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## **IRAN AND REGIONAL SECURITY DYNAMICS IN THE MIDDLE EAST: TRENDS AND PROSPECTS**

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For some time now, observers of the international relations of the Middle East have tried to decipher emerging security dynamics in the region in the aftermath of the US invasion and occupation of Iraq. Clearly, the Iraq war has thrown into confusion and uncertainty many of the existing assumptions about the region's security architecture and its international relations. That much is agreed upon. What scholars and observers disagree over is the precise nature of emerging trends that are likely to shape regional alliance and conflicts in the coming years and decades.

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This article seeks to map out those existing and emerging security trends that are likely to shape regional dynamics and international relations in the Middle East in the coming years and assesses what they mean for Iran's position in the region. There are, the article claims, two broad, relatively easily discernible, on-going trends whose outcomes and impacts for the larger Middle East can be determined with some certainty. The first trend is continued American military presence in—if not necessarily commensurately high levels of diplomatic focus on—the Middle East. Despite much-publicized withdrawals of US troops from Iran in December 2011, American military presence in the Middle East is likely to continue for some time. The United States has maintained a hegemonic military presence in the region since the early 1990s, and is likely to continue to do so for the foreseeable future. A second trend is the continued qualitative shift in the nature of power that has determined regional alignments and postures over the last decade or so. Specifically, due to changes in international political economy, the states of the Gulf Cooperation Council, both collectively and individually, are acquiring far more confidence to actively take part in regional and global politics.

The consequences of these general trends are relatively easy to discern: a continuation of the American security umbrella, albeit with slight modifications; and the emergence of a new regional power centers—namely the Gulf Cooperation Council states of Qatar and the United Arab Emirates—that rely on a qualitatively new form of power than that heretofore prevalent in the region. This new form of power may be called “subtle power”. At the same time, there are a number of other region-wide developments afoot whose outcomes are far more difficult to determine. These question marks revolve around what some scholars have called “the crescent of crisis”, namely the arch

that begins in the east with Pakistan and extends through Afghanistan, Iran, and Iraq, and finally ends at Syria, Lebanon, and Israel/Palestine.<sup>(1)</sup> These question marks also fall into three categories. They include doubts about the viability of a number of Middle Eastern states, or states neighboring the Middle East and therefore consequential for the region, most notably the Pakistani, Afghan, Iraqi, and Lebanese states; the outcome of the continued tensions between Iran and the United States; and the outcome of the Israeli-Palestinian conflict.

An uninterrupted continuation of these trends, the article maintains, is likely to lead to an erosion of Iranian power and stature in the Middle East at large and in the Persian Gulf in particular. United States military forces, the article argues, are unlikely to withdrawal from the region any time soon, despite having ended their occupation of Iraq in 2011. At the same time, although traditional diplomatic and military powerhouses such as Egypt and Syria have been weakened because of domestic turmoil, most of the states of the Gulf Cooperation Council have found the space, and the resources, to make their presence felt both regionally and globally. Within this context, in the coming decade Iran's comparative regional power can be eroded by a combination of continued US military hegemony in the Persian Gulf and the steady economic and political ascent of countries such as Saudi Arabia, Qatar, and the United Arab Emirates. Preventing such a possibility would require re-orienting Iran's present foreign policy profile and its pursuit of alternative, and complementary, forms of power.

## THE UNITED STATES AND THE MIDDLE EAST

One of the constants in Middle Eastern diplomacy, both in the past and for the foreseeable future, is the active and substantial involvement of the United States throughout the region in various forms. Historically, beginning in the earliest days of the Cold War and especially after the British withdrawal from the Persian Gulf in 1971, US foreign policy objectives toward the Middle East have been guided by three primary objectives: guaranteeing the safety and security of the state of Israel; ensuring an uninterrupted flow of oil from the Persian Gulf region into the West; and containing existing or potential threats to American security and its international interests.<sup>(2)</sup> Throughout, the various foreign policy doctrines guiding US policy toward the Middle East have been driven by balance-of-power considerations that are informed by “realist” and neo-realist foreign policy precepts.<sup>(3)</sup> This realism found its most blunt manifestation in the Eisenhower, Nixon, and Reagan Doctrines insofar as they applied to the Middle East, and even the Carter Doctrine’s emphasis on human rights did not fundamentally alter careful American attention to balance of power relations in the region.<sup>(4)</sup> In fact, beginning with the administration of President George H. Bush and continuing into the Clinton presidency, the United States steadily expanded its military presence in the region as it realized—following Iraq’s invasion of Kuwait in 1990 and stung by the loss of its Iranian ally a decade earlier—that it could not always count on regional proxies to safeguard its interests.<sup>(5)</sup> Beginning in the early 1990s, therefore, direct and expansive American military presence across the region became a fourth feature of US policy in relation to the Middle East.<sup>(6)</sup>

Although in its initial months in office the administration of George W. Bush did not exhibit any clear and coherent foreign policy

objectives, the September 11 attacks served to crystallize a clear and rather pointed foreign policy approach that has come to be known as the Bush Doctrine. There were three key components to the Bush Doctrine: an assumption of the need to engage in “preemptive actions to counter sufficient threats to (US) national security”;<sup>(7)</sup> seizing on 9/11, in President Bush’s words, as “a moment of opportunity to extend the benefits of freedom across the globe” and to promote democracy for the benefit of mankind;<sup>(8)</sup> and, while seeking international support for global US initiatives, ensuring that “others cannot have a veto on American actions.”<sup>(9)</sup> According to President Bush, the US must “seek to shape the world.” It has a responsibility to “choose leadership”.<sup>(10)</sup>

With Iraq and Afghanistan highlighted as “the frontlines in the war on terror”,<sup>(11)</sup> with Syria and Iran declared to be “rogue states” that provide “support and sanctuary” to terrorist groups,<sup>(12)</sup> and with the US facing “no greater challenge from a single country than from Iran,”<sup>(13)</sup> the Middle East has assumed special importance in the application of the Bush Doctrine. This means, in turn, that the paradoxes and contradictions that are inherent in the Doctrine have been particularly accentuated in relation to the region.

Perhaps the biggest paradox of the Bush Doctrine had to do with the administration’s unusually blunt rhetoric of democracy promotion, coupled with its continued support for the region’s non-democratic regimes.<sup>(14)</sup> Similarly, the Bush administration refused to recognize the democratically-elected Hamas in the Palestinian territories.<sup>(15)</sup> Much of this paradox had to do with President Bush’s conception of democracy as a liberal-democratic system similar to the American model, one which, as he has argued, was constructed in Japan and Germany and can also be constructed elsewhere around the world.<sup>(16)</sup> As Eva Bellin

has shown, however, Iraq, a test case for the Bush Doctrine's democracy promotion project, and other countries of the Middle East, have markedly different characteristics—in terms of levels of economic and industrial development, ethnic heterogeneity, and an absence of strong state institutions—as compared to what was the case in either Japan or Germany after World War II. Context-specific factors are also consequential—complete defeat during the war, fear of communism, and “the dictatorial freedom of occupation bestowed by contemporary cultural norms. These conditions are difficult, if not impossible, for current occupations to recreate.”<sup>(17)</sup>

Another paradoxical consequence of the Bush Doctrine in relation to the Middle East was a marked rise in unfavorable views toward the United States throughout the Middle East. These views have been intensifying as the US occupation of Iraq drags on and the country's post-war reconstruction and reconciliation remain elusive. In the Middle East, as in other parts of the world, public opinion toward the outside world is shaped largely by foreign policy actions of other world powers toward the Middle East.<sup>(18)</sup> Because of US actions, especially in Afghanistan and Iraq, during the Bush administration there was a precipitous decline in overall levels of trust in the United States across the Middle East.<sup>(19)</sup>

In fact, as the 2008 *Annual Arab Public Opinion Poll* demonstrated, some 83 percent of respondents in the six Arab countries surveyed held unfavorable views toward the United States.<sup>(20)</sup> Seventy percent expressed a lack of confidence in the US, and 65 percent did not believe that the promotion of democracy was a real American objective. Instead, protecting Israel and controlling oil were deemed as the two most important American objectives (47 and 50 percent respectively), with promoting democracy and spreading

human rights seen as the least important (4 percent each). Eighty-eight percent saw the US as the biggest threat to them (up from 72 percent in 2006). At the same time, “the most admired world leaders”, all of whom were known for their strident anti-Americanism, saw noticeable rises in levels of their popularity: Hassan Nasrallah, from 14 to 26 percent; Bashar Al-Assad, from 2 to 16 percent; Mahmoud Ahmadinejad, from 4 to 10 percent; and Osama bin Laden, from 4 to 6 percent. Hugo Chavez’s popularity remained constant at 4 percent. These leaders’ popularity, according to Shibley Telhami, who conducted the poll, arises out of their image as individuals who stand up to the US. “They win by default,” he argues, “because of anger towards the United States.”<sup>(21)</sup>

The initial months of the Obama administration saw a marked improvement in Middle East perceptions toward the United States, with the US president delivering two highly-publicized speeches in the Middle East shortly after assuming office—in Istanbul in April 2009 and in Cairo the following June—in which he promised a new beginning in US-Muslim world relations.<sup>(22)</sup> President Obama’s new posture toward the Middle East initially resulted in an enhancement of US soft power in the region, and somewhat lessened the prevalence of negative perceptions toward the United States across the Middle East. Soon, however, disappointment set in as the substance of American policies toward various actors in the Middle East—particularly insofar as the Israeli-Palestinian issue is concerned—changed little.<sup>(23)</sup> Despite a change of personalities, and the tenor and demeanor of the American leaders’ style, the substance of US policies toward the Middle East changed little.

Despite the pervasiveness of negative perceptions toward the United States across the Middle East, the American military’s

presence throughout the region remains unassailable. Much of this military presence has to do with the US's provision of arms and security guarantees to its regional allies, as well as its own strategic vision to position permanent and mobile American military bases across the globe.<sup>(24)</sup> According to the 2007 *Base Structure Report* published by the Pentagon, the US "Department of Defense remains one of the world's largest 'landlords' with a physical plant consisting of more than 577,500 facilities..., located on more than 5,300 sites, on over 32 million acres."<sup>(25)</sup> By 2011 the numbers had fallen slightly, though were still quite substantial: "more than 542,000 facilities.... located on nearly 5,000 sites worldwide covering over 28 million acres."<sup>(26)</sup>

The 2007 report puts the total number of US bases overseas at 823, while the 2011 report places the number at 611.<sup>(27)</sup> Neither report contains exact number of US military encampments in Iraq and Afghanistan or US bases in Kuwait, Qatar, and Saudi Arabia. Although the report does not specify the number of US military personnel based abroad, a 2010 estimate puts the number of active duty US military personnel at more than 1,400,000.<sup>(28)</sup> In relation to the Middle East, there are US military bases in Bahrain, Egypt, Kuwait, Oman, Qatar, Saudi Arabia, Turkey, and the UAE.

While the United States remains the Middle East's undisputed military hegemon, in recent years there has been a move on the part of the states of the Gulf Cooperation Council to complement—but not supplant or replace—the US's regional military hegemony with additional alliances with America's European allies.<sup>(29)</sup> For much of the last three decades, West European powers have taken a deliberate backseat to the United States in involving themselves in the security architecture of the Persian Gulf. None of the major European powers,

in fact, had a coherent policy regarding the Persian Gulf region or the larger Middle East for that matter. The French did pursue something of a “weapons-for-oil” policy, and the British did place strategic importance on the security of global energy supplies.<sup>(30)</sup> But neither country thought that it should, or could, develop ever stronger military and commercial ties with the states of the Middle East or the Persian Gulf.<sup>(31)</sup> Germany, for its part, maintained a posture of “benign neglect” toward the region, and, up until the early 1990s, “failed to define its interests towards the Middle East”.<sup>(32)</sup>

Over the last few years, a number of developments have combined to result in steadily focusing European attention on the Middle East in general and on the Persian Gulf region in particular. In the run up to the US invasion and occupation of Iraq in 2003, Germany and France took an increasingly active diplomatic role in relation to the region, and that interest has only deepened ever since. Several reasons account for this. An important factor is the geopolitical expansion of the European Union, with the EU possibly bordering Iran and Iraq if and when Turkey is fully admitted into the community of European nations.<sup>(33)</sup> Equally important are European concerns about American unilateralism in general and the US’s potentially unchecked designs on the region in particular.<sup>(34)</sup> This is especially important in light of the increasing emergence of some of the smaller GCC states—Qatar and the UAE in particular—as critical players in global finance and energy supplies. Particularly critical are EU estimates that the Middle East’s share of oil production will grow from 26 percent in 1996 to approximately 47 percent in 2010.<sup>(35)</sup> Lastly, although nowhere near the same level as the United States, the Sarkozy administration has sought to expand France’s military presence abroad.<sup>(36)</sup> As a part of this new trend, in order to safeguard its “major strategic stakes” in the

region, in January 2008 France signed an agreement with the UAE to establish a small military base in the country.<sup>(37)</sup>

As of this writing, it is far too early to detect the lasting effects of the 2011 Arab Spring on the overall posture and profile of the US military presence in the Middle East. Within the Middle East, much of the US military is concentrated in and around the Persian Gulf—with Kuwait, Bahrain, and Qatar housing particularly large US contingents—and there is no reason to believe that this is likely to change at any time in the near future. If anything, the collapse of the Mubarak and Ben Ali regimes, coupled with chronic political instability and turmoil in Bahrain, have prompted Saudi Arabia to take a more active profile in regional politics and to rely more closely on its alliance with the US, both military and otherwise, to prevent the spread of the Arab Spring into the Arabian Peninsula. Consequently, even despite an increasing desire on the part of some regional countries to deepen their military cooperation with Europe, the United States will continue to remain a military hegemon across the Middle East and especially in the Persian Gulf region.

### **CHANGING NATURE OF REGIONAL POWER**

Increasing European attention to the Middle East and especially to the Persian Gulf and the GCC is part of a larger shift in the geographic center of gravity in the Middle East and the new, evolving nature in which this power is manifesting itself. For nearly fifteen years, from 1952 to 1967, Egyptian leaders assumed, and they were perceived by others in the region, to lead the Middle East in general and the Arab cause in particular.<sup>(38)</sup> Egypt's injured pride in 1967 was regained and reaffirmed in 1973 after the October War, only to be lost once again in

1978 when the country's leader, President Sadat, made peace with Israel and thereby isolated his country from the Arab fold. Throughout the 1970s, nevertheless, a new center of power had emerged in the Middle East, namely Iran, whose monarch viewed himself as "the gendarme of the Persian Gulf" and who boasted that militarily he could "get anything non-atomic that the U.S. has".<sup>(39)</sup> The Shah was gone before long, and Iran, once a key component of the Nixon-Kissinger Doctrine's premise of countering the Soviet threat through regional proxies, soon emerged as a major strategic threat to American interests in the Middle East and elsewhere.

In the 1980s, as the Iran-Iraq war raged on, Iraq emerged as the region's new superpower, enjoying the full benefits of American diplomatic support, loans from the southern Persian Gulf states, and military hardware from Western Europe.<sup>(40)</sup> However, Iraq's status as a regional superpower only lasted as long as its war with Iran, and soon, in the aftermath of its invasion of Kuwait in 1991, it found itself in a *de facto* state of siege, faced with a crushing sanctions regime, and, by 2003, under US occupation and soon embroiled in a civil war.

The Middle East entered the new millennium without any of its usual regional powers able to meaningfully project themselves through the traditional military or political means that had once shaped and defined their prominence. Iraq was torn apart, Iran a global pariah, and Egypt too saddled with its own problems to once again emerge as a regional power of any sort. The Middle East system, according to two scholars, featured a remarkable degree of "incoherence and turbulence".<sup>(41)</sup>

The 2011 Arab Spring further changed the political and geo-strategic landscape of the Middle East. Two of the traditional powerhouses of the Middle East militarily and diplomatically, namely

Egypt and Syria, became bogged down with their own domestic issues. Increasingly less capable of power projection throughout the 1980s to the 2000s, by 2011 both countries were so preoccupied with their own turbulent domestic politics that they could hardly effect the course of events in the region. Ironically, to prevent its collapse and stop the country from sliding deeper into chaos, the Egyptian economy had to be repeatedly bailed out by cash flowing in from Saudi Arabia and Qatar.<sup>(42)</sup>

Within this context, a new set of regionally and indeed globally powerful actors appear to be emerging. These are the states of the Gulf Cooperation Council, in particular Kuwait, Qatar, Saudi Arabia, and the UAE, which have accumulated substantial wealth and global assets over the last decade or so. The powers of these new and emerging regional and global players are not military or political, nor are they sources of ideological or “soft” power.<sup>(43)</sup> Instead, they appear to be preparing the instruments and institutions through which they could, both now and in the future, exercise financial power. They are, it appears, accumulating what may be called “subtle” power. For now, this power appears more potential than actual, but traces of its emergence and magnitude are hard to ignore.

The basis of this potential power lies in significant changes in the pursuit of asset management strategies by oil producing countries, many—but not all—of which are located in the Persian Gulf region. More specifically, through the instrument of Sovereign Wealth Funds (SWFs), oil producers in general and those in the Persian Gulf in particular have become significant players—some would say “power brokers”—in the world of global finance.<sup>(44)</sup> SWFs have been around for some time but first seriously hit the “radar screens” only around 2006-2007, when interested observers began taking note of their sheer

magnitude and the fact that they are not subject to the same regulations and restrictions as central banks.<sup>(45)</sup> SWFs are generally set up by states for purposes of realizing “substantial net benefits in the long run by redirecting excess revenues or reserves to dedicated fund management.”<sup>(46)</sup> According to a 2007 study by the German Deutsche Bank, reserves management by central banks over the last sixty years conventionally have yielded an average annual real return of 1 percent. In contrast, a diversified portfolio similar to those employed by SWFs would yield real returns of about 6 percent.<sup>(47)</sup> Moreover, on the whole, SWFs employ more “aggressive” investment strategies, whereas central banks tend to err on the side of caution.<sup>(48)</sup>

The excess revenues available to the GCC states have been made possible through ever-increasing oil prices. In 2002, for example, oil traded at just above \$20 a barrel. In 2008 oil was trading at over \$100 a barrel. From 2007 to 2012, if oil prices were \$70 a barrel, the foreign assets purchased by oil-exporters would reach \$6.9 trillion by then.<sup>(49)</sup> If prices stayed at or near \$100 a barrel, those net assets would go up to \$9.86 trillion. Not surprisingly, SWFs have been one of the preferred instruments of oil producers, especially the GCC states, through which they have sought to increase their profitable investments abroad. Since 2000, the foreign assets of oil-exporting countries have been growing at an impressive 19 percent.<sup>(50)</sup> By 2006, the oil exporters surpassed Asia to become the world’s largest source of capital flows.<sup>(51)</sup>

Within the group of oil exporting countries, those in the GCC merit special attention. Collectively, the GCC states were estimated to have had foreign assets of \$1.6 trillion to \$2 trillion at the end of 2006.<sup>(52)</sup> By far the biggest share belongs to the UAE’s Abu Dhabi Investment Authority (ADIA), whose assets of \$875 billion make it

the world's largest Sovereign Wealth Fund.<sup>(53)</sup> SWFs from Norway and Singapore rank second and third, with estimated assets of \$341 billion and \$330 billion respectively, followed by those of Saudi Arabia (\$300 billion), and Kuwait (\$250 billion), with Qatar's QIA ranked tenth in the world with \$40 billion.<sup>(54)</sup> On the whole, Saudi Arabia tends to opt for medium risk investment strategies, while the Investment Authorities of Kuwait, Qatar, and Abu Dhabi favor more aggressive strategies.<sup>(55)</sup> Regardless of the investment strategies that they prefer, the desire to invest abroad and to acquire foreign assets appears strong across the board. As early as 2002, before the current steady rise in oil prices, the accumulated reserves of the GCC states amounted to only 25 percent of their total current-account surpluses with the rest, presumably, going to their SWFs.<sup>(56)</sup>

There is not much more that is known about the GCC's Sovereign Wealth Funds, as most of their investments and their activities are shrouded in mystery. Generally, it is possible to account for only 27 percent of the surplus assets of Middle Eastern countries.<sup>(57)</sup> But the emergence and direction of a number of significant trends with consequences for the larger globe and for the Persian Gulf region are undeniable. Neither the levels of global oil consumption nor oil prices show any signs of meaningful decline any time in the near future. At the same time, there has been, and will most likely continue to be, steady and significant increases in cross-border investments (which saw a 175 percent rise from 1999 to 2004) and the global trade in goods and services (having risen by 93 percent from 2001 to 2006).<sup>(58)</sup> With ever-expanding financial resources and substantial institutional support by the state, Persian Gulf SWFs are only likely to become more influential and important players in the global financial markets in the coming years. Whether or not the GCC's current, astronomical

levels of economic and infrastructural growths are sustainable in the long run is, for the time being at least, open to debate. Also questionable is the developmental wisdom of reliance on SWFs over the long term.<sup>(59)</sup> Nevertheless, what is certain is the GCC states' ability over time to own a greater share of global assets both in the West and in emerging markets. Money, of course, does not fully protect the wealthy against a determined, armed, and poor adversary. But it can go a long way toward buying the best defenses and perhaps also buying off the adversary altogether. The global financial reach and the sheer magnitude of Sovereign Wealth Funds operating out of the Persian Gulf are bound to have important consequences for the region's economies, alliances, and even the likelihood that they may initiate or eschew alliances or hostilities with regional and global actors.

For the time being, it is unclear where the Middle East's next military superpower may emerge from. But the rise of global financial powerhouses—the UAE, Qatar, Kuwait, and Saudi Arabia—may have already made this somewhat of a moot point. The threat of cross-border and international military conflict has yet to dissipate in the region—in fact, as the next section argues, it remains very real. But the vast scope and the global reach of these states' foreign assets are likely to make them only more important powers to reckon with.

## **THE FUTURE OF US-IRANIAN TENSIONS**

It is relatively easy to predict the consequences of continued American hegemony in the Middle East and the emergence of a new power block within the region under the rubric of the US's security umbrella. What is more difficult to predict is the response of one of the region's

powers, namely Iran, to this emerging military-political arrangement. More specifically, since 1978-1979, Iran and the United States have had two diametrically opposed visions of the security architecture that ought to prevail in the Middle East. Whereas the United States has sought to contain, marginalize, and weaken Iran—first through Iraq and then directly and also in collaboration with the European Union and the United Nations—Iran has tried to carve out a place of prominence and influence for itself both in its immediate neighborhood and elsewhere across the Middle East. The outcome has been nearly three decades of tension and rivalry, mistrust and acrimony.<sup>(60)</sup> Since 9/11, these tensions have reached new heights, fueled by the Bush Doctrine's identification of Iran as the single biggest threat to American interests, the attendant talk by American officials and politicians of "regime change" in Tehran, Iranian intransigence over the country's nuclear program, continued threats of military action against Iran by both the Obama administration and Israel, and, since June 2005, the coming to power of Iranian president Mahmoud Ahmadinejad and his confrontational style.<sup>(61)</sup> Given that over the last few years open warfare between Iran and the United States has become a real possibility, with potential consequences far beyond Iran's borders, the future course of US-Iranian relations constitutes an issue of grave concern for leaders throughout the Middle East and in the Persian Gulf region in particular.<sup>(62)</sup>

Since January 2002, when President Bush included Iran as part of an "axis of evil" in his State of the Union address, relations between Tehran and Washington have steadily deteriorated into heightened tensions between Iran and the United States. This has resulted in a relationship that may be best characterized as no-war, no-peace, though the possibility of it tilting toward overt hostilities and open

warfare is ever-present. This appears to be an unintended consequence of US policy toward Iran on the one hand and Iran's deliberate and calculated responses to US moves on the other. After some internal debate and indecision as to what to do about "the Iranian threat", the United States appears to have settled on a policy of fostering "soft regime change" from within while exerting diplomatic, economic, financial, and military pressure on Iran wherever possible.<sup>(63)</sup> An awareness of the devastating regional consequences of war with Iran by some (but not all) policymakers in Washington has, so far at least, ruled out the use of force against Iran, although the threat of open warfare remains ever-present.<sup>(64)</sup>

The Iranian government has responded by pursuing a dual-track policy. On the one hand, it has called for—and actually worked towards—the strengthening of the Afghan and Iraqi central authorities and the increasing viability of its two neighboring states under American occupation.<sup>(65)</sup> The quicker the pace of establishing meaningful central power in Kabul and Baghdad, the Iranians reason, the sooner the United States will withdraw its forces. At the same time, however, the Iranians have relied on their allies and proxies in both countries in order to expand their own spheres of influence, especially in Iraq, to keep up pressure on American occupation forces, and to use those allies as deterrence against a possible US attack on Iran.<sup>(66)</sup>

The outcome has resulted in serious, but relatively contained, tensions. Each side is aware of the other's capabilities, remains deeply suspicious of the other's motives and intentions, and seeks to undermine and curtail the other whenever and wherever possible. At the same time, each side is also careful not to cross a line that would result in open military hostilities.

Where US-Iranian tensions go from here is an open question. Despite the seemingly uncompromising and brash style of Iranian diplomacy, and the harsh rhetoric in which it is often wrapped, Iranian foreign policy, even under the Ahmadinejad administration, has been characterized by a high degree of pragmatism.<sup>(67)</sup> Pragmatism notwithstanding, the Ahmadinejad administration is of the opinion that the United States has no legitimate role to play in the security architecture of the region, a role which, it believes, rightfully belongs to Iran.<sup>(68)</sup> Therefore, from Tehran's perspective, any lessening of tensions with the United States needs to be predicated on a recognition of Iran's regional role and security interests. A change of personalities in the White House after January 2009 has not necessarily the atmospherics of US-Iran relations. At least, in Tehran's view, the architect of the "Axis of Evil" metaphor, and all that it has entailed for the Iranian polity, is gone.<sup>(69)</sup> But deeper, more substantive issues of real concern—Iranian interests and the country's larger role in the Persian Gulf and the Middle East—have not been resolved by a mere change of personalities at the White House. For Iran, what is needed is a rethinking of America's role and priorities both in Iran's immediate neighborhood and in the larger world.

For the United States, meanwhile, Iran's support of militia groups in Iraq and its clandestine operations in Afghanistan are symptomatic of the larger threat that Iran poses to American interests across the globe.<sup>(70)</sup> More importantly, Iran has ambitions of becoming a nuclear power, with its claims of seeking nuclear technology for non-military, energy purposes is only a ruse.<sup>(71)</sup> President Obama may have initially sought to improve the United States' image in the Middle East. Nevertheless, in US eyes, the Iranian state is likely to remain a "foe of the United States" and "a global pariah" for sometime to come.<sup>(72)</sup>

Ultimately, even if the threat of military conflict between the United States and Iran recedes, the larger issues that separate the two countries, and their diametrically opposing interests in multiple areas and issues, are unlikely to disappear anytime soon. Israel, meanwhile, continues to be a wild card, with frequent threats of military action against Iran, followed by counter-threats by Tehran aimed at Tel Aviv. Iran's tensions with the US and its principal ally in the Middle East Israel are unlikely to dissipate in the near future.

If these tensions degenerate into open hostilities, the regional consequences are likely to be far-reaching beyond wherever the actual theater of conflict may be located. For one thing, Iranian military commanders have made no secret of their intension to spread any potential US-Iranian conflict beyond Iran's borders and to engage in asymmetric and unconventional warfare against the United State if ever attacked.<sup>(73)</sup> Despite their best efforts to the contrary, Kuwait, Bahrain, Qatar, and Saudi Arabia, all of which host thousands of American military personnel on their soil, are also likely to be drawn into any US-Iranian conflict. Azerbaijan to the north and the shipping lanes of the Persian Gulf to the south are also bound to be deeply affected, as are the already-struggling central authorities of Iraq and Afghanistan. Not surprisingly, the states of the GCC, consistent with their newly-found self confidence in regional and global diplomacy, have so far refused to heed American calls to further isolate and marginalize Iran.<sup>(74)</sup> Nevertheless, for the foreseeable future, the direction and the consequences of US-Iranian relations remain question marks, and dangerous ones at that.

## THE SPECTER OF COLLAPSED STATES

An even more tangible and immediate danger to regional security is that posed by the continued political crises and the civil strife that mark Afghanistan and Iraq. The shadow of collapsed or collapsing states looms large in the Middle East. For nearly a decade, the absence of central authority in Afghanistan provided the perfect opportunity for an extremist organization like Al Qaeda to recruit members, develop networks of supporters and sympathizers, and expand its organizational capacities and its military capabilities.<sup>(75)</sup> After the collapse of the Saddam regime, a similar power vacuum in Iraq quickly facilitated the emergence of almost identical conditions that gave rise to the Al Qaeda in Iraq (AQ-I).<sup>(76)</sup> With nascent state institutions in Afghanistan so far incapable of establishing central authority beyond the capital cities, and with US occupation forces not having yet effectively ended the continuing insurgencies in the country, there is a real danger that the turmoil may spread to other countries of the Middle East. Saudi Arabia and Egypt, both of which have had a history of extremist opposition groups, and more recently Jordan, which is the birthplace of the AQ-I's former leader, Abu Musab al-Zarqawi (killed by US forces in June 2006), are especially susceptible to potential outbreaks of political violence and terrorism.<sup>(77)</sup> The situation is particularly problematic in Saudi Arabia, where many local clerics and even influential figures within the royal family sympathize with Al Qaeda and, in fact, have overlapping interests with the terror group.<sup>(78)</sup>

Pakistan, Lebanon, and Palestine present additional elements of uncertainty and concern. The Pakistani state has long teetered on the edge of implosion and collapse, although the Pakistani military has historically viewed itself as the last bastion of regime stability and has

liberally intervened in the political process when dismayed by civilian politicians.<sup>(79)</sup> But the Pakistani military itself, as an institution, has a long history of close ties with the country's religious extremists.<sup>(80)</sup> Although the Pakistani state is unlikely to collapse, there are few signs that the country's political system will experience stability any time soon. Much depends on the outcome of the long-running rivalry between Pakistan's armed forces on the one hand and the country's mainstream political parties on the other. Ultimately, however, this unfolding civil-military rivalry is bound to be influenced by the course of events in Afghanistan.<sup>(81)</sup> In either case, the direction in which Pakistani politics will evolve, and the country's seemingly interminable political upheavals, are bound to have consequences for such neighboring and regional countries as Afghanistan, Iran, and Iraq.

The predicament of the Lebanese state is comparatively more precarious. Beset by chronic inter- and intra-elite conflict, the Lebanese state suffers from increasingly diminished capacity, and is therefore incapable of effectively extending its authority to areas controlled by competing centers of authority, not the least of which is the Hezbollah.<sup>(82)</sup> Because of the fractured nature of its leadership, the meddling of foreign powers (especially Israel, Syria, Iran, and the US), and the often overwhelming shadow of the Syrian and Israeli militaries, the Lebanese state has been unable to gather sufficient strength necessary to effectively govern the entire country.<sup>(83)</sup> Although under present circumstances a return to the civil war of the 1970s and the 1980s is unlikely, the hold and authority of the Lebanese state over the country remains tenuous at best, with the Parliament having been unable to reach an agreement over the election of a president from September 2007 to May 2008.

Multiple fractures also mark Palestinian society, making the state-like Palestine National Authority (PNA) even less capable of functioning viably as compared to the Lebanese state. Throughout the latter half of the 1990s and the early years of the present decade, increasing economic and ideological chasms pushed the Gaza Strip and the West Bank further away from each other, to the point that the victory of the HAMAS in the January 2006 parliamentary elections and its assumption of full control over Gaza in June 2007 led to a complete fissure of the Palestinian polity. Ever since then, under the crushing weight of international sanctions and repeated Israeli blockades, Gaza has gone “from despair to destruction.”<sup>(84)</sup> The PNA, meanwhile, which has had to contend with Israeli efforts to weaken and dismantle it not long after its creation following the Oslo Accords, is plagued with its own internal shortcomings, is bereft of any meaningful legitimacy among most Palestinians, and today hardly functions as it was originally meant to do. Today, the establishment of a viable, functioning Palestinian state apparatus, or the achievement of any meaning sovereignty over Palestinian territories, remains elusive at best. As one scholar has observed, “the legal, economic, and territorial developments launched by Oslo have not brought Palestinians closer to their independent viable state. Rather they have made the Occupied Territories more analogous to the Bantustans of South Africa’s apartheid.”<sup>(85)</sup>

Ironically, none of these state institutions have been deeply effected by the Arab Spring. In fact, those states that were subject to the Arab Spring were historically considered as some of the most powerful and stable in the Arab world, namely in Tunisia, Syria, and especially Egypt.<sup>(86)</sup> Syria and Egypt were also the stalwarts of the Arab cause and diplomatic heavyweights, and at times unofficial

leaders, within the Arab League. But the Arab Spring has changed all of this, having provided space for the states of the GCC in general and the Kingdom of Saudi Arabia in particular to take the lead in regional diplomacy.<sup>(87)</sup> Nevertheless, the ripple effects of the Arab Spring are likely to continue to shake the traditional hierarchy of the regional powers for some time to come.<sup>(88)</sup>

None of this bodes well for regional stability in the Middle East. The continuing instability and turmoil in Iraq, Afghanistan, Libya, Syria, and Bahrain run the very real risk of spilling over to near-by countries. Already, there has been a rise in ethnic tensions among Turkey's Kurds in the country's southeast. Soon after the US invasion, Iraqi refugees flooded Jordan and Syria by the millions, further taxing those two countries' economies and infrastructure beyond what they can handle.<sup>(89)</sup> In 2011, Syrian refugees crossed into Turkey in droves. Central authority has yet to be meaningfully established in Afghanistan, and the viability and strength of state institutions (or state-like institutions in the case of Palestine) remains questionable in such volatile places as Pakistan and Lebanon. The long-term health of the Iraqi states remains an open question. In short, regional turmoil—along with American military hegemony and the increasing powers of the GCC states—is likely to be a prominent feature of the international relations of the Middle East for some time to come.

## **LOOKING AHEAD**

The overall prognosis for Middle Eastern regional security in the coming years is not positive. Despite the rhetoric of American foreign policy and the promises of the Arab Spring, a number of domestic structural characteristics are likely to keep Middle Eastern

authoritarianism resilient and intact for the foreseeable future.<sup>(90)</sup> At the same time, the spreading “footsteps” of a “resurrecting American empire” are certain to keep alive—if not accentuate—feelings of anti-Americanism and deep-seated resentment against the United States.<sup>(91)</sup> As one observer has noted, “the attacks on Afghanistan and Iraq, combined with resurgent Israeli militarism, created an atmosphere that is ideal for the proliferation of rogue non-state groups with no project but limitless destructiveness. They also poisoned the atmosphere and inhibited the essential dialogue needed to contain these other threats.”<sup>(92)</sup> Moreover, despite numerous financial, organizational, and military setbacks, both the Taliban and Al Qaeda have proven to be surprisingly resilient and remain active.<sup>(93)</sup>

As the preceding analysis has demonstrated, there are no easy solutions to the Middle East’s security challenges. Clearly, the tone and tenor, if not the substance, of US foreign policy toward the region needs to change, as the appearance of American heavy-handedness will continue to garner resentment and give rise to extremist expressions of anti-Americanism. Also critical will be the ability of both the American occupation forces and domestic political leaders in Afghanistan to establish meaningful authority in each country and to expand the capacity and scope of the emerging states in each country. Equally important is the need for dialogue between Iran and the United States, neither of which can afford a military confrontation with the other. The unpredictable behavior of the Israeli wildcard in relation to Iran will remain a source of uncertainty and potential chaos across the region.

There is, nonetheless, a glimmer of hope. Individual GCC states, with their increasing self-confidence in international diplomacy, have acted as moderating forces in the conflict between the US and Iran by

keeping channels of communication with Tehran open while also maintaining their close political and military alliance with Washington intact. The GCC states, especially Qatar, can play an important diplomatic role in brokering dialogue and negotiations between Iran and the United States. Precedence in this area has been set by Saudi Arabia took the initiative in 2002 by proposing a comprehensive peace plan between Israel and its Arab adversaries, one which has not received a positive reception in either Jerusalem or Washington. The initiation of a similar proposal in regards to Iran and the United States, especially if it were made by a regional actor such as Saudi Arabia or Qatar or the larger GCC, would go a long way toward alleviating a major source of tension and a significant risk to regional security in the Middle East.

What does all of this mean for Iran? Much depends on how Iran responds to the developments and trends outlined here. Given the trends and developments outlined here, Iran will need to pursue a number of proactive initiative in order not to see an erosion of its regional power and status. Insofar as its immediate vicinity is concerned, as argued earlier, Iran will continue to find itself in an area from which the Americans do not appear willing to withdraw anytime soon. Clearly, the United States is unwilling—both militarily or ideologically—to relinquish its military hegemony in the Persian Gulf. At the same time, both the Bush and the Obama administrations have pursued a policy of seeking to isolate Iran from its neighbors and from the larger international community. Since head-to-head military and diplomatic competition with the US is not an option, for Iran to make headway in the Persian Gulf and in relation to other contentious issues, its search for win-win scenarios with the United States appears to be a most plausible alternative.

A win-win scenario with the United States is also likely to lessen—though not altogether eliminate—the threat of a pre-emptive Israeli attack on Iranian soil. Since Israel has historically assumed a deliberately vague and unpredictable policy in its military behavior and its national security policy, even the emergence of a win-win scenario with the US and the resulting lessening of US-Iranian tensions is unlikely to completely ameliorate the threat and possibility of an Israeli attack on Iran. As such, continued Iranian vigilance toward Israel is likely to continue in the years to come.

Insofar and power projection is concerned, although “hard” or military power is hardly obsolete, Iran will need to complement its traditional power resources with the instruments of “soft” and “subtle” power, namely values that are sought-after by others and financial resources that enhance its stature, its overall financial and economic health, and its ability to influence, if not altogether shape, regional and global developments. Long dismissed as “micro-states” with at best marginal significance in regional and global politics, Persian Gulf countries such as Qatar, Kuwait, and the UAE can no longer be readily neglected. They have, in fact, become beneficiaries of subtle power. And, as such, in the coming years they will be the real source of competition with Iran for greater regional and international power and influence. How Iran responds to these and to other emerging trends in the region will determine its place and position in the Persian Gulf, in the Middle East, and in the larger international community. ❖

**NOTES:**

1. Ivo Daalder, Nicole Gnesotto, and Philip Gordon. "America, Europe, and the Crescent of Crisis". Ivo Daalder, Nicole Gnesotto, and Philip Gordon, eds. *Crescent of Crisis: U.S.-European Strategy for the Greater Middle East*. (Washington, DC: Brookings Institution Press, 2006), p. 2.

2. For the steady deepening of US involvement in the Middle East prior to the British withdrawal in December 1971 see, J.E. Peterson. *Defending Arabia*. (London: Croom Helm, 1986), pp. 88-91. For a concise historical survey of US foreign policy toward the Middle East see, Michael C. Hudson. "The United States in the Middle East". Louise Fawcett, ed. *International Relations of the Middle East*. (Oxford: Oxford University Press, 2005), pp. 283-305.

3. Steve Yetiv takes issue with this assertion, at least insofar as it relates to the Persian Gulf. "Rather than acting in line with any grand strategy," he maintains, "America most often responded to unexpected, unwanted, and complicated challenges. It engaged most often in reaction. The notion of *reactive engagement* is intended to conceptualize U.S. foreign policy in the Persian Gulf." Steve A. Yetiv. *The Absence of Grand Strategy: The United States in the Persian Gulf, 1972-2005*. (Baltimore, MD: The Johns Hopkins University Press, 2008), p. 13. Emphasis added.

4. Mahmood Monshipouri. "The Paradoxes of U.S. Policy in the Middle East". *Middle East Policy*. Vol. 9, No. 3, (September 2003), pp. 72-75.

5. Despite the somewhat different rhetorical styles they employed, the administrations of George H. Bush and Bill Clinton shared a number of common foreign policy objectives, an important one of which was a pragmatic, realist approach to the Middle East. John Dumbrell. "Was There a Clinton Doctrine? President Clinton's Foreign Policy Reconsidered". *Diplomacy & Statecraft*. Vol. 13, No. 2, (June 2002), pp. 53-54.

6. This expansion and deepening of US military presence has occurred within a

larger, global context that has witnessed a proliferation of American military bases across the globe, more on which below.

7. The White House. The National Security Strategy of the United States of America, September 2002. p. 15.

8. Ibid. p. ii. The US “responsibility to promote human freedom” is more elaborately outlined in the March 2006 National Security Strategy of the United States of America issued by the White House, which pledges, among other things, that “in the cause of ending tyranny and promoting effective democracy, we will employ the full array of political, economic, diplomatic, and other tools at our disposal”. The White House. *The National Security Strategy of the United States of America, March 2006*. p. 6.

9. Robert Jervis. “Why the Bush Doctrine Cannot be Sustained”. *Political Science Quarterly*. Vol. 120, No. 3, (2005), p. 351.

10. The White House. The National Security Strategy of the United States of America, March 2006. p. ii.

11. Ibid. 12.

12. Ibid.

13. Ibid. p. 20.

14. Mahmood Monshipouri. “The Paradoxes of U.S. Policy in the Middle East”. *Middle East Policy* Vol. 9, No. 3, (September 2002), p. 72.

15. Mandy Turner. “Building Democracy in Palestine: Liberal Peace Theory and the Election of Hamas”. *Democratization*. Vol. 13, No. 5, (December 2006), pp. 739-755.

16. Mahmood Monshipouri. “The Bush Doctrine and Democracy Promotion in the Middle East”. David P. Forsythe, Patrice C. McMahon, and Andrew Wedeman, eds. *American Foreign Policy in a Globalized World*. (London: Routledge, 2006), pp. 314-315.

17. Eva Bellin. “The Iraqi Intervention and Democracy in Comparative Historical Perspective”. *Political Science Quarterly*. Vol. 119, No. 4, (2004-05), p. 607.

18. Peter A. Furia and Russell E. Lucas. “Determinants of Arab Public Opinion on Foreign Relations”. *International Studies Quarterly*. Vol. 50, (2006), p. 586. Furia and Lucas argue (pp. 600-601) that there is an additional, “Arabist frame” that

shapes the attitudes of non-Palestinian and non-Iraqi Arabs towards Palestine and Iraq.

19. Shibley Telhami, et al. “Middle Eastern Views of the United States: What Do the Trends Indicate?” *Middle East Policy*. Vol. 13, No. 3, (Fall 2006), p. 3.

20. The poll, by Professor Shibley Telhami and Zogby International, was conducted in March 2008 and included a total of 4,046 respondents in Egypt, Jordan, Morocco, Lebanon, Saudi Arabia, and the United Arab Emirates. Unless otherwise noted, all the data presented in this paragraph comes from the poll, the full text of which can be accessed at: <http://sadat.umd.edu/surveys/2008%20Arab%20Public%20Opinion%20Survey.ppt>. Polls from previous years can be found at: <http://www.sadat.umd.edu/>.

21. Shibley Telhami, et al. “Middle Eastern Views of the United States: What Do the Trends Indicate?” *Middle East Policy*. Vol. 13, No. 3, (Fall 2006), p. 4.

22. The following passage from the president’s Cairo speech is representative of the overall tenor and tone of the new relationship the president proclaimed in the US relationship with the Muslim world: “I have come here to seek a new beginning between the United States and Muslims around the world; one based upon mutual interest and mutual respect; and one based upon the truth that America and Islam are not exclusive, and need not be in competition. Instead, they overlap, and share common principles – principles of justice and progress; tolerance and the dignity of all human beings.” The complete text of the speech is available through the White House website at [www.whitehouse.gov/the-press-office/remarks-president-cairo-university-6-04-09](http://www.whitehouse.gov/the-press-office/remarks-president-cairo-university-6-04-09).

23. See, for example, Kristen Chick. “Obama's stature among Muslims slips over Israeli-Palestinian standoff”. *Christian Science Monitor*. (June 4, 2010).

24. The concept of “mobile” US military bases was introduced by the Bush administration, with the assumption that they would give US forces greater mobility and agility. See, Jon D. Klaus. “U.S. Military Overseas Basing: Background and Oversight Issues for Congress”. *Congressional Research Service*. RS21975. November 17, 2004.

25. United States Department of Defense. *Base Structure Report, Fiscal Year 2007 Baseline*. (Washington, DC: Department of Defense, 2007), p. 2.

26. United States Department of Defense. *Base Structure Report, Fiscal Year*

2011 Baseline. (Washington, DC: Department of Defense, 2007), p. 2.

27. United States Department of Defense. Base Structure Report, Fiscal Year 2007 Baseline. p. 22; and, Base Structure Report, Fiscal Year 2011 Baseline. p. 25.

28. [www.globalsecurity.org/military/agency/end-strength.htm](http://www.globalsecurity.org/military/agency/end-strength.htm).

29. As one observer has noted, “the defense strategy of the Gulf states is basically to place a 911 (emergency) call to the United States.” [Kenneth Katzman, et al. “The End of Dual Containment: Iraq, Iran and Smart Sanctions”. *Middle East Policy*. Vol. 8, No. 3, (September 2001), p. 72]. There are no indications that this defense strategy has or will change to any substantial degree in the coming years.

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31. Boniface. “French Policy in the Gulf”. pp. 58-59; Hollis. “Britain’s Strategic Approach to the Gulf”. pp. 145-146.

32. Volker Perthes. “Germany and the Gulf: On the Way to a Policy?” Emirates Center for Strategic Studies and Research. *International Interests in the Gulf Region*. (Abu Dhabi: ECSSR, 2004), p. 74.

33. Ibid. p. 91.

34. Ibid. p. 93.

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43. Joseph Nye. *Soft Power*.

44. Diana Farrell and Susan Lund. "The World's New Financial Power Brokers". *The McKinsey Quarterly*. (December 2007), pp. 1-14.

45. Thomas Barnebeck Andersen, Sofie Nedergard Fick, and Frank Øland Hensen. "Petrodollars, Portfolio Restructuring and Long-Term Interest Rates". *Monetary Review 3<sup>rd</sup> Quarter 2007*. (Copenhagen: Danmarks Nationalbank, 2007), p. 50.

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Paola Subacchi. "Capital Flows and Emerging Market Economies: A Larger Playing Field?" *Chatham House Briefing Paper*, IEP BP 07/03, (September 2007). P. 1.

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50. Ibid. p. 2.

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53. Stephen L. Jen. "Sovereign Wealth Funds". *Morgan Stanley Research*. (October 2007), p. 2.

54. Ibid. see also, Kern. "Sovereign Wealth Funds". p. 3.

55. Karin Kneissel and Pawet Kowalewski. "Recent Tendencies in the International Monetary System and the Impacts on Oil Producing Countries (with

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57. Ibid. 52. In fact, lack of transparency—along with fears of loss of control over strategic industries and assets—are among the biggest criticisms raised against the SWFs. See, Edwin Truman. "Sovereign Wealth Funds: The Need for Greater Transparency and Accountability". *Peterson Institute Policy Brief*. No. PB07-6. (August 2007), pp. 3-9.

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63. John Dumbrell. *The Bush Administration, US Public Diplomacy, and Iran*. (Durham, UK: SGRIRWP07-04), p. 9.

64. Dunn. "'Real men want to go to Tehran'". p. 30.

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68. Mehran Kamrava. "National Security Debates in Iran: Factionalism and Lost Opportunities". *Middle East Policy*. Vol. 24, No. 2, (Summer 2007), p. 93.

69. See, Daniel Heradsveit and Matthew Bonham. "What the Axis of Evil Metaphor Did to Iran". *Middle East Journal*. Vol. 61, No. 3, (Summer 2007), pp. 421-440.

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