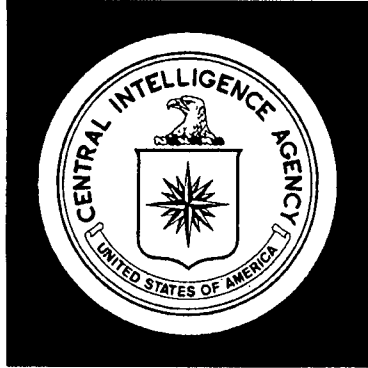


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Intelligence Memorandum

*Cooperation and Conflict Among
the Gulf States*

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RP 77-10017

March 1977

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KEY JUDGMENTS

The nations of the Persian Gulf are not merely enormously wealthy; they have longstanding historical, ideological, cultural, and territorial differences. Despite these, however, several factors work for tolerance, if not complete cooperation, among the three major littoral states, Iran, Iraq, and Saudi Arabia:

- Each is economically dependent on one resource—oil.
- Each has committed a large portion of its oil wealth to promote domestic social and economic development.
- To each, the Persian Gulf is the major transportation route to and from world markets.
- Each advocates a policy of limiting foreign military presence in the Gulf, for a variety of reasons.
- Each has the capability of interrupting the other states' continued and assured oil revenues in one way or another. To do so, however, would invite retaliation, and none is so strong as to be invulnerable.

In view of these factors, as long as no one state is strong enough to neutralize the others and pursue its own ambitions in the region without fear of retaliation, each state's interests are best served by maintaining the status quo. Improved relations, territorial settlements, and a number of bilateral and multilateral economic and social projects—all reflecting a flexibility that the parties did not display when Britain dominated the area—are the result.

Regional cooperation, however, is not without its price. In settling a number of their disputes, the Gulf states have ignored—but not reconciled—their political and ideological differences, cultural animosities, and conflicting regional ambitions. Several potential sources of conflict remain. For example:

The Iraqi-Kuwaiti border dispute has been the cause of small-scale hostilities from the late 1800's to today and is likely to exacerbate the already uneasy relationship between the two in the future.

Iraq, even while pursuing closer relations with its Gulf neighbors, has not curtailed its support for radical, subversive groups throughout the Gulf region.

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Saudi Arabia, on the one hand, and Iran and Iraq, on the other, follow fundamentally different theories on the pricing of oil.

The different objectives of the three major Gulf governments do not allow for multilateral action on regional security. Each hopes to increase its own regional influence and minimize that of its competitors.

Iran's overwhelming military superiority further increases the Arabs' traditional distrust of the Persians. The Arabs' concern over the Shah's regional intentions is an important contributing factor to the "arms race" in the Gulf.

To date, these issues, which defy compromise, have been held in abeyance. Suspicions and differences among the Gulf states have been largely suppressed and national interests advanced with considerable caution and control, as each nation defers to the sensibilities of the other.

While regional cooperation has been costly, and frequently proved difficult to accommodate to nationalist demands, the price of conflict is far greater. The military and economic deterrents and the common overwhelming dependence on oil revenues argue strongly that the present set of relationships among the Gulf states emphasizing cooperation, or at least tolerance, will persist for some years.

There are, however, a number of developments, none predictable, which could upset the rather delicate balance between cooperation and conflict that exists today. These include:

(1) Revolution in Saudi Arabia with a militarily supported regime replacing the Saudi monarchy.

(2) A minor Gulf state undergoes a revolutionary change of regime; for example, a radical group seizes power from the ruling family in Bahrain.

(3) The Shah dies. This could result in a regime which (a) had a less sure sense of how far Iran could go in exercising its role as guardian of Gulf security and end up overreaching itself, (b) turned inward and away from Gulf affairs because of lack of strong leadership, or (c) became unstable.

(4) Solidarity of the oil-producing states breaks down, putting Iran and Saudi Arabia in open dispute.

(5) The Arab Gulf states become terrified of Iranian military strength and call in others to support them.

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COOPERATION AND CONFLICT AMONG THE GULF STATES

DISCUSSION

Traditional disputes have a way of living on, regardless of the fall of empires and the rise of new ideologies. Sometimes such disputes will lie dormant for years, as other imperatives come to the fore. The states of the Gulf region have been preoccupied with oil discovery, spending oil revenue, and finding their identities as states in the contemporary world of modernism, nationalism, and interdependence. Territorial, cultural, and ideological disputes, submerged rather than solved during the years of British dominance, have emerged again.

This study assesses the range of conflict and cooperation among the several Gulf states, with particular attention to the major ones—Iran, Iraq, and Saudi Arabia. It starts with the assumption that the general character of the regimes of the Gulf states will remain unchanged for the next 5 years or so, and the principal judgments are made in that framework. Section IV (pp. 20) addresses a number of contingencies involving major change in regimes or policies.

I. THE VIEWPOINTS OF THE GULF POWERS

A. Iran

Mohammad Reza Pahlavi's policy of exercising Iranian power in the Persian Gulf is the most recent manifestation of a traditional Iranian interest. Iran has for millennia asserted claims to predominance in the Gulf. Except for short periods, however, it has never been able to back these claims with any credible military or political force. Ambitious rulers attempting in recent centuries to restore Iran "to its old glory," however that may have been conceived by them, have always turned their attention to the Persian Gulf once their internal position was consolidated. In the last three or four centuries, however, most shahs have been men of indifferent ability and vision. They were

weaker than the Europeans, who have dominated the Gulf over that period—first the Portuguese, then the Dutch, and subsequently the British.

The present Shah's father followed the customary practice of asserting Iran's claims in the Gulf. His successful campaign against the Arab ruler of the oil-rich province of Khuzestan, part of a series of attacks on local tribal leaders, returned that province to Tehran's control and secured the port of Khorramshahr, which became the Persian Gulf terminus of the Trans-Iranian Railroad a few years later.

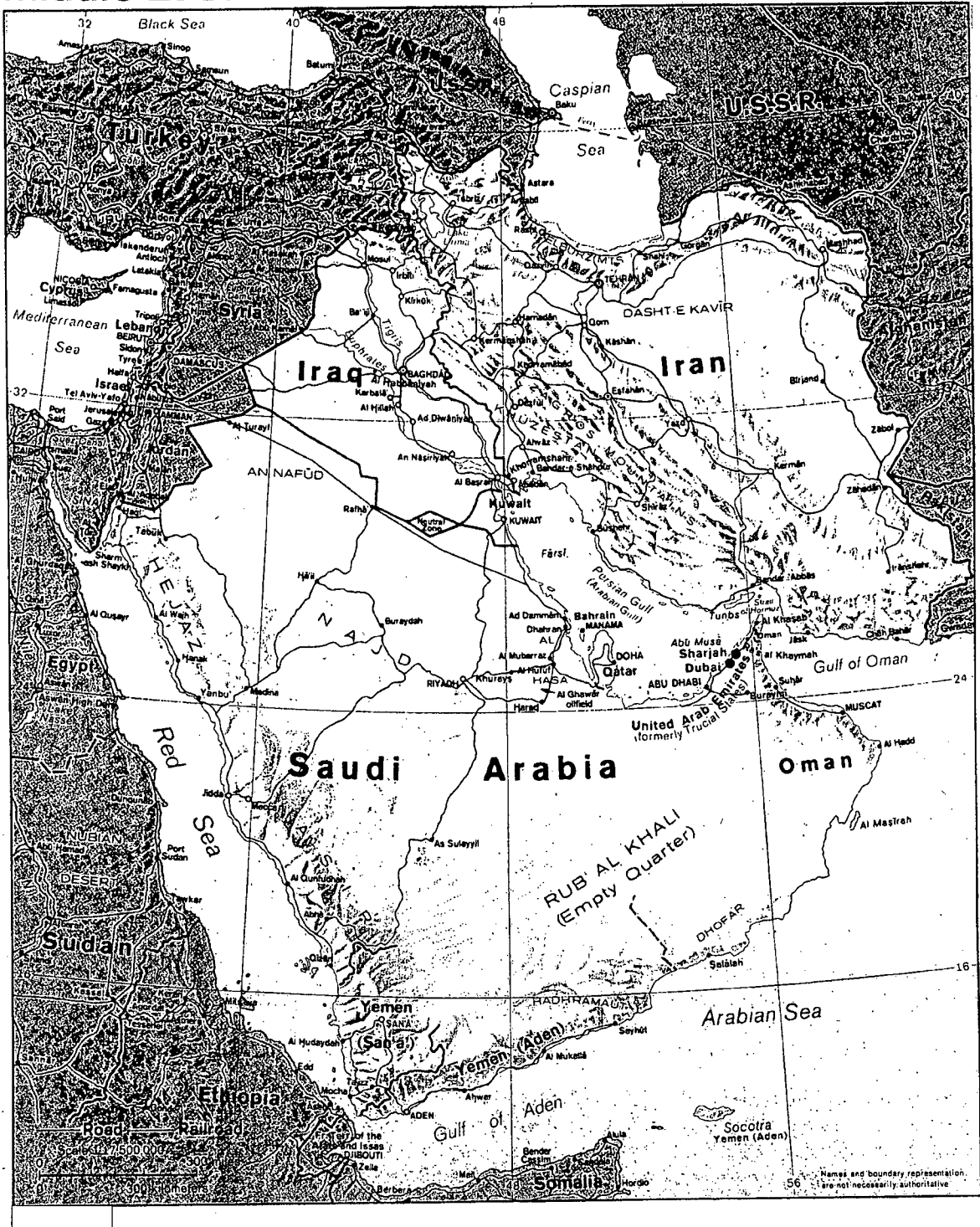
For most of the present Shah's reign, Iranian skirmishing in the Gulf has concentrated on the same issues as did Reza Shah. Disputes with Britain, Kuwait, and Saudi Arabia over the ownership of various islands in the Gulf was a constant but low-keyed feature of Iranian foreign relations between 1946 and 1970. Most of the disputation was of a niggling nature; the Iranians posted a sign on a British-maintained beacon light on the island of Farsi, claiming it for Iran; a British patrol vessel came along and painted over the sign; both Saudi Arabia and Iran sent troops to adjacent, unoccupied islands and then proceeded to shove each other off. Arguments between Britain and Iran over the meaning of the color used on an 1888 map occupied the diplomats at various times.

Although Iran continued to assert its claims to various islands, including Bahrain, it was never in a position to push things very far. British predominance and lack of Iranian naval power were limiting factors. The withdrawal of the British from the Gulf in 1971 gave Iran an opportunity to back up its claims with action. Although Bahrain had been, for Iran, its 14th province, with seats in parliament reserved for it, the Shah must have realized the impossibility of ever making Iran's claims good. A face-saving way of

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giving up this traditional irredentist goal was found when the Shah announced that if the UN determined that the Bahrainis preferred independence to Iranian rule he would give up Iran's claim. The UN, without difficulty, found this to be the case and the Shah duly relinquished all claims. The Iranian population, which according to official Tehran propaganda had always been prepared to go to war over the issue, accepted with indifference the news that they would not be required to fight.

Settlement of the Bahrain issue, however, cleared the decks for an action that must have seemed more important, more easily achieved, and more directly to Iran's economic interests. Iran vigorously renewed its claims to the islands of Abu Musa and the Tunbs, which lie near the Strait of Hormuz at the entrance to the Gulf, threatening to take them by force if a peaceful solution could not be worked out. Although a British envoy shuttled between the Trucial States and Iran for many months attempting to achieve a compromise, he was only partially successful. In late 1971, Iranian troops landed on Great Tunb and on Abu Musa. The Abu Musa landing was peaceful, because an agreement had been worked out with Sharja to permit Iranian occupation of part of the island without detriment to Sharja's sovereignty. On the Tunbs, however, the situation was different. The Shaykh of Ras al-Khayma had refused to compromise and the Iranian landings were opposed by the local police. Both sides suffered casualties, but Iran succeeded in occupying the island. Since then, Iran has built modest military installations on both Abu Musa and Great Tunb.

The Shah clearly sees Iran's role in the Gulf as that of big brother, if not master. To him, geography and economics make this necessary, perhaps inevitable.

A microcosm of the Shah's attitude is seen in the tempest raised over the name of the Persian Gulf. The insistence of many Arabs on using Arabian Gulf instead of Persian Gulf has infuriated the Shah. Iranian officials have been instructed to walk out of any meeting in which the "Arab Gulf" is used. In one case the Iranian ambassador to one of the Shaykhdoms was withdrawn because of the local use of the term; the Shah frequently expresses at great length in press interviews his concern at the usage, sometimes seeming to go out of his way to do so. Thus, in a 1975 interview with Hassanein Heikal, the latter, in the

course of a question relating to Iran's military plans, used the term "Gulf;" the Shah replied:

I will answer all your questions. But first we must clear up a side issue, or an issue which in your view might be secondary. I personally consider it very important, both historically and spiritually. You used the word Gulf twice in your statements. But you did not specify which Gulf. Does this Gulf not have a name? What did you call this Gulf when you were at school?

The Shah, then, reacts to the term Arab Gulf

for he feels that it represents not only an attempt to change a historic name, but also implies Arab preeminence in the area. Who started the usage is not clear. It may have originated as an Arab propaganda ploy to annoy the Shah; if so, it succeeded.

Iranian nationalism is one major factor influencing Iran's desire to establish hegemony in the Gulf. Others are the Shah's fear of the Soviet Union and his unwavering opposition to communism that seeks to destroy his rule. The Shah is convinced that the other Gulf states are not capable of handling the threat of subversion. Consequently, he has tried to draw Saudi Arabia, Iraq, and various Emirates into regional organizations. He undoubtedly believes that such an arrangement would avoid charges of Iranian expansionism while giving Iran predominant influence in the region. The Iranian tendency to look down on Arabs, particularly those of the Gulf and Arabian Peninsula, as uncouth rustics, combined with Arab suspicions of Iran's real intentions have contributed to the conspicuous failure of the Shah's efforts.

B. Iraq

Geographic location is the dominant reason for Iraq's attitude toward the Gulf. The Gulf is a necessary trade route for any state located in the lower Tigris-Euphrates valley. This has been true for thousands of years, irrespective of the political nature of the government involved. The present regime is as dependent on the Gulf for maritime trade as any of its predecessors.

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In essence, the Gulf is a maritime cul de sac; the outlet to the Arabian Sea and the Indian Ocean is through the narrow Strait of Hormuz. To control the strait is to control the economic well-being of every state fronting the Gulf. Thus, passage through the strait is of strategic interest to all the Gulf states, and freedom of navigation has been and continues to be a major point in Iraqi Gulf policy.

The present government in Iraq has additional interests of a geographic nature. Strictly speaking, Iraq does not have a port directly on the Gulf. Its 35-mile frontage consists of mudflats that are covered by water during southwest gales, and its one deep-water port—Umm Qasr—is situated on an inlet, the approaches to which are bordered by the Kuwaiti islands of Bubiyan and Warbah. Iraqi possession of these islands would make access to Umm Qasr more secure.

Iraq's territorial dispute with Kuwait is not based solely on economic and strategic interests. Until the British recognized Kuwaiti autonomy in the late 1800's, Kuwait was part of the Basrah Province of the Ottoman Empire. Iraqi irredentism continues to be a contributing factor to Baghdad's recurrent claims against Kuwait.

As an Arab state, Iraq shares in the Arab distrust of Iran and in the age-old cultural tensions between Arabs and Persians.¹ Iraq concedes that Iran has rights in the region, but it is not prepared to accede to the Persianization of the Gulf. The current Baath regime stresses its support for "every effort and every stand aimed at preserving the Arab nature of the Gulf." Iraqi-Iranian relations are further strained by mutual fears of aggression, expansionism, and export of ideology.

At the same time, Iraq is feared by its Arab neighbors. It is the regional maverick and is governed by a leftwing, avowedly revolutionary government. Iraq has alienated all the Arab Gulf regimes, as well as that of Iran. It has attempted to extend its political philosophy and influence, largely through the support of subversive activities and leftist groups throughout the Gulf area. Before the 1975 Algiers Accord between Iran and Iraq, Iraq supported Baluchis and Arabs inside Iran. Assistance to Baath and leftist organiza-

¹Since independence, Iraq has been dominated by Sunni Muslims, even though half its people share with Iran membership in the minority Shia sect.

tions in Bahrain, Qatar, and the United Arab Emirates—noticeably increased at the time of the British withdrawal—continues to this day. Iraq has not only backed a variety of dissident groups, including the Popular Front for the Liberation of Oman and the Arab Gulf,² and provided assistance to the radical regime of the People's Democratic Republic of Yemen and to the Dhofar rebels; it has also served as a conduit for Soviet arms and aid. The Saudis believe, correctly, that dissident tribesmen and military defectors have been given refuge and encouragement by Iraq. They also suspect that Iraq perpetrated acts of sabotage on TAPLINE (the trans-Arabian pipeline running from Saudi Arabia to the Lebanese coast) in the early 1970's.

Iraq's meddling in the internal affairs of its neighbors has been accompanied by verbal attacks by the Iraqi radio and press. In addition, Iraq was one of the few Gulf states to violently condemn Iran's imperialist action in seizing the islands of the lower Gulf in 1971, and it was the only one to sever relations with Great Britain and Iran over the issue. The Baath has repeatedly pledged to continue the "firm and comprehensive struggle" against the "agent reactionary" Arab states, a category that would include every state in the Gulf region.

In conflicts with its neighbors, Iraq recognizes the danger of pushing too far, as illustrated in the agreement made last year with Iran and also in the caution it displays in pressing Kuwait for territorial concessions. Indeed, since 1974, Iraq has actively pursued improved relations with all the Gulf states, which welcome but question the sincerity of its advances. Iraq's neighbors cannot easily forget the regime's past behavior, nor can they ignore Iraq's continuing close ties with the Soviet Union.

Although Iraq is far from being a Soviet client state, it does maintain military defense ties with the Soviet Union. In addition, Iraq supports Soviet policy when it best serves Iraq's own security interests. For example, Iraq advocates the Soviet concept of a "zone of peace"—a Gulf and Indian Ocean free of great-power domination. This is largely to counter pro-American Iran. The Iraqis apply the "zone of peace" restriction to the Soviets as well, underlining the fact that Iraqi nationalism takes precedence over Iraqi-

²Renamed the Popular Front for the Liberation of Oman (PFLO) in 1974.

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Soviet friendship. While the Soviet Union has modernized Iraq's military establishment, built the port of Umm Qasr, and expanded al-Habbaniyah airfield, Iraq has restricted Soviet access to these facilities to occasional port calls by Soviet fleet units. It is doubtful that Iraq will in the future permit extensive Soviet use of its port or airfield other than for aid and arms delivery. Iraq's ability to maintain this position is increased as new oil wealth makes diversification possible in its source of arms.

C. Saudi Arabia

Situated on the Persian Gulf and sharing borders with all the Gulf states, with the exception of Bahrain—an island—and Iran, Saudi Arabia sees Gulf security as an extension of its national security. The Kingdom's domestic priorities are to:

- Maintain the monarchical system of government controlled by the House of Saud in which the king is not only the head of state, but also chief imam (religious leader) and chief tribal shaykh.
- Promote controlled programs of social development and economic diversification aimed at raising the standard of living and increasing the participation of the population in the modern economic life of the country.
- Maintain the religious, Arab-Saudi nature of the state.

To achieve these goals, Saudi Arabia will depend on prohibition of radical and foreign ideologies, guaranteed oil revenues, and preservation of the religious nature of the political and social order.

As long as the British guaranteed freedom of navigation through the Gulf, assured peace and stability in the smaller states of the peninsula, and discouraged other nonregional powers from exerting influence or introducing foreign political ideologies, Saudi Arabia had little need for a regional policy. "Gulf security" was not a policy issue. It was sufficient to maintain good, if not very active, relations with the independent states of the region, to avoid controversy, and to hold problems in abeyance until they were amenable to solution.³ With the British withdrawal, however, the Saudis were forced to

³A quarrel between Saudi Arabia, Muscat, and Abu Dhabi in the 1940's and 1950's over ownership of the Buraimi oasis was the exception that proves the rule. See page 13.

address the question of Gulf security and reassess their regional role.

Saudi Arabia, like Iraq, does not deny Iran a legitimate role in regional affairs. Indeed, current Saudi policy is founded on the premise that strong and active relations with Egypt on one side and Iran on the other would be beneficial to all involved. Such a triangular arrangement would help to ensure that no major foreign power could exploit the weaker states of the Gulf. Several fundamental facts of life, however, weigh against truly close Saudi-Iranian relations:

(1) Saudi Arabia, as the largest of the peninsular states in geographic and demographic terms and by far the wealthiest and most powerful, views itself as the natural successor to the British on the peninsula. The Saudis do not believe that a power vacuum exists on the Arab side of the Gulf. Accordingly, they see no need for any formal security agreement, either multilateral or bilateral, that would give Iran a pretext to intervene in the Saudi sphere of influence—i.e., the lesser Gulf states.

(2) While Arab nationalism is relatively new to the Gulf region, the rivalry between the Iranian and Arab cultures is not. Arabs often consider the Iranians effete, arrogant, and untrustworthy, and are irritated about Iran's relations with Israel. This is not solely a Saudi perception. Saudi Arabia maintains good relations with Iran at some cost to its own image in the Arab world.

(3) Iran is a Shi'i Muslim state, while Saudi Arabia is Sunni; the centuries-old animosity between these two branches of Islam remains very much alive. Although the religious community exercises greater influence in Saudi Arabia than in Iran, its power in both countries is sufficient to sway popular opinion against closer Saudi-Iranian cooperation.

(4) Saudi Arabia is fully aware of its military inferiority to Iran. Pride prevents the Kingdom from becoming Iran's junior partner in any security agreement. More seriously, the Saudis have doubts about Iran's real intentions.

As sister Arab states, Saudi Arabia and Iraq share certain general attitudes. Both want the Arab-Israeli dispute settled on terms acceptable to the Arabs. Similarly, the two are members of the Arab League and are at least nominally committed to "Arab

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solidarity." In the case of an Iraqi/non-Arab state dispute, Saudi Arabia would verbally back Iraq, if only to maintain its credentials with its fellow Arabs.

The slow but steady improvement in Saudi-Iraqi relations since 1974 has been initiated by Iraq rather than by Saudi Arabia. Even in this improved environment, much more divides the two regimes than unites them: historic disputes, ideological differences, and regional objectives. On the Iraqi side, the Baath's past proselytizing actions, continued close relations with the USSR, and radical political concepts provide Saudi Arabia with more than enough incentive to limit Iraq's regional influence. The Saudis know and do not trust the Iraqi regime, and doubt that the Baath Party will disavow its goal of spreading its philosophy throughout the Gulf in the interest of regional cooperation.

Since the British withdrawal, the Saudis have attempted to gain the support of the smaller Gulf states. This is a leadership role the Saudis take very seriously, and is largely accepted by the other peninsula states. In supporting the independence, continued stability, and economic viability of the conservative Arab states of the Gulf, Saudi Arabia is also guarding against potentially hostile regimes on its borders. In return, these states follow in the wake of Saudi regional and international policy, augmenting the Kingdom's capability to deal with Iran and Iraq on a more equal footing.

For reasons political and economic, Saudi effectiveness in exerting influence has increased over the last few years. Formulating and implementing Saudi Arabia's foreign policy from 1932 until well into the 1970's was largely the responsibility of one man, King Faysal. As Saudi foreign relations became far more complex, Faysal began to concentrate his attention on the Arab-Israeli question. Other areas of foreign policy fell to various individuals of the ruling establishment who assumed the authority, if not the official position, of handling Saudi Arabia's dealings in specific geographic or functional areas. The King, of course, retained the final say in all important policy matters.

In early 1974, King Faysal transferred much of the responsibility for foreign affairs to Prince Fahd. Under Fahd's direction, Saudi Arabia adopted a more active regional role and became more accommodating regarding the Gulf states. King Khalid, Faysal's successor, has allowed this arrangement to continue.

Although a new official minister of foreign affairs, Prince Saud, has been appointed, he and Fahd have worked in tandem. Saud is, however, inserting a restrained, but discernible element of Saudi and Arab nationalism into Saudi policy.

Growing confidence, as well as a change in leadership, has contributed to Saudi Arabia's more active Gulf policy. In the aftermath of the Arab "victory" in 1973 and the key role Saudi Arabia played in the oil cutback and the peace negotiations, the Saudis have come to recognize the regional and international influence their wealth can command. Money talks, and the Saudis are becoming more adept at using it. Their tolerance of any action perceived as an encroachment on their interests is likely to decrease.

D. Other Gulf States

Dwarfed by the military and economic power of Iran, Iraq, and Saudi Arabia, the other five Gulf states—Kuwait, Bahrain, Qatar, the UAE, and the Sultanate of Muscat and Oman—survive only on sufferance of their larger neighbors and on such support as they can elicit from the outside world. The role they play in regional affairs is significant only in how they use the power rivalry to maintain their own independence and attain some scope to maneuver on their own, and conversely, how the Gulf powers use these states to serve their own regional interests.

Kuwait. Kuwait, once a British protectorate, discovered oil and developed it earlier than the other major oil-producing shaykhdoms. The country has been independent for considerably longer than any other minor Gulf state, and, in terms of fiscal sophistication, far surpasses the others.

Ever since the 1950's, Kuwait has spent and invested the bulk of its vast wealth wisely. Kuwait is a self-proclaimed welfare state with an investment program that will ensure continued revenues after the depletion of its oil. The country is also the largest per capita foreign aid donor—perhaps, more correctly, the largest insurance purchaser—in the world. Kuwait's money has been used to procure a circle of friends and protectors whose own interests are best served by the country's continued independence.

Kuwait has attempted to buy regional leadership as well, but with less success. Assistance—primarily in educational and cultural spheres, supplemented by

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some financial aid—was extended to the Trucial States (now grouped in the UAE) even before their independence. Once these countries had their own resources, however, Kuwait was left with very little leverage. Saudi Arabia is a far wealthier and more influential patron.

While Kuwait grudgingly acknowledges Saudi leadership on the Arabian Peninsula, it does not necessarily follow Saudi policy lines. Kuwait rejects a "yes-man" relationship with the Saudis, resents Saudi meddling in Kuwait's domestic affairs, and pursues its own foreign and regional policy, maintaining diplomatic relations with all Arab states and with socialist non-Arab states as well. In periods of Saudi inactivity, Kuwait has attempted to play a leading role in peninsula affairs.

Close alliance with the Saudis could prove to be as impolitic as it is distasteful. Kuwait has to live with an Iraq that wants, at a minimum, to take over large areas of Kuwaiti territory. Neither Saudi Arabia nor Kuwait could defend the country in the event the Iraqis invaded in force. Iran could. While Kuwait has no more love for the Persians than the other Arab states, by necessity it pursues a very careful relationship with Iran, maintaining one of its best diplomats in Tehran.

Oman. Located on the very fringe of Arabdom, the Sultanate of Muscat and Oman has only in recent years been pulled toward the mainstream of Arab affairs. This has been done primarily through the guerrilla activities of the Dhofar Liberation Front and secondarily through the discovery of oil. British personnel were crucial in combating insurgency and in running the government.

With an upsurge of rebellion in Dhofar, the Sultanate was again threatened. Neighboring Arab governments were incapable or unwilling to commit their forces. Consequently, Oman looked to Iran. The Shah was all too willing to enter into a loosely defined security agreement with Oman—his only successful attempt to establish a bilateral defense pact with a Gulf state. The rebellion has been quelled, but Iranian forces remain—self-contained, self-supporting, and fully funded by Tehran. In the Shah's view, this continued Iranian presence on the Arabian Peninsula helps ensure the political stability of a geographically important neighboring state, while extending Iran's political hegemony in the region. Oman is being

criticized by the Arabs for its continued reliance on Iranian troops and British personnel. The Sultanate takes a parochial view of its own best interests, however, and is not likely to yield to this pressure.

Bahrain, Qatar, and the United Arab Emirates. Although Bahrain, Qatar, and the United Emirates act independently in domestic policies, they play a common role in regional affairs and pursue similar foreign policies. These states more or less accept Saudi Arabia's predominant role in peninsula affairs and follow the Kingdom in its regional policy. Without exception they:

- Limit, if not prohibit, relations with socialist states.
- Accept no bilateral defense pact with a foreign power, including Iran.
- Avoid any form of regional security pact.
- Consult with the Saudis before taking any independent action in the realm of foreign policy.

Their reliance on the Saudis was recently manifested in the UAE's support of Saudi Arabia's efforts to maintain the oil price freeze, Bahrain's reluctance to renew the lease for MIDEASTFOR without public Saudi approval, and Bahrain's and Qatar's decision to request Saudi mediation of their territorial dispute.

Within these limits, however, the rulers of the lower Gulf try to increase their prestige, if not their power, in the region—pursuing often wasteful "development" projects, contributing generously to regional and international funds, and purchasing arms. In fact, because these three states, along with Kuwait and Oman, have oil reserves large by world, if not Persian Gulf, standards, their influence is greater internationally than regionally. In terms of Gulf affairs, they are largely pawns in the power rivalry among Iran, Iraq, and Saudi Arabia.

II. THE EMERGENCE OF COMMON INTERESTS

A. Incentives for Cooperation

Although the perceptions by the major Gulf states of Gulf security and their ambitions in the region often conflict, several factors argue for tolerance, if not total cooperation.

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(1) Each is economically dependent on one resource, oil. Oil revenues constituted 95 percent of total Saudi national revenues in 1975, 89 percent of Iraq's in 1974-1975, and 74 percent of Iran's for the fiscal year ending March 10, 1976.

(2) Each regime is disproportionately wealthy in comparison to the social and economic level of its population. Each has embarked on ambitious programs for economic and social development, aimed in part at preventing social dissension and discontent. Saudi Arabia's current 5-year plan devotes two-thirds of the budget to modernizing the domestic economy and upgrading personal consumption. Iran's social and economic development is handled through a series of multi-year plans designed to use much of the nation's oil earnings for infrastructure and social development. The current 1355 budget (fiscal year beginning March 21, 1976) contains funds for an increase in education, housing, roads, and rural cooperatives over last year, and is intended to provide some redistribution of wealth. Iraq's economic policy, couched in the Baathist codewords of unity and socialism, projects a \$33-billion investment in the country's goods and resources over the next 5 years, three times the cost of the 1970-1975 5-year plan.

(3) To each, the Persian Gulf is the transportation route to and from world markets. While alternative trade routes do exist, they suffer from both economic and political drawbacks.

Virtually 100 percent of Saudi Arabian exports of petroleum is shipped from Gulf ports. These ports also handle 40-50 percent of all imports. The Kingdom's only other option for exporting oil is TAPLINE, an aboveground pipeline transversing Saudi Arabia, Jordan, and Lebanon. Although its current maximum capacity of 500,000 b/d could be increased through additional pumping stations, TAPLINE could move only a fraction of Saudi Arabia's production of 7.5 million b/d.

Iraq has traditionally sold crude at the Eastern Mediterranean terminals of Baniyas, Syria, and Tripoli, Lebanon, as well as at its Gulf ports. Almost two-thirds of its oil exports were shipped from Gulf ports in 1975. Until April 2, 1976, when shipments were stopped because of transit fees and political differences, some 1 million b/d went via pipeline across Syria to the Mediterranean. A pipeline linking the

northern fields with the southern fields allows all of Iraq's exports to be shipped from Gulf ports. The bulk of Iraq's imports come through the Gulf.

Iran's two outlets are the Caspian region to the north and the Gulf to the south. The use of the Caspian has fluctuated, depending on the state of Iranian-Soviet relations. In 1975, 26 million cm/d of gas went to the USSR. Even in good years, however, use of Gulf ports far outweighs those of the Caspian for non-oil imports and exports. All oil is exported through the Gulf.

The smaller states of the Gulf—Kuwait, Bahrain, Qatar, and most of the member states of the United Arab Emirates—are completely dependent on transit through the Gulf. Any infringement on freedom of navigation through the Strait of Hormuz could strangle the economy of the entire region.

(4) Each, for individual reasons, advocates a policy of limiting foreign military presence in the Gulf.

Iran's position rests on two perceptions; it sees itself as the principal power of the Gulf, and is deeply concerned over Soviet intentions in the area. As early as 1969, the Shah announced that in anticipation of the "departure of the British forces from East of Suez in 1971, we shall be facing responsibilities which could not be foreseen earlier. This will, of course, entail enormous expenses in Iran But, on the other hand, it is logical that protection of this region's security be undertaken by local powers."⁴ The Shah continues to view regional security as the responsibility of the littoral states.

In respect to the Soviet threat, the Shah said: "There exists what I call the USSR's pincer movement. There exists their dream of reaching the Indian Ocean through the Gulf."⁵ It is in Iran's interest, of course, that this dream does not become reality.

Saudi policy against foreign military presence in the Gulf rests traditionally on the Kingdom's anti-Communist, anti-Zionist stand. Communism is seen not only as a political threat, but also as the primary enemy of Islam. Saudi Arabia has not had diplomatic relations with the Soviet Union since 1938, and does

⁴Rouhollah K. Ramazini, *The Persian Gulf: Iran's Role*.

⁵Ramazani, *Iran's Foreign Policy, 1941-1973*, p. 440.

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not recognize the People's Republic of China.⁶ Any official Soviet presence in the Gulf region, diplomatic as well as military, is firmly opposed by the Saudi regime.

Although relations between Saudi Arabia and the US are longstanding and generally good, the Saudis do not support an American military presence in the Gulf because:

- They fear that any such display of American forces in the region would damage Saudi Arabia's image with the Arab nations and the LDC's. The government prefers to maintain a low profile and avoid the label of "American pawn."
- They believe that the present US "flag showing" in Bahrain contributes nothing substantial to the security of the region and, in fact, undermines Saudi efforts to reduce Soviet military facilities, privileges, or bases in Iraq, South Yemen, and Somalia.
- They perceive an antagonistic turn in recent US policy. Legislation against the Arab boycott practices and US military sales to Saudi Arabia, as well as statements attributed to high-ranking US officials assessing the possibilities of military occupations of the Persian Gulf oil fields in the event of a severe crisis, give rise to Saudi concern about American intentions.

Of the littoral states of the Gulf, Iraq alone is host to a large Soviet presence—approximately 1,000 military advisers and 2,000 civilians and technicians. This situation is not likely to change greatly, especially in the general context of the Arab-Israeli conflict and in view of the shared Iraqi-Soviet concern over Iran's arms buildup. Despite the Soviet presence in Iraq and periodic protestations of friendship and cooperation, Iraq is far from becoming a Soviet client state. As previously noted, Iraq opposes any foreign (Iranian, American, or Soviet) intervention in the Gulf, and will not allow a Soviet base in its territory. Iraq now has the means to diversify its arms supply sources, and is increasingly turning to Western markets for the goods and services required for national development.

⁶Saudi Arabia does import indirectly from the People's Republic of China. These goods, however, are not accepted at Saudi ports. They must transit Bahrain.

(5) Each state has the capability of interrupting one way or another the continued and assured oil revenues of the others. To do so, however, would invite retaliation, and none is so strong as to be invulnerable. The cost to any one state of extending its own power and prestige in the region at the expense of its neighbors would largely negate the benefits.

For example, a military balance exists throughout the Gulf in the sense that Iran and Iraq could inflict considerable damage to oil installations in the region, including each other's. This has tempered not only their reciprocal animosity, but also their actions throughout the Gulf. Iran risks Iraqi military action if it too actively pursues a policy of Iranization in the lower Gulf states—blocking the Strait of Hormuz, or seizing, as it did in 1971, "Arab" territory. Iraq risks Iranian attack if it too actively supports radicalism in the Gulf states or invades Kuwait.

Although the other states of the Gulf are spending unprecedented amounts on military modernization, their capabilities are limited by manpower shortages. Kuwait will probably develop a force capable of slowing down Iraq aggression long enough for Iran or the Arab League to intervene. While a marked improvement is expected in Saudi performance, its forces will at best be capable of putting down insurgencies in the lesser states of the peninsula.

Saudi Arabia's position vis-a-vis Iran and Iraq rests essentially on nonmilitary factors.

- The ideological and cultural differences that exist among the three states work to Saudi Arabia's advantage. Iran has in the past, and will in the future, use its military power to aid the steady, if slightly anachronistic and bothersome, conservative Saudi regime. The last thing the Shah wants is another Iraq across the Gulf. Iraq would use its influence to preserve the Arab Saudi regime against Persian threats, because the last thing Iraq wants is to be flanked on both sides by Iran. In short, while Iraq might like a different Saudi Arabia, and Iran might like a different Saudi Arabia, the Kingdom in its present state is at least acceptable.
- Saudi Arabia's extensive oil reserves, excess productive capacity, and large financial reserves give it the strongest voice in OPEC councils on the price of oil. Saudi Arabia could, if pushed,

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raise production, lower the price of crude, and thus unilaterally weaken OPEC. This would hardly affect the economy of the Kingdom, but could wreak havoc on Iran and Iraq's balance of payments and ambitious domestic programs. It has taken a step in this direction by holding to a 5-percent crude oil price increase as against the 10-percent of the other members at the December 1976 OPEC meeting.

- Saudi Arabia holds a highly prestigious position in the Arab world, because of its status as the guardian of the holy places of Islam, the part it has played in the Middle East peace negotiations, and above all because of the generosity it has shown its sister Arab states (including Iraq). Hence, if Iran and Iraq were to threaten Saudi Arabia, it would greatly damage their improving relations with the Arab world.

As long as no one state is strong enough to neutralize the others and to pursue its own ambitions in the region without fear of retaliation, the interests of each are best served by maintaining the status quo. The military deterrent, the economic leverage of Saudi Arabia, and the overwhelming dependence on oil revenues give considerable incentive to minimize disagreements. The trend toward tolerance, if not complete cooperation, among the Gulf states is further advanced by Saudi Arabia's more active and accommodating Gulf policy and by Iraq's more moderate approach to Gulf affairs. Improved relations, territorial settlements, and a number of bilateral and multilateral economic and social projects are the result.

B. Territorial Settlements

Sovereignty claims in the Persian Gulf were traditionally based on the prestige of the ruling family and the loyalty they could evoke in the people. As the power of a family changed, so did the land which it could claim as its own. A number of claims and counterclaims thus developed over the years. This was further complicated by the discovery of oil and the prospects of petroleum revenues. The continued presence of the British limited the number of active territorial disputes in the region; some border agreements were successfully negotiated under their auspices; other conflicting claims were temporarily silenced by the British threat of force.

On the eve of British withdrawal, the only demarcated boundaries in the area were those between Saudi Arabia and Kuwait, Saudi Arabia and the Kuwait Neutral Zone, and between Iran and Iraq. These were delimited on a map in 1922 and demarcated on the ground between 1963 and 1966. Delimited but undemarcated boundaries were those between Iraq and Kuwait, Iraq and the Saudi Arabia/Iraqi Neutral Zone, Saudi Arabia and Qatar, and Abu Dhabi and Dubai. In addition, only four offshore boundaries were delimited: Abu Dhabi/Dubai, Qatar/Abu Dhabi, Qatar/Saudi Arabia, and Bahrain/Saudi Arabia. These were all recent agreements (1958-1968) and reflected the growing importance of offshore oil reserves.

Since 1968, the following agreements have been reached:

Territorial Settlements: 1968-1976

- 1968—October, Saudi Arabia and Iran reach final agreement on their continental shelf boundary and ownership of Farsi and Arabi islands.
- 1970—Iran and Bahrain sign continental shelf accord.
- 1974—United Arab Emirates (Abu Dhabi) and Saudi Arabia settle dispute over Buraymi oasis and establish common border.
- 1975—March, Saudi Arabia and Kuwait agree in principle on neutral zone participation and offshore boundary.
 - March, Iran and Iraq sign protocol establishing procedures to solve their border disputes.
 - April, Saudi Arabia and Iraq sign border demarcation agreement for neutral zone.
 - June, Iran and Iraq sign international treaty and three protocols providing for demarcation of land and river frontiers and border security.
 - July, Saudi Arabia and Iraq negotiate participation agreement for neutral zone, pending formal ratification.
- 1976—February, Saudi Arabia and Iraq, sign final agreement.
 - February, Oman and Abu Dhabi discuss demarcation of border in Buraymi.
 - March, Saudi Arabia and Kuwait agree on continental shelf boundary and equal participation in neutral zone.

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—March, Saudi Arabia agrees to assist in settling Bahrain and Qatar's dispute over Hawar Island.

The success of the Gulf states in settling these territorial disputes, many of which had been considered intractable and had provoked military action in the past, required unprecedented cooperation and flexibility by the parties involved.

For example, the Iranian-Saudi median line agreement was complicated by disputed ownership of two islands in the upper Gulf, the rich offshore reserves in the Gulf itself, traditional divisive factors, and commercial and political rivalries. While a draft agreement was initialed in 1965, it was never ratified. The Iranians apparently felt the seabed resources were not equitably divided.

Median line differences reached a crisis situation in early 1968, when an Iranian naval detachment forcibly seized and towed away an ARAMCO rig. In response to an urgent Saudi request, negotiations were resumed. The necessity of cooperation in light of the announced British decision to withdraw from the Gulf was not lost on the Saudis or Iranians. Their agreement of 1968 differs little from that of 1965; the line gives half effect⁷ to the Iranian island of Khark, a considerable concession on the part of the Saudis, and crosses and recrosses the 1965 line, but without the degree of deviation Iran would have preferred.

The extent to which common interests and concerns can temper basic differences is further exemplified in the March 1975 Algiers Accord between Iran and Iraq. On the surface, the accord is largely a trade-off in specific issues: Iran cut off its support of Iraq's rebellious Kurds; and Iraq, in turn, agreed to accept the principle of *thalweg* (center of the main navigational channel) in settling the boundary between the two in the Shatt al Arab.

Both regimes had a great deal to gain in settling their differences. The year preceding the accord had seen border fighting escalate to a level that threatened open conflict. There was a growing possibility that the domestic stability of both regimes could be endangered by continued hostilities. Iraq was anxious to

⁷ The half-effect line is that line constructed so as to divide equally the area between (1) a line equidistant from the Saudi Arabian mainland and the island of Khark (full effect) and (2) a line equidistant from both the mainland of Iran and of Saudi Arabia.

end the Kurdish rebellion, which was leading to criticism of the regime by the army. In addition, it was recognized that, given its naval strength and its military position in Oman, Iran could threaten navigation through the Strait of Hormuz. Iran, for its part, realized that its aiding of the Kurds in Iraq might prove counterproductive if it were to lead to unrest among Iran's Kurds or demands for genuine Kurdish autonomy.

Thus, while the border agreement, as well as Iraq's abandoning of all claims to Arab Khuzistan, is in Iran's favor, Iraq gained much in exchange—a large measure of political stability, and secure oil lanes through the Gulf. No significant change in the power rivalry between Iran and Iraq nor any lessening of the political differences between the Baathist regime and the Pahlavi monarchy preceded or followed the agreement. Rather a “convergence of factors, some old, some new, produced by March 1975 a degree of harmony of interests between Tehran and Baghdad that tempered those still basic differences.”⁸

A third and final example of successful territorial settlements reflects not only emerging common interest, but also Saudi Arabia's more active and effective Gulf policy of recent years. Saudi Arabia's longstanding dispute with Abu Dhabi over the Buraymi oasis had been the subject of on-and-off negotiations and intermittent hostilities since 1935. While primarily a territorial dispute, the situation was complicated by a clash between the strong personalities of two men: the late King Faysal and Shaykh Zayid. For Zayid, Buraymi is a very special oasis, center of Abu Dhabi's Eastern Province, where he had lived until becoming ruler. For Faysal, the dispute was an issue of pride and honor, a reminder of past Wahhabi glories and, more recently, of a humiliating defeat in 1955 at the hands of Zayid and the British. Faysal refused to establish diplomatic relations with the new government of the United Arab Emirates, in which Abu Dhabi had a leading role.

By the mid-1970's, neither Saudi Arabia nor Abu Dhabi was any longer considering confrontation over the area. A shared interest in the perpetuation of traditional rule in the area and the capability of the UAE to defend itself against external threats, negated any advantages to either. It was the modification in

⁸ Ramazani, “Iran's Search for Regional Cooperation,” *The Middle East Journal*, Spring 1976, Vol. 30 No. 2, p. 177.

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Saudi Gulf policy, however, that made negotiations successful.

The terms of the 1974 agreement negotiated by Prince Fahd differ little from those once offered by Faysal. Saudi Arabia acquired a corridor to the Persian Gulf and most of the Zarrarah/Shaybah oilfield. The UAE gained control over the Buraymi oasis. Ratification of the agreement paved the way for diplomatic relations, coordination of joint policies, and a possible agreement with Oman on the Saudi-Omani border. It has also advanced Saudi Arabia's influence in the lower Gulf states.

C. Regional Cooperation

In recent years an increasing number of bilateral and multilateral agreements have been reached by the Gulf states, in economic as well as social fields. These agreements reflect not only the general improvement of relations among the states, but also substantial financial and political commitments to coordinate individual efforts and promote areawide development.

A major vehicle for economic cooperation among the Arab states of the Gulf is the Organization of Arab Petroleum Exporting Countries, OAPEC.⁹ Through OAPEC, four joint projects have been undertaken:

- The Arab Shipbuilding and Repair Company, aimed at developing industry in the Gulf area and training nationals of the member countries in the construction, repair, and service of ships.
- The Arab Maritime Transport Company, involved with maritime transport of hydrocarbons and ancillary activities that help facilitate that operation.
- The Arab Petroleum Investment Company, designed to assist with the financing and capital formation of proposed projects, lending greater flexibility and speed to project implementation.
- The Arab Petroleum Services Company, a holding company, to set up subsidiaries operating in petroleum services. Other OAPEC efforts include the OAPEC investment fund, a training session

⁹ Of OAPEC's 10 members—Saudi Arabia, Kuwait, Libya, Qatar, Bahrain, the UAE, Syria, Iraq, Egypt, and Algeria—six are Gulf states. Consequently, many of OAPEC's ventures focus on the Gulf region.

for university graduates employed in oil ministries and companies of the member states, and a proposed new Arab monetary unit of account, "the Arab Dinar," to be used to evaluate the capital of OAPEC's Arab Petroleum Investment Company and other joint projects.

A sampling¹⁰ of recent joint ventures and negotiations sponsored by various Arab states follows. Though none is particularly significant in itself, the level of activity is impressive. One can also discern Saudi Arabia's increasing involvement with its neighbors and Iraq's emergence into the mainstream of Gulf Arab affairs.

1974—UAE pledges \$20 million in aid to Bahrain for housing projects, medical centers, and electrical expansion.

—Saudi Arabia and Bahrain to establish a joint bank, headquartered in Manama.

1975—Kuwait sets up an Atomic Energy Commission and invites Saudi Arabia and Bahrain to participate.

—Saudi Arabia and Bahrain sign an economic agreement to promote joint development projects, grant capital invested by each other the same status as national capital, allow exemption of some customs duties, and unify customs procedures.

—Egypt, Saudi Arabia, the UAE, and Qatar ratify an agreement to establish the Arab Military Industrialization Organization to produce armaments, spare parts, and other military equipment as well as consumer goods.

—Kuwait and Saudi Arabia agree to grant each other's nationals the right to work and reside in both countries, encourage joint development projects, and allow the other's capital the same privileges as local capital in investments.

—The Abu Dhabi Fund for Arab Economic Development lends Bahrain funds for the second phase of a joint electricity project and the survey of light industry.

—Iraq and Bahrain conclude an economic cooperation agreement.

—Kuwait agrees to participate in the capital of the Bahrain Real Estate Bank, in

¹⁰ Taken from a review of the *Middle East Economic Survey*, November 15, 1975 to March 5, 1976.

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- cooperation with the Government of Bahrain.
- Saudi Arabia expresses full support for Kuwait in oil negotiations with British Petroleum and Gulf Oil.
- Finance ministers of Kuwait, Saudi Arabia, Bahrain, Qatar, the UAE, and Oman sign an agreement to establish a joint venture bank, the Gulf International Bank, based in Manama.
- Bahrain concludes its first economic agreement with Iraq. Iraq to provide Bahrain with aid in agricultural and industrial development.
- Saudi Petroleum Minister Yamani arrives in Iraq to discuss "Arab relations."
- UAE's foreign minister arrives for talks in Qatar.
- 1976—Kuwait, Saudi Arabia, Bahrain, the UAE, Qatar, and Iraq sign an agreement to establish the United Arab Shipping Company based in Kuwait. The company will acquire the 46-vessel fleet of the Kuwait Shipping Company.
- Oman and Kuwait set up the Union Bank of Oman.
- The UAE, Qatar, Bahrain, Oman, Kuwait, Saudi Arabia, and Iraq organize the Arabian Gulf Organization for Industrial Consulting, designed to play a major role in coordinating industrial projects in the area and carrying out consulting work for major projects.
- Kuwait, the UAE, Bahrain, Saudi Arabia, Iraq, Oman, and Qatar set up the Gulf News Agency.
- Kuwait and Qatar agree to allow Iraq to use their ports for goods destined for Iraq.
- Saudi Arabia makes an initial contribution of \$100 million to Bahrain for a public housing venture, and will pay for a military hospital, the Saudi-Bahraini causeway, and finance some industrial projects.
- Kuwait, Qatar, the UAE, and Saudi Arabia meet to coordinate their latest aid contributions to Egypt and establish the Gulf Authority for Development in the ARE.

—Bahraini-Qatari dinars accepted in local markets, as are Bahraini-UAE dinar and dinham.

Iran has also made efforts to participate in regional development and economic affairs. For example, Iran joined the seven (including Oman) Gulf states in launching a joint fisheries survey and fisheries development program aimed at increasing 10-fold the annual yield of 40,000 tons. In August 1975, the first Arab-Iranian banking venture was approved.

It is the cooperative actions taken by Iran, Saudi Arabia, and Iraq, however, that underline the degree to which these powers recognize the advantages of serving their common interests and maintaining the status quo of the area.

While Saudi-Iranian regional activities often seem more competitive than coordinated, both regimes desire to remove the threat of radicalism in the Gulf regimes and limit the Soviet presence in the area. There have been occasions when common needs have required a measure of cooperation.

For example, Iran provided arms to Saudi Arabia when it was attacked by South Yemen in late 1969. In the case of Dhofar, Iran notified Saudi Arabia of its intention to send troops to assist the Sultan, while Saudi Arabia kept the Shah informed on the progress of Egyptian-Saudi negotiations with South Yemen. As an Arab state, Saudi Arabia has often reminded the other states of the Gulf to recognize Iran's legitimate interests in the area, defending Iran's involvement in Dhofar and taking obvious pains to minimize the friction over the name of the Gulf, referring to it as "the Gulf" or "the Gulf of the region" rather than Persian or Arab Gulf.

As previously noted, normalization of Iraq's relations with Iran and Saudi Arabia was required before that nation could constructively participate in regional affairs. As Iraq strives to end its isolation, dialogue with its neighbors has increased.

Following the Iranian-Iraqi agreement of March 6, 1975 (the Algiers Accord), there has been little friction at the working level in the fulfillment of the treaty requirements. Iran and Iraq's foreign ministers have signed a number of additional agreements on minor matters that are regarded as lying within the framework of the accord. While various bilateral issues are still in dispute, the mutual desire to back

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away from armed hostilities has moderated the actions of both countries. Similarly, Saudi-Iraqi relations have warmed since 1975, and Iraq is again participating in regional and Arab world conferences and organizations.

The last few years have witnessed a growing inclination on the part of the Gulf states to sustain and improve relations with their neighbors. If continued, this trend toward cooperation would offer many advantages: stability in the region, allowing each state to concentrate on its own domestic development and security; secure shipping lanes, providing for an uninterrupted flow of oil and resulting income; and perhaps an eventual regional economic and/or military agreement to serve better the needs of a Gulf community.

III. CONFLICTING INTERESTS

Regional cooperation, however, is not without its price; the Gulf states have largely passed over political and ideological differences, cultural animosities, and conflicting ambitions in order to resolve a number of their disputes. In spite of their successes, however, several potential sources of conflict remain.

In the realm of territorial claims, one of the most troublesome border disputes is that between Iraq and Kuwait. The conflict originated in the late 1880's when Britain supported Kuwait's claims to independence from the Ottoman Empire. Iraq advanced its claims to Kuwait in 1936, 1958, and 1961. Following the overthrow of the Qasim regime in 1963, the Iraqi Government announced recognition of Kuwait's independence and sovereignty. While this ended Iraq's claims to most of Kuwait, it was not a boundary agreement and did not, therefore, settle the question of sovereignty over the offshore islands that has become a major issue as Iraq develops the port of Umm Qasr.

With the continued expansion of both the commercial and military facilities at Umm Qasr, control over the approaches to Khawr Zubayr—the inlet on which Umm Qasr is located—has become more important. Iraq is demanding an open border policy, possession or control of Warbah Island, a lease of at least the northern half of Bubiyan Island, and probably ownership or control of the Kuwaiti right bank of Khawr Zubayr, above Warbah Island. (See photograph.)

Kuwait, for its part, has offered to lease Warbah and the northern half of Bubiyan to Iraq for a nominal sum in exchange for de jure Iraqi recognition and demarcation of the Iraq-Kuwait border. At least one Kuwaiti proposal has offered joint development and use of Khawr Zubayr. It is not likely, however, that Iraq and Kuwait will ever reach a mutually acceptable border agreement.

Iraq, heavily dependent on Umm Qasr, feels insecure about its lack of control over the approaches to this increasingly important port. On the other hand, were Kuwait to cede ownership of Warbah or any of the adjacent islands to Iraq, this would augment the size of the continental shelf that would accrue to Iraq in any future law-of-the-sea negotiations in the upper Persian Gulf. In addition, the southern end of Bubiyan peaks directly into Kuwait Bay, and the city of Kuwait is practically visible from there.

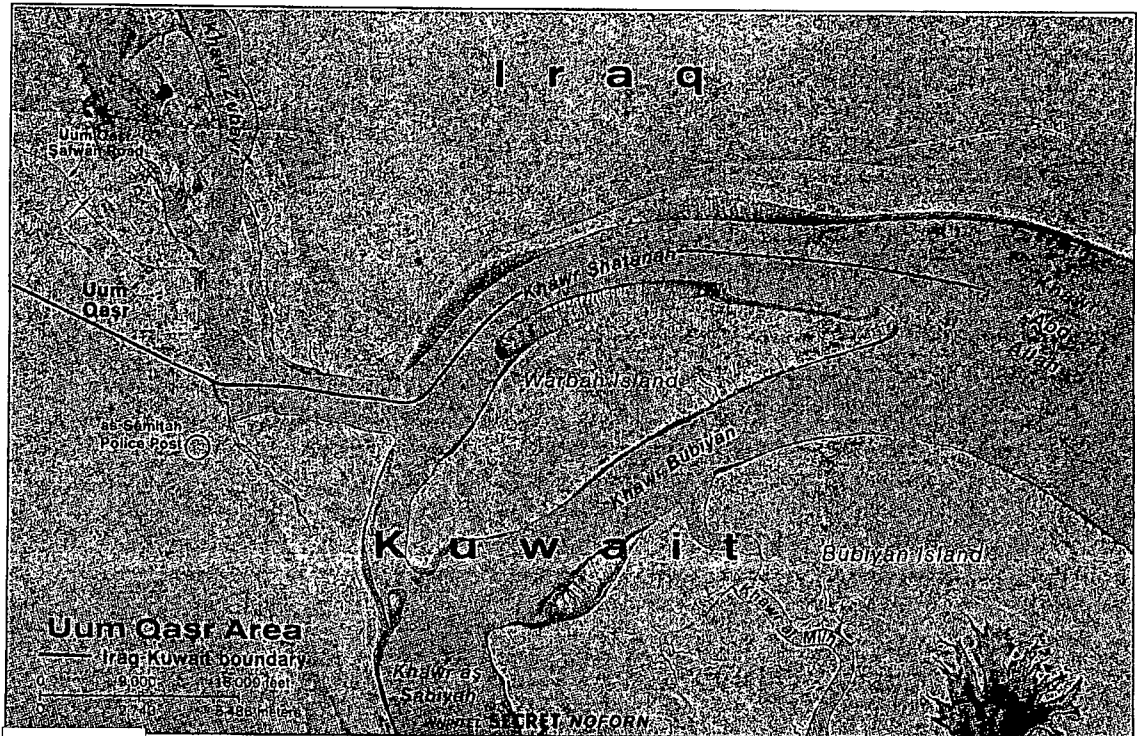
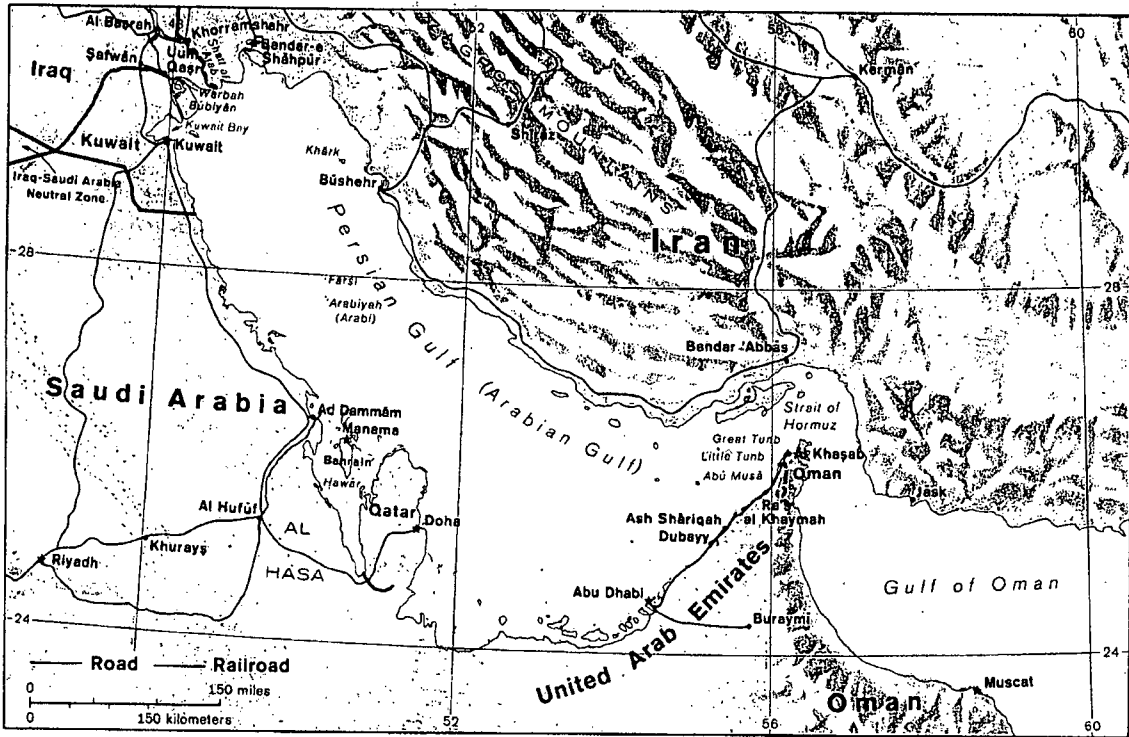
This situation has led to small-scale hostilities in the past; it is likely to exacerbate the already uneasy relationship between Kuwait and Iraq in the future. The Iraqi encroachment in the spring of 1973 forced the Kuwaitis to reexamine their security and to embark on a \$1-billion arms expansion program. Again, in the fall of 1976 Iraq made incursions into Kuwait. Not only is Kuwait attempting to develop a military force able at least to inflict damage on invading Iraqis; it also has approached Saudi Arabia, Abu Dhabi, Qatar, Bahrain, and Oman in an effort to devise a base dispersal plan which would allow Kuwait to station its aircraft in four or five other countries, possibly discouraging an Iraqi preemptive strike.

As Iraq pursues a policy of cooperation and conciliation with its Arab neighbors, Kuwait has become a "fraternal and dear country." Nonetheless, Iraq has not recognized Kuwait's borders (as "between brothers we do not need borders") and has already appropriated a piece of land in northeast Kuwait.

Iraq's friendly overtures to the Gulf states—its efforts to improve relations, settle some territorial disputes, and involve itself in regional affairs and joint ventures—apparently have not led to a curtailment of Baath support for radical, subversive groups. Rather, the evidence, although incomplete, implies that the regime continues to be committed to providing

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assistance, largely financial, to dissidents throughout the region. Much of this aid is channeled through Iraq's embassies.

Currently, Iraq gives considerable support to dissidents in Kuwait and Bahrain—possibly because their more sophisticated and politically aware populations and relatively liberal governments offer greater opportunities for Iraqi intrusion—and somewhat less to dissidents in the UAE and Qatar. Iraq, as well as Libya and the Soviet Union, is pledged to support the Popular Front for the Liberation of Oman (PFLO) and the Dhofar rebels. While Iraq toned down its antiregime propaganda broadcasts into Saudi Arabia as a precondition to normalizing relations, there is evidence that more covert actions against the regime have continued.

Iraq seems to have ended its support of dissidents within Iran since the signing of the Algiers Accord. Continued support could undermine the efforts of the two states to demarcate their border. Moreover, Iran, alone of the Gulf states, could offer a serious military threat to Iraq, and the Iraqi regime is understandably hesitant to provoke damaging Iranian retaliation.

With the exception of Iran, however, Iraq has little to lose by underwriting subversion and revolution. True, such activities strain relations with the conservative Gulf states. Even should Iraq abandon these activities, the Gulf states would continue to suspect the worst and the Baath's image would improve only slightly, and very slowly.

Another potentially troublesome issue in the Gulf area is oil pricing. The interests of Saudi Arabia are fundamentally different from those of Iran and Iraq. The known exploitable oil reserves of Iran will be depleted before the end of the century, and the Shah wants to maximize revenue in the near term in order to develop other resources and build an industrialized economy.

Iraq is in a similar position. Although it, like Saudi Arabia, has extensive reserves, projected oil income is committed to financing its development programs.

Saudi Arabia's problem is lack of trained manpower and expertise, not money. The Kingdom was unable to spend all its oil earnings even before the 1973 price hike, and much of the surplus revenue accrued by the Saudis in recent years has been invested in the West. Not only do the Saudis understand the damaging

effect increased oil prices would have on the world economy in general, they also know that the best protection of their investments lies in the prosperity of the West. For moral and economic reasons, Saudi Arabia has been a strong advocate of holding oil prices relatively stable. Its vast reserves—estimated at some 150 billion barrels—and huge production capacity give it a leading role in OPEC councils.

In September 1975, some OPEC states wanted oil increases of 20 percent; the Saudis wanted none. A compromise of a 10-percent increase in oil prices was reached after the Saudis had warned:

If the other member states go ahead without Saudi Arabia, they may do so. But they should know now that Saudi Arabia will keep its prices frozen at the present level and let its production rise to wherever the market took it within the Kingdom's formidable surplus capacity.

In May 1976, nine of OPEC's 13 members sought price increases ranging from 2.5 to 20 percent. After bitter exchanges, Saudi Petroleum Minister Yamani flatly declared, "There will be no price increase without Saudi Arabia." He was right.

The Iranian reaction was low-key. Iraqi officials, however, were openly critical. They accused Saudi Arabia and its supporters of building up huge cash reserves while other Arab countries were starving for development capital, of forcing their will on the majority of OPEC members, and of plotting with the industrialized countries to reduce overall world dependency on oil, thus depriving producing countries of political clout as well as revenue. Information Minister Tariq Aziz declared that "we wanted to build good close relations with Saudi Arabia, but unfortunately the Saudi Government is following an oil policy which Iraq cannot accept."

During the December 1976 OPEC meeting, the Saudis argued for a 5-percent price increase; when the majority of the members refused to accept so small an increase, a two-tier pricing system was adopted. Saudi Arabia and the UAE will raise prices 5 percent, while the other members agreed on a 10-percent increase. The Saudi threat of September 1975 to raise production in order to influence price may soon become a reality. Plans to increase liftings in early 1977 are already under way.

Saudi Arabia's ability to force its will on other OPEC members is likely to grow. By 1980, Saudi Arabia intends to increase its capacity to produce

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crude oil from the present 11.5 million b/d to 16 million b/d.¹¹ This decision is not justified by economic need. The Saudis apparently believe that the additional capacity will further increase their influence both within OPEC and with oil consumers.

Another touchy issue, with no easy resolution in sight, is that of regional security in the Gulf. The different objectives of the three major Gulf governments do not allow for multilateral action. Iran wants specific provisions for meeting threats to the status quo—in short, an accepted formula for applying Iranian power against radical interests. Iraq wants to stall Iran's drive for hegemony in the region and to protect against the possibility that Iran could close the straits at will. Saudi Arabia, backed by the states of the lower Gulf, verbally supports the concept of a regional security pact, but in fact is opposed to any such agreement. The Kingdom consistently avoids any pact which would legitimize foreign interference on the Arabian Peninsula. Iran, in both word and deed, has strengthened Arab suspicions of Iranian long-term ambitions.

The earliest Iranian policy statement on the question of Gulf security was made on January 27, 1968 by Prime Minister Hoveyda. He contended that "as the most powerful state" in the Persian Gulf, "naturally" Iran was greatly interested in the stability and security of the Gulf area, and to that end was prepared to cooperate with any littoral state.¹² The Iranians have since then repeatedly stressed the need for cooperation and the responsibility of the littoral states to defend the region. They also have quietly but

consistently hinted that unilateral action by Iran remains a possibility.

In the last few years, Iran's armed forces have evolved into the largest, best equipped, and best trained of the littoral states, and they are likely to increase in strength throughout the 1970's. (See table below.)

In 1975 alone, Iranian defense expenditures approached an estimated \$8 billion. The Imperial Iranian Air Force is reportedly superior to the air forces of Iraq, Saudi Arabia, or Afghanistan; the Iranian Navy is capable of patrolling the Gulf waters and projecting Iranian military forces onto the Arab side of the Gulf; the Shah apparently plans to develop a small elite marine corps, trained in desert and amphibious warfare (obviously not suited for internal security or self-defense); and the Iranian Army is developing a heavily mechanized, primarily air-mobile force with a potential to address rapidly and efficiently any conflict that may arise within what Iran perceives as its security boundaries—extended in the last few years from the Persian Gulf to include the Gulf of Oman and the Indian Ocean.

The Iranian presence in Oman is an additional cause of concern to the Gulf states. Although the commitment of Iranian forces was at the invitation of the Sultan, and could be terminated in consultation with the Sultan, Arab suspicions will remain as long as Iranian troops are on the Arabian Peninsula. Furthermore, growing cooperation with Iran has stimulated expansion of Oman's security policy to the oil lanes and the Gulf of Oman. In April 1974, Iran and Oman agreed to act as guardians of the straits. By the end of the year, an agreement on joint naval operations in the straits area was announced. Iranian aircraft and naval vessels patrol the Omani side of the straits, and Oman plans to build three naval bases in the area.

¹¹State Department, INR Report No. 468, May 24, 1976.

¹²Ramazani, "Iran's Search for Regional Cooperation" *Middle East Journal*, Vol. 30 No. 2, Spring 1976, p. 174.

Expansion of the Iranian Armed Forces*

	1967	1974	1975	1978
Army	134,000	206,000	270,000	270,000
Air Force	13,000	57,000	65,000	82,000
Navy	6,000	13,000	18,000	60,000
Subtotal	153,000	276,000	353,000	433,000
Paramilitary (Gendarmerie)	41,000	70,000	75,000	75,000
Other	13,000	26,000	26,000	26,000
Total	207,000	372,000	454,000	534,000

*Data from *The Imperial Iranian Armed Forces, an Assessment*, OASD/PA&E/Regional Studies Division, 26 August 1974. Figures for years 1975 and 1978 are estimates.

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Outnumbered by Iranians two to one, the Arabs of the Gulf states suspect the Shah is buying weapons for use against them. Iran's 1971 occupation of Abu Musa and Great and Little Tunb supports this fear. Iran got what it could by diplomacy; it used force for the rest. The Shah's "forward" strategy required these islands, and with no credible countervailing force he was able to make his point. Iran was prepared and able to use force to enforce its claims.

All the Gulf states—from Iraq to Oman—are actively pursuing programs of military modernization and development. Iraq, like Iran, allocates an average of about 24 percent of its budget for defense and security, more than \$200 per capita. The countries of the Arabian Peninsula (including the two Yemens) are conservatively estimated to be spending a quarter of their budgets directly or indirectly for defense and internal security purposes. This amounts to an annual average of almost \$400 per capita. Of course, the need to develop a "credible countervailing force" to Iranian expansionism is not the sole motive in this search for arms. National security requirements and prestige also figure in. In any case, the area is procuring sophisticated arms at an unprecedented rate.

Additionally, each of the Arab Gulf states is considering, or actually developing, alternate means of exporting some portion of their oil, thus reducing their complete dependence on transit through the Strait of Hormuz. The new Iraqi-Turkish pipeline linking the Kirkuk field complex to the Turkish port of Dortyol on the Mediterranean is due to be completed by the end of 1976. Although the initial capacity of the 610-mile-long line will be 500,000 b/d and can be expanded to only 700,000 b/d, it does give Iraq access to a new market and an alternative to Gulf transit. A two-billion-cf/d natural gas pipeline to transport Iraqi gas to Istanbul and possibly to either Europe or to Russia is still under consideration.

Saudi Arabia is exploring alternative routes as well. The current 5-year plan envisions a new industrial area at Yanbu', a deep-water port 420 miles north of Jidda on the Red Sea coast. Plans call for a new trans-Arabian oil pipeline from the Ghawar field via Khurays to Yanbu'. The proposed pipeline would have a capacity of 2.35 million b/d by 1985¹³ and

¹³Although average Saudi production is well above 2.35 million b/d, estimates of the level of production required to meet the financial needs of the Kingdom range from 1.38 million b/d to 4 or 5 million b/d.

would open up a new major terminal for the nation's oil and gas exports. It is particularly well located to service the European market via Sumed pipeline on the Suez Canal. In addition, Saudi Arabia is considering negotiating with Oman for a 60-kilometer-wide corridor through Dhofar to the Arabian Sea. The corridor would run along the present Oman-South Yemen border and provide Saudi Arabia with an outlet to the Arabian Sea. Kuwait has proposed a similar plan for an overland pipeline servicing the Arabian Peninsula states.

To date, the suspicions and differences existing among the Gulf states have been largely suppressed. National interests have been advanced with considerable caution and control, and each nation has generally deferred to the sensibilities of the others. Issues which defy compromise have been held in abeyance, awaiting an environment more suitable for negotiation.

As this study has attempted to show, while regional cooperation is costly, and frequently is difficult to accommodate to nationalist demands, the price of conflict is far greater. The military and economic deterrents and the common overwhelming dependence on oil revenues argue strongly that the present set of relationships, emphasizing cooperation—or at least tolerance—will persist for some years. There are, however, a number of developments, none predictable, that could change this assessment. These contingencies are discussed in the next section.

IV. CONTINGENCIES

One assumption must be made for the paper itself to make the contingencies realistic; that is, that the general character of the principal regimes of the Gulf states remains unchanged. With the main body of the paper resting on that assumption, the following contingencies might be addressed.

(1) *A revolution in Saudi Arabia with a militarily supported regime, either of the right or of the left, replacing the Saudi monarchy.*

If disaffection were to become widespread in Saudi Arabia, the opposition would likely be anticorruption, puritanical, and nationalistic rather than of a leftist orientation. Its goal would be to remove the House of Saud from power, not radically change the political

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foundations of the government. Saudi Arabia¹⁴ would remain a conservative, religiously oriented state. Indeed, a successor regime might urge a return to basic Islamic values, reassess the need and desirability of industrialization, and perhaps adopt a more conservationist approach toward oil production.

There is also the possibility, however slight, that a group with less-than-complete popular backing—military officers, sectionalists, or an illegal political party, for example—could assume power. In this case, not only the political complexion but also the regional and international policies of Saudi Arabia would be greatly altered.

Overthrow of the Saudi monarchy would alarm all the conservative regimes of the Gulf. Not only would the ambitious, regional policy and future stability of the new order be in doubt; the fact that the most conservative, and seemingly most firmly entrenched, ruling family in the region was removed would arouse the fears of all the Gulf shayks as to the longevity of their own rule.

The Baath, of course, would be delighted. Not that the new regime would necessarily be any more sympathetic to leftist ideologies than its predecessor. Rather it would be, at least temporarily, less in control domestically, less active regionally, and less confident in its leadership role—giving Iraq a greater opportunity to advance its own interests in the Gulf. If it were, however, a leftist group that came to power, Iraq's regional position would be greatly enhanced, as would be that of the Soviet Union.

In the absence of a strong Saudi Arabia, the Arabian Peninsula states would look toward Iran for protection and leadership. Iran would in fact become the "guardian of the Gulf"—a status that would prove difficult to change. Prospects of continued regional stability would rest on how the new "Saudi" regime dealt with a more assertive Iran.

The new regime could accept the predominance of Iran, maintain correct but cool relations, and concentrate on domestic matters. It could well decide to match its oil production more closely to national requirements, removing a major difference between Iran and Saudi Arabia—the pricing of oil. In a seller's market the price would rise.

¹⁴ It is not likely the name "Saudi Arabia" would outlive the Saudi regime. For lack of a better term, however, Saudi Arabia will be used here.

On the other hand, a highly nationalistic regime might resent Iran's growing influence on the Arabian Peninsula. It would work to regain the leadership role Saudi Arabia once had. This could lead the Saudis to use their economic leverage—raising the level of oil production and letting prices fall—against Iran.

While a new regime might be less pro-American than its predecessor—even to the extent of developing closer ties with the Soviet Union—the mutually beneficial economic relationship between the United States and Saudi Arabia would continue. It is in the context of future regional stability and the pricing of oil that the interests of the United States and Western nations are most directly affected by the political situation in Saudi Arabia.

(2) *A minor Gulf state undergoes a revolutionary change of regime; for example, a radical group seizes power from the ruling family in Bahrain.*

The ouster of a conservative regime in the Gulf by a radical movement is certain to alarm all the Gulf states except Iraq. The Iraqis would welcome the defeat of "reactionism" by forces more ideologically aligned with their Baathist government and possibly more attuned to their regional policies and aspirations. The smaller states could do little except strengthen their own security forces. Iran and Saudi Arabia would be faced with two options: to intervene and restore the previous order, or to live as best they could with the new regime.

Iran has the military capability to take physical control of Bahrain—and indeed of any lower Gulf state. Unilateral Iranian action would, however, be an affront to the Saudis, who do not have such a capability. If the Iranians chose to intervene unilaterally, they could end up fighting the Saudis.

Coordinated Saudi-Iranian intervention would better serve the interests of both Riyadh and Tehran. Saudi Arabia would be spared the embarrassment of admitting to Iranian military superiority and would be better able to maintain its good standing with the bulk of the Arab world, while the Shah would avoid charges of "Iranian imperialism" that would further damage Saudi-Iranian relations and increase Arab suspicions of Iran's regional intentions.

Even if it were successful, however, Saudi and/or Iranian intervention would have its negative aspects:

— There would be a risk of Iraqi retaliation, either directly or against Iran or Saudi Arabia.

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- Overthrowing the new regime might be difficult. For the revolution to have succeeded in the first place the radical forces must have established control over the military and have gained some measure of public support.
- The survival of a reinstated conservative government would require continued outside military support.

As previously noted, any revolutionary regime in the Gulf would have Iraqi support—particularly if the rebels were Baathist. To preserve such a regime would be to Iraq's political and strategic advantage. Such a turn of events, where Iraq's national interests are in opposition to, rather than complementary with, those of Iran and Saudi Arabia, increases the possibility of action-reaction among the three states. Iraq, like Iran, is capable of deploying its military forces throughout the Gulf, although not in as large numbers; it is also capable of posing a major threat to either Saudi Arabia or Iran proper. The extent of Iraqi support for a radical regime would be determined only by its perceptions of the risks, and the benefits, involved.

Short of military intervention, Saudi Arabia would have some economic leverage in Bahrain to moderate the actions of the new regime.¹⁵ A major part of Bahrain's entrepot trade is with Saudi Arabia, which also supplies the majority of the crude refined on the island. Faced with declining revenues and increasing expenditures, Bahrain is already dependent on Saudi and Arab Gulf states' aid to meet its financial needs.

However, the prospects of living with a new leftist regime are not good. Saudis and Iranians alike could not help but view this first intrusion of radicalism in the lower Gulf as a major threat to this highly conservative region and a sure indication of increasing Iraqi and Soviet influence. Not only would a successful coup provide psychological encouragement to radicals throughout the Gulf, but a new regime would establish close ties with Iraq and the USSR that would increase the opportunities for Iraq to meddle and would offer the Soviets their first opportunity to establish a presence in the lower Gulf. As Bahrain found new benefactors in Iraq, the Soviet Union, and other leftist states, Saudi Arabia's economic leverage could erode, perhaps very quickly.

¹⁵ This would be less true in the case of Oman, and unlikely in the case of the remaining Gulf states.

(3) *The Shah dies*

A successor regime could, (a) have a less sure sense of how far Iran could go in exercising its role as guardian of Gulf security and end up overreaching itself, (b) turn inward and away from Gulf affairs because of lack of strong leadership, or (c) become unstable.

(a) *An aggressive Iran*

Iran's military strength far outweighs that of its Gulf neighbors. Iran is capable of interrupting navigation through the Strait of Hormuz, as well as deploying troops throughout the region. The current Shah has proven adept at pursuing Iran's goals while preserving cordial relations with the Gulf Arabs; a less adroit successor regime might elect to exercise, or threaten to exercise, its military strength to advance Iran's regional interests.

The threat of military aggression would gain nothing for Iran. The Arab Gulf states would not succumb. Instead, Arab-Iranian relations would be destroyed, Arab suspicions justified, and future compromise impossible. Outside efforts to contain Iran could remove the immediate danger of open hostilities, but the current mood of regional cooperation would be replaced by one of animosity, distrust, and fear.

The fact of military action would provoke a similar Arab response. The results would be disastrous not only for the states involved, but for the US and the West as well. The Gulf states provide 31 percent of the United States' imported oil, 75 percent of Japan's, and 64 percent of Western Europe's. Iranian military action directed, say, against Iraq that resulted in blocking the strait or extensive physical damage to oil installations would have a serious economic impact on these oil consuming nations. Furthermore, the US could not escape blame as the major arms supplier of Iran.

(b) *Iran turns inward*

A more isolationist Iran might not seek a formal regional security pact or an increase of Iran's regional influence as actively as the current Shah. Domestic economic and security requirements, however, would prevent any Iranian regime from greatly altering its role in the Gulf.

Iran is, and will continue to be: (1) dependent on oil revenues as its major source of income, (2) the

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strongest military power in the region, and (3) fearful of the Soviet Union and that nation's influence in the Gulf. Thus, even turning inward to solve its domestic problems, Iran could not renounce its commitment to maintain the status quo of the region. Indeed, an inward-looking Iran might actually contribute to tranquility in the Gulf.

(c) *The Iranian Government becomes unstable*

Domestic instability would affect Iran's role in the Gulf. Consolidation of internal power would be the prime concern; at a time of turmoil projecting national power in the Gulf would be impossible.

This could be a mixed blessing for the Arab Gulf states. On the one hand, fears of Iran's regional ambitions would be alleviated. On the other, Iraq could more actively pursue its own interests in the Gulf without risking Iranian involvement. Similarly, the conservative Gulf regimes could no longer enlist Iranian support in the event of rebellion or insurgency.

An unstable Iran would become more susceptible to Iraqi-Soviet leftist influences. The regime that eventually established control might be of political leanings far different from those of the Shah. A leftist Iran, for example, could pose a serious threat to the conservative Gulf states and Western interests.

(4) *Solidarity of the oil producing states breaks down, putting Iran and Saudi Arabia in open dispute.*

OPEC, unlike a perfect cartel, is in no position to determine and enforce the production quotas of individual nations. It does little more than set oil prices. Consequently, the only issue that could threaten the organization's solidarity is conflicting pricing policies of the member states.¹⁶

While no state has the capability to raise its prices counter to OPEC consensus, Saudi Arabia, with its high level of production, excess capacity, and huge reserves, could unilaterally lower the price of its crude while raising production, causing an overall weaken-

¹⁶ Today the demand for oil is price inelastic. The duration of time that this will remain true, however, is an inverse function of the price of oil. Higher prices give further incentive to develop energy substitutes. Thus, those states with large reserves, as well as the "conservationist" states, prefer incremental, if any, increases in prices, insuring a future market for their production. Those with small reserves prefer increased prices to maximize profits while they can.

ing in the price of oil. To do so, however, would be to break completely with OPEC, and represent a politically, rather than economically, motivated action.

Increased Saudi production would not displace the sale of Africa's light crudes. Nor would it particularly harm the already rich and largely conservationist Arab states of the Gulf; in any event, they could count on Saudi financial assistance in return for their cooperation. The real, and obviously intended, victim would be Iran.

Iran would have three options: compromise with the Saudis, sell more of its own crude at the lower price to meet its current expenditures, or threaten military action. Given the current Iranian and Saudi leadership, the first option is the most likely.

The economic viability of Iran's second option would depend on the size of the price decrease the Saudis could effect. Iran's excess capacity is a very small percentage of its current production; it cannot produce much more than it already is. And Iran has large, growing financial requirements. Even if the effect of lower oil prices could be minimized, Iran would be depleting its limited reserves and receiving less-than-optimum prices.

In pursuing the third course of action—threatening or undertaking military action—Iran could expect foreign power involvement. The sentiments and support of the consuming nations would be with the Saudis.

Despite the often heard argument that the continued solidarity of OPEC and relatively high oil prices are in the long-term interest of the world—encouraging energy conservation, the development of energy substitutes for the day when oil is less plentiful, and the nonenergy use of petroleum (for the manufacture of fertilizers, plastics, petrochemicals, etc.)—a decrease in price would be welcomed by oil importers.

Iranian aggression could endanger the continued production of Saudi oil. Saudi Arabia is a key producer today, and its role will be even more important in the future. To date, only Saudi Arabia and Iraq are known to have sufficient reserves to meet future world requirements. Damage or destruction of Saudi oil installations would have a serious long-term effect.

Even if Iran could seize the oilfields intact and maintain production, the results could be counter to

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US-Western interests. Control of Saudi oil would give Iran uncontested leadership in OPEC and the ability to set the market price. Given Iran's pricing policy, higher oil costs could be expected.

(5) *The Arab Gulf states become so fearful of Iranian military strength that they called in others to support them.*

As the Shah continues to widen the gap between his own military capabilities and those of his neighbors, Arab fears of his regional intentions can only heighten. It is unlikely, however, that any Arab Gulf state—with the possible exception of Iraq—could develop a credible countervailing force to Iran. The others could seek outside support. To be of any value, this support would have to be effective, dependable and offer no threat to the stability of the host country. Under these conditions, the list of potential allies is limited.

Either the United States or the Soviet Union could provide an effective check on Iranian aggression, but they probably prefer to remain uninvolved. Both have adopted a "hands-off" policy toward Persian Gulf security; both attempt to pursue relations with Iran as well as the Arab states; both may hesitate to endanger their good standing with Iran by responding to a "perceived" threat.

An alliance with either of the superpowers would have its drawbacks for the Arabs as well. While generally Western-oriented and traditionally pro-US, the Arabs believe a "special relationship" exists between the US and Iran. Could the "friend of my enemy" be trusted? On the other hand, the conserva-

tive Gulf states have long resisted any increase in Soviet regional influence. Is it likely they would invite the Soviet (Communist) presence they so fear?

Soliciting support from their Arab brothers could prove equally difficult. An Arab League force would be willing to act but, if past performance is any indication, would be ineffective. An Egyptian force also might be capable of deterring Iran; it could become a military presence not easily terminated. Employing third country nationals could offer a serious political threat to the Gulf regimes, already concerned over the destabilizing effect of their large expatriate labor forces.

In any event, the Arabs would have to consider the Iranian response to their actions. The Shah has repeatedly stated that Gulf security is the responsibility of the littoral states and that in the absence of coordination Iran would act alone. The prospect of a foreign military presence on the Arabian Peninsula could give Iran both the motivation and the excuse to move before this presence became fact. Ironically, the Arabs could invite Iranian aggression merely by preparing for it.

In view of all the above—the hesitancy of major powers to commit themselves on the basis of a "perceived" threat, the potential domestic instability a foreign troop presence could provoke, and the possibly hostile Iranian reaction to any Arab Gulf state - outside power agreement—the Arab Gulf regimes may judge it more acceptable to live in fear of Iran than accept the consequences of nonregional military support.

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