Oil, IT and politics in the Middle East

Giandomenico Picco

Giandomenico Picco is CEO of GDP Associates, a New York-based consulting company that assists corporations doing business in emerging economies, particularly in the Middle East and Central Asia. For 20 years, beginning in 1973, Picco was an official of the United Nations; his last position was assistant secretary-general for political affairs. His recent book, "Man Without a Gun," provides insights into his activities with the U.N., which included cease-fire negotiations between Iran and Iraq in 1988, and the Geneva Accords on Afghanistan. He has received international awards for remarkable contributions to world diplomacy. Last August, Picco was named by Secretary General Kofi Annan as his personal representative for the United Nations Year of Dialogue among Civilizations: 2001.

A schism exists in the Middle East concerning information technology. On the negative side, there is a tremendous resistance to it because it is seen as intrusive to life and privacy, according to Giandomenico Picco, CEO of GDP Associates in New York City, and former United Nations official.

On the positive side is excitement about the possibilities that IT offers.

"But one has to be realistic about the Internet world in the Middle East. It is by no stretch of the imagination a big market, although it's growing," said Picco. At the end of April '99 the region had less than one million Internet users, out of a population of 150 million. By December '99, the number had doubled to about 2 million.

Calculations are made on the assumption that there are two people for every personal computer and every Internet connection.

The Internet is opening up throughout the region, "even in Saudi Arabia, which is considered to be the tightest country when it comes to information. Many princes of the Saudi Arabian royal family are investing heavily now in the Internet," said Picco.

"And in Syria, the Internet has found a great proponent of Internet technology, not so much among the population or particular business person, but no less than the son of the president."

The United Arab Emirates, one of the wealthier Mid East countries, is preparing an Internet free zone where foreign media and Internet companies will be allowed to set up business and retain 100 percent ownership. "In the other Mid East countries this is impossible." The zone has been completely wired and will be up and running by the end of this year.

Fast enough

Although IT is moving forward in the Middle East, "opportunities for technology advances in the region have their limitations, both in terms of their regulations and also the number of people involved," said Picco. The rate of progress is not the issue. "The societies are moving fast enough in my view, much faster than many of us in the Western world believe," Picco pointed out. "Looking at the Middle East as if nothing has happened since 1990 would be a major mistake, both from the point of view of the economy and also of politics.

Oil and politics

Politics should not be confused with oil politics. "They are not necessarily one and the same," said Picco. "OPEC's decision to increase production was taken for very practical and economic reasons, and not for political reasons."
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The fundamental fact for the OPEC decision was the fear that Europeans, who saw the price of oil soar over the last 15 months, would find ways to reduce consumption. At risk was OPEC's market share on the European continent.

Also, OPEC's lock on the world's oil supply may be eroding. "There is more oil around the world than ever before." Picco cited two major oil discoveries in the last six months that will "substantially affect the market in the next two and a half years."

One of the discoveries is in Iran. "This is very lucky for the Iranians because their reserves are very low in proportion to the reserves of Saudi Arabia and Iraq."

The second oil discovery was made by Russia, in its portion of the Caspian Sea which has been disappointing in terms of exploration, said Picco. "And sooner or later the Iraqi western desert will be open for exploration, and that is a huge amount of oil. It will likely be cheap and very accessible oil, and a better quality than Caspian oil."

One of the great political changes over the last few months is the beginning of a thaw in Iran and U.S. relations. "The possibility that we could have, by 2002, very decent relations between the U.S. and Iran will bring about a tremendous change in the reality of business in the region. I think Iran is waiting for American business like a kid is waiting for Santa Claus. My view is that it is no longer than two years away, if everybody plays their cards right."

Another country in which economics is playing a bigger role than politics is Saudi Arabia. "There has been a move to liberalize the market and to open the door to mainly American corporations in the downstream sector."

Political changes, hot spots

The question was asked: Do you see any change with Iran or with India based upon which party wins the U.S. election?

It's in the best interests of the U.S. to have good relations with both countries, Picco said. "I don't see any reason why a Republican administration would be different from a Democratic administration."

Picco added that the push for relations with Iran "is going to come from U.S. companies, such as the John Deeres and the Catapillars -- the machinery people who can help Iran increase food production.

It's good to note that in the historically volatile Middle East, recent leadership changes have occurred without any trouble. "Most people don't like to have trouble anymore. I think they've learned to pass the baton without too many problems."

Will there be a leadership vacuum in Saudi Arabia, where King Fahd is old and sick? "There's no vacuum in Saudi Arabia because Crown Prince Abdallah is already ruling, and has been for a long time," said Picco. "Fahd is trying to arrange for the passage of power in a way that is acceptable and gradual."

But there are hot spots; Iraq is definitely a problem. "A change of rulers in Iraq would be very, very complicated because if Saddam leaves, his son can succeed him. This could result in bloodshed by the military."
Another problem area is Pakistan and Afghanistan, where fundamental extremism is centered and poses a potential threat to neighboring countries. "The Russians are also very worried about this," said Picco. What needs to happen is an alliance between the West and Russia "to focus on that area, and to realize that there has to be a common strategy. Because the problems in Pakistan and Afghanistan concern everybody."