
The New Emerging Geo-Economics of the Middle East

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ABSTRACT

This article is organized around two levels of analysis: the newly emerging international order and how this new order impacts the Middle East. The hypothesis in this article substantiates that, “for the most part, the geo-economic and geo-politics of the Middle East are the outcome of conflicts, structural-political differences and competition among the major players in the region.” Furthermore, the hypothesis proposes that US, European and Russian activities in the Middle East seek to assert a role of conflict management rather than conflict resolution. This article adopts the conceptual framework of Robert Kagan who promotes the idea that political influence is a function of trade and economic expansion. This article will draw on the US economy, new Russian ambitions, the Obama legacy in foreign policy, Israeli motivational structure to explain the emerging bipolar system in the Middle East. The nature of this system will depend on the financial capabilities of the regional actors as well as the ongoing dynamics of Russian-American competition in the Middle East.

1. Introduction

The post cold war international order is now a triangle of Chinese-American-Russian order. US economy has shifted from a manufacturing system to a financial and information technology basis. The older order depended on free trade but the new order is raising doubts whether free trade is benefiting everyone. A survey conducted in 2014 concluded that 87% in the developing world favor trade, yet more than half of those surveyed in France, the US and Italy believed trade destroys job opportunities and reduces wages (Niblett, 2017:19). Processes of globalization have benefited developing countries more than many developed states. In some industries of Europe and the US in the last quarter of a century, wages have not changed much (Niblett, 2017:19). At the same time, the President of China defended the liberal global order at the 2017 Davos convention (Economist, February 18, 2017:12). In many countries like Nigeria, Turkey, Thailand, Russia and South Africa, much emphasis has been placed on centralized national decision making. In October 2016, Russia accused the US that its policy on globalization is only benefiting itself and a few friends of the US (Niblett, 2017:22). It is very

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unlikely that countries whether developing or developed would distance themselves from the mainstream open global trading system. Realities of economic growth dictates maintaining openness to the global economy (Cassidy, 2017). Robert Kagan believes that the new international order consists of one major power and many other powers. That major powers do not only seek economic power but seek to expand their domains of influence as well. The ideological underpinning of this competition is a stand-off between liberalism and oligarchy. This is a new version of the older dialogue between tradition and modernity. China and Russia attempt to contain American hegemonic ambitions. China is the only country that has the ambition of becoming a global military power. China is now much closer to Moscow than before. Brussels is only playing a continental role and the major global conflicts are now being resolved through the dynamics between Beijing, Washington and Moscow (Ikenberry, 2011, 613-617). US competition with China in the Pacific region has intensified and there are signs that American-Russian confrontation in Eastern Europe is also reaching new heights. The principles that guided the cold war are not at play anymore and the military-economic competition is now shaping the new emerging global order. Though the US no longer needs to import Middle Eastern oil yet its influence in the petroleum region is of great significance in its global standing. For obvious reasons, the US will try its best to contain Russian, Chinese and Iranian influence in the Middle East. Even during the Obama period, American military contracts with Jordan, Egypt, Iraq, Turkey and the Arabs states of the Persian Gulf region indicate greater US military-defense involvement of Washington in the Middle East (Ikenberry, 2011:623-624).

The liberal imaginations of the 1990s portrayed a world where Russia and China will emerge as new entries into the liberal world. Later, such imaginations turned out to be illusions. The competition between the three global powers are illustrative of the newly emerging logic based on raw political and commercial influence. The purpose of Russia is to enlarge the geo-strategic competitive dynamics between itself and the US so it can engage in a much more complicated matrix to extract benefits and ultimately help to reduce American sanctions. The fact that the Middle East is still in the process of becoming a region composed of nation-states, there is no immediate perspective that the philosophical and ideological rivalries will end or mitigate anytime soon. The emerging cooperative attitudes between Israel and Arab countries are also an indication of the novel dynamics that are being shaped in the Middle East based on mutual economic benefits as well as new polarizing geo-politics.

2. The New International Order and Obama's Foreign Policy Legacy

In foreign policy literature, it is assumed that in democratic countries, the polity and national priorities determine the direction of foreign policy and in undemocratic states, the idiosyncrasies of elites shape foreign policy outputs (Rosenau, 1971: 131-136). In recent American history, few presidents have been able to synchronize US foreign policy with personal belief structures as much as Obama. He outlined the essence of his foreign policy thinking in an interview with

Jeffrey Goldberg (Goldberg, 2016). He mentions in the interview that all powers are limited and when success is ambiguous, countries should not commit themselves (Goldberg, 2016: 6-9). The credibility of a country is not necessarily a function of its military power. US should practice caution in its international political and military behavior and in particular towards Muslim countries. He believed that in Washington, there is a playbook that presidents should resort to solve international crises and that is American military power. When the US is threatened, military solutions should be considered and in other cases, it might signal the wrong option. Obama thought that the day when he decided not to attack Syria was the day when he distanced himself from the traditional Washington playbook. He did not think all issues in the Middle East necessarily threaten American interests. US should not act as though it has the responsibility to solve all international problems; it should only get involved when it has the capacity to produce results. Obama rejected American indispensability and believed that multilateralism assists in circumventing complacency and self-aggrandizement (Goldberg, 2016: 10, 13, 17, 18, 21-26).

Moreover, Obama stated that, “we (the US) have a history in Iran. We have a history in Indonesia. We have a history in Central America. We need to realize our history when we speak of intervention in other countries. We have to understand why others are suspicious of us.” (Goldberg, 2016: 26). Obama believed that it should not be American business to send the US army whenever there is a problem around the world. Obama uttered that the purpose of the nuclear talks with Iran was to make a dangerous country less dangerous. His objective in his lecture at Cairo University was to emphasize to the Muslims that, “Imagine there is no Israel. You need to rethink your governance system. America can help you in that path.” (Goldberg, 2016, 27, 29, 31). Obama distanced himself from the Middle East and thought America should focus on Asia and reorient itself to Africa and Latin America. Obama strongly believed that a small radical group exists among Muslims everywhere that is unrepresentative of the whole Muslim world. Furthermore, Obama enunciated that Muslims need a reformation, like the one Christians had. Iran and Saudi Arabia should work with one another. Moreover, he thought that Russia does not have the capacity to set international agendas. Ultimately, Obama was convinced that coalition-building and multilateralism provided the basis for addressing the threats facing the United States (Goldberg, 2016: 37, 47, 49, 61-63, 67).

Obama demonstrated that unless he is assured of the results, he will not commit himself to a foreign policy conflict. Policy on Syria intervention is an example of this thinking (Kaufman, 2016: 26). Samuel Huntington believed that the rise and decline of the US in the world had a correlation with the oscillations in democracy around the globe (Huntington, 1981: 246-247). Obama had greater recognition of soft power. He did not believe Daesh is a threat to American national security. America should only provide military and operational assistance and should not be a party to the conflicts in the Middle East. Saddam was a dictator and was not a threat to American interests. US should avoid military interventions in the Muslim world. Following his disillusionment with the Palestinian-Israeli conflict, Obama shifted to Asia. He valued Asian

innovation and productivity in contrast to Middle Eastern radicalism. Obama never used the terminology of Muslim or Islamic terrorists. He clearly stated his objective when he said he has no intention to normalize relations with Iran; rather to solve the outstanding nuclear problem (Goldberg, 2016: 29-34, 37-38, 47-48). Obama critics believed that American withdrawal or lack of commitment encouraged Moscow for a greater Middle Eastern role. Obama was quick to respond that, “[Y]ou do not respond to a mistake by another mistake.” (Goldberg, 2016, 69; Kaufmann, 2016: 84-95). There emerged critical consequences in the Middle East due to Obama foreign policy doctrine. Arab countries of the Persian Gulf aligned themselves with Israel. Russian and Iranian coalition took shape in Syria and Daesh was revigorated itself in parts of Iraq and Syria. But American hands-off policy did not point to a total US withdrawal from the region. US military commitments in Israel and much of the Arab world not only had an economic dimension; it also reiterated greater American role in shaping the national security priorities of many states in the region compared to highly limited Russian role and almost a non-existent role of China. The Middle East did remain a region under much American influence. The \$6.2 trillion costs of Iraq and Afghanistan wars clearly played a role in Obama policy. He had also pledged in his presidential campaign to keep American out of global military conflicts. He did state that he had no intention of emerging as a second Bush. Obama believed that much of the tensions in the Middle East dealt with the Saudi-Iranian rivalry and the US should encourage both sides to reach agreements; even a cold war is preferable among them (Goldberg, 2016: 6, 46, 49).

3. Russia and the International Order

According to Andre Teseganov, there are four schools of thought in the Russian foreign policy establishment: *Integrationists* who believe Russia is a Western country and should seek integration with the Western world; *Nationalist radicals* who are anti-West and have scant base in Russia’s foreign policy establishment; *Balancers* who promote the belief that Russia is a unique geopolitical power but should find areas of cooperation with the West and the East and finally the *Normalizers of Great Power Relations* who believe Russia is a great power and should have normal relations with other great powers. The last two schools dominate Russia’s mainstream foreign policy thinking (Lauruelle, 2015: 89). What mostly Russia has preferred since the end of the cold war is the policy of *Finlandization* where countries within the sphere of Russian geostrategic proximity observe a balance between Russia and Western powers, a policy pursued by Finland since the outbreak of the cold war in the 1950s. US and most European countries do not accept this Russian preference. Russia did intervene in Ukraine to ensure that the latter does not fully fall within the Western orbit (Lauruelle, 2015, 94). A famous Russian economist believes that Russia is a great power with close-by integrated lands (Gaider, 2007, Xi). This perhaps implies that for Russia, security is far more critical than economic growth. Once Obama referred to Russia as a regional player which created a political uproar in the bilateral relations. At the end of the Obama period, the two countries confronted each other

both in Eastern Europe and Syria (Allison and Simes, 2017, 25-27). Obama believed that Russia is a country in decline; yet it hopes to be an equal partner with Washington. Most elites in the United States do not regard Russia in such a status and are not interested to partner with it (Allison and Simes, 2017, 27). One consequence of the rivalries between Russia and the US is an alarming new development in the arms race area (Allison and Simes, 2017, 33). The two sides have a limited trade which almost in role in shaping security policies towards one another. Russian suspicions of American anti-Russian pursuits in Eastern Europe is a major concern for Moscow. It is unlikely that even during the Trump administration, relations between the two countries will improve since anti-Russian sentiment is a mainstream tendency within American elites. Moscow hopes to raise the stakes for the US in its Syria policy which has not paid off yet. American policy towards Russia is centered on its anxieties regarding Eastern Europe and the return of Russian political pressures on the vulnerable countries in its eastern frontier. Americans have fundamentally ignored Moscow's playbook in Syria and the Middle East. While Russia focuses on its military build-up and nuclear deterrence as its effort for balancing actions vis-à-vis Washington, American efforts in Eastern Europe in general and Poland in particular have increased to offset Russian initiatives. The Middle East matrix appears to play a lesser role in the geopolitical dynamics between Russia and the United States in the coming years.

4. The American Economy and the Emerging International Order

Starting in the 1960s and particularly after the 2008 financial crisis, the US economy has experienced critical shifts. In the past, American economic power concentrated in manufacturing conglomerates. However, in recent decades, US economic vitality is now in banking and credit institutions and the information technology industries (Foroohar, 2016: 18). In order to keep stakeholders in these sectors pleased, economic policy has favored keeping wages untouched. Moreover, the traditional middle class has actually declined. Because of low interest rates, the new corporate world acts like banks. They borrow money at low rates, buy their own stocks and cause the prices to increase. As Joseph Stiglitz points out, banks no longer make investments leading to employment and new economic activities; they are more involved in the stock market and make huge profits in the short term (Foroohar, 2016: 125). Less investment in American manufacturing has provided China with a large trade advantage (Mason, 2015, 320). Whereas in the 1960s and the 1970s, some 40% of the revenues used to end up in new investments but now profits are mostly invested in the financial markets which produce quick profits. In the 2005-2015 period, some 500 corporations have rebought some \$4 trillion of their own stocks (Foroohar, 2016: 131). Corporate strategy now is to stash profits outside of the United States in order to pay less taxes. To encourage domestic investment, the US government has announced that some \$1 trillion of companies' foreign cash holdings can return home without taxation (Economist, March 18, 2017: 19). IT, financial institutions and pharmaceutical companies are now constantly expanding their capital. Some 65% of the profits

of such companies are now acquired through banking operations (Economist, January 2017, 15-17). Some 46% of the top 50 companies operate in the IT sector. Companies do not alter wages, do not invest and therefore have no costs and in turn, make huge profits. The tax system and documentation, some 75000 pages, encourage the acquisition of loans. Companies do have a role in shaping legislation. In the (2013-2014) period, lobbying groups of major financial institutions spent some \$4.1 billion in the formulation of financial legislation (Feroz, 2016: 141-145, 181, 191, 199, 2700, 287, 298).

These structural changes have led to more protectionism and a trade war with major US trading partners. Trade war has also multiplied the number of complaints at the WTO. In 2007, the GDP share of the newly emerging economies stood at 17% which subsequently jumped to 45% in 2012. The OECD share declined from 83% to 53%. FDI activities also shifted from north America to ASEAN, Japan and the EU (Bhagwati et al, 2016: 108, 200, 236). A new emerging opportunity for the US economy has been the sale of arms particularly to Arab Middle East. The US has some 150560 military personnel around the world of which some 44800 are stationed in the Middle East and Central Asia. The US now with an increase of 10% in its budget and operates some 800 military bases with an estimate of \$156 billion cost. Instability in the Middle East is a major contributor to arms sales. In 2015, Saudi Arabia and the UAE purchased some \$113 billion of arms from the United States (Wright, 2016). In the new emerging geo-political logic of the world, conflict management has far more financial benefits than conflict resolution. The Middle East is an ideal playground for conflict management, arms sales and diversion of resources to armed conflicts. Since conflicts in the Middle East are non-zero-sum games and there are barely nation-states in its conceptual meaning, conflict and arms race in the region serves many financial and economic interests. The concept of protraction of conflicts has replaced attempts to resolve conflicts, more so in the Middle East.

5. Israel and Middle East Geo-politics

The Israeli tradition is to utter the least in its national security matters. How Israel thinks and how it operates is crucial in the outcomes produced in the Middle Eastern political economy and geo-politics. Israel is a small country of 424 kilometers long and a variation of 15-114 kilometers in its width. The small geography of Israel has produced a certain political psychology in its national behavior and foreign policy conduct. The environmental security pressures have shaped a peculiar mentality among the Israelis characterized with more sensitivity and constant complaints (Gratch, 2015: 61, 88-89). As the Russian poet ShaulChernikhosky postulates, human behavior is conditioned by environmental conditions (Gratch, 2015:84). The small geography has led to a psychology of fear, insecurity and high sensitivity to threats. Israel has continuously made sure that American and European sale of arms to Arab countries do not violate Israeli military superiority (Wright, 2016). Due to its geography, national security is a dominant political issue in Israel. For obvious reasons, major military powers within its proximity disinterests Israel. Smaller and less powerful countries

clearly serve the principles of Israeli national security doctrine. Research on fear and military doctrine demonstrate such correlations (Shalit, 1994: 415-434). The territorial limitations of Israel have led to a constant distrust of others with a reactive attitudinal structure (Gratch, 2015: 207). The psychological structure of Israeli security thinking has considerable consequences for the geo-politics of the Middle East. Israel immediately reacted to the operations of Iraqi and Syrian nuclear sites and has played politics of protraction with some 19 American-led peace plans in dealing with the Palestinians. Military superiority and coalition-building collectively serve Israeli national security interests (Gratch, 2015: 239).

6. Conclusion: New Emerging Middle East Geo-politics

Three levels are at play to shape the geo-politics of the Middle East. First, is the international level. Unlike the post-1945 era, the US needs a multilateral strategy to pursue its interests in the Middle East. Globalization, the rise of China and other economies, the transfer of wealth from the West to Asia have contributed to an American foreign policy that will ultimately have to rely on a range of economic as well as geo-strategic considerations. The Middle East energy sources, its appetite for arms and potential consequential political conflicts invite all major powers to influence outcomes. American technological superiority, its alliance with Saudi Arabia and Israel and deep influence in many Arab countries provide it with a far greater role than other global powers such as Russia and China. European concern is fundamentally security with scant commercial interests. Europe no longer has the political capacity to produce critical outcomes in the Middle East. Chinese interests in the Middle East are confined to oil purchases and some commercial interests. China has made a firm decision not to stand in the way of American interests in the Middle East. Russia's primary security concerns are in eastern Europe and its bilateral relations with Washington. There is very limited political space in the Middle East geo-politics for Moscow to extract advantageous relations with the US. Second, are regional players. Almost all regional players and the US have a major interest to marginalize Iran and deplete its financial resources to limit its regional vitality. Russia will not interfere in this endeavor but will not support it either. A somewhat psychological war in addition to its regional involvements have enlarged Iran as a major threat to peace and security in the region. For the first time, Israel and many powerful Arab countries have aligned against Iranian regional influence. The polarization of Middle Eastern politics is a major geo-political consequence of the new era (Rousseu and Gracia-Retamero, 2009: 54-78). The exit of the Trump administration from the Obama-era nuclear deal has intensified this polarization. One outcome of the new geo-politics of the region is the marginalization of the Palestinian conflict with Israel (Serry, 2017: 195-202). The third level, is the role national politics of different states play in the emerging geo-politics. Saudi Arabia has initiated a 2030 economic vision to diversify and bring its economy into the IT world. The UAE also plays an increasing financial and political role in regional outcomes. Turkey's main interests are in Syria and Iraq to safeguard its territorial security. Its diplomacy is focused to maintain relations with all sides to

promote its political and commercial interests. Countries such as Egypt and Jordan are highly vulnerable in maintaining their economic survival with high rates of dependence on the US, the World Bank and Arab countries of the Persian Gulf. The main regional dynamics are confined to the policies and financial/military strategies of Iran, Israel and Saudi Arabia. Iraq has a long road to travel to reemerge as a regional player. Syria is destined to secure its territorial integrity and political relevance with colossal attempts and substantial financial resources. It will take years if not decades for Syria to reach economic and political stability. Although the US is critical in the unfolding of Middle Eastern geo-political order, yet for the first time in the post-1945 period, the political and military calculations of regional players will certainly weight as equally important as American influence and role. The financial abilities of the regional players and their access to international markets and technology will determine their share in the final outcome of the Middle Eastern geo-politics. This analysis supports the conceptualization advanced by Robert Kagan that regionalization of geo-politics is a new global reality. Geo-politics therefore has now become a function of geo-economics.

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