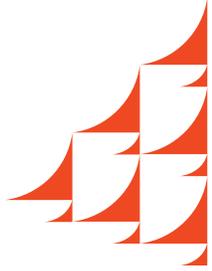


The Arab Gulf States
Institute in Washington
Building bridges of understanding



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of New Partnerships, New Tensions, as the End of History
Repeats Itself

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Executive Summary

The Gaza war, with its potential for regional escalation, is just one (albeit major) concern in a region prone to instability, insecurity, and unpredictability. This paper puts the evolving crisis and nuclear proliferation concerns in the Middle East into global context, alongside other U.S. foreign and domestic policy priorities, such as Russia's war in Ukraine, competition with China, and the U.S. economy. The paper highlights how the United States and its allies have adapted and established new partnerships. Regarding the U.S. economy, the paper draws attention to how the landmark U.S. Inflation Reduction Act of 2022, including \$370 billion in tax credits for the renewable energy industry, could represent both an opportunity to work with developing states on rare earth materials but could also become another source of tension with China over trade policy. The paper concludes that the risks associated with instability in the multilateral political and trading system, on which great power and regional relations pivot, are as urgent to resolve as the short-term imperatives of regional crises.

Introduction

The Gaza war has forced the administration of President Joseph R. Biden Jr. to refocus on the Middle East, having been rather overconfident about regional stability before the Hamas attack on Israel in October 2023.¹ U.S. strategic competition with China, deteriorating relations with Russia, and the wars in Ukraine and Gaza and their spillover effects, such as Houthi attacks against commercial shipping vessels in the Red Sea, pose challenges to global supply chains and economic growth. However, there is currently no evidence that the world economy has entered an era of deglobalization.² It is probably too soon to tell, with two wars still to fully play out, alongside other unresolved systemic threats: the potential for escalation in Europe or another pandemic as well as the increasing effects of climate change. Certainly, the war in Ukraine has been a wake-up call for the transatlantic security community, with Finland and Sweden quickly joining NATO after addressing concerns of Turkey, a NATO member. Indeed, Nordic countries are readying themselves for a conventional war with Russia within the next five years.³

Persistent – and in recent years, increasing – NATO-Russian tensions provide a compelling counterargument to Francis Fukayama's "The End of History" theory that envisions a progressive modernization of all states, the terminal point being some form of market-based economy and liberal democracy through developments such as education, urbanization, and industrialization and a resultant burgeoning middle class.⁴ According to the influential but now somewhat dated thesis, states such as China and Russia would be left vulnerable as a result of the centralization of their decision making, which leads inevitably to bad decision making; a corollary to the thesis is that support for such leaders is volatile and likely to evaporate.⁵

¹ Gal Beckerman, "The Middle East Region Is Quieter Today Than It Has Been In Two Decades," *The Atlantic*, October 7, 2023.

² Sebastian Franco Bedoya, "Is Globalization in Retreat? Here is What a New Study Shows," *World Bank*, July 19, 2023.

³ Brett Simpson, "Scandinavia Is Preparing for War," *Foreign Policy*, February 9, 2024.

⁴ Francis Fukayama, *The End of History and the Last Man* (Los Angeles: Free Press, 1992).

⁵ Ibid.

So far, these states have served as stubborn counterpoints to Fukayama's analysis, drawing attention to the benefits – rather than the drawbacks – of their authoritarian systems, such as policy coherence and long-term planning.⁶ However, in adopting measures to ensure regime survival, they can skew or limit their public policy efforts, prompting unintended responses or consequences.⁷

The Russian annexation of Crimea in 2014 and the 2022 Russian war against Ukraine could become prime examples; the result of a shift in Vladimir Putin's narratives from his first two presidencies (2000-08 and 2012-present) which focused on greater state efficiency and the improvement of living standards for Russian citizens, to one that projected Putin as the savior of the Russian nation.⁸ His return to the presidency in 2012 was preceded by significant street protests in Russia and the ascendance of opposition figures such as Alexei Navalny. Navalny called Putin's United Russia a "party of crooks and thieves" and attracted significant public interest to his anti-corruption videos.⁹ Navalny's sudden death on February 16, while in detention in a Siberian penal colony, was widely regarded to have been a politically motivated Russian regime killing. Since he was poisoned with a nerve agent in 2020, Navalny's wife and opposition activists blame Putin for Navalny's physical decline.¹⁰ His death, along with attacks on or killings of other dissidents in Russia, London, and Lithuania,¹¹ is best understood in the context of a raft of public or security policies, including barring anti-war candidates from the presidential election and repressing any form of protest, that aim to destroy an already fragmented opposition.¹² Such actions may have paved the way for Putin's reelection in March for a fifth term, but the longer-term political consequences are unknown. As Timothy Garten Ash has noted, a Russian defeat in Ukraine could improve the long-term chances for what he calls the "Other Russia," shorthand for a Russia less dominated by long-standing imperial ambitions.¹³ Similarly, North Korea's reclassification of South Korea as a permanent enemy state, which could lead to an open conflict, is a measure intent on reshaping domestic public policy and the status quo in order to better ensure regime survival but could ultimately compromise the regime of North Korean leader Kim Jong Un in Pyongyang.¹⁴

⁶ A senior Chinese official noted to a former British minister: "If you don't have a political system that can make short-term sacrifices for the long-term good of the country, how can you expect your system of government to survive?" Bronwen Maddox, "Other Democracies Should Beware Taking Pleasure in the U.K.'s Travails," *Financial Times*, December 21, 2022.

⁷ See, for example, Clement Moore Henry and Robert Springborg, *Globalization and the Politics of Development in the Middle East* (Cambridge: Cambridge University Press, 2012).

⁸ Paul Chaisty and Stephen Whitefield, "Putin's Nationalism Problem," *OxPol*, May 5, 2015.

⁹ "Alexei Navalny: Moscow Court Outlaws 'Extremist' Organisations," *BBC*, June 10, 2021.

¹⁰ "UN Torture Expert Warns of Opposition Figure Alexei Navalny's Worsening Health in Russian Detention," *United Nations Office of the High Commissioner for Human Rights*, May 10, 2023; "Putin Killed Alexei," Says Widow of Political Activist Alexei Navalny," *BBC*, February 19, 2024.

¹¹ Natasha Anderson, "Exiled Ally of Dead Russian Opposition Leader Alexei Navalny Attacked Outside Lithuanian Home With 'Hammer and Tear Gas,'" *Daily Mail*, March 13, 2024.

¹² Callum Fraser, "Navalny's Legacy: The Twilight of Russian Oppositional Thought?," *Royal United Services Institute*, February 19, 2024.

¹³ Timothy Garten Ash, "What Can Change Russia?," *Substack*, March 17, 2024.

¹⁴ Simone McCarthy, "Kim Jong Un Has Broken With Decades of North Korean Policy – Does It Mean He's Planning for War?," *CNN*, February 16, 2024.

As Fukuyama acknowledges, many states have natural advantages by virtue of their territorial or population size, geographical location or other assets, or cultural attributes, which make their transition toward democracy more uncertain and insulate them in varying degrees from the consequences of not making this transition. The range of states falling across the democratic-to-authoritarian spectrum produces a complex mosaic of crosscutting issues, interests, expertise, and capabilities that contribute to competing global orders, or what Amitav Acharya calls a “multiplex world.”¹⁵

Countries in the Middle East have been particularly affected by, and, at the same time, have influenced, shifts regarding these competing world orders. The Biden administration has been focused on building partnerships with states that subscribe to the rules-based international order, deterring foreign or regional powers from compromising Middle East maritime chokepoints, such as the Strait of Hormuz or Bab

Countries in the Middle East have been particularly affected by, and, at the same time, have influenced, shifts regarding these competing world orders.

el-Mandeb, and engaging in diplomacy to reduce tensions and de-escalate conflict.¹⁶ The balance of deterrence and diplomacy for the United States, especially regarding Iran, has differed based on the foreign policy persuasions of various Democratic and Republican presidents. For example, President Barack Obama made a major diplomatic push, through the Joint Comprehensive Plan of Action, for a nuclear deal with Iran. His successor, President Donald J. Trump, withdrew the United States from the JCPOA in 2018 and implemented a “maximum pressure” policy against Iran, including killing Islamic Revolutionary Guard Corps commander Major General Qassim Suleimani in 2020. The Biden administration has walked a middle line between reengagement on the nuclear file and punitive actions in response to Iranian provocations in the region. The Biden administration has also been set on regional integration (e.g., with efforts focused on Israel, through the Abraham Accords), and promoting values embodied in the United Nations Charter.¹⁷ However, the lack of consistency between administrations, poorly conceived strategy (especially on Iraq, Afghanistan, and Iran), and perceived double standards, particularly on Ukraine and Gaza, have undermined U.S. influence globally. Rather than dealing decisively with regional issues, a lack of U.S. military engagement (e.g., Syria) or direct NATO military intervention has sometimes left crises unresolved and led the United States to fall back on the U.N. Security Council, where Russia and China can easily block resolutions aimed at addressing trouble spots.

There are a number of other national security concerns that will increasingly require the United States’ attention to preserve the existing international order. Many of these issues have already been outlined in official documents, such as the U.S. National Security Strategy, often with a focus on strategic competitors, including China and Russia.¹⁸ Competition in strategic arenas and U.S. relations with allies, a range of more independent middle powers, and various frontline states – those bordering wars or other crises, such as Eastern European states in the

¹⁵ “Understanding the Emerging Multiplex World Order,” UCL Global Governance Institute, July 1, 2019.

¹⁶ The White House, *FACT SHEET: The United States Strengthens Cooperation With Middle East Partners to Address 21st Century Challenges*, July 16, 2022.

¹⁷ Ibid.

¹⁸ The White House, *FACT SHEET: The Biden-Harris Administration’s National Security Strategy*, October 12, 2022.

Russian context (Poland and Lithuania, in particular)¹⁹ – will continue to have a major bearing on international security going forward. Although the United States has adapted significantly to the changing nature of strategic competition and to threats in the international arena, some of these initiatives remain underdeveloped. Meanwhile, landmark legislation, such as the Inflation Reduction Act, could become another cornerstone for sustaining U.S. influence internationally, including in the Middle East, assuming it is not repealed as a result of incoming Trump administration efforts, following the next elections.

The End of the U.S. “Unipolar Moment” and Shifting Alliances

The dissolution of the Soviet Union, and with it the end of the Cold War in 1991, ushered in a new “unipolar moment” for the United States. In comparison with the Soviet Union, Russia was a severely weakened power and China, while a rising power, could not yet project enough global influence to establish any competing pole of influence to counter U.S. designs and global strategy. That was then. Today, China is a global economic colossus, rapidly

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building military might as well. Savvy geostrategic decision making, such as opting to free ride on U.S. security guarantees, particularly in the Gulf, where it sources most of its energy supplies, has accelerated China’s rise.²⁰ As more states, including some of the United States’ Gulf allies, such as Saudi Arabia and the United Arab Emirates, have been “leash-slipping” (soft balancing) rather than forming military alliances (hard balancing) with second-tier states, such as Russia and China, questions about the end of the U.S. unipolar moment have gained currency.²¹ The Shanghai Cooperation Organization (the Eurasian political, economic, and security organization established by Russia and China in 2001) and the BRICS grouping (originally set up in 2009 with Brazil, Russia, India, and China and since expanded to include South Africa, Egypt, Ethiopia, Iran, and the UAE) could be seen, first of all, as evidence of strong and effective minilateralism but, as their memberships have grown, they have been perceived as evidence of increasing multipolarity.

The United States has not been static in adjusting to the new geopolitical landscape, especially after Russia annexed Crimea in 2014. In response, Russia was expelled from what was then the G8. Along with other members of the G7 (Canada, France, Germany, Italy, Japan, and the United Kingdom) the United States took a strong stance against Russia, including on cybercrimes and investigating the alleged use of a chemical weapon on Navalny.²² Also, Australia, Canada, France, Germany, Italy, Japan, South Korea, the U.K., the United States, and the European

¹⁹ Samy Adghirni and William Horobin, “Macron Piles Pressure on Europe to Take More Action for Ukraine,” *Bloomberg*, March 15, 2024.

²⁰ “China as a Free Rider,” *The New York Times*, August 8, 2014.

²¹ Christopher Layne, “The Unipolar Illusion Revisited: The Coming End of the United States’ Unipolar Moment,” *International Security* 31, no. 2 (2006): 7-41.

²² “G7 Demand Action From Russia on Cybercrimes and Chemical Weapon Use,” *Reuters*, June 13, 2021.

Union – the 10 leading democracies – launched the D-10 Strategy Forum in 2014 in pursuit of maintaining the rules-based democratic order, generally understood to have strong emphasis on protecting sovereignty and territorial integrity.²³ It is a complement to the G7 and the long-standing Five Eyes relationship, the Anglosphere intelligence alliance comprising Australia, Canada, New Zealand, the U.K., and the United States.

However, the greatest shift in U.S. power may come if there is another Trump presidency. Trump's comment at a February campaign rally that the Russians can do "whatever the hell they want" to any NATO country that doesn't meet spending guidelines on defense threatens the mutual defense pact that NATO has embodied for decades.²⁴ In response, Jens Stoltenberg, NATO's secretary general, said the suggestion that the United States would not protect NATO allies that fail to spend enough on defense "undermines all of our security."²⁵ Most NATO states have historically failed to meet their defense spending

Heightened U.S.-Russian tensions and U.N. Security Council deadlock following Russia's February 2022 invasion of Ukraine present serious threats to international security and multilateral action.

commitments of 2% of gross domestic product for defense spending.²⁶ However, 18 members are projected to meet this commitment at minimum in 2024, and the addition of new NATO members, Finland in 2023 and Sweden just in March, both relatively large economies with robust defense spending, will significantly add to the collective defense of the Baltic region.²⁷

Heightened U.S.-Russian tensions and U.N. Security Council deadlock following Russia's February 2022 invasion of Ukraine present serious threats to international security and multilateral action. Russia and China continue to abstain on a growing number of resolutions.²⁸ And other challenges for the Security Council continue in peacekeeping, reconstruction, and aid initiatives as well as efforts to advance the climate change agenda.²⁹ Proposed reforms to the Security Council, such as stripping the veto power from the permanent five members (the United States, Russia, China, France, and the U.K.), which often blocks substantive action from being taken, expanding the number of permanent members, or even rewriting the U.N. Charter are all expected to be met with resistance. The conventional logic is that Security Council reform would be a good thing, but there is some evidence to suggest that any reform process could undermine rather than enhance multilateral cooperation as the permanent members may choose to resist change and seek to preserve their influence.³⁰

²³ "D-10 Strategy Forum," Atlantic Council, March 24, 2024

²⁴ Kate Sullivan, "Trump Says He Would Encourage Russia to 'Do Whatever the Hell They Want' to Any NATO Country That Doesn't Pay Enough," *CNN*, February 12, 2024.

²⁵ Adam Durbin, "NATO Chief Says Donald Trump Comments 'Undermine All of Our Security,'" *BBC*, February 11, 2024.

²⁶ "Defence Expenditures and NATO's 2% Guideline," NATO, February 20, 2024; "Defence Expenditure of NATO Countries (2014-2022)," NATO Public Diplomacy Division, June 27, 2022.

²⁷ Robin Forsberg, Aku-M. Kähkönen, and Janna Öberg, "Implications of a Finnish and Swedish NATO Membership for Security in the Baltic Sea Region," *Wilson Center*, June 29, 2022.

²⁸ "Ten Challenges for the UN in 2022-2023," *International Crisis Group*, September 14, 2022.

²⁹ *Ibid.*

³⁰ Anjali Dayal and Caroline Dunton, "The U.N. Security Council Was Designed for Deadlock – Can it Change?," *United States Institute of Peace*, March 1, 2023.

Increasingly, the United States' attention has been focused on the Indo-Pacific in response to the rise of China and its assertive policies in the South China Sea. On September 15, 2021, the United States, the U.K., and Australia announced a trilateral security partnership (AUKUS), assisting Australia to acquire nuclear-powered submarines. The Quadrilateral Security Dialogue among Australia, India, Japan, and the United States could also become more consequential as Japan, in particular, seeks a closer security relationship with the United States in efforts to secure a "free and open international order." The "free and open international order" was introduced in early 2017, becoming more prominent in 2023, as a wider concept that might help draw in more Western support for a "free and open Indo-Pacific," which aims to enhance Japan's maritime security vis-à-vis China and other authoritarian states.³¹

With Kurt Campbell, the architect of the Obama administration's "Pivot to Asia," approved by Congress as deputy secretary of state in February, the U.S. focus is set to remain on the Indo-Pacific theater.³² However, if the United States is to retain some form of global dominance and remain competitive in an increasingly multipolar world, one of the most pressing issues will involve avoiding overdependence on Taiwan for semiconductors used by its defense industry; such an effort is also imperative to its credibility in deterring China.³³

Nuclear Proliferation

Nuclear proliferation is inherently tied to alliance patterns and international security. For that reason, the United States will remain focused on: Russia's nuclear posture and policy, particularly as the war in Ukraine grinds on; China's nuclear buildup; tensions with North Korea; the extent and depth of U.S. deterrence in Europe and Asia as a whole; and progress on U.S. nuclear modernization in terms of closing the gap between future requirements due to geopolitical and technological developments and current capabilities.³⁴

Facing battlefield losses, Russia could come to rely on tactical nuclear weapons in Ukraine or elsewhere, although this threat – in Ukraine – seems to have diminished somewhat in recent months as Russia's forces have taken advantage of depleted Ukrainian manpower and munitions.³⁵ Without the New START treaty extension in operation, which was set to be in force through February 2026, capping the number of strategic missiles and heavy bombers used by the United States and Russia, and with no onsite inspections, Russia's strategic nuclear forces could be modified without as many verification measures as there may otherwise have

³¹ Kei Hakata, Teruaki Aizawa, and Brendon J. Cannon, "Japan's Strategic Messaging for a 'Free and Open International Order (FOIO)': Can It Preserve Its Indo-Pacific Achievements?," *Institute for Security and Development Policy*, February 14, 2024.

³² Patricia Zengerle, "U.S. Senate Confirms Asia Hand Kurt Campbell as Country's No. 2 Diplomat," *Reuters*, February 7, 2024.

³³ John G. Ferrari and Mark Rosenblatt, "Preparing Supply Chains for a Coming War," *American Enterprise Institute*, February 15, 2024.

³⁴ Kelsey Hartigan, "Thinking About the Unthinkable: Five Nuclear Weapons Issues to Address in 2024," *Center for Strategic and International Studies*, February 9, 2024.

³⁵ Office of the Director of National Intelligence, *Annual Threat Assessment of the U.S. Intelligence Community*, February 6, 2023.

been.³⁶ Russia announced its withdrawal from the New START treaty in February 2023 and revoked its ratification of the Comprehensive Nuclear-Test-Ban Treaty in November 2023 but remained a signatory. Some analysts believe that, through such measures, Russia is exploiting a gray area, between withdrawal from formal international obligations and noncompliance, to pressure the United States.³⁷ Given the size of Russia's nuclear arsenal, estimated at 5,977 warheads in 2022 (including 812 deployed on land-based ballistic missiles, 576 on submarine-launched ballistic missiles, and 200 at heavy bomber bases) compared to the United States' estimated 5,428 warheads, this arms control threat is set to dominate for decades.³⁸ Yet, Russia remains adamant that advancing arms control talks can only be linked to the United States withdrawing support for Ukraine.³⁹

Chinese nuclear buildup in line with a number of nuclear models, including a nuclear superior model,⁴⁰ is an equally daunting prospect for the United States. According to the Pentagon's 2023 "China Military Power Report," China has more than 500 operational nuclear warheads and is on track to have over 1,000 by 2030.⁴¹ China's nuclear arsenal takes on a different hue when considering Beijing's intent on gaining control over Taiwan, a theme that finds interesting strategic echoes in Russia's invasion of Ukraine. Unlike the United States and Russia, at least U.S. and Chinese officials are talking arms control and nonproliferation after a near-decade hiatus: The United States and China held arms control talks in Washington November 6, 2023, ahead of Biden and Chinese President Xi Jinping's November 15, 2023 summit on the sidelines of the Asia-Pacific Economic Cooperation meeting in San Francisco.⁴²

In addition, North Korea's saber rattling, missile tests, and satellite launches represent a direct threat to U.S. homeland security, South Korea, and Japan.

The alignment among Russia, North Korea, and Iran in theaters such as Ukraine (where North Korea and Iran are both supplying Russian forces with missiles and drones), as well as warming ties among China, North Korea, and Iran, creates more complexity in the international system (with potential implications in the nuclear realm and posing challenges to Western alliances). This complexity makes NATO and alliances in the Indo-Pacific, such as AUKUS and potentially the Quadrilateral Security Dialogue, with a focus on India and Japan, all the more relevant and crucial, in parallel with joint exercises and other forms of close cooperation with military partners worldwide.

³⁶ Kelsey Hartigan, "Thinking About the Unthinkable: Five Nuclear Weapons Issues to Address in 2024," *Center for Strategic and International Studies*, February 9, 2024.

³⁷ Benjamin Ryan, "Why Russia Is Treating Arms Control Treaties as Bargaining Chips," *Lawfare*, February 11, 2024.

³⁸ Guy Faulconbridge, "Russia's Nuclear Arsenal: How Big Is It and Who Controls It?," *Reuters*, March 25, 2023.

³⁹ Zuzanna Gwadera, "Russia Rejects U.S. Call for Arms-Control Talks," *International Institute for Strategic Studies*, February 14, 2024.

⁴⁰ David C. Logan and Phillip C. Saunders, "Discerning the Drivers of China's Nuclear Force Development: Models, Indicators and Data," *China Strategic Perspectives*, no. 18 (2023).

⁴¹ Hans M. Kristensen, Matt Korda, Eliana Johns, and Mackenzie Knight, "Chinese Nuclear Weapons, 2024," *Bulletin of the Atomic Scientists*, January 15, 2024.

⁴² Rajeswari Pillai Rajagopalan, "China-U.S. Nuclear Arms Control Talks: A Much Needed First Step," *The Diplomat*, November 13, 2023.

Meanwhile the international community remains concerned about Iranian nuclear proliferation, particularly regarding its threats to the nonproliferation regime and regional security. Left unmanaged, the Iranian threat could easily escalate into regional conflict. Already, there are threats from Iranian-sponsored militia groups, including Hezbollah, Hamas, and the Houthis, which have taken attention away from other urgent issues and risks, tying up Western naval capacity when it could otherwise be deployed elsewhere. Gulf Arab states are struggling with meeting nuclear proliferation challenges because they are questioning what were perceived to be ironclad U.S. security guarantees. In addition, nuclear developments in the Gulf also pose proliferation concerns that are more difficult to resolve due to fluctuating U.S. policy, regional instability, and an emphasis on localizing investment in military-industrial complexes. Saudi Arabia, for example, has allegedly tied nuclear cooperation with the United States to its recognition of Israel.⁴³ However, that strategy may already be overtaken by events, after the onset of the war in Gaza given current U.S. strategy aiming to link the normalization of ties between Israel and Saudi Arabia to a credible pathway toward a viable Palestinian state, a pathway Israel opposes.⁴⁴

Since the Gulf states embarked upon a period of de-escalation in 2021 in order to focus on stability, which is necessary for their critical economic reform or “vision” strategies, a nuclear arms race has looked unlikely. But here, two main issues remain. One is the obvious risk that a nuclear-armed Iran would pose to many of the Gulf Cooperation Council states, to the point that many states would reevaluate their own national security strategies in light of this unprecedented development. Saudi Arabia has been the most forthright in recognizing and responding to the threat, with de-facto ruler Crown Prince Mohammed bin Salman stating that if Iran gets a nuclear weapon, the kingdom would get one too.⁴⁵ How or from what source remains to be seen, although speculation seems to center on Pakistan⁴⁶ and, to a lesser degree, China. Even as a threshold state (one that possesses the technical capability and fissile material to construct a nuclear weapon), Iran will continue to pose a latent threat and thereby maintain the ability to project disproportionate regional influence. China has been involved in the Saudi civil nuclear industry and, by virtue of becoming a major nuclear power supplier by 2030, is set to assume a global civil nuclear leadership role.⁴⁷

Gulf Arab states are struggling with meeting nuclear proliferation challenges because they are questioning what were perceived to be ironclad U.S. security guarantees.

⁴³ Michael Crowley, Vivian Nereim, and Patrick Kingsley, “Saudi Arabia Offers Its Price to Normalize Relations With Israel,” *The New York Times*, March 11, 2023.

⁴⁴ Barak Ravid, “Blinken Meets MBS in Saudi Arabia as U.S. Pushes for Post-War Deal,” *Axios*, February 5, 2024.

⁴⁵ “Saudi Crown Prince: If Iran Develops a Nuclear Bomb, So Will We,” *CBS News*, March 15, 2018.

⁴⁶ Simon Henderson, “Renewed Saudi-Pakistan Contacts Revive Nuclear Fears,” *Washington Institute for Near East Policy*, April 27, 2022.

⁴⁷ Mark Hibbs, *The Future of Nuclear Power in China* (Washington, DC: Carnegie Endowment for International Peace, 2018).

Development Finance in Asia, the Global South, and the U.S. Economy

Trump withdrew the United States from the Trans-Pacific Partnership trade agreement on his first day in office in 2017, citing U.S. jobs,⁴⁸ even though a Peterson Institute for International Economics working paper estimated gains of \$131 billion or 0.5% of GDP for the U.S. economy coming from the partnership through 2030.⁴⁹ The pact was a free trade agreement and at the same time a strategic deal shaping the rules governing trade in the Asia-Pacific region, making it vital to sustaining U.S. economic and political influence in the region. It was widely viewed as a strategic economic instrument designed to help constrain China's projection of regional economic power and broader influence. Without the United States, the 11 remaining states – Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam – negotiated the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. South Korea applied to join in 2022 and, in July 2023, the U.K. joined the trade bloc. Both China and Taiwan have shown interest in joining.⁵⁰ Its withdrawal from the Trans-Pacific Partnership is a prominent example of the United States being unable to – or in this instance choosing not to – deter China through collective action, instead handing Beijing a leadership mantle in the region, especially in emerging areas such as artificial intelligence and digital trade, despite a “mini-deal” that the United States concluded with Japan in 2019.⁵¹

In May 2022, the Biden administration sought to tread a middle ground between risking U.S. jobs and advancing foreign policy objectives in Asia – a “foreign policy for the middle class”⁵² – by attempting to launch the Indo-Pacific Economic Framework for Prosperity with many of the countries in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. The focus this time around was on trade, supply chains, and a clean and fair economy.⁵³ However, compared to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, the deal would have been less attractive to many countries because it requires higher labor, digital, and environmental standards and for tax issues and corruption to be addressed.⁵⁴ Taiwan's exclusion from the Indo-Pacific Economic Framework for Prosperity would potentially allow China to expand its economic influence over the island, although the inclusion of Fiji suggested that the new model would support the economic development and resilience of Pacific Island countries.⁵⁵ Amid opposition from Democrats from U.S. states that have suffered job losses to developing countries and insisted on enforceable labor standards,

⁴⁸ Ben Popken, “Why Trump Killed TPP – And Why It Matters to You,” *NBC News*, January 23, 2017.

⁴⁹ Peter A. Petri and Michael G. Plummer, “The Economic Effects of the Trans-Pacific Partnership: New Estimates,” (working paper, Peterson Institute for International Economics, Washington, DC, 2016).

⁵⁰ Colin Grabow, “5 Years Later the United States Is Still Paying for Its TPP Blunder,” *CATO Institute*, February 10, 2022.

⁵¹ *Ibid.*

⁵² Tobias Harris and Trevor Sutton, “Biden's Economic Plan Leaves Asian Leaders Wanting More,” *Foreign Policy*, May 27, 2022.

⁵³ U.S. Department of Commerce, *Indo-Pacific Economic Framework*, accessed March 29, 2024.

⁵⁴ Tobias Harris and Trevor Sutton, “Biden's Economic Plan Leaves Asian Leaders Wanting More,” *Foreign Policy*, May 27, 2022.

⁵⁵ *Ibid.*

the administration has been left with a stalled plan as of November 2023.⁵⁶ The result is that the United States has no major trade treaty that could advance U.S. interests and influence in the region.

The Inflation Reduction Act of August 2022, including \$370 billion in tax credits for the renewable energy industry, is considered the largest action the U.S. government has taken to curb climate change.⁵⁷ The act suggests a growing awareness in the Biden administration of the importance of offshoring and outsourcing to emerging countries and the need – for security reasons – to break away from cheap Chinese manufacturing as well as to boost U.S. jobs and advance U.S. green credentials and renewable energy technologies.⁵⁸ Indeed, the act aims to help move the United States closer to its Paris Climate Agreement commitments, following its rejoining the accords in 2021, especially the main target of reducing U.S. greenhouse gas emissions by 43%, and at the same time making green energy cheaper.⁵⁹ Other aspects of the act include reducing prescription drug prices, closing tax loop holes, and reducing the national debt.

Through the Inflation Reduction Act, the United States is replicating a French and British strategy of reindustrializing the heartland. Republican-leaning states are benefitting from most of the investments linked to the act, such as Redwood Materials breaking ground on a \$3.5 billion battery plant in South Carolina expected to create 1,500 new jobs.⁶⁰ Despite this, the Senate vote on the legislation was along party lines, with a 50-50 vote broken by Vice President Kamala Harris, before being sent to the House of Representatives where not a single Republican voted for it. This was for a range of reasons beyond just climate policy and jockeying over the relative importance of fossil fuels, including the Republican-led pushback over the size of the spending and size-of-government ideological debate.⁶¹ Given Trump's association of some fossil fuels, such as coal, with being a public good rather than natural resources that require environmental mitigation, it is possible that, should Trump win the 2024 presidential election, the Inflation Reduction Act will either be repealed or green infrastructure taxed into nonexistence.

The Inflation Reduction Act strategy may exacerbate economic tensions with China in the World Trade Organization due to the agreement's targeted intervention in markets, making it essentially protectionist. On the flip side, there may be more opportunities to work with developing and emerging economies on sourcing rare earth materials, including in the Middle East. This may become increasingly important after China limited its exports of germanium

⁵⁶ Demetri Sevastopulo and Alex Rogers, "Joe Biden Halts Plans for Indo-Pacific Trade Deal After Opposition From Democrats," *Financial Times*, November 15, 2023.

⁵⁷ Matthew Ballew et al., "Who Is Most Supportive of the Inflation Reduction Act?," *Yale Program on Climate Change Communication*, March 30, 2023.

⁵⁸ Stefan Ellerbeck, "Here's How the Inflation Reduction Act Is Impacting Green Job Creation," *World Economic Forum*, March 14, 2023.

⁵⁹ "The Paris Agreement," United Nations Climate Change, accessed March 29, 2024.

⁶⁰ Matt Egan, "Red States Are Big Winners of Biden's Landmark Laws," *CNN*, February 14, 2024.

⁶¹ Tony Romm, "Senate Approves Inflation Reduction Act, Clinching Long-Delayed Health and Climate Bill," *The Washington Post*, August 7, 2022; Robinson Meyer, "Not Even a Single Republican Voted for the Climate Bill," *The Atlantic*, August 12, 2022.

and gallium (used in semiconductor chips) in December 2023. China's dominance in rare earth materials is a major concern as restricting control over these exports can be used as part of economic reprisals against the United States. The Tethyan belt, which stretches from France to Saudi Arabia and Oman, could become rich in mining activity.⁶² Western Saudi Arabia contains rare earth materials, such as tantalum (used in electronics) and niobium (used in jet engines).⁶³ The U.S. company Ivanhoe Electric is already working with Saudi mining giant Maaden searching for near critical or critical materials, such as copper, nickel, cobalt, and lithium.⁶⁴ U.K. and Australian firms might also be included in similar mining joint ventures given their interests and expertise. Jordan is another Middle Eastern country with rare earth deposits, as is Turkey, but both countries require expertise and financing for further surveys and extraction.

Ultimately, the U.S. commitment to clean energy, while being addressed from the perspective of U.S. jobs and domestic politics, could make advanced renewable energy more affordable for developing states. Supply deals could therefore be easily incorporated into defense-centric relationships to enhance diplomacy and development, which are often a lower priority.

As if the geostrategic rationale of advancing U.S. interests in the Indo-Pacific was not already strong enough, the UAE, Egypt, Ethiopia, and Iran officially joined the BRICS grouping on January 1, and Saudi Arabia has been invited and is considering joining the bloc. Beyond soft balancing against the United States, part of the attraction of BRICS has been financing arrangements through the New Development Bank, which is perceived to be more attractive by some countries in the Global South due to the use of currency swaps (undercutting reliance on the U.S.

In the Indo-Pacific especially, robust international partnerships will be essential for the United States to effectively counter burgeoning Chinese influence.

dollar) and its governance structures, since decision making is less centralized than in the International Monetary Fund or World Bank. While U.S. policy based on securing U.S. jobs and extending trade on the United States' preferred terms is understandable and may achieve significant progress in the green energy transition, there is still a risk that with wider economic development and finance issues at stake, other bilateral and multilateral partnerships may be more attractive. Through more collaborations among defense, diplomacy, and development initiatives, the United States could simultaneously serve the U.S. heartland as well as address key challenges affecting the Middle East, North Africa, the Sahel, and the Indo-Pacific. In the Indo-Pacific especially, robust international partnerships will be essential for the United States to effectively counter burgeoning Chinese influence.

⁶² Darryn Quayle, "Can the Middle East Become the World Center of Energy Transition Minerals?," *Worley*, January 2, 2024.

⁶³ Hamid Pouran, "The Middle East's Critical Mineral Resources: A Key to the Clean Energy Transition?," *Middle East Institute*, December 4, 2023.

⁶⁴ *Ibid.*

Conclusion: Rethinking Multilateralism

The Middle East occupies a relatively small but important place in U.S. foreign policy, including counterterrorism and intelligence cooperation, avoiding regional escalation and nuclear proliferation, stabilizing Gaza, and ensuring open commerce. U.S. cooperation in the region on rare earth materials as part of supply chain management could help the United States boost trade, support diplomatic aims, and regain lost status vis-à-vis multilateral groupings, such as the enlarging BRICS. However, upholding multilateral political and economic platforms and the international trading system as a whole are more vital to U.S. national security interests. There are a number of challenges to overcome: substantial deficiencies in NATO, deadlock in the U.N. Security Council, and questions regarding the perceived dominance of the United States in the IMF and World Bank. The U.S. position on some multilateral mechanisms has been marked by partisan polarization in U.S. domestic politics and pressures from individual states, affecting the JCPOA, Trans-Pacific Partnership, and Indo-Pacific Economic Framework. The fallout from these and other current and emerging crises are set to dominate U.S. foreign policy bandwidth over the coming years, at a time when the United States is likely to discover a deficit in soft power tools required to address them.

U.S. influence in the Indo-Pacific remains rather small scale, through initiatives such as AUKUS and the Quadrilateral Security Dialogue. However, the Inflation Reduction Act, if it isn't dismantled under a possible Trump presidency, could serve as an important cornerstone of U.S. engagement in the Middle East. If Trump does win the election, and doesn't repeal the Inflation Reduction Act, the act's success will still be dependent on finding ways to include other countries and convincing U.S. allies and competitors, including China, that the act's protectionist aspects are not an insurmountable obstacle to advancing cooperation. It is highly unlikely a Trump administration would have the inclination to kill a jobs-centric piece of legislation. If Trump does get another term, preserving U.S. influence will probably be dependent more on Trump moderating both his negative rhetoric toward NATO members and other actions that could undermine the public perception of key instruments of U.S. power. The liberal world order could similarly be undermined if Trump pursues other forms of U.S. isolationism or transactional policies geared toward right-wing or authoritarian states that do not generally share U.S. interests. If that is the case, it will be interesting to see what degree of resilience is built into the existing international order to keep it functioning.⁶⁵ Even under a second Biden administration, if more attention is not paid to defense, diplomacy, and development, alternative unilateral and multilateral institutions and arrangements are likely to be sought out, even by close U.S. allies, facilitating crosscutting divisions in the existing world order that will be increasingly difficult for the United States to manage.

⁶⁵ Peter D. Feaver, "The Real Challenge of Trump 2.0," *Foreign Affairs*, February 19, 2024.

