

The Current Situation in Iraq and its Ramifications for the GCC States

Gulf Research Center

April 2004



Gulf Research Center

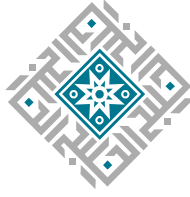
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First published 2004 in the United Arab Emirates by Gulf Research Center, Dubai.

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Conclusions and Recommendations

Introduction:

No doubt, the Third Gulf War, which led to the removal of Saddam Hussein and to the US-UK occupation of Iraq, constitutes a watershed event, not just for the history of modern Iraq, but also for the history for the whole Gulf region.

The war carries a slew of implications, both current and potential, for the GCC States, which have to bear part of the brunt of the deteriorating conditions in Iraq. This is due mainly to the GCC States' geographical proximity to Iraq as well as their prominent standing on the world oil stage.

It would, certainly, not be far-fetched to say that the future security and stability of the GCC States in particular, and the wider Gulf region in general, rest in great measure on the course developments in Iraq would take in the future.

In view of the fact that the war in Iraq is not yet completely over, particularly since conditions across the towns and villages in the country are getting more complicated by the day, the GCC States need to dwell seriously on the dilemmas arising out of the current situation in Iraq. The GCC States, indeed, need to formulate a sustainable vision for the future in a bid to articulate appropriate policies capable of managing the myriad developments unfolding in post-Saddam Iraq.

It needs to be stressed that the deepening insecurity in Iraq, compounded by worsening political and socio-economic conditions, are bound to confront the Gulf region one way or another with multiple challenges.

In its sustained drive to closely monitor and analyze developments unraveling in the wider Gulf region, the Gulf Research Center (GRC) held on April 8, 2004, a workshop entitled 'A Year after War and Occupation: The Current Situation in Iraq and its Ramifications for the GCC States'. The objective of holding the workshop was to shed light on and analyze the possible political, security and economic ramifications, both at present and in the future, the war on Iraq could have for the GCC States.

The GRC has always sought to approach the manifold and successive developments in post-Saddam Iraq in a systematic and academic way with the purpose of defining clear-cut visions able to provide a sustaining platform for GCC policies towards Iraq under occupation and post-occupation.



This report addresses the major issues debated at the workshop, along with the most important conclusions participants reached and recommendations the GRC advanced. The major themes discussed at the workshop were as follows:

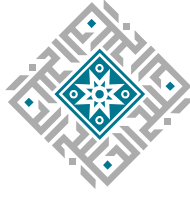
- First Theme: Iraq ...Where to?
- Second Theme: The Situation in Iraq and its Current and Potential Security Implications for the GCC States
- Third Theme: The Situation in Iraq and its Current and Potential Political Implications for the GCC States
- Fourth Theme: The Situation in Iraq and its Current and Potential Economic Implications for the GCC States
- Fifth Theme: Framing a GCC Strategy towards Post-Saddam Iraq

The following is a fairly detailed exposé of the above-mentioned themes:

First Theme: Iraq ... Where to?

As the situation stands today in Iraq, it is pretty hard to predict the future of the country. No likely scenario could be excluded. However, it could be said that the future of Iraq depends in large part on the ability to deal effectively with a host of structural challenges that beset Iraqi society. Having failed to devise feasible policies for the post-Saddam period, Washington today seems to be at complete loss as to how to manage the situation. Worse, all US policies have done so far is deepen the insecurity and chaos. The Bush administration has apparently been more concerned with devising ad hoc policies slated to sustain the President's electoral campaign.

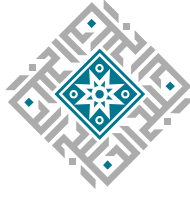
The future of Iraq seems to depend today on a number of conditions, the most critical of which are:



- Continued insecurity and the emergence of resistance groups with no national political agendas side by side with other groups that seem to exercise violence for their own reasons. The recent events in Falluja reflect the tremendous challenges that face the future of Iraq.
- The nature of US presence once Washington passes the reins of power to an Iraqi government. Predictably, the US would maintain substantial military presence in accordance with agreements it would sign with the new Iraqi government, in which case resistance would continue.
- Political and ideological defragmentation prompting deeper rifts among the main political forces. In this case, a consensus among Iraqi political forces would be a sine-qua-non condition for stabilizing Iraq.
- The reconstruction program would likely lumber on and socio-economic problems would grow even worse.
- The dismantling of Iraqi state institutions. In fact, the decision to 'de-Baathify' Iraq through the dismantling of its institutions was the worst mistake the occupation authorities made. The outcome was a total institutional vacuum still lingering on. Thus, the reconstruction of state institutions is of paramount importance, not just for the democratization of Iraqi society, but also for the economic reconstruction of the country.

In view of the above, it seems that there are two main scenarios for the future of Iraq:

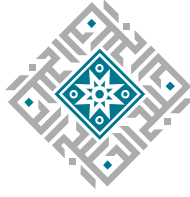
First Scenario: Iraq would achieve independence. It would tread the road towards stability, development and democracy. Such a scenario is predicated on the following factors and conditions:



- An effective, and not just nominal, end to occupation.
- Granting the UN a greater role in helping Iraqis reconstruct their country, both politically and economically.
- A consensual agreement among the various Iraqi political forces on the type of political system to rule Iraq, the role of religion, the electoral system and other fundamental issues relevant to the political future of Iraq.
- Enhancing and modernizing the party system and civil society organizations. Such an undertaking would provide Iraqis with the right institutional channels of political participation.
- Accelerating the process of institutional reconstruction.
- Speeding up the rehabilitation of the oil sector with the aim of securing the necessary funds for the socio-economic reconstruction of the country.
- Donor countries should abide by their pledges to assist Iraq.
- Neighboring Arab and non-Arab countries should enact positive policies towards the new Iraq.

Second Scenario: Iraq would slip into a civil war that would pave the way to the utter defragmentation of the state. This scenario is based on the following factors and conditions:

- Continued US military presence even after political sovereignty is handed over to the Iraqis.
- Failure of the Iraqi transitional government to manage effectively the challenging realities of post-Saddam Iraq and the deterioration of security, economic and social conditions.
- Failure of the main political forces to join together on consensual grounds over issues related to Iraq's permanent constitution. Equally



predictable in this case is the eruption of a civil war that would result in a territorial division of Iraq.

- Iraq could turn into an open space for competing regional and international interests.

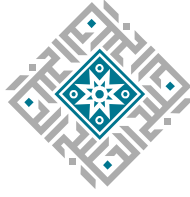
No doubt, the critical question here is: What scenario is more likely to unfold? The answer, quite obviously, is determined by developments currently underway in Iraq. If rampant insecurity, chaos and sweeping violence continue to rule the day, if the US desists from passing effective power over to Iraqis and does not grant the UN a leading role in the political and economic reconstruction of Iraq, and if the major Iraqi political forces fail to reach a sustainable consensus over the political future of the country, then, Iraq would be concretely poised to face civil war and internal strife among the dominant political forces, each of which would seek to secure its own interests at the expense of other forces.

This scenario, to be sure, would constitute a true catastrophe for Iraq as well as for the whole region. If this scenario ever takes shape, Iraq would implode completely.

Some political analysts warn against the possibility of large-scale in-fighting within the ranks of some Iraqi political forces as a result of internal divisions. Intra-Shi'ite, or intra-Kurd, or intra-Sunni clashes could break out.

The situation in Iraq calls today for urgent and concerted efforts in order to pre-empt such a cataclysmic scenario from materializing.

For Iraq to resurrect with stability, socio-economic development and democracy, the US ought to promptly put an end to its military occupation of the country. Washington should allow the UN to assume a consequential role in



Iraq in order to assist concretely in the reconstruction process. The Bush administration ought to call for the deployment for a multinational peace-keeping force as well as strive to set up genuine democratic institutions in Iraq.

In fact, the UN and the US, along with the latter's allies, ought to stand by the new government to be formed as well as help Iraqis surmount the challenges facing their country.

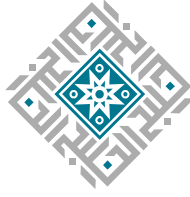
Just as important, Washington should support calls for a multinational military force under a UN umbrella to be positioned in Iraq in order to reinstate security. Countries within Iraq's geographical proximity ought to refrain from interfering in its internal affairs. Without fulfilling these conditions, political stabilization and economic development would remain nothing more than a will-o'-the-wisp.

Is Washington genuinely interested in and willing to create the right conditions for achieving democracy and development in Iraq?

Awareness by the larger Iraqi population of the significance of what is going on in their own country and consciousness by resistance groups of their own national goals, in addition to the dedication of the GCC States to defending Iraqi territorial integrity, are the security-valve that would preclude the eruption of a deadly civil war.

It is time for the international community to take full consciousness of the gravity of the situation in Iraq and the extent to which a civil war would jeopardize the security and stability of the world.

International public opinion ought to pressure the Bush administration to grant Iraq full, and not token, independence.

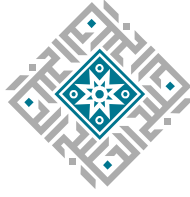


Post-Saddam Iraq is in need of a real democratic regime, one that would keep away from past practices based on narrow sectarian allegiances. Any new regime in Baghdad must espouse transparency and free elections as guiding principles of political rule.

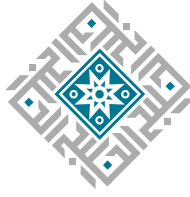
Second Theme: The Situation in Iraq and its Current and Potential Security Implications for the GCC States

The major security ramifications emanating from the current developments in Iraq and likely to affect the GCC States are as follows:

- If ever Iraq slides into a civil war, it will forcibly turn into an open space within which regional and foreign interests would clash. Such a scenario would only complicate the already fragile security environment in the Gulf region especially that the region lacks a stable and clearly configured security system.
- The implosion of the Iraqi state could transform the country into a den for exporting violence, extremism and terrorism overseas. History teems with such instances. Whenever the state apparatus collapses, extremist and terrorist groups would take hold of the political stage. Somalia and Afghanistan are living memories of such a development. A defragmented Iraq would, most probably, become a launch-pad for al-Qaeda or like-minded groups. The failure of US policies in post- Saddam Iraq would thus occasion the emergence of a new wave of political radicalization that would endanger the security and stability of the region.



- In spite of the fact that the Kuwait-Iraq border dispute has been settled in compliance with international resolutions, the issue could re-surface at any time. This, certainly, is one of the major issues to be closely kept in mind upon re-building relations between the two countries.
- The war has created a new security reality. Iraq has been effectively pulled out of the Gulf security equation. Consequently, Iran's standing has gained more strength. As a matter of course, the US presence in Iraq and the role of some regional state-actors do shackle Iran's hegemonic ambitions. Still, a number of complex questions linger in the air. Basically, the questions which concern the role the US plans to play in any future security arrangements, the level of US-Iran bilateral relations, and the nature of the Iraqi military establishment. In this respect, it is highly doubtful whether Iraqis would easily accept a weak military establishment when some neighboring countries enjoy strong military forces.
- Clearly, the US military presence in the region, coupled with the recent decision to grant Kuwait the status of a non-NATO strategic ally, and Washington's endeavors to establish permanent or semi-permanent military bases in Iraq, will definitely sustain America's participation in any future Gulf security architecture.
- If Washington manages to set up permanent military bases in Iraq, this would have at least two notable strategic implications, namely:
 - A- On the short run, Iran's military capabilities would be deterred, particularly in light of the current tensions that rack its relations with the US.



- B- On the medium and long runs, US dominance in the region would be palpably enhanced. In the meantime, radical and terror-prone groups would multiply, especially if Washington maintains its policy of blind support to Israel.

Third Theme: The Situation in Iraq and its Current and Potential Political Implications for the GCC States

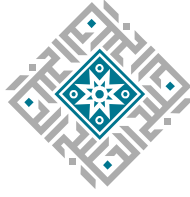
Regardless of the nature of the ruling system that would govern the future Iraqi state, and irrespective of the fact that Iraq could either turn into a real democracy or rather falls into the clutches of a bloody civil war, the GCC States would have to deal with the ramifications arising out of any of these developments. The major implications of ongoing developments and those yet to unfold could be browsed as follows:

- Stability in post-Saddam Iraq would greatly contribute to creating a convenient regional environment that would buttress the political openness pursued in varying measures by the different GCC governments. Conversely, instability in Iraq would impede the implementation of such policies. In this case, instability would sweep across the region and governments would be squarely faced with the complex choice between national security considerations on the one hand, and the need for political reform on the other.
- Some political observers believe that the emergence of a reinforced role of the Shia in a democratized Iraq would motivate Shia communities across the region to become more vocal about their own political and economic demands. It is only appropriate that the GCC States consolidate the process of political and economic reforms in a bid to solidify national unity and cement the domestic front against external



pressures. It is well to recall here that the Shia communities in the GCC States have always vowed their allegiance to their countries, and never to any external forces.

- In the event the democratization experience in Iraq is successful, Washington would predictably play the democracy card to urge governments in the region to emulate the Iraqi model.
- A democratic Iraq would be a positive factor for the stabilization and securization of not only of the Gulf region, but also of the larger Middle East region. However, if Iraq turns out to be a hard nut to crack, then, the democratization process would take longer than expected. Iraq, in fact, has had a protracted history of authoritarianism and oppression. No democratic culture has ever taken root in Iraqi soil. To make matters worse, Iraq today is plagued by ubiquitous divisions along ideological and political lines compounded by increasing economic and social difficulties. A functioning Iraqi state apparatus is an imperative without which no real democratization could ever be possible. It is not to be expected that a democratization miracle would occur in Iraq. The process requires a long time to unfold and mature, particularly since Iraqi political leaders have little or no experience in managing state affairs. Civil society organizations, vital for any democratic transition, too, need time to blossom. The GCC States should take the initiative and contribute to the stabilization efforts in Iraq. This could be achieved by providing economic support, assisting in the development of a solid infrastructure and resolving the debt issue.
- The ongoing deterioration of security in Iraq would turn the country into a hot-bed for terrorist groups. Radical movements would probably target



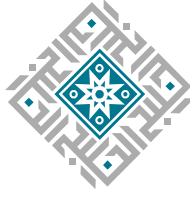
American interest across the region, a development that would reflect negatively on the security and stability of the region.

- A stable Iraq would contribute sensibly to improving relations with the GCC States, particularly Kuwait.
- Perhaps one of the most uncomfortable dilemmas facing Iraq today is that in case US troops withdraw from Iraq, who would fill the ensuing political and security vacuum? Even though the task of security in a post-occupation Iraq clearly falls on the UN, the GCC States ought to formulate a unified strategic approach to the threats and challenges associated with the new status quo.
- For the GCC States to be ready to deal effectively with the ramifications likely to stem from the democratization of Iraq, or the utter collapse of the process, they need to enhance their own democratic orientations. Indeed, democracy and political openness constitute the pillars on which a sustainable relation between state and society could be founded.

Fourth Theme: The Situation in Iraq and its Current and Potential Economic Implications for the GCC States

Current developments in Iraq could generate a host of economic ramifications likely to impinge on the GCC economies as follows:

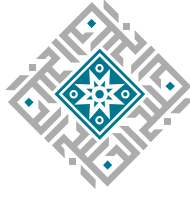
- Developments currently unraveling in Iraq could bear either positive or deeply negative implications for the international oil market. Expectedly, GCC economies would be affected one way or another by the situation in Iraq.



- Instability in Iraq is bound to have a destructive impact on a number of GCC economic sectors, notably tourism, investment, freight and aviation.
- A stable Iraq would offer the GCC States the chance to take part in the reconstruction program, which, according to US estimates, ranges between US\$ 50 and US\$ 70 billion.
- In view of the fact that the GCC States shouldered part of the financial burden of the war campaign, their financial reserves must have been depleted in part and their public budgets would as a result suffer substantial deficits, especially if oil prices move southwards.
- The stabilization of the socio-economic situation in Iraq would lead to an increase in the flow of foreign investments. The Iraqi debt and reparation files can not be adequately addressed if no legitimate Iraqi government is well-seated in Baghdad. Iraqi debts could be settled in one of the following ways:
 1. Trading off debts for Iraqi assets in need of rehabilitation. Joint-ventures could thus be set up with the government and private sector entrepreneurs as partners.
 2. Earmarking Iraqi surplus resources as reparation. Gas produced in Nassiriya, for instance, or surplus water could be used as assets for a negotiable trade-off.
 3. Compensation could take the shape of development projects to be set up in Iraq. Such barter would rehabilitate Iraq's economy and link it to regional and international markets.



- Iraq could become a top trade partner for the GCC States, as the country is endowed with vast fertile lands, huge water resources, large agricultural and animal production, a recognized potential for industrial production and a well-trained labor force. Besides, Iraq represents an attractive consumer market.
- Surely, building sustainable economic and trade relations with Iraq would allow the GCC States to lay a solid foundation for a secure and stable regional environment. The myriad economic opportunities available today before the GCC States could be summarized as follows:
 - 1- Re-invigorating the Iraqi private sector. Iraq, in fact, enacted in the recent past a number of free-market policies.
 - 2- One of the most consequential projects the GCC States could undertake is the construction of a railway network that would travel across the Gulf region as well as link the region to Iraq. It would be possible to extend the railroad to Turkey, and through Turkey, to Western and Eastern Europe.
 - 3- Another equally ambitious project would be to build a network of oil pipelines designed to carry crude oil from the northern part of Iraq, through Kuwait, Saudi Arabia, the UAE, Qatar, Oman, and Bahrain, to the Arabian Sea.
 - 4- It would also be possible to set up a power network in Iraq, one that would link the GCC States with Europe, with the objective of exporting, albeit seasonally, electrical power.
 - 5- Integrating, though partially, Iraq into the Gulf region through the creation of a region-wide free trade zone. The new zone would



contribute tremendously to increased trade movement between Iraq and the GCC States.

- Perhaps more significantly, the GCC States ought to reflect seriously on the possibility of integrating post-Saddam Iraq into the Gulf Cooperation Council. Such a step would in all probability help achieve one of the following goals:
 1. The GCC States could move steadfastly towards economic self-sufficiency, as Iraq possesses large water and land resources.
 2. With Iraq as member in the Gulf Cooperation Council, the GCC States would become a genuine economic force to reckon with.
 3. The regional market would markedly expand and GCC national industries would develop in substantial ways.
- In a nutshell, it could safely be said that socio-economic development is one of the keys to the stabilization of Iraq. The GCC States ought to capitalize on opportunities available in Iraq.

Fifth Theme: A GCC Strategy towards Post-Saddam Iraq

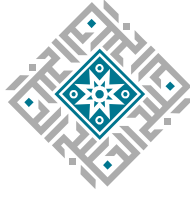
It is undeniable that stability in Iraq is highly critical for the stability and prosperity of the GCC States. A chaotic and unstable Iraq would be a source of destabilization for the whole region. With this in mind, the GCC States need to embrace a well-grounded strategy that insists on Iraq's full independence and territorial integrity.



In the same vein, the GCC States ought to participate actively in the reconstruction of Iraq as well as lend a helping hand to the major political forces in order for them to find a middle-ground for political entente.

A strategy of this type could not be enacted without first securing sustainable consensus among the GCC States themselves. In fact, the GCC States could take the initiative to develop a pan-Arab strategy towards post-Saddam Iraq. In this context, the following crucial issues need to be borne closely in mind:

- Iraq today goes through a sensitive transitional period. Indeed, it is passing through a fermentation phase that would shift Iraq's former political and economic orientations from complete centralization of the decision-making process to a decentralized rule. Such a transition would offer a real chance for better integration and confidence-building.
- Political realism dictates that current international political realities be carefully taken into account. The GCC States need, in this context, to consolidate the political, economic and educational reforms already underway regardless of what foreign voices call for. Reform is a national imperative; it is the platform via which challenges, both domestic and foreign, could be effectively confronted.
- It is certainly in the interest of the GCC States to coordinate efforts with concerned parties in order to activate the re-building of the Iraqi state.
- It would be highly appropriate were the GCC States to move in earnest towards improving life conditions for Iraqis through supporting them economically and writing off part of the Iraqi debt. The debt issue, in fact, could be dealt with within a developmental perspective.
- The prospect of integrating Iraq into the Gulf Cooperation Council should figure on top of the regional agenda. The new Iraqi regime could in the future apply for membership. Washington, for its part, may very well



support the move. However, the Council ought to have its proper vision for the entire project.

- Democratizing Iraq is probably the best means of stabilizing the country. A democratic system would certainly provide the right channels for the various Iraqi sects, religious and ethnic groups to settle their differences through peaceful means.
- Regardless of the type of political system likely to rule post-Saddam Iraq, whether it is a pro-Western democracy or otherwise, it remains a fact that Iraq's geographical proximity to the Gulf region and its strategic, economic and cultural importance demand that the GCC States work in concert with Iraqi political and social forces so that stability could at long last be achieved.
- GCC universities could play a significant role in rehabilitating higher education institutions in Iraq.
- The GCC States ought to build databases that would cover developments in Iraq in a bid to help governments and private sector operators devise effective strategies towards Iraq.
- As Iraq's future seems to be open to all possible scenarios, the GCC States ought to strive to monitor and read attentively ongoing developments in that country and forecast likely scenarios. Research centers based in the GCC States ought to lay greater emphasis on Iraqi affairs.