



Global Political Drivers

## MENA: PEACE BUILT ON SAND

Marcus Chenevix

- In the Middle East, the interplay of regional conflicts and great power interests continues to affect the wider world – as shown in the past quarter by the extreme oil price volatility stemming from the revived US sanctions on Iran.
- Even in such a troubled region, respite is possible – and is now evident, with the winding down of the post-Arab Spring conflicts which have made this the bloodiest of decades spanning many countries.
- This lull is anchored by the coincidence of both rivals for regional hegemony – Saudi Arabia and Iran – having strong reasons to lie low for a time.
- At the same time, the single most bitter and protracted conflict – in Syria – has exhausted itself, with the anti-Assad rebels defeated but central government terminally incapacitated.
- Renewed conflict looms as Turkey will not tolerate the Kurdish part of this new Syrian patchwork of *de facto* autonomies; and this ominous prospect will remain regardless of whether Trump's announced withdrawal of US forces is implemented.
- This Syrian case exemplifies the wider reality: the root cause of conflict is failed governance in many Arab countries.
- Regional regimes' most frequent response to popular revolts since 2011 has been to buy them off – resulting in unsustainable fiscal positions that are made even worse by the emergence of "inclusive" governments from Libya to Iraq.
- The vicious cycle of internal unrest dragging in competing external powers will resume.

# Exhausted pause from carnage

## A series of post-Arab Spring conflicts are drawing to a close

**The present decade has seen the Middle East being torn apart by multiple conflicts.** In the years following the Arab Spring, civil projects to establish a new order failed one by one, undermined by sectarianism, powerful military elites and a lack of foreign support for democratic change. The end result was region-wide conflicts, in many cases extremely bloody.

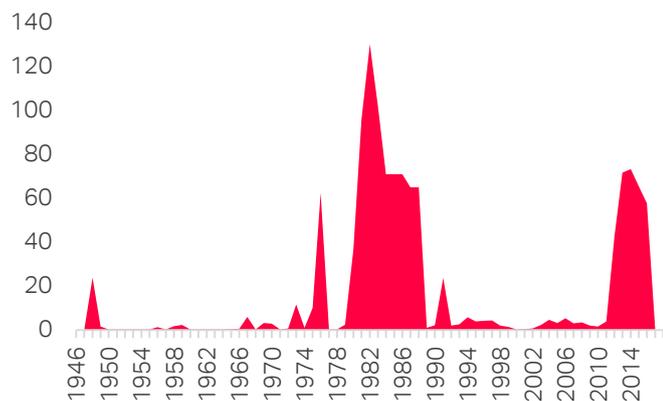
By 2015, Egypt and Bahrain were undergoing violent processes of counter-revolution that paralysed civil society and damaged economic growth. In Tunisia, the collapse of the old regime that inaugurated the Arab Spring in 2011 did not lead to a stable replacement, with assassinations and terrorist attacks poisoning the political atmosphere. In Syria, Yemen and Libya, dictatorships failed in such a way as to prevent the formation of a new order. By 2015, war was raging in Iraq, Yemen, Syria, Turkey, Lebanon, Egypt and Libya. The vulnerable surviving dictatorships fought vicious proxy battles in the failed states, with Egypt fighting Qatar in Libya, Saudi Arabia fighting Iran in Yemen, and a complex mass of parties backing various groups in Iraq and Syria. With the sole exception of the first years of the Iran-Iraq war in the 1980s, this has been the deadliest period in the region since the Second World War (see Chart 1 below).

**Heading into 2019, however, several conflicts are quite suddenly cooling down.** In Yemen a fragile truce hangs over the critical flashpoint of the strategic port town of Hodeida. In Syria the fronts are quieter than at any time since the start of the war. In Iraq a new government has been formed, and faces little armed opposition. Lebanon too has a new government and pushed out the last Islamic State (IS) fighters over a year ago. Even in Libya, battle lines have become static and serious negotiations have begun between the two sides. Seeing as none of the underlying problems have been solved, the main question has to be whether these encouraging developments are for real and, if so, durable.

**We see this trend as real, but temporary.** The appearance of waning conflict is not illusory, it is real and is driven by successful repression, the exhaustion of fighters on the ground and the international vulnerability of key foreign backers including Iran and Saudi Arabia. However, the next chapter of the Arab Winter is just beginning. War in the Middle East is not fundamentally caused by regional power conflict, the inter-state conflict is a product of bad internal

**Chart 1: Yearly deaths in military operations**

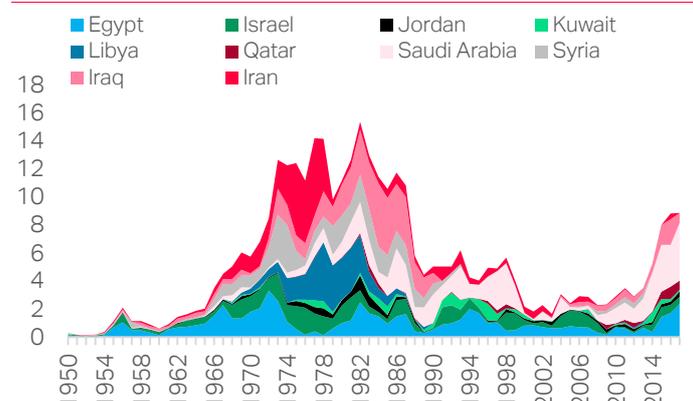
000s of deaths per year



Source: Our World in Data, TS Lombard

**Chart 2: Arms imports**

\$bn



Source: SIPRI, TS Lombard

governance within states. With government worse than ever in almost every Arab State, the next war is already being set up.

## Saudi Arabia and Iran lying low

### **The state most influential in shaping a reaction against the Arab Spring was Saudi Arabia.**

It was Saudi troops that led GCC forces into Bahrain to put an end to the popular uprising in 2011. Saudi money then helped Field Marshal Abdul Fatah al-Sisi to seize the Egyptian presidency in 2013. Next, the Saudi military led the intervention in Yemen in 2015; and even Saudi Arabia's 2017 blockade of Qatar was primarily justified by accusations about the role of Qatar in facilitating the Arab Spring. Saudi financing has also been influential in Syria, where it has funded various groups of Islamist fighters (jihadis). Finally, in many of these projects the Saudis are joined by the UAE, for example in Libya and Yemen, enhancing the Kingdom's clout. Saudi Arabia's response to the Arab Spring, combined with bellicose new leadership in the form of Crown prince Muhammad bin Salman ("MBS"), has turned the once quiescent Kingdom into an activist power seeking the entire Arab World as its sphere of influence. This has brought Saudi Arabia into conflict with the region's other expansionist power: Iran. This struggle for regional mastery proved a driver of war in Yemen, Syria, Lebanon, and to some extent Iraq.

**Even before the murder of Khashoggi, this new assertive policy had started causing strains in the Kingdom's relationship with the West.** First, the war in Yemen has dragged on and become a humanitarian crisis, attracting global criticism. Second, MBS's foreign policy initiatives, including the blockade of Qatar, the detention of the Prime Minister of Lebanon and a weird dispute with Canada, have irritated Western leaders who are increasingly disinclined to respect Saudi sensitivities.

**The effect of Saudi transgressions is amplified by the Kingdom's declining importance as an oil supplier and a partner in the War on Terror.** America still sees oil supply as a global strategic priority, but its own (shale) producers have replaced Saudi Aramco as the world's swing producer. Although the stability of Saudi Arabia is still very important to the US, the US has less need to pay for that stability as determined by Saudi Arabia itself. Furthermore, Saudi Arabia has lost influence as a security partner for the US. A decade ago the Kingdom's intelligence agencies were second to none in their understanding of Islamist terror networks. The fact that Saudi finance, and Saudis themselves, were the underpinning of al-Qaeda was an enormous problem for the Kingdom (and is still), but it was also part of what made the Saudis an invaluable partner in the War on Terror. Today the Saudi regime has no ideational connection with international Islamist groups and few personal links with the people involved.

**The murder of Jamal Khashoggi was the straw that broke the camel's back.** In the aftermath of the murder, MBS has seen his personal position under attack by US senators not only from both parties but covering the full political spectrum – from Lyndsay Graham to Bernie Sanders – who have suggested that King Salman should relieve his son of his duties as Crown Prince (and de facto ruler). In addition, Congress has prohibited US military support for the war in Yemen and will likely impose sanctions on Saudi officials believed to have been involved in Khashoggi's murder. Continued US arms supplies and military training for Saudi Arabia barely camouflages the real threat to the security relationship. For example, Turkey remains officially an ally and US/Turkish military cooperation is intense and continuous. However, the US does not respect Turkish regional interests, and as seen with US backing for Syrian Kurdish groups, the

US feels perfectly able to back groups seen as an existential threat to the Turkish state. Saudi Arabia is in danger of being treated the same way if the current drift in relations continues.

**If not MBS himself, then certainly senior ministers including Foreign Minister Adel al-Jubeir, now accept that the kingdom needs to retrench.** It is unclear who exactly is behind the current policy shift, but decision makers in Riyadh have apparently decided to dial back the Kingdom's foreign entanglements in order to avoid further damage to the relationship with the US. This is the motivation for a new push towards a resolution to the conflict in Yemen and is a major reason for moves to lower the level of geopolitical risk caused by Saudi foreign policy.

**In a fortuitous piece of timing, Iran too is seeking to lie low.** The imperative of maintaining oil exports in the teeth of new the US sanctions is a rare point of consensus in Iran's bureaucratic politics: both the reformers in the Rouhani government and the conservatives in the country's deep state apparatus have an interest in the oil trade continuing. No one in the system wants to be blamed for an economic crisis, and although Iran's conservatives gain considerable political capital from Iran's machinations in Lebanon and Syria, the fact is that right now, they have more to lose at home from the tightening of sanctions than they have to gain from the prestige of victory abroad. Whether by luck or skill, Trump's sanctions have worked as a result of not being applied with the promised rigour (and, instead, waivers being granted to major off-takers of Iranian crude like China and India). For as long as Iran can continue to export oil as it is doing at present, the Islamic Revolutionary Guard and its proxies have something to lose by escalating conflict.

**These unexpected events have temporarily immobilized the two countries that do most to power regional conflict.** Between Iran's need to export oil, and Saudi Arabia's need to mend relations with the US, neither of these two powers have much room to manoeuvre, for the moment at least. In the brief calm, the conflicts of the Arab winter have had time to cool. However, this is probably more an interlude than an ending.

## Dragons' teeth

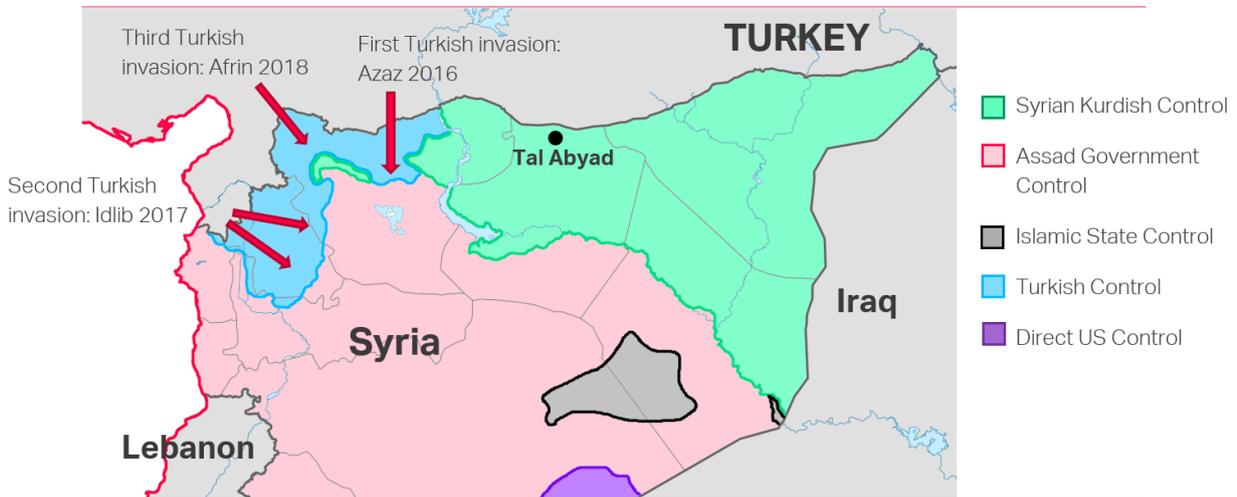
### Peace settlements are sowing the seeds for the next round of conflict

**The most obvious spark for a new conflict is the situation in Northern Syria where Turkish forces are planning a new intervention.** The present Syrian civil war is coming to an end. This conflict originated in a popular desire for change after 41 years of Assad family rule, a rebellion against incompetent and repressive government that served a narrow, ethnically defined, constituency. This rebellion has failed, not just tactically, but ideologically as well. Rebel forces eventually lost not just Syria's cities but also any appearance of political direction. Only Islamist groups remained cohesive.

But neither did the Syrian government win the war. Iranian and Russian forces defeated the rebellion while the Assad regime fell apart, dissolving into a collection of local militias and a several different corrupt networks, who in the words of one Syrian analyst "rule the country like a farm". The end result is a mess. The Assad government in its current state is not capable of governing the country as a whole. For Turkey, this presents a problem: if Donald Trump's decision announced yesterday to withdraw US forces from the country is implemented, and the Assad government persists in not governing, then what will happen to the currently autonomous Kurdish Northern Syria?

**The most likely answer is a new Turkish invasion.** Turkish forces have launched three previous incursions into Syria (see map below). Each invasion has been insufficient to attain Turkey's objectives of preventing the emergence of a de facto self-governing Kurdish entity in

**The state of Syria**



Source: TS Lombard

Northern Syria and the securing of Turkey's southern border. Achieving these aims would require a much larger Turkish intervention in Syria east of the Euphrates. The most likely place for a new invasion would be somewhere in vicinity of Tel Abyad, a Kurdish governed town in heart of the developing Kurdish state. This intervention will be fiercely resisted by US-trained Kurdish militias that have proved themselves in the campaign against IS to be among the most effective military forces in Syria.

**It will be a nasty battle, but what is most disturbing is that the causes of this situation are so typical of the region as a whole.** The root problem in Northern Syria is that external powers have chosen an impossible solution to the war. Without Russian and Iranian intervention, Assad's government would have fallen a long time ago. Instead the very government that failed so badly as to start the war is now once again in charge. In Syria this has created a situation of territorial unsustainability: the country has fallen apart. The next phase of conflict in Syria will hinge not on asserting the rule of central government in Damascus, but enabling local interests to carve out their autonomy from Damascus.

This is a reminder that for all that Middle East analysts obsess over international relations, the real problem in the Middle East is, and always has been, comprehensive governance failures inside the region's states. This was the key lesson of the Arab Spring: whatever the designs and policies of external powers with interests in the region, in the end bad governance is not sustainable. The Arab Winter has finally brought an end to many of the region's wars, but has aggravated the region's dire governance problems. We are setting up a new Arab Spring, not solving the problems of the last one.

**The new fiscal crisis of the Arab state**

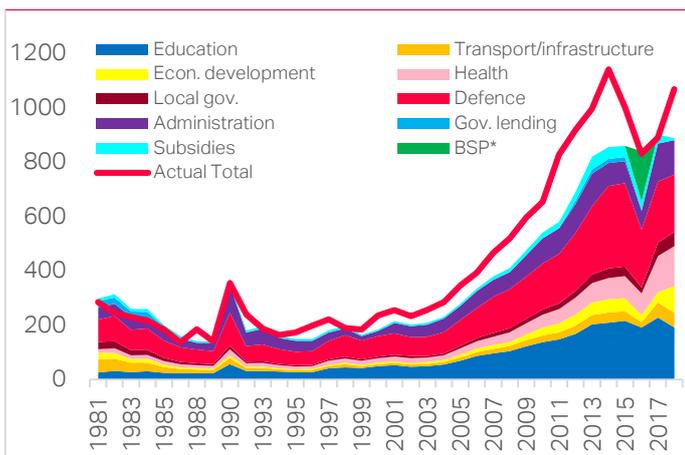
**Most governments bought, rather than fought, their way out of the Arab Spring.** Only the most incapable and incompetent governments – those in Libya, Yemen and Syria – attempted to put down popular discontent by force. Most sought to buy off opposition with whatever resources they could muster. This reality is reflected in the fact that it was not the 2014 oil price

collapse that tipped most regional countries' fiscal and current account balances into the red: these states began living beyond their means in 2011 (see chart below). The 2014 shock just increased the pace of deterioration.

**The standard response to popular discontent was to roll out unaffordable welfare programs.** In Saudi Arabia especially, spending dramatically accelerated of 2011 – and indeed continues to do so today. We estimate that in order to hit the 2019 budget deficit target announce this week of 4% of GDP next year, Saudi Arabia will need an average oil price of at least US\$68/bbl. Given the present trends and outlook in the oil market, that price level looks unrealistic.

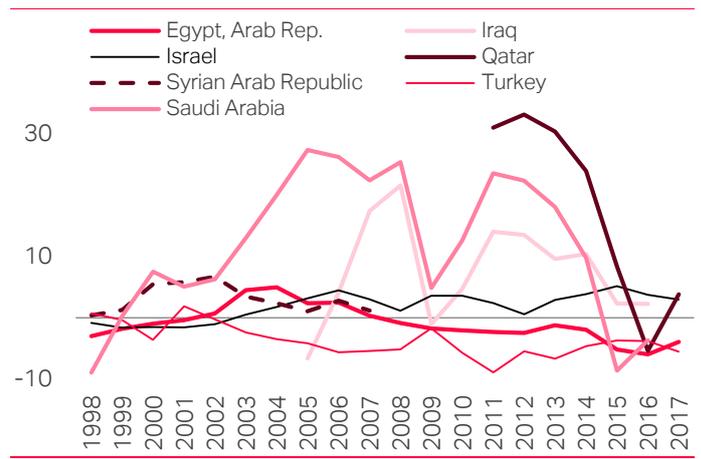
In Jordan and Egypt post-2011 policies have already compelled IMF intervention, making it unclear what these governments will now do to ensure stability. In Iraq and Libya oil revenues are absorbed in keeping afloat governments that bring together all warring factions. The result is the opposite of coherent economic policy: instead, the factions use their government positions to extract and distribute largesse among themselves as fast as the oil wells can generate it. In 2016 every major Arab economy was running a twin deficit, something never seen before in the history of the region as a collection of states that gained their independence in the mid-twentieth century.

**Chart 3: Budgeted and actual Saudi spending**  
Sector breakdown in SAR bn



Source: Saudi Arabian Monetary Authority, TS Lombard

**Chart 4: Selected countries' CA balances (\$bn)**  
The rot set in after 2011



Source: World Bank, TS Lombard

**Summing up: Next Arab Spring – “when”, not “if”**

**There will be a reckoning for the failure to address the causes of the popular revolts in 2011.** The post-2011 policies of survival by spending have produced extreme fiscal fragility in the Arab world. In other words, these countries have not escaped from the vicious circle of internal unrest liable to drag in competing external powers in what then become wider and bloodier conflicts. So while the Middle East goes into 2019 the quietest it has been for years, this state now seems ominously similar to the situation in 2010, just before to the Arab Spring. As a reminder of the risk of complacency, try [this 2010 piece](#) from BBC Middle East editor Jeremy Bowen) seeing no immediate signs of regional trouble. The most important lesson from the last decade must be that the decisive risk driver in the Middle East lies in the quality of domestic government rather than the international relations context.

## Authors



**Marcus Chenevix**  
Analyst, MENA and  
Global Political Research