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GLOBAL COMMODITY AND TRADE FLOWS THREATENED BY MENA POWER PROJECTIONS

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International geopolitical discourse lately has been looking at the growing impact of China's One Belt One Road initiative in Asia, Middle East and Europe.¹ Mainstream media has extensively assessed the influence of China's economic power projections in the targeted regions, with specific focus on the financial power of Beijing to change alliances and regional constellations.²

¹ <https://www.forbes.com/sites/greatspeculations/2018/09/04/chinas-belt-and-road-initiative-opens-up-unprecedented-opportunities/#d4ec8e53e9aa>; <https://www.economist.com/leaders/2018/07/26/chinas-belt-and-road-plans-are-to-be-welcomed-and-worried-about>;

² <https://steemit.com/life/@hhaskana/reviving-the-silk-road>



The immense investments being undertaken by the Chinese government and corporations in Pakistan, Iran, Turkey and Greece, have already stirred up worries in the Arab world, India, Russia and the European theatre. Without neglecting the growing influence of China in Africa or the OBOR countries, it has become clear that the Chinese strategy is to control more of its trade flows and mitigate its security constraints. After centuries of mainly inward looking strategies, Beijing appears to have embarked on a militarization of its trade and commodities routes. The latter has become apparent to some, but most developments are still hidden under a financial fog.

At the same time, European-Middle Eastern-Asian commodity and trade faces historical risks of global maritime transport via so-called chokepoints.³ Commodities (oil/LNG) have always been linked to threats or military confrontations in the Strait of Hormuz, the Gulf of Aden or the Suez Canal. For European countries and its military alliance NATO, an additional choke point has arisen, the Bosphorus, crossing through Istanbul, connecting the Mediterranean with the Black Sea. In a bipolar power constellation, these issues were relatively easy to handle—the changing position of the Turkish government, and the Crimean-Ukraine issue has changed this.

³ <https://www.eia.gov/beta/international/regions-topics.php?RegionTopicID=WOTC;>
[https://foreignpolicy.com/2018/07/26/irans-yemeni-proxies-put-oil-shipments-in-crosshairs-saudi-bab-el-mandeb-hormuz-houthi/;](https://foreignpolicy.com/2018/07/26/irans-yemeni-proxies-put-oil-shipments-in-crosshairs-saudi-bab-el-mandeb-hormuz-houthi/)
[https://oilprice.com/Energy/General/The-4-Key-Chokepoints-For-Oil.html;](https://oilprice.com/Energy/General/The-4-Key-Chokepoints-For-Oil.html)
[https://oilprice.com/Geopolitics/Middle-East/Iran-To-Start-Navy-Drills-In-The-Worlds-Key-Oil-Chokepoint.html;](https://oilprice.com/Geopolitics/Middle-East/Iran-To-Start-Navy-Drills-In-The-Worlds-Key-Oil-Chokepoint.html)

Maritime Trade Route Militarization

China

This situation may be set to change dramatically, as militarization of international maritime commodity and trade routes is occurring. The latter is largely under the radar of decision makers and traders. While all have been focusing on Chinese OBOR adventures or its Indian version INSTC,⁴ both mainly land-bound, not enough attention has been given to developments in the world's main trade route Mediterranean- Suez Canal – Red Sea -Gulf of Aden- Horn of Africa – Indian Ocean. A multitude of new regional and global power players are projecting their newly found maritime powers into areas such as the Horn of Africa, Djibouti, Sudan or the Red Sea/Suez Canal.

At the same time that Arab Gulf states, Egypt and even Israel, are expanding their political and economic ties with China, and partly India, Asian powers are stepping up their own military presence too. A significant geopolitical-military change is occurring. China/India have been traditionally only an investment or operating partner in most of these countries. The last years however, China has become a major military power looking at projecting its capabilities into the Middle East, Horn of Africa and Mediterranean.⁵ Since the 1990s China has been involved economically and militarily in Sudan, but now appears to be spreading its wings.

In mainstream Arab views, China has become a major competitor in some areas where Arab Gulf states are investing in infrastructure, ports, and political outreach to secure new security partnerships, particularly in the Horn of Africa. Partly to counter China's OBOR strategy, but also to counter Iran, Qatar and Turkey, as the latter are increasing their operations in the hinterland of major Arab powers. Military and economic connections between Africa, and especially the Horn of Africa or East Africa, with China, Turkey, Iran and Qatar, are seen as a threat to regional power constellations and growing trade flows to the Arab Powers. Ongoing economic diversification in Saudi Arabia, UAE and Egypt, linked increasingly to new markets and agricultural trade flows from East Africa to GCC powers, are seen to be threatened by the Turkey-Iran-Qatar and China investments and military cooperation. Even that some still argue that China and the Arab Gulf states share a model and vision of economic development, regional and global geopolitical and military issues are showing potential conflict areas.

Russia

The same assessment can be made for the encroachment of Russian military power in the Mediterranean, Red Sea and Middle East. The perceived retreat of US military power in the MENA region, especially during Obama and Trump Administration has led most Arab countries to reassess their position towards Russia. The deep wounds and scars left by the perceived US-EU abandonment of Arab leaders during the

⁴ <https://economictimes.indiatimes.com/news/economy/foreign-trade/instc-to-be-operationalised-mid-jan-2018-game-changer-for-indias-eurasia-policy/articleshow/61926321.cms?from=mdr;>
<https://economictimes.indiatimes.com/news/defence/international-north-south-transportation-corridor-for-better-indo-russian-connectivity-inches-towards-reality/articleshow/58099129.cms>

⁵ <https://nationalinterest.org/feature/how-china-trying-dominate-middle-east-29922;>
[https://www.forbes.com/sites/arielcohen/2019/02/14/will-china-replace-the-u-s-as-the-middle-east-hegemon/#21d4c32c25cd;](https://www.forbes.com/sites/arielcohen/2019/02/14/will-china-replace-the-u-s-as-the-middle-east-hegemon/#21d4c32c25cd) [https://intelligence.house.gov/uploadedfiles/hpsci_fisher_testimony_5_17_18.pdf;](https://intelligence.house.gov/uploadedfiles/hpsci_fisher_testimony_5_17_18.pdf)
[http://www.natoassociation.ca/egypt-is-becoming-central-to-nato-area-geo-economics/;](http://www.natoassociation.ca/egypt-is-becoming-central-to-nato-area-geo-economics/)

Arab Spring, and the very successful support by Russian president Vladimir Putin of his Syrian ally Assad, has forced Saudis, Emiratis and Egyptians to look more eastward in their future alliances approach. Russia's very strong support, and no questions asked strategies, are very favorable in the views of Arab strongmen and leaders. The ongoing rebalancing of alliances and the high interest for Russia is already clear in Saudi Arabia, Abu Dhabi and Egypt.

The Syrian "success" story (as seen by some) may entice some Arab capitals to ask for Russian support. At the same time, the Arab anti-Iran alliance, led by Saudi Arabia, sees a new (OPEC-linked) security alliance with Moscow as a chance to weaken the Shi'ite fundamentalist regime in Iran, the main adversary in the region.⁶ The openness of Egypt, the UAE and Saudi Arabia, to get Russian investment and security deals into the region however holds severe challenges for Europe, NATO and possibly even for the respective Arab states. A re-emerging Russian navy and armed forces presence in the region is building up. The Russian navy has already access to Egyptian, Sudanese and Algerian ports. Russian navy vessels are berthing in the UAE, Bahrain and Cyprus. New Russian naval bases are being discussed with Cyprus, Egypt, Sudan and other strategically placed ports. The old dream of Russian military strategists to encircle NATO and influence regional and global maritime routes may be coming to fruition.

Turkey-Qatar-Iran Alliance

As already indicated, to make things even more tricky, formerly unknown regional powers, such as the UAE, Qatar and Turkey, have also become very active by projecting their own military powers outside of their historical areas of interest. Turkey's president Erdogan, especially after the so-called military coup that has led to a total removal of anti-Erdogan forces within the pro-NATO armed forces, has introduced a very proactive deployment strategy the last years. Taking aside Turkish armed involvement in the Syrian conundrum, and its entanglement with Kurdish groups in Iraq's KRG region, a new phenomenon has popped up. Turkish armed forces are being deployed outside of NATO or UN-operations, in new areas of interest, such as Qatar⁷, Sudan⁸ and the Horn of Africa⁹. The involvement of Turkish military and navy in potential conflict areas, possibly taking sides with the likes of Qatar, Iran or Sudan, is upping the ante for a potential involvement of a leading NATO member in regional conflicts in which other NATO members could be on the other side of the coin. Turkey's growing defense relations with Russia, and its ongoing support for the Iranian regime, also is putting it on a full-confrontation course with Arab countries, especially Egypt and Saudi Arabia. The growing conflict between Ankara and Tel Aviv, or its military posture in the East Med also doesn't bode well.¹⁰

⁶ <http://dergipark.gov.tr/download/issue-file/6555>; <https://sldinfo.com/2017/12/the-russians-build-out-their-naval-bases-in-the-middle-east/>; <https://www.cfr.org/blog/putin-sneaking-europe-south/>;

⁷ <https://www.forbes.com/sites/dominicdudley/2018/08/16/qatar-repays-debt-turkey-15b-support/#71e073af9f59>; <https://www.aljazeera.com/news/2017/12/171227051912500.html>; <https://www.gulf-times.com/story/599411/Military-cooperation-with-Qatar-top-priority-says->

⁸ <https://www.reuters.com/article/us-turkey-sudan-port/turkey-to-restore-sudanese-red-sea-port-and-build-naval-dock-idUSKBN1EK0ZC>; <https://gulfnews.com/world/mena/turkish-base-in-sudan-a-problem-for-arab-powers-1.2148443>

⁹ http://arabcenterdc.org/policy_analyses/turkeys-challenge-to-arab-interests-in-the-horn-of-africa/; <https://www.pism.pl/publications/bulletin/no-75-1146>;

¹⁰ <http://www.financialmirror.com/blog-details.php?id=2110>; <http://www.ekathimerini.com/234556/article/ekathimerini/news/new-security-alliance-seen-in-offing-in-east-med-mideast>; <https://strategyinternational.org/east-mediterranean-energy-security-heading-for-confrontation/>

Maritime Trade Flow Threats

When looking at the overall picture, as shown also in the below mentioned maps, a significant and worrying militarization is ongoing alongside of the world’s main commodity and trade route. An intricate web of potential conflicts are being created by the different parties, leaving almost no room for maneuvering in time of a real escalation.

Nations jostle for global influence in Djibouti

Saudi Arabia is to gain a foothold in the Horn of Africa with a military base in Djibouti to bolster its regional security role. Already home to U.S. and French military facilities, Djibouti will also soon host China’s first overseas base

Areas of control

- Houthi rebels
- al-Qaeda
- al-Shabaab

Strait of Bab el-Mandeb

SAUDI ARABIA

YEMEN
Sanaa

ERITREA
Asmara

DJIBOUTI
Djibouti

ETHIOPIA

SOMALILAND
Berbera

SOMALIA
Mogadishu

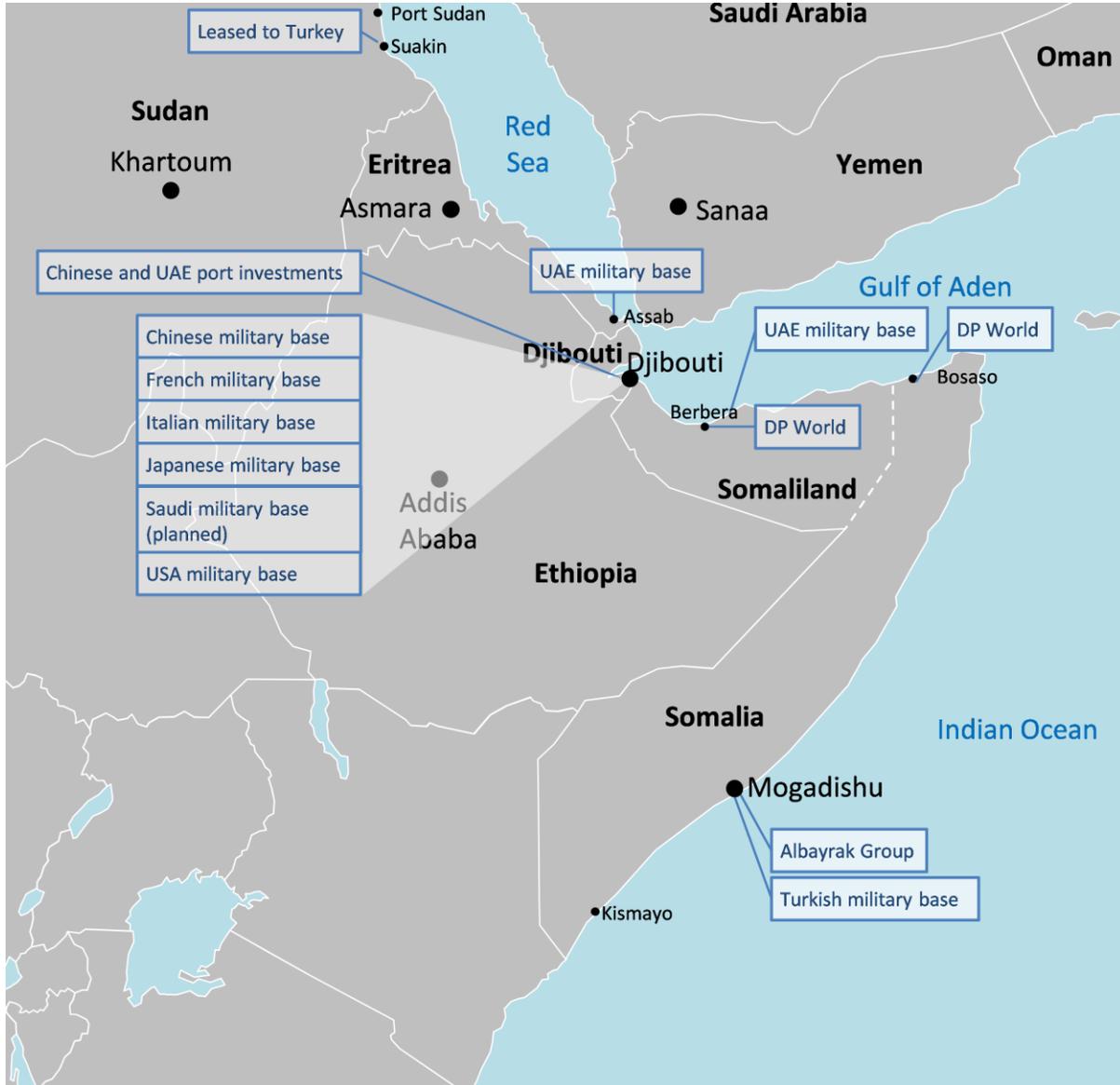
United Arab Emirates:
Key ally in Saudi campaign in Yemen, operates military base in **Assab**, Eritrea, and plans another in **Berbera**, in Somalia’s self governing region of Somaliland

DJIBOUTI BASES

- U.S.:** Camp Lemmonier, Only permanent U.S. military base in Africa. 4,000 personnel conduct anti-terror operations against *al-Qaeda* in Yemen and *al-Shabaab* in Somalia. **Facilities include drone ports**
- China:** Logistics supply facility with capacity to house 10,000 troops. Due to open this year
- France:** Largest French military base in Africa, with around 1,700 personnel
- Saudi Arabia:** Closer ties with Djibouti part of newly assertive policy of countering Iranian proxies in Arab world from Syria to Yemen. **Riyadh is leading coalition fighting Houthi rebels in Yemen**

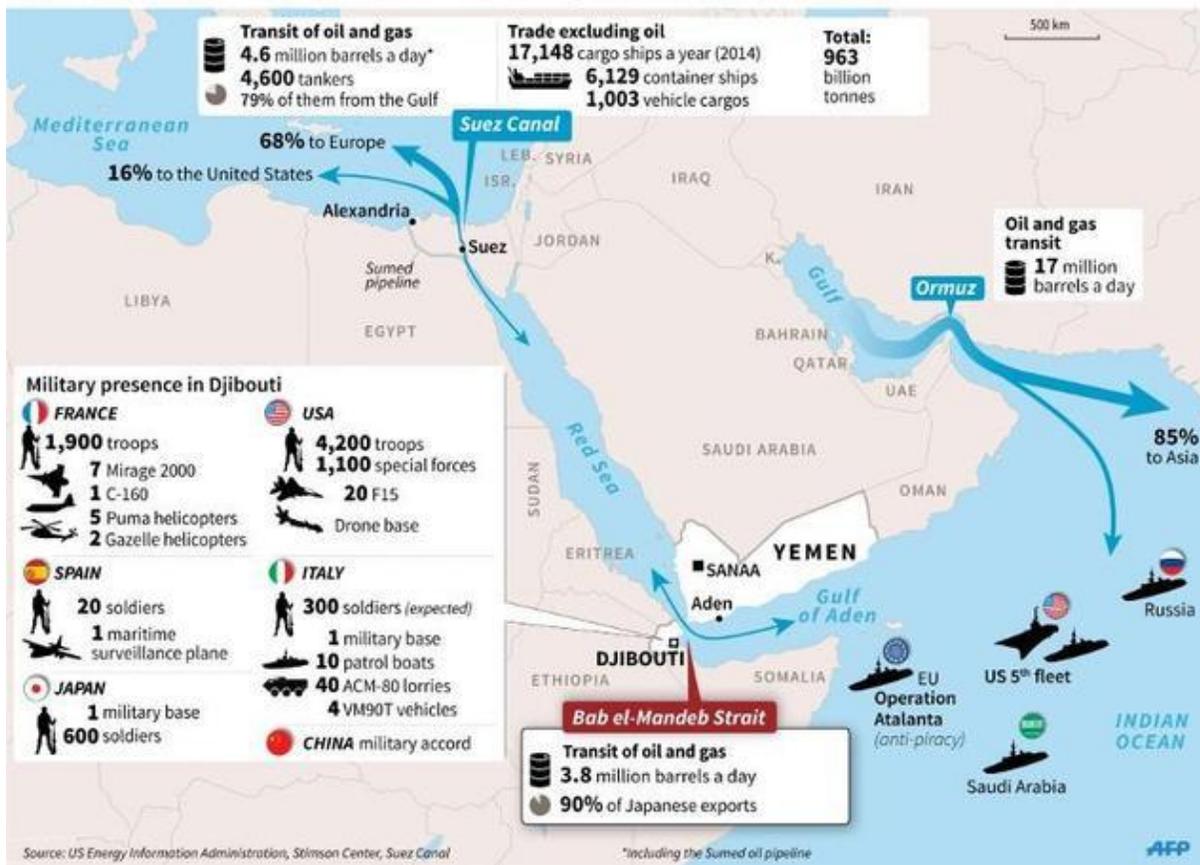
Djibouti also hosts Japan’s only overseas base, plus Spanish and German troops from EU anti-piracy force

Sources: Risk Intelligence, Stratfor, BBC



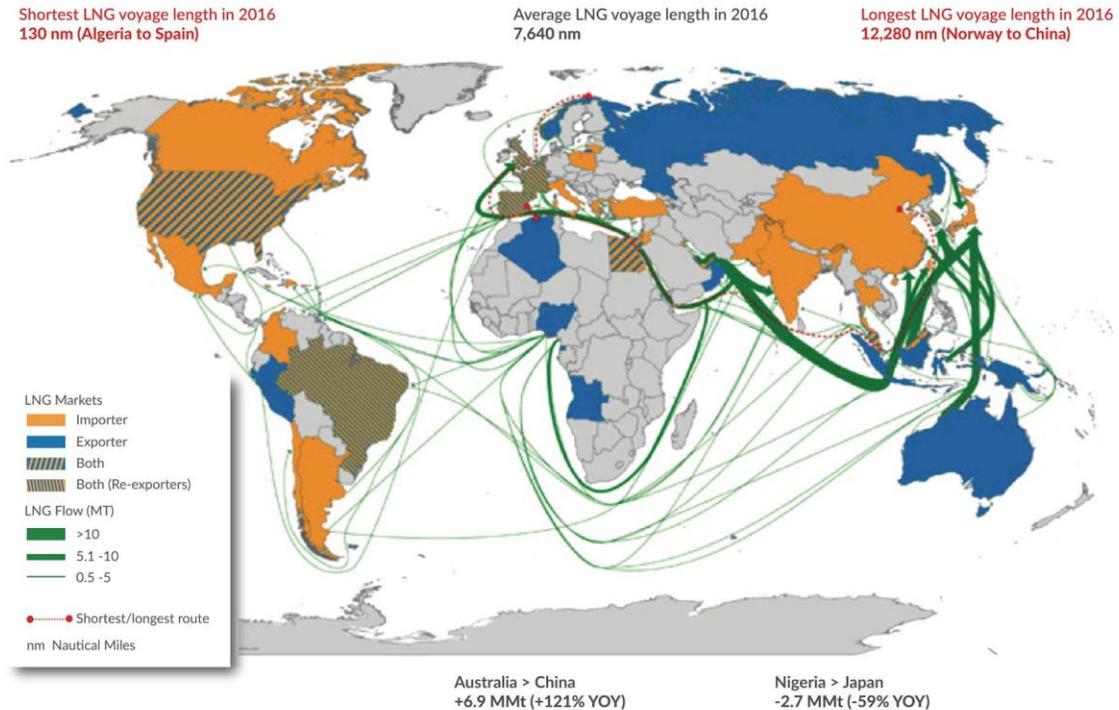
Source: <http://life-peace.org/hab/ports-and-power/>

Yemen sits on the choke point for a key maritime trade route



Source: <http://www.digitaljournal.com/news/world/yemen-rebels-quit-aden-palace-qaeda-makes-gains/article/429907>

Major LNG Shipping Routes (2016)



Note: Route start and end points are not always indicative of project location.

Sources: Adapted from IHS, provided as is without any warranty © IHS



A new geopolitical and military reality is set up, in which regional conflicts or internal state issues will collude with the world's single most important maritime trade route. As the majority of European bound oil, LNG and petroleum products from the Gulf region will have to navigate through these chokepoints, with an additional flow of maritime traffic between Asia and Europe, a major disturbance or power grab by any of these military proponents can cause a major havoc. The last years, regional conflicts are increasingly combined with global alliances, as Syria, Libya and even Iran have shown. The build up of strategically located military forces by non-regional actors in this volatile region will lead to potential conflicts. Commodity trade routes, still the life-line of the vast majority of national economies, are being threatened by a multitude of parties not anymore able to be controlled in a multipolar world. The weakening of US power in the area, the re-emergence of Russian power, combined with a Chinese Phoenix, would already have been worrying enough to necessitate reassessments in Washington, Brussels and the Arab world. Taking into account the eagerness of new players, mainly Iran, Turkey and Qatar in the backyard of their adversaries Egypt, Saudi Arabia and UAE, only makes matters worse.

For all regional states constraints to commodity and trade flows by third parties is a life-threatening scenario. Arab oil and gas producers will not be willing to take a soft power position if their existence is being threatened. Taking into account that all GCC states are also net-food importers (between 80-95% of food consumed),¹¹ open maritime routes is a necessity. The latter now is openly being questioned. For Egypt on the other hand, the militarization of the Red Sea – Suez Canal area is a military top priority to counter. Any further encroachment by perceived adversaries, such as Turkey or Qatar/Iran will be met by an appropriate answer, Egyptian Armed Forces officials have reiterated. The ongoing Egyptian naval buildup is already a clear sign of a new approach.

Red Sea Alliance

The Red Sea region has been largely overlooked the last decades. Attention was focused on the Suez Canal, Bab al Mandab and the Hormuz Strait issues, while analysts had a blind spot for the risk to maritime trade valued at \$600 billion per year. The main reason is that global powers (US/Russia) always were able and willing to keep this maritime route open. US military retraction and the emergence of other players now has changed this. A common security mechanism is needed, as in a multipolar world no party is able to protect the trade route. In contrast to the Cold War period, when the US and Soviet Union had a common interest in keeping the sea lanes open, priorities and strategies have changed. The Red Sea arena has become increasingly fractious.

The last year(s) the idea of a Red Sea military alliance has been born. Since 2014, Saudi Arabia has stepped up its own efforts by setting up a Red Sea navy. The latter has gained prominence after Saudi Crown Prince Mohammed bin Salman decided to enter the Yemen war to counter the Iranian-backed Houthi rebels. The UAE, Sudan and others, joined the pack to root out the Houthi-Iranian threat. Military, geopolitical and economic interests are intertwined.

The military coalition in Yemen, led by Saudi Arabia, also has been used to support Saudi-UAE financial and economic interests in the Horn of Africa. Prime example of the latter is the growth of UAE's Dubai Ports World investments and operations in Somaliland, Puntland and the rest of the Horn. Major investments are currently being made by the Abu Dhabi and Riyadh in Sudan, Ethiopia and other East African states.

Egypt's main neighbor on the Red Sea, Saudi Arabia, also has stepped into the fray. Last year, Saudi Crown Prince Mohammed bin Salman, in close cooperation with Egypt, UAE, Jordan and several African states, has set up a so-called Red Sea Alliance.¹² The latter should become a fully functional Red Sea NATO version, including in-depth military cooperation between the Red Sea littoral states. Without addressing Turkish, Qatari, Chinese or Iranian military build up in the area, it is clear that Riyadh and Cairo are targeting these developments. At present, the combined Egyptian-Saudi Navy is able to counter third party threats on the short term. The Red Sea alliance, officially to guarantee maritime security in the area, could

¹¹ <https://www.arabianbusiness.com/gcc-food-import-bill-hit-53-1bn-in-2020-alpen-capital-664599.html>;
<https://globalriskinsights.com/2017/07/food-security-gulf-cooperation-council-states/> ;
https://www.rand.org/content/dam/rand/pubs/external_publications/EP60000/EP67748/RAND_EP67748.pdf;

¹² <https://www.reuters.com/article/us-saudi-diplomacy/saudi-arabia-seeks-new-political-bloc-in-strategic-red-sea-region-idUSKBN1OB1Z9>; <https://futureuae.com/m/Mainpage/Item/4431/red-sea-alliance-containing-threats-in-a-turbulent-regional-order>; https://www.defenseromania.ro/red-sea-arab-military-alliance-answer-to-power-projections-adversaries_595368.html;

become an Arab version of the well-known “Pax Americana”, as the Saudi-UAE-Egyptian alliance tries to tie the knot with their counterparts on all levels.

A Proactive NATO-EU Approach

For NATO, and Europe, the situation has become increasingly difficult. Taking sides will be hard to do, as it could involve a crisis inside of NATO (Turkey) or a choice between the anti-Qatar/Iran alliance led by Saudi Arabia and Egypt, two main strategic partners of the US and several key EU members, or Turkey and Qatar, where NATO has major military bases, needed to counter Russia, Iran and others. A new geopolitical-military dialogue between NATO and the EU to counter these developments is needed. At the same time, choices will have to be made to mitigate the risk of conflict or blockades inside of Europe’s main maritime route with Asia and the Gulf region. Potential closure of the Suez Canal, or a naval confrontation in the Red Sea-Horn of Aden area will be disastrous for European economies. NATO, including Washington, also will need to reassess its priorities very quickly. Playing chess with MENA powers, while having Grandmasters in Moscow and Ankara, is not likely a very feasible approach.

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