

## “The New Levant”

Rationales, implications and future trajectories of the  
cooperation between Jordan, Iraq and Egypt



**WORKING PAPERS**

**December  
2021**

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## **The “New Levant”: Rationales, Implications and Future Trajectories of the Cooperation between Jordan, Iraq and Egypt**

In cooperation with *Konrad Adenauer Stiftung* (KAS), the *Center for Strategic Studies* (CSS) at the University of Jordan held a 2-day closed workshop, in Amman, with regional and international experts on the topic of the tripartite alliance between Jordan, Iraq and Egypt, discussing the nature and timing of the alliance, the national perspectives of each signatory state, policy areas of cooperation and implications for other regional actors. This introductory summary presents some of the ideas discussed during the workshop, but does not necessarily reflect the opinion or assessment of each participant or the hosting institutions.

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## Summary

Given the recency of witnessing ever-closer relations between the three states, this workshop intended to explore the horizons of the mutual cooperation between Jordan, Iraq and Egypt, and provide recommendations to strengthen its materialization into a functional structure, with precise terms, objectives and long-lasting outcomes.

Before delving into the subject matter, the term in which this new partnership can be rightly addressed has been discussed by the experts from theoretical, conceptual and political frameworks, in order to be able to delineate the particularities of the cooperation, since considerable uncertainty revolves around the totality of the cooperation and many aspects of it remain unpublicized or undecided.

The “*New Levant*” is best defined in terms of ‘interdependency’; this accurately represents the actuality that what brings these allies together is their mutual “*desperation*” (understood as domestic pressure, in particular concerning socio-economic concerns), the ability to leverage one another economically and less so politically, while upholding prospects of a fully-emerged alliance in the future; one that is connected through religious, linguistic, historical, and cultural ties, geographic proximity, masses of citizens, economic potential, and mutual gains.

The Egypt-Jordan-Iraq axis levitates mutual advantages and benefits from the similarity in political interests and complementarity in the economic endowment of the three countries involved. If combined, the “*New Levant*” has a population of 150 million and a GDP of \$570 billion. Together, Iraq brings its vast oil resources, Jordan offers its strategic position connecting both other partners and the human capital of an educated population, and Egypt provides a significant market opportunity, construction labor, and military capabilities to set forth the cornerstone for a prospective long-term cooperation. The strong cultural traditions amongst them also derives potential collective geopolitical identity in the far future.

Based on the patterns of trade and the economic characteristics of the three countries, the most promising domains for economic cooperation in the frame of the Tripartite Alliance are energy, tourism, industry, aviation, transportation and logistics, as well as human resources. The fact that all the countries are classified as middle income may also facilitate trade and better market integration.

Furthermore, the profound industrial capacity of the signatory states might yield almost immediate outcomes for their people. For instance, Egyptian electricity and natural gas, Iraqi oil, and Jordanian transport capabilities of the Basra-Aqaba pipeline could bring significant growth and energy security. Also, both Egypt and Jordan might play a role in the infrastructural reconstruction of Iraq. Closer

integration among the three members might also result in Iraqi inclusion in the East Mediterranean Gas Forum as both Egypt and Jordan are already members. In combination with the Basra-Aqaba pipeline and improved economic cooperation, Iraq might become more independent of Iran, without provoking any harsh reactions from Teheran, at least as long as the project remains modest in its ambitions.

Whereas the focus on non-political factors in the cooperation prevents any significant hindering by regional or global powers, there may be reservations from some actors. To Israel, stability (including economic stability) in Egypt and Jordan is vital to its national security, and it no longer considers Iraq to pose a threat to its wider interests, therefore, it broadly welcomes this economic-cooperation as long as it does not directly impinge on shared economic interests between it and its neighbours. Turkey might also perceive the coalition as exclusion from regional power structures due to the tension with Egypt in the Eastern Mediterranean.

And whilst in principle the trilateral partnership benefits Iran through bolstering regional security outside the US umbrella, even if it is not part of the equation, in practice this partnership is likely to harm Iran's economic interests (particularly in electricity and construction sectors), and provide leeway for Iraqi politicians to acquire more independence from Iran; as many experts understand the initiative as bringing Iraq back to the "*Arab fold*". Thus, it might be considered by Teheran as a threat, especially if it will pave the way to normalize relations with Syria, too.

As for other regional actors, such as Saudi Arabia and the GCC, the "*New Levant*" could complement their efforts to counter terrorism across the region, and underpin their strategies to deepen ties by building people to people, business to business and government to government relations. If carefully crafted, the emerging alliance could reinforce the interest of all players; otherwise, it might trigger an unhealthy rivalry for influence, particularly in regard to the grid interconnection and electricity market competition with Saudi Arabia. China and Russia on the other hand, seem to understand the initiative as a US product and a centerpiece of US policy in the region; one that challenges their regional interests, be it the *Road and Belt Initiative* or the possible re-integration of Syria into the Arab world.

Thus far, there seems to be a real political will behind the project from leaders of all three countries. Yet, the project is still '*too small to be true*', and only future development will show its true potential. And while it is too soon to make far-reaching conclusions, the initiative already serves all state leaders as a distraction from domestic issues and might prove to be a stabilizing dynamic. There is undoubtedly a significant potential for close economic cooperation among the members turning into a political and

cultural alliance within the region. In a way, the “*New Levant*” might prove to be similar to other sub-groups within their broader regions, like the GCC in the Middle East or the *Visegrád* group in Europe.

## Recommendations

- All partners should focus on the tangible aspects of the cooperation and must remain “*modest*”, given the current opportunities and constraints. Projects in the fields of economy and energy seem to be most promising. Partners should also prioritize seeking investors and funding to realize some of the most straightforward projects, such as the Basra-Aqaba pipeline, and energy/other well-established cooperation schemes.
- Some experts might claim that the functionality of the economic cooperation remains limited unless the “*New Levant*” turns into a geopolitical project, one based on more basic needs such as security and socio-economic development, while also being supported by a cultural vision. The whole project might turn in this direction, similar to the GCC, which demonstrated its political and military capacity in the aftermath of Arab Spring despite its economic nature. However, current geopolitical realities seem to prevent this development from realization any time soon.
- It is pivotal to attain equity and equality in the context of this partnership, even though each state encompasses variant needs and provisions. For instance, even though Egypt and Jordan both have the manpower and skills required to reconstruct Iraq, and a longstanding tradition in work-related migration and need to create employment, Iraqi people and construction companies cannot be excluded from equitable jobs and impartial opportunities in the process of reconstructing Iraq.
- While the cooperation might improve chances to solve many domestic challenges for all members, there are pervasive issues that even mutual help cannot solve. For example, all three partners are cash-strapped and, therefore, dependent on the financial help from the Gulf. This reality further puts into question the reach of political integration and harmonization of goals. Any challenge of the regional influence of the Gulf countries would put financial help and thus liquidity in jeopardy.
- Successful economic integration will eventually bolster strategic cooperation on issues such as regional security. All three partners are already cooperating in that field, with potential to further contribute to lowering political instability in the region, detrimental to economic growth and investment.
- While the possibility of enlargement is even further away, the alliance has the potential to develop and open the door to the inclusion of other countries; viewed from the region, it is difficult to imagine a “*New*

*Levant*” without Syria and Lebanon. The “*New Levant*” might grow to accommodate the new US policy positions in the region and play a significant role within the new power equilibrium that is to emerge in the Middle East

- Oversized ambitions in the initial stages of the partnership might attract unwanted reactions from regional and global powers, that might perceive such declarations as threatening. Policymakers should therefore curb their high expectations of a new strong actor of geopolitics. While the partnership will undoubtedly improve the positions of all members, the focus might stay strictly economical for the foreseeable future.

# The Tripartite Partnership: Implications for Other Regional Actors

Neil Quilliam

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## Summary

- This policy brief considers high level implications of the tripartite partnership on four regional actors, Saudi Arabia, Israel, Turkey and Iran.
- The four regional actors have been chosen because the trilateral relationship will affect each state's interests in differing ways and will, therefore, draw a different set of responses - in some cases, positive and, in others, negative.
- There have been no official responses made by the four countries about the tripartite partnership, and so insights have been drawn from interlocutors in close proximity to decision-makers in each country.
- News of the tripartite partnership has not stirred passions or generated push back from regional partners or other actors, given its emphasis on non-political factors.
- The outcome of Iraq's recent parliamentary elections will have a bearing on the tripartite partnership.

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## Context

- The tripartite partnership of Jordan, Egypt and Iraq is worth watching. Egypt had lost its place as the region's so-called centre of gravity, but after a decade is once again becoming a major foreign policy actor. Jordan was side-lined during the Trump era and, arguably, lost its unique selling point as an interlocutor for peace to the UAE and Bahrain. However, relations with the US since US President Biden took office have once again strengthened. Whilst Iraq left the Arab fold some time ago, it appears to have turned corner and domestic political actors are reclaiming sovereignty and its post-2003 political structures are under stress.
- Three key features should make this an effective and durable alliance, and one which holds promise for regional and international partners.
  - First, there is real political will behind it. Egypt's President Abdel Fattah Al Sisi, Jordan's King Abdullah and successive Iraqi prime ministers Adel Abdul Mahdi and Mustafa Al Kadhimi have all invested time and energy in establishing the alliance. In a region where initiatives come and go, it looks as though their common and complementary interests will help drive the partnership forward. Foreign ministers Sameh Shoukry, Ayman Safadi and Fouad Hussein, alongside their intelligence counterparts, met in Baghdad on 29 March, following the postponement of a leaders' summit due to a major train crash in Egypt, and signalled the continued growth of the relationship based on security, counterterrorism, energy security, industrial integration, trade and reconstruction.



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- Second, the alliance brings together three nearly contiguous states that between them have considerable energy resources (Iraq), human capital (Jordan), market opportunities, portable construction labourers and significant military capabilities (Egypt). While they do not possess the wealth of their Gulf Arab neighbours, they have a combined population of 150 million people, indigenous industrial capacity and strong agricultural traditions. If they are able to capitalise on their complementarities, it could be a formidable alliance. For example, Jordanian and Egyptian human capital could support Iraq's reconstruction efforts, Jordan could serve as a transit point for Iraqi natural gas to Aqaba and Egypt's LNG network, and Egyptian refineries could process Basra Light and other oil grades for domestic consumption and export.
  - Third, while economic development, security and counterterrorism are presented as the key drivers of the alliance, there can be no doubt that it should also offer Jordan and Egypt fresh political leverage – both regionally and internationally – and provide Iraq's prime minister and his allies with valuable new partners west of Baghdad.

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## **Policy implications**

### *Saudi Arabia*

- The tripartite partnership will complement and underpin Saudi Arabia's approach to enhancing its relationship with Iraq.
- Given events in Afghanistan, Saudi Arabia is likely to be supportive of efforts to deepen co-operation amongst the three states on counterterrorism, as it will benefit the region.
- Saudi Arabia's Iraq strategy includes deepening ties across the country and building people to people, business to business and government to government relations. The trilateral relationship, if carefully managed and co-ordinated with Saudi Arabia, will reinforce the interests of all players. However, if it is not carefully choreographed, it could start an unhealthy competition for influence.
- Saudi Arabia will welcome wider Arab efforts to bring Iraq - and more importantly, its population - back into the 'Arab fold' and, in doing so, lessen Iranian influence. Riyadh knows that Iranian influence cannot be expunged, but, over the long-term, it believes that it can be diluted and thus is supportive of increased Arab diplomacy towards Baghdad.
- Saudi Arabia want to have the upper hand when it comes to the grid interconnection, after it has invested the highest capex into GCC grid interconnection. Riyadh's goal is to be a power hub and therefore want to sell electricity to Iraq and elsewhere. However, both Egypt and Jordan also want to sell electricity to Iraq. If Saudi Arabia decides to sell electricity to Iraq, it would be a purely political move and one that they are best positioned to make, considering the lower electricity cost in Saudi Arabia.

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### *Israel*

- Generally, Israel is generally not in favour of multilateral alliances and perceives them as potential threats, though in this case, it has peace treaties with Egypt and Jordan, and no longer considers Iraq to pose a threat to its security or wider interests. However, it does characterise Iranian influence in Iraq as pernicious.
- It has little faith that Jordan and Egypt will be successful in weaning Iraq away from Iranian influence but is an agnostic observer and quietly wills the project success.
- Stability in Egypt and Jordan is seen as critical to Israel's national security and efforts to better insulate their economies from further shocks are considered favourably. Therefore, closer economic co-operation amongst the three states is considered broadly positive for Israel, as long as it does not impinge directly on shared economic interests between it and its neighbours.

### *Turkey*

- Although there has been no official response from the Turkish government, to date, it will be concerned that its broader interests in Iraq may come under threat, as the country is drawn closer to Egypt and Jordan. The competition between Ankara and Cairo persists and plays out in other theatres; and Ankara is concerned that it might extend to Iraq.
- Turkey is also concerned that its influence, especially in northern Iraq, pertaining to the Kurdish issue may be curtailed by the alliance. The overall issue, however, is Turkey's fear of being excluded from the region's new power dynamics, which at one stage, it wanted to lead – and still does. Ankara is eager to show its relevance - for example, it has tried to do so in Afghanistan, but unconvincingly. The trilateral alliance, therefore, may well play upon Turkey's sensitivity and, at some stage, be subject to policy push back from Ankara.
- Turkey's latent fear is also that the alliance will extend to Syria - and support broad Arab efforts to normalise with the Syrian regime - and that will, therefore, pose a direct threat to its interests in northwest and northeast Syria. As such, the prospect that the trilateral alliance may serve as a precursor to a wider alliance is viewed with concern.

### *Iran*

- There are two dynamics – there is the trilateral relationship and then there is the move to normalise with Syria - these two dynamics will be considered hostile by Iran.
- The fact that Iraq is part of the equation assuages Iran's fears. Baghdad has let Iran know that the trilateral partnership is not an anti-Iran alliance, nor is it spearheaded by Iran's rivals (US/Saudi Arabia); and Iraqi parties will never recognise Israel. The view that regional states get together to bolster their security outside the US umbrella actually benefits Iran, at least in principle, even if Iran is not involved in the relationship. In practice, however,

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the trilateral partnership is likely to harm Iran's economic interests (as there is the possibility for Jordan/Egypt to get market shares in Iraq's electricity sector), and it is undoubtedly a platform that Iraqi politicians can use to politically acquire more independence from Iran. However, the security/political file (controlled by IRGC) is somehow separate from the economic file (government and SOEs). Furthermore, the IRGC is still confident in its own influence over Iraq, i.e. they do not see Iraq escaping their grip either politically or economically.

- The IRGC does not seem to prioritise the economy in a traditional sense for those strategic relationships. Countries like Iraq are important for smuggling, forex, and IRGC-held Iranian conglomerates, but mercantilism is not what moves Iran in those relations. The IRGC might even like to see capital invested in Iraq and Syria. Iran does not have the means to do so, and instability does not always serve Iran's benefit.
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# ‘The New Levant’: A Jordanian Perspective

Zaid Eyadat

## Setting the Scene

Defying all predictions of a chaotic Middle East in the foreseeable future, the pronounced alliance between Iraq, Egypt and Jordan on November 2020, although not entirely delineated yet, comes as a rather optimistic revelation to the region’s stability, security and prosperity.

Despite the major instabilities, exacerbated by a broad spectrum of regional and global constituents, and the growing personification of politics, the *New Levant* lays foundation for realizing common aspirations and interests in the Middle East, and shows promise for starting “afresh” and gaining momentum towards untangling long overdue controversies.

Powered by shared ambitions, domestic and regional, the emerging tripartite collaboration initiates a holistic, collaborative and conceivably sustainable approach to “problem-solving” and resource allocation, whose benefits extend beyond the borders of their cooperation. Furthermore, led by a sufficient amount of real political and economic drive, collective strategizing and decision-making might lead to reversing the traditionally “reactive” response of Middle Eastern states to calamities, as well as counterbalancing the mobilizing factors behind potentially rising non-Arab regional hegemonic order; that is by Iran, Turkey, and/or Israel.

To Jordan, this alliance represents a “pragmatic seed” in the direction of economic resuscitation, border fortification, and a revival of its regional role, after a turbulent sequence of events that the region had witnessed in the past decade. As highlighted in the words of HM King Abdullah II during the *Baghdad Conference for Cooperation and Partnership* on August 28, 2021, “*we cannot overcome these challenges without finding a common ground that brings perspectives closer, sets the tone for serious dialogue, and enhances cooperation and partnerships to face them. In order to enhance regional and international cooperation among us, we must open the door to economic, industrial, and commercial integration, on the basis of cooperation and partnership, to achieve the best interest of all.*”

The pursuit of leading regional stability and securing strategic self-reliance undoubtedly requires massive efforts on all fronts. The extent to which this union would prove to be substantial depends on its longevity, resilience to external stimuli and timeliness of missions’ implementation. Jordan, nevertheless, remains fully invested in setting the path and thriving towards a resilient bloc and an imperishable tie with its everlasting “friends”.

## **‘The New Levant’: An Alternative Plan to ‘Middle Eastern peace’ or a Survival Game?**

Jordan’s aspirations in the 2021 have been to solidify its role in a more stable MENA region, taking a better regional and global geopolitical stance and preserving its modern, moderate and peace promoter state. Regionally, its first and foremost objectives have been to propel a non-violent two-state solution for the Palestinian-Israeli conflict, preserve the Hashemite role as protectors of Muslim and Christian Holy places in Jerusalem, and support the continuity of the Arab Peace Initiative of 2002. Internally, political reform, post-COVID-19 economic recovery, countering radicalization, and reinforcing the health, industrial and agricultural infrastructures topped the list of priorities.

In the worst possible scenario for 2021, where internal affairs would have required much of the government’s attention, Jordan would have been willing to put ‘advancing its regional role’ temporarily on the back burner, however, it would not have allowed for diminishing/losing its regional influence in any account.

Day after day, the power dynamics and determinants of stability in the Middle East increase in complexity, and Jordan, a relatively small state surrounded by conflict, endeavors to maintain the integrity of its borders from internal and external pressures, amid a multilateral and multifaceted political setting.

Today, Jordan unequivocally faces a number of challenges that are crowned by the economic hardships exacerbated by the COVID-19 pandemic; mounting youth unemployment to an unprecedented 50% and pushing many more into poverty. This renders the Jordanian political system, public policy and social cohesion permeable to havoc by infiltrating anti-government and radical ideologies.

Without its internal stability which is largely based on the economic wellbeing of its residents (citizens and refugees alike), Jordan risks not only its sovereignty, but also any prospect for peace in the Middle East. The welfare of alleviating the fiscal constraints and subsequent internal adversities would extend beyond its borders, and this explains why it has been increasingly focusing on accentuating its international politics based on economic interests.

The Egypt-Iraq-Jordan alliance, in this respect, culminates economic cooperation across the three states within a realistic framework, while emphasizing Jordan’s distinct role in the regional security equilibrium. This creates a dual opportunity for Jordan; in terms of revising its discourse towards stability through economic and political reform, as well as advancing its regional stance with regard to the two-state solution and hence underpinning prospects for Middle Eastern peace.

Jordan's interests and regional policies are aligned with the visions of Egypt and Iraq, both of which share a deep-rooted history of accord and mutual cooperation with Jordan. In many ways, this is a three-way security, diplomacy, and economic cooperation that addresses the chronic resource deficits in all three countries, in addition to their potential marginalization in regional politics. More importantly, they hope to work vis-à-vis the GCC and other Arab states/alliances through this new alliance.

Although the feasibility and continuity of this tripartite alliance might stir a regional debate, it is crucial to recognize the need for a redefinition of Middle Eastern geopolitics, at a time of dire disintegration. The initiation of a mostly economic-based collaboration that is seeking alliance with its neighbors might provide a long-lasting alternative solution to peace in the Middle East at last.

### **Moving Forward**

In a rapidly shifting world, where emerging non-traditional security threats are surpassing the traditional ones in sum and significance, the concepts of power and security are bound to adapt to the "new normal". This entails a re-equilibration of the major attributes such as exclusivity and sectarianism that make up the current Middle East.

In this context, the newly formed alliance between Egypt, Iraq and Jordan provides leeway for restructuring the regional power dynamics based on collective interests and reengineering the predictability of outcomes for states across the Levant, including Syria, Lebanon and Palestine.

The merging of Iraqi energy resources, Egyptian market opportunities and Jordanian human capital could provide unprecedented economic growth and financial sustainability across the three countries, bringing about new heights of soft power and a renewed perception of security. The coordinated diplomatic front could in turn attract GCC and foreign investments, more favorable terms for labor migration and remittances, guaranteed economic aid, a solution for Jordan's refugee crisis, and post-war reconstruction in Iraq.

Furthermore, each of the tripartite members has tangible benefits on the international scene, especially in light of the US' evident regional disengagement.

- Egypt has been slowly losing its position in the Saudi-led coalition to the UAE; and as the undisputedly largest member of this organization, it might regain its prestige and traditional role once again.

- Iraq must limit its overreliance on Iran, should it stay a valid independent member of regional relations, and should it keep significant American assistance. It also must need to reconstruct the war-stricken oil economy that is still under the expected output.
- Jordan ought to pursue closer ties with its regional allies and reinstate its negotiating role for a two-state solution for the Palestinian-Israeli conflict, in spite of the Abraham accords, as it should revert to its 1993 peace treaty with Israel for reduced political and economic tension. In addition, Jordan should be capitalizing on its key position against fighting terrorism and countering violent extremism internationally and utilizing its Aqaba Process model to instigate cross-border peace.

Domestically, Jordan should be seeking solutions to its employment uncertainty, water scarcity, food dependency, burdened infrastructure and political insecurity. As economic and political reforms are indivisible, Jordan ought to integrate social, political and economic freedoms into its civic space, beginning by adopting the new draft laws for elections and political parties, as well as the relative constitutional amendments.

# **The New Sham: An Iraqi Perspective**

Harith Hasan

This brief examines the Iraqi perspective(s) regarding the trilateral framework of coordination between Iraq, Jordan and Egypt which the government of Mustafa al-Khadhimi has given a priority in its regional policy. The brief starts with a short background on Iraq's engagement with this framework, then moves to discuss Khadhimi's vision, Iraqi conflicting perspectives and challenges facing the project in Iraq, and concludes with proposing a future framework.

## **Background**

While the idea of the “New sham” has been linked to Khadhimi, the trilateral coordination framework has been in place years before he became a prime minister. In 2015, Adil Abdul Mahdi, then - the minister of oil, signed a memorandum of understanding with his Jordanian and Egyptian counterparts to build Basra-Aqaba Pipeline. The objectives of this pipeline were to enable Iraq to increase its oil exports by adding a new infrastructure and exit for this oil, providing Jordan with a sustainable oil supply with reduced prices in addition to the transient revenues, and supplying cheap oil for Egypt's processing plants. Also, when he became a prime minister in 2018, Abdul Mahdi participated in a trilateral summit with King Abdullah II and President Abdul Fatah al-Sissi, that was held on March 2019 in Cairo.

However, Abdul Mahdi's economy-centered approach towards this coordination framework did not fully match the preferences of the political groups backing him. He grew more dependent on Iran-allied groups who wanted to connect Iraq further to the Iranian-led regional orbit. One implication for this was the attempt to re-orient Iraq's geopolitical identity towards the east. This was manifested in projects such as Shalamje-Basra railways, which intended to increase economic integration between the Iraq and Iran. Additionally, the so-called “China deal”, which has become a recurrent theme in these groups' narrative, was one of the main signatures in Abdul Mahdi's foreign policy. The deal, presumably part of China's “Belt and Road Initiative,” was presented as part of the reorientation towards the east and as an opportunity to accelerate reconstruction and economic development in the country.

In this context, the trilateral framework has been de-prioritized, until Mustafa al-Khadhimi assumed the position of the Prime Minister in 2020.

## **A Different Vision**

Even before assuming the office, Khadhimi had in mind a different vision of Iraq's geopolitical identity. Talking to the author in 2015, he expressed the view that Iraq needs to develop an architect with Syria,



Jordan, Lebanon and Egypt as a way of finding a place in the region between three regional powers: Iran, Turkey and Saudi Arabia. Once he became a head of Iraqi National Intelligence, he developed better channels of communication with these countries and an assessment of opportunities and challenges. As a prime minister, he sought to develop the trilateral framework and argued in favour of the notion of the “New Mashriq”. According to this vision, these three countries, in addition to Syria and Lebanon, have several common characteristics that may transform into a collective geopolitical identity. Cultural ties, historical affinities, and geographic proximity, create a proper base upon for developing their partnership.

Khadhimi situated this project in his broader approach to strengthen Iraq’s regional ties, placing the country at the intersection of regional politics. In particular, he sought better relations with Arab countries, as manifested in the rapid development of ties with Saudi Arabia and United Arab Emirates. But he saw the trilateral framework as a more natural setting that requires further investment, which made him keen to host the trilateral summit in June 2021 after having attended another summit in Amman. One advantage for this setting that it appeared less provocative to Iran than seeking an integration in the Gulf Cooperation Council. Also, it fits more with Khadhimi’s approach towards the Iranian influence which is based on asserting Iraq’s independence while also providing Iran with channels for regional integration by benefiting from Iraq’s role in the Arab world. This vision culminated in the initiative to hold Baghdad regional conference, in August 2021, which was strongly supported by Egypt and Jordan.

### **The Iraqi Perspective(s)**

The “New Sham” is an ongoing project that has yet to be defined in form and substance. In Iraq, it has so far been a personal vision of two different prime ministers, the first saw it as an economy-centered project and the second aspired to turn it into a regional structure with geopolitical implications. Iraqi institutions have not adapted or gained a clear perspective about the project, which has been reflected in their slow follow-ups of decisions taken by ministerial committees of the three countries.

More importantly, Iraq faces internal political challenges that continue to impede the government’s ability to make a cohesive and systematic foreign policy, including forming regional coalitions. The ethnosectarian divide and the fragmentation of power structure between multiple non-state actors, each with its own ideological leaning, transnational identitarian affinity and regional alliance, resulted in a foreign policy that generally lacks direction and cohesiveness. Indeed, we can speak of multiple foreign policies that sometimes contest the governmental policy. For instance, Kurdistan Regional Government (KRG) has its own separate foreign policy and alliances that extends from economic agreements to security arrangements. One example is KRG’s agreement with Ankara to export the

region's oil via the Iraqi pipeline through Turkish territories, despite the objection of the Iraqi central government. Kurdish nationalism, rather than any form of Arab solidarity, has been more dominant in shaping Kurdish approach to regional geopolitics.

Another example is the Popular Mobilization Forces (PMF), which is dominated by Iran-allied paramilitaries. The PMF adopts the discourse and interests of Iran-led “resistance axis”, whether in its hostility to the U.S. military presence in the country, or its transnational alliances and connections. Several PMF-linked paramilitaries have fighters deployed in Syria, and they coordinate with Kurdistan Workers Party (PKK), despite the official policy that demands the withdrawal of PKK from Iraqi territory. Pan-Shiism, colored by an identification with the ideology of the Islamic republic, is what shapes the perspectives of these paramilitaries.

Arab Sunnis could be more open to accept such gathering, especially given the historical ties with Jordan and the impact of Nassirism on the Arab nationalist elite in Iraq. But these are factors of less importance today, especially as Iraqi Sunnis turns away from grand projects and narratives into internal politics and localized aspirations, with their influence in power structure and decision-making reduced to its minimum.

Whereas Iran places Iraq in the “resistance camp”, KRG values its connections with the west, and Arab Sunnis turning inward, the Iraqi government is seeking some balance and a room for maneuvering to formulate its own foreign policy.

This internal fragmentation also reflects a geopolitical power conflict. The vacuum of power resulted by the collapse of Saddam Hussein regime after the U.S. invasion triggered new dynamics, among which the rise of Iran allied groups. This process was accelerated after the U.S. military withdrawal in 2011, and later after the war against ISIS, which empowered those groups and further legitimized and formalized their control over key security positions. This dynamic led Iraq to become an arena for the projection of Iranian regional influence.

The premature “reorientation towards the east” vision reflected this reality. However, it faced resistance both from inside the country, especially by groups embracing an Iraq-centric views, such as Moqatda al-Sadr's movement and Najaf's religious authority, as well as a growing segment of Iraqi society inimical to the Iranian influence. It was also resisted from the outside, particularly by the United States that is seeking to reduce both Iranian and Chinese influences while at the same time disengaging from the region. The conflicting visions represent continuous fluidity in Iraq's regional identity, which itself is a symptom of a fragmented internal power structure.

In this context, the “new sham” echoes one of these competing visions, rather than a fully embraced and elaborated national policy. This was demonstrated by the objection and criticism of Iran-allied groups to the initiative, which their media often portrayed as an unserious initiative aimed at extracting economic concessions from Iraq (the only oil-producer in the trio). Instead, these groups argue, reviving the “deal with China” is the right alternative for Iraq to realize its independence from “American domination”. The backers of the project have yet not developed a thorough and well-formulated argument, which remains essential to sustain and further develop this project.

## **A Vision for the Future**

The “new sham” has not yet materialized as a functional structure. The economic agreements and economic integration could be the right place to start at given Iraq’s contentious politics. But for the “economic” to be effective, it must be built on the shared benefit, and at the same time take advantage of economic diversity. Expansion of Iraq’s oil exports through Basra-Aqaba pipeline could be one of the promising projects, but its value and feasibility is questionable. If oil prices began to systematically plummet in the future, as predicted by most experts, Iraq may not need to increase its oil exports as much as to diversity its economy. Obviously, there is only limited room for Egypt and Jordan to help Iraq in this endeavor. A more promising alternative is markets integration and shared investments across the three countries, in a way that builds on the advantages each one of these countries enjoys.

Nevertheless, the functionality of the economic cooperation remains limited unless the “new sham” turns into a geopolitical project, one based on more basic needs such as security and socioeconomic development, while also being supported by a cultural vision. From an Iraqi perspective, it will be a structure to face the pressure of competition between Iran, Saudi Arabia, and Turkey. This would require a government that is willing to assert independence towards Iran, and seek to identify with an alternative regional framework, separated but not hostile to “the resistance axis.” One way to do so is by involving, rather than excluding, Syria which, can appease the Iranian concerns while also find an avenue for its regional reintegration.

In this sense, the “new sham” must be defined in terms that represent the needs of each of its members. Previous dichotomies such as pro-western vs. anti-western, Islamist vs. secularist, Arab vs. non-Arab, and democratic vs. authoritarian, will not reflect such definition. Instead, it is better defined as a partnership based on a combination of cultural ties, security concerns and economic collaboration. Prominently, it reflects the need to reembrace a new developmental agenda that helps facing the socioeconomic challenges of 21st century. These challenges include the potential entering of the age of post-rentierism, the demographic challenge and youth bulge, climate change, the rising level of unemployment and the region’s infrastructural and technological underdevelopment. The elaboration

of a new, common concept of development is the most crucial challenge the Arab world is facing, one that could determine whether these countries can survive the new challenges.

Thus, the “new sham” could be the framework in which a common regional strategy of stabilization and development between countries that have similar economic, social, and cultural characteristics, in addition to geographic proximity, would be elaborated. By emphasizing the “pragmatic”, while also highlighting the “cultural”, the “new sham” will gain its distinct features without provoking external enmity or contradicting other affiliations.

# **The New Sham: An Egyptian Perspective**

Abdelmonem Said Aly

## **Abstract**

The Egyptian perspective of the New Sham is conditioned by the conditions and developments of the second decade of the 21st century. These include the Arab Spring and its consequences of regional interventions. The American exit from the region had added a new vacuum to fill. Deep Domestic reforms has been one the responses of the Sham region that was followed by cooperative developments among Egypt, Jordan, and Iraq. Oil and Gas gradually created cooperative initiatives in the Eastern Mediterranean and the three countries. Challenges and opportunities are expected from these regional developments.

## **Introduction**

The second decade of the 21st century was not kind to the Middle East region. The Arab Spring has shaken the states of the region to the bones. What was initially seen as a peaceful search for change and progress was transformed, for the most part, into violent and bloody civil wars that produced destruction of cities and floods of refugees and displaced persons. Non-state actors from sectarian and religious organizations filled the stage, threatening disintegration and division.

In the post–Arab Spring period, the Middle East was understood to be proceeding politically and strategically in accordance with two observed phenomena. First, intra-state conflicts and contradictions have become paramount: more dominant and bloodier than inter-state regional ones. The civil wars that proliferated in Syria, Iraq, Libya, and Yemen were the clearest examples of this change (1). In other countries, spiraling tensions have created conditions for outside intervention, as occurred in Bahrain, or upon a popular demand led to the armed forces assuming control, as was the case in Egypt. The second circumstance is that states in the region, probably as a result of the aforementioned dynamics, became less effective as primary actors in regional relations. Non-state actors—the Muslim Brotherhood, Al-Qaeda, the Islamic State (IS), and Kurdish movements—instead became more important. Some of these actors even had their own particular ideas about the concept of a state, and one of them, in fact—IS—declared a “caliphate state” straddling the borders of Iraq and Syria. Even so, similar creeds and shared ideological extremism failed to prevent violence and bloodshed between Al-Qaeda and IS. Indeed, the theater of the Syrian civil war became crowded with organizations named with “Islamic” connotations.

## **The Regional Interventions**

Meanwhile, non-Arab regional powers have increased the degrees of their military intervention in the Arab region (2). Initially, Iran relied towards this end on cross-border actors, using the Shia doctrinal affiliation and the sectarian dimension, as can be seen with the People's Mobilization Units in Iraq, Hizballah in Lebanon and Syria, and the Houthis in Yemen. Iran no longer just supports and assists local players. It is on the ground with its Revolutionary Guards in order to create a military corridor across Iraq, Syria and Lebanon, so as to acquire a border with Israel. The purpose of this is not just to be able to play defender of the Palestinian cause, but more so to create some leverage to use against the US to compel Washington to change its stance toward Tehran and the nuclear deal. Turkey, too, began to intervene militarily for purposes of its own during the war against IS. Ankara has allocated some of its forces to weaken Kurdish forces that are fighting IS but which offer safe spaces and supplies to the PKK, which Turkey regards as a terrorist organization. With the defeat of IS, Turkey's political geography has induced it to augment its military intervention and belligerency in the service of Recep Tayyip Erdogan's notion of Turkish national security. This helps explain the Turkish military offensive in Northern Syria and, at the same time, its attempt to intervene in the context of natural gas discoveries in the eastern Mediterranean. Ankara rejects the Egyptian-Cypriot maritime borders agreement and has attempted to forcefully prevent the Italian-based ENI oil and gas company from continuing with its exploration activities in that area.

## **The American Exit**

Many changes are currently taking place in the map of the Middle East, not by changing the borders of states, but by profound transformations that rearrange political interests of states and their priorities (3). Perhaps the most obvious of these changes is the American withdrawal from Afghanistan, and what the US agreed on to withdraw from Iraq before the end of the year, and what is possible to happen during the same period, to withdraw the remaining forces in Syria.

This exit from a region in which Washington has become accustomed to be the principal player since the events of September 11, 2001, most likely will affect the balance of power in the region, and is likely in the world. What of concern is that the role played by the superpower has receded, and it came from the country that has had a presence in all the issues of the region, from the Arab-Israeli conflict to the

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<sup>(3)</sup> <https://nationalinterest.org/blog/reboot/america%E2%80%99s-retreat-middle-east-proves-it%E2%80%99s-tired-war-194796>

proliferation of nuclear weapons, the last of which was dealing with Iran's pursuit of nuclear weapons, which led to an agreement in 2015.

### **The Return of Geo- Politics & Economics in the Middle East**

As the states of the Middle East have begun to recover from the storms of the Arab Spring, geo-politics has also returned to the region, reflecting many of pre–Arab Spring national interests and interactions. In turn, this is contributing to a sense of stability that also allows reforms to take shape. And as geo-politics has extended to geo-economics with the demarcation of maritime boundaries consistent with the UN Law of the Sea, promising Red Sea and Eastern Mediterranean common prosperity areas have begun to emerge as well (4). The demarcation occurred between Egypt and Saudi Arabia in the Red Sea and between Egypt in one hand and Cyprus and Greece on the other in the Mediterranean.

The huge economic potential on both shores of the Red Sea offered possibilities for the creation of what could be at one and the same time a vast maritime security zone and a vast mutual prosperity zone. Both “Saudi Vision 2030” and the “Egyptian Vision 2030” place great emphasis on the optimum economic utilization of the Red Sea area, inclusive of its waters, coastlines, and islands, embracing the tourism and mineral resources it offers as well as its potential to serve as a multidimensional bridge between the Arabian Peninsula and Egypt. The Gas discoveries in the Eastern Mediterranean have led to the creation of the “East Mediterranean Gas Forum” to include Egypt, Jordan, Palestine, Cyprus, Greece and Italy.

These maritime demarcation agreements contributed to the formation of exclusive economic zones for the countries concerned, after which it became possible to announce large natural gas discoveries in Cyprus, Egypt, Israel, Palestine and Lebanon. All these developments have resulted in the emergence of a process of regional competition that has reshaped conditions and alliances in the region. Competing trends have emerged from all of the above in the context of what has come to be called the Eastern Mediterranean Region: The Egyptian initiative to establish the Eastern Mediterranean Forum and Turkey who has signed an agreement with the Libyan Government of National Accord to demarcate the maritime borders between Ankara and Tripoli, despite the absence of direct maritime borders between the two countries. More than that, Turkey began to explore gas and did not find it on its direct shores, and then at the maritime borders of Turkish Cyprus, while putting pressure on Greece to place itself on the table for the distribution of gas production and its revenue, without signing an agreement on the

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(4) Abdel Monem Said Aly, “The Return of Geo-Economics and the Emergence of Co-Prosperity Zones in the Middle East,” Middle East Brief, no. 124 (Brandeis University, Crown Center for Middle East Studies, December 2018).

law of the sea. And in September 21, 2020 the East Mediterranean Gas Forum transformed into regional organization based in Cairo.

## **Reform Trends**

One of the major responses to the Arab Spring has been the need for basic reforms to be the locomotive that manages and signals an exit from chaos and entry into the world of development instead of backwardness, modernity instead of fundamentalism, and progress instead of reaction. Thus, the Arab countries that managed to withstand the storm of the Arab Spring launched large-scale reform processes with visions that set the year 2030 as a goal to achieve (5). The path of comprehensive reforms have been proceeding in a number of Arab states, not in the same way or according to one approach or ideology, but within the framework of the historical context specific to each country. Whether in Saudi Arabia and the Arab Gulf states, or in Egypt, Jordan, Morocco and Tunisia, where, in recent years, extensive reform processes have taken place, the details of which differ from one country to another. Nevertheless, they were united by the fact that they all took as their starting point radical economic changes intended to render the Arab state similar to the models of emergent Asian nations that have made such rapid progress during the past four decades.

## **The New Sham**

The New Sham has been a project put forth by Iraqi Prime Minister Mustafa al-Kadhimi during the tripartite summit between Iraq, Jordan and Egypt in Amman on August 25, 2020 (6). The project provided for the establishment of a common economic base for the three countries that secures long-term investment partnerships and a broad trade exchange contributing to enhancing the Arab market, based on oil abundance in Iraq, and the human capital in Egypt, with Jordan as a link between the two. On June 27, 2021, the leaders of Iraq, Jordan and Egypt met in Baghdad for high-level talks on commercial, strategic and security matters (7). Thus, an emerging partnership between Jordan, Egypt and Iraq was hoped to yield security and commercial gains for each country (8).

The New Sham project is a political plan between the leaders of the three countries to achieve integration at the economic level, which would entail several projects, including the reconstruction of

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(5) <https://aawsat.com/home/article/631496/%D8%B9%D8%A8%D8%AF-%D8%A7%D9%84%D9%85%D9%86%D8%B9%D9%85-%D8%B3%D8%B9%D9%8A%D8%AF/%D8%A7%D9%84%D9%85%D8%B3%D8%AA%D9%82%D8%A8%D9%84-%D9%81%D9%8A-2030>

(6) <https://sptnkne.ws/DzHr>

(7) <https://www.brookings.edu/blog/order-from-chaos/2021/07/02/egypt-iraq-and-jordan-a-new-partnership-30-years-in-the-making/>

(8) <https://f24.my/7n3A>



Iraq in exchange for oil. Both Egypt and Jordan are already engaged in development projects in Iraq, with Egypt receiving oil imports in return. The two countries are also involved at the security level with Baghdad, based on cooperation in combatting terrorism afflicting the region. Egypt could benefit from the landline project, which would pave the way for the return of Egyptian workers to Iraq as was the case prior to 2003 when “nearly 4 million Egyptians worked in Iraq.” (9)

The project has two parts: economic and political (10). The economic part, which comes first: Extension of an oil line from Basra in Iraq through Aqaba in Jordan to Egypt. This line will deliver oil to Egypt at a price lower than the official price by about \$16 a barrel (11). At the same time, Egypt will extend an electric line to Jordan to reach Iraq, which will supply electricity to Jordan and Iraq. Second: The Egyptian companies will rebuild Iraq, meaning they will build a new infrastructure for Iraq in exchange for contracts to supply oil. As for the political aspect, Egypt will contribute to the restructuring of Iraqi institutions, whether the armed forces or the Iraqi police and government institutions in full.

### **Support of the United States and European Union**

United States military withdrawals from the region reflected not just exhaustion with past interventionism, but also the new reality that the Middle East is no longer command existential importance to the prosperity and security of the American homeland. The tripartite project has American support. The United States welcomed historic visit to Baghdad by the President of Egypt and King of Jordan and saying: “this visit is an important step in strengthening regional economic and security ties between Egypt, Iraq, and Jordan and to advance regional stability” (12). The US presence in the nascent alliance, both in terms of its support or the proximity of its parties to US interests and policies in the region, constitutes a blow to Russian and Chinese schemes regarding Iraq. The European Union on the other hand aims to reach radical solutions to the issues of refugees and illegal immigration, so it strongly supported this alliance, as well as the paths for economic and political development in the Middle East region.

### **The consequences on Iran, or other regional players**

#### **Iran**

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(10) <https://defence.pk/pdf/threads/learn-about-the-new-al-sham-project-which-will-change-the-entire-map-of-the-region-the-most-prominent-challenges-facing-the-project-and-the-plan-to.715451/>

(11) <https://ashariealjadid.com/news/101490-%D9%85%D8%A7%D8%B0%D8%A7-%D9%88%D8%B1%D8%A7%D8%A1--%D8%A7%D9%84%D8%B4%D8%A7%D9%85-%D8%A7%D9%84%D8%AC%D8%AF%D9%8A%D8%AF-%D8%9F%D8%9F>

(12) <https://www.state.gov/president-of-egypt-and-king-of-jordan-visit-iraq/>

The alliance brings Iraq directly closer to the Arab countries and the attempt to find a new Arab bloc through which Iraq could be more effective within the Arab region (13). This would result in the withdrawal of one of the pillars of Iran's strategic project in the Middle East and creating a big gap in its regional strategy. In addition, the alliance threatens Iran with losing the Iraqi market which is the only export outlet for Iran's products. Therefore, Iran is unlikely to accept the loss of its influence in Iraq, and would suggest to its proxies there that the alliance is part of a Gulf-US conspiracy. It would use all methods to obstruct the alliance's paths, including destabilizing Iraq.

For years, Iran has monopolized the export of construction materials to Iraq (14). This project would overthrow Iran's desire to unilaterally rebuild Iraq, as Egyptian and Jordanian companies will undertake this task. But what bothers Iran more is the security coordination between the three countries.

## **Turkey**

The Extension of an oil line from Basra in Iraq through Aqaba in Jordan to Egypt and its development, represents a blow to Turkey's ambition to control Iraq's oil. Iraq also exports part of its oil through the Turkish port of Ceyhan (15), and Turkey does not want Arab alternatives for Iraq. Turkey furthermore does not want a strong Arab alliance, with a strong economy, as this would affect its direct interests. On the other hand, this alliance is in the interest of Turkey's Arab opponents, especially Egypt, the UAE and Saudi Arabia, and strengthens their leverages in the confrontation with Turkey.

## **China**

Iraq is at the heart of its interests in the region, especially the Belt and Road project, in addition to its desire to obtain shares of the reconstruction of Iraqi cities and the infrastructure. China plans to expand its investments in Iraq with new activities. Last year, it announced its intention to pump \$20 billion in industrial investments in the Iraqi governorate of Muthanna. China's investments, in the last two years, have witnessed a remarkable expansion in the Iraqi market. Until 2020, Chinese capital in Iraq

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(13) <https://epc.ae/topic/the-new-levant-project-likely-opportunities-challenges-and-trajectories>

(14) <https://zatmasr.com/%d9%85%d8%b4%d8%b1%d9%88%d8%b9-%d8%a7%d9%84%d8%b4%d8%a7%d9%85-%d8%a7%d9%84%d8%ac%d8%af%d9%8a%d8%af-%d8%a7%d9%84%d9%86%d9%81%d8%b7-%d9%88%d8%a7%d9%84%d9%83%d9%87%d8%b1%d8%a8%d8%a7%d8%a1-%d9%88/>

(15) <https://ewc-center.com/2021/06/22/%D9%85%D8%A7%D8%B1%D8%A7%D8%AB%D9%88%D9%86-%D8%A7%D9%84%D8%B4%D8%A7%D9%85-%D8%A7%D9%84%D8%AC%D8%AF%D9%8A%D8%AF-%D8%A7%D9%84%D8%AA%D8%B9%D8%A7%D9%88%D9%86-%D8%A8%D9%8A%D9%86-%D9%85%D8%B5%D8%B1-%D9%88%D8%A7%D9%84%D8%A3%D8%B1%D8%AF%D9%86-%D9%88%D8%A7%D9%84%D8%B9%D8%B1%D8%A7%D9%82-%D9%86%D8%AD%D9%88-%D8%B4%D8%B1%D8%A7%D9%83%D8%A9-%D8%A7%D8%B3%D8%AA%D8%B1%D8%A7%D8%AA%D9%8A%D8%AC%D9%8A%D8%A9%D8%9F/>

amounted to about \$12.8 billion, according to the Chinese Investment Tracking Index issued by the American Enterprise Institute, most of which are concentrated in the oil and natural gas sectors (16).

## Russia

Iraq has long been one of the traditional Russian centers of influence in the region. Russia has begun to extend its influence to Iraq in recent years, in preparation for a possible US exit from the region (17). Moscow will be the least comfortable regarding the new Sham project as it might compete with its projects in Iraq and more so in Syria.

## Challenges

### First, The Iraqi Challenges:

On the outset there is a fear in Iraq that the project would be interpreted as Iraq's inclusion in the game of regional axes. The success of the New Sham project is linked to Iraq's ability to fulfill its obligations towards it (18). As there is an Iraqi division between supporters of Iran and supporters of Iraq's return to its Arab fold, with the scale in terms of numbers and arms tilting in favor of Iran's supporters, it will be difficult for Iraq to fulfil its part of the agreements. Iraq is also likely to face a number of challenges which lie in the efforts of regional and international parties affected by the alliance to activate their supporters in Iraq to obstruct the course of the project. Iran and Turkey would also view the alliance from a prism of hostility. China and Russia would deal with the alliance as a "U.S. product". (19)

### Second, The challenge of the Arab-Israeli conflict:

The countries participating in the New Levant Project are close to the Arab-Israeli conflict. While Egypt and Jordan signed a peace agreement with Israel, Iraq refuses to normalize relations with Israel. When Iraqis participated in a conference calling for the normalization of relations with Israel, the Iraqi presidency said that it affirmed Iraq's "steadfast and supportive position for the Palestinian cause and renewed Iraq's categorical rejection of the issue of normalization with Israel." As the Palestinian question is always in the security agenda if both Jordan and Egypt, Iraq's distance from the issue will put burdens in the project particularly on time of crisis.

### Third, The challenge of (Syria and Lebanon):

Syria remains fractured, Russia maintains a large stake in the northeast, and Turkey has influence throughout the northwest that lies outside Damascus' control, as well as the United States and Iran (20). Terrorist groups such as al-Qaeda and ISIS are proliferating. The regime has little control over its

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(16) [https://futureuae.com/media/1329\\_3e4fde35-9db5-469a-bb00-db5338092464.pdf](https://futureuae.com/media/1329_3e4fde35-9db5-469a-bb00-db5338092464.pdf)

(17) <https://epc.ae/topic/the-new-levant-project-likely-opportunities-challenges-and-trajectories>

(18) <https://epc.ae/topic/the-new-levant-project-likely-opportunities-challenges-and-trajectories>

(19) <https://epc.ae/topic/the-new-levant-project-likely-opportunities-challenges-and-trajectories>

(20) <https://www.almasryalyoum.com/news/details/2385560>

resources. Lebanon is experiencing shocking hyperinflation, the Lebanese lira, which is pegged to the dollar, has dropped 90 percent in value since fall 2019(21). Critically, the compounding crises have serious political implications, both internally and outside of Lebanon. As both Syria and Lebanon are linked to Iraq in geo political and geo strategic terms because of proximity and Iranian presence, the explosive developments in both countries, and their hidden wars with Israel put the project under heavy pressures on a project is still in its infancy.

## Opportunities

Three developments open opportunities for the project to succeed. The continuation of reforms in the three countries create the potential for multilevel cooperation. The electoral developments in Iraq gave reasons for optimism as the results were on the side of reconciliation and national buildup of the country away from Iran. The Jordanian openness of relations with Syria, the heartland for the Sham project allows for more opportunities. Egypt also signaled going in the same direction. Finally, a general direction for conciliation and de-escalation in the region is creating a climate for cooperative and integrative regional politics in which the New Sham projects is located. More concrete opportunities are in place:

**First**, the Egyptian Prime Minister signed with his Iraqi counterpart 15 cooperation agreements under the umbrella of the New Sham Project in November 2020(22). These projects rely on the human, institutional and commercial resources owned by Egypt. The agreements signed with Iraq open the door for the Egyptian construction and building companies to work in the reconstruction of Iraq, and Egypt has a surplus of local cement production, which will mostly go to meet the Iraqi needs.

**Second**, Jordan plays an important role in the new Levant project, as its geographical location is intermediate between Egypt and Iraq. Thus, Jordan will facilitate the arrival of both oil from Iraq to Egypt, and electricity from Egypt to Iraq. In return for Jordan getting electricity from Egypt and oil from Iraq.

**Third**, the tripartite project achieves various strategic goals, the minimum of which is to reduce the burden of Iranian and Turkish interference in Iraq (23), support Jordan's economic and political

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(21) <https://www.vox.com/2021/10/10/22719115/lebanon-power-grid-collapse-beirut-crisis>

(22) <https://p.dw.com/p/3vdh5>

(23) <https://ewc-center.com/2021/07/05/%d9%85%d8%b5%d8%b1-%d8%aa%d9%82%d9%88%d9%85-%d8%a8%d8%aa%d8%ac%d9%85%d9%8a%d8%af-%d8%ad%d9%88%d8%a7%d8%b1%d9%87%d8%a7-%d9%85%d8%b9-%d8%aa%d8%b1%d9%83%d9%8a%d8%a7-%d9%85%d8%a7-%d8%a7%d9%84%d8%b1%d8%a7%d8%a8%d8%b7-%d8%a8%d9%8a%d9%86-%d8%a7%d9%84%d8%b4%d8%a7%d9%85-%d8%a7%d9%84%d8%ac%d8%af%d9%8a%d8%af-%d9%88%d8%b4%d8%b1%d9%82-%d8%a7%d9%84%d9%85%d8%aa%d9%88%d8%b3%d8%b7%d8%9f/>

stability, and create new regional drivers that accommodate the new US policy positions in the region, especially those related to the future of Iraq, Syria, and perhaps Lebanon later.

**Fourth**, through this project, Iraq offers its huge oil potential to the world, and the construction of a crude oil transport line (Basra-Aqaba), which represents an outlet for the export of Iraqi oil to global markets (24) through its passage through Jordan and Egypt. And it is possible to integrate Iraq into the Eastern Mediterranean Gas Forum.

**Fifth**, the implementation of the “New Levant” project on the ground comes before the activation of a similar Iranian regional project in the Arab region, starting from Tehran and passing through Iraq, Syria and Lebanon (25).

**Sixth**, Iraq has the opportunity to get rid of Iranian hegemony, in light of the existence of a popular movement calling for reform and containing Iran's proxies. Transferring Iraq’s economic activity to the Red Sea and the Mediterranean, away from the Arabian Gulf and the Strait of Hormuz, which are under Iran's threat. The results of Iraqi election, showed the bloc of Iraq's Shiite cleric Muqtada al-Sadr getting the plurality seats in parliament (26) made a change of Iraqi politics tilting towards a nation state building away from the Shiite definition of the Iraqi state.

**Seventh**, the alliance may develop and open the door to the inclusion of other countries: (Lebanon and Syria) to benefit from the economic and geographical advantages of the member states, and networking the economic interests. The opening of Jordan and Egypt to Syria and Lebanon are steps in this direction.

**Eighth**, the project will receive an Arab support, especially by the Gulf states (27), given that the alliance constitutes an important tributary in strengthening the Arab position in the face of the penetration of regional powers, especially that Iraq and Jordan are geographically linked to the Gulf countries, and that fortifying the security of both countries is an important issue for the Gulf countries.

**Ninth**, The existence of an Arab public opinion in support of the project, specifically in the three member states of the alliance. would also give the alliance the necessary momentum and legitimacy for development and survival against many internal and external challenges.

**Tenth**, the project geo economic content provides for the consolidation of peace and cooperation in the region. Coupled with the peace agreements of Egypt and Jordan, the Mediterranean Forum and the Abraham Accords, the New Sham project creates wide opportunities for peace making in the Arab-Israeli conflict.

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<sup>(26)</sup> <https://f24.my/84IO>

# The Politics of Alliance Formation in the New Levant: Pitfalls and Promises

Riham Bahi

In order to explain states behavior, theories of alliances contend that states pursue alliances mainly to preserve themselves in the face of threats and/ or increase their power. Threats can be internal/external, economic/military, and/or material/ideational. Once formed, alliances may alter some of the enduring features of regional politics. They shape relations among states as well as the prospects of stability and conflicts in a region. International relations scholars agree that what brings allies together will affect the cohesion of the alliance.<sup>1</sup> What explain alliance choices in the Middle East? And what can we make of the “New Levant” alliance within the context of alliance politics in the Middle East?

Alliance choices in the Arab region have been explained by the threats faced by Arab states in their domestic and regional settings.<sup>2</sup> Since 2011, the Arab region has been rocked by uprisings, civil wars, and terrorism. These events have shaken the system of regional alliances and alignments in the Middle East, as states tried to adjust to changes in regional politics and security. Arab states are facing both internal and external challenges, such as democratic and militant movements as well as non-Arab states such as Turkey and Iran playing larger roles in regional politics. The Arab Spring has created power vacuum, altered regional power balances and instigated a new round of leadership competition. Regional powers such as Iran, Saudi Arabia and Turkey have sought to take advantage of the ongoing regional fragmentation and power shift in order to raise their regional profile by pursuing competing regional agendas. As a result, the system of regional alliances has been shake as Arab states tried to adjust to these drastic changes in their regional environment. The Post-2011 Middle East witnessed shifts in the dynamics of alliance politics.

Alliances in the Middle East have been shaped by regional competition as well as international intervention. As a “globally embedded region”, the Middle East does not enjoy considerable autonomy vis-à-vis global structures and actors. The region is highly penetrated by external actors, especially the United States<sup>3</sup>. From a structural realist perspective, regional powers are not autonomous. Regional

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<sup>1</sup> May Darwish. Alliance Politics in the post-2011 Middle East: Advancing Theoretical and Empirical Perspectives. *Mediterranean Politics*. 23 February 2021. <https://www.tandfonline.com/doi/full/10.1080/13629395.2021.1889300>

<sup>2</sup> Curtis Ryan. Regime Security and Shifting Alliances in the Middle East. *POMEPS*. <https://pomeps.org/regime-security-and-shifting-alliances-in-the-middle-east>

<sup>3</sup> (Beck 2014, p.3)

powers are expected to be dependent on global power(s). Within the unipolar international system, U.S. dominance shaped politics and alliance formation in the Middle East. A changing global order has the potential to disturb regional orders. This is particularly true for the Middle East regional order. Extra-regional rising powers, such as China, have been able to pursue deeper relations with regional powers in the Middle East. The context of weaning American leadership has presented China with a strategic opening to further its interest, energy imports and infrastructure contracts, in the Arab region. The perception of a transitioning international order is coinciding with a perception that US is softening its commitment to maintaining the regional order in the Middle East. <sup>4</sup> As a result, regional powers are becoming more assertive in their neighborhoods, leading to a new round of regional conflicts, leadership competitions and shifting alignments.

The leaders of Egypt, Jordan and Iraq are devising a new mechanism for economic and geopolitical cooperation. They had several successful meetings in 2019 and 2020 before their June 2021 meeting in Bagdad, seeking to increase their security and economic cooperation. The emerging tripartite alliance is repositioning Egypt, Jordan and Iraq as important regional centers after years of crises and regional power shift to Turkey, Iran and Arab Gulf states. Regional turmoil provided an opportunity for Iran, Turkey and Israel to expand their influence in the region. Through the “New Levant” project, Egypt, Joran and Iraq are trying to regain their power and leadership.

Mainly, the new alliance focuses on boosting economic ties. The tripartite cooperation focuses on issues such as investment, reconstruction, water, food supplies, electricity, energy, and responses to Covid-19. Egypt would support Iraq’s reconstruction with its manpower and expertise in the infrastructure sector. Jordan will be an important link between Iraq and Egypt in energy transfer lines. Iraq would support Egypt with 12 million barrels of light crude oil. However, the partners are also interested in addressing political issues such as the external interference in Arab Affairs and the Israeli annexation of Palestinian territories. Egypt seeks the support of Iraq and Jordan on many critical issues such as Turkey’s intervention in Libya.

The alliance has the potential of shoring up stability in the region after waves of terrorism and extremism. The three countries are trying to shape a common regional vision through cooperation and coordination on issues such as fighting extremism and respecting state sovereignty. The three partners want Syria to rejoin Arab regional politics. They also discussed the situation in Yemen and Libya. They

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<sup>4</sup> Fulton 2018

called for foreign mercenaries (Turkish-backed fighters) in Libya to go back to Turkey. They called for renewed efforts to reach “a just and comprehensive peace” between the Israelis and the Palestinians.

The emerging alliance comes at a time when Jordan lost its regional currency and unique position as an interlocutor for Peace with UAE and Bahrain normalizing relations with Israel. Egypt is also keen to regain its position as the leading Arab state by placing itself at the center of a new Arab alliance. Iraq hope to regain its stability and regional position after years of turmoil due to US-led invasion, terrorism and sectarianism.

Some observers tend to dismiss this project as” irrelevant” or too good to be true. Iraq struggles with myriad political and security problems, Egypt had turned inward and demonstrated little capacity to shape events in the region beyond Gaza Strip, and Jordan has lost ground in recent years as Trump and Netanyahu preferred dealing with Saudi Arabia and UAE.<sup>5</sup> The most serious challenges facing the new alliance comes from regional and international parties. Those parties could activate their tools in order to obstruct the trajectory of alliance. Iran, which has a huge role in Iraq, will not look the other way and let Jordan and Egypt take Iraq away. Turkey would refuse to give Egypt a foothold in Iraq in line with its hostility toward Egypt. Russia and China would perceive the alliance as a “US product” aiming at preventing them from extending their influence in the region. <sup>6</sup>

The “New Levant” alliance holds promises for the regional partners. Jordan needs economic support as it has received waves of Syrian refugees for years. The alliance is an indicator of Egypt’s determination to resurrect its presence as a regional leader. Iraq seeks to move closer to Arab allies of US in the Middle East and this alliance would bring Iraq back into Arab fold and boost its stance against outside intervention as a major regional player.

Economic cooperation is the driving force behind the formation of this trilateral relationship. The three countries have taken meaningful steps to rebuild economic ties. In 2017, Egypt began to receive oil from Iraq, after its oil supply was cut off by Saudi Arabia. Jordan began to receive Iraqi oil in 2019. Major joint energy projects between the three countries have been anticipated. Moreover, Iraq looks to Egyptian and Jordanian companies for massive reconstruction projects in order to recover from decades of wars.

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<sup>5</sup> Steven Cook. Iraq is the Middle East’s New Power Broker. *Council on Foreign Relations*. 23 August, 2021. <https://www.cfr.org/article/iraq-middle-east-new-power-broker>

<sup>6</sup> Emirates Policy Center. The “New Levant” Project: Likely Opportunities, Challenges, and Trajectories. 7 September, 2020. <https://epc.ae/topic/the-new-levant-project-likely-opportunities-challenges-and-trajectories>



In addition to the economic aspects, each of the three partners has political and strategic goals. Iraq wants to diversify its regional relationships beyond Iran, however not at the expense of its relations with Iran. Egypt and Jordan want to reduce their dependence on Saudi Arabia. The new alliance would give Egypt and Jordan, as well as Iraq, greater leverage vis-à-vis Saudi Arabia.

The emerging alliance holds promises for regional stability. Traditional power centers such as Cairo and Amman are losing agency on key regional issues to other players such as UAE and Saudi Arabia, which successfully turned their wealth into influence. The formation of this alliance is sending a message that when power shifted to the Gulf Arab States after the Arab Spring, the regional security environment has deteriorated. The alliance sought to develop a “common vision through cooperation and coordination” in order to foster regional stability. The three countries seek to become a stabilizing force and work to end regional rivalries that exacerbated regional insecurity. For example, Iraq is working on mediating between Saudi Arabia and Iran and pushing for reconciliation between Egypt and Turkey. Mitigating regional rivalries can benefit Yemen, Libya and Syria as well as Iraq. Establishing strong ties with regional powers such as Egypt and Jordan and carving out a larger role for its self among Arab countries, provide Iraq with the depth and strength needed to pull Iraq from Iran’s influence without antagonizing Iran. Bringing Iraq back to the Arab fold is in the interest of Saudi Arabia. The alliance has a clear goal of counter Iran’s influence in Iraq by strengthening Iraq’s economic, political and security ties to Arab nations. The alliance has the support of Arab Gulf countries because it is likely to strengthen Arab position in the face of the penetration of regional powers, namely Iran and Turkey.

As for the international parties, there is a clear US support for this project, as it fits the US strategy to isolate Iran and dismantle its hegemony over Iraq. The US repeatedly demanded that Iraq reduce its heavy economic and energy dependence on Iran<sup>7</sup>. The US has welcomed the tripartite alliance between its major allies. The impact of this alliance on Iran will ultimately depend on the outcome of the ongoing negotiations between Iran and the Biden Administration in order to revive the JCPOA.

The United States is negotiating a withdrawal timeline with the Iraqi government. At the same time, US has genuine interest in calming regional tensions without being directly involved. The “New Levant”

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<sup>7</sup> Iraq is dependent on Iran for roughly a third of its energy and electricity supply, which has led to both disruptions in electricity service and tensions between Baghdad and Washington. Emily Hawthorne. What to Make of Jordan, Egypt and Iraq’s New Alliance. *Stratfor*. 6 July, 2021.

<https://worldview.stratfor.com/article/what-make-jordan-egypt-and-iraq-s-new-alliance>

alliance has the potential to become a centerpiece of US policy in the region. Coordination between Iraq, Egypt and Jordan's security services could help circumvent the development of transnational threats in the region. The three countries have capable intelligence and security forces and they have strong security and diplomatic ties with the US. This will reassure Washington that the withdrawal of the US forces will not disrupt regional stability and harm US interests. 8

Iraq is perceived as the primary instigator in forming the new alliance, however, the "New Levant" is not purely an Iraqi project. It is a US- envisioned project. A research published by Rand corporation advocated a free trade agreement between various countries in the Levant and that the economic benefit of such cooperation could reach an additional 3-7% on average.<sup>9</sup>

Furthermore, the US support for this "New Levant" project could be part of US efforts to face Chinese encroachment on the Middle East. Investments by Jordan and Egypt are being sold as replacement for Iraq's \$10 billion oil-for-infrastructure agreement with China<sup>10</sup>. For China, Iraq is at the heart of its interests in the region, especially the Belt and Road Initiative. China seeks to obtain a share in Iraq's reconstruction and infrastructure projects. The "New Levant" alliance is a blow to the Chinese schemes for Iraq. <sup>11</sup>

There are key reasons that make this alliance a viable project. There is real political will behind it. The leaders of the three countries support it. The common interests, such as economic development, security and counterterrorism, will help drive the partnership forward. The alliance offer Egypt, Jordan and Iraq renewed political leverage –both regionally and internationally. It provides valuable new partners. <sup>12</sup> The three countries can capitalize on their complementary resources; energy, human capital, market opportunities, and military capabilities. The population of the three countries combined is a source of power in the form of human capital of 150 million people. The three countries can also capitalize on a combined GDP of nearly \$570 billion. <sup>13</sup> Moreover, this new alliance is based on diplomacy and builds on Egypt's long experience in forging relationships, as Egypt is eager to regain

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<sup>8</sup>Ibid.

<sup>9</sup> Yesar Al-Maleki. The Promise and Pitfalls of Iraq's Tripartite New Mashreq. Middle East Institute. 29 June, 2021. <https://www.mei.edu/publications/promise-and-pitfalls-iraqs-tripartite-new-mashreq>

<sup>10</sup> Ibid

<sup>11</sup> Emirates Policy Center. The "New Levant" Project: Likely Opportunities, Challenges, and Trajectories. *Op.cit.*

<sup>12</sup> Neil Quilliam. Is the New Arab Alliance too Good to be True? *Chatham House*. 4 May 2021.

<https://www.chathamhouse.org/2021/05/new-arab-alliance-too-good-be-true>

<sup>13</sup> Azza Radwan Sedky. A Strategic Alliance: The Tripartite Alliance will Lead to important Political and Economic Achievements in the Region. *Ahram Weekly*. 6 July 2021.

<https://english.ahram.org.eg/NewsContent/50/1204/416741/AlAhram-Weekly/Opinion/A-strategic-alliance.aspx>

its position as the leading Arab state. The success of the project also depends on Iraq's ability to fulfill its obligations towards it and reduce its dependence on Iran.

Despite the shared economic and political interests, domestic problems as well as compounding regional challenges faced by each of the three countries can complicate the formation of this new alliance. Each country faces distinct challenges; for Egypt, it is the GERD. For Jordan, it is the economic issues and the water shortages. Moreover, cash is as a major challenge for this ambitious partnership. The three countries are cash-strapped. As a result, Egypt and Iraq agreed to trade Iraqi oil for Egyptian reconstruction assistance.

Dependence on external power for economic and security interests will limit the scope of the alliance. The alliance aims at diversifying relations while maintaining their existing aid and commercial relations. For example, Egypt, Jordan and Iraq are concerned about the regional dominance of Arab Gulf countries like UAE and Saudi Arabia "seeking to cajole the Arab world to support their politics and priorities", but they will not be able to turn down Arab Gulf investment money. Iraq in no position of turning down foreign funding as the country faces a deepening financial crisis.<sup>14</sup> However, the emerging alliance provides some pushback against regional powers who have channeled their wealth (Saudi Arabia and UAE) or militias (Iran) in order to raise their political profile and claim leadership by pursuing larger agenda in the broader Arab world.

The emerging regional alliance seeks to achieve stronger ties in three areas: economic partnerships, political cooperation, and security and intelligence cooperation. This alliance is important in the light of the threat of Turkish and Iranian growing regional influence. The alliance aims at addressing the state of fragility in the Arab region that made it an arena for conflict and competition for regional and international powers. The three partners are pooling their resources and capacities in order to change the weight and power equation in the region. The new partnership has the potential to herald a far more ambitious project to bring together not just Egypt, Iraq and Jordan, but other countries of the Levant more broadly. Egypt, Jordan and Iraq made clear that membership in the new alliance is open to other countries in the region to join. By definition, there cannot be a "new Levant" or a "new Sham" without Syria. The new partnership can provide Syria with the necessary means for reconstruction and reintegration in regional affairs. The ongoing regional instability necessitates a new vision for the region. The "new Levant" could serve as the nucleus of this new vision. From the political and the

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<sup>14</sup> Emily Hawthorne. What to Make of Jordan, Egypt and Iraq's New Alliance. *Stratfor*. 6 July, 2021. <https://worldview.stratfor.com/article/what-make-jordan-egypt-and-iraq-s-new-alliance>

economic standpoints, the “New Levant” is a viable endeavor that may instigate major developments in the Arab world.

# The Tripartite Alliance between Egypt, Jordan, and Iraq - Perspectives for Economic Cooperation

Nooh Alshyab

## Abstract

The tripartite alliance between Egypt, Jordan, and Iraq is one of the most interesting recent developments in the geopolitical scene of the Middle East. Analysts and politicians worldwide look at it with increasing interest and expect it may bring some changes in the power dynamics of the region, as well as considerable advances towards regional integration. The tripartite alliance leverages on geographical proximity, cultural, and historical ties and envisions multifaceted economic and political cooperation, addressing strategic sectors, such as security and counterterrorism, trade, energy, and infrastructure development. The Egypt-Jordan-Iraq axis leverages on mutual advantages and may benefit from the similarity in political interests and differences in the economic endowment of the three countries involved. In addition, other regional and international actors already look at it with favor. The tripartite alliance has therefore all ingredients to become a long-lasting phenomenon, which may bring more balance and stability to the turbulent Middle East.

## Introduction

The leaders of the three countries met for the first Egyptian-Jordanian-Iraqi tripartite summit in March 2019 in Cairo. The final statement highlighted the need to intensify cooperation between the three states in light of their historical ties and to take *“advantage of the potential offered by their geographical continuity and the integration of their strategic and economic interests, in addition to the historical, social and cultural ties between the three peoples.”*<sup>15</sup>

The summit also formulated the clear commitment towards stability in the region and envisioned several domains of economic cooperation, such as energy, infrastructure, and reconstruction.

A second meeting was then held in New York on the sidelines of the United Nations General Assembly in September 2019 and a third took place in Amman in August 2020. The summit in Iraq in July 2021 marked then the first visit of an Egyptian president to Iraq since 1990.

The tripartite alliance has all premises to succeed in becoming a lasting alliance. It is anchored on mutually beneficial arrangements: Jordan sees in it a way to overcome the limited size of its market,

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<sup>15</sup> Joint final statement for the Egyptian-Jordanian-Iraqi tripartite summit, Cairo, March 24, 2019.

relaunch its exports, achieve better sustainability of its energy markets, and gain more power in its historical role of mediator in the region. In addition, the alliance may represent for Jordan a way to reduce its dependency on Saudi Arabia and diversify its partnerships in the region. Iraq has to deal with its reconstruction, is interested in diversifying its supply of electricity, and clearly sees in the cooperation a way “*to find an opening to the Arab world*,”<sup>16</sup> which may be also favorably seen by Iraq’s neighbor and important partner, Iran.

Egypt on its part sees with increasing interest the possibility of receiving Iraqis oil through Jordan, and in taking part to the connection of electricity grids. In addition, Egypt needs close markets for its main export products, namely natural gas, manufactured (in particular chemicals and textiles), and food (vegetables).

The aim of this policy brief is to discuss the **economic potential** of the tripartite alliance with a specific focus on Jordan. With this aim in mind, the following questions will be investigated:

- What could be the mutual advantages of economic cooperation?
- What are the most promising domains for economic cooperation and integration between Egypt, Jordan, and Iraq?
- What could be the importance of this alliance for the economic and political development of the region?

## **Struggle of Powers in the Middle East**

The Middle East, with its strategic geographical location and rich endowment of natural resources, has been historically the theater to struggles for influence by several regional and international powers. The absence of a “clear balance of power”<sup>17</sup> has been hampering the stability of the region and several events (Iraq-Iran war in 1980-88, the end of the Cold War, the Iraqis invasion of Kuwait in 1991, the Iraq war of 2003, and the Arab Spring in 2011) have been reshaping alliances and created different fronts.

Currently, as of 2021, in the immediate aftermath of the war in Syria, the MENA is experiencing a protracted conflict and humanitarian crisis in Yemen, a deep financial and economic crisis in Lebanon, and a new outbreak of violence and confrontations between Israel and Palestine. The Intra-GCC crisis of 2017 and the closure of borders with Qatar by Saudi Arabia, the United Arab Emirates (UAE), Bahrain, and Egypt further complicated the constellation of powers and alliances.

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<sup>16</sup> Al Qassab, 2019.

<sup>17</sup> Curtis, R., 2020.

In the background, the COVID-19 pandemic is having deep implications in the region, not only in terms of health emergency and containment measures, economic growth, and rising unemployment, but also in terms of oil price volatility. The fall in the oil prices and in the international demand for crude oil has been hard hitting on the oil exporters as well as on the oil importers of the region, for whose the benefits of cheap oil were counterbalanced by the reduced financial capabilities of the oil rich neighboring countries.<sup>18</sup>

In this tense situation, it has been typically difficult to envision economic cooperation and alliances not clearly antagonistic to existing partnerships: for example, looking at the history of a small country like Jordan, there has been cycles of alliances, where entering a cooperation meant to break ties with other partners.

## **Country Profiles**

The first steps to try to qualify and better understand the potential of the cooperation between Egypt, Jordan, and Iraq is to characterize the countries in terms of main economic indicators and to compare them with other powers in the region, such as Saudi Arabia, Iran, and Turkey (Table 1). The first feature that emerges is that the three countries are diversified in terms of size, population, and output. While Egypt ranks worldwide 31<sup>st</sup> in terms of GDP, Iraq ranks 53<sup>rd</sup> and Jordan only 89<sup>th</sup>. In terms of per capita GDP, on the contrary, all of the three countries can be characterized as middle income. This may be of advantage for economic integration and trade.

In regard to the other three countries presented in Table 1, Saudi Arabia and Turkey clearly dominates in terms of economic size with a GDP of more than 700 bl \$ and are among the top 20 producers worldwide. On the other hand, Iran and Iraq have a similar GDP. Jordan is among the smallest economies in the region. In the context of the region, the alliance between Egypt, Jordan, and Iraq can help them halting competition with other strong economic and political powers, such as Saudi Arabia, Turkey, and also Iran, which is notably not unleashing its economic potential, due to the ongoing embargo.

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<sup>18</sup> World Bank, 2020

Table 1: Selected macroeconomic indicators for the year 2020 (Data source: World Development Indicator, WDI, 2021)

YEAR: 2020	Egypt	Jordan	Iraq	Saudi Arabia	Iran	Turkey
Population (ml inhabitants)	102.3	10.2	40.2	34.8	84.0	84.3
Surface area (1,000 sq km)	1001	89	435	2150	1745	785
GDP (current, bl US\$)	363.1	43.7	167.2	700.1	191.7	720.1
GDP rank (worldwide comparison)	31 <sup>st</sup>	89 <sup>th</sup>	53 <sup>rd</sup>	20 <sup>th</sup>	50 <sup>th</sup>	19 <sup>th</sup>
GDP growth (annual %)	3.6	-1.6	-10.4	-4.1	1.7	1.8
GDP per capita (current US\$)	3547	4282	4157	20110	2282	8538
Merchandise exports (bl US\$)	26.1	7.8	39.3	173.5	54.2	169.5
Merchandise imports (bl US\$)	60.7	17.0	43.3	132.8	38.8	219.4

Figure 1 further reflects on the economic performance of Egypt, Jordan, and Iraq since 2005. The growth volatility in Iraq is a result of protracted conflicts since 2003:<sup>19</sup> this shows that the US invasion of Iraq in 2003 did not bring stability and did not imply the recovery of the country. This is important, in particular considering that the contraction and/ or lower growth rates of the year 2020 were due to the effect of the ongoing COVID-19 pandemic.

In regard to Jordan, even though the country achieved remarkable economic growth rates at the beginning of the 2000s (surpassing the 8%), real GDP growth has been decreasing since 2007 and, from 2010, could not reach 3%. Egypt's economic performance has been also deteriorating from 8% in 2008 to an average of 3.6% over the last ten years. The low economic performance shows the interconnection of the economies in the region, that were all affected by regional instabilities, such as the Arab Spring in Egypt and Syria and the fight against the Islamic State in Iraq. This highlights the need for political stability and for good cooperation in security issues, as prerequisites for more sustainable economic performance.

<sup>19</sup> The US offensive which started in 2003 and led to the destitution of Saddam Hussein opened the scene for the conflict against the Islamic State which lasted until 2018. In between, also the independency revendication by the Kurds, who served to fight against IS, led to further episodes of violence.



Figure 1: GDP growth between 2005 and 2020 (Source: WDI, 2021)

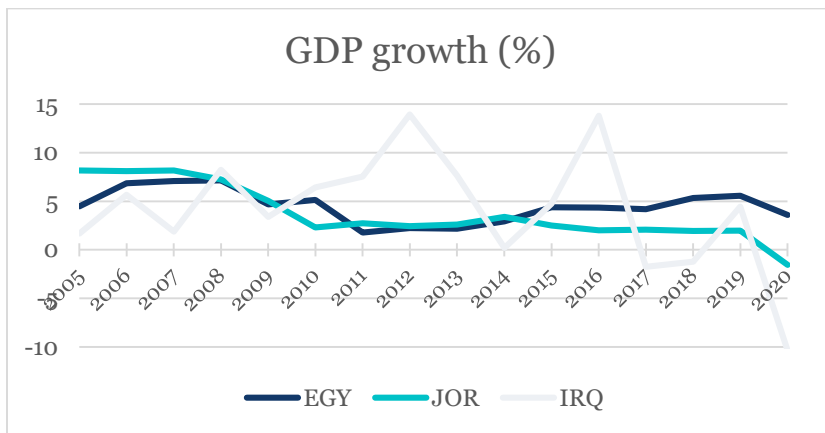
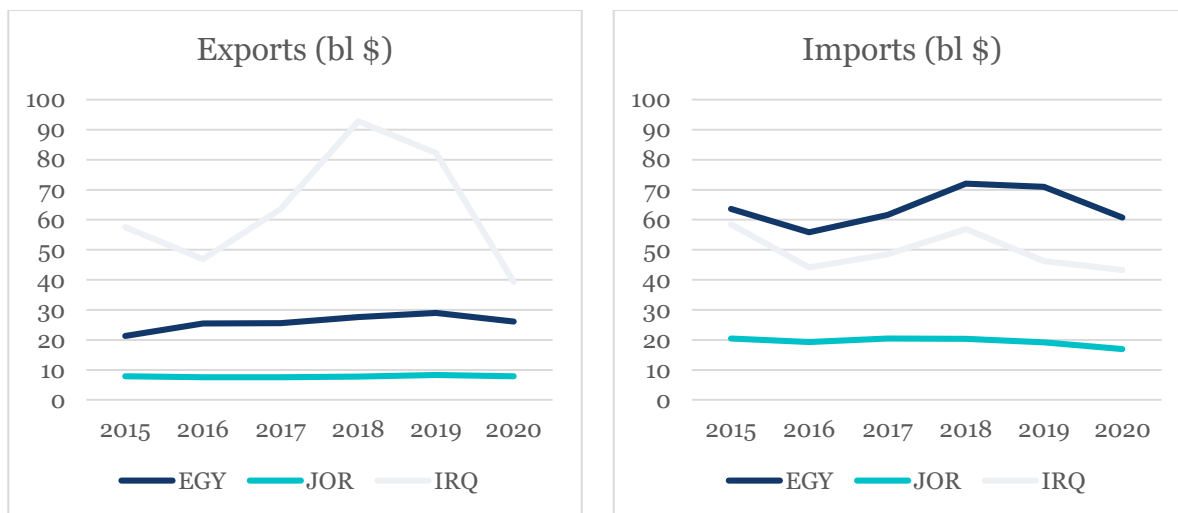


Figure 2 compares the development of import and export for the three countries under investigation over the last five years. It can be concluded that all of the three countries, notwithstanding the differences in the absolute size of their merchandising trade flows, need some strategies to relaunch exports and may thus benefit from a cooperation. This is valid both for Egypt and Jordan, which suffers from chronic deficit in the balance of trade, and for Iraq, which would benefit from a diversification of its exports, also to decouple it with the volatility of the international oil price.

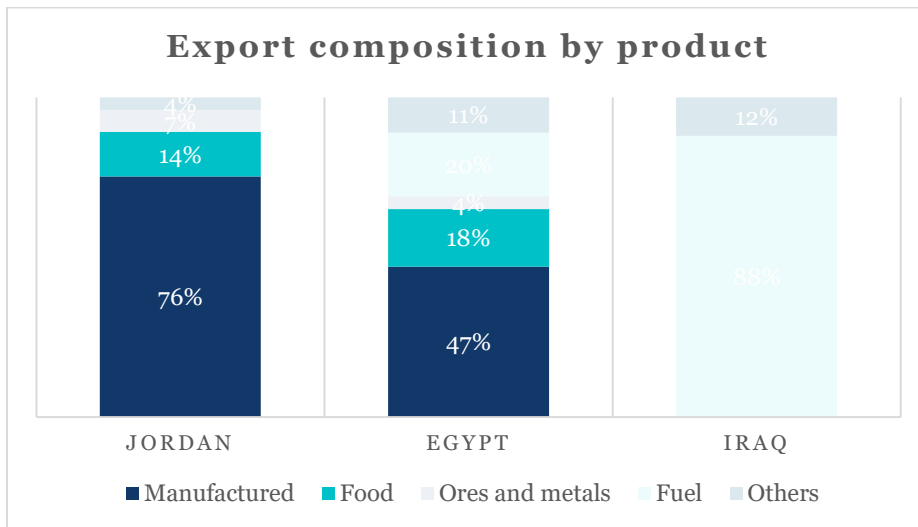
Figure 2: Import and export 2005-2020 (Source: WDI, 2021)



## Mutual Advantages of Economic Cooperation

To answer this question, it is important to look at the composition of trade in terms of main goods and trading partners. Jordan and Egypt could boost their exports and improve their deficit in the balance of trade, as 76% of total Jordanian exports is represented by manufactured goods and 14% by food. Egypt also owes to manufactured the biggest bulk of its exports (49%), followed by fuel (natural gas, 20%), and food (18%). Iraq is clearly specialized in the export of fuels (Figure 2).

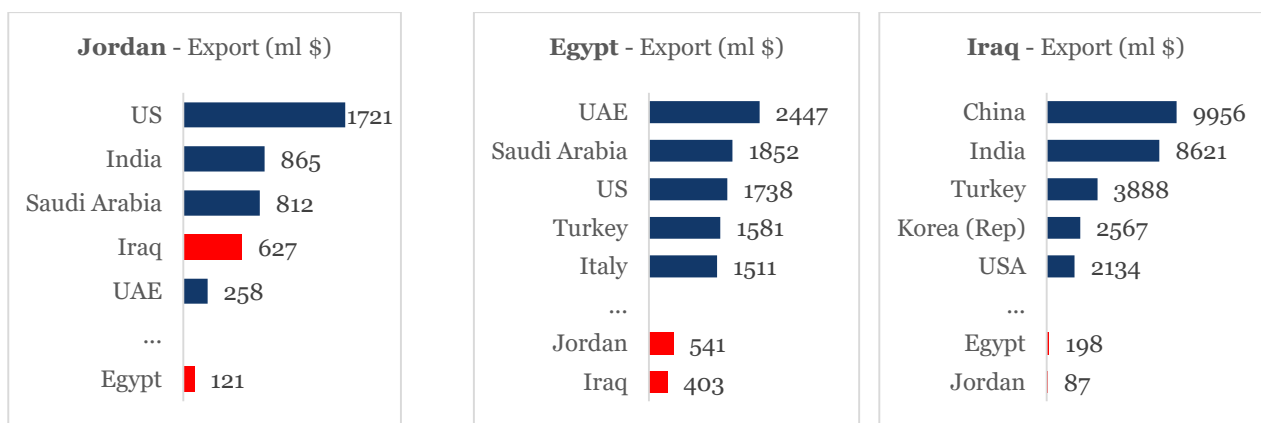
Figure 3: Export composition by product for the year 2020 (Data source: UNCTAD database, 2021)



The fact that all of the countries are classified as middle income may also facilitate trade and better market integration. Iraq is already the fourth largest destination for Jordanian exports (9% of total export from Jordan), after the US (24%), India (12%), and Saudi Arabia (11%). Jordanian exports to Egypt represent only a share of 2% (Figure 4).

Egypt is more diversified in terms of export destinations: The United Arab Emirates are the most important partner with a share of 9%, followed by Saudi Arabia, the US, Turkey, and Italy, each of which with a respective share between 6 and 7%. Jordan and Iraq purchase about 2% of Egyptian exports. China buys alone 25% of Iraqis (oil) exports, followed by India (22%), and Turkey (10%). Being smaller markets, Egypt and Jordan are destination of less than 1% of Iraqis exports.

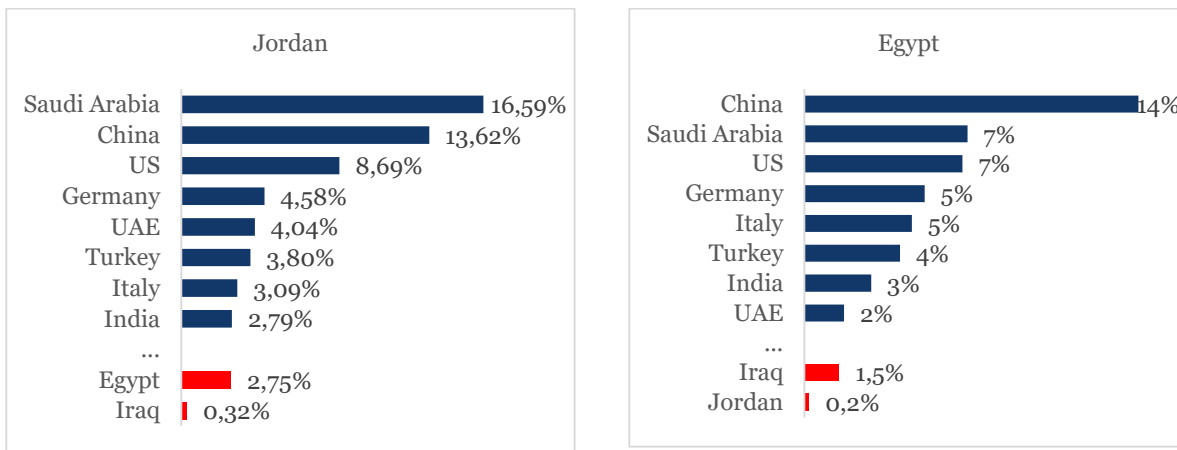
Figure 4: Top export partners for the year 2020 (Data source: UNCTAD database, 2021; for Jordan, Central Bank of Jordan, 2021)



Iraq has been historically prone to grant preferential oil prices to its allies. Before the US intervention in 2003, Iraq was among the main trading partners for Jordan and could secure its oil demand from

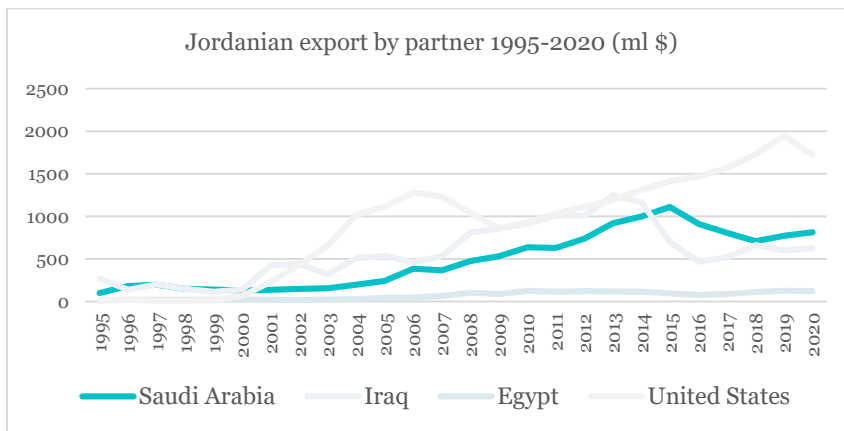
Iraq. Since then, Jordan had to import oil from Saudi Arabia at market prices. Figure 6 confirms that the trade relationships between Egypt, Jordan, and Iraq is, at present, not optimal: the main import countries for Jordan are Saudi Arabia and China, while only marginal shares of Jordanian imports come from Egypt and Iraq. The situation is similar also for Egypt. Based on the fact that Egypt and Jordan most important import products are fuels (representing almost 21% of Jordanian and 18% of Egyptian imports) and machineries (respectively 14% and 16%), the three countries will indeed benefit from better trade integration.

Figure 5: Import composition of Egypt and Jordan by partner (Source: UNCTAD, 2021)



Looking more in detail at the case of Jordan, Figure 5 presents the patterns of Jordanian exports over the last 25 years. Since the admission of Jordan into the World Trade Organisation and the Free Trade Agreement with the US in 2000, the most important destination of Jordanian exports are the United States. A further trend that can be inferred from Figure 5 is the continuous improvement in the export flows to Saudi Arabia and Iraq: between 2000 and 2015 Iraq was the second most important export partner to Jordan. The decline since 2014-15 can be motivated by the instable situation in Iraq and in the whole region. Interestingly, the flows of Jordanian exports to Iraq and Saudi Arabia show a similar pattern. This means that there is no conflict and that both flows were stably growing at the same time. In regard to the export to Egypt, there has been no substantial improvement: thus, the partnership with Egypt could be also important in increasing the bilateral volume of trade.

Figure 6: Jordanian export by partner (Source: UNCTAD, 2021)



## Most Promising Domains for Economic Cooperation and Integration

Based on the patterns of trade and the economic characteristics of the three countries, the most promising domains for economic cooperation in the frame of the Tripartite Alliance are energy, tourism, industry, aviation, transportation and logistics, as well as human resources.

In regard to **energy**, the cooperation is addressing both the supply of crude oil and of electricity. The new alliance with Iraq already resulted for Jordan into favorable prices on Iraqis oil, which will help in reducing the cost of import. In 2019 Iraq committed to supply Jordan with 10,000 barrels of oil per day. Iraq started to supply Egypt with oil since 2016, when Saudi Arabia suddenly cut its oil shipment to Egypt. In 2020, Egypt and Iraq signed the “oil for development” agreement, specifying mechanisms to exchange development and reconstruction projects with crude oil.

To further facilitate oil trade, concrete plans for the oil pipeline between Basra and Aqaba were resumed.<sup>20</sup> The tendering process was completed in 2020 and the realization of the project should be starting soon. There are plans to extend the pipeline to Egypt. The pipeline will create for Iraq a much needed outlet to the sea, will secure transit revenue for Jordan, but also reduce transportation cost and alleviate Jordan’s and Egypt’s trade deficits and energy bills, in addition to creating employment.

In regard to electricity, Jordan and Egypt have agreed to increase the capacity of the existing power interconnection, with the intention to supply Iraq with electricity from Egypt, via Jordan. Furthermore, Jordan and Iraq signed in September 2020 an agreement to connect their electrical grids. Jordanian authorities expects to begin operation by 2022. Developments in the field of electricity are crucial for the economic and environmental sustainability of the energy sectors of the three countries. In

<sup>20</sup> The pipeline would extend over a total of 1,300 km, 900 km of which are in Jordan. The total cost of construction is estimated to be around 8 bl US\$ (5.6 bl US\$ for the Jordanian part) (Jordan Ministry of Energy and Mineral Resources, 2021).

perspective, the interconnection of the power grids can be expanded to other neighboring countries, such as Syria, Lebanon, and beyond.

Fostering cooperation in **industrial projects** will be a further key domain of the alliance: a notable initiative is Jordan-Iraq Economic City, to be established at the border between the two countries. The project is expected to foster industrial cooperation and create more than 100,000 jobs.

The three countries are also discussing ways to facilitate **aviation and logistics**. Partnerships between Iraqis and Jordanian airlines, as well as joint aviation policies are currently on the table for discussion. Further negotiations are ongoing to reduce the shipping costs between Iraq and Aqaba.

The cooperation will also target transportation: the movement of people, in particular, students, workers, and tourists, should be facilitated by unified ticketing system along a land route between the three countries.

This will also stimulate **intra-regional tourism**, which is very important, too. There is evidence showing that the majority of tourism income is generated by intra-regional flows. Jordan, Egypt, and Iraq are connected via religious, linguistic, historical, and cultural ties, but enjoys at the same time great environmental diversity. The tripartite alliance may also represent a chance to enhance movements of people across the three countries for medical, study, and cultural reasons.

The countries may realize mutual benefits from better labor market integration, as Iraq needs manpower and skills for the reconstruction and both Egypt and Jordan have a longstanding tradition in work related migration and need to create employment. Egypt, which is the most populous country in the region, may contribute with its large population, while Jordan with the educated workforce. Iraq may also need support in capacity building. In regard to the labor market, common language, mentality, and cultural ties represent undoubtable advantages.

### **Importance of the Alliance for Regional Economic and Political Development**

The development of a strong alliance between Egypt, Jordan, and Iraq is followed worldwide with interest and suspense. Throughout its history, the strategically important Middle East has been characterized by political instability, volatility of political alliances, and conflicts. The Tripartite Alliance between Egypt, Jordan, and Iraq is grounded on geographic proximity, masses of citizens, economic potential, and mutual gains. Success in cooperating to achieve the common interests and solve the pressing economic needs of the three countries will help to relaunch economic growth, improve welfare, and alleviate unemployment. A successful (economic) cooperation will be made possible and will at the same time further enhance the cooperation in strategic issues such as security. This will further contribute to lower political instability in the region, which is detrimental to economic growth and hampers investment.

Being based on mutual advantages and on a substantial balance of power, this alliance has all chances to last long and to be able to provide its members with negotiating power towards other countries. In perspective, this may help reducing the possibility of one-sided control over regional political, economic, and security policy. The stability and advantages provided by the Tripartite Alliance could induce other countries in the region, particularly Syria and Lebanon, to join the coalition. It is not a chance that the alliance between Egypt, Jordan, and Iraq is also called the “New Sham.”

Western countries and other moderate powers in the region look at the alliance with favor and hope it may counterbalance Iranian and Turkish influence. In addition, this alliance revitalizes Pan-Arab sentiments, that are still much present among Arabs and may be a strong glue for the economic cooperation. Herewith, if it manages to create good gateways to America and to the close Europe, this alliance may bring a new era of prosperity for the whole region.

## **Conclusion**

The tripartite alliance between Egypt, Jordan, and Iraq is one of the most interesting recent developments in Middle Eastern politics. It builds on cultural and historical ties and benefits from geographical proximity and different endowments. Also due to their economic diversity and complementarity, the three countries may realize mutual advantages from cooperation and from economic integration. The key messages of this policy brief are the following:

- (1) **Political stability is essential for economic development and prosperity** and it is very important to join forces to promote it. The economic fortune of the region is deeply interconnected and political instability in one country typically has profound negative implications at regional level.
- (2) **Economic agreements may bring political understanding**, as they increase interlinkages between countries and increase the sunk costs of breaking political ties. Alliances in the region have been historically mostly moved by political considerations. As such they were often fragile and affected by political disagreements. Alliances built on economic ties have better chances to last longer.
- (3) **Economic agreements can only last if based on mutual benefits**. Economic agreements are sustainable only if all of the parties involved realize some advantages from them and one of the conditions typically yielding for mutual advantages is different economic endowments and characteristics. This is the case of the alliance between Egypt, Jordan, and Iraq.

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# **Security Cooperation a Cornerstone for: “The New Levant”**

Amer Al Sabaileh

## **Introduction**

The ongoing changes in the priorities of the Middle East over the last decade are quite alarming. The region moved from enforced democracy to revolutions for democracy and liberty and eventually towards the lone priority of combating terrorism. Likewise, the ideological imposition of democracy and freedom has developed into pure economic pragmatism. Hence, the economic situation and the will and the determination to improve economy represents the factual motive behind activating cross-border political projects.

In the light of the above mentioned, the ambitious triangle plan of connecting Jordan, Iraq and Egypt is an appealing project that definitely brings many advantages for the three partners involved. Yet, it is crucial and very timely to highlight the level of challenges, difficulties and risks that accompany the security cooperation among these three countries.

The security cooperation is the cornerstone of such alliance as the risks and security challenges are numerous which can affect negatively the efficacy of such cooperation. Therefore, the security agencies and the relevant personnel in these three countries have faced massive dangerous threats and foes and went through a lot of stress over the past decade. However, their contribution is highly commendable given the fast-changing environment and the dynamic risks and threats. Such security cooperation should continue and focus on countering evolving threats with high professionalism. This warrants greater cooperation between security services of these three countries.

As with regard Jordan, a pragmatic approach in dealing with these challenges is a must. It is critical for Jordan to adopt a strategic approach towards developing its engagement with its neighbors based on mutual interests. This approach should represent part of a wider Jordanian strategy to redevelop essential and effective relationships with key regional countries. This is particularly vital for Jordan's relationship with Iraq and Egypt, and at a later stage with Syria.

The task of rebuilding relations with Iraq to establish a strong understanding is extremely important. The mutual willingness to work together is fundamental in order to ensure there are positive outcomes for both sides.



The path of achieving this much aspired cooperation and the accompanying outcomes is long and difficult and surely it is not devoid of obstacles. However, all sides must overcome all the surrounding challenges through resorting to the required will and determination and foremost through realizing the importance of such triangle cooperation serving common and diverse long-term interests.

## **Security Challenges**

Number of devastating events in recent years across the region, especially the crises in Iraq and Syria, have facilitated a wide network of criminality. Human trafficking in addition to smuggling of drugs, antiquities, alcohol, tobacco and above all weapons have become the core of a global network of criminal activities across various operatives and countries.

This grave situation necessitates the security forces of the region to understand the global criminal trends and expand their connections with global crime fighting networks and not limit their cooperation to intelligence and anti-terrorism forces. While the threat of terrorism has been the focus the preceding years. The new wave of criminal networks must not be separated from the terrorist crimes. Rather, these networks can be invested to track the terrorists provided better integration with global policing and crime tracking is undertaken to better understand these networks.

The terrorists on the ground, fighting in Syria and Iraq, are the end user of the supply network of weapons, logistics, money and even the mobilisation of forces. These crime networks organize the supply chain for terrorists. This phenomenon indicates the emergence of larger global crime networks that have associated their interests with that of the terrorist groups.

The security challenges are not limited to one region or to one criminal group. These are multiple groups across the globe involved in meeting the different needs of the terrorists. Hence, they will not abandon this advantage nor they will give it up easily. The post-Daesh (ISIS) approach to the region must consider the risks linked to these powerful criminal networks who survive on instability and terrorist groups.

The ongoing threat of terrorist groups including Daesh (ISIS) getting expanded and carrying out lethal attacks in Iraq, and terrorist groups targeting Egypt both in Sinai and in big cities represent another challenge that requires further cooperation to secure the continuity of the “New Levant Project.”

Potential instability on the borders is a critical risk for all countries, especially in the Middle East and in particular for Jordan. In Jordan, the risk has been high since many years. Security threats on the border, e.g. lawlessness and confrontation, creates fertile ground for criminality and terrorism to

prevail in Jordan. This kind of instability combined with economic hardships represent significant threats that requires more efficient cooperation with the neighboring countries.

## **Political Challenges**

While building solid political relations with Egypt doesn't seem to be difficult for Jordan. The real challenge for Jordan is to succeed in realizing fruitful relations with Iraq keeping in mind Jordan with its geographical centric location within this triangle political structure has to deal with a new Iraq.

The task of rebuilding relations with Iraq to achieve strong and better understanding is extremely important. Recognizing the positive outcomes on both sides is fundamental to realize mutual willingness to work together.

While Iraq needs to take a more productive approach towards Arab countries, foremost towards Jordan and the Arab Gulf countries. Jordan also needs to exert further efforts to facilitate a path overcoming the bureaucratic impediments thus positioning Jordan as a regional hub for the Iraqi business.

Anti-terrorism coordination could be adopted as a tool to build trust between the intelligence organizations and between the peoples of both countries. The past can be revisited when both countries were allies which can contribute in looking forward and build together a strong future serving common interests.

Though the common security challenges should always lead to a solid and trustful triangle relationship. For a country like Jordan and even for Egypt, the issue of the Iranian influence on Iraqi politics will always be an obstacle that prevents the fast evolution of relations.

Some argue that Iraq's position reflects Iran's interests rather than that of Iraq's. However, the current developments in Iraq and the economic difficulties facing Iran create a gap between the interests of the two countries.

The political instability in Iraq and the absence of a clear vision will always represent a serious obstacle for realizing an ambitious political project such as the "New Levant."

## **Recommendations**

- In any trust-building process, the role of mediators, second track engagement and the political perspectives of the decision makers are important. While the ideal future may be a long way

down the road, geography mandates Jordan and Iraq to engage more profoundly and rebuild their relationship to achieve fruitful and successful futures for both countries.

- Problems pertinent to Jordanian-Iraqi relations need to be tackled courageously. Jordan is a country where Saddam's leadership and regime still enjoy wide popularity. This trend impedes overcoming the past and looking forward on both sides. In addition, there is a wide anti-Shia sentiment dominating the public scene in Jordan. All these factors hinder developing Jordanian-Iraqi bilateral relations towards meeting the requirements needed to realize the strategic objectives of "The New Levant."
- Anti-terrorism coordination could be adopted as a tool to build trust between the intelligence organisations of Iraq and Jordan. In addition, the peoples of both countries can come together through revisiting their past relations when the two peoples and the two countries acted as allies and use this past to build together a strong fruitful future.
- It is important for Jordan to approach Iraq in a very positive manner. With Covid-19, an opportunity emerges for the two countries to build effective and sustainable channels of cooperation through the already expanding bilateral humanitarian collaboration. Jordan can continue providing Iraq with humanitarian aid and supplies e.g. sanitizers, medicines and other health care products that contribute in building positive image among the people and enhance bilateral relations.

## **Conclusion**

Although the "New levant" project seems to be appealing and very promising. It requires big efforts to make it succeed. This is a long-term project. Therefore, it should be based on common socioeconomic and political interests, rapprochement on leadership levels and foremost to be founded on solid security cooperation.

The continuous political changes in Iraq will inhibit the rapid progress of the project while the security challenges might always be a serious obstacle that hinders the smooth flow of economic exchange.

The current preoccupation of each country with domestic challenges whether socio-economic or security inter alia might equally push countries in the coming phase to reconsider their priorities and focus more internally and consider projects of immediate yet short term economic impact. However, pushing towards such a prominent and much needed project of long-term advantages gains

momentum. Therefore, it is important to start building solid bases for such future project while remaining aware of the surrounding yet surmountable challenges.

# Energy Co-operation in the New Levant – How Egypt, Jordan, and Iraq Move to a New World of International Energy Relations

*Johannes Uhl*<sup>21</sup>

When in late June 2021, the Heads of State of Egypt, Jordan, and Iraq met at a summit in Baghdad<sup>22</sup>, not only did they initiate a new co-operative format that could possibly reshape some of the geopolitical and economic relations in the region<sup>23</sup>. They also paved the way for closer co-operation in energy policy that was subsequently formalised by the respective Ministers of Energy<sup>24</sup> and Foreign Affairs<sup>25</sup>. Beyond the evident economic potential that lies in increased energy trade between the three countries, the Energy dimension of the “New Levant” / “Al-Sham al-jdid” has the potential to re-shape international energy relations in even more profound ways. Firstly, it will be a central pillar of Jordan’s efforts to cut its dependence on energy imports, thereby upending a decisive factor of the Hashemite Kingdom’s international relations. Secondly, they will place a new and potentially influential character on the playing field of global energy trade. Lastly, they will be one of the first real-world examples of electricity becoming an internationally traded commodity. All of this is happening at a time in which the global energy order as we knew it is being reshuffled in the course of the global energy transition, fuelled by the need to combat climate change as well as by technological development and rapidly decreasing cost of sustainable energy sources<sup>26</sup>.

This policy paper describes the current state of energy relations among the countries of the “New Levant” as well as the plans within this new co-operation framework. It will furthermore assess the aforementioned implications from a global energy policy perspective.

## Uneven Neighbours: The Current Energy Relations Between Egypt, Jordan, and Iraq

The current energy trade relations between the three countries of the “New Levant” are characterised by uneven balances across all commodities traded. Whereas Iraq dominates oil supply, Egypt has the upper hand with regard to natural gas. For Jordan, its dependency on energy imports at currently around 88% of primary energy demand<sup>27</sup> is a defining factor of its macro-economic challenges, in

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<sup>21</sup> With research support from Eng. Mustafa Hashem, M.Sc. (Advisor at Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and Abdulrahman Dawas, B.Sc. (Intern at für Gesellschaft Internationale Zusammenarbeit (GIZ) GmbH.

<sup>22</sup> <https://www.aljazeera.com/news/2021/6/27/egypt-jordan-and-iraq-leaders-meet-baghdad-summit> (accessed 02 Nov 2021)

<sup>23</sup> <https://www.brookings.edu/blog/order-from-chaos/2021/07/02/egypt-iraq-and-jordan-a-new-partnership-30-years-in-the-making/> (accessed 02 Nov 2021)

<sup>24</sup> <https://www.jordantimes.com/news/local/iraq-visit-zawati-discusses-energy-cooperation> (accessed 02 Nov 2021)

<sup>25</sup> <https://www.egypttoday.com/Article/1/108155/Egypt-Iraq-Jordan-agree-on-accelerating-implementation-of-joint-projects> (accessed 02 Nov 2021)

<sup>26</sup> IRENA (2019): A New World – the Geopolitics of the Energy Transformation. [http://geopoliticsofrenewables.org/assets/geopolitics/Reports/wp-content/uploads/2019/01/Global\\_commission\\_renewable\\_energy\\_2019.pdf](http://geopoliticsofrenewables.org/assets/geopolitics/Reports/wp-content/uploads/2019/01/Global_commission_renewable_energy_2019.pdf)

<sup>27</sup> [https://petra.gov.jo/Include/InnerPage.jsp?ID=37459&lang=en&name=en\\_news](https://petra.gov.jo/Include/InnerPage.jsp?ID=37459&lang=en&name=en_news) (accessed 03 Nov 2021)

particular high costs for businesses, limited investments, and a high level of public debt<sup>28</sup>. Currently, there is only a very limited connection between the electricity grids of the three countries.

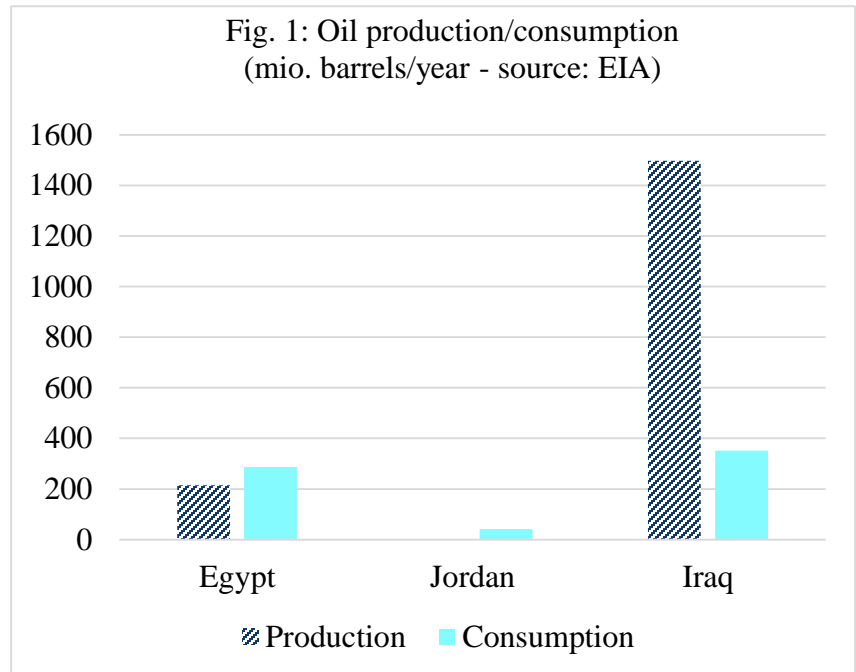
## OIL SUPPLY

The petroleum market among the three countries is heavily tilted towards Iraq. The country is estimated to have the fifth largest reserves of petroleum in the world. With a daily production of 4.1 million barrels of crude oil in 2020, Iraq is the second-biggest producer of crude oil within OPEC and would be able to fulfil its own demand more than four times<sup>29</sup>. Currently, Iraq creates revenues of about six billion US-Dollars monthly through petroleum exports<sup>30</sup> alone.

Egypt equally produces crude oil, albeit

on a much smaller scale at around 550,000 barrels per day. This does not suffice to cover the country's own demand but still makes the Arab Republic the biggest non-OPEC oil producer in Africa<sup>31</sup>.

Jordan's oil production, in turn, is negligible. The Hashemite Kingdom imports roughly two million tons of crude oil each year, of which roughly 15% are from Iraq, the remaining amount mainly from Saudi Arabia<sup>32</sup>.



<sup>28</sup> Bohn/Schütze (2021): Jordanian. Politökonomische Kurzanalyse. Hamburg, German Institute for Global and Area Studies (GIGA)

<sup>29</sup> <https://www.eia.gov/international/analysis/country/IRQ> (accessed 20 Oct 2021)

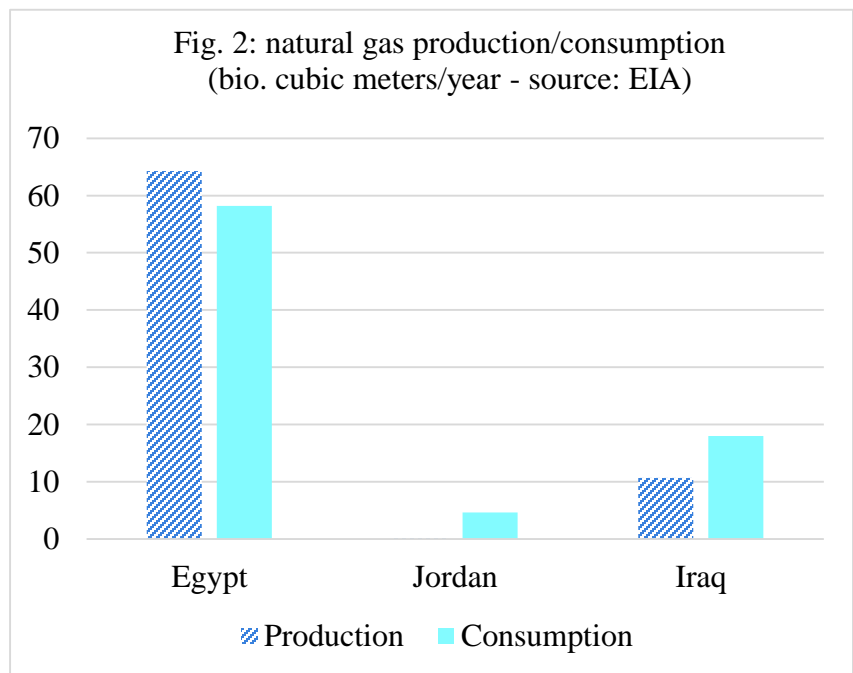
<sup>30</sup> <https://www.reuters.com/world/middle-east/iraqs-total-oil-exports-average-around-29-mln-bpd-may-oil-ministry-2021-06-01/> (accessed 20 Oct 2021)

<sup>31</sup> <https://www.eia.gov/international/analysis/country/EGY> (accessed 20 Oct 2021)

<sup>32</sup> <https://www.eia.gov/international/analysis/country/JOR> (accessed 20 Oct 2021)

## NATURAL GAS SUPPLY

Similarly, to the petroleum market, the natural gas market among Egypt, Jordan, and Iraq is uneven. Egypt is by far the biggest producer of natural gas among the three, at around 64 billion cubic meters per year, of which roughly 5 billion are exported<sup>31</sup>. Iraq, on the other hand, only covers roughly half of its approximately 18 billion cubic meters' yearly demand by own resources. The remainder is imported from Iran<sup>29</sup> at above-average prices. Jordan, too, covers the bulk of its



natural gas demand through imports at around 4.9 billion cubic meters per year<sup>32</sup>. Roughly half of this is imported from Egypt through the Arab Gas pipeline. Another estimated 1.9 billion cubic meters is imported as Liquefied Natural Gas (LNG) through a facility in the port of Aqaba. Deliveries to this facility come from a range of sources, including Nigeria, Qatar, and the USA. The remainder of Jordan's gas demand is sourced through a pipeline from Israeli gas fields in the Eastern Mediterranean<sup>33</sup>.

## ELECTRICITY INTERCONNECTION

Among the countries of the "New Levant", so far only the electricity grids of Jordan and Egypt are connected. A 300 MW submarine cable in the Gulf of Aqaba conveys net imports of around 380 GWh to Jordan (2020), corresponding to around 2% of Jordan's electricity consumption<sup>32</sup>. It must be noted, however, that the transmission through this interconnector is not even throughout the day. Jordan has, on average, an overcapacity for electricity generation. This surplus is particularly high in the morning and around noon when solar energy generation is high, and demand is still way below its usual peak in the evening. Therefore, in the first half of the day, Jordan usually exports electricity to Egypt. This direction of transmission shifts in the early afternoon. Managing the interconnection and omitting any adverse effects on grid stability is therefore a somewhat challenging task for the National Electric Power Company (NEPCO), the transmission grid operator of Jordan. This situation is exacerbated by the fact that the Jordanian electricity system is comparatively small meaning that small fluctuations can have

<sup>33</sup> <https://www.spglobal.com/platts/en/market-insights/videos/market-movers-americas/110121-cop26-energy-transition-tankers-grid-biofuels-tariffs> (accessed 03 Nov 2021)

a sizeable impact<sup>34</sup>. The Jordanian electricity system is also connected to the West Bank: An interconnection on distribution system level conveys electricity to the local utility of Jericho<sup>35</sup>. The transmission-level interconnection with Syria was deactivated in the wake of the Syrian civil war in 2012<sup>36</sup>. Apart from the connection with Jordan, the Egyptian electricity grid is also connected to Libya. Iraq is connected to Turkey, Syria, and Iran. Due to the lack of own capacities, Iraq imports around 40% of its electricity from Iran<sup>37</sup>.

### **Powerful Aims: New Energy Co-operation as Part of “Al-Sham al-Jdid”**

Within the new co-operation framework, the three countries plan to connect their gas, petroleum, and electricity networks as well in order to facilitate investments, in particular in renewable energy.

As for the petroleum sector, the countries are planning a pipeline to stretch from the oil fields at Basra in western Iraq to the Jordanian port of Aqaba and further into Egypt. Estimates on the cost of the project vary between five and fourteen billion US-Dollars. The transport capacity is estimated at around 1.5 million barrels per day. Currently, works for the segment of the pipeline within Iraq are tendered. Once these works begin, the second phase will be tendered. Jordan and Egypt are expected to receive oil through this pipeline at discounted prices. Furthermore, Jordan can expect an estimated 2 US-Dollars per barrel in transit fees<sup>38</sup>, which could amount to up to 3 million USD per day.

In the gas sector, the “New Levant” project plans to add a connection to Iraq to the Arab gas pipeline that currently runs from Egypt through Jordan to Syria with junctions to Israel and Lebanon. The northern part of this pipeline, however, has not been operational for around ten years. So far, this interconnection project has mainly been discussed as a means to alleviate some of Lebanon’s current energy shortages<sup>39</sup>. However, the possible benefits of the gas interconnection go further: A possible connection from Syria to Turkey and further to the European gas grid could allow substantial exports from the Levant to the EU. Aside from natural gas from the fields in the Eastern Mediterranean, the pipeline could potentially also be used to transport hydrogen created from renewable energy (“green hydrogen”) to Europe, thereby creating an opportunity for Jordan to become an exporter as well as supporting the EU in its decarbonisation efforts.

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<sup>34</sup> These statements are based on interviews and engagement with operational staff of NEPCO which were done as part of a capacity-building programme provided by the Jordanian-German Energy Partnership in co-operation with Elia Grid International in June and October 2021.

<sup>35</sup> [https://www.nepco.com.jo/en/electrical\\_interconnection\\_en.aspx](https://www.nepco.com.jo/en/electrical_interconnection_en.aspx) (accessed 20 Oct 2021)

<sup>36</sup> <https://www.jordantimes.com/news/local/jordan-syria-agree-re-operate-electric-interconnection> (accessed 03 Nov 2021)

<sup>37</sup> <https://apnews.com/article/iraq-iran-middle-east-business-ab893507b4f241407466186f038489cb> (accessed 03 Nov 2021)

<sup>38</sup> <https://www.jordannews.jo/Section-106/Features/Iraq-Jordan-pipeline-still-polarizes-stakeholders-1220> (accessed 23 Oct 2021)

<sup>39</sup> <http://jordantimes.com/news/local/jordan-egypt-and-syria-agree-transfer-gas-lebanon> (accessed 03 Nov 2021)



Lastly, on the electricity side, the “New Levant” project suggests the establishment of a new interconnector between Jordan and Iraq, a potential strengthening of the existing connection between Jordan and Egypt, as well as the reestablishment of the interconnection between Jordan and Syria. Similar to the gas interconnection, the latter would have immediate benefits for Lebanon<sup>39</sup>. But here again, exports to Europe could equally be envisaged: Either through the existing connection between Syria and Turkey and further to Greece and Bulgaria or through the planned interconnections that Egypt, Greece, and Cyprus announced in October 2021<sup>40</sup>. There are also frequent suggestions on connecting the Jordanian and Israeli electricity grids<sup>41</sup>, foremost in order to support attaining Israel’s decarbonisation targets. Beyond this, it is equally imaginable that it could enable direct electricity exports via prospective interconnectors between Israel, Greece, and Cyprus as announced in spring 2021<sup>42</sup>. It is worth noting that at the same time as the “New Levant” interconnections were made public, Jordan and Saudi Arabia also announced plans to connect their electricity grids<sup>43</sup>.

Additionally, Iraq and Jordan plan to establish an industrial zone at their mutual border. It is expected that a significant amount of investments in this zone will be in projects related to sustainable energy provision, for example renewable energy and storage technologies.

### **A Regional Energy Hub? Jordan’s Emerging Role**

The Hashemite Kingdom and its energy system will probably be the biggest winners from the new energy cooperation within the “New Levant” framework. By virtue of its geographical location in the middle between the two other partners, Jordan will be able to control and benefit from the new energy flows through and into its territory. The transit fees will create a new revenue stream for the debt-ridden NEPCO. Secondly, increased interconnection of the electricity system will create much-needed flexibility, the lack of which currently limits the expansion of Jordan’s renewable energy capacities. Through this, the country will be able to forego import dependency and become an exporter of electricity (and potentially green hydrogen). All of this will help to realise the country’s ambition to become a regional energy hub, as enshrined in the Energy Strategy 2020 – 2030, as well as a frontrunner of sustainable energy solutions<sup>44</sup>. Furthermore, falling costs associated with the aforementioned developments and increased investments could help alleviate some of the economic

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<sup>40</sup> <https://www.thenationalnews.com/mena/2021/10/19/egypt-greece-and-cyprus-sign-deal-to-link-power-grids/> (accessed 20 Oct 2021)

<sup>41</sup> e.g. <https://www.theguardian.com/world/2020/aug/23/israel-moots-plan-to-buy-solar-power-from-former-enemy-jordan> (accessed 10 Sep 2020)

<sup>42</sup> <https://apnews.com/article/israel-cyprus-nicosia-greece-5d6be6adc6938213d23472f7608b005e> (accessed 03 Nov 2021)

<sup>43</sup> <https://www.jordantimes.com/news/local/jordan-saudi-arabia-ink-deal-connect-power-grids> (accessed 03 Nov 2021)

<sup>44</sup> IRENA (2021): Renewables Readiness Assessment: Jordan. [https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2021/Feb/IRENA\\_RRA\\_Jordan\\_Summary\\_2021\\_EN.pdf?la=en&hash=DE5015E14770A43E9BFF2DFF8FAE684CED6E8EB](https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2021/Feb/IRENA_RRA_Jordan_Summary_2021_EN.pdf?la=en&hash=DE5015E14770A43E9BFF2DFF8FAE684CED6E8EB)

frictions that the Jordanian energy sector currently creates. This includes counteracting some of the challenges created by Jordan's ever-growing energy demand.

However, some challenges need to be addressed. Firstly, in order to benefit from the potential of the co-operation, Jordan depends on timely infrastructure build-up on the sides of its partners. Especially in the case of Iraq, question marks remain in this regard, not least due to the political situation in some of the areas that the wires and pipelines need to traverse. Secondly, a market structure is needed that allows for the flexibility potential to actually be realised. With the current single-buyer model in the electricity market and unanswered questions on the regulatory framework for energy trade among the three countries, the co-operation will fall short of bearing systemic improvements. Lastly, a competitive investment framework is required. The governments need to assume a strong footing vis à vis foreign investors to avoid disappointment akin to the Attarat oil shale facility, whose Chinese-Korean operator consortium and the Government of Jordan are currently engaged in a litigation procedure at the International Chamber of Commerce in Paris on the grounds of unfair purchasing conditions.<sup>45</sup>

The above should, however, by no means indicate that Jordan sold a pup to the other two partners. The benefits for the energy systems of Iraq and Egypt are equally substantial. Firstly, for Iraq, the obvious advantage will be a diversification of its energy sources, moving away from a dependency on Iran – although this will require substantial efforts and political safeguarding. Secondly, it could help stabilise the electricity system which currently suffers from frequent power outages. Thirdly, the co-operation is likely to attract substantial investment in Iraq, too, where the demand touches on some of the most essential elements of the system which still await rebuilding after the 2003 – 2011 war. And finally, the establishment of additional export routes for Iraqi oil will help the country to diversify its export markets. This is crucial in the current times of market insecurity. However, it also merits a word of caution: Perpetuating the Iraqi economy's dependency on petroleum exports is definitely not an advisable strategy in the wake of the need of global decarbonisation.

For Egypt, finally, the new co-operation framework could be a booster in its ambition to become a cornerstone of Africa-Europe energy trade. New market connections to the East and North could help to compensate some of the losses in market shares that Egypt suffered in Sudan to the benefit of Ethiopia. Two challenges, however, are dealbreakers for Egypt: Firstly, as the main gas exporter among the three, it depends on an uninterrupted functioning of the gas pipeline connection to Jordan. Experience of the past years have shown that this cannot be taken for granted and security efforts must be stepped up to avoid sabotage and other disruptions. Secondly, due to lack of capacities within its own industry

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<sup>45</sup> <https://petra.gov.jo/Include/InnerPage.jsp?ID=162553&lang=ar&name=news> (accessed 03 Nov 2021)

as well as the existing presence of much of the needed infrastructure, investment perspectives might be more sobering for Egypt than for the other two countries.

### **New Kids on the Block: A Game of David with Goliath?**

Beyond the unilateral effects that the new co-operation has for each of the three partners, there are substantial benefits for the group as a whole. There is a real chance that Egypt, Jordan, and Iraq can position themselves as a new power factor in regional and inter-regional energy relations. Two caveats need to be considered, however: Firstly, policy cohesion is necessary. As mentioned before, the creation of market structures that allow for most efficient trade between the partners is fundamental for them to exhaust the full potential of this co-operation. This is a hard task to complete given each country's specific interests. Involving international bodies, such as UNESCWA could be worthwhile. It also includes creating safe, economic, and reliable conditions for investors – ambitious targets for new technology build-up definitely help, as do efficient customs, and tax procedures.

Secondly, the ambition should be tamed and realistic. The countries of the “New Levant” will by no means be able to form an “Anti-OPEC”- coalition or anything along these lines. Both the physical resources and political obstacles would prevent this from happening. However, two factors speak in favour of a new, specialist role of the three countries: On the one hand, their location allows for quicker and thus cheaper access to export markets for natural gas and petroleum in Europe and potentially America. On the other hand, the potential for renewable energy is significant and exceeds the domestic demand manifold<sup>46</sup>. Apart from the possibility to create international electricity trading mechanisms (see below), substantial potential lies in the development of a hydrogen market. It is expected that during the coming months and years will see a significant increase in investment interest in this market. By joining their forces, interconnecting in the most efficient way, and providing best-possible investment conditions, the countries of the “New Levant” could be a decisive factor in the emerging global hydrogen market, on par with the frontrunners in the Maghreb, the Arabian Peninsula, and South America (albeit with competitive advantages to the latter two in terms of location and thus transport cost).

Be that as it may, the emerging role of the “New Levant” in energy relations should not be approached as a game of “either-or”. In particular with regard to renewable energy and hydrogen market build-up, there could be a dividend in co-operating with the states on the Arabian Peninsula, first and foremost

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<sup>46</sup> IRENA (2018): Renewable Energy Outlook Egypt. [https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Oct/IRENA\\_Outlook\\_Egypt\\_2018\\_En.pdf](https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2018/Oct/IRENA_Outlook_Egypt_2018_En.pdf). Baniyounes (2017): Renewable Energy Potential in Jordan. In: International Journal of Applied Engineering Research, vol. 12, nr. 19, pp. 8323ff., Istepanian (2020): Iraq Solar Energy. From Dawn to Dusk. Friedrich-Ebert-Stiftung. <http://library.fes.de/pdf-files/bueros/amman/16324-20200722.pdf>

Saudi Arabia. The Saudi megaproject “NEOM” on the Hijaz<sup>47</sup> will require interconnection with its neighbours in order to exhaust its full potential.

Aside from this, there are potential political dividends from the “New Levant” emerging as an energy power. Among the various scenarios, two appear to be particularly interesting: Firstly, the new co-operation can help to alleviate some of Lebanon’s hardships related to energy supply – a process which has already been initiated. This will help stabilise Lebanon and counteract some of the extremist influence in the country. Secondly, from a technical perspective, it would be more than logical to include the energy systems of Israel and the Palestinian Territories in the new co-operation framework. Additionally, this could help to realise the full potential of interconnection with Europe. From a political perspective, it may help to put new substance to the peace treaties between Israel, Egypt, and Jordan respectively, thereby countering some of the concern created by the Abraham Accords.

### **Electricity is the New Oil: A Tripartite Booster for New Energy Relations**

The biggest significance on international energy markets that the new co-operation has, will probably be in electricity. In the wake of global decarbonisation efforts, electrification of a variety of sectors, and the technological development in renewable energy, electricity is increasingly becoming an internationally traded commodity that will re-shape regional relations and cohesion<sup>48</sup>. “Al-Sham al-jdid” can be a frontrunner of this development in the MENA region and beyond. This could make the three countries not only economically more influential but also create a significant amount of soft power by virtue of their regulatory and political experiences that could be used as examples for other regions. However, here again and probably most relevant, the regulatory framework is key to enabling the desired developments to happen. Aside from the European Union, there is little experience in regulating cross-border electricity markets. It requires no less than a shift in mindset, away from a notion of electricity systems as a matter of national security and purely national assets. Europe can and should play a role in this. The situation of the “New Levant” is very much comparable to the one of the Western Balkans. Connecting the grids physically, enabling liberalised markets within the countries, and making the frameworks close up with the EU *Acquis* are tasks that need to be performed in the Mashreq, too – not least if the European Union is interested in contributing to this new co-operation. This interest should be given in the face of possible competition to the North and the East. Therefore, the EU should actively support the integration of the electricity markets across the “New Levant”, for example through the conduit of the Energy Community.

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<sup>47</sup> <https://www.neom.com/en-us> (accessed 04 Nov 2021)

<sup>48</sup> Westphal/Pastukhova/Pepe (2021): Geopolitik des Stroms – Netz, Raum und Macht. SWP Berlin. [https://www.swp-berlin.org/publications/products/studien/2021S14\\_Geopolitik\\_Strom.pdf](https://www.swp-berlin.org/publications/products/studien/2021S14_Geopolitik_Strom.pdf)

## **Conclusion: A Happy Coincidence for Global Energy Relations**

For the energy sector, the “New Levant” is a promising co-operation project. There is the realistic potential that Egypt, Jordan, and Iraq together can form a force of innovation and co-operation in the energy sector of the MENA region. Jordan will doubtlessly benefit most given its current dependency on energy imports. Being blessed with ideal natural conditions, the “Sham jdid” can be a powerhouse of sustainable energy provision and a globally incubator for new technologies such as hydrogen. If the three countries manage to successfully connect their electricity grids, they have the potential to attract a great of attention as an example of the new geopolitics of electricity. Lastly, by virtue of their locations, they can advance their energy economies by developing new export markets in Europe and beyond.

To attain all of these benefits, however, ambitious and forward-looking political action is needed. Without continuous co-ordination among the three countries that achieves long-term reliability on all levels of energy policy, they will not be able to grow together. As the example of the European integration shows, the burden imposed by the sheer volume of regulatory action should not be underestimated. Apart from that, given their current situation, it would be presumptuous to expect the three countries to fulfil all the necessary conditions purely on their own behalf. It is time for investors and the international community to acknowledge the potential that the “New Levant” has – as a booster for sustainability in the energy sector, as a source of diversification of own supplies, and as an additional anchor for stability in an area where it is needed most.

*This paper reflects only the author’s personal opinion and does not constitute a communication of Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH nor the governments of Jordan or Germany.*

## Tehran's View on 'The New Levant Initiative'

Adnan Tabatabai

*With the idea of a New Levant re-emerging, Tehran will monitor the development of this idea and be supportive of it as long as it is not designed as a regional endeavor to sideline or isolate Iran. Instead, Iran should be engaged and presented the regional benefits. In its quest to explore new trade relations in its immediate and extended neighborhood, Tehran may find interest in not only being supportive of the New Levant Initiative but to also engage actively in strengthening and broadening it.*

The idea to foster a geopolitical integration process for the regional countries of the Levant is an idea brought forward multiple times in the past. But it was in June 2021, that Iraq's Prime Minister Mustafa Al-Kadhimi hosted Egypt's president General Abdel Fatah Al-Sisi and the King of Jordan Abdullah II. bin Al-Hussein in Baghdad, and prominently promoted the idea for 'The New Levant Initiative' (NLI). At the core of this idea, trade and security relations between Iraq, Jordan and Egypt should be developed further and geopolitical interconnectivity and interdependence elevated to higher levels. While the idea as such has so far remained vague and just broadly defined, there is no doubt that the potential is given to generate synergetic effects between these three countries in sectors such as energy, electricity, commerce, agriculture and security. In an ideal scenario such potential could materialize by supplying Iraqi oil to Egypt through pipelines running via Jordan, which then gets refined in Egypt to be supplied back to Iraq as electricity through a (*then*) connected electricity grid. And yet, it requires a lot of political will and funds in all three capitals to invest into the necessary infrastructure for such an endeavor. What requires less of an effort, however, is to expand on the already existing border trade gates between Jordan and Iraq. Cross-border trade had suffered severely during the onslaught by *Daesh* and has not really recovered since. The will to boost Jordanian-Iraqi trade undoubtedly exists in both Baghdad and Amman. And it is apparent that leaders in both countries see the potential benefits of widening this trade relation to Iraq's extended neighbor Egypt.

When looking into the inner-Iraqi debate on this project, apart from a lot of praise among key policymakers in Baghdad, unsurprisingly, a rather skeptical take of Al-Kadhimi's initiative exists too. The criticism some Iraqi interlocutors share entail that to them the actual *bilad al-sham* (countries of the Levant) are Syria and Lebanon. They, therefore, ask why these two countries are excluded from the NLI. If economic integration is at stake, they argue, it is Iraq, Syria and Lebanon that are directly affected by developments in the respective other countries. It is these countries, they hold, that would have to develop joint counterterrorism efforts or develop a joint migration policy. The skeptics



problematize the close dependence both Egypt and Jordan share towards the United States, arguing that Iraq is meant to be dragged into a pro-American orbit. This dependence on the U.S., the viewpoint holds, will not allow for Egypt and Jordan to be strong partners for a sovereign Iraq. Taking it one step further, one Iraqi stakeholder argued that this initiative is meant to be an extension of the ‘Abraham Accords’ – the agreement that officially normalized relations between Israel and the United Arab Emirates, Bahrain and Sudan – believing that by excluding Lebanon and Syria, only close allies of the U.S. will be engaged, and therefore foster U.S. led regional policy. But even critics of this initiative are in overall agreement with Prime Minister Al-Kadhimi that Iraq needs to diversify its foreign relations. This is broadly believed to be the detriment of the Islamic Republic of Iran and its deeply entrenched interests in Iraq. It is the aim of this paper to unpack this broad belief and examine how Tehran views the potentials of the NLI.

### **What Iraq Means to Iran**

When trying to make sense of Iran’s assessment about the NLI it is indispensable to recall the inherent importance of Iraq to the Islamic Republic. For hundreds of years, multilayered and multidimensional relations between these two countries exist. Family ties transcend the Iraqi-Iranian border. Seminary-to-seminary exchange between Qom and Najaf is as vibrant as business and trade relations. The highly complex military and security apparatuses in both countries are in exchange on formal and informal levels. Furthermore, people-to-people mobility is hugely relevant with millions of pilgrims pouring into Iraq annually for the Arba’een processions in Iraq, or with Iraqi Shia pilgrims traveling to the Imam Reza Shrine in Mashhad or the seminary in Qom. All of this found a horrific break during the 1980-1988 Iraq-Iran war. Saddam Hussein invaded the newly established Islamic Republic with the backing of regional and international powers. It is in exactly this time when the collective mindset of today’s key security officials in the Islamic Republic has been shaped: a mindset that holds the strong conviction that Iran finds itself in a hostile environment with archrivals on the one hand, and an evolving/changing U.S. military presence on the other hand. The result is an at times paranoid sense of vulnerability, strategic loneliness and military inferiority among Iran’s security officials – the perfect recipe for a permanent threat perception mainly vis-à-vis the U.S., but also vis-à-vis militant groups that continue to wreak havoc in Iran’s immediate neighborhood *and* in Iran.

In order to counter this threat perception and to compensate for the lack of (conventional) military power, Iran has developed ‘means of deterrence’ and ‘means of asymmetric warfare’. The very far developed Iranian missile program is meant to signal to enemies that Iran may not be in the position to militarily defeat its rivals (Saudi-Arabia, the United Arab Emirates, Israel), but capable of, at least,

critically hurting them. Secondly, Iran has generated military alignments with hybrid actors and non-state actors in Iraq and elsewhere. These groups are meant to serve as a defense force against Iran's adversaries while being stationed outside Iranian territory. While in Iran's own view this is *defensive* in essence, it creates *expansionist* realities on the ground. What has to be prevented at all cost, the Iranian defense logic dictates, is to see Iraq or any neighboring country, for that matter, to become bold enough to invade Iran or to turn into a launch-pad for attacks against Iranian territory.

But Iran's interests in Iraq are not only focused on security. Iraq is Iran's most important non-oil trade partner, and both countries have for years pledged to aspire for bilateral trade to cross the \$20bn mark. As a country under encompassing US sanctions, Iran is compelled to explore informal trade avenues which can be shielded from the impact of sanctions and ensure the flow of state revenues. Trade conducted through the Iraqi border can, therefore, be viewed as a particularly important lifeline for Iran's economy. On the one hand, this means that Iran will at all times aim to secure some control on the ground in Iraq – after all, the revenues generated in and through Iraq will have to find their way across the border into Iran. On the other hand, however, Iran wishes for Iraq to grow as a market and trade hub, as this would ultimately benefit Iran's trade interests in Iraq. For this to materialize, Iraq's stability needs to be promoted. As long as Tehran does not see its geopolitical goals – economic and security-related – endangered in Iraq, it will welcome any development towards Iraqi stability.

### **Advantages and Disadvantages Tehran Sees in the Potentials of 'The New Levant'**

When the Gulf Cooperation Council (GCC) was founded in 1981, one of the underlying factors for the founding member states to seek further regional integration was to shield the Arabian Peninsula from what they saw as an increasingly hostile post-revolutionary Iran. It is because of this essential anti-Iranian element of the GCC, that Iran does not officially recognize the GCC as a unified entity. While an exchange of official letters between the GCC secretariat and Tehran takes place, it is channeled mostly through a single member state – primarily Kuwait. At the same time, voices of concern emerged in Iran, when in 2017 the GCC rift over the dispute with Qatar almost led to a military invasion next door to Iranian territory. In other words, as much as Iran may dislike the GCC as an entity, it welcomes the integrative effect it had generated in Iran's immediate neighborhood. This does also explain why in Tehran, the Al Ula conference and reconciliation happening between the UAE, Saudi Arabia and Qatar was seen in positive light. After all, such reconciliation will reduce tensions in the Persian Gulf region.

The NLI has so far not been a big thematic issue in Iran's policy scene. On August 1<sup>st</sup>, Iran's spokesman of the Ministry of Foreign Affairs, Sa'eed Khatibzadeh, said Iran "welcomes every initiative that would help regional peace and stability". This peace and stability would also be to the benefit of Iran,



particularly in a time when trade relations to its neighbors become ever more essential and existential. It can furthermore be argued that Iran's relations to Iraq are so deeply entrenched that any broadening or diversification of Iraq's economic relations would still leave Iran's ties (in-)to Iraq uncontested. In a best-case scenario, in which Iraq's economic integration into the Levant is fostered, Iran is freed from sanctions and stability is established in Iraq, the Iranian-Iraqi trade links would flourish far beyond sectors like electricity, food, automotive and pharmaceuticals. Financing and bank relations would allow for Iranian and Iraqi markets to be more closely linked. Should Iran continue to be under U.S. sanctions, an economically elevated Iraq – thanks to broadened trade/energy ties into the Levant and North Africa – would, again, provide a fruitful ground for Iran to expand its informal trade routes. It is only when such a newly emerging alliance is designed to sideline and isolate Iran, that Tehran would watch those developments with some dismay and try to mobilize pressure groups and allies inside Iraq to agitate against this initiative. There is no doubt that policymakers in Iran will closely watch how talks about this initiative evolve and who the main proponents of it are. But unless there is an explicit (or apparent) anti-Iran drive to it, and as long as Iraq is not called upon to reduce its trade relations with Iran, the likelihood of Iran trying to sabotage this initiative is low.

### **Incentivize Iran to Support the 'New Levant Initiative'**

Instead of speculating how Iran, as a key neighbor of Iraq, may view the NLI, Iraqi stakeholders could engage Iran to make the case for the regional benefits of this endeavor. Its outcome should be presented as a win-win in terms of economic integration, energy connectivity and – in the long-term – security cooperation. It should be highlighted that this is neither a U.S. endeavor channeled through Iraq, nor is it designed to isolate Iran or oust its business from Iraq. In fact, Iran's gas, pharmaceutical and food sectors could be interesting entry-points to think about how to potentially broaden trade relations through the NLI to Iran. In its current quest to explore new trade routes – out of necessity to circumvent sanctions – Iran may very well welcome this endeavor.



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