VALDAI DISCUSSION CLUB REPORT

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THE MIDDLE EAST: DARKNESS BEFORE THE NEW DAWN?

REGIONAL CONFLICTS AND THE FUTURE OF THE GLOBAL COMMUNITY

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Contents

In recent years, the public in both Russia and the West has increasingly come to view the Middle East as a region of violence and terrorism. Despite the fact that a number of Middle Eastern countries are not involved in conflicts, those that are seem to determine the political life of the region. What's more, these conflicts have come to involve ever more regional and global powers, have turned into proxy wars, are destroying state sovereignty, and serve as breeding grounds for hostile non-state and anti-state forces, thus instilling the world with a sense of fear and uncertainty about the future.

In the six years since the so-called Arab Spring – the subject of so much romanticized revolutionary rhetoric – conflicts racking the Middle East have claimed, even by conservative estimates, more than half a million lives – approximately 400,000 in Syria alone, according to the UN. The more than 10 million refugees from the region have created a migration crisis: Jordan has taken in more than 2.5 million, Lebanon more than 1 million, and Jordan more than 500,000. The crisis has become a central issue in Europe and is bringing about the depopulation of Libya.

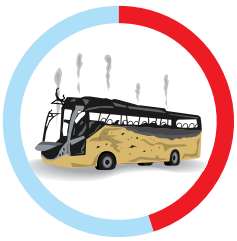
The situation has caused humanitarian catastrophes in areas of Syria, Iraq, Libya, and above all, Yemen, where 60% of the population now suffers from hunger and the threat of starvation. Entire nations of peoples with centuries of history – the Assyrian, Azidi, Shabak, Sabian-Mandaean, and Kakai – are now at risk of annihilation. An entire generation of young people steeped in an atmosphere of violence, hatred, and hopelessness and deprived of access to education now has no hope for a future.

Whenever and however these conflicts ultimately resolve, it is obvious that the Middle East will no longer be the same. But to what extent are these conflicts the result of global trends, and to what extent are they the outcome of regional dynamics? How and to what extent do they now – and might they later – influence the global agenda?

Is it possible to find a settlement for these conflicts that would guarantee stability and prosperity for the whole region – or will war rage there forever? And what is the cause of war?

MIDDLE EAST TODAY

THE ARAB REGION IN FIGURES



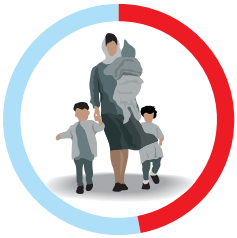
45% of the world's terrorist attacks in 2014

5% of the world's population

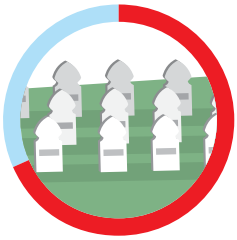
17.6% of all global conflicts between 1948 and 2014

57% of the world's refugees, including Palestinian refugees, 2014

Most devastated countries



47% of world's internally displaced, 2014

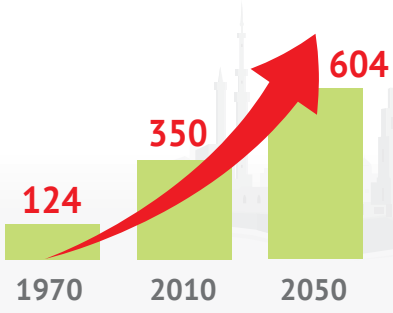


68% of the world's battle-related deaths between 1989 and 2014

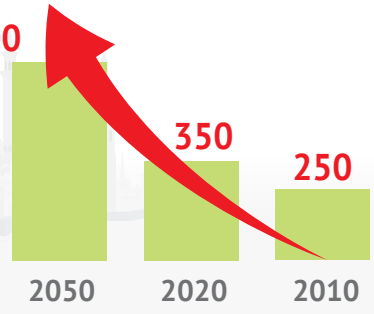
21% military spending rise since 2009

30% Youth unemployment in 2014

Muslim population increase
(mln)



Number of inhabitants living in countries vulnerable to conflict
(mln)



Source: UNDP Arab Human Development Report (http://www.arab-hdr.org/).

I. The Roots of Evil: on the Origins of Conflict

The origins and causes of the conflicts in the Middle East are numerous and diverse. They also stem from short-, medium-, and long-term historical processes – many of which were recently disrupted.

The **long-term processes** include the wide gap in natural resource wealth between countries, the deepening water shortage, demographic imbalances, and systemic problems of socio-economic development.

The Arab states face a rapidly growing population, now numbering 350 million, that occupies only 4.2% of the region's total land mass,[1] – an area roughly equal to that of Spain. Approximately 80% of the remaining area consists of deserts that have also been expanding rapidly in recent years.

The availability of water per capita is seven times lower in the region than the world average, and approximately 55% of the population suffers from water shortages.[2] According to the UN Food and Agriculture Organization, by 2025 only Lebanon will have an adequate water supply, whereas Jordan, Libya, Kuwait, Qatar, Oman, Saudi Arabia, Tunisia, the United Arab Emirates, Yemen, Algeria and Bahrain will all experience acute water crises.[3]

It is telling that the draught-induced relocation of almost 2 million Syrians was one of the reasons for the protest movement in that country. The Yemeni Interior Ministry also reports that, on the eve of the Arab Spring, the scarcity and unfair distribution of water was the cause of approximately 70% of the conflicts in the country's interior and resulted in 3,000–4,000 deaths per year.

In the poorer countries of the Middle East, water scarcity contributes to a food deficit that is particularly acute owing to the nature of demographic processes there. At the same time, many societies in the region have already undergone a demographic transition: in the monarchies of the Arabian Peninsula, in Libya, and to some extent in Algeria, the oil and gas industry developed even as social and political traditionalism remained intact. This resulted in a lower mortality rate even as birth rates remained high and led to a prolonged population growth.

As much as 60% of the population of the Arab states is under 30 years of age, a fact that helps explain the dynamism of those societies, but also their volatility. The violent social behaviors seen there result not only from the growing number of challenges they face, but also from the incomplete process of social modernization and an identity crisis, on the one hand, and from the breakdown of traditional mechanisms fostering mutual trust, on the other.

The problems having a **medium-length history** stem from systemic problems of socio-economic and political development, as well as the functioning of these countries' political systems in general. Analyses of the underlying causes of the Arab Spring most often cite this set of problems.

On the eve of the mass protests in 2010, the average rate of economic growth in the Middle East was quite high – approximately 5% – as compared to 2.4% for OECD country economies.[4] And in 2012, the aggregate revenues for the four oil-exporting Arab monarchies – Saudi Arabia, Qatar, Kuwait, and the UAE – reached a high of more than $600 bn U.S. (as compared to $70–80 bn in the late 1990s).[5] What's more, part of this oil windfall

[1] *Al-Hamad A.Y. The Arab World: Performance and Prospects. Dubai, 2003, p. 15*

[2] *Arab research: Yearbook. Moscow, 2010, p. 15*

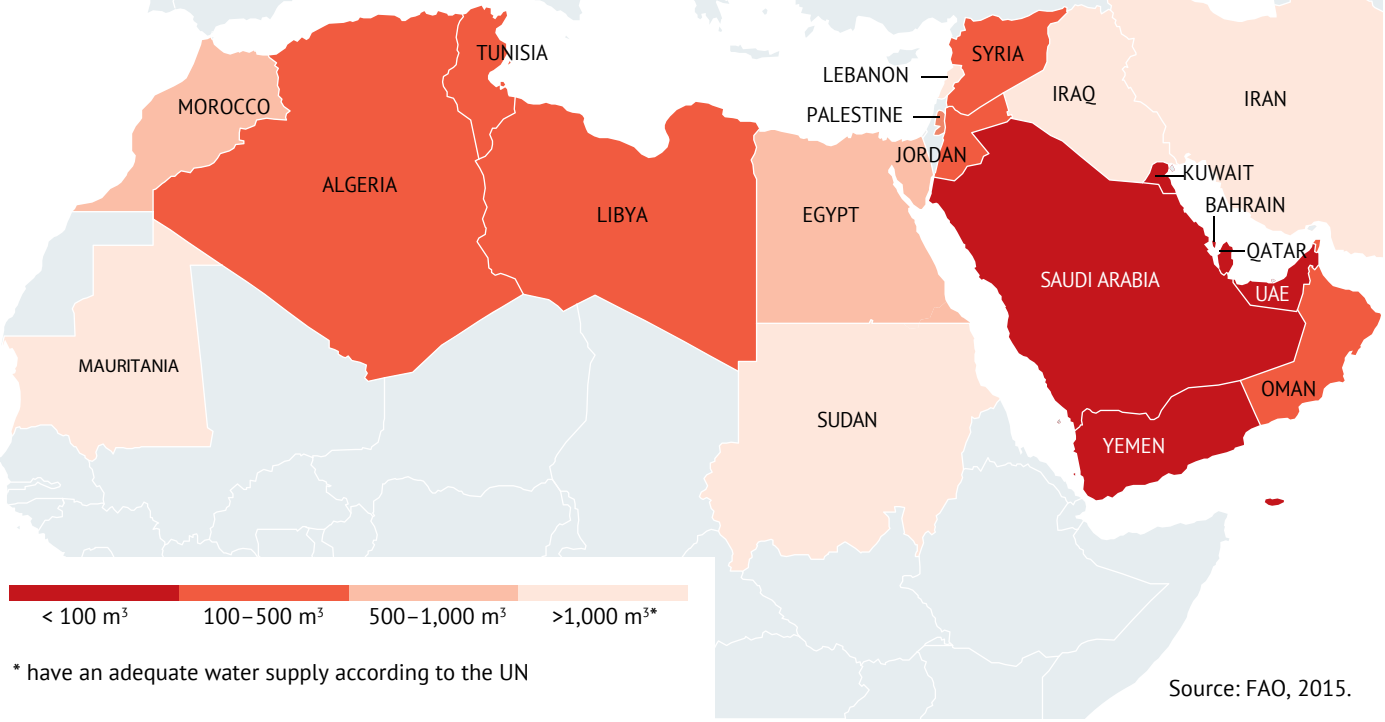
[3] *Water Management and Food Security in MENA, 2015, FAO, http://www.fao.org/fileadmin/user_upload/rne/docs/LWDMain-Report-2nd-Edition.pdf*

[4] *Arab World Competitivness Report 2011–2012. Geneva, 2011. P. 7. http: www3. Weforum.org/docs/WEF_AWC_Report_2011–12.pdf*

[5] *Analytical Center of the Government of the Russian Federation, journal of current events in the global economy, issue No. 2, November 2015, prepared by a team led by L. Grigorev. In Focus: The Economy of Arab States, figure 10, p. 13.*

THE LACK OF WATER IN THE MIDDLE EAST

Water Availability Per Capita



* have an adequate water supply according to the UN

Source: FAO, 2015.

spurred economic growth in other Arab countries through workers employed on the Arabian Peninsula transferring earnings home, as well as through direct government financial assistance and private foundations.

At the same time, macroeconomic indicators turned out to be deceptive. Liberal economic reforms made it possible to raise the average standard of living and expand the middle class in Egypt, Tunisia, and Syria, but also prompted those populations to hold unreasonably high economic expectations and widened the property inequality gap. Individuals with close ties to the authorities, high-ranking government officials, businesspeople, and senior law enforcement and defense officials were the primary beneficiaries of that growth – altogether representing less than 10% of the population. A significant portion of the region's population continues to live below the poverty line. According to World Bank data for 2015, 53% of the people in the Arab world live on $4 per day or less.[6]

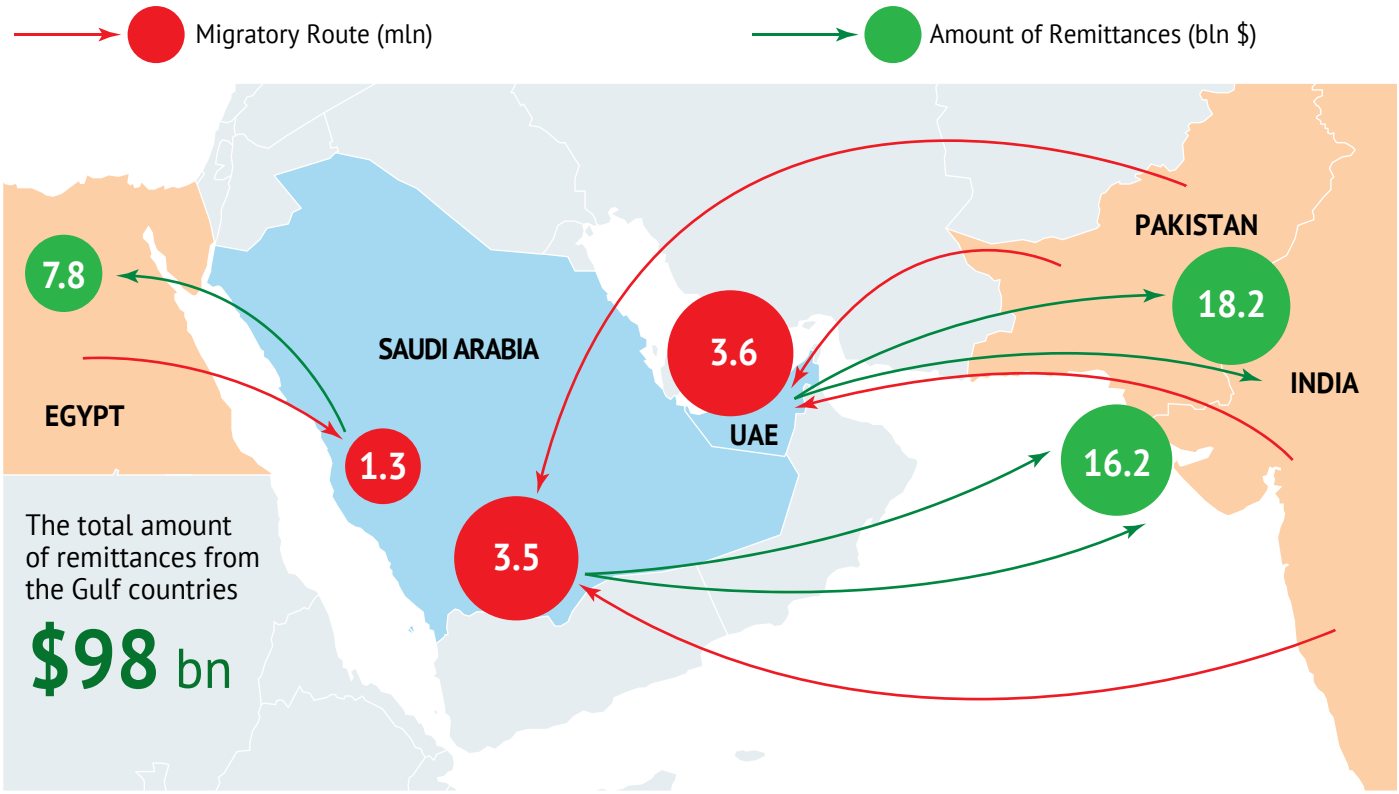
The residents of agricultural areas – 44% of the region's population – make up the majority of those living on the verge of poverty. That segment comprises 40% of the population in Egypt, and 62% in Syria – primarily in the eastern part of the country. Up to 80% of the population in some areas of Yemen is living in poverty.[7]

The continual fallout from this "social bomb" causes chronic unemployment that, according to official data alone, averages from 10% to 25% across the region, and reaches as high as 40% among youth under 30. In Algeria, for example, youth comprise 50% of the population and suffer a 30% unemployment rate – three

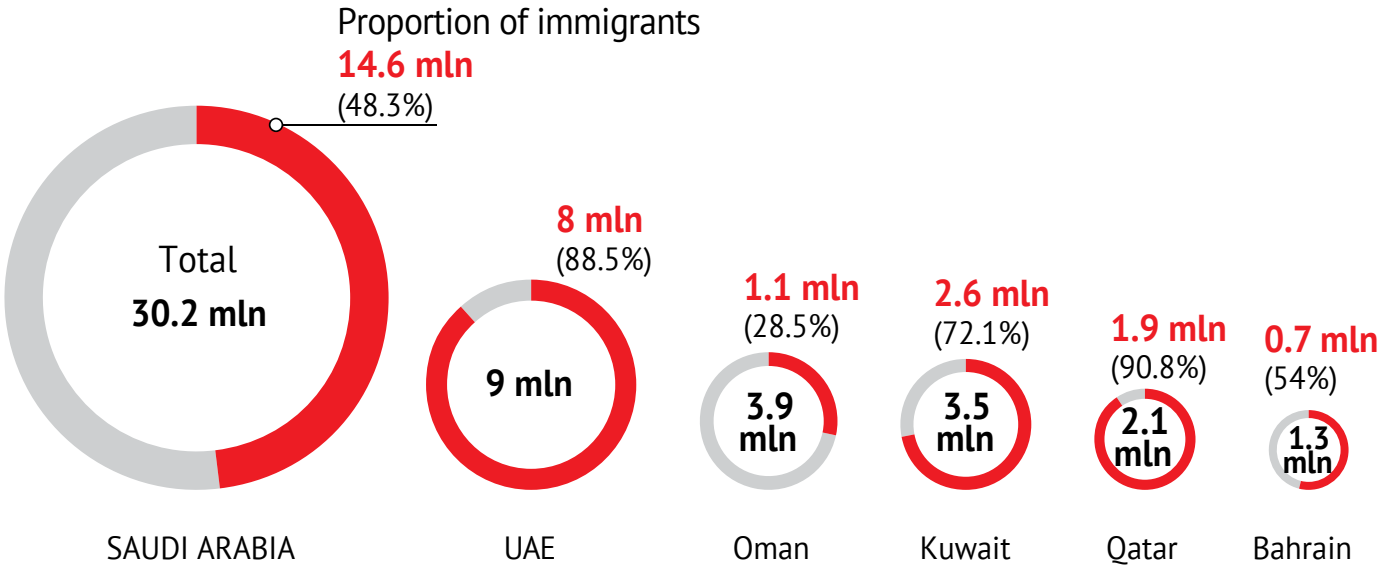
[6] *The World Bank.Annual Report 2015.Middle East and North Africa. www.worldbank.org/en/region/mena*

[7] *The New Middle East, Protest and Revolution in the Arab World edited by Fawaz A. Gerges, 2014, p. 12*

MAIN MIGRATORY ROUTES TO THE GULF COUNTRIES



Proportion of immigrants in a total population



Source: Migration and Remittances Factbook 2016.

times higher than the 10% unemployment rate for older Algerians.[8] The OECD estimates that it would be necessary to create 25 million new jobs over the next decade simply to prevent an increase in the unemployment rate. That would require a 5.5% annual economic growth rate – an unattainable goal at present.[9]

The fact that different countries' economies are organized very differently only reinforces the extremely high degree of fragmentation between societies in the Middle East and cements the major role played by the shadow economy – that accounts for 40%–60% of the economy in some countries, and up to 80%–90% in specific areas – not even counting areas of armed conflict. This alienates the authorities from the citizenry and hinders the development of modern statehood. As a result, many segments of society continue to view the state authorities as an alien and even hostile force.

This is connected with the weak condition of statehood indicative of almost every country in the region. That, in turn, is caused by the uneven development of institutions – a situation in which the institutions of the executive branch are highly developed and complex in structure, but are mismatched against weak legislative and judicial branches of government. Although institutions of civil society are actively developing in such countries as Bahrain, Kuwait, Lebanon, Egypt, Jordan, and Turkey, they remain marginalized, their activities generally affect only a small part of the modernized population, and they are often dependent on outside support.

Compounding all of these internal factors are external influences connected with the place the Middle East occupies in the system of international relations – that is, itself, experiencing a crisis. A paradoxical situation has arisen from the absence of an obvious hegemon and the relative weakness of each regional power – all within the context of a general crisis in leadership and the international community's transition to a multi-polar world. The interests of all the world's major powers intersect in the Middle East, and each of them considers the stability and sustainable development of the region an important priority. Europe and Russia are arguably exceptions, however, with the former currently focused on its own problems and the latter having only limited interests there.

Finally, the processes having a **short history** are those that stem from current geopolitical and economic rivalries, the crisis of political leadership, etc.

Some of the regional conflicts were the result of unsuccessful struggles for renewal, and in the case of Syria and Yemen, the petering out of the Arab Spring. Others, such as in Iraq, were caused primarily by outside military intervention that pursued unrealistic strategic goals and employed inappropriate methods. In Libya, outside intervention sparked domestic protests.

The crisis of leadership in the Middle East is an important factor of conflictogenity, and it is occurring against the backdrop of Iran taking a more active role in the region, Turkey gradually pivoting to the South – prompted, among other things, by Ankara's frustration with prospects for integrating into the EU – the growing strength of the smaller Persian Gulf states (Qatar foremost among them), and the U.S. "pivot to Asia" strategy that has forced Washington to reduce its activity in the region.

All of this is taking place as a change in the ruling elite approaches in a number of Middle Eastern countries, the generation gap between political elites and the general population continues to widen, and societies gain ever faster access to information. Over the past six years, one fundamentally new factor has appeared in addition to those that were

[8] *The Arab Crisis and Its International Implications. Moscow, 2014, p. 36, The New Middle East. Protest and Revolution in the Arab World... P. 11.*

[9] *Arab World Competitivness Report 2013.Geneva, 2013. P. 9. http://www.ebrd.com/downloads/news/arab-competitivness-report.pdf*

already well known – current conflicts that carry the seeds of future conflicts.

However, the three-level approach to conflictogenity that traces its roots to Fernand Braudel no longer works as proposed because it turns out that long-term processes have accelerated sharply and are now influenced by a conjunction of factors.

II. The Middle Ages Resurrected: on the Specific Features of Contemporary Conflicts

The new conflicts in Syria and Iraq, Libya, and Yemen, share a number of features that distinguish them from the "old" conflicts in the Middle East and Western Sahara. On the one hand, these features are the outcome of global trends, while on the other, they could themselves engender new trends.

In place of classic "one-dimensional" conflicts involving inter-state confrontations or clashes based on ethnic or religious grounds, hybrid conflicts have emerged combining, on the one hand, aspects of confrontations between social and religious groups, civil war, and ethno-separatist struggles for the self-determination of peoples, and on the other, elements of proxy wars that admit the direct military participation of both regional and global actors.

For all the seeming novelty of the current situation, it is not unique: this is more a structural archaization of conflicts, struggles that are increasingly reminiscent of the medieval Time of Troubles, but played out using modern technologies and weapons. This phenomenon fully corresponds to the well-known concept of The New Middle Ages – usually applied to Western or Russian context by authors from Nikolai Berdyaev to Umberto Eco – but in this case, taken to its conflictual conclusion.

The crisis of nation states, the rapidly rising number of non-state actors, the growing role of political leaders who personify the very idea of power, the erosion of ideologies, the strengthening of traditional identities, the sacralization and politicization of historical mythology – all of these elements are rooted in the Middle Ages, and although they find their most extreme expression in Middle Eastern conflicts, they are also found in a milder form in practically every part of the world.

The asymmetry first seen in Lebanon in 2006 is another feature of these New Middle Ages conflicts. However, whereas both sides in the Lebanese confrontation had essentially opportunistic motives, now the nature of the various actors' motivations correlates to their respective geopolitical "levels". For example, local non-state actors, who often group together on the basis of ethnic, religious, or tribal identity, view the conflict as an existential struggle, whereas "higher level" regional, and especially global actors pursue strictly opportunistic interests. To some extent, the Syrian government is an exception because it consolidates the country's minority based on opposition to Sunni jihadism – whose victory would spell their genocide.

The asymmetry of multi-level conflicts is manifested in the fact that, apart from simple "horizontal" confrontation between local, regional, and global forces, at each level these conflicts also involve "vertical" confrontations of global players against regional and sometimes even local forces.

Because each level of the conflict is determined by its own geopolitical, economic, social, ideological, and other factors – all of which are constantly in flux – the appearance of "vertical" axes in the confrontation tends to spread the effects of these factors between levels and among an increasing number of players. The result, for example, is that, at first glance, the Russian campaign in Syria could have initially been misinterpreted completely through the prism of the Sunni-Shiite confrontation; and the actions of local Syrian forces were just as unfairly viewed as a product of the Iranian-Saudi or U.S.-Russian confrontations. The structure of the conflicts in these countries is becoming increasingly complex, with the exception of Libya and Yemen, on which the non-regional powers have taken a less clearly defined position.

The hybrid and asymmetric nature of the conflicts, compounded by the uncontrollability of borders, have given the conflicts a certain amorphous character that greatly hinders their resolution. This is seen most clearly in Libya, and less so in relatively isolated Yemen. Only after forming a quasi-alliance between Russia, Turkey, and Iran was it possible to at least partially localize the conflict.

The amorphous or permeable aspect of the conflict allows for the ready integration of this or that actor into the overall network – and this applies not only to such terrorist groups as the Islamic State or al-Qaeda, but also to Shiite military and political structures: militias in Iraq, the Ansarullah movement in Yemen, Hezbollah in Lebanon and others are all closely connected. Such networks enable non-state actors to deliver an asymmetric response to more powerful players and simultaneously expand the geographic scope of the conflict.

In the social sphere, the "erosion of modernity" occurs from the bottom up and can theoretically be viewed as the result of democratization of the informational and semantic spaces of the modern world. In place of the dictates of the Gutenberg era, we now have the universal equality of the Internet, social networks, and postmodern relativism.

In the context of the Middle East this means that local non-state actors, expressing the political will of traditional society, stand against modern institutionalized elite – effectively, a clash between the Middle Ages and modernity. However, the non-state actors' desire to expand, gain legitimacy, and integrate into the political system on the one hand, and the need of the state authorities to expand their social base on the other, leads one group toward modernization and the other toward archaization.

Thus, the Sunni-Shiite confrontation is usually viewed as intrinsic to the local level but playing an instrumental role in the struggle for leadership between Saudi Arabia and Iran at the regional level. At the same, it cannot be denied that local actors use religious identity (in Iraq, for example), to gain access to power and financial resources, and that the elite of Iran and Saudi Arabia are strategically willing to accept the role of a nation-state even while refraining from the religious and messianic component in their foreign policy.

Syria offers another example. There, the political regime was originally secular and non-denominational, but under pressure from a religiously-based opposition, gradually came to be viewed by the outside world as Alawite – and such a label was very favorably received by a West still not fully recovered from its Edward Said style of orientalism.

Another consequence of this situation is the emergence of a plurality of often incompatible narratives that coexist on the level of society and the international political arena. In principle, they are of four basic types – religious, nationalist, globalist, and lefist-revolutionary with numerous invariants.

An extremely deep crisis of trust seems to lie at the root of this inability to form

a more or less unified narrative. Of course, this is characteristic of not only the Middle East. According to The 2017 Edelman Trust Barometer report, distrust of "the system" as a whole is one of the most characteristic features of modern society.[10] However, in the Middle East, where the system is partially or completely dysfunctional and societal fragmentation is deepening, this distrust becomes a key element of interstate and social relations and might in the long term lead to atomization of societies and politics.

A typical example of this is Iraq, whose federalization was a response to deep social divisions that made trust impossible between Shiites, Sunnis, and Kurds. Federalization, however, did not solve the problem. Today, fragmentation is occurring in all three parts of the country, including Iraqi Kurdistan, which was previously considered the least affected by such troubles.

Also, efforts in recent years to use the common fight against terrorism as a basis for consolidating the region have proven essentially futile: not a single player in the Middle East has escaped accusation by someone else of either carrying out or supporting terrorist activity.

Even for all its brutality, the Islamic State did not turn out to be "the perfect enemy" because a host of regional actors considers the organization, if not a lesser evil, then at least a less urgently threatening one than others.

III. Alien Games: on the Role of Global Actors in the Middle East

The 20th-century confrontation between the two ideological and political camps came at a heavy price: it formed a world of mutual exclusion that left the main participants little room for joint action and convinced them that they, alone, were on "the right side of history".

With the disappearance of the bipolar system of international relations, one of its most important functions was also lost – that of restraining the global actors. If, under that system, either of the sides attempted to break the rules, the result was a very deep and dangerous international crisis. The rivals responded by hitting the brakes to pull back as far as possible from the edge of the abyss of global nuclear war. Those leaders still remembered World War II and felt no temptation to repeat that experience using nuclear weapons: the consequences were all too obvious.

The superpowers shifted their focus to the less dangerous but compelling regional conflicts in which they had allies, and where each sought to improve its position in the respective region. In the Middle East, the Arab-Israeli conflict facilitated this global struggle for influence for many years.

Local conflicts have been so ingrained in global international relations that most of the international community often perceived them as a direct continuation of the confrontation between the two systems, as clashes devoid of their own motivations and cultural identities. Instead, they viewed them more as the result of class struggles rather than as clashes based on nationalism or the competition for resources, territory, or hegemony – causes they could only partially ascribe to ideological underpinnings. It was impossible in principle to ignore the major regional players and their interests – that often

[10] *Executive Summary 2017, Edelman Trust Barometer: Annual Global Study, http://www.edelman.com/executive-summary/*

differed from those of their global patrons. But even under these conditions, the decision to end hostilities and start negotiations lay not with local actors, but with those above them who had their own agenda.

The absence of Cold War era deterrents or a powerful opponent gave the superpower that emerged victorious from the confrontation a dangerous and dizzying sense that even "running a red light" would not entail serious consequences, and that no "trifling regional impediments" ought to thwart its military ambitions. The resultant bombing of sovereign states, the overthrow of undesirable regimes, the creation of ad hoc coalitions operating without a UN Security Council mandate – or else coalitions operating far beyond such mandates – significantly influenced the course and intensity of the regional conflicts, drew additional parties into the fray, and effectively narrowed the maneuvering room available to the global powers themselves. Previously unquestioned norms of international behavior – including the non-interference in the internal affairs of other states, mutual recognition of the opponent's fairly clearly defined spheres of influence, the desire to preserve the balance of power and to avoid the temptation to cross over the "red line" – are all viewed increasingly as anachronistic.

At the same time, regional players gradually gained in strength and, in the new conditions, began feeling a greater sense of independence. The ever-present ambivalence of their relations with the global powers only deepened. In an attempt to compensate for their dependence on the superpowers, and holding a better understanding of their motivations than those powers had of the logic and motives driving their regional partners, they sought to exploit the disagreements between the competing non-regional forces during the period of bipolarity. The regulatory authority of the superpowers lay in their military might and in their ability to offer themselves as role models whose mores and values the region would want to emulate.

As it turned out, the opening years of the 21st century saw a further erosion of both: the relativism of values, the crisis in the Western model of liberalism, and the unsuccessful experiment in socio-political engineering were accompanied by the emergence of an international terrorism that challenged the military might of the West and undermined its ability to guarantee security.

In these circumstances, the global powers forfeited their role as the regulators of regional conflicts and increasingly became hostages to the regional elite – an extremely dangerous trend that continues to grow ever more alarming today. Intrastate conflicts, while not formally attracting a great deal of international interest, now became vortexes of sorts, pulling in the resources and military forces of regional and global players. At the same time, countless provocations from every side diminish the ability to fight the international terrorism that all global actors more or less equally consider a common threat. All of this aggravates relations between Russia and the West – and primarily between Russia and the U.S. – creating an opportunity for even the most odious of parties in the conflict to exploit that rift to their own advantage.

Just like his predecessor, U.S. President Donald Trump has no desire to increase direct U.S. involvement in the affairs of this troubled and highly unpredictable region. However, if the effects of the Arab Spring, the destabilization of Iraq and Syria, and the overall deepening of regional conflicts managed to draw the Obama administration into Middle Eastern affairs, then it is possible that Trump could fall into the same trap. It could force him to respond aggressively

to any dramatic turns of events as a means of compensating for his weak standing at home and limited electoral base.

The accusations in Washington that Russia interfered in the U.S. elections and had special relations with Trump's associates have become an obstacle to Trump's stated goal of improving U.S.-Russian relations through a joint fight against terrorism in the Middle East, and might also provoke him into making an excessive show of force in that region. The "Russian threat" has become the basis of an unprecedented political alliance between representatives of the Democratic Party and the most conservative wing of the Republican Party, and the constant anti-Russian rhetoric in the media has resulted in 60% of the U.S. population now considering Russia an enemy.[11] Despite the fact that Trump won the election, the campaign battle continues now under new conditions.

On the one hand, the new president's inexperience in foreign affairs and lack of knowledge of the Middle East prompted him to make a series of hasty statements that are fundamentally at odds with the traditional U.S. approach. Specifically, he hinted at the possibility of relocating the U.S. Embassy to Jerusalem and promised "not to insist" on the "two states for two groups of people" formula as part of a settlement of the Palestinian problem. On the other hand, by surrounding himself with retired military personnel who have served in "hot spots" in the Near and Middle East, Trump will undoubtedly continue to resort to drastic measures in the region – such as shelling a Syrian air base with Tomahawk missiles in response to a chemical incident in Khan Shaykhun. That move was intended not only as a warning to Syrian President Bashar Al-Assad – whose fate, prior to that, concerned Donald Trump much less than did the fight against terrorism – as well as to other leaders, including those outside the region.

President Trump's approach to the Middle East, if not indicating a fundamental change in U.S. policy, has introduced at the very least a number of new and sometimes disturbing elements to it. For now, the U.S. is sending out "mixed signals" by demonstrating its willingness to employ the direct use of force while also not abandoning the joint fight against terrorism.

The U.S. and Russia take vastly different positions on the Middle East. The Trump administration has expressed growing dissatisfaction with pro-government forces in Syria, especially Iran and Hezbollah. The announcement by the White House that it is ready to impose new sanctions on Tehran – this time because of its missile program – and reconsider the P5+1 agreement impels Washington to demand that Russia revise its cooperation with Iran and to persuade Tehran to drastically reduce its presence in Syria. What's more, Washington has issued something of an ultimatum concerning its desire that Russia scale back its ties with Iran.

Of course, Russia and Iran have very different interests in Syria. According to a number of participants in the Valdai Discussion Club Middle East conference, Iran's goals conflict somewhat with those of Russia in that Tehran is attempting to achieve a military victory, gain a foothold in Syria by establishing military bases and acquiring property there, and following its dominating passion of achieving universal support for the Shiite part of the Muslim population in the Middle East.

Despite their obvious differences, Russia and the U.S. continue to share a limited set of interests and, thus, an area for potential cooperation in the Middle East. This includes the settlement process in Syria (in the Geneva format, and to a certain extent, the attendant

[11] *Telhami S., Rouse S. American Politics and Foreign Policy.University of Maryland Crystal Issues Poll.Study #2.*

Astana format), and either the joint or parallel fight against two groups officially recognized as terrorist organizations by the UN: the Islamic State and the Jabhat al-Nusra Front.

A number of pariticipants of the Valdai Discussion Club Middle East conference believe that it would make no sense for Trump to up the bar of U.S. military responses in the region, and the inevitable cooling off the current furor over "Russia's responsibility" for the U.S. election results could create conditions for substantial U.S.-Russian cooperation – especially considering that both states have little choice but to cooperate on the Middle East. Such cooperation could include the exchange of military information, reaching a common vision for the future of the Syrian state, approaches to the problem of the Syrian Kurds, achieving a ceasefire, providing support for Syrian authorities at the grassroots, and ensuring the survival of people in territories recovering from the ravages of war.

In practice, Russia and the U.S. have provided whatever military response and political dialogue was needed in the Middle East, leaving almost no room for the European Union, whose Middle East policy increasingly lacks the originality and independent character normally associated with a collective international body. At the same time, Moscow cannot but be concerned of the possibility that, after the terrorist groups in the region are defeated, the U.S. administration could demand that Russia shoulder the main burden of engineering Syria's recovery.

IV. Sworn Brothers: on the Policies of Regional Actors

Given the behavior of the actors in the region, it is no wonder that global players have proven unable to formulate a predictable and well-defined political strategy for the Middle East. Feeling free to act, but without always knowing the limits of their ambitions – and lacking both the experience and often the means for achieving those objectives – they distrust one another while actively pursuing foreign policies – at times emotional and risk-laden – that create threats both for themselves and the region as a whole.

The participants in the region's conflicts fall into three main groups. The first includes the most powerful states in the region – Turkey, Iran, Saudi Arabia, and Israel. These actively influence the situation and use conflicts to pursue their own objectives, while at the same time modifying traditional alliances with the global players according to the situation. The members of this group have their own agendas, are willing to act decisively, and face few restrictions other than domestic challenges and the risk of seriously damaging relations with each other. These states gained prominence when Egypt, Syria, and Iraq – long the leading powers in the region – rapidly waned in strength.

The second group includes three less active states that are nonetheless influential in regional relations: Egypt, Jordan, and Qatar – whose positions will determine, to varying degrees, the prospects for stabilizing the balance of forces among their conflict-ridden neighboring states.

Finally, the third group includes Iraq, Syria, Yemen, and Libya. These states are in the process of losing their sovereignty and

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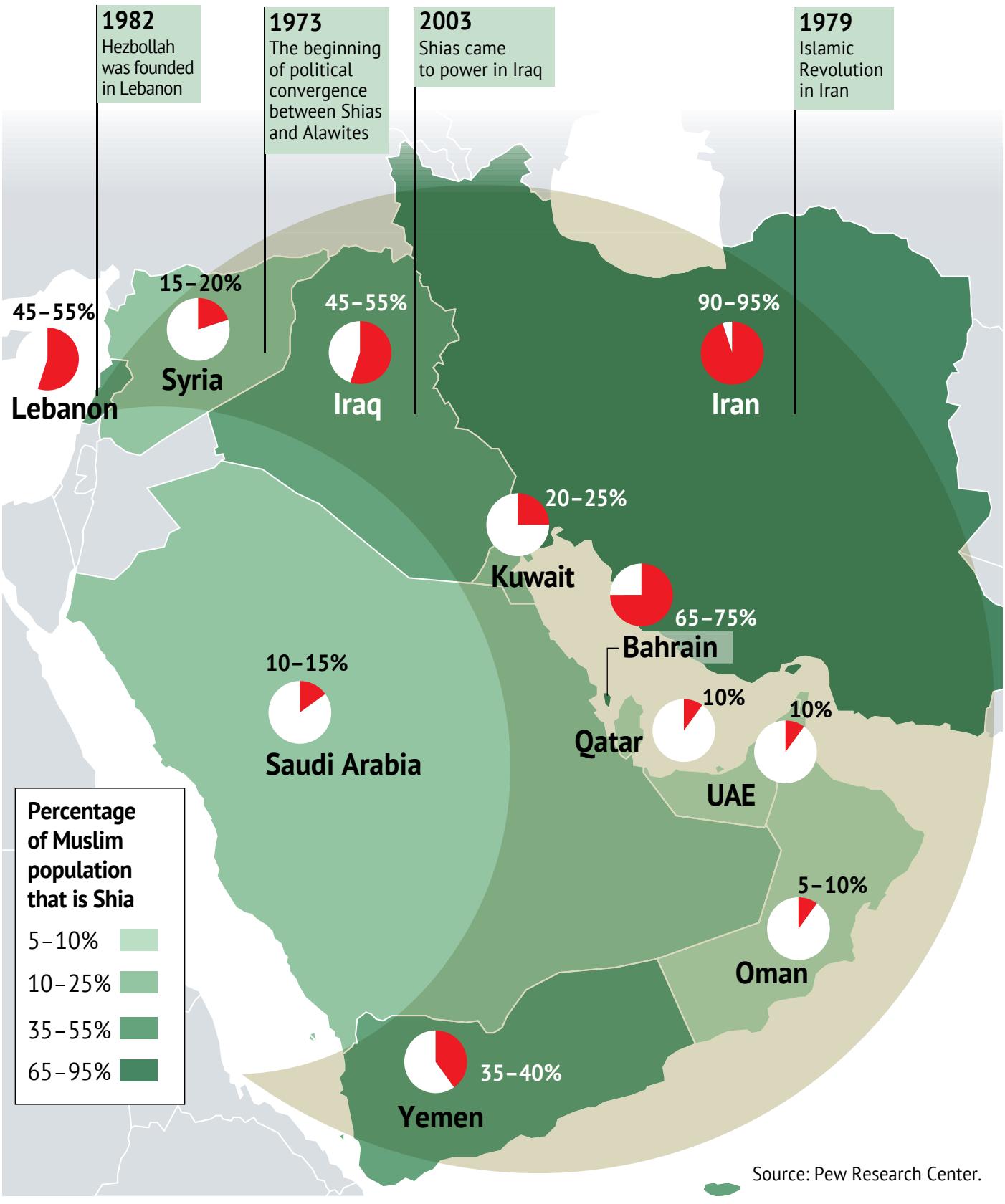


Source: Pew Research Center.

identity as independent states, the result not only of active interventions by outside forces, but also of their own weakness and attempts to hide behind the backs of others. Neither the Iraqi nor the Syrian authorities issue public statements about their vision for the future, the fight against terrorism, their response to provocations, or their reaction to the deaths of their own citizens. Their detachment from events – or the excessively late reaction from those who are charged with responding immediately to them – inevitably raises the question: To what extent do regional elites see their dependence on global players as an opportunity to shift responsibility for events onto their shoulders?

This is likely true not only of the weakest group, that is immersed in their own conflicts, but also of the strongest actors, who are unlikely to show a willingness to take real responsibility for the consequences of their actions. There is practically no historical precedent for such behavior in the Middle East.

The "Turkish model" of development grew less attractive after the defeat of "political Islam" in Egypt and the increase in tensions both within Turkey and between Turkey and its neighbors – although the country retains the military might to influence the situation in the region through force. A sort of vacuum of "soft power" and political influence has resulted. Iran, by contrast, has consistently strengthened its position within the "fertile crescent," relying on the levers of power concentrated in the hands of the Shiite majority in Iraq, on its now stronger alliance with Damascus and the Lebanese Hezbollah, and on the historically inherent role of Shiite Islam as the spokesman for popular discontent over the injustices of the ruling authorities.

Saudi Arabia perceives all of this as part of a plan for a "Shiite belt" that would encircle the Holy sites of Islam and undermine the foundations of the Saudi monarchy, including via the Shia minority concentrated in the east and southwest of the country. The ruling elite of the Gulf states view the Shiite protests within their countries as purely the result of outside influence.

To create a counterweight to "Iranian expansion," the Arab Gulf states tried to quickly hammer together a Sunni military-political bloc that would wrest Syria, Iraq, and Yemen from Iran's orbit of influence and prevent the internal destabilization of their monarchies. However, the fact that GCC (Gulf Cooperation Council) states perceive the Iranian factor differently and advocate correspondingly different approaches has proven a limiting factor to this strategy. Whereas Bahrain and Saudi Arabia see Iran as a threat, Oman and Kuwait are less concerned and are prepared to offer a softer approach than the alarmism of the Saudis.

Most of the Valdai Discussion Club Middle East conference participants agree that, without an end to the hostility between Iran and Saudi Arabia, it is practically impossible to break the vicious cycle of terrorism and civil violence in the region. However, with both countries acting simultaneously as nation-states and as a source of competing messianic religious ideologies, the distrust between them is so deep that attempts by more than 20 countries, NGOs, organizations, and individuals to mediate their dispute have produced no discernible result.

That said, despite the continuing conflicts and the growing weariness of an international community burdened by their heavy consequences, certain prerequisites exist for achieving package agreements. In Syria and Yemen, both of the warring states are depleting their financial and military resources. (What's more, the U.N. estimates that six years of involvement in the Syrian war has cost Iran $35 bn) The growing cost of the conflicts, the uncertainty over how to settle them, and the decline in oil prices, have all aggravated the economic situation. For Iran – that is directly involved in the war in Syria just as Saudi Arabia is embroiled in Yemen – a prolongation

of the Syrian crisis could lead to greater pressure from the U.S. and, possibly, the introduction of new U.S. sanctions. The Trump administration has taken a hard line towards Iran and made it clear that it would hold Tehran accountable for its behavior in the region and its implementation of the nuclear agreement. Both states have ambitious plans for economic development and thus have an interest in creating a favorable environment for foreign investment – a goal directly tied to creating the architecture for regional security.

Moreover, the conflict has escalated to the point where all the parties involved are beginning to realize that their desired objectives are increasingly unattainable, motivating them to start looking for ways to conclude a peace without losing face.

However, despite the many arguments in favor of de-escalation, the new U.S. policy could undermine that process even before it begins. The Trump administration's anti-Iranian course could weaken the hand of the moderate wing of the Iranian establishment while giving unfounded hope to the leaders of the Arab monarchies. In time, this could cause the confrontation to reach a new stage marked by heightened existential fear on both sides.

The new trends in U.S. policies have an impact on Israel, that considers them a return to a more favorable course. Having secured the demonstrative support of the White House and concerned almost exclusively with ensuring its own security, Israel can pursue a relatively unrestrained military policy in Syria, striking elements of Hezbolla – that has gained valuable military experience and new weapons in that conflict – the Islamic Revolutionary Guard Corps, and even units of the Syrian army. Even if the Israeli command does not get carried away with its military strikes, it will still attempt to exert a solid enough presence in the skies over Syria to prevent the enemy from consolidating its position in the Golan Heights.

A new factor in this equation might be Turkey, where, in spite of the repression that followed the failed coup attempt, almost half of the most progressive members of society oppose Recep Tayyip Erdogan and any extension of his powers. Experts think Erdogan might use his foreign policy success as an additional tool for mobilization. Deepening concerns over the Kurdish issue could prompt Ankara to act more aggressively in areas where it sees an opening, a move that could, in turn, sour Turkey's relations with the U.S., and possibly, with Russia. Unhappy that the major powers are reluctant to take their interests in Syria into account, the Turkish authorities might sanction a military operation in northwestern Iraq close to the Turkish border. And, whereas the U.S. and Russia share a common interest in Syria regarding the issue of the Kurds – thus compelling Turkey to halt its Operation Euphrates Shield – their interests in Iraq diverge, meaning that the U.S. will have to stand alone there against Turkish ambitions. In any case, Erdogan's intention to use his foreign policy resources as a means for furthering his own ambitions might make him a less desirable partner for both Washington and Moscow.

In general, the growing ambitions of the regional powers coupled with their dependence on global players make the system of relations in the region increasingly uncertain. It is difficult to assess how the regional elites define the limits of their maneuvers and how thoughtfully they operate within those limits. They might interpret the policy of the new U.S. administration as a signal allowing them greater license in their own actions, although the steps Trump has taken during his first 100 days in office wouls suggest otherwise.

This growing uncertainty not only makes it more difficult to reach a political settlement of the conflict, but also poses a threat that new conflict zones could

appear with the destabilization of what are as yet stable states. Under these conditions, the economic development of the region takes on added importance. On the one hand, the economic difficulties that a number of countries are experiencing make them especially vulnerable to various challenges and threats arising from the current situation. On the other hand, buttressing the economic system and moving toward a post-conflict restoration of those countries whose economies were ruined by war could pave the way to stabilizing the situation and reducing the level of conflict in the region.

V. NER: the New Economic Reality of The Middle East

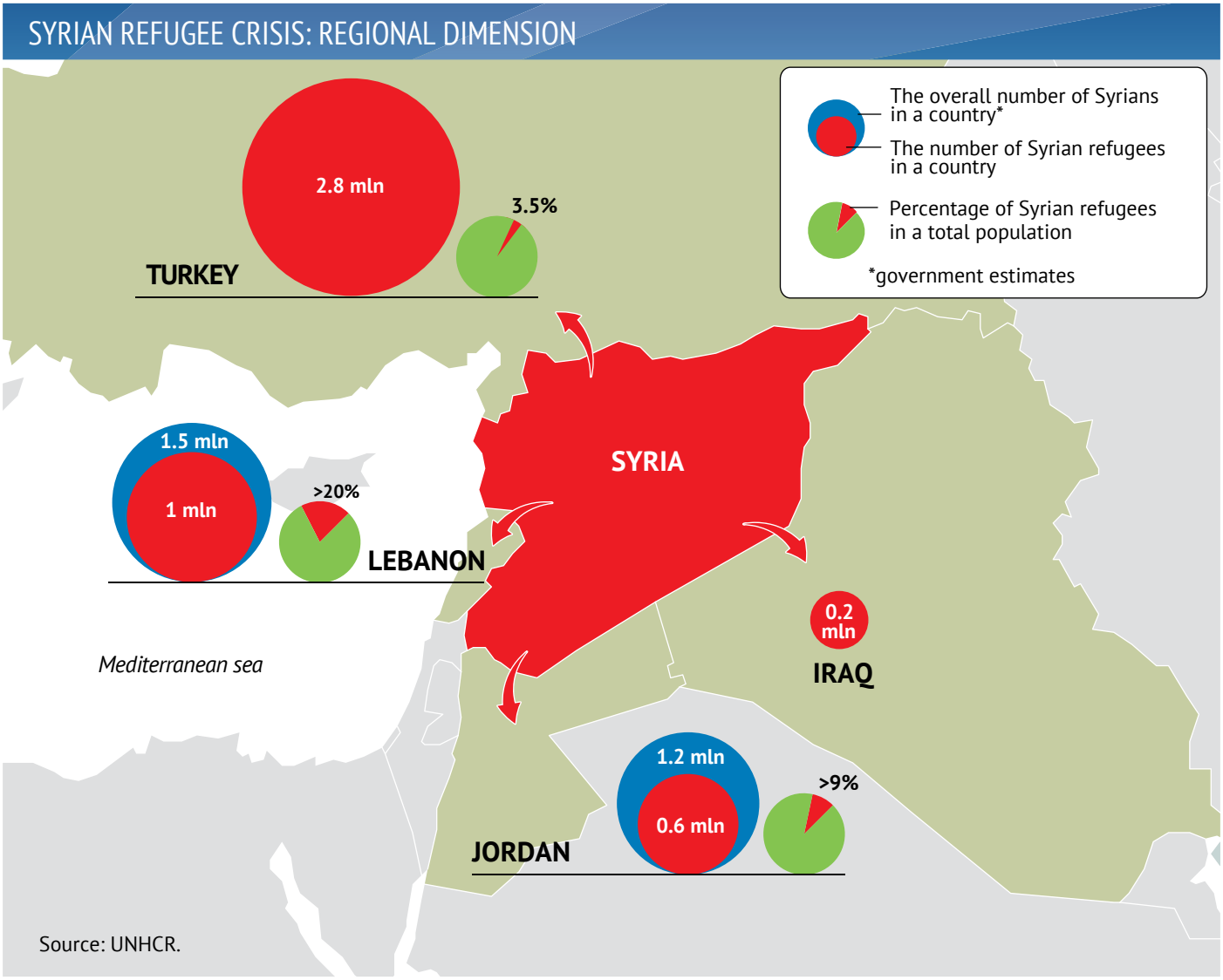
Today, six years after the Arab Spring ushered in hopes of a deep transformation in the Middle East, the new social contract between the state and society – along with what were hopes for the rapid redistribution of wealth – have yet to occur. What's more, this applies in varying degrees to all the countries of the region, whether or not their political regimes were institutionalized after a revolutionary change in power (Tunisia and Egypt), or the authorities themselves initiated reforms under control from above in order to adapt to the new reality (Morocco, Jordan, Algeria). As it turned out, the political elite and their opponents in both sets of countries were far more prepared to engage in political and legislative maneuvering to ease tensions than they were to implement systemic socio-economic reforms.

The overall rise in tensions has put those states that have managed to preserve their stability in an extremely difficult situation. On the one hand, there is an obvious need for both economic and substantial political reforms. On the other hand, opportunities for implementing such reforms are limited, the reforms would not produce immediate positive results, and the rise in social tensions that might accompany them could spark a new round of violence. Governments feel very vulnerable against the backdrop of such negative conditions in the region, and therefore act with extreme caution.

The situation is especially challenging for Egypt, where, in spite of all the previous reforms, the government sector retains its dominant position. The military regime is trying to disassociate itself from those representatives of big business that put political pressure on the authorities and who were symbols of corruption under President Hosni Mubarak. The army is taking on an increasing number of economic functions, behaving like an independent commercial corporation with its own budget and a reliance on former military personnel who have become entrepreneurs. At the same time, the authorities are looking for new support among market-oriented big businesses that have no direct ties to government agencies.

The unstable domestic situation complicates the implementation of reforms in Egypt and Tunisia. In response to the unremitting terrorist activity – and sometimes using it as a pretext – the Egyptian, and to a lesser extent, Tunisian authorities employ measures restricting civil liberties. In Egypt, this has caused a backlash from the very political forces that brought the army to power in July 2013.

A number of Valdai Discussion Club experts anticipate a trend toward a "new



authoritarianism" as a necessarily valid means by which governments can reliably implement urgently needed economic reforms.

The flood of Syrian refugees has depressed the economies of Lebanon and Jordan. In Lebanon, where Syrians now comprise 20% of the population, it has become an urgent problem that Prime Minister Saad Hariri has characterized as a "ticking time bomb". Largely due to the influx of Syrian refugees, Jordan's population grew by as much during five years of the Syrian war (2011–2015) as it had in the 15 previous years. Under such conditions, real GDP growth has slowed over the last two years, and per capita GDP growth has hovered near zero since 2012.[12]

The changing situation in the world oil market only complicates the implementation of domestic reforms capable of producing at least some discernible effect – a possibility already hindered by internal instability and the conflict-ridden external environment. When oil prices were high, some of the windfall profits enjoyed by the oil-exporting Arab states served in one way or another as a source of growth

[12] *Nemeh B. Jordan's Burden, Carnegie Middle East Center. March 21, 2017, http://carnegie-mec.org/diwan/68330*

for the whole region, but with prices now low and volatile, even the oil-exporting states are experiencing serious financial difficulties. Their participation in the economic reconstruction of the region is in serious doubt because incessant internal strife is destroying some (Iraq and Libya), while others (the Arab Gulf states, and especially Saudi Arabia) are directly or indirectly involved in costly conflicts beyond their borders. As a result, the region's already huge outlays for arms jumped by 12% between 2012 and 2016.

According to the IMF, combined revenues for the Persian Gulf Arab states fell by $350 bn in 2014–2016, while combined deficits for the GCC reached a record $153 bn in 2016, up from $119 bn in 2015. Saudi Arabia accounts for almost half of that figure. Arab economists predict that the debt will fall in the coming years, but that it is unlikely to dip below $100 bn before 2021.[13] Algeria, although not involved directly in any armed conflicts, is experiencing significant financial difficulties. For the second consecutive year, leaders had to make drastic budget cuts, paring down to a budget of just $63 bn in 2017, as compared to $110 bn in 2015.

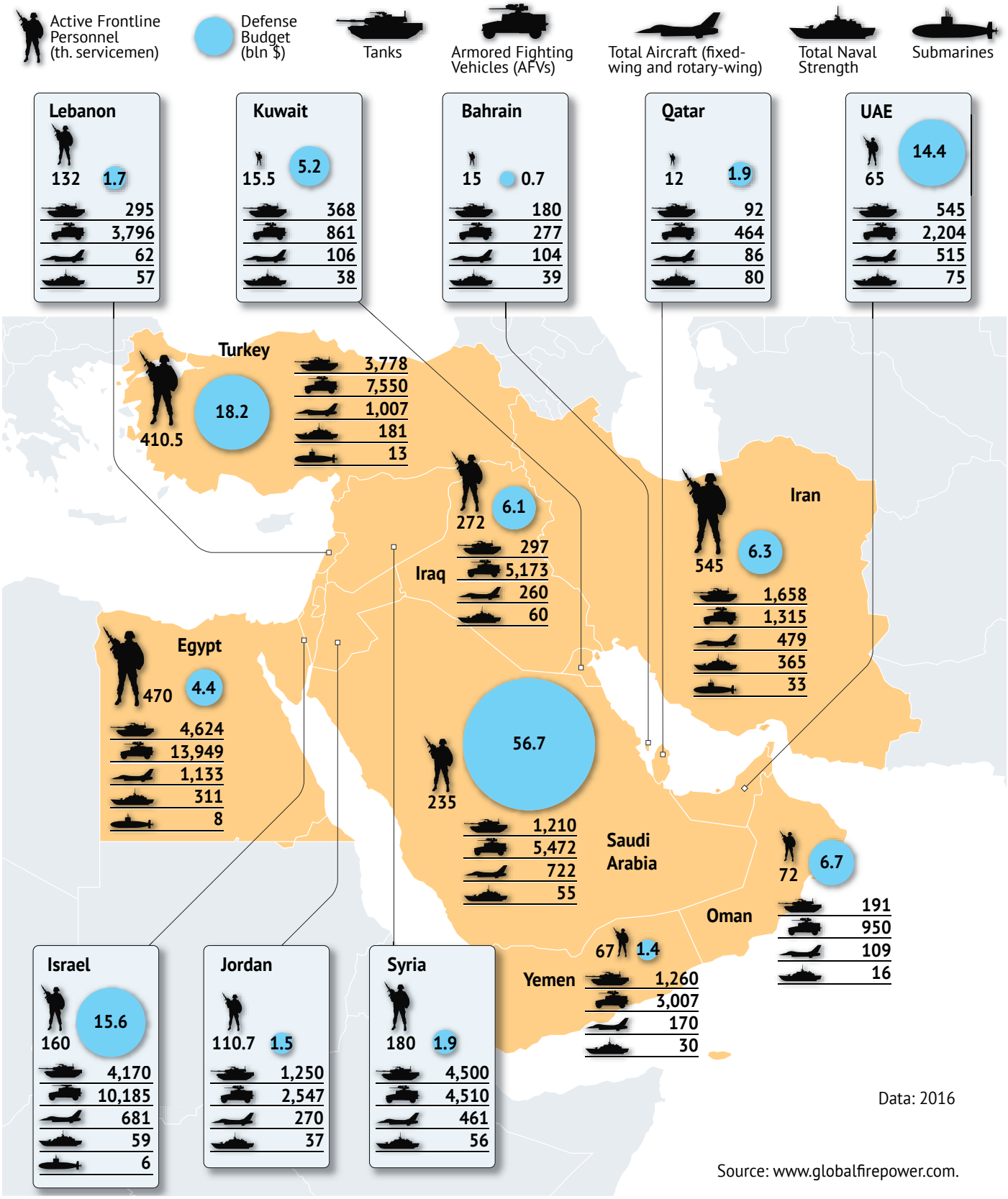
The changing situation in the world oil market and increased domestic spending has forced Saudi Arabia to implement what are possibly the first drastic economic reforms in its modern history. Traditionally, the oil monarchy has viewed the state as the authorized distributor of wealth. It ensured political stability largely by providing the money needed to keep wages high in the bloated public sector and security structures (providing twice the funding allocated to the private sector), and subsidizing the price of goods, education, and medical services, as well as other social and public needs. That is why the ruling family's first reaction to the growing wave of protests in the Arab world was for the Saudi king to declare a major "social package" worth $129 bn of spending over several years. That is more than half of what the kingdom earns annually from oil exports.

The Saudi government has announced a new "Vision 2030" economic plan involving a series of reforms that seek to shift the country away from state patronage and a reliance on energy exports towards a modern, technology-oriented manufacturing economy. It aims to achieve this transition by cutting the cost of the state machinery, accelerating the diversification of the economy, partially privatizing the public sector – including Aramco, the Saudi "oil empire" – reducing subsidies and expanding the private sector. In other words, the monarchy plans to change the terms of the social contract and to implement structural reforms in the economy – a serious test in itself, even if the existing political landscape remains unchanged. The planned reforms include legislative and administrative measures to limit the number of immigrant workers. This would lead to a significant drop in financial flows to other Arab countries – especially to Egypt that currently receives more from such transfers than from foreign investment.

However, Middle East experts point out that purely economic restructuring alone is unlikely to achieve the stated goals of the plan. As soon as the conditions of the social contract inherent in a "rentier" economy and state paternalism began to change, the need will eventually arise to build an inclusive political system – for which the "Vision 2030" makes no provision. A privatization program and expansion of the private sector will inevitably lead to an increase in the size of the middle class and the appearance of new social strata that will demand that their interests receive representation in the structures of authority that are currently monopolized by the ruling

[13] *Economic Prospects and Policy Challenges for the GCC Countries, IMF, http://www.imf.org/external/np/eng/2016/102616b.pdf*

MILITARY CAPABILITIES OF THE MIDDLE EAST COUNTRIES



Data: 2016

Source: www.globalfirepower.com.

family. Leaders will also have to consider introducing some religious freedoms to their hardline version of official Islam, at least to those facets that currently deter foreign investors. Despite several religious reforms enacted to appease Western allies in the first years after the terrorist attacks of September 11, 2001, the legislative system still grants the king and supreme religious hierarchy wide latitude to interpret Islamic norms based on political expediency. For example, the anti-terrorism law of January 31, 2014 classified atheism as an act of terrorism, and Royal Decree No. 44 of February 3, 2014 defines membership in such religious-political groups as Ansarullah and the Muslim Brotherhood as a criminal offense – the same as membership in al-Qaeda or other terrorist organizations.

Although the specific circumstances of the economic crisis and the measures needed to overcome it differ from country to country, there is a need for a region-wide economic recovery plan, as well as for all concerned to work together to address the risks associated with implementing it. However, the need to restore the economies of countries beset by armed conflict is perhaps an even more important element of such cooperation.

VI. The Phoenix Reborn: on the Prospects for Post-Conflict Reconstruction

The laws of a war economy prevail in large areas of Syria, Iraq, Yemen, and Libya, where the system of governance is either weakened or entirely absent. Such an economy only exacerbates socio-economic degradation by effectively financing terrorism and various shadow structures that have no interest in transitioning to peaceful development. Such war economies apply "taxes" to every form of trade, transit, shipping, humanitarian convoy, and everything that passes through the area controlled by one or another party to the conflict. When a non-state actor thus monopolizes that trade over some time, it can introduce a more traditional system of taxation. For example, at the peak of its power in Syria and Iraq, the Islamic State managed to create a fairly complex system for taxing the population that generated $600 mln in revenues in 2014.

War economies are inextricably linked to such anti-social phenomena as rampant smuggling and trafficking of everything up to and including weapons on the "black market", as well as with robbery, extortion, and kidnapping people and valuable cultural artifacts. The trade in oil, gas, cement, phosphoric acid, phosphate, cereals and cotton brought the Islamic State some $2.2 bn in Syria and Iraq.[14] Those revenues dropped off sharply after the start of Russia's operations in Syria and the intensification of the fight against the Islamic State.

However, no war economy that arises in the wake of the destruction of normal institutions – however profitable it may be for individual participants in the conflict – is able to provide for the normal functioning of society. As a result, all of the acute problems of world development – poverty, food shortages, inadequate medical care, and water scarcity – have taken on the dimension of humanitarian catastrophes in the conflict zones of the Middle East. According

[14] *http://russiancouncil.ru/analytics-and-comments/analytics/ig-ot-bezumnoy-idei-k-kollapsu-ekonomiki/*

to the latest UN FAO data, 30 million inhabitants of the Middle East and Northern Africa do not meet international food safety criteria. The people in one-third of Yemen's 22 provinces are on the verge of starvation. Malnutrition affects 70% of the families in Syria. During the war, 80% of Syrians fell below the poverty line and average life expectancy there fell by 20 years.[15]

Of all the centers of conflict in the Middle East, Syria has suffered the greatest losses in terms of material damage, loss of life, and decline in human capital. Material damages totaled an estimated $325.5 bn in 2011–2016. Of that sum, $227.5 bn represents losses from the real decline in GDP plus lost profits compared to what the Syrian government had planned for GDP size in 2016, as well as $100 bn of direct damage to property. Plans had called for the GDP to increase by 40% during those years, but instead it fell by 56% due to the war. The budget deficit has grown more than 14-fold, with expenses shooting up by 56% even while revenues plummeted by 66%. Most of the property damage involves built structures, the processing and mining industries, and electricity and water supply facilities. Industrial and agricultural production decreased by 40% and 64% respectively, and legal trade dropped by 68%.[16] According to calculations presented by Abdallah Al Dardari (Deputy Prime Minister for Economic Affairs of Syria, 2005–2011), only an investment of $1 trillion and 10 years of peace could restore the Syrian economy to the pre-war level of 2010. What's more, even if the conflict were to end today, the country's economy is already 17 years behind where it stood prior to the war.

In late 2016, both OPEC and non-OPEC oil exporters showed a broad common interest in keeping oil prices high. The fact that Russia and Saudi Arabia played a key role in reaching an agreement to stabilize the oil market should help them restore mutual trust and overcome political differences, particularly with regard to the Syrian conflict. At the same time, the stabilization of oil prices alone will hardly prove sufficient to untangle the Gordian Knot of problems in the Middle East. It has become clear over time that economic problems, and the socio-economic issues connected with them, will burden all peacekeeping efforts. At the same time, outside assistance from states and international organizations is slowing due to the lack of progress in reaching a political settlement. For example, in its declared Middle East strategy, the European Union has made its participation in the reconstruction of Syria's economy dependent on the achievement of an agreement to organize a transition period in accordance with UN Security Council resolutions, thereby creating a sort of vicious circle.

Today, it is obvious that the development of a coordinated plan for the economic rehabilitation of the region must become a top priority of the entire international community. It marks a convergence of interests that could facilitate the harmonizing of multilateral actions on the political track into a single stabilization package.

The escalation of armed violence and the resultant humanitarian disasters have reached the point where all parties to the conflict are beginning to understand that it will be impossible for them to achieve their hoped-for objectives. This creates the conditions needed for reaching compromises. Putting economic instruments into play could strengthen this trend, providing the missing incentives for progress towards a political settlement.

The financial losses and destruction in the region have reached such proportions that, given the state of the world economy, achieving economic recovery for the conflict-

[15] *Document of the United Nations Economic and Social Commission for Western Asia, "National Agenda for the future of Syria," Strategic Policy Alternatives Framework, in Arabic, p. 18.*

[16] *Ibid., pp. 12–16, http://css.escwa.org.lb/spaf-final24–1–2017.pdf*

torn areas has become unfeasible for any single state. Moreover, the negative consequences of such a prolonged destabilization of the Middle East are spreading to an ever-greater number of countries beyond the region, threatening the security of not only Europe, but also the entire Euro-Atlantic area. Most Middle East dialogue participants believe that combining financial and economic resources to rebuild the region would be a worthwhile "investment" in the "common good," one that could help curtail the uncontrolled flight of refugees, and aid in the fight against international terrorism and extremist ideologies.

Purely economic considerations of the global order also point to the need for international cooperation. Whatever changes might take place in world politics, the Middle East will retain its long-term importance as the planet's main source of non-renewable energy resources. According to the International Energy Agency, demand for oil tends to rise, and the Middle East will remain a leading supplier even if the U.S. increases the volume of its shale oil production. As evidence, Japan Bank for International Cooperation representatives report that more than half of that country's oil imports come from the Middle East, in spite of Tokyo's many efforts to diversify its suppliers of raw materials.

In practical terms, now is the time to start preparing for the post-conflict period by putting in place the complex mechanisms of international economic coordination. This is possible by giving added "economic weight" to UN Security Council resolutions on settlements for Syria, Yemen, and Libya. The economic stimulus package could include the efforts of specialized UN organizations, the World Bank, the International Monetary Fund, the Asian Infrastructure Investment Bank, and other international financial institutions. A number of experts also note that, as the conflict-torn areas eventually conclude peace agreements, there will be a need to include private capital from the region and world markets in the structure of this plan. According to Abdallah Al Dardari, Syrian businesspeople living abroad hold combined capital totaling $100 bn.

An important part of multilateral efforts over the long term is the provision of humanitarian aid – thanks to which most of the Yemeni population and a large number of Libyan citizens survive. Syria alone, according to experts, requires a staggering $20 bn in humanitarian aid.

In spite of the general consensus that the Middle East is experiencing the largest humanitarian disaster since the Second World War, the international community has so far been unable to formulate a coordinated policy to remedy the situation. Instead, its actions remain fragmented and largely politicized. Participants at international donor conferences in London and Brussels made impressive pledges to provide humanitarian assistance. Such promises, however, often remain only on paper or go largely unfulfilled – even by wealthy states. For example, of the $200 mln that Saudi Arabia pledged at the London conference in 2016, Riyadh has given only $27 mln to date, and China has given only $3 mln of the $35 mln it pledged.[17]

The economic component of conflict settlement and of building a system for regional security are gaining increasing importance as a motivating impulse for finding a political solution for the entire region. Reconstruction of the Middle East – and especially Syria, Yemen, Iraq, and Libya, the hotbeds of conflict – and giving its people a chance for a decent life could serve as a point of converging interests, as an overarching idea on which collective international efforts could focus.

[17] *Who really paid up to help Syria? BBC News, http://www.bbc.com/news/education-38896547*

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