

Middle East, Energy and Geopolitics

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Geopolitical events have so far shaken the world economy beyond spatial and temporal domains, as have those in the Middle East. Since oil prices started a plunge around the emergence of the ISIS as a new threat in Syria and Iraq, however, geopolitical factors have apparently lost their effect.

【Middle East and Geopolitics】

Regarding Middle Eastern geopolitics during the Cold War, building a bastion against the Soviet Union was a great matter of concern. Then, the resolution of the Arab-Israel conflict was seen as an urgent challenge for the region. Four armed conflicts occurred, including the last one that triggered the first oil crisis. So, it was reasonable that priority was given to the resolution. Coming later were Iran's anti-America Islamic revolution bringing about the second oil crisis, the Iran-Iraq war originating from a territorial dispute, and the Gulf Crisis and War triggered by an alleged oilfield theft. These events led to production adjustments, a 'tanker war', Iraq's annexation of Kuwait, and oilfield incendiarism, prompting oil prices to wildly fluctuate. As issues in the Middle East have become diversified since the 1970s, geopolitical priority for the Palestine was overshadowed by other compelling issues.

In fact, a Middle East peace conference took place in Madrid in 1991, paving the way for Arab-Israeli negotiations leading to the later Oslo agreement, under the strong leadership of the United States as the only superpower then. However, this conference was designed primarily to counter the call for liberation of Palestine and Jerusalem that then Iraqi President Saddam Hussein advocated in a bid to amass the Arab nation after Iraq's invasion into Kuwait. As well as the Soviet Union that came to an end then, the Arab-Israeli conflict as a geopolitical factor influencing the global oil market was clearly fading away.

Following the terrorist attacks on United States soil in 2001 and the 2003 Iraq war, terrorism and the 'war on terror' started to cast dark shadows on the Middle East. More than 10 years have passed since then. As the justification of the Iraq war was vulnerable, the United States, which initiated the war, replaced the objective of the war on terrorism with the democratization of the broader Middle East and North Africa to cover up its intelligence failure. However, stopgap and nominal reforms designed and introduced by authoritarian regimes at the suggestion of foreign governments fell short of satisfying the population and represented the launch of a long preparation for grass-roots movements that later expanded throughout the region. Meanwhile, geopolitical risks

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emerging from Iran with the looming nuclear development and continuing instability in Iraq helped oil prices to remain high as energy demand was fast growing mainly in Asia. Events attract attention and fade away. As new resource nationalism grew, geopolitics fortified its position as a major factor for consideration in the energy market.

【Geopolitics after ‘Arab Spring’】

The ‘Arab Spring’ politico-socio-economic movement started in Tunisia in late 2010 and, with its rapid progress and dramatic development, sparked surprise and enthusiasm in the world. But, it did not take long for the bitter reality to surface. In contrast, the initial high expectations have been replaced mostly with disappointment and concerns of today. Even Tunisia, the only Arab state that experienced a successful transition of power through a democratic election, is plagued with deterioration of security arrangements and ailing governance capacity. Its insecurity has spilled over not only to neighboring Libya but also to Syria and Europe beyond North Africa. From a geopolitical viewpoint, even Tunisia can no longer claim any success story for the ‘Arab Spring’.

As far as global energy supply was concerned, however, Saudi Arabia and Iraq steadily expanded their crude oil production while only Libya lost international confidence and became an uncertainty factor for the market. Retrospectively, the steady oil production expansion of the Saudis and Iraqis prevented a crisis attributable to supply shortages in the midst of the ‘Arab Spring’. This point, though failing to attract attention behind oil price hikes triggered by the absence of Libya in the oil market, was very fortunate for oil consuming countries.

As some have indicated, the emergence and expansion of the ‘Arab Spring’, as well as the subsequent turmoil in the region, have some relationship with the non-intervention policy, which today is referred to as the ‘Obama Doctrine’, of current U.S. President Barack Obama who sees his predecessor George W. Bush, known for proactive intervention, as a teacher by negative example. To the dismay of many political leaders in the Middle East, even when Egypt’s Mubarak regime fell soon after Tunisian President Zine El Abidine Ben Ali found asylum in Saudi Arabia, the United States, which had been viewed as a staunch supporter of pro-US authoritarian regimes in the region, took no action to counter the revolutionary movements.

While the citizens’ demand for improvement of human rights gained momentum in Bahrain where the situation had been tense for some time, Saudi Arabia and other Arab sheikhdoms tightened security control by attributing domestic challenges to foreign interference especially from Iran, switching to a proactive policy of undertaking security actions without heavily depending on the United States. However, when these Middle Eastern actors began to disorderly pursue their respective policies and interests in response to the emerging challenges, confusion in the Middle East deepened further.

Sunni Arab states that previously felt threatened from their own citizens demanding reform and change even grew wary of being abandoned by the United States, as Washington launched nuclear negotiations with Tehran that eventually led to a nuclear agreement. Distrusting the United States negotiating with Iran as a Shiite country and a potential foe for Sunni Arab states, these

countries have enhanced their belief that they cannot overwhelmingly depend on any external power for security and accelerated the switch to their respective independent security policies. For example, Saudi Arabia, in pursuit of a new regional order, has supported anti-government rebels that have held fast to an unyielding attitude, similar to that of Assad, in Syrian peace negotiations and launched military intervention in Yemen without a clear exit strategy, sometimes brushing off friendly advices from the United States and Europe. A matter of grave concern for the rest of the world is that the terrorist groups like ISIS and AQAP have taken advantage of the disarray among the coalition to demonstrate its presence in Syria, Iraq, Egypt, Libya, Yemen, and beyond. Since 2015, tangible terrorist threats have spilled over to Europe, North Africa, South Asia and Southeast Asia.

Despite the rise of such new crises and threats, recent geopolitical discussions on the Middle East have failed to attract serious attention. But, that is only one part of the problem. What is worrisome is that since ISIS claimed the foundation of an Islamic state in the early summer of 2014 opportunities have declined substantially for factors viewed as geopolitical risks to influence oil prices. Has geopolitics lost its clout in front of over production and ‘fracking’?

【Middle Eastern Geopolitics through 2020】

In recent months, Iran’s neighbors have growingly been concerned on Iran’s increasing influence on the Middle Eastern affairs after it won the West’s agreement to lift sanctions over Iran’s nuclear development. The 2015 Iran nuclear agreement can be appreciated as a diplomatic achievement from the viewpoint of nuclear non-proliferation. However, it has failed to sweep away geopolitical instability. Ironically, deep-rooted mutual distrust between Saudi Arabia and Iran has been further aggravated by the agreement, triggering a vicious circle.

Saudi Arabia, which severed diplomatic relations with Iran in early 2016, has recognized the ideologically Shiite state as the greatest threat to its security and is trying to diplomatically isolate and contain Iran by forming a military block against that country. The encirclement is represented by the Islamic military alliance against terrorism that has been created at the Saudi initiative to cover Sunni states and has launched joint military exercises. Saudi Arabia has little motivation to initiate a freeze on oil production expansion that could save the day for Iran, and other OPEC member states, even amid weak oil prices. It is not accidental that next-generation Saudi leaders have recently announced the ‘Saudi Arabia Vision 2030’ to enhance national wealth and power and pursue a resilient economy that remains unshaken by fluctuating oil prices. What is not openly discussed about ‘Vision 2030’ is that this long-term plan is designed to become a platform for Saudi Arabia to emerge as a regional power capable of countering Iran on its own.

Iran for its part does not perceive Saudi Arabia and other neighboring countries as any existential threat. Iran refuses to admit that it and Saudi Arabia are competing in the Middle East. This is where a huge perception gap between Iran and Saudi Arabia exists. In a diplomatic manner, Iran appreciates Saudi Arabia as its indispensable partner for maintaining stability in the region and calls for bilateral cooperation. However, Iran is seemingly provoking Saudi Arabia in Yemen over

which Saudi Arabia is particularly nervous because of its stakes in their deprived southern neighbor and the Strait of Bab al-Mandeb. If the alleged support for the Houthi rebels is a calculated one, Iran's real intention may lie behind their announced policy.

The asymmetry over security concerns between Saudi Arabia and Iran separated by the Persian Gulf is not necessarily a new phenomenon. Therefore, it may remain long, instead of being eliminated soon. Their disagreement over regional security may lead to useless rhetoric on one hand and excessive provocations on the other. The result could be the intensification of their confrontation, making it difficult for them to address terrorism as their common challenge and for other Middle Eastern countries to solve the respective civil wars. The 'Persian Gulf Cold War' between Saudi Arabia and Iran will dominate a medium-term geopolitical trend in the Middle East through 2020. Benefitting from the negative impact of their confrontation, again, will be ISIS and other radical Jihadist groups.

As an oil glut has emerged and continued due to growing shale oil production in North America and historically massive production by the Organization of the Petroleum Exporting Countries, Middle Eastern geopolitics following the 'Arab Spring' has surely lost room to impact oil prices. However, oil consuming countries must not be complacent with the present situation in which geopolitics has lost its impact due largely to the oil glut. They must not disregard impacts that geopolitics could essentially exert on the market. Given the present situation where prediction and control are difficult as a result of an increase in the number of assertive actors in the Middle East, we may have to be prepared to see some geopolitical event shaking the market suddenly in the not-so-distant future. If Asian demand resumes high growth, the oil supply-demand relationship will tighten over a medium term. Hypothetically, under the tight supply-demand balance, a geopolitical factor could abruptly resurge as a strong oil pricing factor. With regards to the Middle East, Japan, as well as other oil importers, must be prepared for such counterattack by geopolitical challenges.

Writer's Profile

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Koichiro Tanaka started his career as a Special Assistant at the Japanese Embassy in Iran. Since then, he has held various posts in the field of Middle Eastern studies and assigned to domestically and internationally important postings, including Special Analyst of the Second Analysis Division, Ministry of Foreign Affairs, Political Affairs Officer of United Nations Special Mission to Afghanistan, Senior Analyst for Energy and Environment Program of International Development Center of Japan, International Observer for the Selection of the Emergency Loya Jirga, and EU Special Guest for the Presidential Election in Afghanistan. As a commentator on Middle Eastern affairs, he frequently appears in the media.