

Iran's new Gulf friends

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A curious event took place in the Gulf as the new National Intelligence Estimate appeared in Washington, undermining the Bush administration's threats and angry rhetoric by revealing that Iran had suspended its nuclear weapons program back in 2003.

The arch-demon of President Bush's rhetoric, Iran's President Mahmoud Ahmedinejad, was sitting politely in a conference room with the Arab leaders of the Gulf Cooperation Council. He was all sweetness and light and neighborly good manners, offering a regional security pact and a 12-point cooperation plan, including free trade and joint investments in oil and gas.

Ahmedinejad was so courteous that the GCC leaders hailed his "gestures of goodwill." Qatar's Prime Minister Skeikh Hamad al Thani, whose emirate hosted the summit, said, "If Iran was serious in its positive intentions, we can develop our relations for the sake of regional stability."

"We have to collaborate with all our neighbors and not be dragged into (following) foreign strategies. Iran also serves its interests by taking the hand of those countries that extend a friendly hand to it," al Thani went on.

GCC general secretary Abdul Rahman al Attiyah stressed the Gulf states' "special and strong ties with the United States, but those ties will not stop us having good relations with Iran." He said the Gulf states signed up to the assertion that Iran's nuclear program was "peaceful, as we understand from our Iranian brothers."

This is not to say that everything has changed in Iran's relations with its Arab neighbors across the Gulf. The leaders of the Gulf states are pro-Western Sunni, though Bahrain has a Shiite majority, and there are sizeable Shiite minorities in Kuwait, Saudi Arabia and elsewhere. In addition to the religious tension between Sunnis and Shiites, which has been intensified by the Iraq war and the Sunni-Shiite killings, the Iranians are Persians, a proud and ancient civilization and a distinct culture from the Arabs.

There are also long-standing border disputes over islands (and this means over oil and gas rights) in the Gulf. And Iran's revolutionary regime has long scorned the pro-Western sheiks as pampered heirs of outdated feudalism, their regimes ripe for revolution. The Saudis firmly believe that Iran has played a shadowy role in some of the terrorist attacks in their kingdom, notably in the 1996 Khobar Towers bombing that killed 19 U.S. troops. Former U.S. FBI Director Louis Freeh is on record blaming Iran for the attack, though other U.S. officials believe that it was an early al-Qaida mission.

Given this background, the GCC states' decision to invite Iran's firebrand president represented an important shift in their policy. The summit also coincided with their fears about the decline of the U.S. dollar, which is putting intense inflationary strain on their own currencies which are closely linked to the dollar. Much of the Arab media has analyzed the setbacks in Iraq and the dollar's fall as clear symbols of a historic decline in American power and influence, heralding (in the words of Lebanon's Daily Star) "the end of America's moment in the Middle East."

Even if the Gulf state leaders fear that this may be true, they do not want to believe it. They have effectively committed themselves not just to the American alliance, but also to the West and its free-market capitalist system. With their global banks and marinas and fast-food chains and shopping malls, Dubai and Abu Dhabi look like Miami with camels and minarets.

So at the same time as the GCC leaders committed themselves to launching their common market, they also agreed to take no action that might hurt the dollar further and refused even to discuss the prospect that they might drop the peg linking their currencies to the dollar and move to a basket of currencies that would include the euro. One of their number, Kuwait, has already dropped the dollar peg and the United Arab Emirates (which include Dubai and Abu Dhabi) are under pressure to do so.

The GCC was founded in 1981 as a Saudi initiative and includes Saudi Arabia, Qatar, Bahrain, Oman, Kuwait and the United Arab Emirates. It has been a loose security and economic grouping, but the new common market agreement will make it a far more important body.

"The Gulf Common Market aims to create one market," said the official communiqué. "Its goals would be to "raise production efficiency and optimum usage of available resources and improving the GCC's negotiating position among international economic forums."

GCC Secretary-General Abdul Rahman Al-Attiyah called the decision to create the common market "a historic declaration — we want to have equal opportunities for all GCC citizens."

These include the right for all GCC citizens to work in all government and private institutions anywhere in the GCC, to buy and sell real estate and make other investments, move freely between the countries, and receive education and health benefits, the communiqué said. (It took the European Union 40 years to agree this sweeping right for its citizens to live and work anywhere in the EU.)

The total economic output (or gross domestic product) of the GCC states this year will be less than \$1,000 billion, which makes them a rather smaller economy than Russia, but in term of cash flow and investing power, the GCC states are a superpower. Abu Dhabi alone runs an investment fund worth \$850 billion, and a survey this year by the A T Kearney consultancy reckoned that the total investment capability of the bloc was over \$4,000 billion. That is roughly the equivalent to the combined GDP of Germany and France. It is also more than double the available investment funds of China.

No wonder Ahmedinejad was on his best behavior as he addressed the GCC summit. But also, given the recent blows to U.S. prestige and to the dollar, no wonder that the GCC countries thought it wise to hedge their bets a little by inviting the Iranian leader, whether or not the less-than-reliable U.S. intelligence system is right to claim that Tehran has

suspended its nuclear weapons program.

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