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Gulf Cooperation Council: Progress Toward Integration



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A Research Paper

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*NESA 86-10024
May 1986*

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Gulf Cooperation Council: Progress Toward Integration

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A Research Paper

This paper was prepared by [Redacted] Office of Near Eastern and South Asian Analysis, with a contribution from [Redacted] Office of Central Reference. It was coordinated with the Directorate of Operations. [Redacted]

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Comments and queries are welcome and may be directed to the Chief, Persian Gulf Division, NESAs,

[Redacted]

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**Gulf Cooperation Council:
Progress Toward
Integration** [Redacted]

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Summary

*Information available
as of 17 February 1986
was used in this report.*

The Gulf Cooperation Council (GCC) has taken noteworthy steps to advance Gulf Arab integration in the five years since it was created. The Council serves as a forum for the six member states—Saudi Arabia, Kuwait, the United Arab Emirates, Bahrain, Qatar, and Oman—to address common interests and problems. All are conservative regimes with close ties to the West, undergoing rapid economic changes financed by oil revenues, and concerned about threats from Iran and Iraq. [Redacted]

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A strong, successful GCC offers the United States opportunities for substantial political and commercial gains. It strengthens and gives self-confidence to the vulnerable, conservative regimes of the Gulf and increases the influence of a moderate, basically pro-Western bloc in Arab and Islamic forums. Although GCC leaders fear that an overly close relationship with the United States is a liability, the Council ultimately will depend on US forces in the event of an external military attack. [Redacted]

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The GCC's most significant achievements have been in the economic sphere. It has established a framework for increased commercial ties, taken steps to link the transportation and communication networks of the member states, and begun testing its strength as an international economic entity. The Council has established a common external tariff and exempted certain goods produced by member states from internal trade barriers. It also has implemented policies designed to eliminate obstacles to the free movement of capital and labor between member states. [Redacted]

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The Council has also made progress in defense and internal security cooperation. It periodically holds joint military maneuvers, has assembled a rapid deployment force consisting of units from each member state, [Redacted]

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[Redacted] It also has discussed joint air defense, arms manufacture, and common procurement. [Redacted]

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Recent Iranian threats against Kuwait and Saudi Arabia have stimulated greater cooperation among the Gulf states on military and security issues. If the Iranians attack Kuwait, the Council probably will deploy the GCC force to Kuwait. Although this force is more a symbol of Gulf political cooperation than a significant military factor, deploying it would demonstrate Gulf unity. Council members also would hope to convince Tehran that Iran cannot divide the GCC and that an attack on any of its members would increase the likelihood of outside help—possibly from the United States—against Iran. [Redacted]

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The GCC has not responded as a body to the collapse in oil prices. Although member states have cooperated in seeking ways to respond to the economic challenges of declining oil revenues, they have not used the GCC forum to unite against other oil producers. The GCC states do not want to relinquish national control over their oil policies, nor do they want to be perceived by Tehran as taking united action in the oil market that hurts Iran. [redacted]

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The Council's cooperative efforts have reached a plateau, and further dramatic progress is not likely. The next steps will run into the hard realities of conflicting political interests. The GCC is unlikely to realize such aspirations as political integration, coordination of economic development and monetary policies, and agreement on a common military procurement policy. [redacted]

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The greatest obstacles facing the GCC are political. Each state is suspicious of the actions and intentions of the others, creating tensions—not likely to abate over the next several years—that inhibit cooperative efforts. Although they recognize the benefits of cooperation, the Gulf Arab leaders fear a loss of personal power and national sovereignty. The smaller states are particularly wary of Saudi attempts to dominate them and resent Riyadh's efforts to use the GCC to advance its own goals. [redacted]

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GCC member states are aware of the Council's shortcomings but are generally satisfied with the organization. They are comfortable taking a low-key approach and pushing forward only in those areas where they believe that progress can be easily made. The smaller states enjoy the increased prestige in international circles afforded by the GCC mantle. Riyadh finds it convenient to use the Council to push its own agenda on economic and security issues. Although the smaller Gulf states are beginning to act more aggressively to protect their individual interests, they still tacitly acknowledge Riyadh's preeminence in the Gulf and look to the Saudis on key political and economic issues. The Saudis will continue to play a dominant role in the Council and to use the GCC to increase Saudi influence in the Gulf and in the Arab world. [redacted]

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Figure 1
Gulf Cooperation Council Members



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**Gulf Cooperation Council:
Progress Toward
Integration**



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The Gulf Cooperation Council (GCC) was created in May 1981 by Saudi Arabia, Kuwait, United Arab Emirates (UAE), Bahrain, Qatar, and Oman. The impetus for its formation was the Iran-Iraq war, which was eight months old when the Council was formed. The war gave the GCC states the opportunity to increase formal cooperation without including either Iraq or Iran—traditional rivals for dominance in the Gulf. Moreover, it allowed the Saudis, who have long sought to control the smaller Gulf states, to push for the establishment of a regional organization it hoped to dominate.



The Council was to be a multilateral institution broadening already existing bilateral cooperation, according to the GCC charter. The basic goals of the GCC as stipulated in its charter are:

- To strengthen and broaden cooperation between states.
- To formulate similar regulations in economic, commercial, educational, social, health, and administrative affairs.
- To stimulate progress in the fields of industry, agriculture, water, and animal resources.
- To implement common projects.

Abdallah Bishara, a Kuwaiti diplomat, has been Secretary General since the GCC's inception. Riyadh is the site of the Council's headquarters.



Economic Cooperation

In our judgment, the Gulf states have been most successful in dealing with economic issues. Each of the states has a relatively small population and an economy that produces only a limited range of goods in addition to petroleum products. As a result, they must cooperate to facilitate the development of capital-intensive projects that can both expand and diversify output. Moreover, a regional program for developing regional transportation and communications would increase efficiency and diversify sources of

income. United action by the Gulf states makes it possible for them to obtain better terms from their trading partners.



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One of the Council's first acts in June 1981 was to draw up an agreement outlining broad goals for economic integration among the member states. It called for the:

- Abolition of customs duties on intra-GCC trade and application of a common external tariff.
- Coordination of commercial policies and creation of common negotiating positions on economic matters.
- Free movement of citizens and capital.
- Coordination of development policies, including oil and industrial policy.
- Establishment of a common investment policy and coordination of monetary policies, including a common currency.

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So far, GCC economic activity has focused on the establishment of a common market. The goals it is pursuing are small, practical steps rather than grandiose schemes.



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The Council's most significant economic achievement has been the implementation of a common external tariff and elimination of tariffs between the member states on goods meeting specific criteria. Lifting internal tariff barriers promotes the freer flow of goods, increasing the efficiency of trade among member states. Under the Unified Economic Agreement, all "national" agricultural, animal, industrial, and natural resource products of member states are exempt from duties. To be considered as national products, the value added from production in member states must be at least 40 percent of their final value.



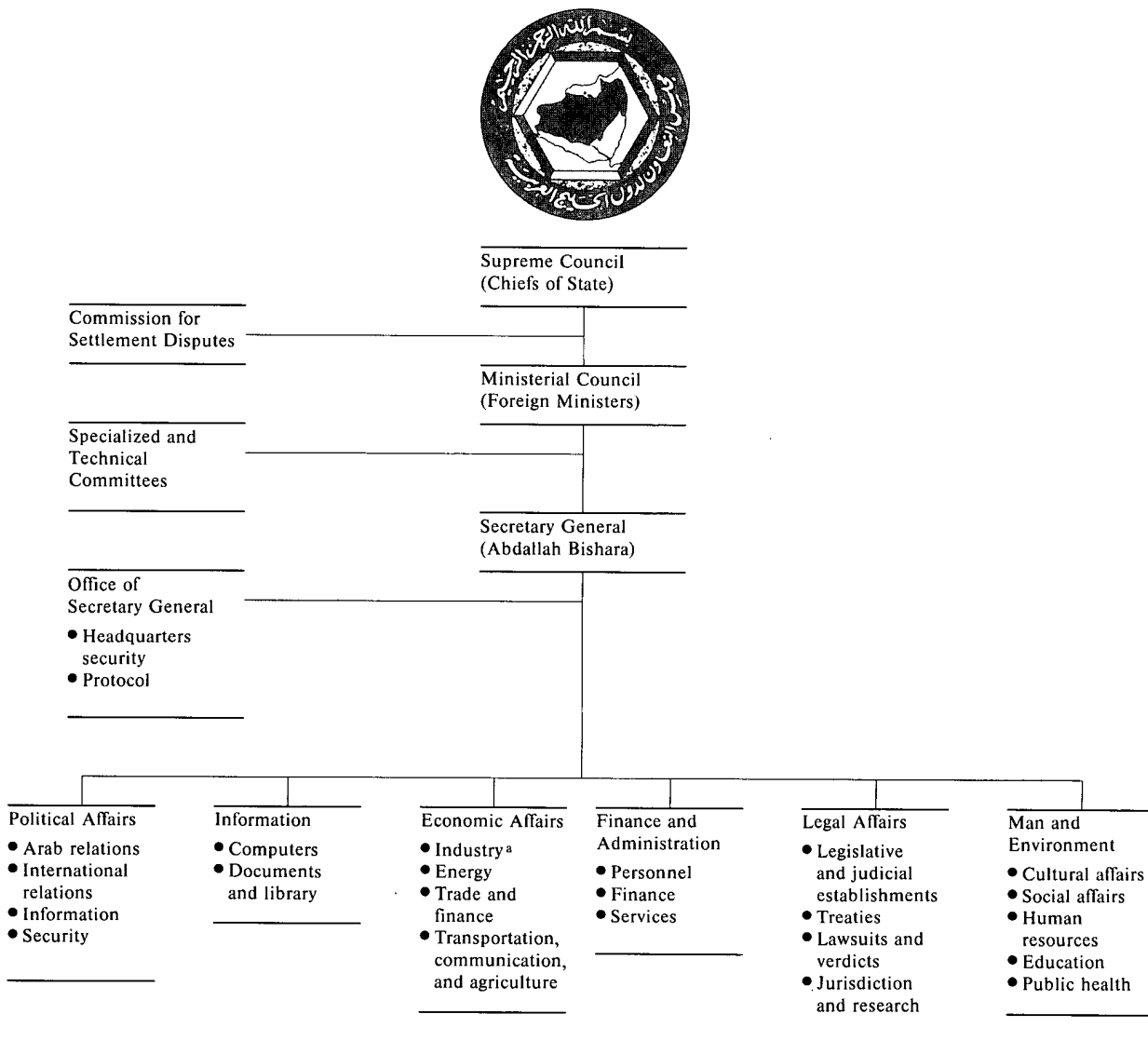
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The GCC also has begun implementing a common external tariff that encourages members to function as a trade bloc, increasing their international bargaining strength. It has set a minimum external tariff of 4

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Figure 2
Gulf Cooperation Council



^a Economic section reorganized in December 1982; each unit to be headed by Deputy Assistant Secretary General.

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Table 1
Gulf Cooperation Council Member States' Objectives

	General Expectations and Objectives	Security Benefits	Economic Benefits
Saudi Arabia	Expectations modest; main objective is greater security through cooperation; increased Saudi influence aim of some Saudi leaders; others emphasize importance of Saudi generosity to other members as way of achieving GCC goals	GCC security interests important consideration; wants sufficient equipment compatibility to facilitate joint role; wants to project image of united front to Iran	Has used GCC as mechanism to help make difficult decisions on domestic economic issues, for example, tariffs, fuel prices, utility rates; uses GCC to increase worldwide access for its petrochemicals
Oman	Ambivalent about GCC; sees political and economic advantages, but uncomfortable with what it perceives as Saudi tendency to dominate GCC at both Secretariat in Riyadh and in GCC forums	Leading benefit is assistance for Oman's military (\$1.8 billion over 12 years), but wants to limit participation in regional defense cooperation	Ready to work closely with GCC partners on many technical issues; realizes GCC states have greater leverage by working together
Bahrain	Enthusiastic supporter of GCC; believes it derives many benefits from GCC; wants Council to evolve steadily, especially in defense and security fields	GCC is second line of defense; military cooperation gives Bahrain chance to turn to other neighbors for assistance, rather than to Saudi Arabia alone	GCC serves as umbrella for aid; economic cooperation holds out chance for more regional development than Bahrain could attract by itself.
United Arab Emirates	The seven emirates' objectives are uncoordinated; with varying degrees of self-interest, hope GCC continues to provide political, economic, and security benefits	Some emirates leery of closely coordinated GCC military programs; others more disposed if foreign command of GCC force on UAE soil is avoided	Supports free movement of people and goods but not capital; several emirates also resist GCC tariffs and actions that ignore long-established trade and service role of Dubayy and Ash Shariqah
Qatar	Sees GCC as providing protective coloring, allowing Qatar to express itself on sensitive foreign policy issues; emphasizes importance of political consultation among GCC members	Believes GCC can enhance own military efforts; particularly interested in coordinating air defense in GCC	Sees GCC states as possible market for natural gas resources; also looking at possibility of GCC gas grid
Kuwait	Sees interests well served, particularly in GCC commitment to collective defense	Favors interoperability over standardization of weapons	Wants economic integration that will increase investment opportunities in other GCC states and defend Kuwait's economic interests internationally

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percent, reducing some of the problems caused by varying individual rates. A Saudi trader, for example, can no longer import goods into Saudi Arabia and then profit by reexporting them to a neighboring Gulf state whose external tariff is higher. Member states are allowed to specify foodstuffs and essential commodities that may enter duty free—48 percent of Saudi import categories, for example, are exempt from tariffs. Higher rates can be charged on some goods to protect local industries, according to press reports. [redacted]

Of almost equal significance, the GCC has begun to test its strength as an international economic entity, and it is pushing for trade and economic agreements with Western states. GCC leaders are pushing for a broad agreement with the European Community, encompassing trade, technical cooperation, and technology transfer, according to Embassy reporting. The GCC has also held exploratory talks with the United States, and GCC Secretary General Bishara approached the Japanese for similar exploratory talks, according to the US Embassy in Riyadh. [redacted]

The Council has begun to dismantle barriers to the free movement of capital and labor among the GCC states. GCC nationals may travel to other member states without visas, and unified passports will be issued in 1986, according to press reports. Members of several professions—medicine, law, engineering, and accounting—are licensed to practice in any of the GCC states. GCC citizens may also make investments in other member states. Commerce and financial services—the major nonoil economic activities in these states—are not included, however, and investment by nonnationals is restricted to 25 percent of equity. Real estate, if used for the residence of a GCC national, can be owned in any of the GCC states, with certain restrictions. [redacted]

The GCC has considered various plans involving the establishment of a common investment policy, but so far little has been accomplished. The states established the Gulf Investment Corporation (GIC) in 1982 to finance projects and fund investments both within and outside the Gulf. It was to be capitalized at \$2.1 billion with equal contributions by member states, but

paid-in capital totals only \$420 million, according to US Embassy sources. A profit-oriented company, the GIC has not yet invested in any GCC project. Instead, it has spread its investments abroad, acquiring equity interests in foreign companies with links to GCC states. [redacted]

The Council has discussed plans to link transportation, communication, and energy networks of the member states, but these ideas have yet to be embodied in formal proposals. Interest is periodically expressed in the development of a GCC pipeline to circumvent the Strait of Hormuz, establishment of a regional gas grid, standardization of petroleum prices in domestic markets, and construction of a GCC railroad, but little progress has been made, according to the press. The Council has unified telegraph, post, telephone, electricity, and water rates and is considering standardization of port fees and the development of a GCC transportation company. [redacted]

To facilitate progress on commercial cooperation, numerous meetings of economic officials have been held to enable technocrats from the member states to become familiar with each other. At least 600 ministerial and subministerial meetings were held in 1985, according to the US Embassy in Doha. The range of topics under consideration is impressive. Officials are discussing health, education, and social welfare issues, such as standardization of school curriculums, unification of social security statutes, and regulation of employment of the handicapped, according to press reports. The Council has already begun joint procurement of pharmaceuticals, computers, veterinary medicines, and other commodities. Cooperation in environmental protection, resource management, and agricultural production methods is also being considered, and cultural exchanges and sports competitions are being planned, according to press reports. In addition, the cornerstone of the Arabian Gulf University—an institution open to students from all GCC states—was laid in Bahrain in 1984, and construction is under way. [redacted]

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***The GCC as a Negotiating Force:
Pushing Petrochemicals***

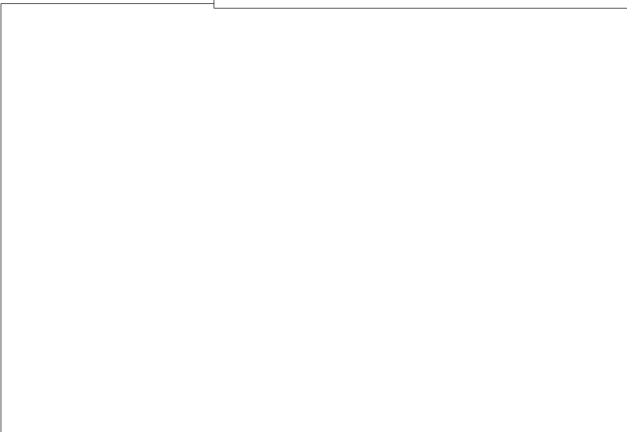
The GCC—led by Saudi Arabia—is seeking to negotiate trade agreements to increase worldwide access for its petrochemical production. Riyadh is attempting to play off developed country importers against one another and is using the GCC as leverage. West European producers are increasingly concerned about the prospect of a flood of low-cost Gulf petrochemicals entering their markets. The situation worsened in 1984 when the Saudis began to cut petrochemical prices to gain a larger market share and circumvent OPEC price guidelines, which do not cover petroleum products. In June 1984, responding to growing protectionist pressure, the European Community (EC) imposed a 13.4-percent tariff on Saudi methanol exports, straining relations with the GCC. Methanol is one of the main raw materials used to produce other chemicals. Tensions eased somewhat following trade talks between the parties in March 1985, but they flared again in August when the EC imposed a 14-percent tariff on imports of Saudi polyethylene, which is used to produce a variety of products including plastic bags, wraps, and bottles. Despite its anger at the imposition of the new tariff, the GCC reached an accord with the EC at a meeting in October. Under the agreement, the EC would advise the GCC when tariff action on a GCC export was imminent. A subsequent dispute arose involving Saudi exports of monoethylene glycol, and the EC and GCC are holding extensive discussions to find a solution to the problem. [redacted]

slow progress in its talks with the West Europeans. Council members hope that these talks will result in an overall trade agreement, and some GCC officials have pushed for negotiation of a free trade area similar to that arranged between the United States and Israel in early 1985. Preliminary talks with the United States were held in December. Although the GCC delegation hoped to establish quickly a joint procedure to deal with economic issues, their objectives are still ill defined. Talks with the Japanese are still in the preliminary stages. [redacted]

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The GCC's lack of success in negotiating increased access for its petrochemical exports in the United States, Western Europe, and Japan has led it to approach China and the USSR, hoping to gain access to those markets. [redacted]

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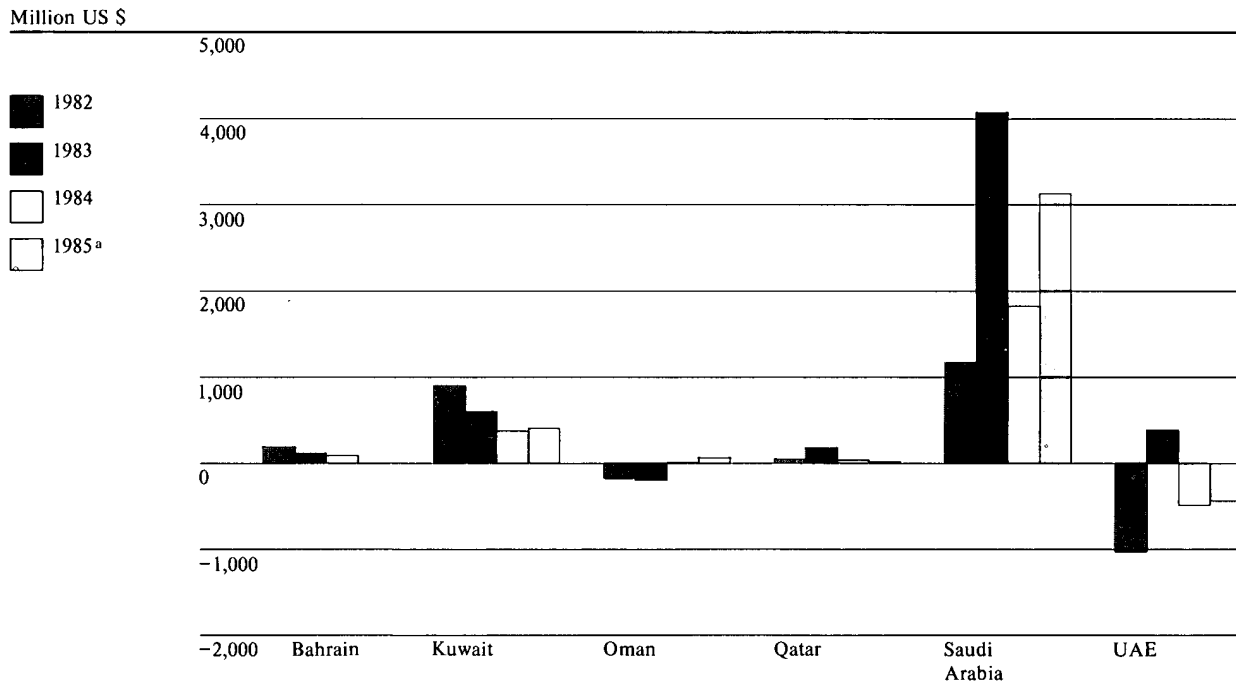
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In spring 1985 the GCC began to press for exploratory economic talks with the United States and Japan, probably because of disappointment over the

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Figure 3
US Trade Balance With Gulf Cooperation Council, 1982-85



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Defense Cooperation

Although military cooperation is not explicitly discussed in the GCC charter, in our judgment the threat from Iran, and, to a lesser extent Iraq, was a major impetus behind the formation of the Council. We believe the leaders of the GCC states recognized their vulnerability and feared that the Iran-Iraq war would spread. Iran's airstrike against a gas-oil separating plant in Kuwait in October 1981 and its role in a coup attempt in Bahrain two months later heightened their fears. By combining their efforts, the GCC states probably hoped their collective defenses would help deter an Iranian attack. [redacted]

GCC leaders also had economic reasons for military cooperation. The small military forces of the six countries could avoid redundancy in their defense programs, standardize their equipment, and centralize manpower training. In addition, lower costs could be achieved in joint equipment purchasing and manufacturing. [redacted]

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In January 1982, GCC defense ministers met in Riyadh to discuss their goals and strategies for a Gulf regional defense. They agreed in principle to the formation of a joint rapid deployment force drawn

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Table 2
Combined Force Development of GCC Member States

	1971	1974	1981	1984	1990 ^a
Land forces					
Strength	51,300	62,800	106,000	111,500	123,500
Infantry brigades	6	6	7	6	5
Airborne brigades	0	0	0	1	1
Mechanized brigades	0	0	5	8	9
Armored brigades	1	1	5	5	7
Tanks	100	250	804	885	1,050
Armored personnel carriers	40	160	1,412	1,600	2,150
Artillery over 100 mm	105	130	508	513	600
Air and air defense forces					
Strength	5,875	6,825	23,550	30,650	33,900
Combat aircraft and combat-capable trainers	107	160	314	400	530
Helicopters	35	31	161	190	250
Transports	28	45	79	90	100
Air defense artillery	190	210	756	810	850
Surface-to-air missiles	1	2	22	24	38
Naval forces					
Strength	500	1,530	5,830	12,200	14,400
Frigates	0	0	0	0	4
Missiles boats	0	2	14	32	48
Hovercraft	0	0	0	16	23
Amphibious ships/craft	0	2	17	27	36
Mine warfare	0	0	4	4	12

^a Projected.

from the armed forces of the member states that would intervene when a member state is threatened. According to Arab press reports, the ministers cited the Arab League Charter, which stipulates that an attack on one member constitutes an attack on all, as justification for the GCC force. The members also called for the establishment of a collective air defense, formation of a common arms procurement policy, and the establishment of a joint arms manufacturing industry. [redacted]

To upgrade the defensive capabilities of each GCC member, the Council established a 12-year, \$4-billion fund to provide technological and financial aid to Oman and Bahrain—the poorest members of the GCC. Saudi Arabia and Kuwait have maintained their annual payments to this fund, while declining oil revenues have caused the UAE and Qatar to fall behind, according to US diplomats in Jiddah. [redacted]

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Table 3
Composition of GCC Rapid
Deployment Force

Unit	Country	Estimated Strength
20th Mechanized Brigade	Saudi Arabia	2,500-3,000
GCC Brigade		
Infantry battalion	Kuwait	500-750
Infantry company	Bahrain	200-300
Infantry company	Qatar	200-300
Infantry company	UAE	200-300
Infantry company	Oman	200-300

In November 1984 the member states approved the establishment of the rapid deployment force that the defense ministers had proposed in January 1982. The force was to be based at King Khalid Military City at Hafar al Batin in northeastern Saudi Arabia. [redacted]

The smaller states reluctantly agreed to participate in the force, and last September GCC members began to deploy troops to the Saudi base at Hafar al Batin, near the kingdom's borders with Iraq and Kuwait. The force consists of two infantry brigades—one Saudi and one composed of small infantry units from the other five states—according to press reports. Brig. Gen. Turki Haijan, commander of the Saudi brigade, was named commander of the force. The troops will undergo prolonged training, [redacted]

Despite the obstacles it faces, the Council has begun joint military exercises to familiarize the forces of the member states with each other. Members have held

Air Defense Cooperation

Saudi Arabia has pushed for implementation of a five-stage plan to integrate GCC air defenses. Although the plan was never formally approved by the GCC, the Council has worked on implementing stages one through three:

- *Stage 1. Bare bones:*
 - *Agreement on the types of equipment needed.*
 - *Financial and technical assistance to poorer Council members.*
- *Stage 2. Jointly developed system:*
 - *Compatible interlinked equipment.*
 - *Data sharing.*
- *Stage 3. Jointly developed air defense network with central operations center:*
 - *States retain own command authority, and each state has own command center, interceptors, and surface-to-air missile systems.*
 - *Each state responsible for own sector.*
 - *Jointly manned central control center for threat evaluation with authority to advise on commitment of national forces.*
- *Stage 4. NATO model:*
 - *Structured as in stage 3.*
 - *Control center has command authority over regional and sector air defense forces.*
- *Stage 5. Total integration of forces.* [redacted]

annual joint military exercises since October 1983. The military exercises, named Peninsula Shield, primarily are field training exercises for ground forces, and contingents from all six states have participated. The GCC states have held numerous joint naval and air exercises as well, according to press reports. [redacted]

The GCC has also begun work on establishing a regional air defense system. Under the plan, each state is to improve its own air defense system and to purchase equipment compatible with the other states.

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The air defense systems of the individual states are then to be linked to a GCC-wide integrated air defense command and control system. [redacted]

[redacted]

Some member states have begun upgrading their air defense capabilities under the first phase of the plan. Last fall, Saudi Arabia awarded a \$1.2 billion contract to a consortium of US companies to supply a command and control system, including radar and tactical communications gear, according to press reports. The UAE is proceeding with the deployment of US-made radars and air defense missiles. Kuwait and Oman have also purchased radar systems in accordance with the plan, but Bahrain and Qatar have yet to make any progress. [redacted]

[redacted]

GCC defense ministers are still in the preliminary stages of planning a joint arms industry. GCC army chiefs of staff discussed prospects for light and medium arms industries at a meeting last October, according to the [redacted] Saudi Arabia has taken the lead in this field, and a number of military industry corporations have been formed in the kingdom, according to Saudi Defense Minister Sultan. [redacted]

Internal Security Cooperation

The Gulf states cooperated informally on internal security issues for several years before the formation of the GCC, and more formal joint efforts were one of the original goals of the Council. The GCC states hoped that integration of their internal security programs would improve the security of each state as well as the security of the region, according to Western press reports. [redacted]

Following the Iranian-supported coup attempt in Bahrain in 1981, Council members became increasingly concerned about the growing Shia threat and agreed to cooperate more closely, according to the US Embassy in Kuwait. They signed bilateral security agreements with each other in 1982 covering exchanges of police information, regulation of border procedures, and extradition of criminals. Saudi Interior Minister Nayif also used the concern generated by the aborted coup to persuade GCC members to consider a broader agreement. GCC interior ministers ordered a security review in 1982, and, on the basis of their findings, the Council drew up a draft security agreement for consideration at the third GCC summit meeting in Manama in November 1982. The agreement detailed methods to control subversive and criminal activity.

The member states were to:

- Exchange information and expertise on subversives.
- Deny refuge to opponents of a member regime and prohibit the circulation of pamphlets opposed to the ruling regimes in any of the member states.
- Unify regulations dealing with emigration, passports, residency, and nationality.
- Combat infiltration and smuggling, permit extradition under certain circumstances, and allow "hot pursuit" of fugitives up to 20 kilometers into a neighboring state. [redacted]

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This GCC-wide security pact was not ratified because Kuwait refused to sign. GCC officials have tried unsuccessfully during the past three years to change the language of the document to gain Kuwait's approval, according to the US Embassy in Riyadh. The pact has encountered stiff opposition in Kuwait's National Assembly, which has refused to ratify it. Kuwaiti officials claim that its provisions are incompatible with the state's constitution and laws. Kuwait is concerned about the complex provisions for extradition and the 20-kilometer "hot pursuit" clause that could place Saudi security forces well within populated Kuwaiti areas, according to the US Embassy in Kuwait. It fears that Riyadh would use these provisions as a pretext for interfering in Kuwaiti internal affairs. [redacted]

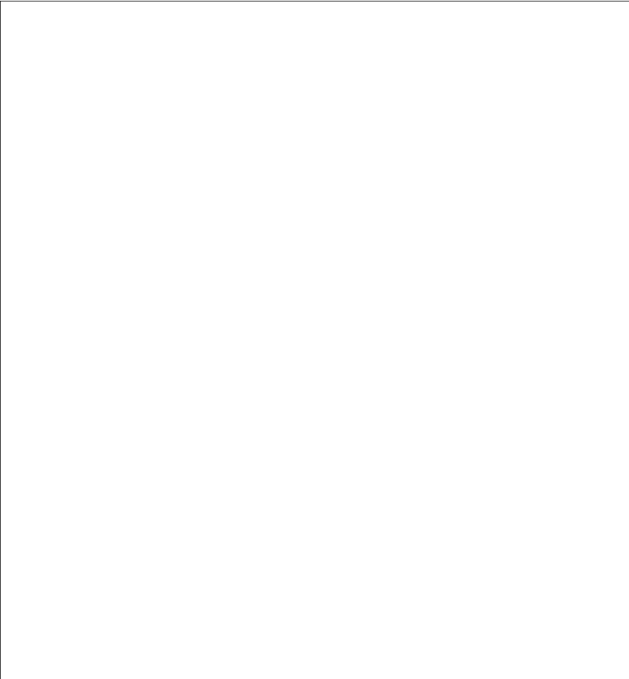
GCC members have become increasingly concerned—for security, economic, and social reasons—about the large numbers of expatriate workers in their countries. Council officials have called for a cut in foreign labor by as much as 25 percent in the next five years but have yet to take action. Foreign workers make up more than half the work force in some Gulf states. [redacted]

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Council officials have considered other security issues as well. They have recommended the establishment of food and petroleum reserves to meet local demand in case of a supply disruption. In October 1985 the oil ministers agreed to create a 45-day strategic oil reserve in each GCC state, according to press reports. They also vowed to ensure emergency oil supplies to members whose oil production or export installations are jeopardized. [redacted]

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Political Cooperation

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Political cooperation was not stipulated in the GCC charter, and the Council has made the least progress in this sphere. Member states view the organization as a useful forum to coordinate their regional and international policies, however, thereby enhancing their influence, according to US Embassy reporting. GCC leaders meet regularly but have no set agenda for political cooperation. They use the Council to address issues of immediate concern to member states and strive to present a common front on important political issues, lending the GCC the appearance of a political bloc. [redacted]

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Fundamental disagreements between some member states hinder consensus, which is essential for the Council to be politically effective. The GCC has been unable, for example, to reach a common stand on relations with the USSR, Egypt, and Iran. Some of the GCC states—the UAE, for example—have relatively good relations with Iran, while Kuwait regularly feels threatened by it. Although discussion of issues

The member states also have begun to standardize security regulations to curtail the flow of illegal workers and subversives, according to press reports. Member states have agreed to have the same color, size, and shape passports, with similar data and background information contained in them. They also have standardized visas and vehicle registration.



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at the meetings of GCC leaders has undoubtedly influenced the views of individual states on particular issues, members have conspicuously backed away from taking stands on controversial issues. [redacted]

The GCC also has no agenda for internal political cooperation. Although some border disputes between members have been resolved, such solutions owe little to the Council's efforts. Still, the annual summit meetings provide a forum for GCC leaders to air their differences. [redacted]

The Unfinished Agenda

The GCC has made substantial progress toward integration in the five years since it was organized. We believe that the Council's efforts have reached a plateau, however, because the relatively easy steps have been taken, and those remaining will be harder to tackle. It has yet to consider seriously coordination of development policies or monetary and banking policy, including a common currency. Other goals—including a security agreement, standardization of military equipment, and integration of military forces under a central command—have been discussed, but, because of financial and political constraints, we believe they are years away from resolution. [redacted]

Mutual suspicions are the most serious obstacle to more effective GCC integration, in our judgment. The states profess pan-Arab sentiments, but each distrusts the actions and intentions of the others, creating tensions that thwart cooperative efforts. They also are reluctant to surrender national sovereignty, especially during periods of domestic stress. [redacted]

We believe that the smaller Gulf states continue to fear Saudi attempts to dominate them. They look to the Saudis for leadership on political issues demanding Arab consensus, international economic issues, and defense. They also acknowledge that the Saudis have the key role as protector of the Gulf, especially when the Iran-Iraq war flares up, but, in our judgment, they are worried about the potential for Saudi hegemony. Several of the states have unresolved border disputes with the Saudis and are concerned over what they see as Saudi expansionism. They resent what they see as Riyadh's attempts to use the

GCC to advance its own goals at their expense. Although the Saudis are the driving force behind most GCC initiatives, the smaller states are showing signs of resisting what they consider to be Riyadh's heavyhanded tactics. [redacted]

Because the rulers of the GCC states have been unwilling to relinquish significant power, it has been difficult for the Council to develop effective administrative, legal, or political mechanisms. Decisionmaking is through consensus, which has proved to be cumbersome and time consuming. Although the Council Secretariat makes recommendations, its proposals must be ratified by each of the six heads of state during the annual GCC summit meeting. The Secretariat is charged with implementing GCC policy, but it is small, bureaucratic, and detached from the key policymakers of each state and has neither the manpower nor the authority to put new policies into practice. Its many committees meet regularly but more often agree on rhetoric than on clearly defined policies and strategies for action. [redacted]

The Council has made the greatest progress on its economic agenda, but even in this area members continue to compete with each other and hesitate to compromise national interests. The regional recession has contributed to increased tension among member states and a survival-of-the-fittest atmosphere that hinders cooperation. Moreover, the dependence of each country on oil has increased the sense of competition among GCC members. Members try to undercut each other's prices to expand output and increase revenues in the belief that these measures will ensure the stability of their regimes. Under these circumstances, close coordination on prices or production would appear to be difficult at best. [redacted]

The recession has caused GCC leaders to agree only to those economic initiatives that directly serve their interests. Most planned projects are too expensive to implement during a period of regional economic austerity, and member states are finding it difficult to justify large outlays for GCC projects at a time of domestic spending cutbacks, particularly if other GCC members are perceived to be reaping the benefits. [redacted]

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Gulf Rulers'

Views of the Gulf Cooperation Council



King Fahd

Saudi Arabia. *Probably views Council as means of exercising influence over smaller members . . . strong proponent of Council rapid deployment force and close ties to United States . . . against the expansion of ties to USSR . . . uses Council as mechanism to adopt unpopular decisions on domestic economic issues, such as tariffs and fuel prices.*

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Sultan Qaboos

Oman. *Sees Council as useful lever for access to US officials and as paymaster for military purchases . . . worries that stronger Saudi economy and military will threaten Omani independence . . . reluctant to cooperate on rapid deployment force, opposition to Iran, or oil policy guidelines.*

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Amir Isa

Bahrain. *An enthusiastic supporter of Council . . . views it as mechanism for delaying responses, avoiding commitments, and deflecting criticism on controversial issues . . . hopes other Council rulers will eventually form links to United States similar to Bahrain's longstanding ties.*

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Amir Jabir al-Ahmad

Kuwait. *Believes Kuwait's interests are well served in Council because it enhances Kuwait's defense capabilities without compromising nonalignment . . . hopes Council's economic integration will increase investment opportunities . . . usually urges colleagues to normalize relations with Moscow.*

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President Zayid

United Arab Emirates. *Wants political clout Council provides, probably worries his fragile federation will be overwhelmed by members with greater military, financial strength . . . particularly interested in trade issues, increased cooperation on security*

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Amir Khalifa

Qatar. *Likes security Council provides . . . relatively comfortable with Saudi hegemony . . . hopes for greater security, intelligence cooperation.*

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GCC Secretary General Abdallah Bishara

Abdallah Ya'qub Bishara, initially reluctant to become the first secretary general of the GCC, according to US Embassy officers in Kuwait, now appears to be enthusiastic about and proud of the Council and its activities. GCC coworkers and Kuwaiti Government officials credit him with most of the progress in the organization's development. They also consider him the impetus behind increased coordination within the Secretariat and among the GCC member states. Bishara's reelection to a second three-year term underscores the high regard in which leaders of the GCC's member states hold him. His ability to formulate GCC policies, however, is limited by the organization's charter. Policy decisions are made by the Gulf Supreme Council, composed of heads of the GCC member states. [redacted]

Bishara brings to his role 10 years of diplomatic experience as Kuwait's permanent representative to the United Nations. While there he had considerable

leeway in formulating his country's policy on issues that came before the organization. His finely developed diplomatic skills have served him well in heading an organization composed of members with diverse interests. Bishara has stated in public and private interviews, and Embassy officials agree, that he employs a low-key approach to reach consensus. He is not easily discouraged during the extended negotiations to coordinate political and economic policies. [redacted]

Despite his commitment to the GCC, we believe Bishara is first and foremost a Kuwaiti nationalist. According to Embassy officials, Bishara is a protege of Kuwaiti Minister of Foreign Affairs Sabah al-Ahmad al-Jabir Al Sabah. Bishara tends to stress those issues of most concern to the Kuwaiti Government: military preparedness against Iran, pursuit of a nonaligned foreign policy, and establishment of common policies concerning internal security. [redacted]

Bishara is known for his independent and outspoken viewpoints on Kuwaiti and Gulf policies. According to US Embassy officials, it is not always clear whether his public statements concerning GCC activities are made in his official capacity as GCC Secretary General or are his personal opinions. These officials also comment that Bishara sometimes gives deliberately vague or misleading statements. [redacted]

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25X1**Outlook**

Conflicts between the GCC states and external obstacles, including the regional recession, will block broader integration among member states. Despite their problems, GCC members are generally satisfied with the progress of the organization and will continue to work toward achieving its goals, according to the US Embassy in Riyadh. They are comfortable taking a low-key approach and pushing ahead only in those areas where progress can be made. [redacted]

We believe that the GCC will continue to take small, practical steps over the next five years, especially in the field of commerce. The Council probably will standardize labor regulations and set policies on expatriate labor, working to reduce the number of foreigners in the member states. As oil revenues tighten finances in the member states, they are likely to increase cooperation in the fields of health, education,

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and agricultural policy. They will also proceed with plans for common industrial legislation and development and probably will develop strategic food and petroleum reserves. [redacted]

We expect the Council to make progress toward greater security and military cooperation. Such progress will be intermittent and limited, however, and probably will be spurred by crises in the area. Although the tight finances of member states will limit the Council's ability to increase equipment purchases, we believe that [redacted] additional military exercises will occur. We also believe that development of a joint arms industry will begin in the next few years. [redacted]

The prolonged stalemate in the Iran-Iraq war has long afforded the Council the luxury of planning further military cooperation without having to act. Iran's recent successes, however, have heightened the Council's concern about an Iranian attack on Kuwait. This would test the GCC's commitment to action. So far, the GCC states have tried to demonstrate Gulf unity by publicly renewing their commitment to aid Kuwait in case of attack. If such an attack were to occur, the Council is likely to deploy the GCC force. GCC members probably realize that Iranian forces could quickly overwhelm their small and poorly organized force—the GCC force has never trained together, holds different equipment, and has command and control problems. Nonetheless, deployment of the GCC force would demonstrate Council solidarity and would increase the possibility of outside military help. The GCC probably hopes this will help to deter an Iranian attack. [redacted]

The member states will continue their efforts to project the GCC as a strong, forward-looking, cohesive organization and to raise the Council's profile regionally and internationally. The smaller states enjoy the increased visibility and access offered by the GCC, and Riyadh will continue to use the Council to push its own agenda. The Council will aggressively seek economic agreements with its major Western trading partners and will probably seek a greater role in regional political affairs. [redacted]

Implications for the United States

A viable GCC advances US interests because it strengthens and gives self-confidence to these vulnerable, conservative regimes, which control 45 percent of the world's proven oil reserves. To the degree it increases the influence of a moderate, basically pro-Western bloc in Arab and Islamic forums, the GCC tends to further the regional goals of the United States. [redacted]

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Nonetheless, the Council is concerned that too close a relationship with the United States will undermine its position both regionally and domestically, and it will maintain some distance from Washington on most important issues, such as the Arab-Israeli conflict, the Palestinian issue, and strategic cooperation with the United States. Still, the GCC states have sought US assistance in developing their military forces and will ultimately depend on the United States in a crisis. [redacted]

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The continued development of the GCC will affect US relations with its individual members as well as with the Council itself. Through the GCC, the smaller states will play a larger role in shaping Arab positions on issues of concern to Washington—relations with the USSR, for example—than they would alone. The existence of the GCC will require the United States to approach the Council as a collective body on various issues, particularly economic, rather than deal with its individual members. Moreover, the Gulf Arabs will increasingly avoid taking positions on difficult issues until a GCC consensus can be reached. [redacted]

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A successful GCC will offer the United States further security and commercial opportunities. The established security relationships that the United States has with individual Council members have the potential to be broadened to a GCC-wide relationship. Because the GCC will need compatible equipment for its air defense system and the United States already has been awarded many of the contracts for the Saudi program, US firms will be in a good position to bid on air defense contracts in other member states. [redacted]

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