that post, in part because he favored negotiations with the United States, or at least that is what he told Agence France Presse. “I am one of those who are in favour of negotiations with the United States, and I have paid the price.”) The offer appears to have been one of a series of overtures that included efforts by Iran’s representative to the United Nations, Mohammed Javad Zarif, a message passed through IAEA Director-General Mohammed ElBaradei, and “soundings” from Iranian envoys to Sweden and Britain. The Bush administration rejected the Iranian offer, thereby reducing the chances that Iran will accept meaningful long-term constraints on its nuclear activities. It has also done nothing to ensure that the United States wins the longer-term struggle for Iran.

Toward a Grand Bargain

President Obama has a unique opportunity to pursue a comprehensive rapprochement with Iran. But in order to succeed, the United States and Iran need to prepare the psychological ground by first dealing with the “weight of history” that has shackled U.S.-Iranian relations for decades. The 1979 Iranian Revolution and the ordeal of the American hostages who spent 444 days in captivity have poisoned relations for nearly 30 years. Many Iranians still chafe at the memory of U.S. support for the 1953 coup that toppled their elected government. Inflammatory rhetoric like “The Great Satan” and “Axis of Evil” has for decades impeded rational dialogue. This does not mean that the United States should overlook the extremism in the Iranian establishment, such as Mahmoud Ahmadinejad’s denial of the Holocaust, but history demonstrates that normalization and peace come to those who have the courage to learn from their own errors. The United States should recognize that U.S. support for the shah’s repressive regime — and then for Saddam Hussein during the Iran-Iraq War and silence when Saddam used chemical weapons against Iran — were wrong. These mistakes, like the many that Iranians have made, have left still-painful wounds in both societies. Any rapprochement must first establish a way to help both Iran and the United States to focus more on the future than the past.

American policy makers need a better understanding of Iranian leaders’ perceptions of their own place in history. Iranian leaders are obsessed with Iran’s cultural heritage and its contributions to art, science and learning. And, despite American preoccupation with the radical views of many of its rulers, Iran has some elements of a modern democ-

racy. The religious establishment holds an iron grip on power, but Iranians have differing views on such fundamental political concepts as the role of religion in society and the need for democratic freedoms. What all Iranians share, however, is a deeply felt national pride and a desire that their country be respected and recognized for its history and accomplishments.

What Does Iran Want?

To construct a grand bargain, it is crucial to understand Iran's strategic importance in the region and the policy goals Tehran has been pursuing. Here is a list of their major requirements:

- The legitimate right to civilian nuclear technologies as a member of the Nuclear Non-Proliferation Treaty
- Stability on their borders, most notably with Iraq and Afghanistan
- Containment of the civil war in Iraq, so that millions of Iraqi refugees do not pour into Iran and other neighboring countries
- Freedom from external security threats, whether from within the region (Israel) or outside it (the United States)
- The ability to develop regional energy and economic partnerships
- Integration into the global economy, including membership in the World Trade Organization (WTO) and an end to trade and financial embargoes

Even though some of Iran's own behavior has been counterproductive to these ends, the Islamic Republic has for many years shown itself capable of acting in rational ways to defend and advance its interests. Some of the strategic and tactical choices of the Iranian leadership, such as its extensive links to political factions and armed militias in Iraq, its support for Hezbollah and Hamas, and its pursuit of nuclear capabilities that would give Iran a nuclear weapons option, work against American interests in the Middle East, but these are not "irrational" choices. Neither Tehran nor Washington has been able to change the common strategic interests of Iran and the United States in Iraq, Afghanistan, Central Asia and the South Asian corridor.

In a grand-bargain context, the United States can make better use of economic levers as tools to induce Iran to reform its policies. The struggling Iranian economy continues to be a tremendously important issue for the Iranian people, making it a valuable point of leverage for the United States. Despite being one of the world's largest oil producers, Iran has only one refinery and imports more than \$4 billion a year of refined oil products. It imports half its gasoline and food. Double-digit inflation, high unemployment, low infrastructure investment, and burdensome government subsidies of \$40 billion a year shackle economic growth. The resulting hardship puts political pressure on the hard line regime of Mahmoud Ahmadinejad.

In this context, engaging Iran on the basis of common strategic and security interests is the most sensible approach. The only way to achieve this is through unconditional and comprehensive talks with Iran to normalize relations and resolve the nuclear stand-off. This is the essence of the "grand bargain" approach. Only in the context of intensifying dialogue can the United States start to communicate better with Iran and find ways to reconcile differences.

THE UNITED STATES AND POLITICAL REFORM IN THE ARAB GULF:

THE PERILS OF PARTIAL OPENINGS

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The Arab Gulf is under transformation. Buoyed by unprecedented oil prices, the states of the Gulf Cooperation Council (GCC) are the beneficiaries of perhaps the largest transfer of wealth in the history of the world. GCC export revenues reached \$364 billion in 2007 and could surpass a trillion dollars over the next two years. According to the Institute of International Finance (IIF), the GCC region currently ranks as the world's sixteenth-largest economy; and if current growth projections hold, it could become the sixth-largest by 2030.

These momentous changes have come to a region that is of the utmost strategic importance to the United States. Yet, while the U.S. military presence in the Gulf has grown with the post-9/11 Iraq invasion, its influence over Gulf governments has fallen. This is due to the huge influx of wealth that has left Gulf governments with greatly expanded resources. But it is also due to the turnover in leadership over the past decade, which has brought younger, more ambitious royals to the head of many Gulf countries and has set the tone for change among the old guard as well.

Gulf rulers are gaining in confidence. They have their own vision of reform, informed by their peers and by the semi-authoritarian powerhouses of East Asia. They know where they want to go, and they have the resources to take them there.

Boom-time Reform

What is the vision of reform being promulgated by Gulf leaders, and how does it differ from that of the first oil boom? Unlike the 1970s and early 1980s, when most oil revenues were invested abroad, today's petrodollars are staying home. The IIF estimates that two-thirds of the oil windfall — more than a trillion dollars — has been plowed back into GCC economies. States that were once content to outsource their wealth management are now enlisting their own private sectors to help diversify their economies.

The amount of investment in the Gulf region is staggering. While the world has watched Dubai burst on the scene as a global city and hub for tourism, services and finance, the other Gulf States have been remaking themselves as well. Qatar has imported top Western universities and Washington think-tanks in its bid to become an education and conference center. Bahrain has been working to consolidate its hold on the burgeoning Islamic finance industry. And Saudi Arabia is constructing new economic cities that will reportedly have three times the population of Dubai, a GDP equivalent to that of Singapore, and an area four times the size of Hong Kong. According to *Middle East Economic Digest*, in Saudi Arabia alone there are currently \$390 billion worth of projects planned or underway.

This boom is different politically as well. While the first oil boom oversaw the creation of the petro-welfare state to link subjects to state patronage, the second has coincided with the creation of new political institutions to link ruler to citizen. Indeed, every state in the GCC now boasts some form of democratic election. In Kuwait, the tenacious parliament has

pushed the emirate in significant ways toward a constitutional monarchy with real oversight for the executive. Bahrain's parliament faces greater constitutional limitations, but the main opposition party has ended its boycott and is trying to push for reforms from within. Qatar and Saudi Arabia have held elections for municipal councils, and Oman has gone further in expanding elections to its Advisory Council. Even the United Arab Emirates has held elections for some members of the Federal Council.

Will these state-managed reforms yield broader economies and better governance? Or are there perils in these partial openings that could discredit reform efforts and undermine the stability of the Gulf region?

The Perils of Economic Openings

The economic reforms underway have the potential to diversify the economy, empower the private sector and create much-needed jobs. On a deeper level, they hold the promise of empowering Gulf citizens by rewarding education and entrepreneurship. But in the short term, these reforms also hold dangers. The great influx of petrodollars exaggerates income differentials between the super wealthy and the not so well off. And these differences often map onto social cleavages that can be exploited politically in a Gulf Arab version of the culture wars.

Kuwait offers a unique window into these dynamics due to its assertive parliament, spirited political culture and open media. To understand its cultural categories requires turning back to the political economy of the oil boom of the 1970s and early '80s, when petrodollars lifted all boats, but not equally. Gulf families with pre-oil economic power and political influence were able to negotiate huge windfalls from the state in the form of inflated land purchases and a privileged position within protected markets. The less-connected and the late-arriving tribes also benefited, but through the general — and generous — benefits of the petro-welfare state.

While the merchants have accumulated capital and thus some degree of independence, the tribal Kuwaitis are generally still dependent on the state. They have therefore taken their battle to the parliament, where they have a numerical advantage, seeking to forestall any privatizations, which they quite reasonably believe will benefit the better-placed urban merchants while endangering their stream of state benefits. This socioeconomic cleavage animates the *hadhar-bedu*, or urban-rural, cultural battles so prevalent in Kuwait today and stymies the economic reforms sought by the urban merchants.

While the political stalemate holds Kuwaiti economic development in limbo, the underlying economic inequality and cultural polarization fuels more extreme ideologies. The rising appeal of Salafi Islamist movements among the *bedu* is notable in this regard; political violence has been rare in Kuwait, but is not unheard of, particularly in 2005 as sectarian violence escalated in neighboring Iraq. The Kuwaiti hardline Salafi Ummah party, which was created on the eve of the historic elections in Iraq, explicitly cites “fundamental inequity and injustice in the society” as the cause of this militancy.

With militancy on the rise in congenial and open Kuwait, one may ask what lies beneath the polished veneer of the more politically closed, but comparably inequitable and even more culturally polarized emirates of Qatar and the UAE.

The Perils of Political Openings

The experimentation in the Gulf with new political institutions, both advisory and legislative, has opened up space for political expression and action. Nonetheless, these openings have been controlled and even manipulated by ruling families to limit efforts to force political accountability and expand political and economic power-sharing.

As the populations of most Gulf States are small and their resources large, the ruling families may decisively influence the electoral pool through calculated manipulation of districts and voting rights. Specifically, Gulf ruling families have exerted control over the political field through gerrymandering and strategic naturalizations to shift the tribal or sectarian composition of society to their political advantage. Just such a strategy was successfully employed to augment the tribal population of Kuwait in the 1980s.

This strategy of divide and rule is clearly underway in the sectarian tinder box of Bahrain, where a Sunni monarchy rules over a majority Shia population. Under the authority of a National Action Charter passed in 2001, the dynamic young monarch of Bahrain, King Hamad, has succeeded in realizing important reforms in the country that have broadened the scope for political participation. Centrally, the referendum called for the reinstatement of parliament, which had remained inactive since its dissolution in 1975. Nonetheless, constitutional changes promulgated unilaterally by the king following the passage of the National Action Charter limited the powers of the parliament in significant ways, to the great dismay of the political opposition. Equally troubling, the government has manipulated electoral districts and naturalized Sunni tribesmen in an attempt to shift the sectarian balance of the parliament. This has been matched by a public scare campaign to label the Shia opposition as sectarian, while ignoring their legitimate complaints about systemic political and economic discrimination.

These extraordinary naturalizations and electoral manipulations work to exacerbate existing sectarian fault lines. They risk tearing the unity of the social fabric in Bahrain at a time when Sunni-Shia polarization is already on the rise in the region, due to the growing regional influence of Shiite Iran. With Shiite parties taking power in neighboring Iraq under U.S. supervision, more equitable treatment might be expected for Bahrain's Shia population.

Advice for the New U.S. President

President-elect Obama comes to power pledging to put aside the debilitating culture wars that have prevented the unified action needed to confront America's changing global challenges. He should bring that same spirit of possibility to the Arab Gulf where the opening of economic and political space has generated polarized debate over political identity. In the more developed political societies of the Gulf, differences of a tribal (hadhar vs. bedu), ideological (liberal vs. Islamist) and sectarian (Sunni vs. Shia) nature have undermined legislative agendas and limited efforts to force greater political accountability. Moreover, the sharply divisive geostrategic environment informed by sectarian struggles in Iraq and the civilizational discourse of the war on terror aggravates these divisions and threatens to undermine the unity of the smaller Gulf city-states.

President-elect Obama was much maligned during the Democratic primaries for his observation that shifting economic fortunes left rural Americans "bitter" and clinging to comforting cultural practices. However, he would do well to bring such insights about the

economic foundations of cultural battles with him when analyzing Gulf politics. The past decade has witnessed an intensification of attempts to diversify Gulf economies. These programs channel oil revenues to strategically fashion new economic sectors in ways that require more from citizens in terms of education and entrepreneurship. This alters the basic social contract of economic benefits for political loyalty forged in the era of the petro-welfare state.

There are clear winners and losers in such a profound transition, and many times these proto-class cleavages map onto sectarian and urban/tribal divisions. In the current geostrategic environment of political polarizations — Islam vs. the West, Shia vs. Sunni — these battles over resources often adopt the language of culture wars, which when reified are much less amenable to compromise.

U.S. policy makers need to be aware of the underlying economic interests being framed in the language of political identity and should not take the cultural explanation at face value. There is a profound need in the region to find mechanisms to reach across identity barriers in ways that will increase the capacity of Gulf societies for alliance building and ultimately enhance their cohesion and development. By suggesting alternate means of interest formulation and by encouraging broadly inclusive economic programs, many of these potentially dangerous political dynamics may be defused.

Yet, with the decline in U.S. influence over Gulf ruling families, perhaps the most significant reforms the United States can pursue are in its own foreign and economic policies, which currently work to exacerbate the most serious cultural and economic divisions in Gulf societies. The escalating conflict with Iran has cast a pall over the economic boom in the Gulf, threatening to undermine investor confidence and domestic stability, due to the threat of war and rising tensions between Sunni and Shia within Gulf populations. By playing a leading role in crafting a security framework that allows for Iran's peaceful integration into the region, President-elect Obama could go a long way toward setting the Gulf on a path of continued economic growth and improved political stability.

Meanwhile, the growing imbalances in the U.S. domestic economy continue to have ill effects in Gulf States, which are mostly pegged to the dollar. The extreme volatility of oil prices weighs more heavily on the have-nots, worsening identity fault-lines and derailing government plans for economic development. A sound and consistent energy policy and an inclusive U.S. strategic vision to integrate Iran will do more for the growing Gulf than economic embargoes and drums of war.

¹ The contributions are revised from papers presented to the Conference Group on the Middle East at the annual meeting of the American Political Science Association in Boston, August 30, 2008.

² Reuters News Agency, September 16, 2008.

³ Richard Parker, executive director, American Foreign Policy Project, coordinated this joint statement.

⁴ Flynt Leverett, "Dealing with Tehran: Assessing U.S. Diplomatic Options toward Iran," A Century Foundation Report, Washington, D.C., 2004.

⁵ Some have argued that it is useless to offer a grand bargain to Iran because the regime in Tehran will not change some of its behavior and is committed to a fundamentalist approach. See Masoud Kazemzadeh, "The Perils and Costs of a Grand Bargain with the Islamic Republic of Iran," *American Foreign Policy Interests*, Volume 29, 2007, pp. 301-327.

⁶ A copy of the proposal can be found at http://media.washingtonpost.com/wpsrv/world/documents/us_iran_roadmap.pdf.

⁷ Gareth Porter, "Burnt Offering: How a 2003 Secret Overture from Tehran Might Have Led to a Deal on Iran's Nuclear Capacity," *American Prospect*, May 26, 2006.