

THE FUTURE OF THE MIDDLE EAST CAUGHT BETWEEN US-CHINA AND US-RUSSIA RIVALRY

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SUMMARY

- While the US has led the shaping of order in the Middle East during the post-World War II period, its presence has clearly declined over the past decade. Regardless of the outcome of the upcoming US presidential election, the direction of US foreign policy towards reducing the cost of intervention in the Middle East is likely to remain unchanged.
- In contrast, Russia has established itself as an intermediary in conflicts in the region, and is steadily expanding its presence in the political, military, and energy spheres. Since the announcement of its Belt and Road Initiative, China has been rapidly increasing its investment in the Middle East, and is making the most of the COVID-19 pandemic to expand its presence by promptly providing medical assistance to countries in the region.
- Wary of this encroachment, the US may urge the countries of the Middle East to reconsider their relations with Russia and China.
- In the absence of a leader shaping order, the countries of the Middle East must take the initiative in alleviating tensions in the region.

With China and Russia's growing presence in the Middle East, there is an increasing risk that the fallout from US-China and US-Russia rivalry will impact the geopolitics and economy of the region. How are China and Russia actually perceived in the Middle East, and in what specific areas is their presence expanding? Furthermore, how is an increasingly cautious US responding to this situation? In this article, we examine these questions, and consider the future of a Middle East caught in the crossfires of US-China and US-Russia rivalry.

US PRESENCE WANING IN THE MIDDLE EAST

While the US played a leading role in shaping the order of the Middle East after World War II, its presence in the region has clearly declined over the past decade. A significant turning point for the US was the dramatic expansion in oil and natural gas production in the US since the 2010s, resulting from the development of domestic shale reserves from around 2006. In 2014, the US overtook Saudi Arabia and Russia to become the world's largest oil producer¹, and it no longer needed to rely on the Middle East to secure a stable energy supply.

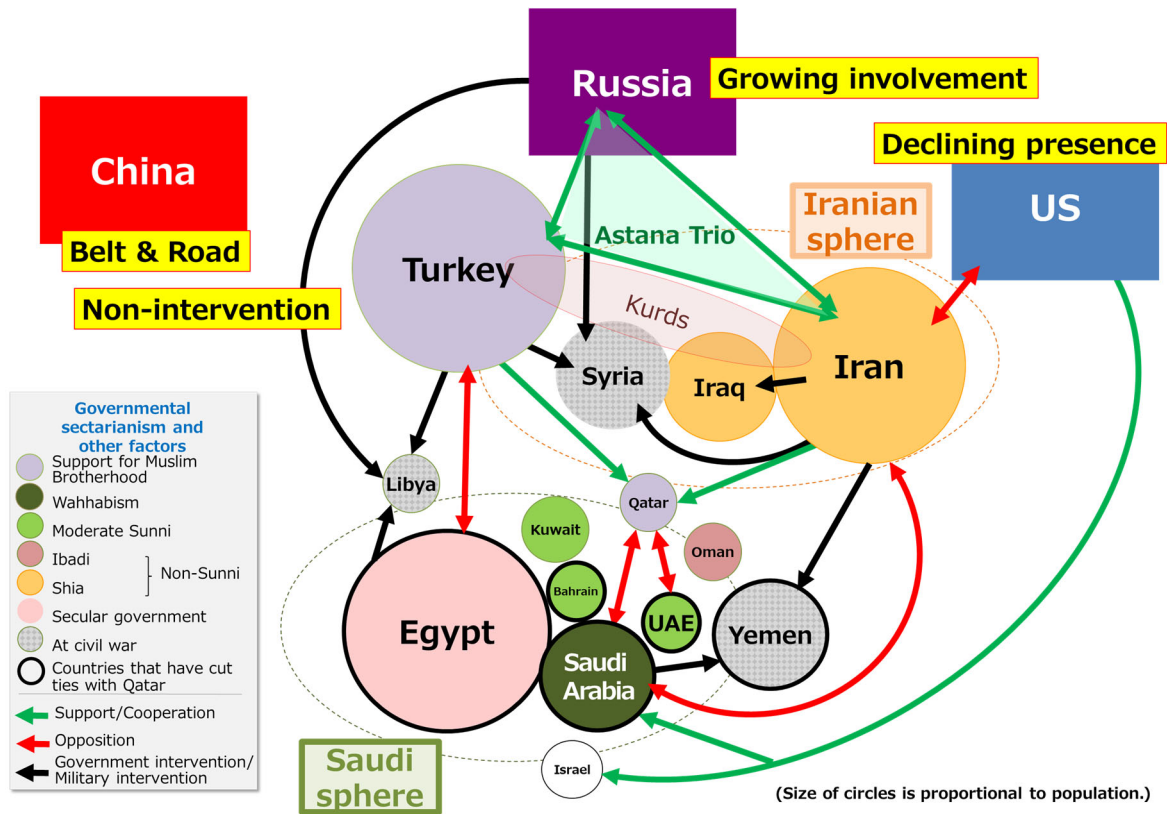
¹ See *Statistical Review of World Energy* published in June 2020 by the UK oil giant BP.

At the same time, from the perspective of the Middle East, the US erred in its response to the “Arab Spring”, which began in earnest from 2011, by prioritizing the conclusion of a nuclear agreement (the JCPOA) with Iran during the Obama administration. That gave rise to anger over the resulting destabilization of the situation in the Middle East, including the quagmire of the Syrian civil war. As a result, disillusionment with the US increased, especially in the Arab states. It also appears that the Trump administration is not willing to take the lead in reducing tensions in the region. During the Qatar diplomatic crisis that erupted in June 2017, rather than actively seeking to defuse the situation through mediation, the US allowed the Iran-Saudi confrontation to intensify by taking a clear anti-Iranian stance.

If Joe Biden wins the US presidential election in November 2020, it is likely to lead to an easing of tensions in US-Iran relations, but the direction of US policy, which is based on reducing the cost of intervention in the Middle East, is unlikely to see a major change. Moreover, since the energy policy espoused by Mr. Biden aspires to move away from dependence on fossil fuels, the Middle East’s importance as a source of oil for the US will decline even more if there is an administration change in the US².

Against this backdrop, Russia and China are increasing their presence in the Middle East. The US is more than a little wary of the expansion of influence of China and Russia, designating them as “competitors” in security policy documents, such as National Security Strategy (NSS), creating a new source of tension in the Middle East³. (Fig. 1)

Figure 1. US, Russia, and China’s Principal Middle Eastern Relationships



Source: Produced by MGSSI

² On July 14, 2020, Mr. Biden announced a new policy to invest US\$2 trillion in clean energy infrastructure during the four years of his first term as president. He also proposes to reduce greenhouse gas emissions from electric power generation to zero by 2035, cutting the target set under the existing plan by 15 years.

³ See the US government’s National Security Strategy (NSS) released in December 2017 and National Military Strategy (NMS) released in January 2018.

RUSSIA AIMS TO RESTRAIN THE WESTERN POWERS

Russia's role in the Middle East

Russia's presence in the Middle East started expanding rapidly with its intervention in the Syrian civil war in September 2015. Since 2017, amid US weariness with active intervention, Russia, along with Iran and Turkey, has been leading the "Astana Process" with the aim of securing peace in Syria, and it is mediating talks between the Assad regime, which it supports, and anti-government forces.

Iran and Turkey share a common interest with Russia in their desire to use each other to restrain the West. From the 16th century to the 20th century, Russia had repeated wars with Turkey, and twice invaded Persia in the 19th century. For this reason, Iran, and Turkey in particular, do not necessarily have much affection for Russia, and their present closeness to Russia cannot be expected to last forever. Nevertheless, because the parties know each other very well, they are likely to maintain their cooperative relationship as strategic partners, based on merit as long as their interests remain aligned.

What about the Arabs? For the Arabs, the closest and most reliable external forces against Iran and Turkey, which have deep historical relations with Russia, were Great Britain, in its role as the colonial power, and above all, the US. In the historical context, the Arab countries had no choice but to rely on the US and Britain to counter the neighboring big powers of Iran and Turkey. However, that, too, is changing. The changes in the top five countries considered to be the Arab world's "most important allies" as revealed by the Arab Youth Survey, a survey conducted to gauge the opinions of young Arabs, show that Russia appears to be emerging to take the place of the US⁴. (Fig. 2)

Figure 2. Top 5 most important allies as seen by Arab youth

	2012	2013	2014	2015	2016	2017	2018	2019
1	Saudi Arabia	Saudi Arabia	Saudi Arabia	Saudi Arabia	Saudi Arabia	UAE	UAE	UAE
2	UAE	UAE	UAE	US	UAE	Saudi Arabia	Saudi Arabia	Egypt
3	Qatar	Qatar	Qatar	UAE	US	Russia	Kuwait	Saudi Arabia
4	Kuwait	Kuwait	Kuwait	Qatar	Egypt	Qatar	Russia	Turkey
5	US	US	US	France	UK	US	Egypt	Russia

Source: Produced by MGSSI based on the Arab Youth Survey 2012-2019 by the leading Dubai public relations firm ASDA'A BCW

In August 2014, the US led a coalition of the willing to expel the Islamic State (IS), and commenced wide-ranging air strikes extending from Iraq to Syria. In the following year's survey, the US ranked second. However, IS continued to rapidly expand its sphere of interest in Iraq and Syria even after the coalition's intervention, and after Russia suddenly exerted its presence by launching an aerial campaign in Syria in 2015, the US quickly fell in the ranking, and fell outside the top five countries in 2018 for the first time. Meanwhile, Russia entered the ranking for the first time in 2017, when the Astana Process was launched.

Under such circumstances, the question "Which of the two [US or Russia] is a stronger ally of your country?" was included in the survey for the first time in 2019, to which 38% of respondents replied "the US", 37% "Russia", and 25% "neither of the two". Among the Arab youth, the US and Russia are seen to be more or less evenly matched in terms of their presence in the region. Such a situation would have been unthinkable ten years ago.

⁴ The Arab Youth Survey is a public opinion survey aimed at Arabs age 18 to 24 conducted annually since 2008 by ASDA'A BCW, the Middle East's leading public relations firm (headquartered in Dubai). The survey interviews 150 to 300 young people in each country, including the UAE, Oman, Qatar, Bahrain, Saudi Arabia, Kuwait, Egypt, Jordan, Lebanon, Iraq, Tunisia, Libya, Algeria, Morocco, Yemen, and Palestine. In 2019, Qatar was excluded from the survey for the first time. While the reason for the exclusion has not been made public, it is said to be due to the Qatar diplomatic crisis.

Russian motives and the risk of US sanctions

As suggested by the results of the abovementioned survey, Russia is steadily acquiring interests in the Middle East, especially in the military and energy sectors. Specifically, the signing of military agreements and securing of bases in Eastern Mediterranean and Red Sea coastal states⁵, weapons exports to the GCC countries, Turkey, Egypt, and other countries, exporting of nuclear power to Turkey and Egypt, laying of a pipeline to transport natural gas from Russia to Turkey (TurkStream, launched in January 2020), and acquisition of interests in Lebanon offshore gas (2018) are just a few examples to name.

However, Russia's greatest strength lay elsewhere. It was in creating the conditions that meant Russia was needed to solve the problems in the Middle East. President Putin capitalized on the fact that he had built channels of dialogue with the leaders of various Middle Eastern countries whose interests are intricately intertwined, including Iran, Saudi Arabia, Israel, Turkey, and Egypt. He played an intermediary role in certain areas, including ceasefire and peace talks in the Syrian and Libyan civil wars and in talks on OPEC Plus's coordinated production cuts, and by taking the initiative in negotiations, he succeeded in planting the image, both within and beyond the Middle East, that the problems besetting the region cannot be solved without Russia. Today, with the US intent on backing out of the region, the Middle East has little choice but to rely even more on Russia as a broker. Thus, it can be seen how Russia has expanded its presence in the Middle East over the past five years and is now so firmly embedded in the region that it would not be an easy task to push Russia back out.

What then is Russia's aim? While Russia wants to maintain and expand its interests in the Middle East, in truth, its bigger aim is to use its intervention in the region as a bargaining chip to maintain the advantage in its relationship with the West and to get sanctions lifted and extract a settlement on Ukraine. Following the 2014 Crimean crisis, the US tightened its sanctions to contain Russia from both the military and energy perspective. Although Russia's intervention in the Syrian civil war the following year was reported to be in response to a request for assistance by Syria's President Assad, it is unlikely to have been mere coincidence.

Conversely, the US is wary of Russia's rising influence in the Middle East, and has taken measures to counter Russia, by such as excluding Turkey from a program to produce F-35 US stealth fighters after the Turkey's purchase of the Russian S-400 missile defense system. Also, six F-35s that were originally destined for Turkey were instead transferred to the US Air Force. The US is also threatening to invoke sanctions against Egypt, which is contemplating purchasing Russian Su-35 fighter jets⁶. The US is intent on constraining Russia by various means, including preventing TurkStream from connecting Russia and Europe through its December 2019 decision to impose sanctions on companies involved in construction of the pipeline and its plan to further expand the scope of sanctions in July 2020⁷.

CHINA REINFORCES ITS PRESENCE BY LEVERAGING INVESTMENT AND AID

China's role in the Middle East

In areas other than the Middle East, a sense of impending crisis and rising anti-China sentiment over increasing indebtedness to China in connection with the Belt and Road Initiative (BRI) has often come to the surface. However, in the Middle East, Chinese debt-to-GDP ratio is generally low compared to that of its neighbors in

⁵ Russia has an air base and a naval base in Syria. In February 2015, Russia signed an agreement with Cyprus giving Russian naval ships access to Cypriot ports. Russia is also negotiating the leasing of an air base in Egypt, and is said to be seeking to use a naval base in Libya on lease and to construct a base in Sudan.

⁶ Specifically, this is the Countering America's Adversities Through Sanctions Act (CAATSA), which came into effect in August 2017. This act stipulates that sanctions be imposed on countries that purchase military equipment from Russia.

⁷ The US State Department revised its policy on implementation of CAATSA on July 15, 2020. With this revision, investments relating to the NordStream 2 and TurkStream submarine gas pipelines from Russia to Germany can be subject to sanctions even if the investment occurred prior to August 2017, which is the date on which CAATSA came into effect. US Secretary of State Mike Pompeo warned companies "Get out now [from both projects] or risk the consequences".

Africa and Central Asia. According to a report published by the German think tank the Kiel Institute in 2019, it is below 5% in most countries in the region. To begin with, for the leaders of countries in the Middle East, whose governance is highly centralized in nature, there is little conflict with China’s foreign policy, with its emphasis on economic interests and principle of non-interference in the internal affairs of other countries. Other than in Turkey, there have been almost no examples of anti-China demonstrations in the region.

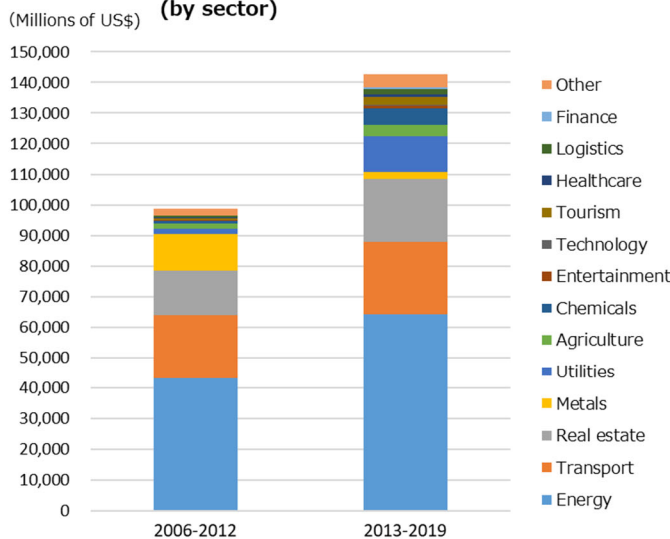
While the issue of the Uighurs in Xinjiang has the potential to cause conflict between Middle Eastern countries and China over the suppression and persecution of Muslims, countries such as Saudi Arabia, Qatar, and Egypt are said to be acceding to the Chinese government’s request to deport Uighur students back to China in what appears to be an attempt by these countries to avoid such a conflict. Furthermore, Turkey’s President Erdogan, who has strongly denounced China’s policy on the Uighurs, is also currently strengthening his stance to avoid a full-scale confrontation with China, stating during a visit to China in July 2019 that Turkey’s goal was to “double our bilateral trade volume with China” and to encourage Chinese investment in Turkey, which “lies at the heart of the BRI”.

However, the Turks share a strong sense of fellowship with the Uighurs, not only because of religion, but also because of their shared Turkic ethnic and linguistic roots. There are said to be several tens of thousands of Uighurs in exile in Turkey, and anti-China sentiment in the country is strong. The Uighur issue may well emerge as a point of contention in the run-up to Turkey’s presidential election in 2023. For President Erdogan, the Uighur issue is likely to continue being the biggest bottleneck to strengthening economic ties with China.

Chinese activity and US alarm

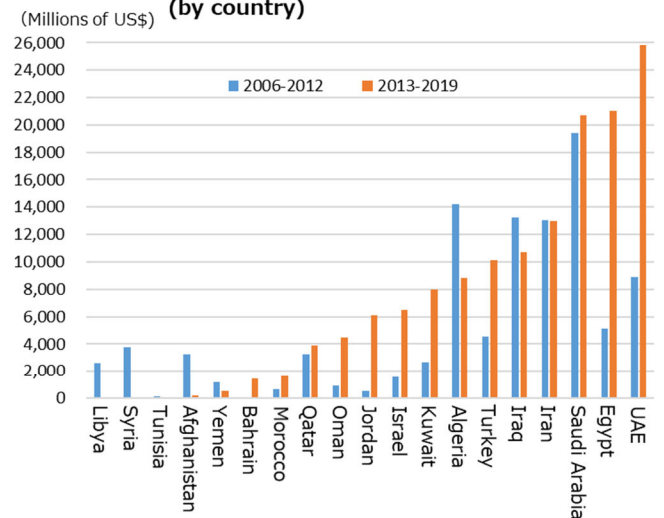
China’s investment in the Middle East has grown significantly since 2013 when the Belt and Road Initiative was announced, with total investment increasing from approximately US\$99 billion between 2006 and 2012 to US\$143 billion between 2013 and 2019⁸. In 2019, the Middle East accounted for a little under 16% of all China’s foreign investment. While the bulk of investment is in the energy, transport, and real estate sectors, investment has also been growing in the utilities (public utilities relating to electricity, gas, water, transportation, etc.), chemicals, tourism, entertainment, and logistics sectors since 2013 (Fig. 3). Viewed by country, the growth in investment between 2013 and 2019 compared to 2006 to 2012 was particularly pronounced in Jordan, Oman, and Egypt, mainly in the energy and chemicals sectors, and in Israel, mainly in the agricultural and transport sectors. In the period between 2013 and 2019 alone, Chinese investment in the UAE, Egypt, and Saudi Arabia, mainly in the energy sector, has been exceptional (Fig. 4).

Figure 3. Chinese investment in the Middle East (by sector)



Source: Produced by MGSSI based on the China Global Investment Tracker

Figure 4. Chinese investment in the Middle East (by country)



Source: Produced by MGSSI based on the China Global Investment Tracker

⁸ See *China Global Investment Tracker* produced by the American Enterprise Institute (AEI) think tank.

With the rapid increase in Chinese investment in the Middle East, one thing that will be giving the US particular cause for concern is China's growing influence among US allies. Above all, the US appears to be particularly sensitive in relation to Israel, its most important security partner in the region. In 2013, at a time when US-Israel relations had cooled under the Obama administration, Israeli Prime Minister Netanyahu visited China, and in 2015, Israel joined the Asian Infrastructure Investment Bank (AIIB) in the face of US opposition. Israel is also said to be currently negotiating a free trade agreement with China to be signed in 2020. In response, the Trump administration continues to put pressure on Israel to stop it from cozying up to China. Recently, during a visit to Israel in January 2019, US Secretary of State Pompeo referred to the possibility of reducing intelligence sharing between the two countries, and in another visit in May 2020, he warned that cooperation with China imperiled Israel, and urged it to reconsider its relationship with China.

Moreover, in a new move following the outbreak of the COVID-19 pandemic, China has been swift to provide medical assistance to the Gulf States and Egypt, as well as countries with which it has relatively weak relations, such as Jordan, Lebanon, and Morocco, thereby increasing its presence while the US and Europe are busy dealing with their own domestic COVID-19 situations. Meanwhile, there are voices in the US Congress calling for developing countries suffering from the COVID-19 pandemic that require debt restructuring assistance, to be obliged to disclose information concerning their participation in the Belt and Road Initiative and their indebtedness to China as a condition for receiving assistance. At the least, there is a mood building in the Congress that countries should be required to make a choice between the US and China.

THE FUTURE OF THE MIDDLE EAST BEYOND US-CHINA AND US-RUSSIA RIVALRY

A strategy to keep the US on board while drawing closer to China and Russia as a risk hedge

Given this state of affairs, how does the Middle East navigate the space between US-China and US-Russia rivalry? First and foremost, many countries in the region with close relations with the US, including Israel, Saudi Arabia, the UAE, and Qatar, require US forces to be stationed in the region to maintain their own security arrangements. Despite Russia's growing military presence in the Middle East, Russian defense spending in 2018 was only about one-tenth that of the US, and it is clear that Russia cannot completely replace the US.

Moreover, while there is an element of risk hedging over security in the steady strengthening of relations with Russia, which has been pursued by Israel, Saudi Arabia, and other countries through high level visits and other means since the start of the Trump administration, it is probably also because they want to use Russia as leverage to keep a reluctant US tied to the region. The attention of Iran, which above all else wants sanctions to be lifted, is focused constantly on the US. It can be said that while placing principal concern on how to steer relations with the US to its own advantage, Iran is maintaining a certain distance from Russia.

While much the same can be said about China, for the oil-producing countries, for whom China is the main energy export customer, and for those countries that wish to attract Chinese investment, the question going forward will be how to avoid the economic damage that conflicts between the US and China may bring. With the US expected to maintain a tough line against China, either under a Trump administration or a Biden administration, the countries of the Middle East will likely seek to maintain relations with the US and China while treading carefully when cooperating with China in the high-tech and military sectors where the US has strengthened its vigilance.

Of course, given that the US wants to reduce the cost of intervention in the Middle East, it remains doubtful just how seriously it will go about constraining China's ambitions in the region. However, US Ambassador to Israel David Friedman has said that Israel needs to build a comprehensive system to oversee and regulate inbound investment akin to the Committee on Foreign Investment in the United States (CFIUS). It is possible that the US will increase pressure on other countries in the Middle East to take this kind of concrete action.

No leader in the shaping of order

Lastly, while Russia and China are undeniably increasing their influence in both the political and economic spheres, it should not be forgotten that neither country is yet playing a leadership role in shaping order in the region. Russia does not possess the financial clout to replace the US, while China has its principle of non-interference. To begin with, because neither country has the motive nor can see any merit in bringing order to the region, it is unlikely to intervene to an extent that exceeds its capabilities and interests.

That being the case, to bring order to the region, the major countries in the Middle East must take active measures, while involving the US, Europe, Russia, and China as required. Such major countries would be Iran, Turkey, Saudi Arabia, and Israel. Of course, there is very little likelihood of the conflict between Iran and Israel being resolved, and it is easy to imagine that it will take a considerable amount of time and continuous effort to build a relationship of trust between Saudi Arabia and Iran. However, even if they are not resolving conflicts (achieving peace), there are mechanisms in the region that are working to relieve tensions (reconciliation), albeit incompletely.

One example of this was the change in policy by Saudi Arabia following the terrorist attack on the Saudi Aramco oil facilities on September 14, 2019. On September 29, in an interview with a US news agency, Saudi Crown Prince Mohammed bin Salman turned away from Saudi Arabia's former hard-line stance against Iran, believed to be the main culprit responsible for the terror attack, stating that he would prefer a political and peaceful solution with Iran to a military one. He is likely to have determined that Saudi Arabia could not rely on the US, due in part to a statement by President Trump on September 16 in which he said "That was an attack on Saudi Arabia, and that wasn't an attack on us." In response to the Crown Prince's statement, Iran immediately issued a statement welcoming the Saudi side's willingness to seek dialogue. The speed and flexibility with which a change of policy can be introduced the moment a situation arises in their country that could spark destabilization in the region is also a strength of leaders in the Middle East, in whom power is concentrated.

The key to future developments is what happens in the Arab region, where Saudi Arabia plays the leading role. The chief cause of the current instability in the Middle East is the localized hollowing-out of power within the Arab region as a result of the "Arab Spring" and the rise of IS, coupled with the fact that the US has been unable to take effective measures to fill the void. By stepping up their interference and military interventions in Syria, Yemen, Libya, Iraq, Lebanon, and other Arab nations where power vacuums have arisen, Turkey and Iran have heightened tensions with Saudi Arabia, which prides itself as being the leading power among the Arab states.

However, trust in the all-important Saudi Arabia is waning in the Arab region after a series of events, including the growing quagmire and humanitarian crisis in Yemen following Saudi intervention in the country's civil war, the detention and seizure of assets of influential members of the Saudi royal family and businessmen that has been ongoing since the end of 2017, and the murder of Jamal Khashoggi in October 2018. This situation is also reflected in the "most important allies" ranking mentioned above (Fig. 2). In contrast to Saudi Arabia's decline, the UAE has leapt to the top of the ranking, while in 2019, Egypt, which was formerly the leader among the Arab nations, rose to second place. Although Russia continues to occupy the highest position among countries from outside the Middle East, it is dropping down the rankings. This can also be said to signify the recognition that Russia cannot be relied upon, and the hope placed in the UAE and Egypt as leaders of the Arab world either in place of or alongside Saudi Arabia.

The key points here are whether Saudi Arabia will be able to regain its position as Arab leader, and what role the UAE and Egypt will play in that. Now that Iran and Turkey have been forced to move closer to China and Russia due to their deteriorating relations with the US, their opposing forces and close US allies, Saudi Arabia, the UAE, and Egypt, need to take the lead in the Arab world to ease tensions in the Middle East.