

DIPLOMACY OF ACCOMMODATION: CHANGES IN THE MIDDLE EAST

AN INTERVIEW WITH IBRAHIM ABD AL-KARIM.

His Excellency Ibrahim Abd Al-Karim is minister of finance and the national economy of Bahrain and has held various positions in the World Bank. He was interviewed at the Fletcher School of Law and Diplomacy on 5 October 1988 by Glenn Grow, executive editor of the Fletcher Forum of World Affairs. The interview focused on change in political and economic diplomacy in the Middle East, and the two questions below are a summary of the round of questions in the interview. Involved in Middle East affairs for nearly two decades, H.E. Abd Al-Karim offers a first-hand look at the Arab-Israeli conflict, superpower diplomacy in the Persian/Arabian Gulf, and the effect of oil-based financing in an era of peace.

FORUM: The changes underway in the Persian/Arabian Gulf region continue to command the attention of the world. In your experience, are these changes indicative of a deeper change in the nature of diplomacy in the area?

H.E. ABD AL-KARIM: Absolutely. Let me address the political side of the question first. What I see about the 1980s is that diplomacy has taken on a looser style than was the case in the 1960s and 1970s. I think that many diplomats and leaders in the world realize that the essence of diplomacy is not outsmarting or upstaging one another, but rather striking compromises. We have begun to ask ourselves, "What is the common background? What is the common foundation on which we can discuss our differences?" This is what is happening in the Middle East.

Events in the Soviet Union might illustrate this trend. Their old policies did not work, either politically or economically. Issues are not always black and white; it was not the case that, as they said, they were the "good ones" and everybody outside the so-called Iron Curtain was the "bad ones." I think that Gorbachev's policies indicate a more accommodative attitude, affecting not only Western Europe but also Soviet relationships with a lot of Arab countries. For the first time, the Russians are not trying to influence Iraq or the Gulf Cooperation Council (GCC) countries. In fact, a lot of countries have opened diplomatic relations with the Soviet Union. Bahrain does not have diplomatic relations as yet, but our doors are open for the Soviets. They come and talk to us, saying, "We don't want to interfere with you. We have no hidden agenda. You speak for yourself." In the past, we were the "bad ones." We were allies with the Americans and Western Europe. It is no longer like that. Pragmatism on the part of the Russians is helping the development of this new diplomacy.

An example exists closer to home. Bahrain is next to two neighbors that have been at war for the last eight years. The Gulf countries were about to be dragged into that war because they feared that the Iranians would interfere with their internal politics. Perhaps the greater concern was that whatever happened to the Iranians, who are like people living in one block of flats next door to us, would eventually happen to us. Rather than be drawn into any sort of hostilities with the Iranians, we decided to address the Iranians through the United Nations. The thrust of GCC policy was always to soften the tone

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of the Iraqis. We think we were successful at this. It is true that the Iranians were having a lot of problems. It is true that the Iranians were trying to, as they say, export their Islamic revolution outside their borders. In the end, however, they appreciated what we did. Even with what happened in Mecca, Saudi Arabia at the Grand Mosque, Saudi Arabia did not become engaged in a direct war with Iran because that would have changed the balance of things in the Middle East. The GCC therefore was always a sort of lubricant between Iraq and Iran because it kept all doors open. That is the diplomatic role that we played.

Now that the war is over, many people argue whether there is a need for a GCC. We always say that the GCC was not a reaction to the war; the GCC is a need stemming from the cohesive origins of the six countries in the area: Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates, and Oman. That cohesion has always been there. We have a lot of similarities and we have had a lot of cooperation. The GCC will continue as a forum for such cooperation.

Furthermore, the problem of the Iran-Iraq conflict is not behind us. Whether there is peace or not, there is a long way to go. There has been a redrawing of international boundaries, and peace is going to take a long time. We hope once the peoples of Iran and Iraq are used to the process of peace, it will be difficult for the leaders to bring them back to war. As far as the Gulf area is concerned, we think that the ending of the conflict will bring a lot of confidence for peace generally.

Let me address a Middle East problem which has never resolved itself. It is a very controversial subject and I want to talk about it in detail. It is the Arab-Israeli war. The resolution of conflict all over the world has not included this ancient war. Look at Kampuchea, where the war is coming to a solution,

or the Western Sahara war, where there is some accommodation and compromise. In Iran and Iraq we have a cease-fire, the Soviets are withdrawing from Afghanistan, and there are talks about the independence of Namibia. The Arab-Israeli issue is the only conflict still on the table and heading the agenda of the big powers. So what is the diplomatic issue in the region? There are fanatics on both sides, and the GCC did not want to influence the Palestinian factions in one way or another. The worst thing we can do for the Palestinians is to influence them to go one way or to have one faction of them working for us as GCC puppets.

The best thing for the Palestinians — clever people who have learned their lessons over the last forty years — is to say exactly what they want to do. Over the last forty years the Arab countries have spoken on behalf of the Palestinians. Now for the first time the Palestinians are talking for themselves. We encourage this. If the Israelis talk for themselves, not through the Americans, and the Palestinians talk for themselves, not through the Arabs, we may hope for a solution to this problem.

The Palestinians continue to look to the GCC for support. We are very influential because at the summit meetings of the Arab countries, we provide a moderating influence to the lobbying by the Libyans, Algerians or the Syrians. We all have to let them be. Neither Hafiz al-Assad nor Muammar al-Qaddafi nor any of our people should talk for the Palestinians. The Palestinians themselves should talk.

On a final note, I must tell you about the third thing in the Arab world which affects us directly: the Western Sahara movement for independence and relations with Algeria and Morocco. The GCC and Saudi Arabia and Kuwait were very active in trying to solve the turmoil there.

FORUM: Turning to the economic aspects of Middle East affairs, would you comment on the effect of oil-based financing on diplomacy in the Gulf region?

H.E. ABD AL-KARIM: Of course we cannot address this issue without discussing OPEC and the fall in oil prices, which I believe will continue. In the Middle East there is what we call the policy of "biting fingers." This is going on between the Saudis and some of the other countries, because some of the others did not adhere strictly to their quotas. If this were the case for the Saudis and the Kuwaitis, they could go on flooding the market because they have cash reserves which they can count on to cover their government deficits. The other countries cannot go on like that. Perhaps if we come back to some sort of stabilization by the end of the year, prices will go back to \$13 to \$15 per barrel — the prevailing price during the first part of this year. Things may get much worse than that, but I do not think anyone will burn his own fingers because even the non-OPEC members are prepared to cooperate with OPEC cuts. They gave a gesture of a 5 percent drop in their collective production. They may be keen to go over that.

The need for diversification, also, has never been more apparent and bears directly on the issue of diplomacy. In my country, for instance, we have made

a concerted effort to diversify the economy. Banking now accounts for over 16 percent of the gross national product (GNP), industry for more than 20 percent, and trade for another 20 percent, in addition to other services. The economy is now very diversified. We have been very successful in diversifying industries, but we have not been very, *very* successful.

Sixty-five percent of government revenues are sourced from oil because we do not have taxation. We could introduce taxation. Some people wonder what would happen if Saudi Arabia were to run short of oil. They would just go to taxation. They have 14 million people, and Sweden has 8 million people,

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yet they are developing and doing very well as an industrial power. The country could easily adjust. Because we do not want to discourage people from investing, however, our tax-free policy might go on for a long time. We have to adjust and we are adjusting. I joined the government of Bahrain in 1970 and became director of economic affairs in 1971. Then, oil accounted for something like 90 percent of revenue. Then it came down to about 75 percent; now it is about 60 percent. We have begun diversifying our revenue base. While the economy has diversified, the revenue base of the government, still, is mainly dependent on oil.

Let me come to the issue of Third World debt. I do not see signs that it can be repaid. I think that some countries will be able to accommodate some sort of adjustment program without destroying the entire international credit system by saying, "We are not going to pay, and go to hell." But the sub-Saharan African countries, for instance, are a different kettle of fish altogether. Loans due there should be written off because, given the drought, the famine, and the floods, they are not in a repayment position. But other countries, I think, have built up some sort of industrial base, and they could adapt to some sort of adjustment policy.

Again, we must take a collective, accommodative approach to this issue. Some advocate the idea that Africa and Asia are for the British and the French. They colonized these countries who now have nothing. Asia is for the Japanese because of their atrocities and brutality in Korea, China, and Singapore. If that attitude prevails we will get nowhere. But that attitude is disappearing. Debt is a global concern.

I think that even the Eastern Europeans realize this. Slowly they are adjusting. Once they adjust politically, they will adjust economically. As you know, over the last four or five years, we saw Romania, Hungary, and then

Poland join the International Monetary Fund (IMF). Even the Russians are interested in the IMF. For the first time they sent people to see if the IMF might be a good vehicle to help them. The two Bretton Woods institutions, the IMF and the World Bank, were created at a time when Europe needed reconstruction. The Marshall Plan was put in place for this kind of reconstruction. These two institutions were originally designed to help the Third World, but there was no real Third World in those days because the number of independent countries was very few; the UN members were mainly Western European. Now there are 160 member countries, mainly Third World countries, which number more than 115. As a result, the role of the two institutions has changed.

The Soviet Union has been skeptical about the role of the IMF and the World Bank since their inception, considering them to be vehicles for the Americans to spread their capitalist system. They used to say, in effect, "We have different points of view on economics and we are interested in promoting our own ways. The distribution of wealth, based in socialism, should arise not from taxes and other forms of revenue, but from some sort of central authority or the state itself."

Now Third World debt is coming into perspective as we talk about the role of the IMF and the World Bank. We cannot solve the debt problems without proper diplomacy, without international cooperation.

The economic aspect of the Iran-Iraq conflict sheds light on this issue as well. The reliance on oil revenues to finance the war resulted in the loss of an estimated \$450 billion, counting both material and revenue losses. This sum is much more than what the countries earned throughout the last four or five decades. Ironically, they could have developed the whole area for decades to come.

The bombardment of tankers, of course, has something to do with diplomacy. The Americans were not very enthusiastic about reflagging the Kuwaiti ships. When the Kuwaitis approached the Russians, the Russians were interested in the Kuwaiti ships. The Americans said, "No, this is an area that has traditionally been linked to us and therefore we want to be ahead of the Russians." The situation required a lot of diplomacy.

The main issue that has influenced the Middle East economically, as well as politically, socially, and every other way is the Palestinian problem. When that problem is over, I think we can take off and develop ourselves in a natural state.

The negative side of the Palestinian problem is that the countries surrounding Israel have to spend a large portion of their budget, sometimes as much as two-thirds, on the military. This is a waste, but the infrastructure is so backward that they have no choice.

On the political side, because of the Palestinian problem, because of the factions within the PLO, and the factions within Arab countries, there is a lot of struggle among us about whose is the Arab voice, about who is who, and about who belongs to whom. That problem is over and we can now speak

with pride as one people having common interests. What the Middle East desperately needs is peace. After forty years, there needs to be an end to the war between the Arabs and Israelis.

The Arabs are prepared, and, even though there are many factions, the Palestinians are prepared. It is time for our Israeli neighbors to accommodate this and to find out for themselves, once and for all, that because they were dispersed all over the world for two thousand years does not mean it is fair that they disperse the Palestinians for the next 2,000 years. This is all I can say. Israel claims that it should have a national land but the Palestinians, who have lived there for 5,000 years, cannot have the same right and identity. A human being without an identity is not a human being. He will always be in a state of despair. He will get careless about what is happening to him because he has nothing to rely on. But a human being with an identity is proud of himself. Let us not deprive the Palestinians of the pride they have in themselves and in their peace.

I think there are good Israeli elements which are promoting these same ideas. There are even some people in the foreign office of the Israeli government that have said something like this. That is a good step. Diplomacy here and in the region generally is taking a new shape. The hostility and aggression of the past is receding in favor of a new spirit of accommodation and compromise. If these diplomatic trends continue, we have hope.