Developments in the Middle East are neither all good nor all bad, even as the negatives dominate our news screens. Whether Syria and Iraq, Libya, Yemen or Gaza. Religion, sectarianism, Sunni-Shia divides – all characterise images of the Middle East, along with the rise of violent jihadism since 1980s in the form of Al-Qaeda and now ISIS most dramatically since 2014.

Tempting though it is to focus the whole of this lecture on ISIS, I will examine its rise in a much broader context of what I will argue are the creaking and uneven changes in a region that can no longer sustain itself on the received wisdoms and ways of doing business that its political systems have for too long taken for granted.

The sub-title of this, and perhaps any lecture on the current state of the Middle East, ought to be ‘The Middle East is an Unholy Mess’. This is one way of saying that the drivers of the current forms of Islamist-inspired jihadism are far from being pious or even particularly religious, except in their own terms. Much debate continues over how representative any of these movements are of the essential tenets of Islamic thought, or how far their ideology should be seen as a secondary strand to their political motivations. It is also the case that they do not exist in isolation from other religiously-motivated forces in the region, to cite only the Muslim Brotherhood – whose own credentials as a non-violent movement have been increasingly under scrutiny – as well as the state-linked
Sunni Islamic school of Wahhabism in Saudi confronting the Shia Islamic theocracy of Iran.

What I am interested in focus on here is what the emergence of jihadist movements tell us about what has happened across the region since the Arab Spring. Without entering the debate about how genuine their Islamic attachment is, I do see them as a symptom of a wider of problem of political governance, of social integration and of economic neglect. They are the flipside in many ways of the desire of a much larger swathe of the region’s populations to participate in determining their own destinies, where hitherto, they have been, at best, the limited consumers of the politics and economics handed down to them and at worst prisoners of both the economic and political limitations of their largely authoritarian states.

The impact on the longer term stability of a region which is currently in its very early stages of working through its own internal conflicts is of course hard to predict. I am not amongst those who consider that the Arab-Spring-turned-winter is now completely over, not least since its structural causes have still to be fully addressed, and will simmer beneath the surface until they find some resolution. The two key factors here are high and endemic levels of unemployment combined with a demographic youth bulge which has come of age over the past decade. Both spell social volatility, as well as vulnerability to the kind of simple solutions offered by ISIS and its ilk, in addition to capture by criminal networks or the underground economy, which in some states rival the official economies by as much as 40-50% of official GDP. Much of this is benign, and parallel economies have long been relied on by state authorities as social safety nets. But over the longer term, they are unsustainable unless brought into the official economy and lead to precisely the kind of social precariousness that kick-started the Arab Spring. With little
sign yet that Arab governments are indeed taking remedial action fast enough, the size of the demographic and employment challenge facing them is dramatic: around 75% of the population of the Arab world is now under 30 years of age, or in some extreme cases, aged below 25.

Whatever political winds of change blow across the region, the focus now has to be on this generation and how they will shape its future. In the interim, however, it is the older generation that still wields power and has reacted in a number of ways either to accommodate or stem the protest movement unleashed in 2011. In examining this, it is difficult to avoid over-generalisations or losing oneself in the detail of where the region’s political alliances have become ever more contradictory. An old truth about the region, and perhaps politics in general, is that what states and their leaders say in public is not necessarily a reflection of what they are doing in private, and in the current ‘unholy mess’, this aspect of the region has become even more accentuated.

What I propose to do, then, is start out with an overview of my own thinking about where the region is heading, and then try to substantiate some of it in more detail later. I am also aware that we are focusing here on the impacts on global energy security, which is not my area of expertise, but on which I will offer some thoughts based on the internal and sub-regional security profiles of the main oil producers in the Gulf. As will be seen, however, it is no longer possible to ring-fence the individual states and societies of the Middle East from the impacts of what is happening further afield and indeed globally – in ways that are quite unparalleled from even five years ago. The Syrian crisis, for example, has attracted the direct involvement of all its immediate regional neighbours as well as
China, Russia, Iran, the US, Europe and a whole series of UN agencies.

As an extension of this, another of the distinctly new developments in the Middle East since 2011 has been the extent to which external players other than the traditional ‘West’ – meaning the US and its allies - have had very direct as well as indirect impacts on the calculations of regional actors. To cite just a few examples: the role of Russia in defending President Bashar al-Assad in Syria, both from its position on the UN Security Council and through material military assistance, and in engineering the deal that led to Assad’s surrender of Syria’s chemical weapons stockpile; the role of China – as a major consumer of the region’s energy and as a major investor and contractor in the region’s infrastructure projects. China has also played a ‘blocking’ role on the UNSC alongside Russia to thwart US-led attempts to gain international support in restraining Assad in ways that risked leading, as previous UN Security council resolutions over Libya had done, to overthrowing Muammar Qaddafi under what both China and Russia later depicted as illegitimate ‘regime change’.

The Arab Spring did not cause this shift in geopolitical realities, but it has arguably accelerated a growing realization that over a single decade – from the US-led invasion of Iraq until now - the ‘West’ as traditionally conceived can no longer effect major political or strategic changes in the Middle East in isolation from other global interests and factors. It is entirely new, for example, at least since the end of the Cold War, for the US and Europe to be contending with Russia in both the Ukraine and Syria. Too many alternatives now exist for regional actors individual states to feel the force of American diplomacy, much less the threat of the use of military force. Domestic factors which limit the actions of western powers
are also well-known in the region, and have been exploited to individual advantage by regional leaderships on a number of occasions even before 2011. The first of these is the 2007-8 financial crisis, which has given the wealthy Gulf states a level of leverage over cash-strapped Europe they did not exercise quite so boldly prior to 2011, and which, alongside the lively competition between western allies to secure arms sales contracts in the Gulf, has also impacted on the US’s margins for manoeuvre.

A second change, arising directly from the Arab Spring itself, is the realisation that this region is much more diverse, internally and externally, than previous characterisations and generalisations about the ‘Arab world’. On one level, this should be a cause for celebration, and certainly was in the early days of Tahrir Square, when it was discovered that the young of the region, above all, were not only pretty much like us, but also spoke English in larger numbers than we had imagined. Inevitably, there was a downside to this as things unravelled and evolved at different speeds across the region, and the extent of the real weaknesses of state systems that had neglected their citizens for so long became exposed. In virtually all states that underwent some kind of opening – above all Tunisia and Egypt initially, the statistics about poverty and unemployment levels had to be revised upwards, for example.

The more positive side to this is that there is a small, if not yet perfectly formed, generation of educated graduates across the region, who are ready and keen to move their countries and region into a more constructive, and equal relationship with the outside world. Many of them have studied or lived abroad, and have strong links into diaspora communities abroad and are fully conversant with
several different cultures and the language and modus operandi of globalisation. The paradox is that they rarely receive attention in geopolitical discussion about the region, which focuses, as it always has done, on security and threats to the status quo, rather than more creative ways of addressing concrete challenges. In the world of business investment and support for new enterprises, however, the region’s new entrepreneurs feature large – where since 2011, for example, more women, including in conservative Saudi Arabia, have launched start-up companies than have their equivalents have in the US or Europe over the same period.

In my policy discussions with European and US officials, my main message is that we need to see considerably more backing than has materialised so far for turning the economies of the Middle Eastern into genuine vibrant market economies. This is not, as is often supposed, an invitation to support the worst of the predatory capitalist systems which have passed for a private sector in many Arab states. Rather, it is an invitation to restructure the west’s bilateral relations with the region on an entirely different and more expansive footing. The alternative is to fall back on the kind of crony capitalism that provoked much of the original Arab Spring protests against the corruption that has both sustained and fed off the political interests of ruling families and elites.

What is needed now – especially for Europe, which is reaping the worst rewards of neglecting the societies in its closest hinterland – is a much clearer focus of engagement with those in the Arab world who are seeking to change the very nature of their political economies in ways that will integrate them better, and more equitably, into the global economy. This means focusing not just on start-ups and incubators, but also social enterprises and more ethical
vehicles for social and economic development. It also means creating the necessary operating environments, through incentives and disincentives, for at least the minimum standards of regulation and arbitration to be met for this new breed of economic actors to thrive.

The rationale for this is as the same as it has been here, in the US and Europe: namely that without the emergence of genuinely autonomous private sectors, delinked from the personalised networks of power that stymie the full application of the rule of law and give life to autonomous institutions, this region will never know full democracy. Only an active civic population, whose income and wellbeing does not entirely depend on the state will be able to hold their own political leaders to account in the way we all aspire to do in our own democracies. Despite having some way to go to prepare for the changes that will inevitably come, the Arab Spring has at least opened up the possibilities for a much-closer understanding of the economic underpinnings needed to consolidate democracy.

A third change I would hazard to predict will endure from the Arab Spring is that its surge of creativity, above all in local identities and affiliations, will eventually make it much more difficult for us to amalgamate our assessments of the region along exclusively Muslim Arab or ‘Middle Eastern’ lines. Even societies which did not see widespread protests and the open debates of 2011 have had to adjust to one unspoken reality, namely, that in terms of influences and identities, the Arab world is not exclusively, or indeed very Arab at all.

The Kurds, for example, who inhabit four different contiguous states have already been growing in both regional and international importance and may yet make a bid for greater independence along
new state lines; in Morocco, at the westernmost fringe of the Arab world, 50% of the population is in fact Berber, as are around 25% of Algerians; the impact of French colonial rule in North Africa – often seen as a negative – is in reality an everyday positive for many North Africans who not only use French as the language of elite power, but have also employed it as a gateway into Europe itself, through migration above all. A younger generation of North Africans has now learnt English, as a vehicle for accessing a wider set of global influences through the internet, travel and educational exchanges. Much of this was already taking place in advance of the Arab Spring, although not much noticed outside the region, and played a role in its inception in ways that have been extensively examined and discussed in relation to the regional spread of social media.

The same social media have now been revealing a darker side to developments since 2011, and have been used not just to spread jihadist ideologies, but have also served the purposes of an anti-democratic backlash against the honeymoon period of free speech which prevailed in the aftermath of the Arab Spring. Throughout the region, where central governments have re-imposed their control, increasing numbers of bloggers, activists and journalists have been arrested, as most prominently seen in the trials, imprisonment and subsequent release of the Al-Jazeera journalists in Egypt over the past year. This is a certainly a setback, but just as the Arab Spring itself demonstrated that it could escape official attempts to exert exclusive control over the media and sources of information, so this clampdown must be seen as only a step in a much longer story of confrontation and accommodation.

For now, my fourth hunch in the aftermath of the Arab Spring is that most of the Tahrir Square activists who have currently been excluded
and/or arrested will re-emerge in another guise at a later date; some will be irrevocably disappointed and emigrate if they can, but the silence which currently reins over many of them should not be taken as a sign that they are completely out of the game.

At the more public and geopolitical level, relationships between states have become extremely complex and fraught, even where they apparently support the same objectives. This, too, is a relatively new sign of regional diplomatic activism in place of the longstanding expectation that the US and its allies would determine and/or direct regional outcomes. Regional leaderships have long been urged by successive US administrations to assume responsibility for their own neighbourhoods, but this is not exactly what has emerged. Not only have non-state actors had more leverage over the direction of events, but official responses to events have been more defensive and ad hoc than reflective of enlightened leadership.

Thus, in the key Gulf states, for example, the response to the Arab Spring has been a shared rejection of the democratising tendencies of the Arab Spring, followed by increasing divisions over how to react to what has ensued. Out of this has grown an unofficial alliance between Saudi Arabia, the United Arab Emirates, Kuwait and Jordan to combat the rise of the Muslim Brotherhood, when moderate Islamists were in the ascendancy between 2011-13 in Egypt and Tunisia; on the other side of this coin have been Turkey and Qatar who have both financially supported the Muslim Brotherhood and its offshoots elsewhere in the region.

With the advent of violence in Syria, however, and more acutely since the rise of ISIS, the splits have become both more entrenched and more circumstantial. Critics often point to officially denied
allegations of the logistical and financial support that private donors in Saudi Arabia, Kuwait and elsewhere have given to ISIS and its allies, which now appears to be have grown into the classic monster they can no longer control. It may also now require a rethink over the lesser risk perceived to be posed by Muslim Brotherhood-inspired movements who until their defeat in 2013, chose the ballot box over violence.

In turn, the regional advances made by Iran since 2011 have shocked Saudi Arabia, above all, into feeling itself surrounded by Iranian initiatives and Shia Muslim proxies. These include Iran’s alleged influence in having provoked the 2011 Shia uprisings in Bahrain, in using its proxy Lebanese militia, Hezbollah, to fight alongside President Assad in Syria, to the spearheading by an Iranian general of this week’s military counter-attack against ISIS control of Tikrit in northern Iraq, and in its support of the Shia-linked Houthi tribal group which now controls Yemen to Saudi Arabia’s immediate south.

From this already complex equation have emerged some interesting marriages of convenience. For example, the increasingly virulent anti-Iranian rhetoric of the Sunni Gulf states has led Israel, traditionally under an Arab boycott because of its occupation of Palestine, to explore common ground with Gulf states over their shared opposition to both ISIS and Iran’s nuclear programme, which the US – the traditional ally of Israel – is now actively involved in ongoing international negotiations to resolve. On the Arab side, the offer of lifting the boycott on Israel if it withdraws completely from the occupied territories is still on the table in the form of the Arab Peace Initiative first outlined in 2002 by Saudi Arabia and subsequently adopted by the Arab League; long forgotten, it now seems worth reviving in an attempt to clear the region of old conflicts, the better to address the new.
For their part, the Iranians, however, still visit the Saudi capital Riyadh and engage in dialogue, most recently in the person of the Iranian Foreign Minister Mohamed Javad Zarif’s attendance at the funeral of King Abdullah in January this year. Iranian diplomatic sources at the time stated that there might be hope for some rapprochement with Saudi Arabia on the grounds that both are ‘enemies’ of ISIS...and Israel.

None of this inspires confidence that enduring alliances will prevail to tackle the region’s most pressing structural issues (economic as well as political), especially since the design and projection of diplomatic initiatives still remain in the very limited hands of senior members of the royal families of the Gulf, with very little capacity for long-term thinking and institutional follow-up. However, a key weapon in the Gulf’s armoury – namely their extensive funding to external states and actors – may find itself coming under increasing pressure due to the fall in oil prices, which may now stabilise at around $60 a barrel, but are unlikely to rise back to the height of $150 a barrel seen in recent years.

For the smaller and least populated states of the Gulf, the budgetary strains of lower oil revenues are unlikely to be felt in the short- to medium term, even though collectively, the Gulf Cooperation Council states are likely to lose up to $300 billion in income over the coming year, according to recent IMF estimates. Qatar, in particular, which has the smallest indigenous population of 278,000 (alongside 1.5 million expatriates) and a current GDP per capita income of $100,000 already derives more than half of its nominal GDP income from non-hydrocarbon sources. Saudi Arabia, on the other hand, has a domestic population of 28.8 million and considerable pockets of poverty and indigenous unemployment that have yet to be absorbed
into plans launched under the former King Abdullah to diversify the domestic economy away from its continuing reliance on hydrocarbon exports which represent just under 90% of its foreign earnings.

Even where the creation of petrochemical plants within new cities have been part of an overall plan to create jobs, they are more likely to attract expatriate workers than Saudi nationals accustomed to living on an elaborate system of public hand-outs. In 2011, the main response of the Saudi authorities to pre-empt political protest was to increase public sector wages and pensions, and fund a large series of infrastructure, housing and transport projects. Under the new King Salman, this is approach is unlikely to change: just this week, the King announced another set of public pay increases.

For now, Saudi Arabia can afford this largesse, having accumulated reserves of between $730 to $750 billion during the heyday period of high oil prices. However, annual public spending budgets now amount to $229 billion, which are also, as last year, regularly overspent. With low external debts – currently around 1.6% of GDP – Saudi Arabia has the leeway to borrow or issue government bonds, but unless the underlying failure to adopt economic diversification policies that can absorb Saudi Arabia’s rising number of graduates, above all, the ruling family’s ability to stave off internal demands for change may not be sustainable for long. In the eastern provinces, there is a community of Saudi nationals who are Shia Muslims, often seen as susceptible to Iranian influence and whose imams are arrested on a regular basis, even though they have never demanded more than greater autonomy within the Saudi state.

Perhaps more worrying for the Saudi authorities are the rising demands of women university graduates, who now outnumber their male counterparts, but who in socially conservative Saudi Arabia, are
disproportionately affected by unemployment. The need to envisage spending cuts over the medium term may also threaten the Saudis ability to buy off foreign problems or support the Egyptian economy as it has alongside the UAE and Kuwait since the removal of the Muslim Brotherhood in 2013 to the joint tune of $20 billion in grants and budget support.

Whether any of this will jeopardise oil supplies in the short term is unlikely, even though much debate has revolved around the Saudi decision not to withhold some of its output in order to shore up falling oil prices due to over-supply. Whether the reluctance to do this is has been provoked by a desire to counter the rise in American shale oil production, to punish Russia for its role in support of the Assad regime in Syria, or merely to protect the opportunity cost of others supplying what the Saudi Aramco holds back is a matter we might debate. Whatever the truth, it is not a policy without cost. Calculations of Saudi Arabia’s current breakeven price for oil (namely the price needed to cover the costs of production) is situated somewhere between an average of $86 to $97 per barrel over the coming year, which an average of $60 a barrel or less for the foreseeable future will clearly not cover.

Thus, over the medium term, it seems inevitable that the Saudi government will either have to draw on its reserves or go into debt, but the upside may be that it provokes more internal debate about to limit waste and pursue more sustainable alternatives for its own domestic energy consumption; in this respect, a new outline agreement has just been signed between Saudi Arabia and South Korea to explore the kind of nuclear power generation alternatives that have already been adopted in the UAE.
For the outside world, the good news is that oil exporters who rely for upwards of 90% of their foreign earnings on hydrocarbon exports have to keep exporting it, and will prioritise their security around oil installations accordingly. However, should relations deteriorate further with Iran, the security of oil routes is not something that the Arab Gulf suppliers are yet in a position to provide themselves, and are as subject to unforeseen developments and their unintended consequences in this respect as others in the region. Alternatively, should the current ‘P5+1’ talks with Iran succeed in concluding an agreement over Iran’s nuclear programme by their deadline of June 2015, then the return of Iranian oil to global markets following the lifting or suspension of sanctions (beyond the exceptions already made for China, India, Japan and South Korea) is also likely to introduce more price volatility into global oil pricing.

Political volatility is also likely to persist for some time, notwithstanding international attempts to defeat ISIS militarily. As an idea the appeal of jihadism travels easily across borders, which is why the current security clampdowns in Gulf states on all forms of domestic opposition are a sign that they are taking no chances.

For the outside world, however, the prospect of promoting longer term regional security will also mean tackling the causes of the appeal of ISIS and al-Qaeda in ways that do not, as arguably they have in the past, played into the hands of the militants. This means focusing on strengthening those states that have made steps towards political reform, but which now need much more detailed, engaged and targeted assistance in order to make the kind of structural economic reforms and progress that self-interested and self-serving governments have failed to undertake in the past. For those states which are now nascent democracies, above all Morocco
and Tunisia in North Africa, there is no reason why polices should not increasingly be devolved outside government circles to foster more direct links between business partners in ways that might initially be sponsored by public funds, but which should primarily be geared towards fostering a more dynamic private sector, fully independent of government.

As for the region’s failed or failing states, more European attention needs to be paid to Libya, on a par with Syria and Iraq, given the proximity and increasing risk of a further fallout from what may soon be a fully-fledged civil war on its southern shores. The downfall of Muammar Qaddafi in Libya in October 2011 exposed the total absence of viable state institutions in its aftermath; Libya currently has two governments – one elected and one contesting the legitimacy of the first – who are engaged in fragile UN-sponsored reconciliation talks whilst simultaneously bombing each other’s city strongholds. Oil production, on which virtually the entire Libyan economy depends, is now down to 400,000 barrels/day, which is a fraction of the 1.6 million barrels/day it produced prior to 2011; in addition to the oil storage tanks set alight at a major terminal in December 2014, another oil storage tank was narrowly missed in bombing raids this week.

Syria and Iraq started as separate, if parallel crises, but are now at risk of merging into one, or bleeding into a wider region. The scale of the catastrophe to have hit Syria should not be underestimated: since 2011 alone, over 200,000 Syrians have been killed, thousands more injured and imprisoned – all largely at the hands of the Assad regime, and over half Syria’s population of 22 million is now internally or externally displaced. More than three million of these are in exile, the majority of whom in refugee camps in neighbouring
states with insufficient humanitarian assistance to maintain them there indefinitely or prevent the spread of conflict destabilising its neighbours, above all Lebanon and Jordan.

The fragile political balance in Iraq has already given way under the pressure of the tactical and, indeed, strategic exploitation by ISIS of the sectarian divisions which have cast the Arab populations of Iraq into opposing Sunni and Shia camps since the US-led invasion of Iraq in 2003. An estimated area of 250,000 kilometres – roughly the equivalent of the British Isles – is now under ISIS control, along with the horrific scenes that they themselves disseminate with such devastating effect: of beheadings, stonings of women accused of adultery and the summary execution and crucifixion of those who refuse to accept their draconian creed or financial levies.

It is easy under these circumstances to consider that ISIS’s particular brand of Sunni Islam is both centuries old and endemic to in-built sectarian divides – Shia Muslims being particularly brutally targeted by ISIS members as ‘apostates’ or deviants from the true path of Islam. However, as a variant of the jihadist phenomenon that draws its roots from political opposition movements that only took modern shape in the 1980s, the politics of jihadism are distinctly more 20th century than Medieval in origin. The specific contexts within which groups are turned to radicalism (often under duress) are also very concrete, if the particular trajectories of the Taliban in Afghanistan, or the various branches of al-Qaeda are followed in detail.

I spent the 1990s, for example, watching how the originally peaceful and popularly-based Islamic Salvation Front in Algeria disintegrated into a number of competing armed jihadist groups following the cancellation of elections that the Salvation Front were set to win in 1991. The ensuing violence lasted a decade, with a monthly death
toll of civilians reaching the scale we now see in Iraq and Syria until an amnesty of armed militants was agreed by referendum in 2002.

Against this background, it is also easy to forget that during the same decade of the 1990s, the majority of the region’s Arab populations were seen as passive and subservient members of an array of overwhelmingly authoritarian states, whose governments, in turn, were largely in cahoots with western powers and under the threat of foreign intervention should any of them step out of line. This was the decade following Saddam Hussein’s ill-advised invasion of Kuwait in 1990, from which Iraqi forces were ousted by an international military coalition with the consent of Iraq’s immediate Arab neighbours. In the period 1991-2003, and with the exception of Algeria and the collapse of the Oslo process between Israel and Palestine, regional peace largely prevailed under what came to be called ‘Pax Americana’, or the threat of the big foot of the US military returning to impose its will on the region.

What put an end to this, namely the 2003 US-led invasion of Iraq is now largely debated in terms of what it did not achieve over the longer term, but in the eyes of the region terms it had another important impact. This was psychological, and drew on the combined effect of the heavy US and allied military presence in Iraq and its inability to engineer an enduring peace with all the resources it brought to the effort. Up to a million international forces were deployed in Iraq from 2003-11 and figures of half, or even a whole trillion US dollars were deployed to the reconstruction effort – with the results we see today. The main impact has been to embolden both non-state and state actors in the region to take advantage of this failure, or strike out on their own. The US and its western allies are no longer seen as omnipotent or invincible, and perhaps critically
for a discussion of where things may go next, are now seen as being susceptible to manipulation in support of or against local agendas and conflicts.

There are no easy solutions to a conflict that has now taken on the dimensions that the installation of ISIS’s self-proclaimed Caliphate at the heart of the Middle East state system has provoked. If exception is made for the capture by a collation of jihadist groups led by Al Qaeda in the Islamic Maghreb of towns in northern Mali in 2012, this is the first time that a jihadist group has seized and held on to such an extensive area of population centres, and has done so through a mixture of conquest, coercion and financial persuasion. However, neither its permanence not its ability to completely re-write existing maps should be taken for granted. History tells us that insurgencies soon reap the seed of their internal divisions, despite the acute tactical manoeuvring of ISIS militias to date.

A much wider public understanding of this phenomenon than is currently available from media sources is now needed to situate ISIS as the outcome of previous political failures, not its future direction. Any attempt to combat ISIS which is not fully cognisant of the recent history that has given rise to it is likely to fail, or fall victim to the manipulation of regional actors pursuing their own agendas. There also needs to be a much stronger focus on providing and funding alternative visions to the illusory promise of ISIS, that will feed into its ideological as well as material demise. This means, above all, situating the fight against ISIS within the context of a properly articulated strategy towards the larger crises in both Syria and Iraq, which so far, none of our governments has provided. Until they do, the risk of untended consequences is indeed very strong, including those detrimental to our security interests closer to home.