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Peace Economics: Opportunities and Options for a Post-Conflict Middle East

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ABSTRACT

The New-Med Research Network organized an international conference in Jerusalem on 19 July 2017 to discuss potentials for increased interdependence and economic cooperation in the Middle East and North Africa (MENA). Held at the Hebrew University's Harry S. Truman Research Institute for the Advancement of Peace, the event was co-organized with the Istituto Affari Internazionali (IAI) and structured around an introductory session and three expert panels. Invited speakers debated how new advances in technology, green energy and transportation may help to foster forms of cooperation in an increasingly conflictual multipolar order, both in the region and at the international level. Further discussion focussed on a number of regional and international dynamics that can help to contextualize and explain the current spread of conflict and instability in the MENA and reflect on the potential for economic cooperation as a driver for stability in the region.

Middle East | North Africa | Energy | Water | Transports | Multipolarity | European Union | USA | China

keywords

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by Andrea Dessì*

Introduction

The Istituto Affari Internazionali (IAI) and the Hebrew University's Harry S. Truman Research Institute for the Advancement of Peace organized an international conference in Jerusalem on 19 July 2017. Invited experts, drawn from academia, think tanks and the media, gathered for the one-day event to discuss potentials for increased interdependence and economic cooperation in the Middle East and North Africa (MENA).

Structured around an introductory session and three expert panels, participants discussed how new advances in technology, green energy and transportation may help to foster forms of cooperation in an increasingly conflictual multipolar order, both in the region and at the international level. Further discussion revolved around a number of regional and international dynamics that can help to contextualize and explain the current spread of conflict and instability in the MENA and reflect on the potential for economic cooperation as a driver for stability in the region.

Hosted by the Mandel School for Advanced Studies at the Hebrew University of Jerusalem, the event was organized in cooperation with the New-Med Research Network, an international network of scholars and academics with a special interest in the broader Mediterranean region. Launched in 2014, the New-Med Research Network has organized seventeen international conferences and published thirty-three research papers and edited volumes dealing with contemporary developments in the MENA region. Coordinated by IAI, the New-Med Research Network is jointly supported by the Italian Ministry of Foreign Affairs and International Cooperation (MAECI), the German Marshall Fund of the United States (GMF), the OSCE Secretariat

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· Report of the international conference "Peace Economics: Opportunities and Options for a Post-Conflict Middle East" held in Jerusalem on 19 July 2017 and organized by the Istituto Affari Internazionali (IAI) and the Hebrew University's Harry S. Truman Research Institute for the Advancement of Peace in cooperation with the New-Med Research Network.

in Vienna and the Compagnia di San Paolo Foundation.¹

Three speakers delivered introductory remarks, welcoming participants while opening the formal proceedings of the conference. **Moshe Maoz**, Professor Emeritus of Islamic and Middle Eastern Studies at the Hebrew University of Jerusalem and past Director of the Harry S. Truman Research Institute, opened the session, outlining the mandate and research focus of the Truman Institute, which for over fifty years has produced research in the realm of conflict resolution and peace studies.



From left to right: Lorenzo Kamel, Moshe Maoz, Laura Quadarella

The Institute's focus area extends beyond the Middle East and North Africa and includes various dimensions of the concept of security, including its economic and sociological aspects. While the Institute has played a lead role in promoting Israeli-Palestinian coexistence, particularly in the context of the Oslo Accords, Maoz emphasized how other research areas include developments in Asia, Africa and Latin America. In this respect, the Institute is home to an average of seventy researchers and has generally sought to adopt a holistic approach to conflict resolution, one that is particularly compatible with the Helsinki Process and the OSCE's own multidimensional approach to security.

Lorenzo Kamel, Scientific Director of the New-Med Research Network at IAI, outlined the underlining objectives of the conference, noting how the present, highly conflictual nature of the MENA region has evolved into a deep crisis affecting the Middle East state system as a whole. Current trends both in the region and at the international level point to a further worsening of these dynamics. In order to address these challenges, conference organizers decided to mainly focus on practical issues, particularly in the realm of water and energy resources that could become potential drivers for stability by fostering increased cooperation and interdependence. In outlining the three panel sessions, Kamel emphasized that the choice of topics and the decision to focus on economic-related aspects should not be perceived as a way of downplaying the relevance of political initiatives, nor should it be considered as an attempt to promote economic gains and stability at the expense of accountability and bottom-up necessities.

In this respect, Kamel emphasized the medium and long-term dangers of not learning from the past – even the recent past. He noted for instance that one of the major aspects behind the 2011 uprisings was connected to a widespread rejection

¹ More information on the New-Med Research Network, including past events and access to publications are available from the IAI website, <http://www.iai.it/en/node/2004>.

of neoliberal economic restructuring and the related cutting of social services. The speaker also warned about attempts to “turn back the clock” on the Middle East, as demonstrated by an increasing willingness by a number of international actors to foster economic-related initiatives by backing dictatorial strongmen.

Final introductory remarks were delivered by **Laura Quadarella**, from the Italian Ministry of Foreign Affairs and International Cooperation (MAECI), who thanked the organizers for a timely conference and choice of topics. In noting how the Mediterranean has long represented a strategic pillar of Italian foreign policy, the speaker underlined the important linkage between conflict and economics in both policy and academic circles. The convoluted and conflictual nature of current dynamics in the MENA are having an adverse effect on economic growth and development, as conflict and instability are preventing the region from unlocking its economic potential. As a key energy hub, the Middle East has long been an area of high strategic importance for the world. Yet, while oil and gas are present in large quantities in the region, water is in high demand, remaining key to the region’s future sustainability and human development. In this respect, examining the linkage between conflict, security and development while focussing on practical avenues to foster enhanced cooperation in the energy and economic sphere is of significant interest to Italy and all Mediterranean states. Yet, these dimensions cannot be analysed in isolation. Regional and international developments also play key roles in these domains, and in this respect the division in three sessions matches the importance given to all three levels of analyses by the conference organizers.

Session I: Energy and Water: Perspective on Regional Dynamics

Chaired by **Ettore Greco**, Executive Vice President of IAI, the first panel session was composed of four internationally renowned speakers, each addressing a specific dimension of energy related dynamics in the Mediterranean and Middle East. Greco emphasized how natural resources have in the past been a significant source of tension in the region and that looking to the future many potential risks remain. While water has been a source of intra-regional competition – particularly between Syria and Turkey or Syria and Israel – cooperative arrangements for the sharing of water can also serve as drivers for stability and interdependence. Recent advancements in technology and water treatment, in particular but not limited to desalination plants, have significant practical implications for the region, yet geopolitical trends, both within the MENA and further afield, cannot be overlooked when addressing these themes. Energy and water play important roles in developing trade and food supply chains, and they are transversal dynamics that impact state-society relations in numerous domains, from the sustainability of the agricultural sector to job creation and the legitimacy of political elites.

The first speaker in the session, **Tony Allan**, founder of the Water Research Group coordinated by the School of Oriental and African Studies (SOAS) and King’s College London, addressed recent developments tied to the economics of water

management and the importance of the energy-water nexus in creating sustainable development and food security. In introducing his talk, Allan noted that “peace needs trade, and trade needs peace”, while however cautioning against an excessive focus on the correlation between commodity trade and conflict. He noted that the water wars discourse became prominent especially in the Middle East in the 1960s. It is still alive and well today, despite it being shown that water scarce economies can mitigate their lack of water self-sufficiency by importing food at half the cost. Allan emphasized that the link between water and armed conflict is very weak. This non-conflictual outcome is because under-priced food has been readily available. On the other hand, there is evidence about a link between disrupted energy supplies and war.



From left to right: Nader Al-Khateeb, Michael Tanchum, Harry Tzimitras, Ettore Greco, Tony Allan

All MENA states except Turkey will continue to be heavily reliant of food imports and on the water embedded in their production. These embedded water “imports” are often called “virtual water imports”. The concept of “virtual water” was first introduced by Allan to draw attention to the volumes of water that are consumed in the production of food and industrial products.² The concept has helped the consumers, industry, academia, NGOs and decision makers to understand that the majority of water we consume is the water that we eat. When applied to the MENA region, the concept of virtual water has helped understand how these states were able to enjoy a remarkably reliable version of food security notwithstanding their lack of water resources. In this respect, Allan noted that by 1970 all MENA states except Syria and Turkey were net food importing economies. All MENA governments have readily adopted the virtual water “importing” strategy because it worked effectively. Governments have also made sure that the “solution” remains politically invisible. Their peoples would not like to know that they were food and water dependent and governments were content to take credit for the apparent secure outcome.

Allan highlighted the role of food and energy supply chains are key to regional stability. He also noted the long-term declining trend in international food commodity prices. Falling food prices are popular with consumers but bad for farmers. International food prices have been falling by 1 percent every year, a trend that is not sustainable for farmers or for the water ecosystems on which they depend. Rising demographic trends in many MENA states are also a major

² See the Water Footprint Network website: *Virtual water trade*, <http://waterfootprint.org/en/water-footprint/national-water-footprint/virtual-water-trade>.

issue impacting all elements of the water-energy-food nexus as more and more food and energy is needed to meet the demands of the respective supply chains. Finally it was emphasized that it had been shown in the past three decades that 80 percent of domestic and industrial water could be re-cycled and used with effect by irrigators. Water can also be manufactured economically from the sea, making it possible to reduce the consumption of natural water to sustainable levels. But these technical remedies only impact about 8 percent of the water consumed by an economy. It is access to the water needed for food production that is the strategic water challenge. In this respect, and for the foreseeable future, MENA economies will remain dependent on the international trade in food to meet these demands, concluded the speaker.

Michael Tanchum, Research Fellow at the Harry S. Truman Research Institute, spoke about the geopolitics of energy in the Eastern Mediterranean and broader MENA. Focusing on the question of how the drive for energy security can either hamper or promote sustainable development, the speaker emphasized the need to promote solar energy because of its significant potential to alter intra-regional dynamics by increasing cooperation and interdependence among regional states. The Middle East could witness a dangerous nuclearization if solar power did not become the predominant form of power generation in the region, noted Tanchum, who pointed to the lucrative contracts and supply arrangements in civilian nuclear technology that China and Russia have recently signed with such states as Egypt, Jordan and Saudi Arabia among others.

Tanchum warned that the drive for energy diversification could make the Eastern Mediterranean and Middle East more volatile depending on the choices that governments in the region make. In the Eastern Mediterranean, where large gas reserves have recently been discovered, there has been much talk about the potential for these reserves to fuel cooperation and interdependence. Yet, the opposite also holds true, given that if managed incorrectly these discoveries can lead to further instability and tension. One of the main themes of the speaker's talk was the danger posed by increasing efforts to isolate Turkey. The power struggle between Turkey and the bloc formed by Egypt, Saudi Arabia and the United Arab Emirates was exacerbating Turkey's already dangerous isolation in the Eastern Mediterranean, potentially encouraging negative reactions by Ankara.

Tanchum also pointed to another recent development regarding gas supply chains that is likely to impact the notion of a correlation between energy trade and increased intra-state cooperation. While in the past energy supply was carried out primarily through the construction of cross-national pipelines, the gas trade is increasingly being conducted in the form of liquefied natural gas (LNG), which will become the dominant form of traded gas in the near future. Gas pipeline projects encourage long-term economic relationships between nations due to the heavy investments and long-term supply contracts required. LNG exports are instead traded via sea carriers that can be diverted to different destinations according to political and economic considerations. Tanchum emphasized that the greater flexibility of trading gas in the form of LNG – while positive in terms of driving down

costs and enhancing security by providing customers with a diversity of suppliers and supply routes – also diminishes interdependence between supplier, transit and destination countries. As a result, a degree of caution is advisable when discussing the continued correlation between energy, trade and interdependence or conflict resolution.



Nader Al-Khateeb (left), Michael Tanchum (right).

The speaker then discussed the intense trilateral cooperation between Greece, Cyprus and Egypt, which possesses major liquefaction facilities that could market Cypriot gas as LNG exports. He also pointed to the UAE's increasing strategic engagement with Greece and Cyprus, particularly the UAE's new role in operating Cyprus' Limassol port.³ The speaker raised the possibility that Eastern Mediterranean gas could be marketed to Europe as LNG, to the exclusion of the Southern Gas Corridor whose main pipeline link is the Trans-Anatolian Natural Gas Pipeline (TANAP) that runs across Turkey. Without gas supplies from the Eastern Mediterranean, TANAP's long-term viability becomes questionable along with Turkey's strategic ambition to become a main clearinghouse for Middle Eastern and Caspian natural gas to reach Europe.

Describing the Middle East as the "global sun belt", the speaker ended by addressing the significant potential solar power can have in fostering increased intra-regional cooperation, perhaps more so than gas or oil. The effectiveness of solar energy is dependent on the connectivity of electricity grids across the region. Saudi Arabia and Egypt have for instance already begun to unify their electricity grids and the former country has begun exploring potential to create common Arab market for electricity. While the risk of isolating Turkey is also present in this domain, the potential of extending the sale of electricity to Europe could potentially mitigate this risk. The speaker pointed to the role that EU member states and organizations could play in fostering interdependence and sustainable development in the region, highlighting in particular that of the European Bank for Reconstruction and Development (EBRD) and European Network of Transmission System Operators for Electricity (ENTSO-E).

The third speaker in the session, **Nader Al-Khateeb**, General Director of the Water and Environmental Development Organization, a non-profit Palestinian organization that works on environmental issues and projects, focussed his talk on

³ Michael Tanchum, "UAE Engagement with Israel, Greece and Cyprus Aids Egypt's Rising Regional Role", in *The Jerusalem Post*, 3 April 2017, <http://www.jpost.com/Opinion/UAE-engagement-with-Israel-Greece-and-Cyprus-aids-Egypt's-rising-regional-role-485995>.

the energy-water nexus and its implications in the context of the Palestinians access to water and energy resources. In introducing his talk, Al-Khateeb emphasized how water is an extremely scarce commodity in much of the MENA region. Most water resources in the Middle East originate outside the region, crossing borders and states. The transboundary nature of much of the water reserves in the region has created dynamics of dependence and domination, accentuating the risk of conflict and competition. The presence of deep geopolitical and security rifts among various state actors in the region – both presently and in the past – have further accentuated these risks, given the lack of agreed mechanisms for regional de-escalation and conflict management or resolution. Rising demographic trends across the region have increased the strain on water reserves, with many states struggling to meet the growing demand.

In moving to focus on the Palestinian context, where water resources have long been a politically explosive issue, Al-Khateeb examined a recently concluded deal between the Palestinian Authority (PA) and Israel which is due to increase Palestinian access to water reserves purchased from Israel. The deal, signed in mid-July 2017, was hailed as a breakthrough by much of the international media and the US administration, which helped broker the agreement. However, the speaker noted that the details of the deal – in which Israel has agreed to provide 32 million cubic metres of water to the PA annually (roughly equal to a quarter of the PA's annual water needs) at reduced rates⁴ – are significantly different compared to original expectations. The deal stipulates that 22 million cubic metres of water will be sold to the West Bank at a price of 3.3 shekels (0.78 euro) with the remaining delivered to the Gaza Strip at a price of 3.2 shekels. These prices will increase substantially when adding VAT and supply costs to the consumers, meaning that Palestinians will effectively be paying around 8 shekels for water, which is considered a very high price considering the already dire economic situation in the Occupied Palestinian Territories. While some in the media and government circles have hailed the deal as a first step towards a potential resumption of negotiations, Al-Khateeb cautioned that such a scenario is unlikely and that the present deal has essentially reinforced the pre-existing regional dynamics.

The deal is part of a larger developmental project involving Israel, Jordan and the Palestinians. Known as the Red Sea-Dead Sea Water Conveyance project, the initiative is due to link the Red Sea, the Dead Sea and a large desalination plant located in the Jordanian port of Aqaba. Originally launched in 2013, Jordan and Israel negotiated a memorandum of understanding in 2015 that included provisions for Palestinian access to these resources. In this respect Al-Khateeb emphasized the differences between the negotiations between Jordan and Israel and Israel and the PA, noting how the recent agreement with the Palestinians included less favourable terms. In concluding his talk, the speaker emphasized how solar power should become the major source of energy for the region in the near future.

⁴ "Israel, Palestinian Authority Reach Water-Sharing Deal", in *Al Jazeera*, 13 July 2017, <http://aje.io/hvrb>.

Looking to Jordan, which is covered by large expanses of desert land, Al-Khateeb noted how these areas are prime locations for the installation of major solar energy projects. Energy could then be sold to Israel, the West Bank and Gaza Strip as well as potentially further afield, while new jobs and economic activity would be created for the local population. A similar initiative could be developed for the West Bank, yet Israel's policies preventing Palestinian access to Area C of the West Bank – roughly equivalent to 60 percent of the West Bank – are stifling this opportunity, given that it is in the large deserted areas of Area C that such initiatives would have to take place.



Harry Tzimitras (left), Ettore Greco (right)

The final speaker in the panel, **Harry Tzimitras**, Director of the Peace Research Institute Oslo Cyprus Centre, joined the discussion by providing a bird's eye view on global energy market trends to compliment the previous discussion about Eastern Mediterranean gas. Such perspectives are extremely important in order to provide realistic assessments and avoid excessively optimistic descriptions of the potential for new gas reserves to revolutionize intra-state relations in the region. In emphasizing that the future is one of energy abundance as opposed to scarcity, and that by 2050 only half of all energy resources will be needed to meet global demand, the speaker stressed that there is currently little need for new plants and massive investments for energy exploration. Looking to the future, oil and gas prices are likely to remain low, a dynamic that will have important implications on energy exporters and large multinational companies investing in these sectors. The recently discovered gas resources in the Eastern Mediterranean will have to deal and adapt to these market realities and it is therefore very important to manage expectations correctly. Tzimitras emphasized that much of the focus on Eastern Mediterranean gas was being driven by politics not market feasibility or demand, creating potential risks when such expectations are confronted with global market realities.

Presently, there exists no coherent export strategy for Eastern Mediterranean gas as the problems revolve not on finding and accessing these reserves but rather in selling them on the global market. In this respect, the Eastern Mediterranean is not a sufficiently strategic theatre for Europe to justify high energy prices or significant new investments in infrastructure and connectivity. These dimensions are particularly important to keep in mind given that in most cases it is not states but rather large companies that are exporting gas and managing these investments, doing so not on the basis of political necessity or interest but in accordance with market and economic feasibility. At present, gas is sold in Europe at an average of 4 US dollars per unit, a very low figure that is also being undercut by Russia, with Gazprom recently announcing its intention to cut prices to 3.5 US dollars. It will be

particularly hard for new exporters to compete with these prices, especially if doing so will necessitate massive new investments in infrastructure and supply chains. Indeed, Israeli gas resources cannot likely be sold at less than 6 US dollars per unit, while offshore gas reserves in Cyprus will only be commercially viable at 8 US dollars. When considered against this backdrop, Europe does not appear as a viable market for Eastern Mediterranean gas, an important dynamic that should be kept in mind when the media and politicians champion the Eastern Mediterranean as a future “gas hub” for Europe. Turkey is also somewhat more interested in accessing reserves from Russia rather than the Eastern Mediterranean, further restricting potential customers and markets for these reserves.

Moreover, looking to Egypt, which has also discovered important offshore gas reserves, Tzimitras noted that the country is predicted to reach energy self-sufficiency by 2018, gradually also moving to become an important exporter of LNG. These new reserves are likely to further impact the global energy market. Yet, Egypt will also face similar challenges with respect to low gas prices. In concluding his talk, the speaker explained that major international companies that are presently working and investing in the Eastern Mediterranean are doing so on very long-term schedules. These generally go from twenty to thirty-five years, meaning that companies are presently positioning themselves in the Eastern Mediterranean not for the present but for the distant future. Such time frames stand in direct contrast to the short-term views on which most governments and politicians operate, again pointing to the fact that much of the political and media frenzy over Eastern Mediterranean gas is likely to collide with these global market realities. While energy cooperation can fuel interdependence and conflict resolution, the example of Cyprus also demonstrates how energy and natural resources can quickly become politicized topics, thereby preventing states from unlocking these potentials. It is therefore important to create broad and multilateral frameworks for energy cooperation, as a means to dilute the political sensitivities of individual actors and thereby enhance the positive dimensions of energy cooperation, both in the Eastern Mediterranean and at the global level.

Session II: Causes of Stability and Instability in the MENA

Chaired by **Tal Shenhav**, Associate Fellow at the Harry S. Truman Research Institute, the second panel delved into a number of regional drivers that have contributed to the present instability in the region. Composed of three international speakers from Israel, Turkey and the United Kingdom, experts focussed on the present highly conflictual regional environment in the MENA while reflecting a number of root causes for this instability as well as potential solutions to overcome the overlapping crises gripping the region.

The first speaker, **Avraham Sela**, Senior Research Fellow at the Harry S. Truman Research Institute in Jerusalem, began his talk by emphasizing that the Middle East and North Africa is a broad and very heterogeneous region, where a lack of agreed mechanisms of de-escalation and conflict resolution remain a significant challenge.

While hard to generalize, Sela noted how the Middle East is still generally framed as a region lacking in political and economic interdependence with the Arab League remaining largely inefficient in actually implementing and following up on the many agreements signed over the years. In this regard, the stereotype of some sort of "Arab exceptionalism", one that has thus far precluded the advancement of democracy and economic development, still holds traction in certain quarters. While the 2011 Arab uprisings did demonstrate the underlining fallacy of such approaches, the speaker noted how the region today still demonstrates a number of worrying characteristics that have contributed to its general volatility.



From left to right: Avraham Sela, Galip Dalay, Tal Shenhav

Authoritarianism and harsh coercion are the norm across the region. While many states began opening up their economics and implementing market oriented reforms over 50 years ago, the state generally continues to retain centralized control over the economy. The private sector is small and often a simple extension of the ruling elites, which have profited enormously from these reforms, employing privatization as a means to entrench their authority and control. This has ensured that the economy be directed to support the interests of the few over the many, leading to the present setting of dire socio-economic suffering for a great majority of populations in these states, particularly in the Near East and North Africa. Such challenges have fuelled separatist and parochial identities, with a number of Arab states suffering from deep fragmentation along ethnic, confessional and geographic lines.

Domestic challenges are further accentuated by multiple and overlapping regional rivalries by diverting resources, preventing cooperation and entrenching divisions. Demographic trends add further strain to the socio-economic fabric and with half of the Arab population being under 20, challenges such as employment, education, housing and food security are only likely to worsen. On top of these underlining domestic and regional drivers, Sela ended his talk by pointing to another three factors that can help to explain the present crises gripping the MENA. In the first instance, the region needs to revisit its political culture, argued the speaker, in order to brew new and more sustainable models of development and state-society relations. A second point related to the role of millennial ideologies, both past and present, which have generally contributed to this instability and are proving rather hard to overcome. Finally, Sela emphasized how the legacy of foreign interventionism and meddling in Middle Eastern affairs is itself a fundamental framework within which to understand regional instability. This interventionism is still going on today, concluded the speaker, noting how these interventions are generally followed by further conflict and long-term instability.

Galip Dalay, Research Director at the Al Sharq Forum, spoke as the second speaker on the panel, focusing his talk on the crisis of the present regional order in the Middle East and what the future could hold in store for the broader region. In noting how the general picture is one of a crumbling regional and national order, the speaker emphasized that while fragmentation is rife, the region is also highly intertwined, with multiple layers of interests and involvements, with borders being particularly contentious. The structural drivers for the present crises were present well before 2011, but following the Arab uprisings there has been a change in the general political psychology of people in the region and this remains an important force. People no longer see the present order as destiny and there is a greater degree of questioning and debate in the region. The deep legitimacy deficit of the Arab state system, in terms of state-society tensions and divisions, lack of representation and more general ineffective governance, are primary drivers for the present instability.

Dalay further noted how a focus on the consequences of the Arab uprisings have overshadowed their underlining causes, as witnessed in the general militarization of the region, the threat of ISIS and the migration crisis. Such approaches end up helping authoritarianism, reinforcing the old binary between authoritarianism and chaos. Looking to the future, it will be important to find ways to address the growing demands and expectations of the populations in the region, both in the security and socio-economic domains. The present setting of highly centralized states is unlikely to survive long into the future, however. Increased movement towards devolution and federalism is instead very likely, but not to the extent of the appearance of new states, noted the speaker. More inclusive and legitimate political elites will be indispensable, as will some form of reconciliation with Islamist political parties, if the regional order is to emerge stronger from its present crisis. A balance of power and accommodation between Iran and Saudi Arabia, but also between Iran and Iraq are also indispensable, Dalay concluded, while adding that the present crisis in Qatar can be framed as an attempt to revive the previous, authoritarian-led regional order that would only feed further divisions, extremism and instability.

The final speaker, **Richard Colebourn**, Middle East Bureau Chief for BBC News, outlined the failings of media coverage of the Arab world before and since the Arab uprisings of 2011. In the run up to the revolutions, much of the media, particularly in the west, missed the underlining indicators of discontent and the accumulation of grievances that were brewing far from the high politics and press briefings. The big stories news organizations were covering in the run up to the protests in late 2010 revolved around the health of now-deposed Egyptian President Hosni Mubarak not the worsening socio-economic conditions or deepening authoritarianisms. This contributed to the surprise and unpreparedness of reporters, news executives as well as politicians and the general public when the protests broke out, also no doubt impacting the coverage of events and the lines of response.

Today, media coverage of the Arab world, noted Colebourn, risks falling back into its old mistake. Reporting has generally ignored the original demands of the protesters and moved to cover the violence, instability and war, applying a security angle to the region. The broader stories of socio-economic challenges, government inefficiency, striking inequalities between urban and rural regions and even the long-term threat of climate change and environmental degradation are largely ignored. Instead, terrorism dominates the headlines. When seeking to explain the endurance of conflict and instability, the role of conflict economies in prolonging these wars is rarely examined in detail



Richard Colebourn

and yet should arguable be a major focus area given that affecting these interests are likely to change the cost-benefit analysis of major players in these conflicts, potentially helping to overcome them. In concluding his talk, Colebourn, noted how the Arab media landscape had changed significantly since 2011. While states have also improved their control over various media outlets, the landscape has opened up and much of the work and activism is online. Yet, there is a lack of focus and funding on these sources, particularly by international donors. Assistant, opportunities and training should be directed to the growing number of young independent reporters on the ground in the MENA, reporters who are often facing the same economic and employment challenges as those in the West.

Session III: Framing a New Multipolar Reality

Chaired by **Lorenzo Kamel**, IAI Senior Fellow and Scientific Director of the New-Med Research Network, the third and final session of the conference complimented the previous panels by bringing in the global level of analysis. Invited speakers examined the role foreign powers and international actors have played in the region, analysing how the increasingly multipolar international environment is impacting regional dynamics and the actions of key MENA states.

Thanos Dokos, Director-General of the Hellenic Foundation for European and Foreign Policy, focussed his talk on the complex and conflictual multipolarity presently gripping the region and the wider international system as a whole. In introducing his talk, Dokos looked back to the 1990s, noting the significant differences facing the region today. At the time, the MENA was largely stable and with the exception of important challenges such as the Israeli-Palestinian conflict or the resilience of authoritarianism, major international actors – the US and EU *in primis* – appeared content with maintaining the current state of affairs. This period of Western hegemony has been overcome and we are experiencing a new

phase defined by multiple power centres, both in the region and further afield. As a global trend, it is too early to understand the full, long-term impact of such multipolarity on the MENA. It is clear that Western influence over regional actors is rapidly declining, however, and while the EU and US remain major actors within the MENA, other regional and international players are steadily increasing the activism.

While much emphasis has been placed on a resurgent Russia, Dokos noted how Russia's influence has often been overstated, particularly in the media. Moscow's only strategic ally in the region is the Assad regime in Syria, and while Russia has no doubt emerged as a key player in that conflict, and continues to be important as a provider of technology, weapons and trade with other MENA states, there are limits to Russia's influence and ambitions. In this respect, the speaker noted how Russia represents more of a spoiler or nuisance, rather than a strategic threat for the West or the region. China, on the other hand, is somewhat different. China's recently announced One Belt One Road Initiative demonstrates a high degree of ambition in the region, one that will necessitate political action as well. China's investments in infrastructure and port facilities are an important dynamic that is likely to have concrete implications for the MENA and Western powers. Compared to Russia, China maintains a greater degree of potential to alter regional dynamics, both due to its technical know-how and expertise and its geographical distance and reputation for political neutrality.

The rising multipolarity in the region was itself facilitated by a number of trends, including the 2003 US-led invasion of Iraq and its aftermath, the global financial crisis, the US Asia pivot and the Arab uprisings. While the US has since sought to limit its exposure to the MENA region, the EU has been distracted by its internal reforms, the rise of populisms and continued budgetary fragility. Against this general backdrop, the MENA has collapsed into crises, with numerous conflicts and civil wars occurring in a number of fragile, failed or failing states. While the present crisis gripping the Middle East state system could well lead to the creation of new states, the underlining lack of accepted regional security frameworks capable of mitigating the rising inter-state rivalry and competition remains a significant challenge for the MENA. In this context, Dokos noted how there has been some talk of creating a Middle East and North African version of the Association for South East Asian Nations (ASEAN) in order to mitigate tensions and foster trade interdependence and cooperation. Others have voiced support for the establishment of an OSCE-type mechanism for the Mediterranean. Yet, both of these proposals appear at present highly ambitious, not only due to the geopolitical tensions and fragmentation between states in the region and further afield but also due to the shortcomings of similar efforts, either in the form of the Arab League and the Gulf Cooperation Council or in the EU-led initiatives such as the Barcelona Process, the Union for Mediterranean and the European Neighbourhood Policy. In concluding his talk, Dokos emphasized that any regional security forum for the MENA region must include extra-regional actors such as Turkey, Iran and the Gulf states, actors that retain a significant degree of influence over regional dynamics and therefore remain key to the MENA's future stability.

The second speaker on the panel, **Galia Press-Barnathan**, Assistant Professor at the Hebrew University of Jerusalem, focussed her talk on three main models of development that have been endorsed by foreign actors and applied to the region in an effort to foster economic growth and conflict resolution. The oldest example is that which prioritized foreign aid in an effort to shore-up the core functions of a state and promote development and growth. Provided by international organizations and individual states, foreign aid was long seen as a cost-effective investment to bring about peace, development and cooperation. Both the United States and the Soviet Union provided foreign and military aid to their allies during the cold war and both have used this aid in an effort to advance their respective commercial, political and geostrategic interests. One prominent example of this model, noted the speaker, is given by the Egyptian-Israeli peace agreement signed in 1979. As part of the agreement the United States committed to provide significant amounts of aid to both parties. Yet, while the peace treaty has held, this approach has not led to a substantial altering of the societal tensions between Egypt and Israel, remaining a "cold peace" as it is often called. In this respect, the approach of the foreign aid model is one that prioritizes the central authorities of a state and has proven to be rather limited in terms of fostering deeper degrees of cooperation between societies.



Benedetta Berti (left), Thanos Dokos (right).

A second model outlined by the speaker was that of commercial liberalism. Here foreign actors have sought to promote economic interdependence between states and big businesses as a means to foster cooperation and thereby diminish the chances of conflict. The targets of such actions are the central authorities of a state and large private enterprises, both national and international, which though joint projects can hope to promote cooperation and increased interdependence. Notions of economic peace have surfaced repeatedly over the past decades, particularly with regards to Israel. Here, the late Israeli President, Shimon Peres, had promoted the idea of a "new Middle East" based on economic interdependence and growth, and it is also on the basis of this model that following the peace treaties with Egypt and Jordan, the United States promoted the idea of qualified industrial zones (QIZs) to foster economic cooperation with Israel. The QIZs would promote cooperation in manufacturing and industrial production, with the exported goods then having free access to the US domestic market. Yet, similarly to what was the case with the first model outlined above, this approach has not led to deep cooperation between the three countries. Indeed, the dividend behind these initiatives was access to the US market, not enhanced commercial ties between Israel and Jordan or Egypt and Israel. This reality, combined with the significant economic disparities between the three countries, has limited the impact of such approaches based on commercial

liberalism.

The third, and most recent, model is that which prioritizes market-oriented reforms at the domestic level as a means to encourage the opening up of economies. This process is hoped to increase bottom-up pressures on the central authorities to limit both centralization and inter-state conflict due to the inhibiting effects of these trends on the economy and trade relations. Such approaches are driven by economic logics such as supply and demand and the search for new markets and opportunities. The European Union has made this model the central tenant of its foreign policy since the 1990s, with the US now following suit since the 2000s. In adopting this approach, the priority has moved from democracy promotion and peace *per se* to the need for domestic reforms as an intermediary, yet indispensable step towards these ultimate goals.

In concluding her argument, the speaker reflected on the need to clarify the underlining motivations pushing international actors to engage with the MENA and promote these models of development. Are these motivated by a normative appeal of peace? Or rather do political influence and economic gain better explain the actions of these foreign powers? Looking to the future, Press-Barnathan emphasized that current realities in the MENA region necessitate a change of focus away from the central authorities of a state and the private sector to allow for a greater appreciation of non-state actors, civil society and small and medium enterprises. At a time when the MENA state system is suffering from significant legitimacy deficits, these local, bottom-up actors should be better integrated into international developmental models for the region.

Benedetta Berti, Research Fellow at the Institute for National Security Studies, began her talk by reflecting on whether we are currently living in a new age of multipolarity or rather if the world is currently experiencing the slow unravelling of the Western-led unipolar moment. Regardless of which thesis one endorses, there is little doubt that the international system is going through a period of transformation. When it comes to the MENA region, Berti emphasized that it is impossible to look at and understand regional politics without an appreciation of the role of foreign power meddling. From colonial times until today, foreign powers and international organizations have played an active and often destabilizing role in the MENA. Such interventionism is very much present today and in all major conflicts in the region, one or another foreign power is actively involved. In this respect, the speaker noted the need to depart from the old dichotomies of the West vs. the rest. When it comes to the MENA region, alliances, divisions and competition often do not coincide with these narratives. China and Russia are both pursuing very different policies, as are a whole number of regional and extra-regional powers. The MENA remains of prime geostrategic importance and any global player will maintain a significant presence in the area, often competing with others to achieve its objectives.

Looking to the future, Berti examined a number of trends that are likely to be of importance for the region and the international system as a whole. At a time when major foreign actors, including the EU and major international organizations such as NATO, the UN and others, have returned to look at the region through a securitized prism, there is a risk of ignoring the root causes of many of these security challenges. Power has become diffused, not only in the region but internationally, and central authorities in the MENA are increasingly unable to provide basic services and functions of governance. Non-state and sub-state actors are emerging across the region and these are furthering the risk of fragmentation and instability. At the regional level in the MENA, most of the challenges are of a transnational nature. This not only makes these conflicts harder to resolve but such regional fractures have also traditionally been used as an opening for foreign meddling and intervention.



Conference participants

The phenomenon of proxy wars and conflict, so widespread during the cold war, will likely persist, with the novelty that while most of these actors have been or are supported directly or indirectly by foreign states and actors, these are gradually losing their influence and control. Proxy and non-state actors across the MENA are growing increasingly independent and are no longer controlled as effectively by their foreign sponsors. The future, noted the speaker, is likely to see growing battles and competition over what can be termed zones of *de facto* influence of major regional and international actors across the MENA. Conflicts are likely to be particularly pronounced within the formal borders of states. The emergence of new states, however, remained unlikely concluded the speaker, who also moved to note how the role of international organizations such as the UN, IMF or World Bank cannot be overlooked when talking about the legacy of foreign meddling and intervention in the region.

Christina Lin, Research Fellow at the Center for Global Peace and Conflict Studies at University College Irvine, provided participants at the conference with an overview of the growing role of China in the MENA region.⁵ Speaking of China's vast economic interests and investments in the Middle East, Lin focussed on the One Belt One Road (OBOR) initiative as a potential opportunity for cooperation between global and regional actors. While the OBOR is not a substitute for political solutions, it could create a friendlier environment to facilitate efforts at conflict

⁵ Christina Lin was unable to attend the conference in person. The summary is based on a detailed report of her intended talk delivered to all participants at the event.

resolution noted the speaker. China's interests in the Middle East are threefold, including energy (half of China's oil imports originate from the Middle East), a commercial hub and link for market access to Europe and a forward theatre for the fight against terrorism.

In the economic sphere, China aims to build and manage supply chains among the OBOR initiative countries. Covering 65 states, the OBOR initiative includes an estimated 5 trillion US dollar investment over the next five years. With the EU being China's largest export market, China is also presently investing in key logistics and trading hubs in the Euro-Mediterranean region in order to reduce shipping times and offset rising production costs in China. Port of Piraeus in Greece is the main new entry point for Chinese goods into Europe, a key building block in China's new Maritime Silk Road vision connecting China to Europe via sea and continue via a network of railroads through the Balkans. Joining port of Piraeus, other Chinese-owned or operated ports in the Mediterranean include Algeria's port of Cherchell; Egypt's ports of Port Said and Alexandria; Israel's ports of Ashdod and Haifa; Turkey's port of Kumport and Italy's ports of Genoa and Naples. This network provides a potential opportunity for regional countries and China to jointly promote economic integration in the Mediterranean, noted the speaker.

Security challenges emanating from the threat of terrorism and the numerous conflicts and civil wars presently taking place in the region also have an impact on Chinese interests. This is leading China to diversify its investments and exposure, also building overland networks of railroads and highways across Eurasia. One example is the Med-Red rail running through Israel and connecting the Red Sea to the Mediterranean, bypassing the Suez Canal. China is also establishing a naval base in Djibouti to strengthen its anti-piracy operations in the Gulf of Aden, UN peacekeeping operations in Africa and provide logistical support in the event of the need to evacuate Chinese nationals from conflict zones, as happened in Libya in 2011. This growing Chinese exposure in the Middle East and North Africa can provide a unique opportunity for the US and EU to leverage Chinese economic strength as a catalyst for a resolution of longstanding regional conflicts. China can play a key role in fostering an economic ecosystem in the Middle East that could promote regional stability by linking various trading and logistic hubs. Examples of infrastructure projects that may enhance regional interdependence are given by the Jezreel Valley railway line, connecting Israel's Haifa port to Jordan and all the way down to the Arab Gulf region, which will enhance connectivity between Turkey-Israel-Jordan-Arab Gulf and Asia. Another example is the Med-Red railway, connecting Ashdod port in the Mediterranean to Eilat in the Red Sea, with an extension to Jordan's Aqaba port. Such initiatives can strengthen Israel's economic relationships with its treaty partners in Jordan and Egypt, and even extend these further to the Arab Gulf region.

In concluding her talk, Lin noted that many challenges remain in terms of operationalizing this vision of enhanced cooperation among international and regional actors in the MENA. In this respect, one already existing platform that could be revitalized for this purpose is the OSCE. With its broad and diverse

membership, that also overlaps somewhat with the China-led Shanghai Cooperation Organization, the OSCE could provide an excellent platform within which to promote dialogue and cooperation on China's evolving OBOR initiative. The OSCE can also serve as a more functional platform to strengthen transatlantic cooperation in the wake of the Brexit referendum and the OSCE's embrace of a comprehensive approach to security and cooperation could provide useful avenues for coordination among member states on security related issues in the MENA. Finally, the OSCE's long experience with confidence building measures and crisis management can provide valuable openings to engage China on major international issues, such as Russia, Iran and Syria. Finally, noted the speaker, peace and stability in the Middle East begin from the bottom-up. It is important to create economic value and boost geopolitical relations in the region. China's OBOR initiative has the potential to transform the Middle East's trade, infrastructure and regional relationship as well as to provide new security and stability. Rather than focussing on how China can supplant the US in the Middle East, the OSCE platform may be a way to incorporate China in a constructive role to supplement western efforts for Middle East stabilization and reconstruction.

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Conference Programme

Jerusalem, 19 July 2017

Opening Session

Welcome Greetings

Moshe Maoz, The Harry S. Truman Research Institute, University of Jerusalem

Lorenzo Kamel, Istituto Affari Internazionali (IAI), Rome / University of Freiburg

Laura Quadarella, Italy's Ministry of Foreign Affairs and International Cooperation (MAECI), Rome

Session I

Energy and Water: Perspectives on Regional Dynamics

The first recorded war in human history took place around 2450 BCE between the Lagash and the Umma kingdoms in ancient Mesopotamia (present-day Iraq): it was triggered by competing claim over water sources and supplying of water. Over four thousand years later water remains a key source of instability in the MENA. Water resources (both surface and groundwater) have been gradually depleted leaving the region heavily dependent on the world market to procure food. Session I will focus on challenges and opportunities connected to water in the MENA, with a focus also on energy and its sustainable production and consumption, social and environmental innovation in businesses in the region, and the potential role that water and energy may have in enhancing regional cooperation.

Chair **Ettore Greco**, Istituto Affari Internazionali (IAI), Rome

Panelists **Tony Allan**, School of Oriental and African Studies (SAIS), London

Michael Tanchum, The Harry S. Truman Research Institute, University of Jerusalem

Nader Al-Khateeb, Water and Environmental Development Organization (WEDO), Bethlehem

Harry Tzimitras, Peace Research Institute Oslo (PRIO) Cyprus Centre, Nicosia

Session II

Causes of Stability and Instability in the MENA

Following the Arab uprisings, a number of countries in the MENA region have experienced regime change or collapse, while others are engulfed in conflict and proxy wars. In this increasingly unpredictable scenario the nature of the ongoing democratic and economic transition remains very much in question, and regional uncertainty seems to impact any level of local societies. Session II will analyze causes of stability and instability in MENA countries with a special emphasis on transnational political and economic processes affecting the region.

- Chair **Tal Shenhav**, The Harry S. Truman Research Institute, University of Jerusalem
- Panelists **Avraham Sela**, The Harry S. Truman Research Institute, University of Jerusalem
Galip Dalay, Al Sharq Forum, Istanbul
Richard Colebourn, Middle East Bureau, BBC News, Jerusalem

Session III

Framing a New Multipolar Reality

While the first two sessions focussed on regional and local dynamics, this session brings in the global dimension. What role have international actors played in conflicts in the region? How could diplomacy be fostered in an increasingly multipolar context? How can local communities and groups be included in such diplomacy, and how can their concerns be better understood? How can new initiatives be more representative of the needs and expectations of those living in the region? Session III will focus on these and a number of other related questions, with a view on new potential – political, diplomatic, economic or cultural – initiatives.

- Chair **Lorenzo Kamel**, Istituto Affari Internazionali (IAI), Rome / University of Freiburg
- Panelists **Thanos Dokos**, Hellenic Foundation for European and Foreign Policy (ELIAMEP), Athens
Galia Press-Barnathan, The Harry S. Truman Research Institute, University of Jerusalem
Christina Lin, Center for Global Peace and Conflict Studies (CGPACS), University of California, Irvine
Benedetta Berti, Institute for National Security Studies (INSS), Tel Aviv

Istituto Affari Internazionali (IAI)

Founded by Altiero Spinelli in 1965, IAI does research in the fields of foreign policy, political economy and international security. A non-profit organisation, the IAI aims to further and disseminate knowledge through research studies, conferences and publications. To that end, it cooperates with other research institutes, universities and foundations in Italy and abroad and is a member of various international networks. More specifically, the main research sectors are: European institutions and policies; Italian foreign policy; trends in the global economy and internationalisation processes in Italy; the Mediterranean and the Middle East; defence economy and policy; and transatlantic relations. The IAI publishes an English-language quarterly (*The International Spectator*), an online webzine (*Affarinternazionali*), two series of research papers (*Quaderni IAI* and *IAI Research Papers*) and other papers' series related to IAI research projects (*Documenti IAI*, *IAI Working Papers*, etc.).

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- 17 | 14 Margherita Bianchi, Guillaume Lasconjarias e Alessandro Marrone, *Proiettare stabilità nel vicinato a sud della Nato*
- 17 | 13 Matteo Bonomi, *The Western Balkans in the European Union: Perspectives of a Region in Europe*
- 17 | 12 Sara Piacentini; edited by Eleonora Poli, *The Western Balkans in the European Union: Enlargement to What, Accession to What?*
- 17 | 11 Anja Palm, *What Happens After Finding Refuge? The Integration of Syrian Refugees in Germany and Turkey*
- 17 | 10 Ludovico De Angelis, *L'Unione europea e le sue crisi. Un'opportunità per un nuovo inizio*
- 17 | 09 Andrea Dessì, *Regional (Dis)order in the Middle East: Historical Legacies and Current Shifts*
- 17 | 08 Giuseppe Spatafora, *Trump's Foreign Policy in Asia*
- 17 | 07 Yoichi Otabe, *Reconfirming the Very Basis of G7 Cooperation*