

BUILDING FOR PEACE



THE WASHINGTON INSTITUTE'S
PRESIDENTIAL STUDY GROUP ON U.S. POLICY IN THE MIDDLE EAST

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Building for Peace

AN AMERICAN STRATEGY FOR THE MIDDLE EAST
THE WASHINGTON INSTITUTE'S PRESIDENTIAL STUDY GROUP

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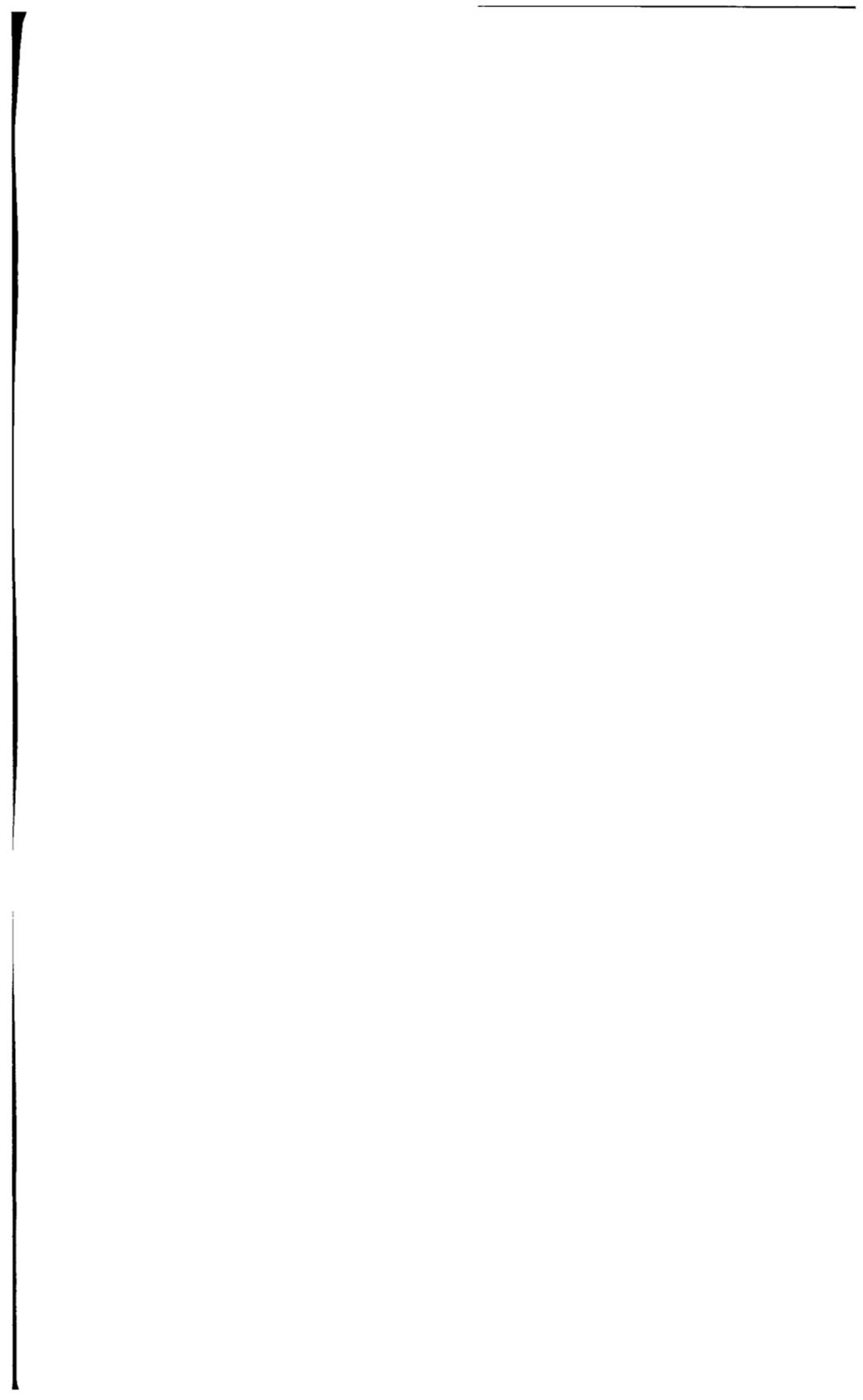
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challenge to American policy-makers.

As if to underline the volatility of the region, the group was confronted by several unexpected developments in the midst of its deliberations – the Palestinian uprising, King Hussein's decision to sever Jordan's ties with the West Bank and the ceasefire in the Iraq-Iran war. The study group factored the uprising into its deliberations by dispatching a fact-finding mission to Israel, the territories, Jordan and Egypt in March 1988, comprising Graham Fuller, Richard Haass, John Hannah, Martin Indyk, Robert Lieber and Michael Mandelbaum. Its report, *The Impact of the Uprising*, was published by The Washington Institute in May 1988.

The difficulty Jordan would have in representing the Palestinians was already evident at that stage. The end of the Iraq-Iran war required a rethinking of the study group's approach which is reflected in this final report. However, the group could not take account of every possible contingency in a fast-moving situation and chose instead to focus on general principles and guidelines that should govern the next administration's approach to the Middle East.

During its deliberations, the study group benefited greatly from the participation of advisers from the State Department, the National Security Council, the Office of the Vice President and the press who, because of their professional responsibilities, cannot be identified with the report. The study group also benefited greatly from the input of two former diplomats with long experience in the Middle East: Samuel Lewis, former ambassador to Israel; and James Placke, former Deputy Assistant Secretary of State for Arabian Peninsula Affairs. The group would like to express its appreciation to all of them for their wise and experienced counsel. It would also like to acknowledge the invaluable assistance provided

by Carole Stern and the staff of The Washington Institute in organizing the meetings, reports and publications of the study group.

The monthly discussions and the final report were based on and guided by policy papers prepared for the group by Frank Fukuyama, Paul Jureidini, Harvey Sicherman and Steven Spiegel. Part One of the report was drafted by Martin Indyk and John Hannah with detailed input from Dennis Ross. Part Two of the report was drafted by Barry Rubin with detailed input from James Placke. Richard Haass, Robert Hunter, Michael Mandelbaum and Robert Satloff provided valuable guidance in revising the final manuscript.

Support for the study group was provided by a grant from David and Sylvia Steiner to honor the memory of their father, Solomon Steiner. Their concern for the promotion of American interests in the Middle East led them to underwrite a project over which they would have no control or input. The group deeply appreciates their generosity and their faith in the value of its deliberations.

Barbi Weinberg, the President of The Washington Institute, and its Board of Trustees provided sponsorship for this undertaking on the understanding that they too would have no input into the study group's work. They have been guided by their belief in the importance of ideas in the formation of American foreign policy and the need to promote a balanced and realistic view of the Middle East as the basis for sound diplomacy. The study group is the embodiment of that principle but the opinions expressed in this report have not been endorsed by and should not be taken as representing the views of the Board of Trustees of the Institute.

The report does reflect the broad, bipartisan

consensus of the members of the study group. Naturally, not every member endorses every recommendation or judgement. However, they do support the general thrust of the report and its policy conclusions.

The next president will face a difficult and complex set of problems in the Middle East. We are hopeful that this report will help him traverse the minefields and, in the process, build a framework for peace and stability in that troubled region.

EXECUTIVE SUMMARY

When the next president enters office, he will be confronted by a Middle East in transformation. The Iraq-Iran war is ending; the Arab-Israeli conflict is reverting to its inter-communal roots; and the arms race is escalating to a new, more dangerous level.

As the region adjusts to these new realities, the next president will need to proceed with caution, acting to reshape the political environment between Israel and the Palestinians, stabilize the Middle East military balance and help construct a postwar framework of stability in the Gulf.

U.S. POLICY AND THE ARAB-ISRAELI CONFLICT

I. The Regional Environment

The dominant features of the Arab-Israeli environment are likely to be an intractable communal conflict, a potentially dangerous inter-state conflict and a regional leadership unwilling or unable to take the risks necessary to make a negotiated settlement possible.

The inter-communal conflict between Palestinians and Israelis, manifested in the uprising, has now become a chronic problem, rendering peacemaking both more urgent and more difficult. Israel now feels it can take fewer risks for peace; the Palestinians seem to believe they can achieve more than is possible or, from the U.S. viewpoint, desirable; and Jordan appears to have retreated to the sidelines.

The inter-state conflict between the Arab states and Israel now threatens to become increasingly dangerous and volatile. Syria remains determined to achieve "strategic parity" with Israel and insists that the conflict can only be resolved by force. The spread of ballistic missiles and chemical weapons throughout the region, combined with possible realignments in the Arab world following the end of the Iraq-Iran war, pose a growing threat to the stability of the post-Camp David security environment.

As a result of these twin challenges, inter-communal and inter-state, the management and resolution of the Arab-Israeli problem will have to be an important part of the next president's foreign policy agenda.

However, quick breakthroughs will be extremely difficult; to make peace in this environment will be virtually impossible. But to build for peace while coping with the dangers of continuing conflict will be essential.

The immediate task of the next president should be to help create the conditions for an eventual negotiation rather than attempting to bring that negotiation about in short order.

II. Reshaping the Political Environment

Another ambitious American plan for solving the Palestinian problem is not only likely to fail but will also be counterproductive. *The U.S. cannot make peace for these parties; it can only assist them once they are willing to do so.*

Traditional American diplomacy which seeks to produce a breakthrough to negotiations should therefore give way, initially, to efforts to reshape the political environment by encouraging the emergence of a

Palestinian leadership willing to coexist with Israel and by supporting the Israeli leadership in taking steps which make this more possible.

This process should aim to create an environment in which Israel, the Palestinians and Jordan are able to negotiate a stable solution – one that provides tangible security and recognition for Israel, self-government for the Palestinians and stability for Jordan. Any Palestinian entity which emerges from such a negotiation would have to have its authority heavily qualified by the security requirements of Israel and Jordan. That is why previous administrations have developed four basic principles, proven effective in negotiating peace between Israel and Egypt, which we believe should continue to guide American peacemaking:

- The legitimate rights of the Palestinians should be secured through direct negotiations.
- The principal participants in the negotiations must be Israel, Palestinian representatives and Jordan.
- Any Palestinian participant must accept UN Resolutions 242 and 338, renounce terror and recognize Israel's right to exist.
- There should be a prolonged transitional period in which the intentions of the Palestinians to live in peace with Israel and Jordan could be tested.

Once all the parties are ready to accept these principles, active American diplomacy will become critical in helping them negotiate a settlement. But the conditions for reaching agreement on these principles simply do not exist in the current environment. The

first task of U.S. diplomacy is to lay the foundation upon which negotiations can be built. This will require the next administration to focus on three elements:

– *Encouraging the Emergence of a Responsible Palestinian Leadership.* For nearly ten months, the Palestinians have demonstrated a willingness to resist Israel but they have not yet shown an ability to convince Israelis that they are ready to live in peace. *They need to produce a leadership capable of clearly communicating and delivering on a commitment to coexist in peace with Israel.*

The PLO has repeatedly failed this test, but it is now under pressure to accept longstanding American conditions for a role in the peace process. In this environment, it would be a mistake for the next administration to retreat from its conditions – acceptance of UN Resolutions 242 and 338, renunciation of terror and recognition of Israel's right to exist – and send the signal that something less might be acceptable.

However, the next administration will also have an opportunity to encourage the political dynamic already underway in the Palestinian community. As a result of the *intifadah*, the inhabitants of the territories have gained legitimacy from resisting Israel. But they also have a stake in coexisting *with* Israel. For the time being, their leadership is radical in its rhetoric and influenced by Islamic fundamentalists. But they are under growing pressure to translate the uprising into tangible political gains and are showing signs of impatience with the PLO's apparent inability to deliver. As the initial euphoria of the uprising dissipates, the chance to ease the military occupation might become sufficiently attractive to make conciliation toward Israel an acceptable first step.

These factors provide an opportunity for Israel and the U.S. By emphasizing Palestinian rights, while working with Israel to give gradual, concrete and meaningful expression to them, it may be possible to encourage the emergence of a responsible Palestinian partner which would be capable of demonstrating its commitment to live in peace with Israel.

The U.S. could encourage this process by:

- Standing fast on American conditions for dealing with the PLO.
- Stressing the American commitment to Palestinian rights in the context of Israeli and Jordanian security.
- Urging the Palestinians in the territories to take responsibility for their political future by foregoing violence and engaging in a political process that addresses Israel's concerns.

– *Working with Israel.* Israel is our most important partner in this process, not just because of our moral and strategic interests in its well-being, but also because it is in control of the West Bank and Gaza. Assuring Israel of the fundamental nature of the new administration's support is essential if the ripening process is to develop. *One of the president's first tasks should be to affirm this relationship of trust based on strong relations, close consultation and an ironclad commitment to Israel's security.*

Once this is achieved, it should also be possible to engage the new Israeli government in a dialogue about how to produce a more constructive relationship with the Palestinians. Israel should be urged to look beyond the immediate public order problem and consider the

measures it might adopt to promote the emergence of a responsible leadership.

The process we have in mind could include:

- A Palestinian willingness to reduce the level of violence and disorder coupled with an Israeli readiness to ease the restrictions imposed in response to the *intifadah*.
- As the process evolved, Israel and the Palestinians could be encouraged to undertake more significant confidence-building acts: the Palestinians articulating their vision of a future in which Palestinian aspirations are accommodated to the reality of Israel and its security concerns; the Israelis liberalizing controls on economic and political activity.
- Ultimately, if the ripening process proves successful, Israel might be convinced to permit free elections in the territories to produce a representative Palestinian leadership. Negotiations could then take place to establish a transitional regime for the territories which would assume authority over certain aspects of self-government.

The onus is on both sides to find a way out of the vicious circle. To the extent that both sides seek to replace violence with political dialogue, there is much that the next administration can do to encourage them.

This process could infuse a sense of dynamism into a situation currently characterized by stalemate, helping to create a framework for an eventual negotiation on the more controversial aspects of self-government (control of land, water and security) and on the final status of the

territories – a negotiation in which Jordan would also have to be involved.

– *Preserving a Role for Jordan.* While the transitional arrangements we are suggesting ask very little of Jordan, negotiations on the final status issues will require Jordan to be a central participant. *Only Jordan can provide the anchor for an emerging Palestinian entity, some of the guarantees of a stable settlement that Israel will need, and the gateway to the Arab world for the Palestinians.* Jordan is no longer a sufficient partner for peace – there must be a responsible Palestinian participant as well. But Jordan does remain a necessary partner in any final status negotiations.

III. Stabilizing the Military Balance

Stabilizing the ongoing conflict between Israel and the Arab states will need to be a higher priority for the next administration than it has been in previous years. Maintaining the balance of power in favor of parties willing to make peace is a prerequisite for a successful diplomacy. Preserving Israel's military superiority is the only way to ensure Israel's security and discredit the Arab war option.

In this context, Syria's continued search for "strategic parity" and its insistence on resolving the conflict by military means is generating a growing risk of war. Moreover, the Syrians pose a major threat to the peace process through their ability to manipulate elements within the Palestinian community and intimidate Jordan.

The next administration will need to maintain a dialogue with Damascus, if only to keep a channel open in the event of Syrian-Israeli tensions. At the same time,

its Middle East strategy should include specific steps aimed at circumventing and overcoming Damascus's intransigence on the peace process and deterring its belligerence toward Israel. Steps should include:

- Strengthening Israel's deterrent by advancing strategic cooperation, by signalling Syria that the next administration will not restrain Israel if Damascus launches a surprise attack and by helping Israel develop an anti-tactical ballistic missile defense.
- Discouraging Iraq from returning to its previous rejectionist alignment with Syria.
- Bolstering the Egypt-Israel peace treaty.

Another Arab-Israeli war contains far greater geostrategic consequences for the United States than a continuation of the Palestinian uprising. *The risk of such a war has now increased significantly as a result of the Middle East arms race which has entered a new, destabilizing phase.* With the introduction of large numbers of surface-to-surface missiles into Arab arsenals and the proliferation of chemical warfare capabilities, the rewards for a surprise attack on Israel are growing and the incentive for Israel to preempt is increasing.

The Arab-Israeli conflict is slowly but surely moving back to a hair-trigger environment. This will require the next administration to focus its attention on measures, beyond deterring Syria, that may help to slow the arms race and reduce misunderstandings, including:

- Engaging the Soviet Union, China and the West Europeans in talks designed to restrict the flow of missiles and missile technology to the Middle East. Pressure will also have to be exerted on Argentina,

Brazil and North Korea who are supplying and improving missiles systems in the region.

- Brokering tacit understandings between Israel, Saudi Arabia, Iraq and Egypt about patterns of missile deployment, nature of warheads, command and control, and communications in crisis. Though the task will be sensitive, a community of interest may exist in avoiding an unwanted conflict with devastating potential for civilian populations.
- Mobilizing international opinion against the use of chemical warfare and strengthening support for international norms that have been seriously undermined by Iraq's use of chemical weapons.

IV. The Soviet Union and the Arab-Israeli Conflict

Under Mikhail Gorbachev, Soviet diplomacy in the Middle East has become increasingly active. While taking advantage of Moscow's new collaborative spirit, *the next president needs to greet a Soviet desire to play a peacemaking role with both skepticism and openness.*

Before inviting the USSR to play a role in the peace process, the U.S. should urge Moscow to demonstrate by its behavior in the following areas a genuine commitment to conciliation:

- Restraining Syria by restricting the supply of advanced Soviet weapons and by continuing to emphasize that the Soviet Union will not support any attempt to resolve the conflict by military means.

- Demonstrating Soviet support for Israel's security by reestablishing full diplomatic relations, by allowing for the possibility of territorial compromise rather than a return to the 1967 borders, and by making a clear statement in support of Israel's continued survival and security. Greater relaxation of controls on emigration of Soviet Jews would also constitute a signal of Soviet good will toward the Jewish state.
- Demonstrable and consistent efforts to moderate the positions of Syria and the PLO toward peace with Israel.
- Moderating Soviet voting behavior in the United Nations, where Moscow currently supports maximalist Arab positions on all issues.

An international conference to settle the Arab-Israeli conflict is a negotiating forum that holds little advantage for the United States. What value there was in such a conference has diminished with Jordan's withdrawal from a primary role in the peace process. However, the Soviet Union is likely to orchestrate Arab and international pressure on the next administration to pursue a conference.

Unless it is strictly confined to the role of an umbrella for direct negotiations, the international conference will not be conducive to reaching a settlement. Therefore, the next administration should continue to challenge Moscow to demonstrate that the conference is a useful tool for resolving the conflict.

Soviet "new thinking" should improve the chances of enlisting Moscow in an effort to stabilize the region's military balance. Limiting the proliferation of ballistic missiles and missile technologies, discouraging the use of chemical weapons, and preventing the outbreak of a

Syrian-Israeli war are all interests that the Soviet Union should share with the U.S. The next president should give priority to engaging the Soviet Union in a dialogue on these subjects, recognizing that selective cooperation with Moscow can be an important element in a strategy designed to manage conflict as well as an important method for testing Soviet intentions.

V. Implementing U.S. Policy: Appointing a Special Emissary

The next president will need to demonstrate his commitment to peacemaking while clearly indicating that the U.S. is looking to the parties themselves to recondition the political environment. One of his first acts should be the dispatch of a special emissary to the Middle East with instructions to:

- Express to the new Israeli government the president's desire to work in close consultation on the peace process and his unshakeable commitment to Israel's security.
- Begin the sensitive process of discussing with the region's leaders the need to control the arms race.
- Emphasize the new administration's commitment to a process designed to reshape the political environment rather than seek a procedural breakthrough to negotiations.
- Express to friendly Arab leaders the president's concern for their interests.

The emissary will need to avoid creating inappropriate expectations in the region or generating plans for grand solutions once he returns.

U.S. POLICY IN THE PERSIAN GULF

I. Toward a Postwar Gulf

The next president will be dealing with a new situation in the Persian Gulf. Though the region is at the moment in a state of flux, some of the main features of this new postwar environment will probably include:

- *A continued struggle for power between Iran and Iraq, falling short of open conflict.*
- *Iran's transition to the post-Khomeini era.* The struggle among different factions within the regime to succeed Khomeini has already begun and is likely to intensify with his passing, with a real possibility for violent civil conflict and the danger of Soviet intervention.
- *An escalating regional arms race.* As a result of the war, Iraq and the Gulf Arab states have built up impressive arsenals of sophisticated military hardware. Particularly worrisome is the proliferation of ballistic missiles and chemical weapons, systems which threaten to destabilize the Middle East's military balance and wreak destruction on civilian populations.

II. Building Stability

The strategic objective of U.S. policy in the Gulf should be to establish a framework for stability, within which Western access to the region's oil reserves is assured, America's friends are secure, and the influence of the Soviet Union, Iranian fundamentalism, and Iraqi radicalism are circumscribed. This will require the simultaneous pursuit of several different

policy goals, while managing the tensions that will sometimes arise among them. U.S. strategy in the Gulf should include the following elements:

- *Continued support for the security of the Gulf Arab states, building on the significant gains recently made in defense cooperation.* Coupled with the ongoing need of the Gulf states for American security assistance, U.S. interests argue for strengthening America's ability to deter and defend against potential threats, both by enhancing current support activities and maintaining an appropriate naval presence.
- *A sustained, but cautious, attempt to improve relations with Iran.* The U.S. has a strategic interest in seeing Iran emerge from the war unified, independent, non-aligned, and focused on internal reconstruction. Working with our allies, the U.S. should support Iran's reintegration into the international community, its efforts to concentrate on postwar reconstruction, and, in time, normalization of U.S.-Iranian relations. But Iran must first be willing to desist from an aggressive anti-American posture, support for international terrorism, and subversion of pro-American neighbors.
- *An effort to advance U.S.-Iraqi relations.* During the course of the war, Iraqi foreign policy exhibited elements of moderation that the U.S. should encourage. In exchange for U.S. political support and help in reconstruction, Iraq should be expected to maintain its new-found role as defender of the regional status quo against Iranian ambitions, and not return to its pre-war position as a destabilizing force in its own right. A continued improvement in ties also depends on Iraq's willingness to desist from activities that heighten tensions in the Arab-

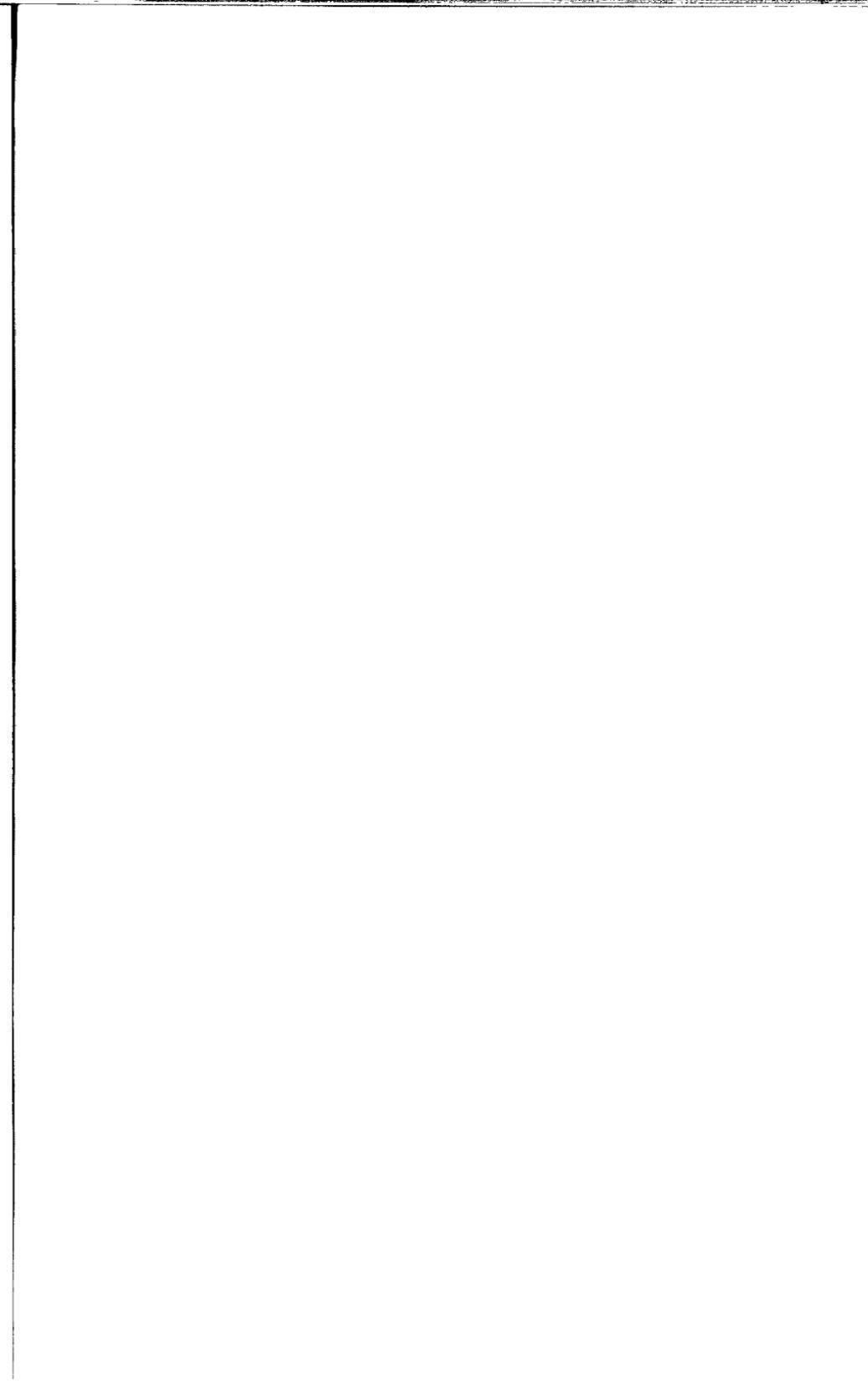
Israeli theater and its commitment to end the use of chemical weapons.

- *Continuing regional discussions with the Soviets about crisis contingencies in the Gulf.* The U.S. should stress the grave threat to East-West relations posed by any Soviet attempt to intervene in Iran during a post-Khomeini succession crisis. Moscow should be assured of our intention to exercise similar restraint.

- *A continued effort to limit Soviet influence in the region.* While the U.S. should not object to the normalization of relations between the Soviet Union and the Gulf states, we have no interest in either a major increase of Soviet influence in the region or in a growing Soviet military role, even under the cover of a UN flag.

- *An ongoing commitment to maintain Western access to Gulf oil.* This is our most important strategic interest in the region but one that has not – appearances to the contrary – been under the most immediate threat from the Iraq-Iran war. This encouraging situation is likely to continue into the postwar period.

REPORT OF THE STUDY GROUP





INTRODUCTION

When he assumes office, the next president will confront a Middle East that looks both hopeful and bleak. In the Persian Gulf, eight years of devastating conflict between Iraq and Iran have come to an end, striking a blow to the threat of radical Iranian fundamentalism and presenting new opportunities to reestablish a measure of stability in an area of vital Western concern. The improvement in relations between the superpowers and their willingness to cooperate in settling regional conflicts elsewhere has raised hopes that, under the right circumstances, they can work together to help bring peace and stability to the Middle East as well. Despite many challenges, the Egypt-Israel peace treaty remains intact as the cornerstone of stability in the region, and Egypt's reintegration into the Arab world has served as a counter to those forces that reject coexistence with Israel.

By contrast, deep-rooted sources of conflict remain, threatening to cause major damage to U.S. interests. Notwithstanding the recent efforts by Secretary of State Shultz, the Arab-Israeli peace process remains stalled. The Palestinian uprising has settled into a state of chronic disorder, increasing the costs of the status quo to both Israel and the Palestinians, while decreasing the prospects for short-term reconciliation. Jordan's role in a negotiated settlement has been undermined and King Hussein has renounced, at least for the time being, any intention of negotiating on behalf of the Palestinians.

Syria's continuing military buildup, combined with the uneasy standoff between Syria and Israel in southern Lebanon and Hafiz al-Assad's insistence that the conflict can only be resolved by military means, increases the prospects for war. The proliferation throughout the region of ballistic missiles and chemical weapons only shortens the fuse, expanding the circle of countries that might be involved and making it likely that the next Arab-Israeli war will be more destructive than any of its predecessors.

The end of the Iraq-Iran war leaves the Arab states of the Persian Gulf – particularly Iraq – with huge military arsenals and the option of refocusing their energies from the conflict with Iran to the conflict with Israel. At the same time, the bitterness between Iraq and Iran is unlikely to dissipate in the foreseeable future and may lead to new rounds of conflict short of all-out war. The transition to a post-Khomeini Iran also has the potential to generate new instability in that country and new opportunities for outside powers to intervene.

Throughout the region, growing economic hardship and Islamic fundamentalism fuel anti-American extremism and threaten the stability of Arab governments friendly to the U.S. Moreover, despite the constructive tone of the rhetoric emanating from Moscow, the Soviet Union's increased diplomatic activity in the region demonstrates its continuing desire to compete for influence with Washington.

At the threshold of a new American administration, these factors present a mixed picture of challenges and opportunities for the United States. Our interests lie in ensuring an uninterrupted flow of oil from the Gulf, helping to secure our democratic ally Israel and friendly Arab governments, and containing the influence of the Soviet Union, Islamic fundamentalism

and Arab radicalism. Those interests can best be promoted by a policy that combines activism with realism – a policy that seeks to build a region-wide framework of peace and stability, but that is ever mindful of the hostile intentions and passionate convictions of many of the parties engaged there.

By taking advantage of the cessation of war in the Gulf, the preservation of peace between Egypt and Israel, and the disruption of the status quo in the territories, the next president will have opportunities to secure American interests. He will have the chance to reshape an environment that will make a negotiated solution between Israel, the Palestinians and the Arab states more possible, while helping create a framework of stability in the war-ravaged Gulf.

Building for peace, the basic strategy recommended in this report, is likely to succeed, however, only if the next president is prepared to pursue an initiative in the Arab-Israeli arena that does not initially follow the traditional diplomatic route of attempting to bring the parties to the negotiating table in short order. It will only be successful if he remains conscious of the need to maintain Israel's military superiority and the inter-Arab balance of power in favor of the parties of moderation and reconciliation. And it will only be successful if he approaches the new-style Soviet diplomacy with a combination of openness and skepticism.

Confronted by challenges, opportunities and pressure for American activism, the next president will not have the luxury of a year's grace to learn how to deal with conflict in the Middle East. In short order he will need to make a sober assessment of the possibilities for progress and develop a coherent strategy for exploiting them. In doing so, he will need to draw on the lessons of the ventures undertaken by previous administrations.

The purpose of this report is to help meet those needs by presenting an analysis of the near term prospects for managing and resolving the two major conflicts which beset the region. The report then outlines the basic and abiding principles of a strategy that we believe can best serve the dual task of securing America's interests while moving the Middle East closer to a new regional order of peace and security.



PART I

**U.S. POLICY AND
THE ARAB-ISRAELI CONFLICT**

The day is short
The task is great
It is not up to you
To finish the work
But you are not free
To desist from it.
(*Ethics of the Fathers, 2:20*)



THE REGIONAL ENVIRONMENT

The Palestinian uprising in Gaza and the West Bank and the introduction of ballistic missiles and chemical warfare into the Middle East, have generated a new awareness of the need to resolve the Arab-Israeli conflict. When he assumes office, therefore, the next president is almost certain to come under immediate pressure to launch a new Middle East peace initiative. Before leaping into the fray, however, the next administration will need to make a sober assessment of how recent developments have affected the climate for resolving the Arab-Israeli conflict. In particular, it will need to understand why an intensive effort by Secretary of State Shultz in 1988 failed to produce a breakthrough to negotiations.

This first chapter of the report focuses on the prevailing conditions in the Arab-Israeli arena, with particular emphasis on the impact of the Palestinian uprising (in Arabic, *intifadah*) on the principal parties to the dispute. It concludes that the next administration's chances for achieving a negotiated settlement in the near term are not good.*

With this in mind, the second and third chapters outline the basic principles that the study group believes

* For an in-depth analysis of the uprising and its impact on the local parties, see *The Impact of the Uprising: Report of a Fact-Finding Mission for The Washington Institute's Presidential Study Group on U.S. Policy in the Middle East* (Washington, D.C.: The Washington Institute, 1988).

should guide U.S. policy and suggests a strategy for action. This strategy represents a departure from previous American policy in that it argues for an active and sustained effort to restructure the environment for peacemaking *before* an initiative is launched to bring the parties to the negotiating table. Chapter four analyzes the new Soviet activism toward the Arab-Israeli conflict and the way Washington should deal with it. Finally, chapter five discusses the implementation of America's Middle East policy, focusing on the important tactical questions the next president will have to decide during the first months of his administration.

The Impact of the "Intifadah"

By all accounts, the Palestinian uprising began spontaneously on December 9, 1987, with riots and demonstrations in Gaza. Since then, the violent confrontations have become a regular occurrence, complemented by periodic strikes and an ongoing effort to organize an indigenous infrastructure of popular committees – the grass-roots organizations designed to implement the orders of the uprising's leadership and provide alternative institutions to the Israeli civil administration. Though the intensity of the uprising has waned in recent months, the civil strife shows no signs of permanently abating; in effect, a new status quo of chronic disorder appears to have been established, with both Israelis and Palestinians resigning themselves to a situation of protracted inter-communal conflict.

The uprising appeared at first to have heightened the interest of the principal parties in a diplomatic effort to settle the conflict. In Israel, calls for a political solution emanated from the two major parties as well as the General Staff of the Israel Defense Forces (IDF).

President Mubarak of Egypt demonstrated renewed interest in a political initiative. King Hussein expressed concern that the unrest might not only affect his own kingdom but also threaten moderates throughout the Arab world. The Islamic fundamentalist aspect of the uprising, particularly in Gaza, added to this anxiety among traditional Arab elites. If the Israelis sought an American-sponsored political process as a way out of their predicament, the Jordanians initially appeared to want a similar process as a way in – a means of maintaining their relevance to the events in the territories.

Yet ten months later, while the principal regional actors continue to express their desire for a settlement, the *intifadah* is in many ways pushing the negotiating table further from their reach.

King Hussein's recent decision to sever Jordan's administrative and legal ties to the West Bank means that he has withdrawn from the role of primary Arab interlocutor in the peace process. For two decades, Israel and the United States have considered Jordan the appropriate Arab partner for negotiations over the territories. In the current circumstances, however, Hussein has acknowledged that he cannot negotiate on behalf of the Palestinians of the West Bank and Gaza. His supporters there have lost ground politically. But, more significantly, the King now appears to fear that any effort to put together his own Jordanian-Palestinian delegation would brand him as a saboteur of the uprising and a traitor to the Palestinian cause. His recent moves underline his decision to allow the PLO to shoulder full responsibility for representing the Palestinians. For the time being, therefore, the uprising has led Hussein to place the "Jordanian option" – in which Jordan would play the primary Arab role in negotiating a settlement for the Palestinians – in

abeyance. The prospects for resurrecting it during the term of the next administration do not look good.

Hussein's withdrawal has left Israel and the Palestinians of the West Bank and Gaza alone to deal with each other, either through confrontation or some process of accommodation. While there is evidence that both sides are beginning to recognize the need to begin a political process, so far the dominant legacy of the uprising has been to reinforce the hatred, suspicion and fear that have historically made the Arab-Israeli conflict so intractable.

In Israel, the immediate, though perhaps temporary, impact of violent confrontations has been to reinforce and further polarize already deeply held convictions. The public, facing an election this year, is divided between those who seek peace through territorial compromise and those who seek peace through negotiating autonomy with the Palestinians, while retaining Israeli control of the territory. Israelis are paying a price in world opinion and self-image for their response to the uprising. The economic costs are also mounting* and reserve duty has been doubled. All in all, however, the disruption of the average citizen's daily life is minimal. In this sense, the uprising has not yet changed the fundamental division in the polity, although public opinion polls suggest a shift to the right of the political spectrum is taking place. Furthermore, the uprising has, for the first time in the country's history, made the Palestinian problem the central issue in national elections and has reestablished the "green

* According to Gad Ya'acobi, Israel's Minister of Economics, the cost of the first six months of the uprising amounted to an estimated 2% of GDP, or some \$600 million, representing about half of Israel's expected economic growth in 1988 (*Jerusalem Post*, July 9, 1988).

line" in the minds of most Israelis (i.e., the distinction between Israel's pre-1967 borders and the West Bank and Gaza territories it has administered since then).

Politically, Israel is in ferment and it is difficult to predict the uprising's eventual impact on either the November 1988 elections or Israel's future negotiating position. For now, however, it has had the effect of consolidating certain broad points of consensus within Israel:

- Restoring order to the territories is necessary, but not sufficient. Both of Israel's major political parties agree that a political solution is needed; moreover, both support the notion of transitional arrangements as a necessary ingredient of an overall settlement.
- The IDF must restore and maintain order in the territories; Israel cannot enter negotiations from a position of weakness.
- There can be no negotiations with the PLO as long as that organization refuses to recognize Israel's right to exist and to renounce terrorism.
- A PLO-controlled state in the West Bank and Gaza would pose an unacceptable security risk to Israel.
- No Arab military forces can ever be allowed west of the Jordan river.
- Jerusalem must remain unified and under Israeli sovereignty.

- In any negotiated solution, be it autonomy, territorial compromise, or some combination of the two, Jordan must play a role.

There are, of course, exceptions to this consensus on both the political right and left. On the right are those who envision a return to the political status quo before December 9, the eventual annexation of the territories and, if necessary, the "transfer" (i.e., eviction) of Palestinians to achieve these ends. On the left are those who believe that a Palestinian state can be consistent with Israeli security. But for now, in the shadow of the November elections, such views remain conspicuously outside the mainstream of Israeli political discourse.

Beneath the general Israeli consensus on the Palestinian problem, however, lies considerable political volatility that, over time, could have important implications for Israeli policy. If the violence continues to fester, imposing further political, psychological and economic costs on Israeli society, Israelis may indeed begin to discard conventional Labor and Likud positions, and look to more radical solutions. Conversely, if the Palestinians are able to go beyond imposing costs on Israel to actually offering peaceful coexistence, an Israeli consensus could well emerge in favor of a territorial compromise.

In the short run, however, it appears that the uprising is undermining the advocates of conciliation and risk-taking while strengthening those who argue that Israel has no choice but to meet the violence head on. While Israelis have become much more conscious of the costs of retaining control of the territories, they have, at the same time, grown much more fearful of the consequences of relinquishing them.

In the Palestinian community, a similar hardening of positions has taken place. The people in the territories were initially euphoric over their newfound ability to disrupt the status quo, challenge the Israeli occupation and refocus Arab and world attention on their grievances. As a result, they have come to believe that an independent Palestinian state is within their grasp. And many of them – especially those in the vanguard of the uprising – retain the hope that it will ultimately displace Israel.

The *intifadah* has had a radicalizing effect on the Palestinian inhabitants of the territories. It represents not just a revolt against Israel, but also a genuine upheaval within Palestinian society, with the youth (approximately 75 percent of the population are under the age of 30) and the inhabitants of the refugee camps dictating the pace and intensity of events. That means that the pragmatic element – the traditional, middle class elites in the West Bank who accommodated themselves to the Israeli occupation -- has been undermined and intimidated; in Gaza, the Islamic fundamentalists hold sway.

With this in mind, however, it is important to note that as the initial euphoria of the uprising fades and the hardships imposed by Israel in response to the disorder are felt, the Palestinians of the West Bank and Gaza, having gained a sense of unity and pride in confronting the Israelis, are now showing some incipient signs of pragmatism aimed at gaining their political rights. A realization does seem to be emerging that throwing stones and Molotov cocktails can be of only limited utility; by themselves, such actions cannot do away with Israel's occupation. Significantly, there are indications of a growing recognition of the need to translate the success of the uprising into a political

process that holds out the hope of achieving tangible gains.

Admittedly, most of the ultimate goals expressed by the local Palestinians are inflated, reflecting the increased radicalization and self-confidence produced by the uprising. And in the short run, combined with continued civil unrest, unrealistic Palestinian political demands transmitted through the PLO will probably only complicate peacemaking efforts by increasing Israel's sense of isolation. In the long run, however, the burgeoning realization among some Palestinians that their condition can only be improved through a political process may lead to greater realism, creating new opportunities to resolve the conflict.

This growing sentiment inside the territories for "moving from the phase of clashes with stones . . . to the stage of political initiative" seems to be creating a new dynamic between the local Palestinians and the outside PLO leadership. As 1988 progressed, the new assertiveness demonstrated in confronting Israel was gradually being matched by a new assertiveness vis a vis the PLO. And increasingly, this assertiveness was being expressed as a call for the PLO to launch a serious political initiative that would hold out the hope of improving the situation in the West Bank and Gaza.

However, in the past, the PLO leadership outside the territories has not shown itself capable of compromising its ideology for the sake of pragmatic political gains. Doing so would threaten the organization's prosperity and unity, a risk that Chairman Yasser Arafat has until now been unwilling to run. For ten months, his response to the uprising has been to fuel it rather than infuse it with a sense of political realism. Efforts by others in the PLO to do so – notably Arafat's spokesman,

Bassam Abu-Sharif* – have been denounced by the PLO leadership, with Arafat remaining aloof from anything that might look like a compromise of the PLO's ultimate objectives.

But now, facing a political vacuum created by Jordan's withdrawal from the West Bank and under pressure from the local Palestinians to do something, Arafat may no longer be able to afford this luxury. The PLO has been discussing the possibility of undertaking a major diplomatic initiative to gain international support. The various proposals – almost all of which originated in the territories – have included a provisional Palestinian state in the West Bank and Gaza, the establishment of a government-in-exile, acceptance of UN Resolution 181 of November 1947, which called for the partition of Palestine into Arab and Jewish states, and revision of the PLO charter.

Given the false starts of the past, however, we remain skeptical of Arafat's ability to take the kind of decisions that would convince Israel that the PLO no longer seeks its destruction. And unless an initiative from the PLO represents an unambiguous effort to accommodate and reassure Israel, rather than another maneuver to manipulate international opinion, achieve U.S. recognition and impose a solution on Israel, it is bound to further complicate the search for a stable settlement.

Barring a dramatic initiative that makes a negotiating breakthrough possible, it is hard to escape the conclusion that the Palestinian uprising has complicated the task of peacemaking. Long-term

* In June 1988, an article written by Abu-Sharif, which expressed sensitivity to Israeli concerns, was circulated at the Algiers Arab Summit. While denounced throughout the PLO hierarchy, the article was greeted by considerable support in the territories.

opportunities for conflict resolution may be evident in the evolving attitudes of West Bank and Gaza Palestinians, but for now, the short-term difficulties produced by the uprising are dominant. *The Palestinians seem to believe they can achieve more than is realistic, the Israelis appear convinced that they can give less, and the Jordanians have decided to lower their profile. The intifadah may have made the achievement of an Arab-Israeli settlement more urgent, but it seems also to have rendered a negotiated solution less possible.*

Whether this situation will be altered dramatically by events remains to be seen. But it is unlikely that there will be a return to the status quo of November 1987 – the Palestinians of the West Bank and Gaza will no longer be spectators in their own fate, and the Israelis will no longer have the luxury of a benign, low-cost occupation. A new political dynamic has developed between Israelis and Palestinians and within the Palestinian community itself, one that could have significant, though unclear, political consequences. The challenge for American policy is to try to ensure that this dynamic moves in a positive direction, strengthening the forces of realism and reconciliation and thereby making a negotiated solution eventually possible.

The Character of the Conflict

To meet this challenge effectively, the next administration will need to have a realistic understanding of the way in which the uprising has not only made the goal of negotiations more elusive but has also rendered the conflict less amenable to a compromise settlement. For the uprising has also served to reinforce the process by which the Arab-Israeli conflict has become both an inter-state conflict – between the Arab states and Israel – and a communal

conflict, between Israelis and Palestinians within the boundaries of the original British Mandate.

The Inter-Communal Conflict

The heightening of the communal aspect of the conflict poses some particularly difficult problems for any American peacemaking effort:

- In an inter-state conflict, the mediator is ordinarily dealing with governments capable of making compromise decisions and adhering to them. In this communal conflict, the U.S. is dealing with a Palestinian community in the territories that does not yet have an effective leadership and a PLO leadership outside the territories that is distant from the people it claims to represent and which, until now, has lacked the capacity for political compromise and the will to take those steps that would make it a valid interlocutor.
- Unlike the Israel-Egypt negotiations, Israelis and Palestinians hold competing claims to the same territory – not just the West Bank but also, for many Palestinians, Israel proper.
- Separating the two communities is difficult because of the commingling of Arabs and Jews in Jerusalem, because of the connections between the 700,000 Israeli Arabs inside Israel's 1967 borders and Palestinians in the territories occupied after 1967, and because of the presence of some 60,000 Jewish settlers in the West Bank and Gaza.
- The West Bank is adjacent to Israel's heartland, where its population and industry are centered.

This makes security arrangements particularly complicated because even a demilitarized West Bank could still serve as a base for terrorist attacks against civilian targets in Israel.

The Inter-State Conflict

However, at the same time as the increasingly communal nature of the conflict makes it more intractable, developments in the inter-state conflict make it more dangerous, despite Israel's peace treaty with Egypt and the de facto peace with Jordan.

Syria remains committed to settling the conflict by military means and its efforts to achieve "strategic parity" with Israel continue apace. It is attempting to counter Israel's air superiority by deploying the densest air-defense system in the world, as well as large numbers of surface-to-surface missiles, many of which may be equipped with chemical warheads. Despite severe economic constraints, Syria is still able to find the money for new offensive maneuvers on the Golan Heights, fresh arms acquisitions from the Soviet Union (including more T-72 tanks, SS-21 surface-to-surface missiles, and new Su-24 fighter bombers) and the purchase of intermediate-range missiles from China.

Moreover, the ceasefire in the Iraq-Iran war leaves Iraq and the Arab Gulf states with huge arsenals (including long-range ballistic missiles and chemical warfare capabilities) and the potential to form new inter-Arab alliances with destabilizing consequences for the Arab-Israeli military balance. Syria's isolation from the other Arab states may lessen, while the Arabs in general could feel compelled to return their focus to the Arab-Israeli conflict now that the Iranian military threat is less pressing. In particular, Iraq and Saudi Arabia -

now in possession of weapons capable of reaching Israel from their own territory – could find it harder to resist pressure to participate in another war.

Lebanon might become an arena in which the continuing struggle for power in the Gulf and settling of scores in the Arab world is played out. The Iranian-backed Hizbollah may well take action in Lebanon to compensate for Islam's defeat on the banks of the Shatt el-Arab; Iraq is already backing anti-Syrian forces as a means of getting even with Damascus over Syria's support of Iran in the Gulf war; and in their ongoing competition, all the radical forces may seek to confront Israel in its south Lebanon security zone to demonstrate their support for the uprising and bolster their anti-Zionist credentials.

The importance of these potential developments is that, in combination, they are likely to leave Israel feeling more threatened. In these circumstances, Israel's incentive to launch a preemptive attack will go up with every acquisition of new weapons that can increase the devastation caused by an Arab surprise attack. *In short, the inter-state conflict is slowly but surely moving back to a hair-trigger environment, in which the circle of countries that might be involved in another war is expanding, the destructive potential of the weapons available could have devastating consequences for all concerned, and the ability of the United States to prevent, contain or stop such a war will be more limited.*

The Constraints on Leadership

As the regional response to the Palestinian uprising has demonstrated, the local parties look to Washington to play the leadership role in efforts to settle the conflict. But leadership in the region is also a necessary

requirement. The problems outlined above would not be insurmountable given leaders on all sides committed to peace, willing to make risky decisions and capable of delivering on them. Unfortunately, the current regional environment imposes serious constraints on the ability of local actors to provide such leadership.

Israel's elections in November are unlikely to produce a clear-cut mandate for significant change. It is more likely that the country will remain deeply divided about how to deal with the Palestinians.

The Palestinians are caught between a PLO leadership outside the territories that has always placed the unity and prosperity of its own organization above the requirements for a political compromise that would end the Israeli occupation, a traditional leadership inside the territories that is weak and intimidated, and an underground leadership spawned by the uprising that is inchoate, radical and, for now, incapable of entering a political dialogue with Israel.

Jordan's King Hussein is ever-mindful of the requirements for his own survival, requirements that he believes dictate caution in approaching the peace process. A radical and ruthless Syria to his north and a Palestinian majority in his midst constrain him from taking bold steps. Indeed, he has now specifically renounced a leadership role in settling the conflict.

Syria's Hafiz al-Assad depends upon the continuation of the conflict with Israel and his hegemonic claims to "Greater Syria" (which for him encompass Lebanon, Jordan and "Palestine") to maintain the domestic and regional legitimacy of his minority Alawite regime. Assad aspires to lead the Arab world, but in the direction of continuing conflict rather than peace. His goals are not likely to change.

Egypt's Hosni Mubarak has provided active support for the Shultz initiative and retains a strong interest in demonstrating that Cairo can play a leadership role in bringing the Arab world to peace with Israel. But Egypt's circumstances constrain Mubarak from much more than support for the peace process. Egypt cannot and will not substitute for the Palestinians and Jordan in negotiations with Israel. A constructive Egyptian role is important but, by itself, inadequate in the absence of a peace initiative from the principal parties.

This does not mean that leaders with an interest and capacity to make peace cannot emerge. After all, Anwar Sadat was held in low esteem by many before he launched war in 1973, and Menachem Begin was widely seen as intransigent before he made peace in 1978. But it does suggest that when the next administration enters office, that kind of leadership will be embryonic at best, requiring careful nurturing.

Some observers point to the leadership provided by General Secretary Gorbachev in the Soviet Union as a factor which might make up for the lack of strong partners in the region. By their calculus, if the next president were to work with a leadership in Moscow that has expressed its desire to play a constructive role in the Middle East, together they could help the local parties take risks for peace or even force them to do so. This argument, however, assumes that Gorbachev is willing to pay the price involved in pressuring Syria and the PLO to moderate their positions – an assumption that would need to be tested rather than taken for granted. Moscow must first demonstrate by its actions a tangible commitment to peace before Washington considers inviting it to play a role in the peace process. Moreover, the argument for superpower cooperation overlooks an abiding factor in current international relations: that the weak retain the power to say “no” to superpower

pressure even as they lack the ability to say "yes" to a negotiated settlement. Not only Washington alone, but even Washington and Moscow together, cannot make peace for them.

In summary, the next president is likely to confront an intractable communal conflict and a potentially dangerous interstate conflict in the Arab-Israeli arena with regional actors that until now have not provided the necessary leadership that would make a negotiated settlement possible. The multiple challenges posed by these conflicts are not likely to be amenable to a simple diplomatic framework. Instead, a more complex and innovative strategy will be necessary, one that reshapes the political environment while stabilizing the military balance.

DEVELOPING AN AMERICAN POLICY

American Interests in the Peace Process

Given this gloomy assessment of the prospects for a negotiated settlement of the Arab-Israeli conflict, why should the next president make it a concern on his foreign policy agenda?

The most important reason is that as long as the Arab-Israeli conflict persists, American interests remain at risk. In the Middle East, the United States has an abiding interest in:

- Maintaining the survival and security of Israel, a fellow democracy and strategic ally.
- Promoting the well-being of pro-Western Arab countries – primarily Egypt, Saudi Arabia and Jordan.
- Securing Western access to Middle Eastern oil.
- Preventing Soviet or radical domination of the region.

Because the Arab-Israeli conflict pits some of America's friends against each other, generates instability in this strategically crucial region, and threatens a superpower confrontation should war erupt, the resolution of that conflict is also an abiding American interest. This will be the case during the lifetime of the next administration, when the

Palestinian uprising, the escalating Middle East arms race and the end of the Iraq-Iran war have the potential, in combination, to start another Arab-Israeli war, which would likely involve a wider circle of countries with even more devastating consequences than we have already witnessed in the violent history of the Middle East.

This danger of eroding stability means that the next administration cannot afford to be indifferent to events in the region, even if the short-term threat to American interests is relatively modest and the immediate prospects of a negotiated settlement are low. It will need to make the promotion of an Arab-Israeli peace process an important part of its foreign policy agenda.

A Process, Not a Breakthrough

Given the conditions in the region, the reality is that U.S. diplomacy cannot produce an immediate breakthrough to negotiations. But that does not mean Washington should be passive or indifferent. It means instead that traditional diplomacy, which reflects the natural desire for Camp David-style negotiations or Kissinger-type shuttles, must give way to a different kind of activism, one that restores the original meaning to the words "peace process" as an evolution of conditions that changes the political environment in the region and ultimately makes negotiations possible.

The strategy that we are recommending requires a major change in the traditional approach of American policy-makers. We have come to assume either that an energetic president with a new peace plan is all we need, or that the conflict is so intractable that American activism will only make matters worse. We have tended to forget that America's peace diplomacy has

been successful only when we were able to mediate between parties who were prepared to come to terms with each other. Ten years after the Camp David Accords, with no new peace agreement negotiated, there is no simple plan or creative framework that can produce a breakthrough in an environment where the parties are not yet ready to make peace. But there is also no alternative to active engagement.

What does active engagement mean in an environment where the local parties are unwilling or unable to take the difficult and risky decisions necessary to produce meaningful progress?

It is an activism that concentrates, in the first stage, on informal but essential steps that can reshape regional attitudes and improve the political environment in which Israel and the Palestinians interact; and that, at the same time, seeks to deter war by reinforcing the forces of moderation in the Arab world and by maintaining our longstanding commitment to Israel's security. Only in the second stage, once this process has taken hold, would activism mean an effort to produce a diplomatic formula that would enable negotiations to begin.

It is an activism qualified by the fundamental principle that the Arabs, and above all the Palestinians, must first demonstrate to Israel their willingness to coexist with the Jewish state – that Jerusalem, not Washington, is the address for their grievances and concerns. Their historical preference is for an activism that drives a wedge between the United States and Israel rather than a process that requires them to accept Israel. Our preference must be for an activism that encourages them to address Israel's concerns rather than allowing them to sit back and wait in the belief that we will "deliver" Israel for them.

In short, the emphasis should be placed on an effort to promote a "ripening" process. Such a process, which avoids seeking an illusory breakthrough immediately but rather seeks over time to make direct negotiations possible, will be a difficult task for any American administration. As well as a new approach, it requires a clear objective, a workable strategy and a sustained effort.

Identifying the Objective

American interests do not lie in promoting just *any* solution to the Palestinian problem, but rather a stable solution that protects the interests of America's friends in the region. A PLO-controlled state in the West Bank aligned with the Soviet Union, politically unstable, economically unviable and with irredentist claims to both Israel and Jordan, would inevitably become the cause of renewed tension and conflict in the region. For that reason, successive American administrations – both Democratic and Republican – have ruled out such a solution.

To meet American requirements for a stable settlement, any Palestinian entity that results from negotiations would – at a minimum – have to be reconciled to Israel's existence and committed to maintaining the peace, prepared to renounce any further claims to territory, demilitarized and yet capable of enforcing its will on recalcitrant Palestinians in the West Bank and Gaza, willing to respect Hashemite sovereignty over a Palestinian majority on the East Bank, and ready to restrict its dealings with external parties that did not share these principles (e.g., Syria, Libya and Iran, and radical Palestinian factions supported by them).

Clearly then, the process of accommodating Palestinian political rights to Israeli and Jordanian security requirements would require heavy qualifications on the authority of any Palestinian government. To paraphrase the late Moshe Dayan, the Palestinians would have the right to determine their own future but would have to be denied the right to determine the future of Israel or Jordan. For these reasons, previous administrations have developed certain basic and abiding principles to guide American peacemaking:

- The legitimate rights of the Palestinians should be secured through direct negotiations.
- The parties to this negotiation should be Israel, Palestinian representatives and Jordan.
- Any Palestinian participant in negotiations must accept UN Resolutions 242 and 338, renounce terror, and recognize Israel's right to exist.
- There should be a prolonged transitional period in which the intentions of the Palestinians to live in peace with Israel and Jordan could be tested.

These principles have a proven record – they served the U.S. well in negotiating peace between Israel and Egypt. We believe that they remain essential to the task of Middle East peacemaking. To pursue them in the current environment, however, will require the next administration to focus the conditioning process on the three essential participants in an eventual negotiation: the Palestinians, Israel and Jordan. Once all three are in a position to accept these principles, it will be possible to launch a direct negotiation, and the United States will have to play an active role in helping produce that

breakthrough. But until this threshold is reached, the U.S. will need to pursue a different kind of activism.

Encouraging the Emergence of a Responsible Palestinian Leadership

The largest hurdle to overcome in laying the ground for an eventual negotiation is the problem of Palestinian representation. Through the *intifadah*, the Palestinians have demonstrated a willingness to resist Israel, but they have not yet shown an ability to translate the uprising into a political initiative that will convince Israelis that they are ready to live in peace. This is the central issue on which their destiny depends. If they hope to achieve an end to Israel's occupation, the Palestinians must produce a leadership that is capable of making political compromises with Israel; a leadership that is both willing and able to put forth a positive political program that addresses Israel's security concerns and clearly communicates an abiding commitment to Israeli-Palestinian coexistence.

Many argue that the Palestinians have already produced a leadership in the PLO and that the task of American diplomacy is to recognize it and bring it into negotiations with Israel. But the PLO's refusal until now to recognize unambiguously Israel's right to exist, its rejection of UN Resolution 242, its sponsorship of terrorism and its continued promotion of "armed struggle" with the avowed purpose of destroying what it continues to call the "Zionist entity" raise basic questions about its suitability as a negotiating partner. Unless Palestinian representatives demonstrate a serious and credible commitment to coexistence with Israel and to a peaceful settlement of the conflict, they cannot be considered legitimate participants in negotiations.

For more than ten years, the United States, working with Jordan, Egypt and Saudi Arabia, has tried to persuade the PLO to meet three minimum conditions to become an acceptable partner to negotiations: recognition of Israel's right to exist, unequivocal acceptance of UN Resolution 242, and renunciation of terrorism. The PLO has consistently refused to do so.

Is it conceivable that the PLO could change this longstanding pattern of behavior? The intense debate now being conducted within the Palestinian community about the need to fill the vacuum left by King Hussein's severing of ties with the West Bank could lead the PLO to launch a political initiative.

How should the next administration respond to a PLO diplomatic effort, if taken? First, by making clear that it must be directed at Israel, not the United States or the international community. Second, by stressing that unless a PLO initiative fully satisfies America's conditions for a dialogue, it will not meet the minimum standards for making a negotiation possible. Even then, given the historic inability of the PLO to decide in favor of peace, it will have difficulty persuading Israel that it has undergone a fundamental transformation – mere words are likely to be inadequate. But unless it does so, Israel will not negotiate with the PLO and we should not – and could not – persuade it to do so.

A PLO initiative which sought to achieve international recognition of a unilateral declaration of Palestinian statehood would not meet these requirements, even if it included acceptance of a UN Resolution which created a Jewish state in Palestine. A declaration of Palestinian statehood would represent an attempt to determine unilaterally the outcome of negotiations before they even began. PLO acceptance of UN Resolution 181 would hardly be perceived in Israel

as evidence of moderation since it constitutes acceptance of an Israeli state minus Jerusalem, as well as significant parts of the Galilee and the Negev – a state which exists only on paper.

Certainly, any move by the next administration to engage the PLO "government" in discussions before it meets U.S. conditions would be premature and counterproductive. First, it would implicitly involve the U.S. in recognition of Palestinian statehood prior to negotiations, undermining the basic principles of American peacemaking. Second, we would be renegeing on written commitments to Israel as well as the law of the land since such an initiative would not satisfy our longstanding requirements for talking with the PLO. If the next administration were to try to bring the PLO into the process in this way, it would only succeed in forcing Israel out of the negotiations, while jeopardizing the U.S. role as an honest broker.

Moreover, at a time when the PLO is under pressure to accept America's conditions and appears at least to be contemplating a move in the right direction, it would be a mistake to send the signal that something less might be acceptable. If it indeed proves to be the case that thirteen years of steadfast commitment to conditions designed to persuade the PLO to change its basic strategy are now beginning to bear fruit, it is time to reiterate those conditions rather than revise them.

This is not to suggest that the next administration should turn its back on what is occurring within the Palestinian community. The *intifadah* may have created a new political dynamic there which, if properly understood and encouraged, could produce over time a different kind of Palestinian leadership – one that is genuinely committed to reconciliation with Israel.

This new political dynamic has already fundamentally restructured politics in the Palestinian community. For twenty years, the Palestinians in the territories remained spectators in their own fate. They accepted that their task was to sit tight and await liberation by the PLO. Now, they have reversed roles; they have become the actors and the external PLO leadership the spectators. While they continue to identify with the PLO as a symbol of Palestinian aspirations and as their representative to the international community, they are no longer awaiting the PLO's lead. And just as the leaders of the uprising have resisted Israeli efforts to bring them under control, they are likely to be more capable than the traditional leadership in the territories of resisting PLO or Syrian intimidation.

At this stage, the leadership of the uprising remains inchoate and radical. But a political infrastructure is being established at the local level designed to meet the needs of the people in the territories. As the reality of Israel's continued military occupation is felt and the price of resistance goes up, some embryonic signs of pragmatism are emerging.

Jordan's decision to sever its legal and administrative ties with the West Bank has reinforced this process. The Palestinians in the territories are now insisting that the PLO translate the King's move into a political initiative. The uprising leadership has issued a declaration calling on the PLO to adopt a clear and unequivocal stand. They appear to understand that if the PLO fails to address Israel in a serious manner, the Palestinians in the territories will be left on their own to contemplate a continued Israeli military occupation, their abandonment by Jordan, and increasing economic hardship. In these circumstances, they are unlikely to return to the role of spectators. Some may urge a resort to

further violence, but that will only worsen their plight. Others may eventually argue in favor of taking matters into their own hands on the political level as well as in the streets.

That is precisely the kind of long-term development the next administration should seek to encourage. For this leadership, unlike the PLO, will have achieved its legitimacy by resisting Israel but, because it is indigenous to the West Bank and Gaza, will also have some stake in coexisting with Israel. To the extent that the locus of political activity shifts from Arafat and his lieutenants in Tunis and Baghdad to an indigenous group in the territories, the PLO is likely to come under increasing pressure to undergo a fundamental transformation. If it fails to do so, it is possible that a local leadership will eventually coalesce and increasingly take the political initiative required to improve the lot of its community.

For the time being, West Bank and Gaza Palestinians continue to look to the PLO to translate their aspirations into a coherent political program, but their impatience is becoming tangible. They have already assumed direct responsibility for their own well-being; it is not unreasonable to expect that they will eventually show more concern for the conditions in which they live than for the dream of regaining Haifa and Acre. We should not expect at any stage in this process that an emerging local leadership is likely to distance itself from, or break with the external PLO leadership. On the contrary, it will want to retain the cover that comes from insisting that the PLO is the representative of the Palestinian people. But just as they did not await instructions from the PLO to begin the *intifadah*, so too is it possible that the local Palestinians will, over time and after much disappointment with the PLO's vacillation, take the political initiative into their own hands as well.

By encouraging a process which builds on this new dynamic, the next administration could engender a process of political bargaining between Israel and the Palestinians in the territories that has the potential to produce the kind of Palestinian interlocutor that many Israelis and the United States have long been seeking.

The first step in this process is to make clear to the PLO that the U.S. will not reward maneuvers that fall short of explicit acceptance of Israel. Doing so will reinforce the incipient understanding that the Palestinians in the territories already appear to have about the kind of political initiative that will be necessary.

Second, the administration's public diplomacy should stress our commitment to addressing Palestinian political rights in the framework of Israeli and Jordanian security. At the same time, the U.S. must emphasize to the Palestinians in the territories the responsibility they bear for their own fate. It is they and only they who can address Israel's fears and security concerns. Since they are the party that will bear the brunt of the burden of continued military occupation, we should emphasize to the Palestinians the costs to their community of the status quo, and urge upon them the necessity of engaging in a practical process that holds out hope of achieving a political settlement. The Palestinians must be encouraged to seek a political dialogue with Israel and to take steps that begin to address Israel's concerns.

But the United States should also make clear to Israel our assessment of why the status quo is dangerous and costly to Israelis. Israel should be encouraged to look beyond the immediate public order problem it faces toward the future and the measures it might adopt to take

advantage of the new dynamic within the Palestinian community.

In short, American diplomacy, using a mixture of private consultations and public statements, can encourage both Palestinians and Israelis to start considering the steps each could take to foster movement away from the current situation of confrontation towards a more constructive political dialogue.

What form would this political dialogue take? The first step would be a small one, perhaps involving an offer from the Palestinians to reduce the level of violence and disorder and a willingness on the part of the Israelis to ease the restrictions placed on the territories in response to the *intifadah*. The lifting of curfews, the reopening of schools and universities, the release of prisoners and an end to deportations are the types of measures which Israel could consider taking. Halting strikes, opening shops, ending violent demonstrations and insisting that schools not serve as a focus of political unrest are steps the Palestinian leadership could call for.

Depending on how successfully the process evolved, both the Palestinians and the Israelis could decide to undertake more significant confidence-building acts. Legitimate Palestinian representatives could begin addressing Israelis at a political level, expressing their willingness to negotiate peace and sharing their vision of a future in which Palestinian aspirations are accommodated to Israeli security concerns. For its part, Israel might eventually decide to take more far-reaching measures: the relaxation of discriminatory economic regulations; the easing of restrictions on industrial development in the territories; and greater

acceptance of overt Palestinian political activities, including freedom of assembly and association.

Clearly, there are strict limits to what can be achieved by such informal steps. Ultimately, the implementation of more significant transitional arrangements will require a formal negotiating process, which provides Israel and the Palestinians with the safeguards and assurances they will need. But if the ripening process proceeds successfully, it may help build the necessary foundation for such a negotiation. Israel might be persuaded to allow free elections in the territories, the express purpose of which would be to produce a representative Palestinian leadership that was ready to sit down with Israel and negotiate a gradual transfer of authority over local affairs from the Israeli civil administration to the elected councils (including finance, agriculture, justice, health, education, housing, transportation, industry, commerce and religious affairs).

In effect, what we are recommending as the first step in a new American strategy is the promotion of a process that would replace the cycle of violence between Palestinians and Israelis with a constructive political dialogue. Because the political impediments to a formal peace process cannot, under present circumstances, be overcome by a direct diplomatic assault, we are proposing instead that they be circumvented by concrete steps on the ground that slowly alter the perceptions of each other's objectives. Neither Israel nor the Palestinians would be required to give up their ultimate claims regarding the West Bank and Gaza. But the willingness of each to coexist with the other could be seriously tested. In the process, a greater sense of dynamism and movement could be infused into a situation currently paralyzed by stalemate and hopelessness.

Realism rather than optimism is essential in evaluating the prospects for this process. It is entirely possible that despite all the developments underway in the Palestinian community, politics in the territories will be dominated by radicalism, maximalist slogans and Islamic fundamentalism. The Palestinians may well refuse, or remain too intimidated, to take conciliatory steps toward Israel. If this is the case, little progress will be possible. Just as Israel will have to accept the reality of a costly occupation and the fact that there is no acceptable military solution to the *intifadah*, so too will the Palestinians have to accept the reality that a political dialogue leading to negotiations – not violence and disorder – is the only way to end the military occupation.

Working with Israel

Our most important partner in this process is Israel, not just because of our moral and strategic interests in its well-being, but also because it is in control of the territory whose status is to be negotiated. If the next president is to succeed in reconditioning the environment, he will need to start by working with Israel to make that possible.

It is often wrongly assumed that because of Israel's heavy dependence on American military, economic and diplomatic support, the president can force Israel to alter long-held positions. Every Israeli government will seek to avoid a confrontation with Washington, and every Israeli leader has a political stake in demonstrating that he is an effective custodian of the relationship with Washington. Yet, where an American policy is seen to jeopardize Israel's security, Israel will simply say "no." In response to pressure and even sanctions, the government will only dig in its heels.

American efforts to go over the head of the government and appeal to the people or to side with the opposition have consistently failed.

An Israel that is under pressure will not be forthcoming; on the other hand, an Israel that enjoys a sense of security in its relations with the U.S. is more likely to feel capable of taking risks for peace. One of the president's first tasks should be to affirm this relationship of trust with Israel based on strong relations, close consultation and strategic cooperation. Supporting Israel's need to restore order, while opposing the indiscriminate use of force is the way to build trust; attempting to micromanage Israel's response to the disorder and joining with its adversaries in condemning Israeli actions is a sure way of losing it.

Assuring Israel of the fundamental nature of the new administration's support is essential if the ripening process is to develop, for Israel will need our backing if it chooses to take up an effort to shape positively the political environment and move away from the status quo.

The process we are suggesting should be designed to address the communal aspect of the conflict by attempting to change the attitudes and fears that have left Israelis and Palestinians locked in confrontation and political stalemate. It should be based on a sequenced approach, in which the concrete acts of conciliation by one side could be reciprocated with appropriate measures by the other. The process could begin with humanitarian steps and gradually move on to economic and political actions.

The next administration would need to remember that the decision to enter into an effort such as this can only be made by Israel; it alone could take the difficult

decision of encouraging a local leadership and engaging in a political process whose outcome was uncertain. But a sequential approach could provide some important safeguards. To the extent that the Palestinians were willing to cooperate in each action taken by the Israelis, the process could proceed to the next, more significant step; to the extent that Israel's conciliatory measures were rejected and violence continued, Israel would be justified in halting the process and rescinding those actions already put into operation. If Israel embarks on this process, the next administration will need to be sympathetic to this stop-start approach.

What incentives does Israel have to consider an approach, which, in the eyes of many, would be seen as too risky? First, Israelis are now coming to terms with the fact that the twenty year-era of a benign occupation is over. By engaging in a process that provides an alternative to violence, Israel can reduce the costs of chronic disorder.

Second, despite the deep division in Israel over the substance of prospective negotiations and the formal procedures for undertaking them, a wide consensus supports a political solution and both major parties advocate transitional arrangements in the territories as a way of achieving it. The difference in this approach is that it seeks to lay the political groundwork for formal negotiations by getting the initial, least controversial steps in the transitional process underway.

Third, the Israeli government may see in this process a means for sidestepping the relentless pressure from the international community for an international conference and negotiations with the PLO. A commitment by the new administration in Washington to back this approach and resist those pressures could be an important incentive.

Efforts to initiate a process that attempts to restructure the political relationships between Israelis and Palestinians might also be supported by an economic process, not as a substitute for a political program, but rather as a supplement to it. Adding a modest American economic component to the political steps suggested could reinforce an attempt to encourage a political dialogue, and might help to change attitudes and diminish tensions as a precursor to formal negotiations.

Moreover, Jordan's cancellation of its development plan as part of its effort to sever ties to the West Bank lends greater urgency to the need for an American program of economic aid. It also frees up some \$7 million of aid that was earmarked for the Jordanian program. Thus, while stressing the primacy of the political aspects of this initial phase, the next administration should, at the appropriate time and in consultation with the local parties, also develop an economic development strategy for the West Bank and Gaza that:

- Enhances the quality of economic conditions; immediate attention should be given to overcoming the international political impediments that prevent the resettlement of refugee camp inhabitants into better housing.
- Promotes economic interdependence, not dependence, by encouraging the development of institutions that cut across national lines and provide incentives for continued Palestinian interaction and cooperation with both Jordan and Israel.
- Upgrades the economic and technological infrastructure of the territories. Backing would be given to projects in industry and agriculture, while

marketing, service and distribution systems would also be supported. Programs could also be considered in water projects, energy plants, transportation systems, tourism and free trade zones.

Given the limited geographic scope and the relatively small population involved, such a plan would not require large sums to have an impact. But with a shrinking U.S. foreign aid budget, even the small amounts required for a development plan in the territories would probably prohibit a unilateral American effort. The next administration should therefore work to develop creative alternative funding methods. One possibility that makes both financial and political sense would be to enlist the support of America's West European and Japanese allies. Another possibility would be to invite the Gulf Arabs to participate as a sign of their commitment to the peace process. However, we would have to be sure that whoever participated supported the objectives and strategy we have outlined.

Preserving a Role for Jordan

For the peace process to succeed in producing a stable settlement, Jordan as well as Israel and the Palestinians will have to play a role. On the face of it, King Hussein's decision to sever Jordan's ties to the West Bank and allow the PLO to assume its responsibilities as the "sole legitimate representative" of the Palestinians excludes Jordan from the process.

However, King Hussein has stated clearly that he fully intends to remain involved in the peace process and this conforms with the political reality that Jordan

continues to be not just relevant but indispensable to a stable settlement.

Jordan's indispensability stems first from its symbiotic relationship with the Palestinians. A majority of Jordan's East Bank citizens are Palestinian; many of Jordan's cabinet ministers hail from the West Bank; kinship ties between the two sides of the river are numerous; and Jordan's security is deeply affected by what happens in the West Bank. Jordan therefore cannot remain indifferent to political developments there.

For the Palestinians, Jordan is also an essential participant. Although most appear to have no desire to replace Israeli rule with a return to Jordanian rule, it remains the case that any Palestinian entity in the territories will depend heavily on Jordan. The Hashemite Kingdom represents their economic, political and cultural gateway to the Arab world. Indeed, it is likely that part of the King's purpose in severing his ties to the West Bank was to drive home these realities to the Palestinians.

For Israel, Jordan is also indispensable to any negotiated settlement. Jordan brings to the negotiations a crucial element that the Palestinians cannot provide: a stable state with a legitimate and responsible government capable of implementing and adhering to an agreement. For Israel, Jordan represents the anchor of any stable solution. Moreover, any security arrangements will have to be negotiated with Jordan because it retains the longest border with Israel and because any Arab attack on Israel from the east would have to come through Jordan. Finally, for the United States, Jordan is a stable and friendly country in a volatile part of the world. We have a duty to take its interests into account.

In short, only Jordan can provide the anchor for an emerging Palestinian entity, an important part of the assurances of a stable settlement that Israel will need, and the gateway to the Arab world for the Palestinians.

While Jordan therefore remains a necessary partner, it is no longer a sufficient one. Hussein will not now take the initiative to regain control of the territories; indeed, he appears to have decided that the Palestinians are the ones who will have to take responsibility for negotiating a territorial compromise with Israel. But at the same time he cannot be indifferent to the fate of the territories because of their impact on the fate of his own state.

The process of trying to develop a political relationship between Israel and indigenous Palestinian leaders does not depend on Jordan. King Hussein's decision to withdraw from the role of primary Arab interlocutor, however, has helped to lay the groundwork for it because he has clarified his relationship with the West Bank. He has recognized that there will be no return to the pre-1967 Jordanian hegemony; if some form of Jordanian/Palestinian association is the eventual outcome of negotiations, it is now clear that a more equitable power sharing arrangement will have to be developed.

But the King's recent moves have also reminded the Palestinians that they cannot ignore Jordan's interests without serious economic consequences. The Palestinians of the West Bank and Gaza have less reason to fear that the process of evolving Israeli-Palestinian political relations is intended to reduce Israeli control with an increase in Jordanian influence. But they would still need Jordan's assistance in the process, both because of its administrative expertise and because of their economic dependence on Jordan. Similarly, the

process itself would provide an incentive for King Hussein to become more directly involved since he cannot afford to remain indifferent to a trend of increasing Palestinian authority in the territories.

In this way, as the process unfolded, Jordan's stabilizing influence might be brought to bear, producing over time a more workable Palestinian-Jordanian relationship. *We should not wait for Jordan to act, however, nor premise this process on Jordan's involvement. But we should bear in mind Jordan's importance, particularly in the second stage of formal negotiations leading to resolution of the final status of the territories, and therefore make an effort to preserve its role and encourage its support for the ripening process.* We should also encourage Egypt, Saudi Arabia and Iraq to support a role for Jordan.

Egypt's Role

Egypt is an important partner in this process because of its peace treaty with Israel and its weight in the Arab world (a weight which is again being brought to bear in inter-Arab politics). Egypt's role in the peace process, however, is, for the time being, confined to reinforcing Jordan and the Palestinians while demonstrating, through the conduct of its peaceful relations with Israel, that peace through compromise is possible. *The strengthening of the Egypt-Israel peace treaty is vital to the achievement of peace and the maintenance of stability in the region, and must therefore remain a high priority of the next administration.*

But we should not expect Egypt to assume a leadership role in the peace process because it cannot and will not speak for the Palestinians. Indeed, its disengagement from direct responsibility for the Palestinian problem has actually facilitated its

reintegration in the Arab arena; its separate peace with Israel proved more acceptable to the Arabs than the possibility that Egypt might strike a deal with Israel on the Palestinian issue.

However, in its overt support for the Shultz initiative, Egypt has demonstrated a desire to be helpful to the United States and active in the pursuit of peace. With its growing role in the Arab world, Egypt's support for a "conditioning" process will be important in securing Arab backing. Cairo would prefer to facilitate an American effort to talk to the PLO and so claim credit for achieving something for the Palestinians. It is essential that President Mubarak understand clearly that the next administration is not interested in such a course. Mubarak himself continues publicly to express frustration with the PLO leadership's inability to make a decision for peace. Moreover, Egypt has long advocated what it calls "confidence building measures" in the territories, and Mubarak was quick to call for a moratorium on violence in the early months of the uprising. If the next administration makes clear to Cairo that we intend to pursue a two-stage process, in which formal negotiations will constitute the second stage, and that we will need Egypt's support for both stages, it is likely that Mubarak will concur.

Mubarak's principal concern is that the Palestinian problem not be left to fester. He fears that it will damage Egypt's ability to maintain its peace with Israel or undermine him at home. The continuation of the uprising in the territories provides both an example for the opposition forces in Egypt and an excuse for them to demonstrate against the regime. Mubarak's interests are therefore better served by a process that calms the situation and encourages a constructive political process between Israel and the Palestinians that Egypt can support, than by a process which is hinged on the PLO

changing its behavior – a process that is likely to fail, embarrass Egypt and create tensions with Israel. As long as he sees us taking the initiative, he is likely to support it. However, if Egypt still insists on working with Jordan to pressure the PLO to face up to its responsibilities, we need not object, as long as it is clearly understood that the United States is not interested in changing the conditions for a dialogue with the PLO and will do nothing to remove the ball from the PLO's court.

Conclusion

None of this is likely to happen quickly. As already noted, among the three principal parties to the Palestinian problem, Israel is divided, the King is standing aside and the Palestinians lack a leadership willing and/or capable of participation. A strategy that seeks to work around these obstacles and build a foundation for eventual negotiations will require not only persistence, but also patience. It requires American policy-makers to view the task of Middle East peacemaking in a new way, not as simply a set of high-level negotiations, but also as a series of pre-negotiating steps aimed at removing the obstacles to a more formal diplomatic process. The steps that we have outlined seek to encourage a process that addresses some of the most pressing concerns of Israel and the Palestinians without necessarily prescribing a blueprint for an ultimate political settlement. Given the intractability of the conflict, grandiose schemes that attempt to resolve the Palestinian problem in one fell swoop are likely to fail, and, indeed, to prove counterproductive. Only an ongoing process that the parties enter of their own accord, which offers short-term benefits and future promise without immediately entailing major risks is likely to have a chance of success; only a process that

conditions the environment by enhancing mutual confidence will create circumstances in which formal negotiations can eventually occur.

THE INTER-STATE CONFLICT

A successful American strategy for dealing with the Arab-Israeli conflict cannot be restricted to the Palestinian dimension alone. Dealing with the conflict as an inter-communal problem is, on its own, inadequate to the challenge of protecting and promoting American interests. The next administration must also pay close attention to the balance of power in the inter-state conflict. This has become a matter of urgency because the escalation of the Middle East arms race and the introduction of new, destabilizing weapons systems increase the risks and devastating potential of a new war.

Another Arab-Israeli war contains far greater geostrategic consequences for the United States than a continuation of the uprising in the territories. It carries with it the risks of superpower confrontation. It could endanger the Egypt-Israel peace treaty. And, given the longer range of weapons systems now deployed, could engulf a wider number of Arab states, pitting American friends against each other.

Moreover, any stable solution of the Arab-Israeli dispute will have to provide remedies for the inter-state conflict as well as the inter-communal conflict. And elevating the peace process, in its second phase, to an inter-state negotiation holds out the only real prospect for overcoming some of the structural intractabilities generated by the inter-communal conflict. At that point, the Arab states committed to negotiating peace with

Israel must be capable of withstanding the inevitable pressure of the rejectionists.

An American strategy for peace and security pursued by the next administration will therefore need to deal both with the particular threat to stability generated by Syrian bellicosity and the more general danger posed by the escalating arms race.

Dealing with Syria

By virtue of its geostrategic position and military power, Syria is central to the Arab-Israeli conflict. Since 1982, Syria has convincingly demonstrated its capacity to complicate and thwart peace efforts, employing acts of terrorism and political assassination to intimidate Jordan and any interested Palestinians from entering formal negotiations with Israel. In devising a workable plan to promote the peace process, therefore, any U.S. administration will have to take Syria's role into account and develop a strategy to cope with it.

Deterring Damascus

The first requirement of such a strategy is to deter Syria from launching war on Israel. Over the past six years this has been a relatively straightforward task. Israel's devastation of Syria's air force and air defense systems during the 1982 war in Lebanon served as a clear reminder of how far Syria was from its goal of "strategic parity" with Israel. The maintenance of the Israel-Egypt peace treaty ensured that Syria could not count on the support of the largest and militarily most powerful Arab state in another war. The preoccupation of the other Arab states with the Iraq-Iran war, in which Syria sided with Iran against the rest of the Arab world,

helped to ensure that Assad would be left to contemplate fighting Israel without the military support of the Arab states. And finally, the development of strategic cooperation between the U.S. and Israel, including joint exercises observed by Damascus, emphasized to Assad that he could not count on the U.S. to restrain its Israeli ally if Syria went to war.

Nevertheless, Syria has remained determined to achieve "strategic parity" even if this bankrupts the country, and Assad still insists that the conflict with Israel can only be resolved by force. Moreover, several new elements in the strategic picture may alter Syria's calculus. At a minimum they inject a new instability into the Arab-Israeli military balance, which threatens the post-Camp David security arrangements on which American policy in the region have been founded.

Syria is developing a strategic response to Israel's air superiority by deploying large numbers of surface-to-surface ballistic missiles. Syria is also believed to have a serious chemical weapons production capability. Therefore, it will be very difficult to know which Syrian missiles are conventionally armed and which have chemical weapons.

For two years now, the Syrian economy's dire straits and Assad's preoccupation with Lebanon have led to a relaxation of tensions on the Golan Heights. Several Syrian divisions had been mothballed and Assad was having difficulty acquiring Mig-29s and SS-23s from the Soviet Union. However, since the beginning of 1988 the picture has begun to change again. Syria is currently receiving new arms deliveries from the Soviet Union, including more T-72 tanks, more SS-21 surface-to-surface missiles, and new Su-24 swing-wing fighter-bombers. Syria is also engaged in negotiations with China to purchase intermediate-range ballistic missiles to

substitute for the SS-23s that the Soviet Union cannot supply under the terms of the INF Treaty. And the Syrian army is now engaging in new offensive training exercises on the Golan Heights. At a minimum, this renewed activity reflects a continued seriousness of intent on Assad's part; it may reflect something more ominous.

Syria's isolation in the Arab world may be coming to an end as the Iraq-Iran war winds down. Given the huge army that Iraq has already built and the sophisticated arsenal that Saudi Arabia is currently acquiring, any success on Assad's part in building an eastern-front coalition will increase his temptation to go to war. There is also the danger that, as Iraq and Saudi Arabia deploy long-range ballistic missiles capable of striking Israel, Assad may calculate that they will find it impossible to stay out of a war against Israel that Syria starts.

In these circumstances, the next president will need to give priority to an effort to strengthen the factors that deter Syria from going to war.

Strategic cooperation with Israel is vital to this task because it acts as a "force multiplier" for Israel's deterrent. Assad is adept at making calculations about the balance of power. If he sees that the next administration intends to develop the strategic relationship with Israel and that he cannot hope to drive a wedge between these two allies, he will be less likely to go to war. One of the first tasks of the next president should therefore be to send a clear signal that strategic cooperation with Israel will be pursued by his administration.

Similarly, if Assad comes to understand that, in the event of a Syrian attack, the next administration, like its

predecessor, will not allow Israel to be defeated, will not attempt to restrain Israel should it go on the attack, and will oppose Soviet intervention to protect Syria, he will confront the possibility that the war could end with a devastating Syrian defeat rather than a superpower-imposed stalemate. This message will need to be conveyed clearly and directly to Assad himself as well as to his Soviet patron.

Helping Israel develop an ATBM (anti-tactical ballistic missile) defense will also bolster deterrence by providing one answer to the proliferation of surface-to-surface ballistic missiles in Arab countries. Once the system is deployed, Israel will have less need to preempt a Syrian attack for fear of the devastating consequences for its civilian population and the disruptive effect on its ability to respond quickly. Knowing that Israel could not be crippled in a first strike, other Arab countries will also have a better excuse for staying out of the war.

The prospect of fighting a powerful Israel without the coordinated participation of other Arab armies has been an important factor in encouraging Assad's caution. With the Iraq-Iran war over and the Middle East in flux, however, Assad's calculus may change as opportunities arise to end Syria's isolation. The most important development would be a rapprochement with Iraq which enabled Assad to put together an eastern front war coalition.

The end of the Gulf war leaves Iraq with 50 battle-hardened and mobile divisions as well as a formidable arsenal of sophisticated weapons, some of which are capable of reaching Israel from Iraqi territory. Even a contribution of five divisions to a war with Israel could make a significant difference to the military balance. For the time being, however, it seems likely that Iraq will be preoccupied with the continuing struggle for

power with Iran, the need to focus on postwar reconstruction and the settling of scores with Syria (for its alliance with Iran during the war).

Nevertheless, alliances can shift rapidly in the Arab world and Iraq's rejectionist attitude toward Israel could well come to the fore again. Therefore, it will be important for the next administration to discourage any new Iraqi adventurism, encourage its focus on internal reconstruction and make clear that the maintenance of the U.S.-Iraqi relationship established during the war will be predicated in part on a continued evolution of a moderate attitude toward Israel.

Similarly, the maintenance of the Egypt-Israel treaty will remain a vital factor in deterring Syria from pursuing the war option. Egypt still possesses one of the largest and most powerful armies in the Arab world, now completing its conversion from obsolete Soviet equipment to the most modern conventional equipment in the American arsenal. A mere mobilization of the Egyptian army in the context of a Syrian attack on Israel would require the IDF to devote a substantial part of its forces to the Egyptian front, reducing considerably the power of an Israeli counter-attack on the Syrian army.

Preserving and bolstering the Egypt-Israel peace treaty should therefore remain a priority of the next administration. It not only helps deter Syria, it also serves as the cornerstone of stability in the region and an example to the Arabs of the kind of relationship that we would like to see them develop with Israel.

Finally, through regional talks with the Soviet Union, the next administration has an opportunity to make clear to Moscow the risks to superpower relations of any new war in the Middle East precipitated by its Syrian client. If the success of Gorbachev's restructuring

efforts require a tranquil international environment, the Soviet Union should be receptive to our urging that it continue warning Syria of the dangers of war. This could generate some doubt in Assad's mind about the reliability of Soviet support in the event of hostilities. We should also urge Moscow to limit the transfer of sophisticated offensive weapons to Syria.

Controlling the Middle East Arms Race

Beyond these measures designed to deter Syria, the next administration should also give a high priority to efforts to slow the Middle East arms race and reduce misunderstandings between potential belligerents. This has become a matter of urgency because of the introduction of two new destabilizing elements into the Middle East military balance: surface-to-surface ballistic missiles and chemical warfare capabilities.

Surface-to-surface missiles have been present in the arsenals of many Middle Eastern armies for some time. But their increased numbers, range, payload and accuracy now threaten to destabilize the balance particularly by significantly increasing the rewards for a surprise first strike. Their use in large quantities by both Iraq and Iran in their "war of the cities" demonstrated the devastating impact these missiles can have when used against civilian populations. Indeed, they have been credited as a significant factor in Iran's decision to sue for peace.

Ten countries in the Middle East now possess these ballistic missiles and five of them (Egypt, Iran, Iraq, Israel and Libya) have ambitious development programs. Syria, Saudi Arabia and Iraq all possess missiles capable of reaching Israel. And both Iraq and Syria have acquired chemical warfare capabilities and

are believed to have developed chemical warheads for their missiles. Moreover, the fact that Iraq has been able to use chemical weapons with impunity against Iran and its own Kurdish population has sent the signal that such unconventional forms of warfare are now acceptable in the Middle East.

If Arab states are able to acquire large numbers of increasingly accurate missiles with more destructive payloads, including chemical warheads, the impact on the Arab-Israeli military balance will be particularly destabilizing. Most of Israel's strategic targets as well as its centers of population are concentrated in a small area. Israel is particularly sensitive to civilian casualties and its citizens' army is dependent on a mobilization system that can be disrupted by missile attacks on civilian areas and prepositioning sites. And as the missiles become more accurate and capable of carrying more destructive power they will become effective against hardened military targets such as Israel's air bases.

In these circumstances, the rewards for a surprise attack on Israel are growing and the costs of absorbing an attack are becoming unacceptable. Israel's incentive to preempt an expected Arab attack is therefore rising with every new acquisition of such weapons by Syria and other Arab states that still consider themselves to be at war with Israel. Slowly, but surely, the Arab-Israeli conflict is moving back to a hair-trigger environment.

The first priority for the next administration, in this regard, is to try to slow both the acquisition of ballistic missiles by Middle Eastern states and their access to missile technology that would increase accuracy and payload. The United States and the West Europeans have already established the Missile Technology Control Regime (MTCR) and Secretary of State Shultz has undertaken preliminary discussions with the Soviet

Union and China. For the regime to be effective, the next administration will need to pursue these discussions with vigor, seeking to enlist the participation of both Moscow and Beijing. North Korea, Argentina and Brazil are also active in the Middle East missile market and pressure will have to be brought to bear on them once the larger powers have been recruited.

Recognizing that such efforts will be, at best, only partially successful, it will also be important for the next administration to try to foster some tacit understandings between Israel, Saudi Arabia and Iraq that could help stabilize the military environment. The aim should be to develop some discrete arrangements concerning patterns of deployment, levels of readiness, nature of warheads, command and control systems and means for communicating in a crisis.

If Saudi Arabia and Iraq acquired these weapons to defend against an Iranian threat, they should be amenable to some of these understandings. However, they remain in a state of war with Israel and wary of each other. All three countries will therefore be distrustful and sensitive about sharing information. Nevertheless, the task of developing a stable system of deterrence in the Middle East is crucial to American interests, and there may be a community of interest among the local parties in avoiding an unwanted conflict with devastating potential for their civilian populations.

Finally, the next administration should actively seek to mobilize international opinion against the use of unconventional warfare in the Middle East. International pressure should be brought to bear on Iraq to end its use of chemical weapons and we should make it clear that bilateral relations will suffer unless it does so. At the moment in the Middle East, the perceived

benefits of using chemical weapons far outweigh the costs. The United States needs to take the lead in changing this calculus. At a minimum, the next president should speak out publicly and forcefully on this issue.

By strengthening Israel's deterrent, bolstering the forces of moderation in the Arab world and stabilizing the military balance, the next administration should be able to help prevent Syria from leading the Arab world back to war with Israel. Bringing Syria into the peace camp, however, is another matter entirely.

Syria and the Peace Process

Damascus has an odd role in the peace process, for its day-to-day presence tends to be so minimal that many observers forget it even has an interest in the matter. The fact is, however, that Syria presents, ideologically and militarily, the single greatest obstacle to a peaceful conclusion of the Arab-Israeli conflict.

An argument is frequently made that past Syrian opposition to a political solution of the Arab-Israeli conflict was motivated by the failure of U.S. policy to include Syria and, in effect, show sufficient deference to the notion that Damascus is the key to a settlement. According to this line of thought, if Washington's peace efforts had focused on a serious dialogue with Damascus over its legitimate interests in the Golan Heights, Lebanon and the West Bank and Gaza, Syria would have become far more compliant in regional diplomacy.

We do not accept this argument. Syrian intransigence is the product of the core political, ideological and regional interests and aspirations of the

Assad regime rather than of any shortcomings in U.S. policy. So long as anti-Zionism and the hegemonic claims to "Greater Syria" remain central sources of domestic and regional legitimacy for his regime, peace on terms even remotely acceptable to Israel and the U.S. will not be on Assad's agenda.

This does not mean that Syria has no interest in talking to the United States. On the contrary, precisely because Assad is seeking to be recognized as the arbiter of the Arab-Israeli conflict and a regional power, he will welcome a new American negotiator to Damascus. The image of the American superpower consulting with him is essential to his purposes. However, we should not confuse Assad's desire to be consulted with a desire to be accommodating to American interests. Rather, Syria under Assad is likely to remain steadfastly opposed to any U.S.-mediated peace process that falls short of Assad's maximalist requirements.

Syrian opposition to an Arab-Israeli peace should never be underestimated; it is a central impediment to a negotiating breakthrough. Syria's rejectionism is not likely to be overcome in the near future, especially not by an effort to convene an international conference at which Syria would be able to exercise its veto.

Instead, Syria's veto power will first have to be circumvented and then eventually blunted by the building of a peace coalition capable of resisting Syrian efforts to undermine it. Such a strategy dovetails with the two-stage process suggested earlier, which seeks to promote a limited political dialogue between Israel and the Palestinians in the territories as a prelude to negotiations. This process would probably generate less Syrian resistance than a high-level attempt to get a formal peace process underway because the implementation of confidence-building measures in the

West Bank and Gaza does not require any major concessions to Israel on questions of final status and does not pose a challenge to Syrian national interests (as Assad defines them) in the same way that a direct negotiation between Israel, Jordan and the Palestinians could.

Moreover, Syria's incentives to avoid interfering in this process during its initial stages and America's ability to constrain Damascus from doing so, may both have increased as the result of several recent developments:

- The Syrian economy is in poor shape and in need of Western assistance.
- Syria's efforts to impose a *pax Syriana* in Lebanon have met considerable difficulties. Especially in its attempts to revise the practical workings of Lebanon's constitution, the Syrians have recently been seeking help from the U.S.
- Strains have emerged in the Soviet-Syrian relationship resulting from Soviet leader Gorbachev's apparent unwillingness to subscribe to the Syrian goal of military parity with Israel, his support for a negotiated settlement of the Arab-Israeli conflict, and his desire to improve relations with Israel, Egypt and other moderate Arab states, not to mention the U.S. In response to this shift in Soviet policy, which is causing concern in Damascus, Syria is seeking to improve its ties with Western Europe and the United States.

Each of these factors represents a useful, though not conclusive, point of leverage for the U.S. on Syria. Consequently, while the next president should maintain a healthy cynicism about Syrian motives, evidence of a

Syrian desire to improve relations with the United States should be tested and reciprocated when and as appropriate.

We should maintain a dialogue with Damascus and be prepared to respond to Syrian feelers for closer ties with a list of suggested steps the U.S. would like Damascus to take as evidence of a genuine desire for better relations, including:

- A bona fide Syrian effort to free Western hostages in Lebanon and limit the activity in that country of all factions of the PLO, Hizbollah, and members of Iran's Revolutionary Guard.
- A demonstrated Syrian commitment to ending its support of international terrorism and drug smuggling.
- A Syrian willingness to help stabilize the region's military balance by limiting the introduction of certain modes of warfare and weapons systems, most notably chemical warfare and ballistic missile systems.
- A Syrian acceptance of new "red line" understandings with Israel in southern Lebanon that will reduce the risk of war and help stabilize Lebanon.
- Syrian support for a realistic process of political reform in Lebanon that gives the Lebanese a modicum of independence.

Syria should not be ignored. Washington and Damascus may be able to engage in a productive dialogue in certain areas of their bilateral relationship. At the same time, however, the next president should be

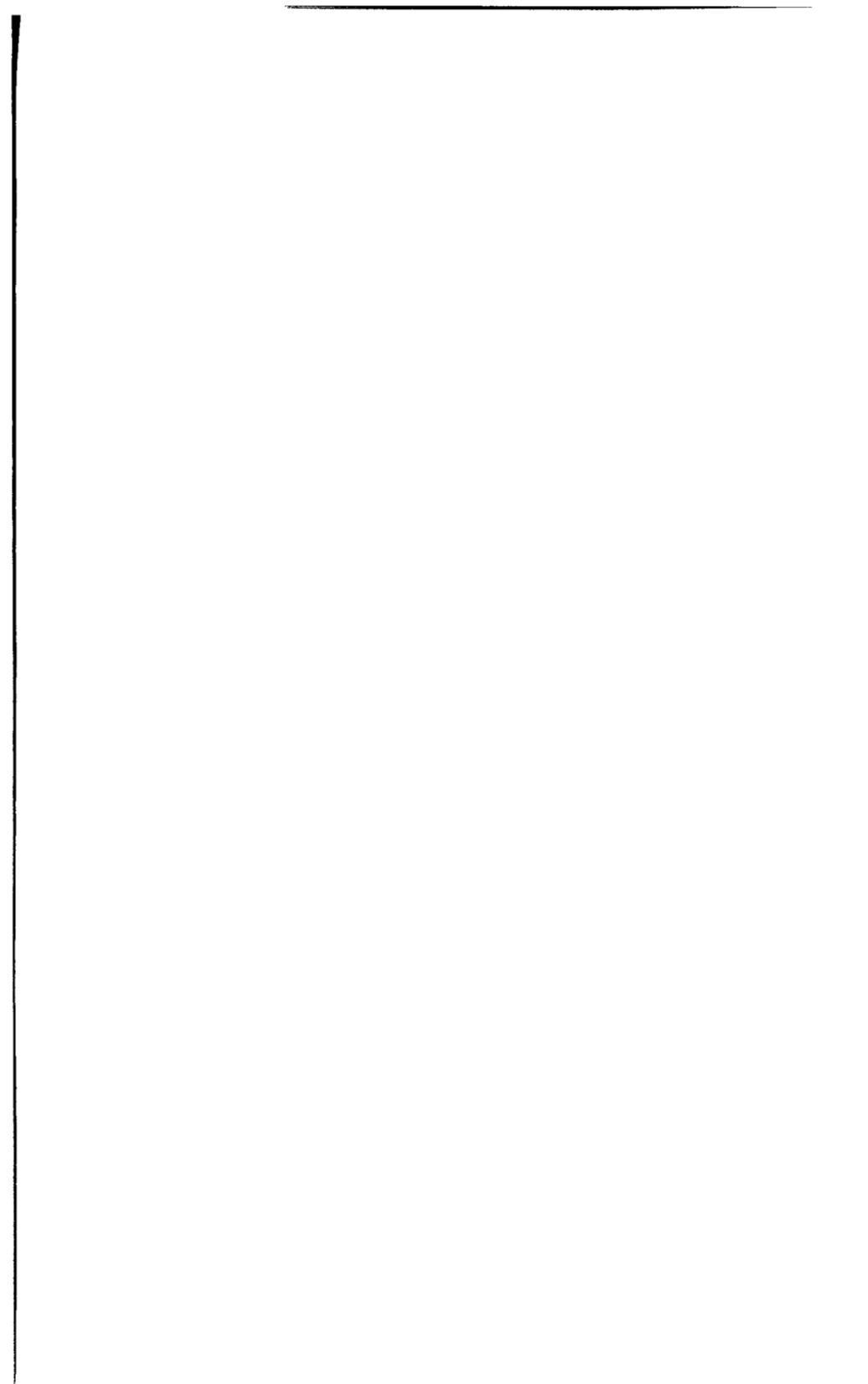
under no illusion that the potential points of U.S. leverage, either individually or in combination, or a marginal improvement in U.S.-Syrian bilateral relations resulting from a curtailment in Syrian-sponsored terrorism, will produce a fundamental shift in Syrian policy toward the broader issue of negotiating peace with Israel. Historically, economics has had very little bearing on the strategic aims of the Assad regime, the problems in Lebanon have been containable, and Soviet influence on Syria has had strict limits – on matters pertaining to Arab-Israeli peace, Syria has been quite autonomous.

Accordingly, the next administration should still expect that any attempt to move the peace process beyond the first stage of limited transitional steps to a formal negotiation will encounter a concerted and formidable Syrian attempt to undermine it or retain a veto over it. Rather than pin hopes on a fundamental change in Hafiz al-Assad's policy, it makes more sense to assume steady Syrian opposition to formal peace negotiations as long as he remains in power.

This will leave the U.S. with only one option when it decides that the circumstances are ripe for moving into formal negotiations: to craft an Arab-Israeli negotiating process that can withstand even Assad's most determined opposition. This in turn will require a wide understanding between the superpowers, Israel, Jordan, Egypt and, if possible, Iraq and Saudi Arabia. Otherwise, Jordan and the Palestinians will be exposed to Assad's formidable arsenal of terror, intimidation and coercion.

The problem with this effort to overcome Assad's opposition lies in the sheer improbability of getting so wide an agreement on an Arab-Israeli resolution. But unless Assad departs the scene and his successors are diverted by an internal struggle for power, or he suffers

a serious military blow as a result of his own miscalculations, there is no other viable alternative. If the next administration succeeds in laying the groundwork for a formal negotiation, it must then make sure that the support for that negotiation is sufficient to outweigh Syrian opposition. Otherwise, Syria will destroy any agreement that emerges – as happened with the U.S.-sponsored May 1983 accord between Lebanon and Israel. Syrian opposition makes a final settlement that much more difficult to attain; indeed, it may be impossible for the immediate future. Still, it is better to recognize the Syrian obstacle in advance than learn about it the hard way.



DEALING WITH MOSCOW

Under the leadership of Mikhail Gorbachev, the USSR has embarked upon a period of unprecedented and rapid change. The orthodoxies of the past are under constant challenge and with them many of the long-held Western assumptions about Soviet international behavior. Significant change in Soviet foreign policy has been slower in coming than in domestic policy, but is nonetheless evident. The shift in Soviet positions that helped produce the signing of an INF agreement, the withdrawal of Soviet forces from Afghanistan, and the decision to enter discussions on resolving conflicts in Angola and Cambodia, have rightly set in motion some rethinking about Soviet methods and purposes in the world.

Throughout the Middle East, Soviet diplomacy under Gorbachev has become more flexible and active. From establishing and improving relations with moderate Arab regimes to opening a political dialogue with Israel to maintaining relations with both Iraq and Iran, Moscow seems determined to heighten its profile and assert its claim to a central role in the region.

Prospects for a Constructive Soviet Role

Does this new style in Soviet diplomacy herald a new willingness to contribute to a negotiated settlement of the Arab-Israeli conflict, specifically by pressing their radical allies, Syria and the PLO, to adopt a more moderate attitude toward a compromise settlement with

Israel? There are some reasons for believing that the USSR now has a real interest in such a role:

- Soviet interest in Middle East stability may have been heightened by the immediate priorities of the Gorbachev regime: a tranquil international environment and secure political and economic relations with the West that will assist Moscow in the formidable task of reforming its economy. An Arab-Israeli crisis, with its potential for triggering an unwanted confrontation with the United States, would threaten these priorities. Conversely, a constructive Soviet role in the peace process would improve Moscow's standing in the West, enhancing the opportunities for trade, credits and technology transfer.
- Under Gorbachev, regional conflicts – including the Arab-Israeli conflict – may be viewed as too dangerous and costly to exploit for unilateral political advantage. Cognizant of the difficulty of controlling their independent-minded clients, concerned about the possible nuclearization of the conflict and fearful of a direct confrontation with the U.S., the Soviets may now regard a political settlement of the Arab-Israeli conflict as part of the larger process of reducing the risk of war.
- A longstanding goal of Soviet policy in the Middle East has been to achieve the status of co-equal with the United States in regional diplomacy. Were the Soviet Union to adopt a constructive approach that brought it this status, Gorbachev could claim a much-needed foreign policy success, breaking the monopoly America has held on the Arab-Israeli peace process since 1973; and it would enhance Moscow's international prestige as a

superpower that must be reckoned with on critical issues of world politics.

- Soviet leaders now apparently see themselves as better able to play a constructive role in the peace process because they have greater confidence in the durability of their relationships with their regional clients. Specifically, under Gorbachev, the Soviets seem to have made a general judgment that they can afford to be more assertive with their clients; Moscow is now more willing to take issue with Syria and the PLO when their policies work at cross-purposes with Soviet interests. This new confidence has been evident in recent meetings Gorbachev has had with both Assad and Arafat, in which he urged them both to take more accommodating positions toward Israel.

Given these factors, the next administration should not exclude the possibility of a dramatic shift in Soviet policy on the Arab-Israeli conflict, comparable to those that have already taken place on INF and Afghanistan. Such a shift would change the political dynamics of the Arab-Israeli conflict and, under the right circumstances, could increase the opportunities for an eventual negotiating breakthrough. With Gorbachev pursuing a radical reform program at home and an ambitious East-West diplomacy abroad, it would be imprudent to rule out such a possibility.

The Case for a Cautious Approach

However, the next president has good reason to remain skeptical about the likelihood of effectively coopting the Soviet Union into a negotiating process that promises considerable advantage to America and its allies, but unclear benefits to the USSR and its friends.

For a number of reasons, the U.S. should proceed cautiously in dealing with the Soviets on the Arab-Israeli conflict:

- Soviet incentives for reaching an Arab-Israeli settlement acceptable to the U.S. and Israel are relatively low. In contrast to Afghanistan, Moscow bears few costs in maintaining its present position on the final terms of a Middle East political settlement. Indeed, the Soviet position on peace negotiations has the backing of virtually the entire international community; can we expect the Soviets to press their Arab clients for a settlement more favorable to Israel and the United States than that advocated by the West Europeans?
- There are strict limits to how far Gorbachev's new-found sense of confidence can go when it comes to dealing with the Syrians. Damascus is a client of strategic importance to the Soviets, by virtue of the influence it gives them in the Middle East heartland, the access to facilities on the littoral of the eastern Mediterranean (including construction of what could be a full-fledged naval/submarine base at Tartus), their cumulative political and economic investment in the country, and the lack of other allies in the region. Moscow's willingness and ability to confront and prevail over an intransigent Syria on the question of peace with Israel is doubtful. Indeed, Syria's continuing influence over Soviet policy is evident in the extreme caution with which the Soviets have approached restoration of ties to Israel and in their willingness to supply Syria with new offensive weapons notwithstanding their declarations that the conflict cannot be resolved militarily. A new-found confidence in telling Assad that he should accept the reality of Israel and negotiate a peaceful

solution is not likely to be matched by an equal willingness to pressure him to do so.

- The prospects for Gorbachev himself and the entire reform process in the Soviet Union remain uncertain. A conservative opposition exists. Part of it is ultra-nationalist and anti-Semitic and would hardly support a moderate policy in the Middle East.

- Gorbachev's agenda is already full: attempting to implement radical economic and political reforms; dealing with a nationalities problem at home and instability in Eastern Europe; making striking concessions on arms control and withdrawing from Afghanistan – and all this in one of the world's most conservative societies. He will remain vulnerable to attack by conservatives on any one of these issues. Even if he remains General Secretary, he may find it too risky to pursue a dramatic new course toward the Arab-Israeli conflict; he may even be forced to accommodate his critics by following a much tougher foreign policy and asserting Soviet power in ways contrary to American interests.

All these points suggest that the United States should not expect significant Soviet help in resolving the Arab-Israeli conflict anytime soon. To date, the changes in Moscow's behavior in the Middle East still do not clearly demonstrate a commitment to peace. While political contacts with Israel have been increased, the Soviets have stopped well short of reestablishing full diplomatic relations, insisting that this step can only be taken after an international peace conference is convened. Gorbachev has been willing to talk bluntly with Syria and the PLO about the necessity for a political solution to the Arab-Israeli conflict, but at the same time has taken

steps to strengthen their ability to block a settlement, sponsoring PLO reunification, urging Syrian-PLO rapprochement and supporting a continued Syrian military buildup.

On the procedural arrangements at an international conference, Soviet positions continue to fall short of U.S. conditions. Admittedly, there have been hints from Moscow of flexibility: occasional suggestions that PLO representation at a conference can be dealt with within the framework of a joint Jordanian-Palestinian delegation, and an acceptance of the concept of separate bilateral negotiating committees and the need for interim arrangements of some sort. At the same time, however, Soviet officials, including on occasion the General Secretary himself, have insisted on PLO participation in a conference "on an equal footing"; a conference plenary that enjoys "effective" or "plenipotentiary" powers and an ongoing role; and a final settlement in which Israel withdraws completely from the territories and an independent Palestinian state is established. Soviet policies for the most part are still aimed at improving Moscow's position in the region, rather than facilitating a realistic path toward peace.

This ambivalence in Soviet behavior suggests that the next administration should remain skeptical but open to claims of a Soviet desire to resolve the Arab-Israeli conflict. A Soviet role should not be ruled out *a priori*, but American conditions for Soviet involvement in the peace process need to be defined and adhered to. Such conditions can help test and determine whether the new Soviet willingness to be constructive in the *process* of peacemaking is merely a tactical shift or rather part of a more fundamental change in the Soviet approach to the region.

On matters of substance, changes in Soviet behavior in the following areas would be evidence of a genuine commitment to conciliation:

- Restraining Syria by restricting the supply of advanced Soviet weapons, which increases instability and increases the prospects for a Syrian war with Israel, and by continuing to emphasize that the Soviet Union does not support an effort to resolve the conflict by military means.
- Demonstrating Soviet support for Israel's security by reestablishing full diplomatic relations, by allowing for the possibility of territorial compromise rather than a return to the '67 borders, and by making a clear commitment to the continued survival and security of the state of Israel. A continued relaxation of controls on emigration of Soviet Jews would also constitute a signal of Soviet good will toward the Jewish state.
- Demonstrable and consistent efforts to moderate the positions of Syria and the PLO toward peace with Israel.
- Changing Soviet voting behavior in the United Nations, where it currently supports the Arab radicals on all issues against Israel. Such a change would send an important signal to the entire non-aligned world that reflexive hostility toward Israel is obsolete.

The Soviet Union and an International Conference

On matters of procedure, the Soviet Union has already made considerable headway in gaining the support of the Arab world and much of the international

community for its preferred mechanism for achieving an Arab-Israeli settlement -- the international conference. The next administration should expect the Soviets to continue pushing for such a forum; indeed, it should not be surprised if Moscow launches a "new" Middle East peace initiative that centers on the conference. But precisely because the convening of a conference would grant the Soviet Union the status of a co-equal with the United States in Arab-Israeli diplomacy, it would be a mistake to agree to it without clear evidence of a Soviet willingness to play a constructive role not only at the conference but before it convenes.

Even in those circumstances, an international conference holds little advantage for the United States. It is currently opposed by half the Israeli government out of concern that it will become a tribunal of hostile states sitting in judgement on Israel's vital security concerns. The United States may be able to secure some agreement in advance that the international conference will be confined to a ceremonial role.

However, once the conference is convened it will be extremely difficult for the U.S. to restrict its role given the preferences of the Soviet Union, the Arabs, the Europeans and the Chinese, who will all be present. The United States would then find itself in the unwelcome position of having to choose between walking out alongside Israel -- thereby leaving the Soviet Union as the champion of the Arab cause -- or ganging up on Israel, thereby engaging in a bidding contest with the Soviet Union for Arab approval.

Moreover, once the conference became a negotiating forum, Syria and the PLO would gain effective veto power over any meaningful negotiation between Israel, Jordan and the Palestinians. American influence would

be minimized, the Soviet Union would make unilateral gains, and the negotiations would quickly deadlock, undermining those on both sides who seek a negotiated solution.

In short, unless the conference is confined to the role of an umbrella for direct negotiations, it will not be a conducive environment for a negotiated solution. And the only way to ensure that it will remain an umbrella is to reach understandings on substance between the local parties before the conference ever convenes.

The next president will almost certainly come under pressure to agree to an international conference. It is demanded by Jordan and Egypt, the Labor party in Israel is prepared to attend, and the international community supports it. However, the willingness of the Reagan Administration to consider it was based on its desire to involve Jordan in the peace process. Now that Jordan has declined this role, the incentive for the U.S. to countenance the conference has been greatly reduced. To expend the energy of the next administration on the conference's procedural complexities when the local parties are not yet ready to make peace is to waste time, effort and political capital.

What is needed, therefore, is a response to the international pressure which puts the onus on those parties – especially the Soviet Union – that believe the international conference is a feasible method for resolving the conflict. The next administration should make clear that it sees no particular need for the conference and that it is up to them to accept our conditions for such a conference before we would consider it:

- Direct negotiations to take place in bilateral committees, free from the interference of the plenary.
- A conference plenary that cannot impose solutions, pass judgment on, or veto the results of the bilateral negotiations.

- Bilateral negotiations to be based on UN Resolutions 242 and 338 and to focus first on transitional arrangements and only subsequently, following the implementation of those arrangements, on final status issues.

- The bilateral negotiations to include Israel, Jordan and Palestinians willing to renounce terror and accept Israel's right to exist.

These conditions should be acceptable to parties genuinely committed to a negotiated settlement. Indeed, they constitute a good test of intentions. In the case of the Soviet Union, however, it may well prove impossible to square a ceremonial international conference that secures U.S. and Israeli interests with a role for Moscow that it finds commensurate with its interests and ambitions. This, however, would simply be another reason that formal negotiations will not be possible in the near term.

Even with a more forthcoming Soviet position, movement toward a final settlement of the Arab-Israeli conflict could not proceed without the necessary change in attitudes on the part of the principal local parties. It would be a fundamental mistake to assume that after agreement between the superpowers on procedural issues the two could impose their will on the local parties. Imposed solutions are unfeasible and, from the U.S. viewpoint, undesirable. The local parties can resist

efforts to dictate to them on matters that are vital to them but marginal to their superpower patrons.

Thus, while the next president should be prepared to restate America's willingness to consider an international opening to direct negotiations if it is needed, and should challenge Moscow, in private discussions and public statements, to meet U.S. conditions for such negotiations, he should avoid getting bogged down in discussions with the Soviets over the procedural complexities of a conference. That will not raise Soviet incentives to change their behavior and give real content to their "new thinking." It will only serve to perpetuate traditional Soviet attitudes toward the region and encourage them to believe that they have already achieved the status of co-equal without moderating their substantive positions.

Our main efforts should continue to be focused in the region, working with the local parties to develop a political framework from which formal negotiations can result. If we can achieve that, and in the process develop a commitment to a peaceful solution on the part of Israel, the Palestinians and Jordan, the format for negotiations will become less significant and the procedural hurdles will be surmountable. Moreover, the Soviets will have far more incentive to be constructive if the U.S. succeeds by itself in producing some real political movement on the ground. *We are more likely to see a constructive Soviet role in circumstances where we have already secured some progress, than if we are seeking their support to make a peace process workable in the first place.*

Moreover, better opportunities for superpower cooperation may exist in the areas of conflict management and arms control. There is a mounting danger of another Arab-Israeli war. The next administration should therefore continue a dialogue

with the Soviets on means of averting a war between Syria and Israel.

Another area of mutual concern for both superpowers that offers chances for increased cooperation is the proliferation of intermediate-range ballistic missiles and chemical weapons. Both Washington and Moscow have expressed concern over the spread of destabilizing surface-to-surface missiles to a growing number of Middle Eastern countries – missiles that are also capable of striking the southern Soviet Union. With the INF treaty in force, the U.S. and Soviet Union are well positioned to lead an international effort to limit both the proliferation of these weapons and the technology needed to produce and upgrade them; such an effort must, however, be consistent with preserving Israel's security. Moscow has already agreed to discuss these issues in expert-level talks. How serious they are in assessing the problem and working with the United States to pressure other countries – notably China, North Korea, Brazil, Argentina and the West Europeans – to restrict supplies to the region will provide an important test of Soviet motivations in the Middle East.

Working with the Soviet Union on efforts to stabilize the military balance and reduce the threat of another Arab-Israeli war should not be seen as a substitute for the peace process but rather as a complement to it. It should not only serve the interests of both superpowers, it will also help to create an environment which strengthens the forces of moderation and raises the disincentives for war – which are the basic prerequisites for a successful peace process.

IMPLEMENTING POLICY

The local parties in the Middle East and the international community will be looking to the next president to take the lead in Middle East diplomacy. If he fails to do so because the prospects for a negotiating breakthrough look bleak, he will inevitably find himself reacting to less welcome initiatives taken by others. Yet, if he succumbs to the pressure to launch a new American peace plan, pursue an international conference in cooperation with the Soviet Union, or talk to the PLO, he is likely to record an early failure in his foreign policy with unwelcome consequences at home and abroad.

In short, the next president will need to take the initiative early but, as we have argued, it will need to be a different kind of initiative – one designed to reshape the political environment, stabilize the military balance and provide his administration with the means to resist pressures to pursue a procedural breakthrough until conditions have ripened.

A Special Emissary

Perhaps the best way to deal with this problem is for the president to appoint a special emissary who would be dispatched to the region very early in the administration to consult with the leaders there. Because he will be seen as a symbol of the president's interest in the region, the emissary will need to have direct access to the president, the confidence of the secretary of state,

the support of key domestic constituencies, and be capable of winning the trust of the region's leaders. His instructions will also need to be clearly defined:

- To consult with the newly elected leaders in Israel about the direction they wish to take in the peace process, emphasizing the president's unshakeable commitment to Israel's security, his desire to strengthen strategic cooperation, and his intention to work closely with the new leadership.
- To reaffirm to Egypt and Jordan the new administration's concern for their interests and its desire to strengthen bilateral relations and enhance regional stability.
- To evaluate first hand the attitudes of the principal parties to the Palestinian problem; provide America's assessment of the impediments to negotiations, making clear what the U.S. believes is necessary from the local parties before negotiations can be launched; and articulate our preference for a ripening process that reduces violence, builds trust and prepares the ground for more formal and substantial political bargaining.
- To emphasize America's concern about the trends in the Middle East arms race that threaten to destabilize the military balance, and to begin the sensitive exploratory discussions with key regional actors on ways to limit and manage the problem.

The emissary will need to have a realistic assessment about what can be achieved and avoid creating inappropriate expectations in the region or generating plans for grand solutions once he returns. His task is a modest and quiet one – he is not a "special Middle East negotiator." Administration spokesmen

should make clear that his mission is to consult and report back to the president.

The strategy recommended here requires policy-makers to undertake the unglamorous day-to-day work of trying to reshape attitudes and conditions on the ground rather than the headline-grabbing high-profile negotiations in Geneva. It is not the type of policy that, left to the bureaucracy, will generate a self-sustaining critical mass. Indeed, the president will need to be wary that bureaucratic interests do not thwart his sense of purpose.

Thus, once the initial consultation has been completed the president will need to consider whether the response of the parties justifies the appointment of a more permanent presidential envoy with responsibility for encouraging the ripening process and concerting efforts to control the Middle East arms race.

In previous administrations, the secretary of state or the president have preferred to undertake the task themselves. But that was when a different kind of diplomacy was required. The president and the secretary of state will have too many other priorities demanding their attention. They will find it difficult to sustain the effort and, most important, their involvement will create expectations in the region that are inappropriate in the circumstances. There is a danger that even the appointment of a special envoy will generate such expectations. It is therefore essential that if the president decides to appoint a more permanent envoy, he too be given clear instructions and that these be communicated to the local parties so that they understand that in the initial phase, the United States is looking to them to take the initiative.

Public Diplomacy

We believe that an important aspect of the next administration's effort to move this process forward will be the public component of its diplomacy, especially as it is directed toward the Palestinians in the West Bank and Gaza. An effort must be made to explain America's assessment of the situation in the region and our strategy for moving the peace process forward. During his recent trips to the Middle East, Secretary Shultz's statements laid the groundwork for such an approach, and the next administration should continue this public effort to reshape the attitudes of the local parties.

Final Status Issues

The United States, over successive administrations, has developed a set of guidelines specifying the positions that we will support and oppose once negotiations are underway. These guidelines commit the United States to direct negotiations, an exchange of territory for peace, transitional arrangements to be followed by negotiations on final status, "secure and defensible" borders for Israel, opposition to the creation of an independent Palestinian state, and Jerusalem as a united city with its status in other respects to be determined in the negotiations. These basic positions represent American preferences, not demands, for a final settlement and remain sound. They can be restated when appropriate, but they should not be made the centerpiece of the new strategy. What is needed at this stage is action on the ground, not a new American solution that allows all sides to criticize but requires none of them to take the steps that would make negotiations possible.

Conserving the Domestic Base

Finally, the next administration must be conscious from the beginning that the Arab-Israeli conflict cannot simply be dealt with in a foreign policy vacuum. A skillful strategy must be developed to ensure the support of Congress and key domestic constituencies. Close consultation and a willingness to be sensitive to their concerns will go a long way to ensure their support. Without that support, the next administration will find it impossible to sustain its approach over the long-term.

Conclusion

Making peace in the Middle East is no easy task. The fear, passion, hatred and violence which tend to be the dominant features of regional interaction do not dispose the parties to compromise solutions which seem reasonable enough when developed from afar. The simple and abiding reality is that the United States cannot resolve the Arab-Israeli conflict if the parties in the Middle East are not willing to do so. But the United States can encourage the local parties to address each other's concerns, act as an honest broker and influence the regional military balance so that when the parties are ready, a negotiated solution becomes possible.

The Middle East is in a state of flux. The end of the Iraq-Iran war, the Palestinian uprising, King Hussein's withdrawal, and the escalating arms race are all new factors of profound importance. But their ultimate influence on the calculations and policies of the local actors is yet to be clearly felt or discerned.

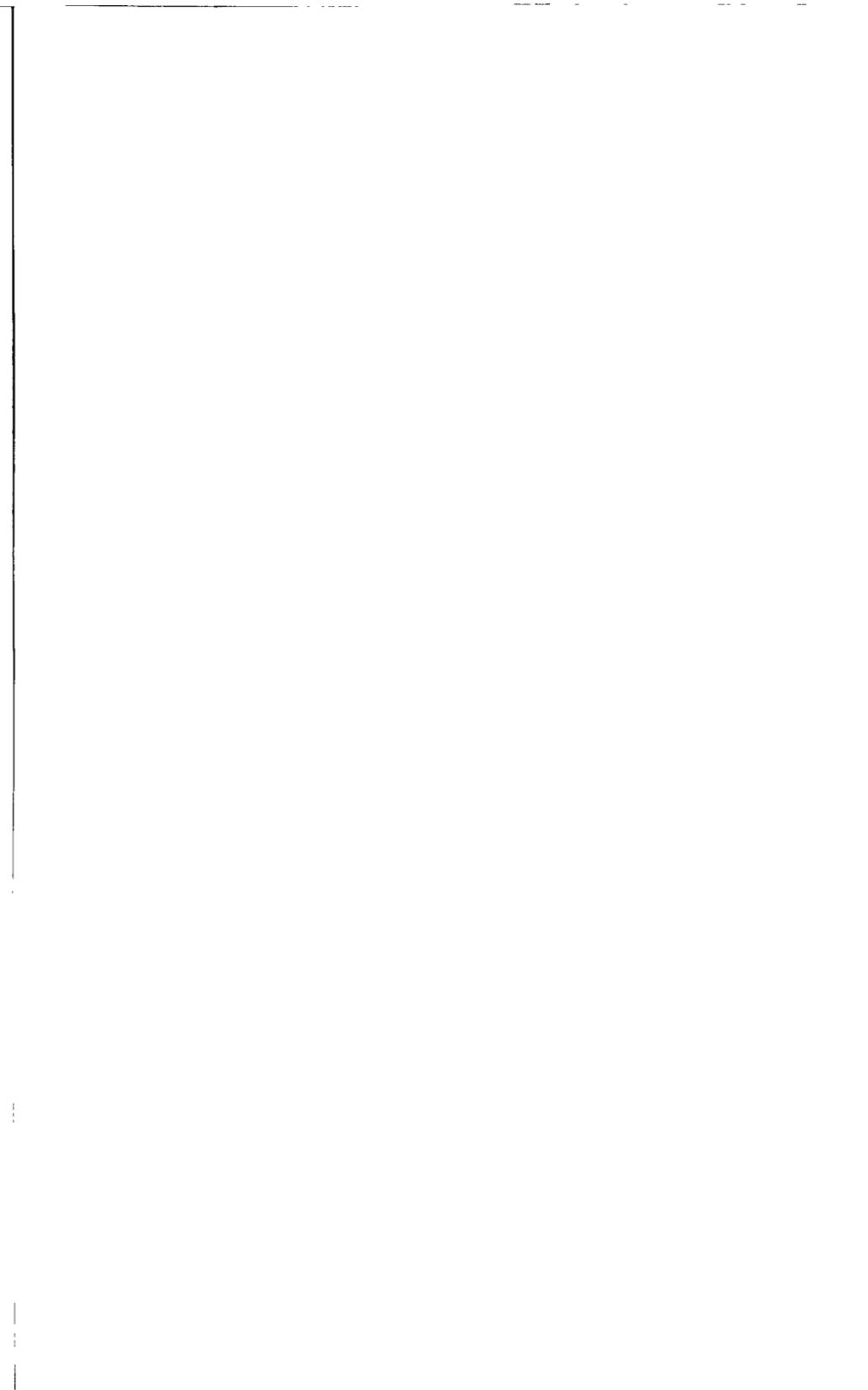
We have tried to map out a route through these uncharted waters for the next administration. It is a route determined by our collective judgement that the

environment is not yet ripe for a breakthrough to negotiations. But we believe that there is still much to be done to encourage the ripening process and lay the groundwork for a compromise solution. It may simply not be in the power of the next president to complete the task of Middle East peacemaking, but neither is he free to desist from pursuing peace.



PART II

U.S. POLICY IN THE PERSIAN GULF



BUILDING STABILITY IN THE GULF

For the past eight years, the Iraq-Iran war has dominated regional affairs. While it raged, America's strategic interests in maintaining access to Gulf oil, limiting Soviet influence and protecting pro-Western Arab states from the threats of Iranian fundamentalism and Iraqi radicalism were all in jeopardy.

With the ostensible end to the war, the threat to these critical U.S. interests has been reduced. And while it may be too early to tally the war's cost to American interests, it is clear that America's position in the Gulf has fared far better than was feared just a few years ago.

First, the dangers posed by the Iraq-Iran conflict and its accompanying tanker war forced the Gulf states to lean more openly and heavily on the U.S. for protection. Quietly, they have increased defense cooperation and accepted a level of direct American military presence hitherto thought impossible.

Second, despite marginal improvements in its diplomatic relations with several of the region's states, the Soviet Union has not been able to exploit the Gulf war to expand significantly its political and military influence in the area.

Third, the feared oil shortage never materialized; there has been no crisis of availability. And the war's end is only likely to result in even greater supplies at lower prices as both belligerents sell as much oil as

possible to finance postwar reconstruction and arms purchases.

Yet, all this should not obscure the fact that the Persian Gulf, an area of critical concern for U.S. and Western interests, is still vulnerable to the dangers of radicalism and instability. Washington should be thankful that the worst did not occur over the past few years, but a sanguine approach to Gulf security concerns now that the war has come to an end may invite further crises in the future. Indeed, the war's end has given rise to a set of problems, challenges and opportunities new and different from those policymakers have faced over the past eight years.

Among the obstacles that could endanger U.S. security interests in the aftermath of the war are:

- An anti-American Iran that, even if it does not threaten the Gulf states, may continue to oppose U.S. influence in the region.
- Internal instability in Iran after Khomeini's death, which might also lead to an increase in Soviet influence.
- A reversion by Iraq to its former radical and pro-Soviet policies, thereby threatening the conservative Gulf Arab states.
- Domestic or regional instability in Saudi Arabia or other Gulf states, fomented by Iran, the USSR, radical nationalists, Islamic fundamentalists, or some combination of these forces.
- A stepped-up regional arms race, that could threaten to re-ignite the Iran-Iraq war and alter the Arab-Israeli military balance.

Thus, the next president will face a situation in the Persian Gulf that is dramatically different from the one which confronted his predecessor. Maintaining U.S. interests in the Gulf will continue to rest on establishing a more durable framework for stability, based on the security of the oil-rich Gulf Arab states, the independence and territorial integrity of Iran, and the emergence of a less radical Iraq. To serve these objectives, U.S. policy should concentrate on six operational goals:

- Leading an international diplomatic and political effort to curb the regional arms race.
- Promoting the stability of the Gulf states and consolidating and expanding defense cooperation with the Gulf Cooperation Council (GCC – Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman).
- Encouraging the emergence of a postwar Iran that is free from Soviet influence, non-aligned and non-threatening to its neighbors.
- Maintaining relations with Iraq conditioned on continued political moderation by Baghdad.
- Containing the expansion of Soviet influence in the region.
- Maintaining the free flow of Gulf oil.

Curbing the Postwar Arms Race

The principal U.S. objective during the last several years of the Iraq-Iran war was to prevent an Iranian victory, the spread of revolutionary, anti-American fundamentalism, and the erosion of the American position in the Gulf. For now, Iran has been denied such a triumph. U.S. interests argue for a peace settlement which can promote its larger aims, not an unstable ceasefire racked by intermittent outbursts of renewed war.

The war's end, however, does not mean that the region's states will necessarily turn their attention to more peaceful pursuits. Even if a negotiated settlement is reached, for years to come, Iraq and Iran will probably dedicate much of their military and political power to countering each other. The Gulf Arab states are likely to feel threatened by both regional powers and will probably seek to balance them off against each other.

Iran, in particular, may seek to rebuild its military through the acquisition of high-technology weapons systems in order to balance the sophisticated arsenal that Iraq acquired to prosecute the war. For its part, Iraq may strive to maintain its military edge. And the GCC states, concerned about the threat that both regional powers can pose to them, can be expected to respond with additional weapons acquisitions. Left unconstrained, the world's arms suppliers – with China, North Korea, Argentina, Brazil and the Europeans leading the way – are likely to compete intensively for this lucrative market.

Thus, an end to the war may well witness a race by the region's states to avoid being the last to deploy the menacing weapons used in the Gulf war.

Another important issue will be the effect of the war's ending on the Arab-Israeli conflict. The Arab

world could reunite around this latter issue, with an Iraqi-Syrian reconciliation posing a major threat on Israel's eastern front. Militating against this danger are the formidable and deep divisions among the various Arab states – particularly Iraq and Syria. Baghdad appears for the moment to be intent on settling scores with Damascus for its support of Tehran during the war. Moreover, the Iraqi Army is likely to be preoccupied with its own eastern front for some time to come.

The worst the U.S. can probably expect from the Gulf Arab governments, for the time being, is stepped up rhetoric over the Palestinian issue, without any related actions that dramatically increase the military threat to Israel. Even this less than satisfactory outcome, however, is not guaranteed and will require careful scrutiny by the next administration. Inter-Arab politics are marked by sudden shifts in alliances and, given the fact that Iraq now has 50 battle-hardened divisions to deploy, the danger of an Arab eastern-front coalition is an abiding reality.

Moreover, the likely escalation in the Persian Gulf arms race will have an impact on the Arab-Israeli military balance as well. Syria will want to match any further Iraqi buildup and Israel will base its requirements on the worst-case assumption that all the Arab states to its east and north will commit forces to a new war coalition. Given the range, sophistication and destructive power of the weapons now being acquired by the states of the Persian Gulf, a renewed arms race there will inevitably add momentum to the arms race between Israel and its Arab neighbors.

There is an urgent need for the next administration to make a special effort to try to bring this escalating arms race under control, particularly the more destabilizing aspects associated with the spread of

ballistic and cruise missiles and missile technologies and the production of chemical weapons. While the Soviet Union has agreed to participate in preliminary discussions on this issue, any successful limit on arms sales will also necessitate a responsible attitude on the part of the Chinese and the West Europeans as well as Third world suppliers. It is a daunting task, requiring high-level attention in Washington.

Recognizing that an effort to restrict arms sales will at best be only partially successful, the U.S. should also attempt to foster some tacit understandings between Israel and those Gulf states – Iraq and Saudi Arabia – that have recently acquired ballistic missile capabilities which could pose a qualitatively new level of threat to Israel. Given its relations with all three states, America should attempt to broker tacit understandings between them that reduce the risks of misjudgment of each other's intentions. Since Israel and these Arab countries are still in a state of war, progress will be difficult. Still, if the weapons were acquired to meet other threats, a community of interest may exist in avoiding unwanted conflict.

Saudi Arabia and Iraq may be interested in such indirect arrangements with Israel in as much as both countries may come to rely more heavily on Israel's good graces for the security of their oil. Riyadh and Baghdad have launched ambitious plans to develop alternative routes for the export of their oil enabling them to avoid the use of the Persian Gulf. These plans depend on secure access to the Red Sea and the eastern Mediterranean where Israel maintains a formidable presence. A community of interest between Iraq, Saudi Arabia and Israel may also exist in this sphere and could be tested by some discrete U.S. diplomacy aimed at developing tacit understandings.

Promoting GCC Stability

With the end of the war and Iran's growing preoccupation with its internal problems, the threat of external attack and Islamic revolution in any GCC country has receded. However, none of the structural dangers to stability have disappeared and, over the long run, these weak, rich states will remain vulnerable to internal subversion or foreign aggression. Their inherent weakness (especially relative to Iran and Iraq) will force them to continue to rely heavily on U.S. support and security assistance.

Given the large reserves of oil which they control and their strategic importance in any American effort to combat a possible Soviet move to the Gulf, the U.S. has a continuing interest in strengthening their capacity to deter foreign attacks, making them more resistant to external pressure and better able to prevent or handle internal uprisings.

Therefore, the U.S. should:

- Maintain an arms supply relationship with Gulf states consistent with their legitimate defense needs and cognizant of the impact such arms sales will have both on efforts to control the arms race and on Israel's security. In this context, the U.S. should be willing to sell weapons to GCC states on the basis of appropriate guarantees concerning deployment, safeguards on sensitive technology, transfer to third parties and non-use against Israel. The Executive Branch should consult closely with Congress to reach agreement – preferably before planned sales become public controversies – on terms to safeguard sensitive technologies and minimize the threat to Israel.

- Build on recent gains in defense cooperation with the GCC. This includes maintaining the presence of AWACS and prepositioned supplies for American use. In continuing to support the efforts of the Gulf states to defend themselves, the next Administration should move to consolidate these access arrangements while these states are preoccupied with external threats.

- Maintain a naval force in the Gulf. Washington should realize that the Gulf Arabs will probably seek to reduce the U.S. presence, the most controversial aspect of American military involvement. But independent of Gulf concerns, the U.S. has an interest in maintaining a military force in the area. Even before the reflagging of Kuwaiti tankers, the U.S. kept a naval presence, whose rationale – defending free navigation and securing Western interests – has not been undermined by the war's end. Accordingly, as relative stability returns to the region, the permanent U.S. naval force should be gradually reduced to a level appropriate for defending these interests.

- Encourage the GCC states' new-found emphasis on their own security concerns and interests in the Gulf. The Arab-Israeli conflict has already become less important in shaping the policies of the Gulf states; U.S. diplomacy should promote this trend.

Arab cooperation in the Gulf is based on the material needs of the GCC and it is reasonable for the United States to seek a *quid pro quo* for the major assistance it provides. Years of experience engenders doubt that the Gulf states will be helpful in resolving the Arab-Israeli conflict. Given the levels of American support, however,

they can at least be expected not to sabotage our diplomatic efforts. Within this context, we should call for the GCC states to:

- Avoid criticizing or undermining U.S. diplomatic initiatives in the Arab-Israeli arena.
- Use whatever leverage they have with the Palestinians to promote a more conciliatory position toward Israel.
- Maintain financial support for Jordan, should that country enter negotiations with Israel.
- Reintegrate Egypt more fully into the Arab world.
- Begin to prepare their own people for eventual peace with Israel by lowering the passion and extremism in their own statements and encouraging a more moderate tone in their media and textbooks.

Over the next decade, the threats to internal stability in the Gulf Arab states are likely to intensify as the challenges of economic recession, provoked by lower oil revenues, clash with the unfulfilled expectations of a generation that sees oil wealth as its birthright. Rising groups (the army, intellectuals, the middle class) may demand more power through reforms or may try to seize power; among the masses, social change may weaken traditional bonds of authority; many may turn to the security provided by Islamic fundamentalism.

It is possible then that the next administration might have to decide within 24 hours how to react to a coup or revolutionary upsurge in the Arabian peninsula.

Responses might include supporting expeditionary forces from other Arab states, aiding one side in a civil war, or providing counterinsurgency help against rebels in a protracted internal conflict. The American response depends on the specific situation but, in most instances, direct intervention would probably be difficult and counterproductive.

Prospects for a U.S.-Iran Rapprochement

Events in Iran and the region over the last decade have not diminished that country's strategic importance, with its oil reserves, long border with the Soviet Union and continued potential to be the dominant power in the Persian Gulf. However, the Islamic fundamentalist regime that took power from the Shah has been fundamentally anti-American both in its ideology and in its efforts to undermine our interests in the region by spreading its revolutionary influence and threatening friendly regimes on the Arab side of the Gulf. In these circumstances, American interests have dictated the containment of the Iranian revolution.

However, during the life of the next administration, the Ayatollah Khomeini will probably die, accelerating important political changes – including possible violent conflict – within Iran. The ensuing crisis could be one of the most critical challenges facing the new president in the Middle East.

Many Iranians, including people with close ties to the Tehran government and emigres representing diverse factions, are likely to seek American support in their struggle for power. It is essential to remember, when assessing these approaches, that factional conflicts within Iran are guided more by personal rivalry than by ideology. Some forces favor more centralization and

nationalization but attitudes on foreign policy are not fixed. Thus, contacts are often motivated by the ambitions of those involved – they want U.S. support to take power.

When weighing its options, the next administration will need to bear in mind that whoever succeeds Khomeini, the strongly entrenched Islamic regime is likely to survive and the Revolutionary Guards are likely to be a more important source of political power (or a potential coup) than is the regular army. It is possible that we may still have to contend with Iran's radicalism, intransigence, and anti-Americanism for some time to come. In these circumstances, the U.S. posture should be one of readiness to deal with anyone in power who meets our conditions for improved relations, rather than making our policy dependent on certain "moderates." The U.S. cannot and should not try to dictate the identity of Iran's future leaders.

The next administration's main objective toward a postwar Iran should be helping to assure that country's independence, territorial integrity and non-belligerence. A better U.S.-Iranian relationship would be useful in achieving this goal, but it is not necessary. While improving ties to Iran is desirable, it must be undertaken with great caution. Tehran has already succeeded in embarrassing two presidents. Closer bilateral ties must depend on a change in Iran's behavior.

Although the U.S. made mistakes in Iran, these actions – and American responsibility for the Shah's regime – are greatly exaggerated by the Islamic government. The fact is that, during the Khomeini era, Iran has been largely responsible for the deteriorating relationship between the two countries. It held American diplomats hostage, attacked the U.S. with

ferocious propaganda, tried to set Gulf Arab states against Washington, and supported terrorism against Americans – including bloody attacks on the U.S. embassy and marines in Lebanon and the kidnapping of two U.S. government officials (one of whom was tortured and murdered).

Iran's use of terrorism and sponsorship of terrorist groups is a frustrating problem. While U.S. policy toward Iran must be based on the primacy of strategic considerations in the Gulf rather than terrorism, Iran must know that the United States will retaliate for anti-American terrorism.

Iranian officials hint that U.S. hostages in Lebanon might be released if the United States turned over to Iran \$550 million in military equipment paid for in advance by the Shah's government. In the postwar environment, it should be possible to reach some settlement that redresses grievances on all sides without making it appear that the U.S. is paying ransom for hostages.

Advancing Relations with Iraq

During the course of the war, Iraqi foreign policy exhibited elements of moderation that the U.S. has an interest in encouraging – improved relations with pro-Western Arab states including Egypt, better relations with the West, less reliance on the Soviet Union, and reduced support for international terrorism and Arab radicalism. In the postwar environment, a more moderate Iraq could be a positive factor for promoting regional stability, acting as a bulwark to shield the Gulf states from Iranian ambitions and possibly making a marginal contribution toward a solution of the Arab-Israeli dispute.

Washington has an interest in maintaining an active dialogue with Baghdad to ensure that these trends continue. At the same time, our willingness to build closer ties is constrained by the still distasteful policies of the Saddam Hussein regime, most notably (though not exclusively) the use of chemical weapons on civilian populations. Iraq must understand that relations with the U.S. are dependent on its pursuit of a more moderate foreign policy, abandonment of its use of chemical weapons, and continued distancing from its former pro-Soviet, pro-terrorist positions.

Containing Soviet Influence

Limiting Soviet influence in the Gulf has been an abiding concern of the U.S. Although the Gulf is close to the Soviet Union's borders, Moscow has had little significant presence in the region, which has remained a Western sphere of influence throughout much of the 20th century. This can partly be attributed to the antipathy of the conservative Gulf Arab states toward communism, heightened by the Soviet invasion of Afghanistan. Indeed, the Soviet role in the Gulf has been so modest that its mere establishment of diplomatic relations with the UAE and Oman in 1986 and Qatar in 1988 were considered breakthroughs.

Iraq has been the only real Soviet client in the Gulf sub-region but relations turned increasingly sour during the war. Baghdad complained about insufficient Soviet help, banned the Iraqi Communist Party, criticized the Soviet invasion of Afghanistan and turned more and more to the West for weapons and goods. The war made Iraq financially dependent on the GCC and eager to improve relations with Washington.

While the Iranian revolution cost the U.S. its most important client in the Gulf, Moscow's relations with Tehran have not benefited significantly as a result. There have been marginal improvements in relations but, on the whole, Moscow has found Khomeini's regime almost as hard to deal with as did the West. Revolutionary Iran's leaders have taken non-alignment seriously, hate communism, and resent Moscow's policy toward Afghanistan and Iraq. Khomeini suppressed Iran's communist party and made its imprisoned leaders hostage to Moscow's good behavior.

Nevertheless, the U.S. must be wary of Moscow's continuing efforts to increase its influence in Iran, especially if the post-Khomeini transition period is accompanied by a marked increase in instability. The effectiveness of Gorbachev's "new thinking" in advancing Soviet interests should not be underestimated. Like the U.S., the Soviet Union faced a bind during the Iraq-Iran war: if it appeared to cultivate Iran too much, it lost ground in the Arab world which supported Iraq; on the other hand, siding too openly with Iraq threatened chances of cultivating Iran. Unlike Washington, however, Moscow was at least able to maintain relationships with both Iraq and Iran throughout the war.

Despite some limited successes, however, Moscow's ability to expand significantly its influence in Iran is constrained. The Soviets currently lack the motive to invade Iran, particularly given their chastening experience in Afghanistan. Northern Iran's terrain is rugged, the Iranian population would be hostile, and by the terms of the Carter Doctrine, such an attack would bring a direct military confrontation with the United States. As to other means of influence, postwar Iran's primary need will be economic reconstruction, an area that plays to the strengths of the United States and its

West European and Japanese allies, not the Soviet Union. Despite some growth then, Soviet influence in Iran will probably remain modest. Iran is not likely to become a Soviet client. The Soviets have more reason to fear Iran's return to a pro-U.S. orientation than to hope for their influence to become predominant there.

The one contingency that will bear careful watching is a period of prolonged instability in Iran following Khomeini's death. The U.S. must carefully watch Soviet attempts to take advantage of the turmoil by intervening in support of one of the factions vying for power. In the ongoing regional talks with the Soviet Union, the next administration should stress the grave consequences for superpower relations of any Soviet attempt, overt or covert in nature, to intervene in Iran during a succession crisis. Moscow should be assured of our intention to exercise similar restraint.

U.S.-Soviet cooperation in the Gulf is constrained, despite certain parallel interests in limiting Islamic fundamentalism and the regional arms race. As in the Arab-Israeli arena, competition for influence rather than cooperation tends to dominate the Soviet approach to the Gulf. Throughout the Iraq-Iran war, Soviet behavior was oriented toward the goal of reducing Washington's presence in the region. For a year, Moscow refused to support sanctions against Iran to pressure it to accept UN Resolution 598, preferring instead to gain credit in Tehran for Soviet stalling tactics. Moscow sought to increase its fleet presence in the Gulf by offering to protect Kuwaiti tankers and to reduce the American naval presence by supporting the idea of an UN-sponsored fleet.

In the postwar environment of a continued struggle for power among the regional actors, Moscow can be expected to continue to compete for influence as

opportunities inevitably arise for unilateral gains and as it acts out of fear that we will succeed in rebuilding our position of influence in Iran.

Nevertheless, Moscow may share our interest in controlling the arms race in the Gulf, partly for fear of the consequences for superpower relations of another Middle East conflict and partly out of concern that the surface-to-surface missiles being acquired by the Gulf powers are capable of reaching the Soviet Union. Continuing the regional and arms control discussions with Soviet officials is probably the most effective way of testing their willingness to cooperate; they also provide a useful forum for communicating our interests in postwar stability and avoiding any misunderstandings about America's resolve to defend its interests in the region.

Maintaining Access to Gulf Oil

Maintaining the flow of oil from the Gulf and preventing any Soviet control over it are extremely important U.S. interests but ones that have not – appearances to the contrary – been in immediate danger during the closing stages of the war. The Gulf tanker war had no lasting effect on the international petroleum market and did not reduce Gulf oil exports. There was still plenty of petroleum for the world's needs – the Gulf provides about 55 percent of Japan's and 30 percent of Western Europe's imported oil – with both belligerents trying to export as much as possible in difficult circumstances. The Organization of Petroleum Exporting Countries (OPEC) found it difficult to limit production and maintain prices. In short, despite intense warfare and constant attacks on oil tankers in the Gulf, the conflict created no crisis in the availability of Gulf oil.

The way the war has ended – essentially a return to the *status quo ante* – is likely to result in increased supplies of oil from both Iraq and Iran, further driving down prices, at least in the near term. Both Iran and Iraq will now seek to expand oil exports to generate much-needed revenue for reconstruction. This could add 1-2 million barrels of oil per day to world markets within a year. This will probably make it more difficult in the short term for OPEC to sustain even the current relatively low price, at a time when it is already pumping a million barrels a day above world needs and when Western stocks are at high levels.

Barring some unforeseen internal upheaval or renewed fighting between Iraq and Iran, the next administration will enter office in circumstances not experienced since the early 1970s: a glut in the oil market, low oil prices, and a low level of threat to oil supplies emanating from the Gulf.

Managing the Tensions in U.S. Policy

To develop a postwar Persian Gulf policy that follows these broad guidelines demands the recognition and management of some inherent tensions in U.S. interests:

- We must oppose Iranian ambitions against Iraq and the GCC. But Iran, which has a long border with the Soviet Union, remains the region's most important state and we have an interest in rebuilding relations with it, rather than driving it toward the Soviet Union.
- We need to provide security assistance to the GCC, but close ties with those states are constrained by the strict limits they place on cooperation with

us, their reluctance to back U.S. efforts to settle the Arab-Israeli conflict and, in these circumstances, the problems such military assistance can generate for Israel's security.

- While the GCC states and Iraq must feel secure against Iranian aggression, their acquisition of ballistic missiles and Iraq's use of chemical weapons threaten to destabilize the military balance and must be opposed by Washington.
- A necessary coincidence of interests produced close U.S. cooperation with Iraq's dictatorship, which, until the outbreak of the war, presented the greatest threat to the GCC states and is still feared by them. Iraq has sponsored terrorism, used chemical weapons against its own citizens, and maintains close ties with the Soviet Union. Still, in the course of the war, Iraq moderated some of the objectionable features of its earlier policies. We have an interest in seeing this continue but are constrained in offering encouragement by the remaining unsavory aspects of the Iraqi regime's policies.
- Given the intensity of their antagonism and rivalry, maintaining relations with Iraq while improving relations with Iran will require a delicate balancing act.
- Given the undercurrents of Arab nationalism and Islamic fundamentalism in the Arabian peninsula – both of which express themselves in anti-American forms – an excessive U.S. presence could subvert, rather than reinforce, Gulf stability.
- The United States needs Soviet cooperation to achieve some of its goals in the region, especially

controlling weapons proliferation, but also seeks to contain the expansion of Soviet political and military influence.

These tensions are not easily managed and it will be no simple matter to develop a policy for the postwar era in the Persian Gulf that remains coherent in the face of such a tug-of-war. The preceding analysis and policy prescriptions should provide a clear set of priorities and a strategy for securing American interests in dealing with the contingencies that may arise.

Conclusions

With the end of the Iraq-Iran war, the Persian Gulf stands on the threshold of a new era – one that contains both challenges and opportunities for the next administration. The overall strategic objective is clear: the building of a postwar framework of stability in a region that has been wracked by revolution, war and terrorism. Yet the tripolar nature of the regional balance of power (between Iraq, Iran and the Gulf Arabs), the possibility of political upheaval in Iran, the proximity of the Soviet Union and America's vital strategic interest in Gulf oil, combine to make the pursuit of a coherent policy particularly difficult. Tensions will inevitably be generated from the pursuit of objectives which are consistent with U.S. interests but conflict with the particular concerns of the other players. These tensions cannot be resolved as long as the struggle for power continues in the region. But they can be understood and managed effectively.

To create a framework of stability it will be necessary for the next administration to reinforce GCC security, consistent with U.S. interests and the local regimes' willingness to cooperate in defending

themselves; to try to rebuild U.S.-Iran relations, with the goal of assuring Iranian independence and integrity; and to improve cooperation with Iraq on bilateral and regional issues, both to moderate Iraq and to restrain Iran.

The next administration – in conjunction with the USSR and its allies – will need to make an important priority out of efforts to limit arms sales to the Gulf, particularly chemical weapons and missiles. But unless the Chinese and West Europeans participate – and the Soviets pressure North Korea and Vietnam to do so – such controls will be ineffective.

The next president will need to maintain the American presence in the region through security cooperation with the Gulf Arab states and a permanent naval presence at an appropriate level. U.S. involvement in the region should be quiet and low-key.

To limit U.S.-Soviet competition for influence that could lead to a confrontation, the United States should refrain from intervention in the internal developments following Khomeini's death and call on Moscow to do the same. If the Soviets do intervene, it will most likely be through covert help to one side in the civil strife. This will serve as a major test of Gorbachev's intentions and foreign policy.

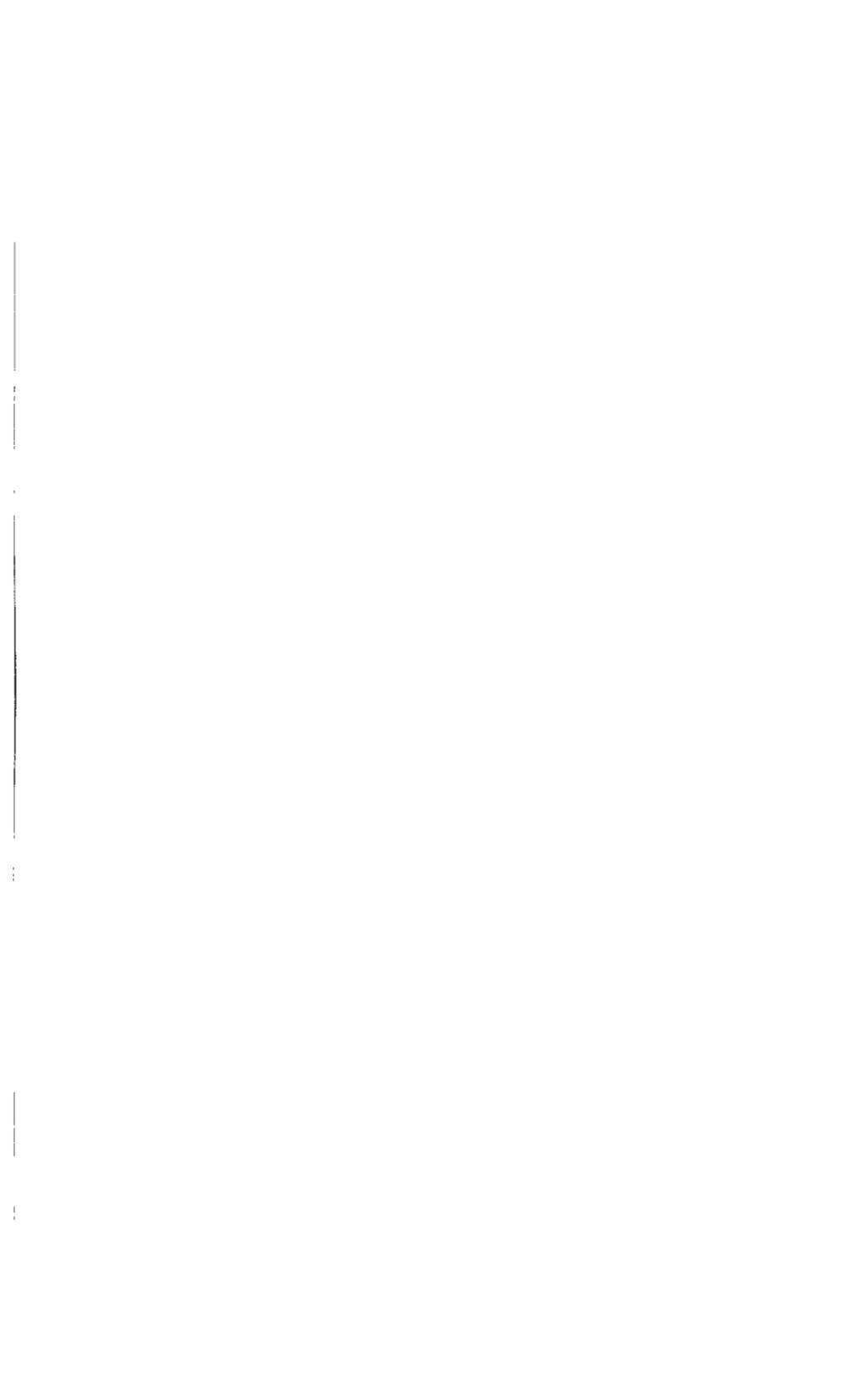
While the Soviets exaggerate the likelihood that a pro-U.S. Iran will emerge, if neither superpower intervenes the situation does favor the United States: Iran fears the neighboring Soviets, the local Marxists are weak, and – most important – Iran will depend on U.S. allies, including Western Europe, Japan, Turkey, Israel and Pakistan, as suppliers of technology and investment for reconstruction and as customers for its oil.

The United States should try to maintain the best possible relations with Iraq and Iran, without abandoning one for the other. Iraq will check a radical Iran and can support Jordan and Egypt in the Arab-Israeli peace process. We should work to ensure that Iraq does not return to its radical, hegemony-seeking role that might heighten both Gulf and Arab-Israeli tensions. Iraq's need for help in reconstruction and the support of the Gulf Arab states will make such an effort more feasible.

The task for U.S. policy in the Gulf, then, is difficult but by no means impossible. American interests in the region are substantial and, with skillful diplomacy and a willingness to use strength where necessary, they can be secured, building in the process a more lasting framework of stability to replace the years of war and revolution.



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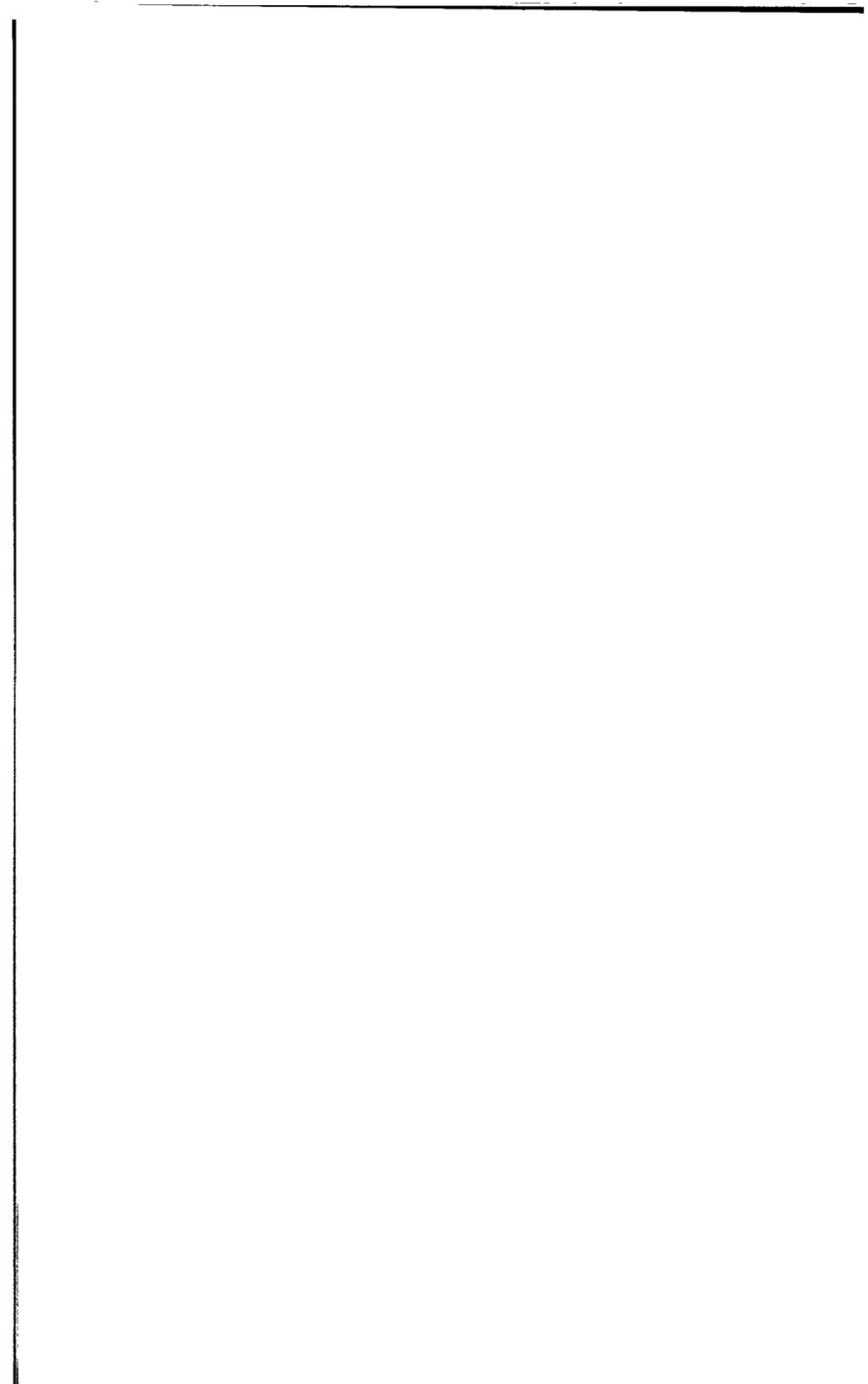
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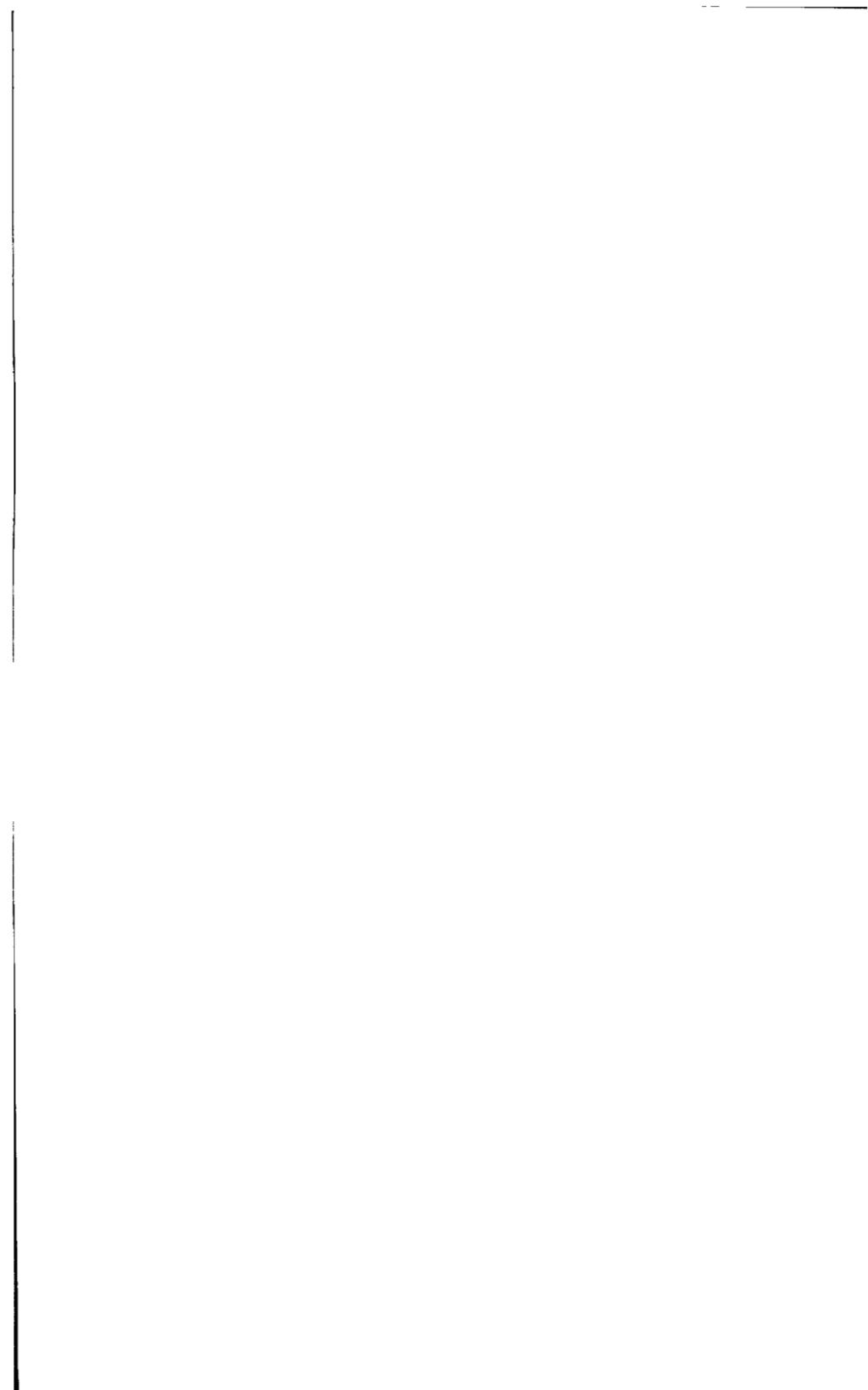
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