

AFTER THE BLOCKADE: THE FUTURE OF THE GULF AND IRAQ

Dr Brian Brivati

The geo-politics of the Middle East after the blockade of Qatar ends are going to be very different. The region needs to learn some important lessons from this experience and apply them in the future. Investors also need to take careful note of what happens as the crisis ends and the politics of the region enter the next phase. From an international trade perspective, the country that could gain the most from the new political economy of the gulf is Iraq.

BACKGROUND

The failure of the GCC to prevent the current crisis and mediate a solution suggests that the geopolitics of the region have shifted dramatically. Following the first intervention in the region by Donald Trump, the Qatar News agency was hacked and false reports were planted and attributed to the Qatari Emir. The fake news suggested that Qatar backed terrorism and was doing a deal with Iran. Bahrain, Egypt, Kuwait, Saudi Arabia and United Arab Emirates withdrew their ambassadors from Qatar. On June 5th 2017 the blockading states, Saudi Arabia, Bahrain, Egypt, the UAE, Yemen and the Maldives, broke relations with Qatar and tried to impose a complete blockade. The blockage is still in force today but Qatar has worked ways around virtually every feature of it and the struggle is now being fought out through newspapers and PR companies around the world.

WHAT'S NEXT?

As the crisis inches slowly towards a resolution it is time to think about what happens next. What will the Gulf look like after the crisis? The key for Qatar and other Gulf states like Oman and Kuwait, who did not join the blockade, is to open alternative routes for goods, services, and energy. To diversify those routes as much as possible. To steer a middle course between their huge neighbors Saudi Arabia and Iran. If they remain dominated by Saudi then the region will remain divided and in conflict. If they side with Iran then they risk further punitive measures from the Saudis. The fulcrum of the region used to be Iraq. Before Saddam's schemes for regional dominance, Iraq enjoyed a position of balancing the power of the two huge rivals. It is vital that Iraq comes back into the regional systems, pushes back against Iranian dominance and provides the balance of power. The way to achieve his is by becoming the main artery between the Gulf and Europe. Becoming too economically important in trade terms to be attacked by either side and therefore the underlying foundation of collective security in the region.

THE DRY CHANNEL

The most direct route to Turkey and Europe from Persian Gulf through Kuwait is across Iraq. Heavy investment is taking place in the Basra Gateway Terminal so that it will be ready to handle much larger volumes of containers. The interesting challenge is than to establish a secure dry channel from Basra to Turkey and to extend Iraq's pipeline system along the dry channel.

The potential of Iraq is immense. It is well known that Iraq has vast untapped oil reserves that are a key to the county's economic recovery. But it also has the remains of a world class railway network and some good roads. With the right level of long term investment and with the right security conditions, a resurgent Iraq could provide the corridor from the Gulf to Europe. This would not only be for the export of its own energy products. The new pipeline being built from Kirkuk to Turkey will already provide an excellent channel for this, but also to allow goods to flow in the other direction, from Europe to the Gulf. And building that channel is the route to regional stability.

IRAQ'S FUTURE

The economic re-emergence of Iraq is dependent on the security situation continuing to improve and a political settlement between the Federal government and the KRG. But there are other deeper drivers, alongside geography, that make the country the key to the next geopolitical phase in the Middle East. There is an educated, young and entrepreneurial population. If corruption could be controlled, Iraq is capable of leap frogging other countries to a Web 3future. The key is the harnessing of the oil revenues for the good of the next generation and the encouragement of foreign direct investment from the Gulf. If these two could be aligned then the big winner from the end of the blockade could be the economy of Iraq and if that happens, the regional dynamics of the Gulf could once again become balanced and more secure.