



# INTO THE UNKNOWN

The United States, the Middle East and the Future

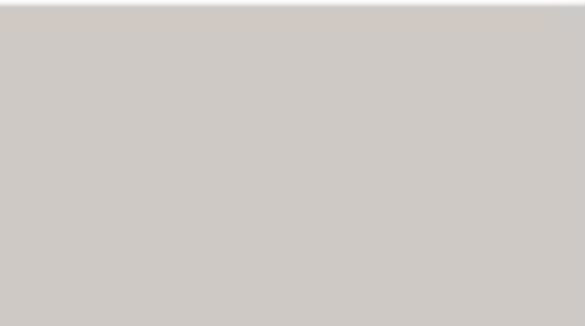
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CSIS

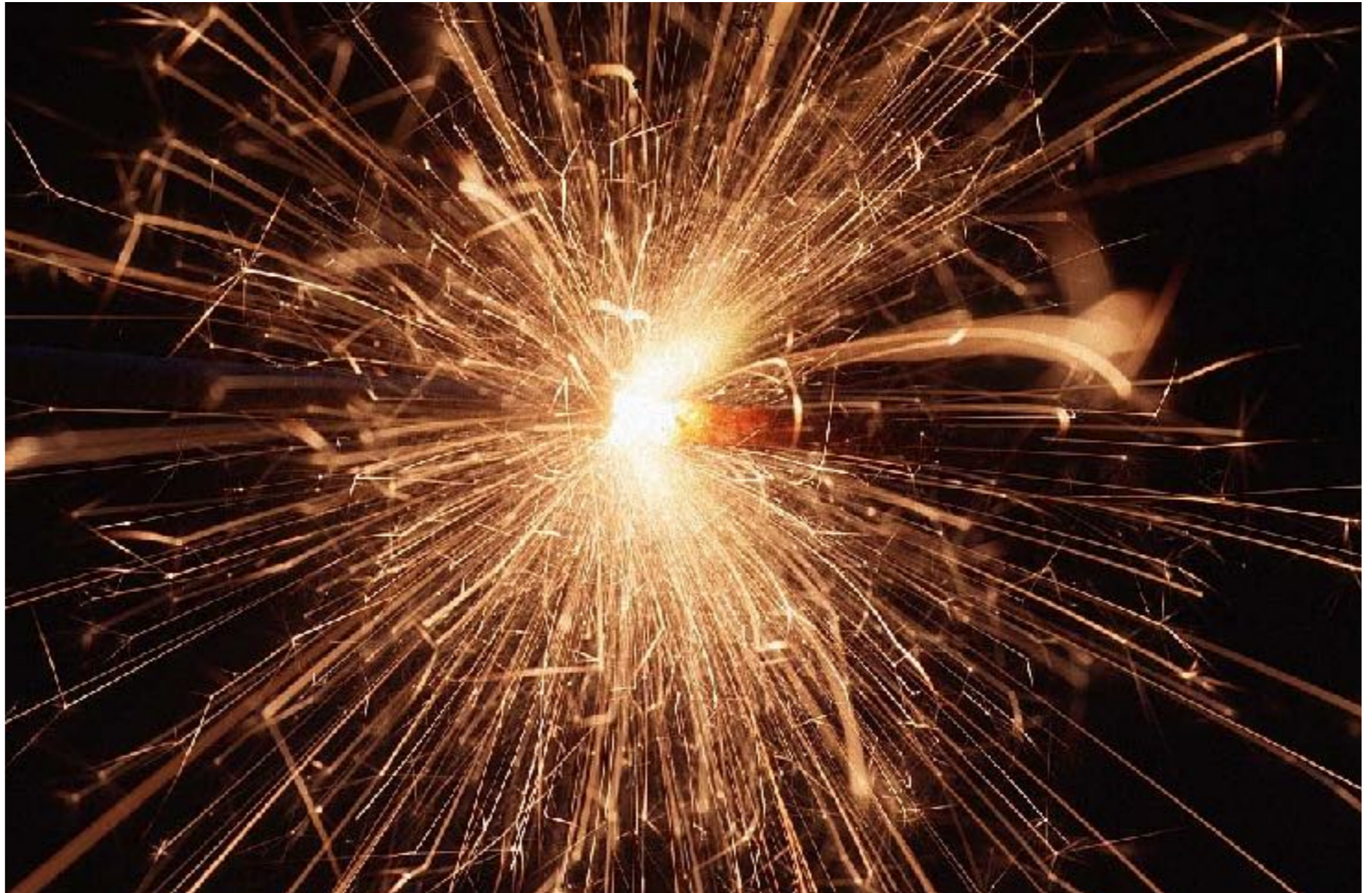
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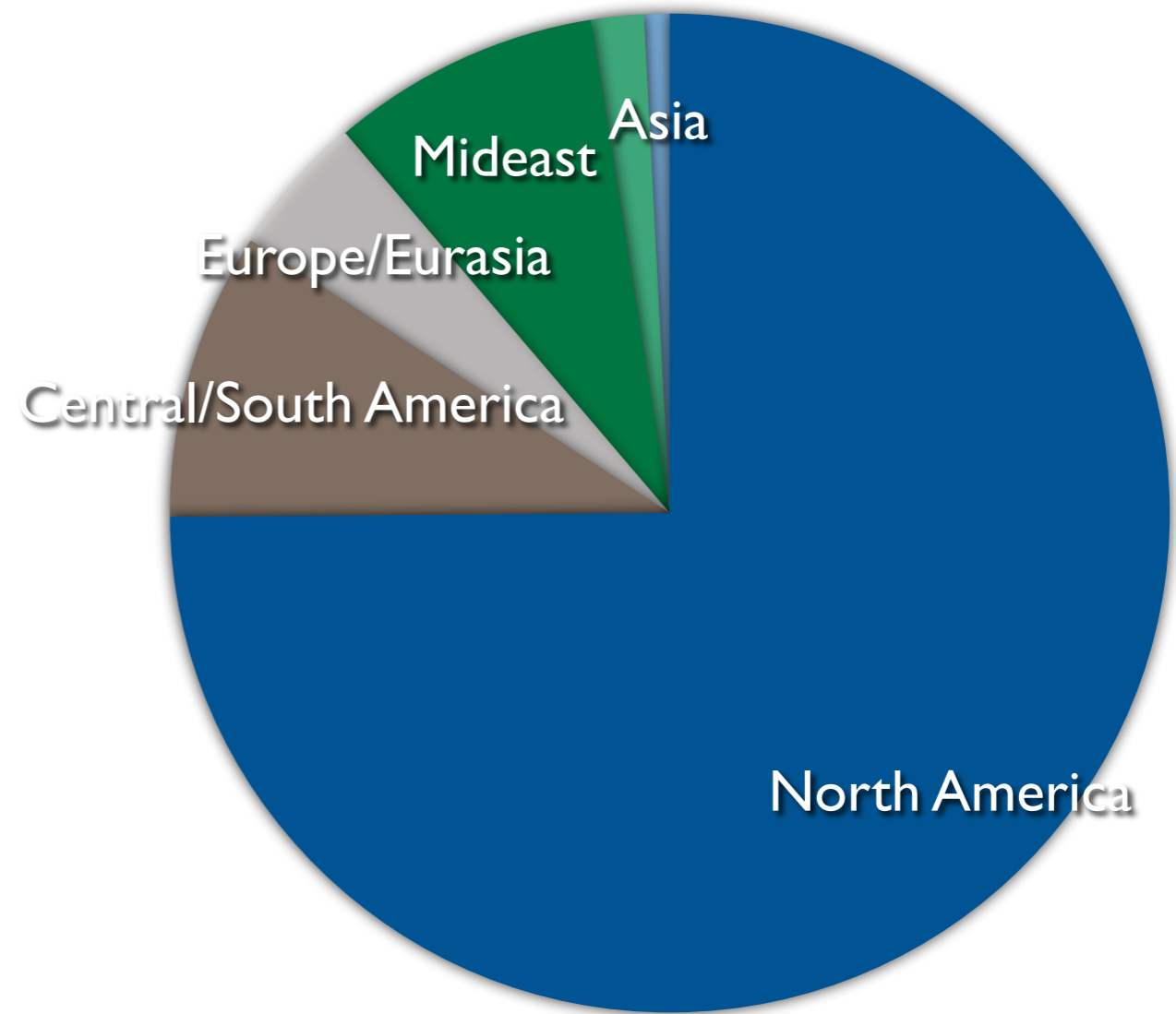


**GLOBAL**





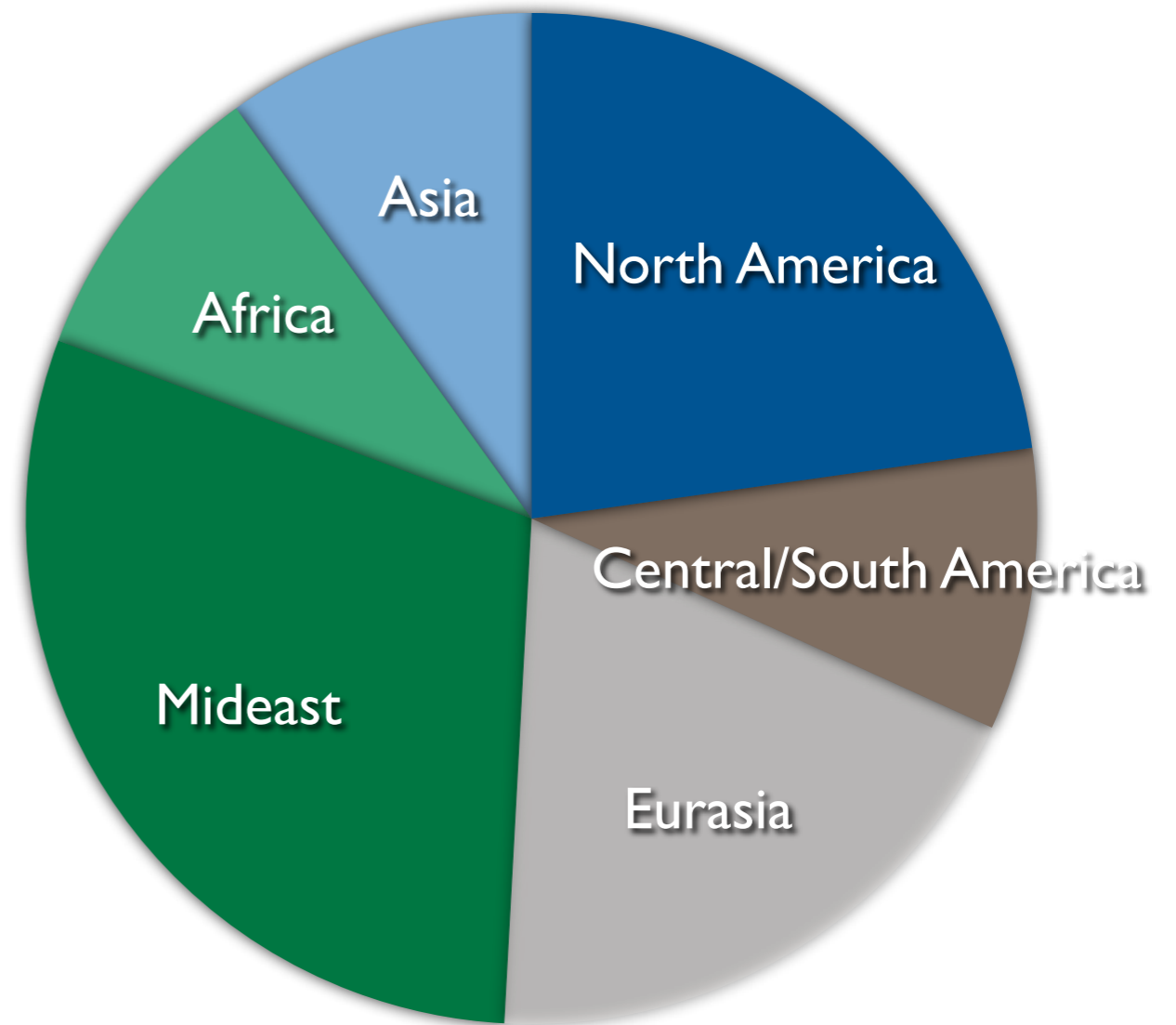
- Most U.S. oil from North America





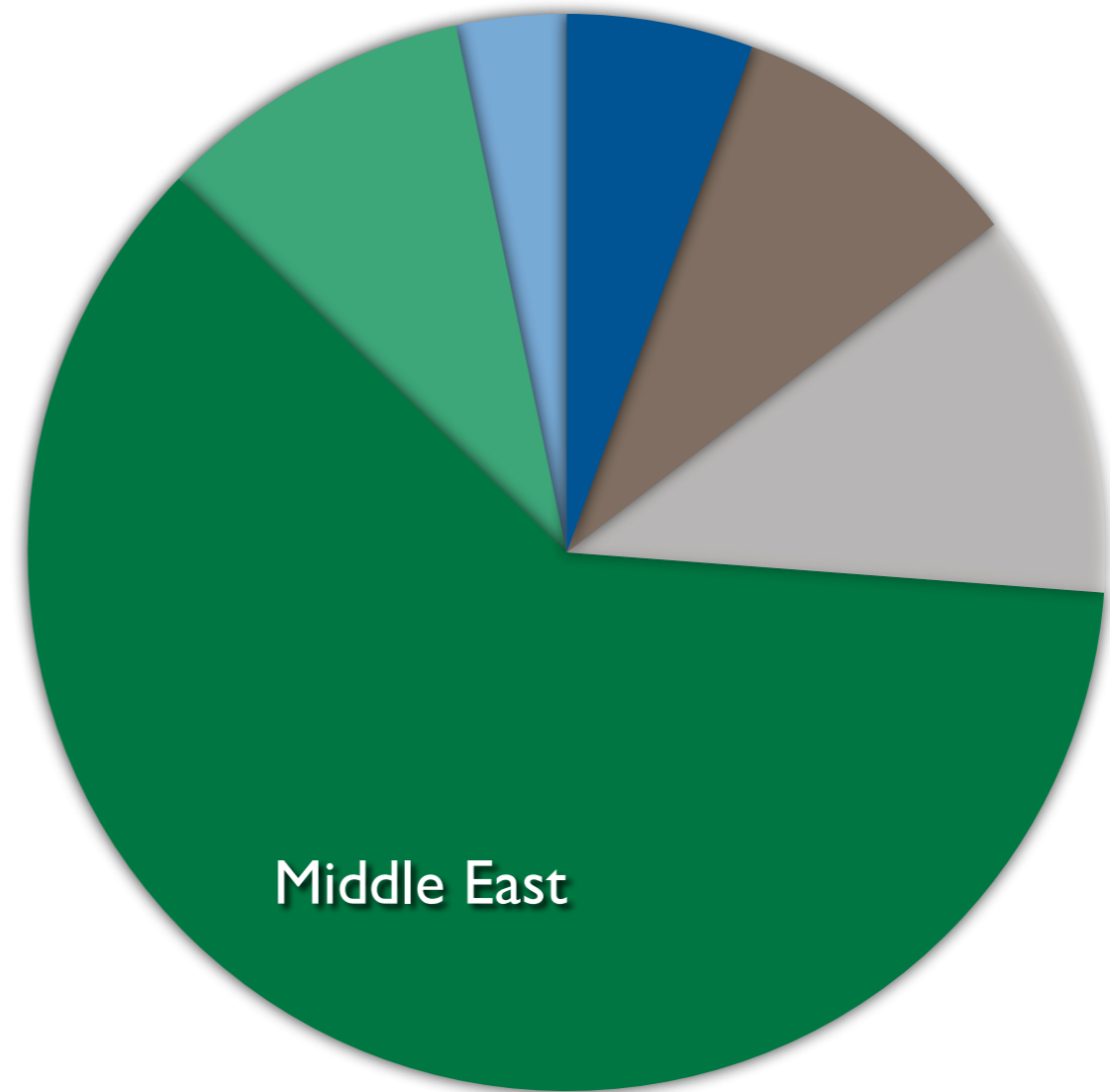


- Most U.S. oil from North America
- Middle East produces about a third of global oil



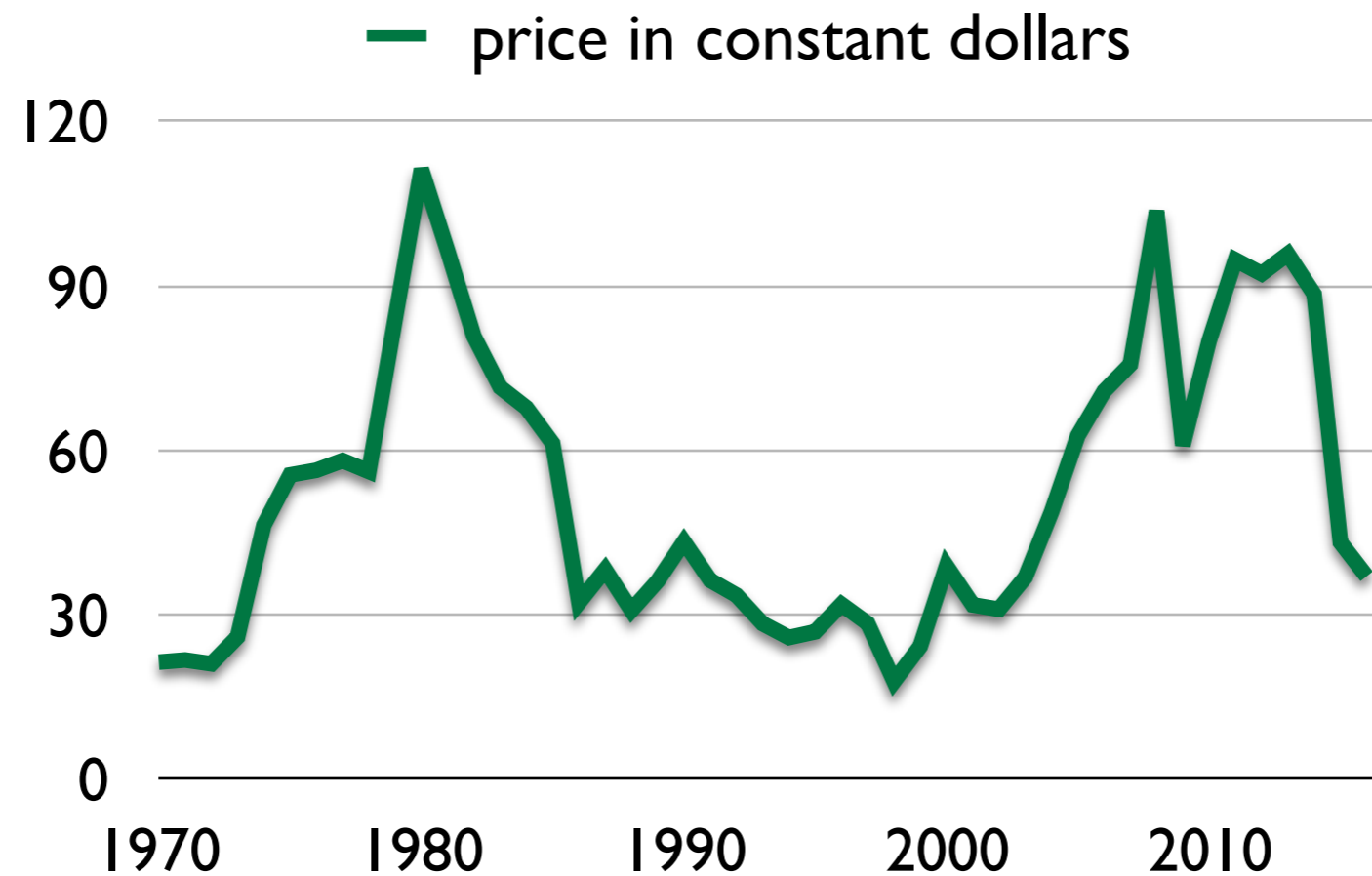


- Most U.S. oil from North America
- Middle East produces about a third of global oil
- Middle East has almost two thirds of world's proven oil reserves.
- U.S. spends \$32 billion/year safeguarding Middle Eastern oil





## OIL PRICES



- All Arab states affected by oil prices
- Middle East instability affects world





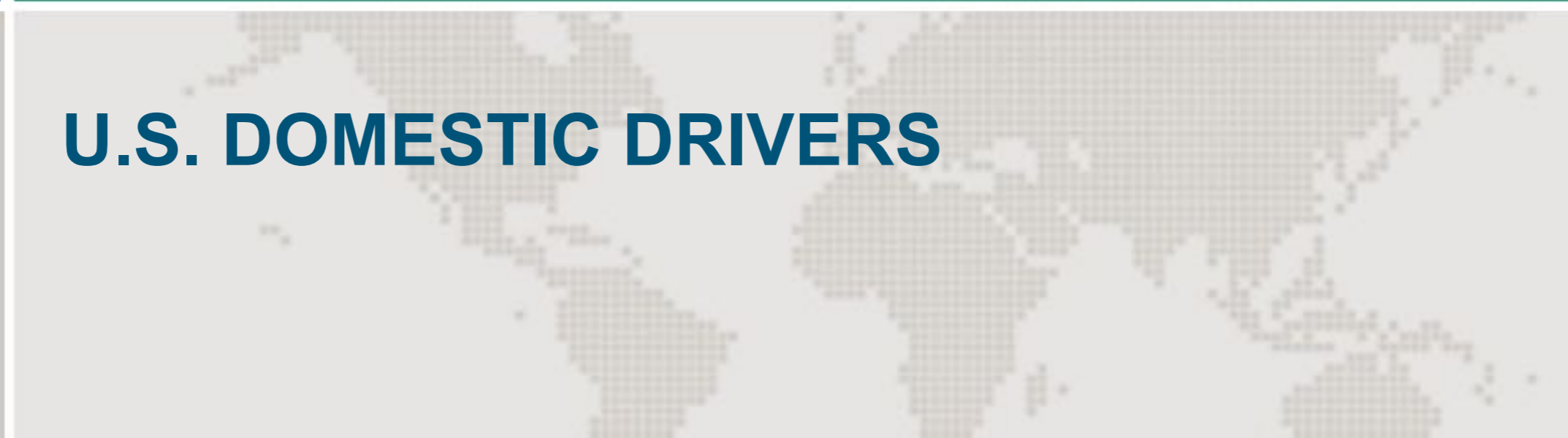
## CHINA'S RISE

- Increasing global factor
- Committed to non-intervention, not global order per se
  - What does “Chinese-led order” mean?
  - Is it all bilateral, with China strong partner?
  - Does commitment extend beyond self-interest?
- Economic growth prospects unclear
  - Potential for sharply reduced growth, which would hit global energy demand
  - Hard landing?





# U.S. DOMESTIC DRIVERS





## AMERICA FIRST?

- What does it mean?
  - Short-term vs. long-term interests
  - What role for international institutions?
  - Shift may be permanent
- Trump style is unique
  - President sees unpredictability as advantage
  - Bureaucracy sidelined; coordination suffers
- What do you need to be able to do?
  - Still no substitute for U.S. capacity
  - What if things are not done?





## INWARD PIVOT

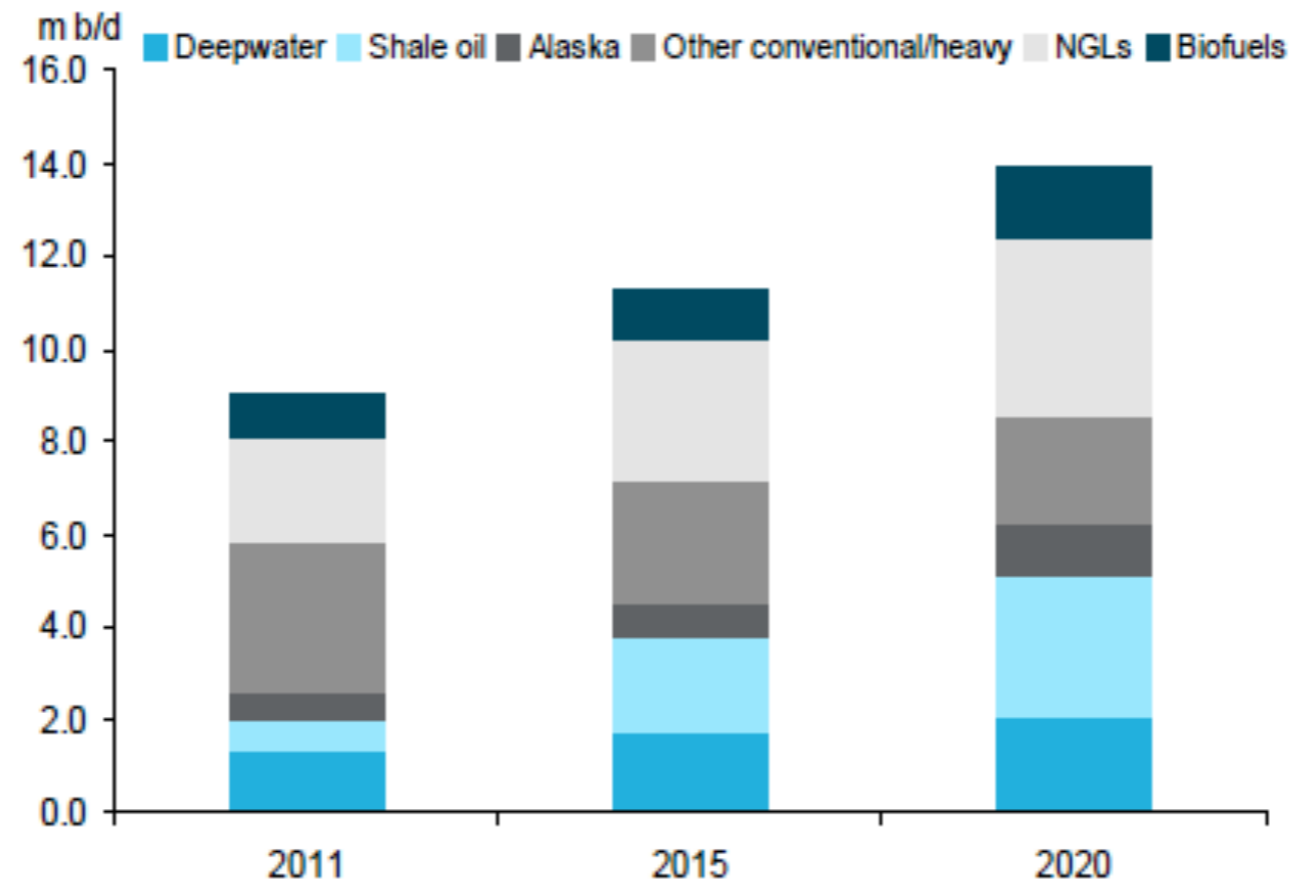
- Thirst for normalcy
  - Existential ideological battle is over
  - Uncertainty over terrorist threat
  - Fatigue with Middle East's problems
- Competing priorities
  - Infrastructure, education, retirement benefits
- Unending demands from abroad
  - When does dependency end?
  - When will others do their share?
  - What actually matters?





# U.S. ENERGY INDEPENDENCE

- Increased production



- Rise of shale gas
- U.S. a net energy exporter by 2030?







## U.S. STRATEGY

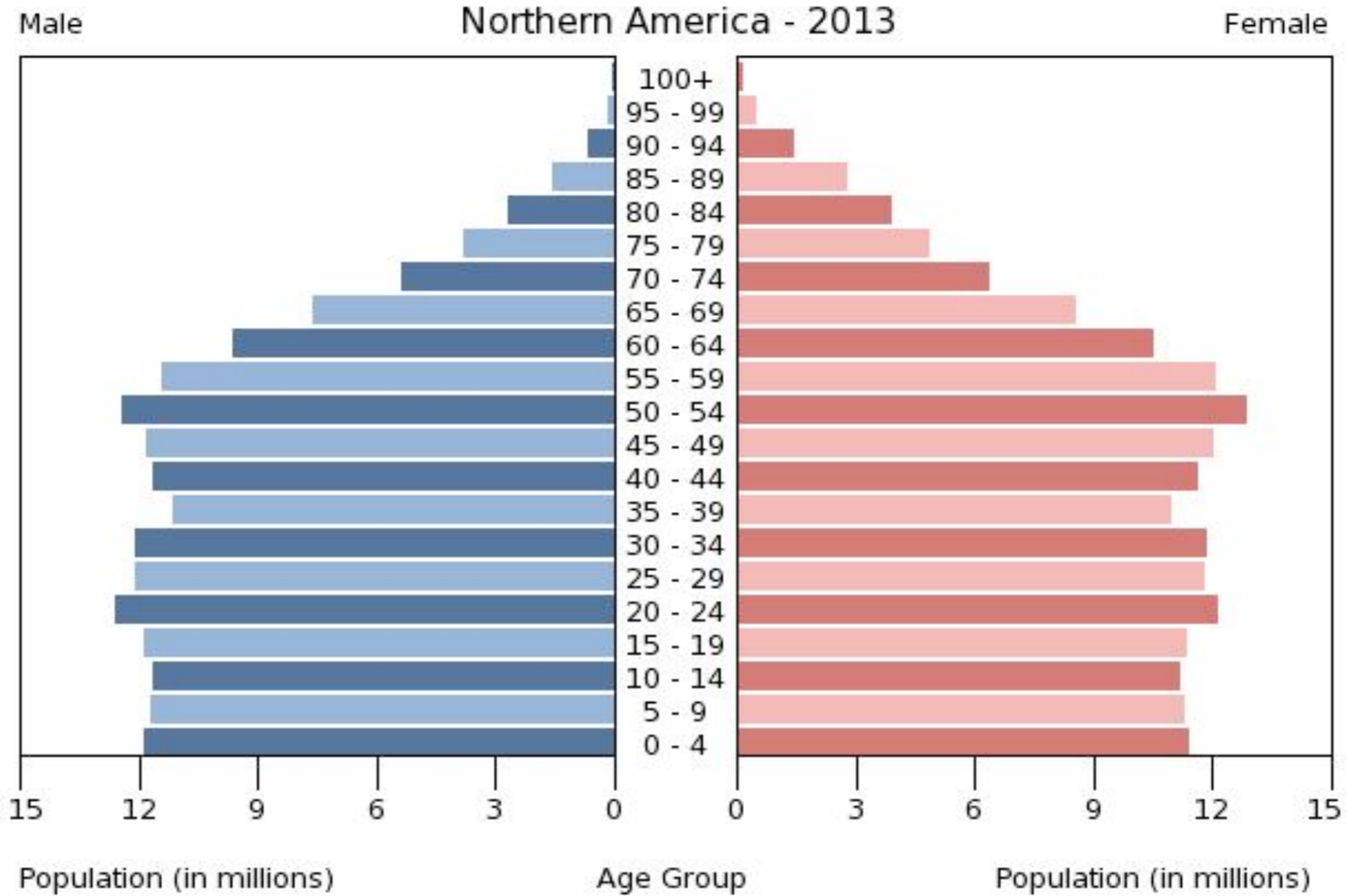
- National Security Strategy, National Defense Strategy at odds
  - North Korea and داعش?
  - China and Russia?
  - Where (and how) do partnerships fit in?
- Will current trends will continue?
- How will allies respond to new posture?



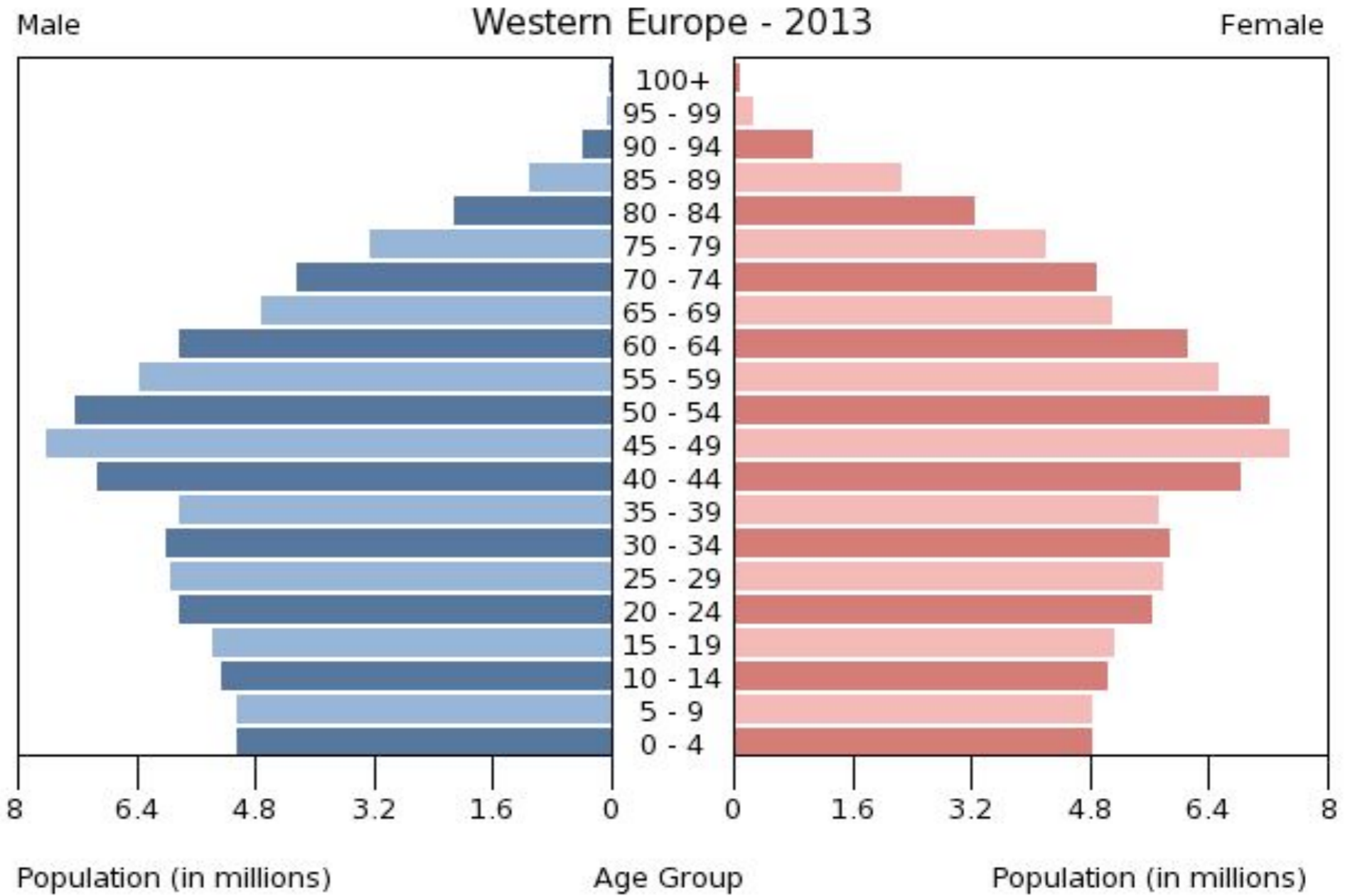


**STATE LEVEL**

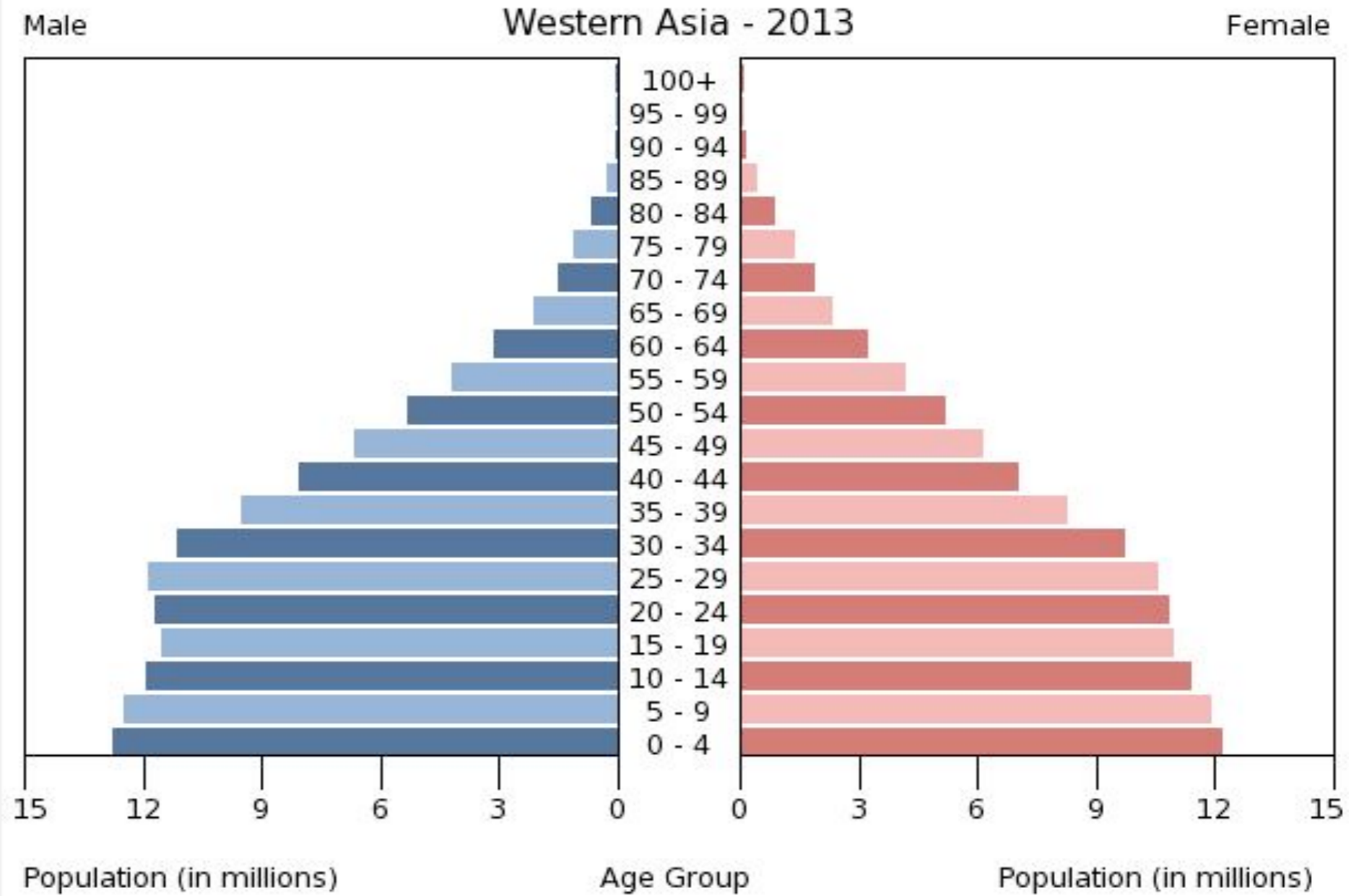
# DEMOGRAPHICS



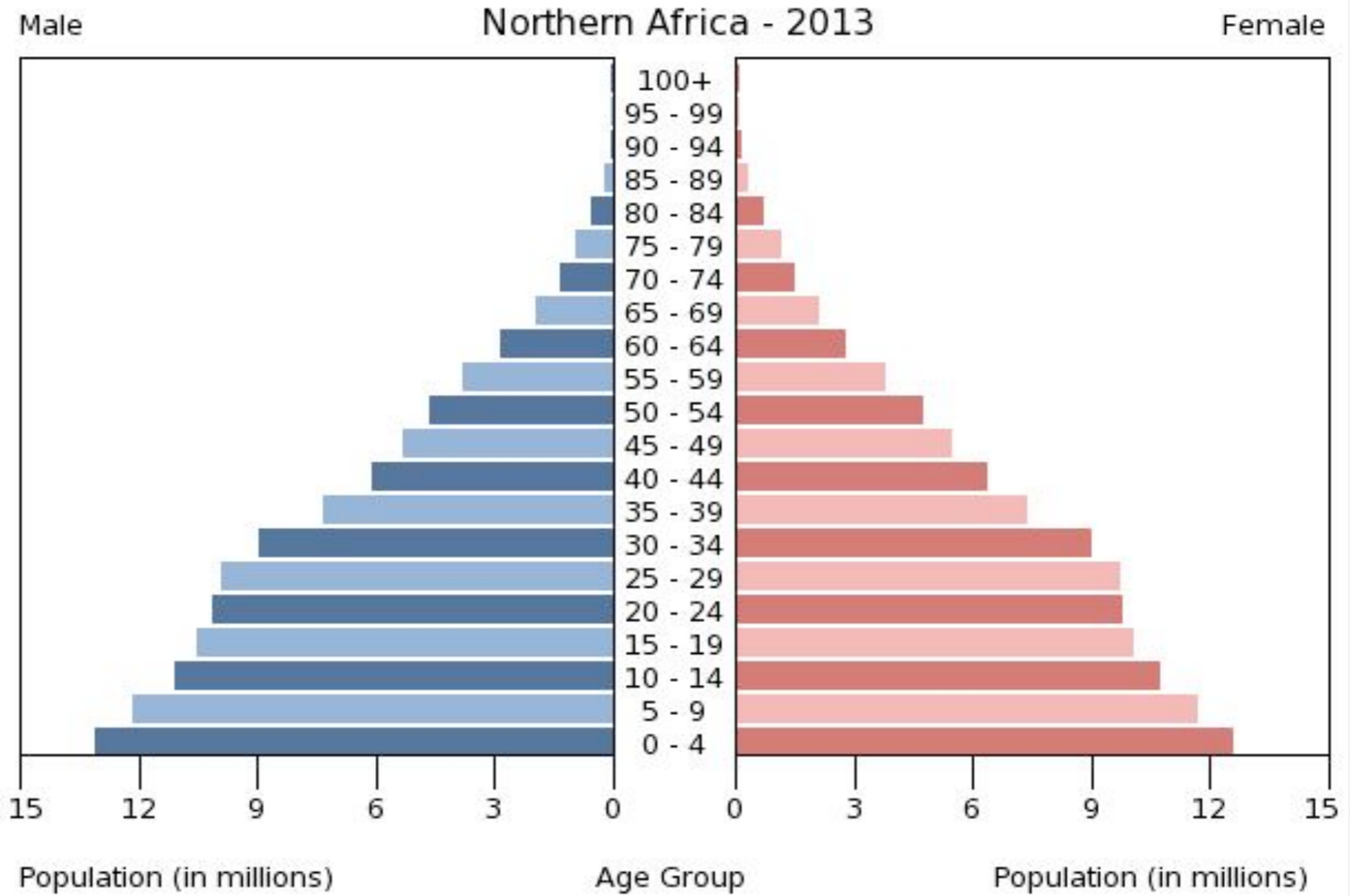
# DEMOGRAPHICS



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# DEMOGRAPHICS



# HUMAN CAPITAL



- People are increasingly able to read but are not literate
  - Education stresses memorization
  - Teach loyalty rather than creativity
- Private sector employment remains undesirable
  - Partly risk aversion
  - Partly work aversion
- Banking, regulatory environment constrains entrepreneurship



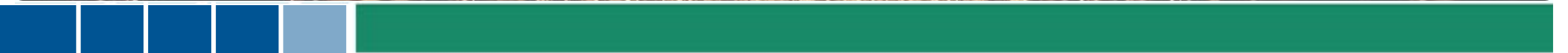
# GOVERNANCE



- Tasks growing in size, complexity
- Huge subsidy bills
  - Being reduced
  - Will acceptance end?
- Social cohesion diminishing
- Expectations may be rising faster than capacity

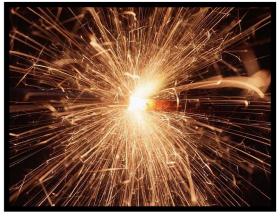






# FLASHPOINTS

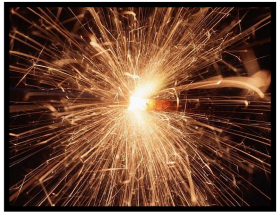




# IRAN

- Economically
  - Met strategic goal to slip free of sanctions
  - But low oil prices, sclerotic economy blunt benefit
- Socially
  - Ideological base just economic cartel
- Politically
  - Conservatives, ultraconservatives, reformists at odds
  - Succession for Leader unclear
  - Crunch time likely in next five years



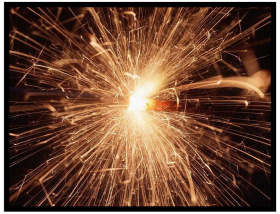


## SYRIA AND IRAQ

- Clearly not over
- All sides see as proxy war with high stakes
  - Russia playing interesting game; U.S. out?
- Has Assad won?
- Does Abadi have time?
- Refugees and reconstruction
  - Fragile neighbors will tremble for years
  - Millions of refugees unlikely to return home
  - Rebuilding will last decades. Who will pay?



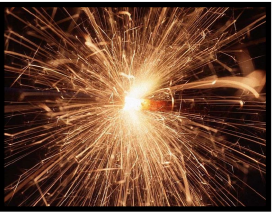
# YEMEN



- What does winning look like?
  - Insistence that Houthis are Iranian agents raises stakes
  - President Hadi is transitional, but to what?
- How can economy be rebuilt?
  - Yemen had profound problems before
- How can politics be rebuilt?
  - Federalism? Secession?
  - الحوثيين، داعش، القاعدة

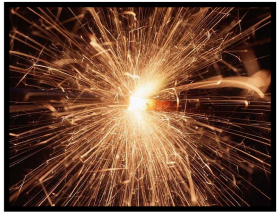


# LIBYA



- Vast proxy war
  - Egypt and UAE
  - Turkey and Qatar
  - داعش in the middle
  - Oil at stake
- Who will own future of country?
- Can politicians push out armed groups?
- Oil makes peace easier, harder

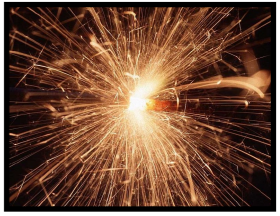




## EGYPT

- Casts a huge shadow across region
  - Socially, culturally
  - Religiously, politically
- Macroeconomic indicators largely but not entirely positive
- Sustained governance problems
- Sustained violence
- How will Sisi's rule evolve, and what will follow?





## ISRAEL AND PALESTINE

- Palestinian politics ↑ polarized
  - Who will succeed Abu Mazen?
  - Hamas/Fatah rift enduring
- Israel ↑ comfortable with status quo
- Arab world increasingly inward-looking
  - Will less external support for Palestinians make them more docile or more angry?
  - Will Israelis feel less threatened?





**LOOKING FORWARD**





## UNEASY LIES THE HEAD

- Governments have stopped falling
  - Persistent feelings of vulnerability, uncertainty
  - Still not sure what caused Arab Spring
- Insurgencies persist
- Externalities affect Middle East politics
  - Global economy
  - Oil prices
  - Regional politics and warfare
- U.S. is in transition
  - Engagement increasingly a choice, not a duty





## REGION STILL CENTRAL

- Oil remains essential to global growth
  - Low oil prices create volatility in region
  - GCC no longer central source of global capital
- External interest in the region uncertain
  - Asian interest growing
  - U.S. interest uneven
- Terrorism and extremism morphing





## SURPRISES POSSIBLE

- Egypt, Syria, Iraq could tip sharply, positive or negative
- Yemen meltdown?
- Lebanon, Jordan, Palestine, could erupt
- 2011 events highlight political interconnections of the region





## WHERE TO?

- Volatility a likely constant
- Likely to see more diversity, too
- Oil price is most important single variable, but far from only one
- In long term, human capital is the leading security issue in the region

