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The Geopolitics of Economic Development in the Middle East

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Introduction

The idea of transforming borders into connecting points between countries and continents has gained traction in recent years, with several projects underway to create economic corridors between Asia and Europe. The two most significant examples are China's Belt and Road Initiative (BRI) and the India–Middle East–Europe Economic Corridor (IMEC). Although both are designed to create integrated economic networks that transcend borders, they are unlikely to alter the reality of geopolitical competition. In fact, the BRI and the IMEC may even exacerbate tensions between states, owing to rivalry between the United States and China, the uneven distribution of benefits among participants in both projects, and their overall politics of inclusion and exclusion. In the Middle East, through which both the BRI and IMEC corridors are supposed to pass, there is also the matter of lingering border disputes, whether land or maritime. These disputes often come to the fore during times of regional instability, something economic corridors have little chance of changing.

The BRI and the IMEC: Similar Yet Competing Visions

The BRI and the IMEC are both recent developments, though the former predates the latter by a decade. The BRI is a global infrastructure development project that was launched by China's President Xi Jinping in 2013. It is sometimes referred to as the New Silk Road. The IMEC is the latest in a series of U.S.-led initiatives aimed at integrating partners in the Middle East and South Asia into a single geoeconomic bloc. It grew out of the G20 Summit in New Delhi, which took place in September 2023. The BRI and the IMEC are two competing visions of global development that reflect the changing geopolitical landscape of the twenty-first century, and both projects aim to enhance connections between nations and continents.

Aiming to position China as a global leader in infrastructure development and economic cooperation, the BRI has expanded across Asia, the Middle East, Africa, Oceania, and Latin America. China has invested over $1 trillion in the economies of the countries involved in the endeavor, with the bulk of these funds spent on traditional transport infrastructure (such as ports, roads, and railways) and energy projects. By late 2023, 155 countries had signed up for the BRI.

It helped that, as early as 2016, China had become the top foreign investor in the Middle East, committing $29.7 billion to new investments in the region in comparison to U.S. investments of $7 billion. Egypt, Iran, Israel, Oman, Saudi Arabia, and the United Arab Emirates (UAE) are the major sites of Chinese port and infrastructure development in the region. Additionally, Egypt, the Gulf Cooperation Council states, and Israel (despite facing U.S. diplomatic pressure to reconsider) have signed agreements with Chinese companies for the development of telecommunications infrastructure.

A major achievement by Beijing, one very much in line with its BRI ambitions, was the China-brokered rapprochement between Iran and Saudi Arabia that was signed in March 2023. The ongoing process of Saudi-Iranian reconciliation could serve to enhance the security of BRI projects, including transportation routes and critical infrastructure. This coordination would reduce potential geopolitical risks and uncertainties while strengthening energy cooperation and diversifying partnerships along key BRI routes. By cultivating relations with both Tehran and Riyadh, and positioning itself as a stabilizing power in the region, China could potentially gain a unique advantage over the United States.

As for the IMEC, it is a large-scale economic infrastructure project. Saudi Arabia, the European Union (EU), India, the UAE, France, Germany, Italy, and the United States all signed a memorandum of understanding (MOU) with a basic outline of a ship-to-rail transit network to supplement existing maritime and road transport routes. The project, which aims to connect India to Europe via the Middle East, comprises two separate corridors: the eastern corridor connecting India to the Gulf and the northern corridor connecting the Gulf and the Middle East to Europe. Its physical infrastructure includes railway lines connecting the UAE, Saudi Arabia, Jordan, and Israel to Europe, as well as data and electric cables to enhance digital connectivity and pipelines for clean hydrogen export between India, the Middle East, and Europe.

Crucially, the IMEC was intended in part by the United States to compete with the BRI. The BRI has allowed China to extend its economic and geopolitical reach, particularly in regions where the United States has traditionally held significant influence. The energy-rich Gulf region, ideally situated between the vital waterways of the Red Sea and the Strait of Hormuz, is a critical zone of competition between Washington and Beijing. Although Saudi Arabia and the UAE may not share this perspective, the IMEC presents Washington with a crucial opportunity to counterbalance Beijing's rapidly emerging influence in the Gulf region. The participation in the IMEC by key U.S. allies such as the EU and India could potentially lead to greater cooperation and coordination between them and the Gulf states, allowing Washington to more effectively counter China's influence in the region.

It is with this competition in mind that the IMEC will also connect Israel and Jordan, two nonsignatories of the MOU. The IMEC will look to build on the Abraham Accords signed between Israel on the one hand and Bahrain, Morocco, Sudan, and the UAE on the other. The idea is to create further synergies between Israel and the Arab world while continuing to present a U.S.-led alternative to the BRI.

In contrast to the BRI, which has a ten-year head start, the IMEC is still in its early stages. And unlike the BRI, which benefits from centralized decisionmaking, the IMEC's diverse multicountry nature makes decisionmaking slow and complex. It is planned to be unidirectional, primarily connecting India to Europe (the BRI is multidirectional), and it involves agreements and cooperation of multiple countries with differing legal systems, policies, transportation protocols, and regulations. The IMEC involves approximately twenty countries, each with its own set of interests, priorities, and bureaucratic processes, whereas the BRI is China-centric. Moreover, the IMEC may not encompass the same breadth of development opportunities as the BRI.

Obstacles to Full Realization

Several factors hinder the advancement of economic corridor projects, particularly in the Middle East. The projects fail to address the persistence of political instability and underlying tensions in the region. These include the conflict between Israel and Iran, the fact that Israel's military campaign in the Gaza Strip has frustrated U.S. efforts to normalize relations between Israel and several Arab states, simmering Saudi-Iranian rivalry, and several outstanding border issues between Arab countries themselves. Also at play is the phenomenon of countries taking issue with their exclusion from the projects, as with Egypt, Iraq, Oman, and Türkiye in the case of the IMEC, or at times choosing to go their own way irrespective of their participation in both the IMEC and the BRI, as with Saudi Arabia and the UAE. Basically, whether it is the IMEC or the BRI, routing a transcontinental economic corridor through the Middle East will remain an enduringly difficult task.

The ongoing shadow war between Iran and Israel represents arguably the most substantial threat to the stability of the Middle East. Israel periodically bombs Iran-affiliated militant groups across the region. And although Tehran itself has thus far avoided direct involvement in the Hamas-Israel war that erupted on October 7, 2023, Iran-aligned militias in the Gaza Strip, Lebanon, and Yemen have targeted Israel with missile and drone attacks. Yet other Iran-aligned militias, in Iraq and Syria, have struck U.S. military bases in those countries. Furthermore, Yemen's Ansar Allah movement (also known as the Houthis) has launched attacks on commercial shipping vessels in the Red Sea in response to Israel's assault on Gaza. As a result of these actions and Iran's threats to close off the Mediterranean Sea, the United States and its allies have bolstered their naval presence in the region and attacked Ansar Allah sites in Yemen. The growing uncertainty over the security of the region's major trade routes, as well as the rising tensions between Iran and Israel, pose serious problems to the progress of economic corridor projects.

When it comes to the BRI specifically, an escalation of hostilities between Tehran and Riyadh could disrupt trade routes and create uncertainties for shipping and transportation. Although China mediated a rapprochement between Iran and Saudi Arabia, the agreement has not diminished the risk of a regional crisis triggered by Tehran's ongoing nuclear program or that of another outbreak of violence between Saudi- and Iran-backed factions in Yemen. Economic concerns resulting from geopolitical tensions could affect investment decisions and economic partnerships related to the BRI, leading to the delay or abandonment of planned infrastructure projects.

The situation with the IMEC is similar. The United States has centered its IMEC strategy on the achievement of peace between Israel and its Arab neighbors. Though there were signs of initial momentum toward reaching a normalization agreement between Israel and Saudi Arabia, the outbreak of the Hamas-Israel war on October 7 led to a suspension of negotiations, raising serious doubts over the viability of the IMEC. A lack of consensus on the key issue of Palestinian statehood and the risk of the expansion of the war are problematic for the region and for any plans to establish an economic corridor. As the IMEC's MOU did not include details of how the project would come to fruition, a meeting "to develop and commit to an action plan with relevant timetables" was scheduled to take place within sixty days of the G20 summit on September 9, 2023. However, due to the Gaza conflict, the signatories failed to convene the planned meeting. And with anti-Israel sentiment spreading across the Middle East due to the war, establishing any new economic and diplomatic links between Israel and the Arab world will be increasingly challenging.

Another critical factor that could undermine the IMEC is the notable exclusion of countries, such as Egypt, Iraq, Oman, and Türkiye, whose strategic location would appear to make them ideal candidates for economic corridors. Türkiye's exclusion from IMEC prompted strong statements from the country's highest officials, with President Recep Tayyip Erdoğan threatening to "part ways with the EU" and Foreign Minister Hakan Fidan announcing that "intensive negotiations" were underway with Iraq, Qatar, and the UAE for an alternative economic corridor to be known as the Development Road Project (DRP). The DRP would aim to connect the Gulf to Europe through a series of ports, railways, and roads crisscrossing Iraq and Türkiye, thereby establishing an alternative trade route to the Suez Canal. Meanwhile, significant trade growth between Gulf members of the IMEC, such as the UAE and Saudi Arabia, and Russia—despite the latter's invasion of Ukraine—suggests that they are unlikely to abandon their emerging multifaceted foreign policies for the sake of the United States.

Finally, border disagreements between Middle Eastern countries may yet flare up, whether in and of themselves or as part of a larger dispute, as happened between Saudi Arabi and Qatar during the now resolved Gulf diplomatic rift of 2017–2021. Contested sovereignty over Al-Durra gas field between Iran, Kuwait, and Saudi Arabia remains a major contributor to regional antagonisms and could pose problems for economic corridor projects. The decades-long dispute between Iran and the UAE over ownership of three islands in the Strait of Hormuz is another long-standing challenge to regional security. Likewise, maritime border demarcation and joint oil field disputes have continued between Iraq and Kuwait in spite of international efforts to resolve them. And there is a history of disagreement between Saudi Arabia and the UAE over the Shaybah oil field, in addition to maritime borders.

For all these reasons, economic corridor projects face a multitude of complex geopolitical hurdles, particularly in a region as volatile as the Middle East. Although such projects are intended to connect different regions and facilitate the efficient movement of goods, services, and people, they risk having the opposite effect. Projects that straddle disputed territories or sensitive border areas may raise concerns about territorial integrity and sovereignty. And economic imbalances or disparities in benefits from the projects can worsen existing tensions.

If ambitious economic corridor projects such as the BRI and the IMEC are to succeed, particularly in the Middle East, greater consideration must be paid to their long-term implications on regional geopolitics. Mitigating the geopolitical strains associated with economic corridor projects requires careful planning, along with inclusivity and transparency. In this regard, diplomatic engagement is crucial. Seeking the endorsement of neighboring countries and regional organizations is essential to creating a more conducive environment for cooperation and development. Otherwise, rivalries—whether among regional countries or between the United States and China—will complicate matters considerably. In addition to sharpening differences between certain states, they may give rise to new and competing power blocs.

Conclusion

Corridorization is this century's reconfiguration of geopolitical, geoeconomic, and sociospatial manifestations of global capitalism. The Middle East occupies a critical geostrategic position in this ongoing process. The United States and China seek to extend their global competition into this vital but rather troubled and conflict-ridden region and to reimagine the linkages of bygone eras in which the Middle East played a central role. Since the inception of the BRI, China's cooperation with Middle Eastern countries has steadily deepened. The IMEC is a nascent Western response to the BRI and part of the U.S.-Chinese competition over markets, resources, and influence in the region.

The BRI is progressing at a much faster pace than the IMEC and is even fostering regional reconciliation, as with the China-brokered Iranian-Saudi rapprochement. Apart from burgeoning trade due to their having joined the BRI, Egypt, Iran, Saudi Arabia, and the UAE are also dialogue partners of the China-run Shanghai Cooperation Organization and are on the verge of joining the newly expanded BRICS intergovernmental organization of rising powers, over which China holds much sway. As Middle Eastern countries try to expand their strategic autonomy, and as they vie to become influential regional and international players, the BRI and other Chinese projects present attractive models of cooperation.

Nevertheless, as much as countries in the region may wish to benefit from China's ascendancy, they are unlikely to align with Beijing outright. If anything, Middle Eastern states seem inclined to broaden and diversify their international partnerships. Chances are they would do this with a view to balancing their relations with China and the United States, sometimes perhaps even playing the two global powers against each other. Indeed, the countries of the Middle East and especially the Gulf are likely to weigh their own costs and benefits when it comes to relations with the United States and China (all the more so should they mistrust the intentions of the two), before deciding on the best course of action.

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