How the United States Can Bolster Economies In a Post-Coronavirus Middle East

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The Middle East, engulfed in numerous domestic and regional crises, has seen these challenges deepen with the appearance of the novel coronavirus and a sharp drop in oil prices. As the virus has placed additional pressures on the region’s governments, the severity of these countries’ positions—especially from an economic perspective, are likely to intensify. Foreign policy strategists should expect that Middle Eastern governments will face even greater constraints in safeguarding peoples’ livelihoods and their countries’ economies after the threat of coronavirus subsides. Therefore, the United States must begin to forge a path towards a more collaborative foreign policy that seeks input from allies abroad without neglecting the values that are important to the people on the ground.

The United States, perhaps more than any other country, has maintained a high level of engagement in the Middle East—whether it be through military, financial, or cultural outreach. As such, the United States is in a major position to lead the collaborative efforts necessary for recovery, especially among countries that are facing dire futures due to the pandemic. In particular, countries like Jordan and Lebanon are struggling to adequately serve both their citizens and large refugee populations within the limitations of already strained economies. The impact of an pandemic can only exacerbate these extant challenges. Similarly, those living in poverty and in conflict areas will likely flee from their homes as conditions worsen, forcing a significant new wave of migrants that governments will be unequipped to handle (https://www.washingtoninstitute.org/fikraforum/view/Italy-Libya-Coronavirus-COVID-Middle-East-Refugees-Migration).

However, Arab countries that have traditionally had financial cushions are also likely to be affected. Gulf countries, with which the United States has historically maintained close relations, have been dramatically affected by the twin crises of a global collapse in oil prices and COVID-19. Gulf oil producers’ economies have been rocked by plunging oil prices, forcing many states to drastically cut spending for social services within their own countries.

While many Gulf states are better equipped to cope (https://www.washingtoninstitute.org/fikraforum/view/Coronavirus-Diplomacy-Trade-Iran-China-Gulf-...
States-India) with these burgeoning pressures than many of their neighbors, it must be understood that there is likely a permanent shift in the geopolitical ‘status quo’ of the region. These Gulf countries, once widely considered to be the financial backbone of the region, will struggle to continue to maintain the same level of financial support to countries such as Lebanon, Yemen, the West Bank and Gaza, Morocco, and Jordan. These financier countries have augmented aid from the United States in the wake of the Arab Spring in a way that helped shore off the most dire economic challenges and alternative financial incentives from Iran, but this is not a strategy likely to be similarly applicable in the future. If the Gulf’s economic woes prevent it from continuing to provide regional aid, the effects could send further ripples across the region. As such, the United States must recognize that this augmenting effect can no longer be relied on. Further, the United States must also reinforce the Gulf militarily, as it is important the region that receives enhanced security to ensure the allocation of financial resources and humanitarian support.

Understanding the Alternative: Growing Chinese Investments

Prior to the pandemic, the United States seemed to be turning away from an active role in the region [1]. As the Trump administration reduced the American presence in the Middle East, many countries have turned to other world powers for financial support, with China’s willingness to serve as an economic backer particularly worrisome. Understanding the financial incentives to turn towards China, U.S. policymakers must understand that reducing engagement will open new opportunities for influence from other sources.

The signing of the Memorandums of Understandings with seventeen Middle East and North African countries regarding the Belt and Road Initiative (BRI) highlights how China is expanding its role in the region [2]. China hoped to solidify its role as the largest investor in the region with the $1 trillion BRI project and has continued to portray itself as a reliable Middle East partner by vowing to assist the region financially while staying out of domestic matters—a promise that appeals to Middle Eastern leaders who are wary of perceived U.S. meddling in their domestic affairs. As the second largest oil consumer after the United States, China has a considerable interest in maintaining this relationship.

Currently, the Middle East accounts for approximately half of China’s oil imports and this dependence is expected to increase based on the International Energy Agency’s estimation that China will double its imports from the region by 2035. To put China’s energy needs into perspective, the unprecedented plunge in oil demand exhibited just how swiftly economic changes in China can ripple throughout the rest of the world. With these variables in mind, China’s reliance on foreign energy and the lingering threat of climate change, underscores the urgency of addressing energy security as a top international priority. If the United States does not adjust its engagement in the region at this key time, there are numerous other powers—including not only China but also Russia and Iran—that have demonstrated a willingness to step into new roles.

Recommendations

That being said, there are innovative ways for the United States to maintain its relationships in the region while managing its own domestic challenges. U.S. interests in the Middle East will likely take a back seat in 2020 as the government deals with the public health and economic consequences of COVID-19. Therefore, it will be increasingly vital for the American private sector to play a larger role in engaging with U.S. partners in the region.

The government can support these private sector efforts by creating a new committee comprised of senior representatives from both the public and private sectors directed jointly by State Department and the White House as such strategic investments are directly correlated to US National Security Interests. The committee should invite their private and public foreign counterparts to establish a collaborative network to work towards the shared goal of...
supporting regional efforts to recover from the pandemic industrially. The next step should involve creating a delegation of committee members that would visit production hubs throughout the Middle East. In the past, investment has been focused on bilateral agreements that include direct contacts with foreign governments. Perhaps it is time for the United States support industries in the region, where it is mutually beneficial.

At a time when so many regional industries are in decline, it remains important that they are strategically supported. The transportation industry may not immediately recover, so many may view this as an atypical and unwise investment. However, the United States should work with its allies in the region to ensure that our partners maintain control of these sectors and facilities by working with bilateral business councils, Chambers and Ministries of Commerce, and by setting up new initiatives.

U.S. manufacturing giants should work with its Middle Eastern allies to help improve their manufacturing capabilities to build factories. Algeria, Sudan, Egypt, and Saudi Arabia are particularly suited for development, given their large potential work-force and strategic locations and have the human capital to support such large industries —attributes that Chinese investments have already pinpointed. Subsequently, these efforts will aid in fighting unemployment, one of the key challenges throughout the region, which will better stabilize the regions across North Africa and the Middle East. Increased U.S. partnerships will also have the benefits of enabling the region to be less dependent on Chinese goods, ensuring they are not coerced into an export-energy interdependence.

The United States must make progress in binding the two diverging narratives in the region: unfinished revolutions on the one hand and governance challenges on the other. For the greater good of our children in the region, and in the United States, the U.S. must establish a coherent foreign policy with clear objectives of whom it supports, one that focuses on economic stability and growth in a region full of young adults eager for opportunities.

The United States serves as a bridge between diverse peoples, and although not perfect, the U.S. can elevate governments that it cooperates with. The United States must start uniting societies and governments, not only for security reasons, but for their prosperity as well. The volatility of this moment should be recognized as a potential to serve as a major turning point in U.S. foreign policy, where the United States concludes that strong allies in the Middle East are not too great a challenge or a risk, but rather an opportunity to strengthen our defense against shared threats.

RECOMMENDED

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