

Gulf Security And A “New” American Foreign Policy?

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Outline

- Presenter opinions only!
- US Policy framework
- Political, economic, military dimensions of regional balance of power
- Conclusions



Regional rivals,
Saudi King
Abdullah and
Iranian President
Ahmadinejad



Markets have
made the GCC a
global economic
powerhouse.

Policy Framework

- Lack of strategic thinking in American foreign policy – we just don't do strategic thinking and long range planning any more.
 - Civilian masters are just “passing through”
- No serious strategic thinking about the Gulf and MidEast in over a decade.
- Strategic fog surrounding US policy writ large in MidEast.
- Why did we invade Iraq, anyway?
- Default position becomes defined by institutional and bureaucratic momentum
- Military and civilian bureaucracies are relentless
 - Arms sales, exercises, forward deployed presence, CTF operations.
- Gulf elites are all in, at least militarily.
- Collision with Iran looms.

US Strategic Dilemma

- US can protect its influence by force and coercion; issue is how to build relationships with states that face increasing demands for political empowerment.
- If US viewed as imperial hegemon by publics, it faces long-term problems; it cannot rely on coercive force indefinitely.
- Political and economic affordability of these approaches/issues.

The Argument

- The regional balance of power is today characterized by a number of dangerous “asymmetries,” or imbalances.
- It’s not clear that strategic thinking has caught up to or grasped the dimensions of this unfolding distribution of power.
- The environment creates circumstances for miscalculation by leaders
- Not clear that any “new” policy will emerge
- A “muddle through” by all parties.



Shrugging off US objections, Russia started delivery of 29 TOR M-1 Simms to Iran under a December 2005 \$700 million contract.

Whither
relationships with
the ruling elites?



Perceptions of Political Distribution of Power

- Environment in aftermath of US invasion of Iraq; new series of relationships unfolding.
- Iran political influence is on the increase, courtesy of US military power.
- Faceoff of Iran-Syria-Hezbollah (Iraq?) bloc against Gulf States/Egypt and Jordan.
- Saudi and Gulf states fear being dictated to by Tehran.
- US political influence is becoming increasingly problematic domestically.
 - Perception US is irretrievably lost in Israeli orbit.
- Uncertainty over regional role and fate of Iraq.




The Military Sphere

- Israeli nuclear hegemony is becoming more problematic for regional regimes due to Iran's commitment to pursue a nuclear program and political environment surrounding the standoff.
- US military is not the "balancer" it used to be, but what other choice is there?
 - France and the UK, but...
- Gulf States are in a bind; they've spent a lot on arms, but remain militarily weak.
- Iran is weak militarily in conventional capabilities; but has invested in long-range missiles and chemical programs;
- Does anyone believe Iran is not pursuing a weapons program?
- Non-state actors wielding dangerous military capacities – courtesy of Iran, Russia.

The Economic Domain: While Bombs Exploded in Iraq, Markets Exploded in Gulf

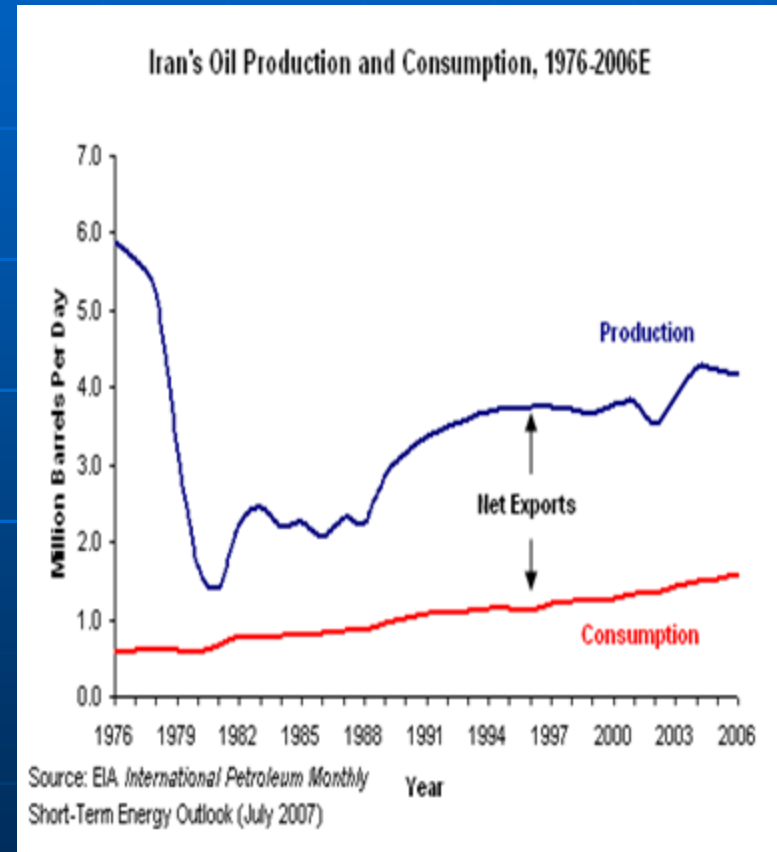
- The Gulf confronts the slowdown from a position of economic strength;
 - Economic growth will simply slow – not cease.
- GCC GDP has grown from est. \$406 billion in 2003 to \$712 billion in 2006; IMF est. that GDP reached \$883 billion in 2008.
- GCC export earnings grew to \$327 billion annually 01-06, up from \$146B in preceding 5 years;
- HSBC est. \$1.6 trillion in Gulf oil revenues between 2002-2006; \$1 trillion invested at home; \$542 billion abroad
- No escape from inescapable math on energy production and consumption trends – even if these numbers are being revised downward.
- The Gulf continues to accrue wealth – albeit at a slower rate than before, but it confronts the slowdown from a position of strength.

Dimensions of A Growing GCC-Iran Economic Imbalance

	Population in millions	GDP/Per Capita	Unemployment Inflation	Oil Reserves/ Production./ Export	Natural Gas in billions of cubic meters	Foreign Direct Investment
Saudi Arabia 	23.7	\$347B 16.6K	11%+ 6.5%	260B+/ 10.6/ 8.5	241B	18.9B/ .753
Iran 	69.2	\$207B 8.4K	13-15% 17.2%est t 2007	136/ 4.1/ 2.4	971B	.901/ 386
GCC 	39.1	\$723B 20K+		460 res+ 17.7 prod. 13 exp.	1,363B SA, KU, TC,QA	30+\$B ? in 2007

Iran's Disadvantages

- They aren't getting richer as fast as GCC/Saudi;
- They are running faster and getting nowhere.
- Domestic consumption; 1.6 mbpd and natural gas
 - Most natural gas consumed internally
- Lack refining capacity; must import gasoline; \$15 billion investment.
 - Iran imported over 192,000 bbl/d of gasoline in 2006 (1/2 of demand) costing \$5 billion
 - Building 1 million cars per year
- Largest energy subsidy program in world 12% of GDP.
- Iran spends between \$20-30 billion annually on energy and commodity subsidies.
- They must create 700,000 jobs annually to keep pace.



Things Don't Necessarily Get Better in Tehran

- Future energy production barely keeps pace with domestic demand; some suggest that oil exports could dry up by 2015.
 - Mature oil fields in decline
- IEA estimates that Iran's energy infrastructure will need \$165 billion to grow production through 2030.
- Energy price variations are a huge source of uncertainty for the state.
- There's no good plan for the rainy day.
- Iran badly lags the GCC in asset accumulation.



The crown jewel of Iran's energy reserves is the South Pars gas field, 62 miles off the coast in the Gulf. It contains 47% of Iran's natural gas reserves -- most of the production is consumed domestically.

What Does This Mean?

- Political perceptions of strength are not necessarily tied to economic and military realities.
- What happens when Iranian leadership grasps the dimensions of regional economic imbalance and admits that economic mismanagement and corruption has doomed the revolution?
- US in a state of strategic confusion – balancing WOT, market support, stability, democracy promotion, peace process, etc.
- An Israeli attack on Iran's nuclear sites brings the house of cards tumbling down.

An Escalating Problem?


How Iran could inflict 'harm and pain' on West





Ships holed at the water line and crippled by small, fast suicide craft


Suicide boats: Iran is reviewing contingency plans to attack tankers and US naval forces in the Persian Gulf possibly using explosive-packed suicide boats

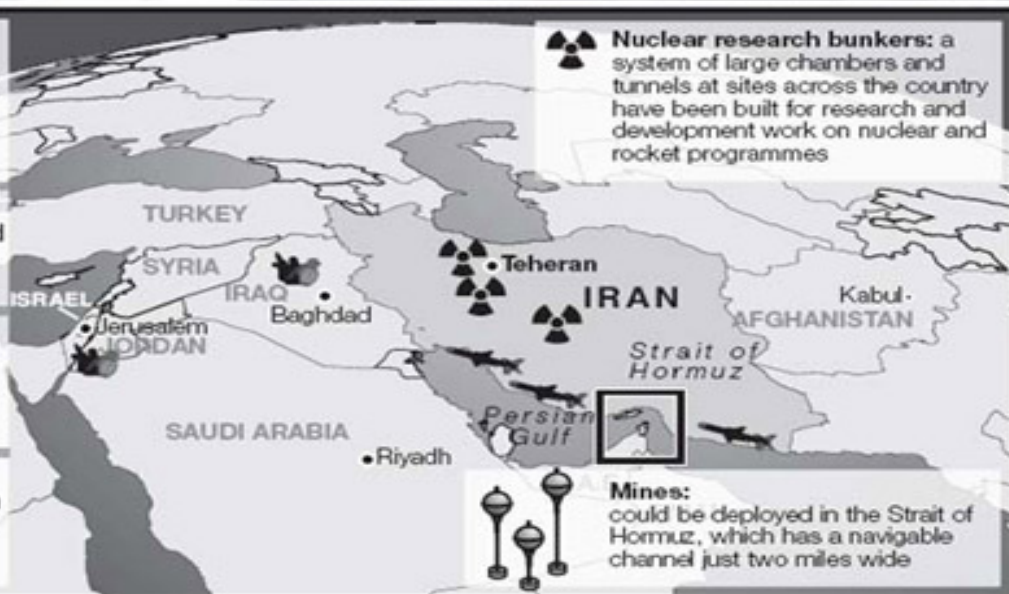
graphic: Paul Westcott/Glenn Swann

 **Rapid attack boats:** the Revolutionary Guards have in recent years practised 'swarming raids' to simulate assaults on commercial and military ships


 **Anti-ship cruise missiles:** Teheran has recently upgraded its naval forces with anti-ship cruise missiles

 **Long-range missiles:** Shahab-3 missiles could be used to attack Israel or US bases in the region

 **Suicide bombers:** as part of its 'asymmetric' response, Iran could deploy suicide bombers in western cities



 **Nuclear research bunkers:** a system of large chambers and tunnels at sites across the country have been built for research and development work on nuclear and rocket programmes

 **Mines:** could be deployed in the Strait of Hormuz, which has a navigable channel just two miles wide



Secret underground bunker: built in Abbas Abad district, the complex of rooms and offices will serve as a bolt-hole and headquarters for Iran's rulers



Conclusions

- US policy suspended in strategic confusion – bureaucratic momentum keeps on keeping on.
- Regionally imbalanced distribution of power in political, military, and economic areas is not well understood – creates circumstances for miscalculation, misperception, etc.
- Do we want a war with Iran in this environment?
- How long do the Israelis wait?

Questions?

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