Risks and Instability in the Middle East and North Africa in 2016

Anthony H. Cordesman
Arleigh A. Burke Chair in Strategy

Working Draft: January 14, 2016
Table of Contents

INTRODUCTION...............................................................................................................................................3
  Figure One: The Interlocking Crisis and Conflicts Shaping the Middle East and North Africa in 2016..................................................................................................................................................................................3

BROADER AND ENDURING CHALLENGES TO STABILITY IN THE MIDDLE EAST AND NORTH AFRICA (MENA): 1965-2050 ................................................................................................................. 7
  Figure Two: The Enduring Forces shaping Instability and Conflict in the MENA Region.............................................................................................................................................................................................7
  Figure Three: Government Effectiveness and Failed Secularism.................................................................................................10
  Figure Four: Transparency International Corruption Perceptions Ranking (Out of 177) 10
  Figure Five: Population Pressures on MENA States..................................................................................................................11

DEMOGRAPHIC PRESSURE: 1950-2050 (IN MILLIONS) ................................................................................. 11
  Figure Six: Youth Bulge ((Percentage of Native Population Below 25) .........................................................11

THE HERITAGE OF WAR AND VIOLENCE THROUGH 2015 ..................................................................... 12

KEY CHALLENGES IN 2016......................................................................................................................... 15
  THE BROADER CRISIS WITH IRAN IN MILITARY FORCES, THE GULF, AND THE REGION ..................15
  Figure Seven: The Sunni, Shi’ite, and Other Sectarian Divide........................................................................16
  TENSIONS WITH IRAN AND THE IRANIAN ELECTIONS ...........................................................................16
  A BROADER ARAB FOCUS ON ASSAD, SYRIA, IRAQ, AND YEMEN AND THE FAILURE OF PEACE
  INITIATIVES IN SYRIA AND YEMEN........................................................................................................17
  GRINDINGLY SLOW PROGRESS AGAINST ISIS AND AL QAEDA ....................................................................18
  Figure Eight: Fighting and Factions in Syria and Iraq......................................................................................19
  Figure Ninet: Washington Post Map of ISIS Affiliates..................................................................................20
  Figure Ten: Spread of Attacks And Groups Affiliated to ISIS/ISIL as of 12/2015 ....................................21
  TURKEY AND THE “KURDISH PROBLEM” .....................................................................................................22
  Figure Eleven: The Kurdish Issue .................................................................................................................22
  YEMEN AND THE RED SEA ..........................................................................................................................23
  EGYPT, THE SINAI, GAZA, AND THE 3rd INTIFADA ................................................................................23
  LIBYA AND TUNISIA .....................................................................................................................................23
  RUSSIA ..........................................................................................................................................................23
  THE UNITED STATES ........................................................................................................................................24

THE BROADER CHALLENGE OF EXTREMISM AND TERRORISM ..................................................................25
  Figure Twelve: The Broader Patterns in Terrorism ....................................................................................26

THE WORSENING HUMANITARIAN CRISIS ..............................................................................................27
  Figure Thirteen: Immediate Humanitarian Impact of Conflict and Crisis in the Middle East, North Africa, and Nearby Regions ................................................................................................................28

THE ECONOMIC AND PETROLEUM WILD CARDS IN 2016.................................................................. 29
  Figure Fourteen: The Crisis in Oil Prices ....................................................................................................30
  Figure Fifteen: A Guesstimate of the Decline in Oil Revenues in Nations with Government
  60-90% Dependent on Petroleum Related Revenues .............................................................................31
Introduction

There is no easy way to provide an overview of all of the risks and issues that will shape the stability of the Middle East and North Africa (MENA) in 2016. Much of the news reporting and analysis of the Middle East seems to lurch from one crisis to another on the basis of whatever crisis has the most visibility on a given day. Sometimes the focus is on Yemen, other times it is on ISIS, Assad, or terrorism outside the region. Most recently, it is the fact that the long standing tension between Saudi Arabia and Iran has escalated yet again.

As long as each crisis is seen individually, and in the context of the current headlines, one crisis may seem to dominate events on a given day. Moreover, once a crisis is taken out of its historical context and decoupled from the overall pattern of events, it somehow seems new and dramatic – rather than part of a much broader pattern, one that often has taken decades to emerge, and the trends and risks in a region where one set of tensions and conflicts cannot be separated from another.

In reality, the Middle East, North Africa, and much of the Islamic world are caught up in an interlocking pattern of crises that began decades ago and has become steadily more serious over time, and that now seems almost certain play out over at least the next decade. Tomorrow’s crisis and headlines – like today’s – will focus on a snapshot of one element of this pattern.

However, it will be the overall pattern of events, and not the event of the day, that will dominate the region in 2016 and in the future. Even if one only looks and the immediate problems and risks affecting 2016, Figure One shows how complex the mix of issues, threats, and potential problems really is – although it should be stressed that listing risks does not mean that given risks will be critical or more serious in 2016:

**Figure One: The Interlocking Crisis and Conflicts Shaping the Middle East and North Africa in 2016**

1. The Cumulative regional impact of Iran-Iraq War, US invasion of Iraq, Arab “winter in 2011, Saudi/GCC-Iranian tension, religious tension and extremism, instability in Yemen, poor governance and development

2. The Morocco-Algeria-Polisario conflict over Western Sahara and access to Atlantic.

3. The Moroccan emigration crisis, problems in economic development, youth bulge and employment issues.

4. Algerian stability through repression and military dominated rule linked to major population problems, jobs and housing issues, corruption, and issues with extremists and terrorists coupled to massive cuts in oil and gas revenues.

5. Interaction between migration, narcotics, human trafficking, ethnic tensions, Islamic extremism and terrorism across the Sahara and impact in Europe.

6. Civil war in Libya with separate “East” and “west” governments coupled to presence of ISIS, tribal conflicts, Arab-Berber issues, post-Qaddafi economic crisis and low oil prices.

8. Egyptian struggle for stability, low level conflict in Sinai, repression vs. Islamic extremism, economic crisis, role in Gaza, Libya, and Arab alliance. Questions about future outside aid levels because of oil revenue crisis. Major employment, career, tourism, and economic development issues.

9. Escalating Israeli-Palestinian “3rd Intifada” focused on conflict rather than two state solution linked to outside extremism, conflicts in Sinai and Syria, power struggles between hardline movements in Gaza, and steadily increase missile and rocket forces in Lebanon.

10. Uncertain “stability of post-civil war stability in Lebanon, critical refugee problems, threat from extremist pressure on border, Hezbollah armament and role in Syria plus ties to Iran. Questions about future aid levels. Lack of broadly based economic development, mixed impact of population growth and emigration on sectarian balance.

11. Conflict between Assad regime and divided Sunni Arab rebels in Syria. Uncertain role of Al Nusra Front and other rebels linked to Al Qaida. Emergence of Syrian Kurds as new force. Conflict with Syrian part of ISIS, role of Iran and Hezbollah. Tensions over Turkish role, massive refugee and IDP crisis impact on more than half the population, Impact of U.S. and other Arab states. Impact of Russia. Economy dropping below 1/3 of 2011 level. Massive military damage to housing, businesses, infrastructure. Lack of recovery and development plans and options.

12. Conflict between ISIS and Iraqi government, U.S. led coalition, Iran, and Hezbollah. Serious Arab-Kurd and Sunni-Shi’ite tensions. Deeply divided and weak Iraq central government. Intra Shi’ite power struggles and tensions. Similar lack of unity in Kurds and Sunnis. Uncertain effort to build effective Iraq ground forces. Threat posed by Shi’ite militias. Serious tensions with Turkey. Impact of Russia. Lack of military stability operations and effective recovery efforts to date, failed development and new economic crisis over oil prices.

13. Iranian tensions with Saudi Arabia and other Arab states. Role in transfer of arms to Hezbollah and Gaza, and role in Lebanon, Syria, and Iraq. Support of Shi’ite hardline or violent elements in Bahrain, Yemen, Saudi Arabia, Kuwait, etc. Uncertain impact of nuclear agreement with P5+1 (JCPOA), and uncertain use of post-sanctions revenues. Steadily increasing missile forces, growing naval-air-missile capability to threaten or close the Gulf, continuing threats to Israel. Arms race with GCC and other Arab states, and uncertain impact of Russia in transferring modern weapons like S-400. Uncertain balance of moderate and hardline forces in leadership. Two key elections. Serious water issues, employment issues, and agricultural crisis. Uncertain economic development plans and new economic crisis over oil prices.

14. Jordan caught up in Syrian and Iraq wars with ISIS, concern over Iranian expansion, links to Saudi Arabia and GCC. Major problems in dealing with Syrian and Iraqi refugees. Economic development issues. Spillover in investment
and job creation from economic problems in neighboring states and oil revenue crisis. Impact of “3rd Intifada” in Israel. Internal divisions between rural and urban areas, and tribal issues.

15. Saudi Arabian tensions with Iran, role in Yemen War, challenge from Islamist extremists and terrorist movements. Internal problems with Shi’ites. Role in supporting regime in Bahrain. Key force modernization issues and problems in defining partnership with the U.S.: naval modernization, missile defense, security of Gulf and maritime transit, improvement of counterterrorism forces. Possible problems with increasingly hardline anti-terrorism operations. Uncertain nature of Arab Coalitions and ongoing problems in creating interoperable and integrated forces in GCC. Uncertain future role in Syria and Iraq. Serious economic and stability challenges from crisis in petroleum export revenues potentially affecting housing, job creation, diversification, medical, and infrastructure plans.

16. UAE’s similar problems with Iran, role in Yemen War, approach to Syrian civil war and Syrian-Iraqi conflict with ISIS. Possible problems with increasingly hardline anti-terrorism operations. Key force modernization issues and problems in defining partnership with the U.S.: naval modernization, missile defense, security of Gulf and maritime transit, improvement of counterterrorism forces. Uncertain impact of cuts in petroleum revenues, and lifting sanctions on Iran.

17. Qatar’s similar problems with Iran, approach to Syrian civil war and Syrian-Iraqi conflict with ISIS. Residual tensions with neighbors.

18. Divided and ineffective Kuwaiti government with growing internal tensions, including Sunni vs. Shi’ite problems linked to Iran. Uncertain role on Kuwait in regional security, and political divisions that limit petroleum and other aspects of economic development.


20. Impact of combination of civil war, and Houthi/Saleh war with Saudi led Coalition. U.S. role in supporting air operations. Uncertain role of Iran. Lack of any clear outcome that can bring stability. Fact wars have impacted on what was already a failed state in terms of human development, economic problems and job creation, narcotics consumption, limited petroleum revenue, north-south and tribal divisions, governance, population pressure, agriculture and water. Pressure to migrate to Saudi Arab, GCC states, and beyond.

21. Uncertain role of Turkey and Erdogan government on growing Kurdish “issues” in Syria and Iraq. Resumption of Turkish civil conflict in PKK, uncertain role of Turkey in conflict against ISIS and political-ethnic-sectarian tensions in Syria and Iraq. Tensions with U.S. over Kurds and level of opposition to ISIS.

22. Broad regional concern over perceived lack of U.S. leadership, strategy, role as military partner, and ties to Iran that will be heighten by partisan and sometimes extreme U.S. Presidential campaign.
23. U.S. and Russian tensions over Russia’s role in Syria, arms sales, and broader role in region. Russian charges that U.S. is creating instability and over color revolutions. Impact on European security and Ukraine.

24. Lack of any coherent European policy to any issue in the region.


26. Rising tensions and problems over European and U.S. treatment of refugees, Muslim population, counterterrorism. Serious risk of growing religious tension between West and Islamic world.
Broader and Enduring Challenges to Stability in the Middle East and North Africa (MENA): 1965-2050

This overall pattern is only partly driven by the kind of conflicts and tensions shown in Figure One, and that now get most media and policy attention. Each state in the region has a different mix of problems and successes, but the overall pattern of events is driven by the mix of broad and enduring challenges in governance, demographics, economics, religion, and social change summarized in Figure Two:

**Figure Two: The Enduring Forces shaping Instability and Conflict in the MENA Region**

1. Cumulative impact of massive population growth, hyperurbanization, lack of agricultural modernization and reform, and economic diversification.
2. Extremely young population, “youth bulge” creating job and career crisis, lack of housing, education, and services, inability to marry and support a family
3. Poor governance, security based on authoritarianism, acute corruption, crony capitalism, and steadily deteriorating equity in income distribution.
5. Acute ethnic, sectarian. Tribal, and other sources of internal tensions and conflict.
6. Lack of effective and credible economic development efforts.
7. Wasted years since 2011 with major losses of housing, jobs, businesses, education.
8. Ongoing struggle for the future of Islam involving both extremism and Sunni vs. Shi’ite and other Islamic minorities that will endure regardless of what happens to ISIS and Al Qaida.
9. Focus on short term and local tactical victories in actual conflicts with lack of adequate recovery and development efforts. Military are all “win,” with little real world “hold” or “build” capability.
10. Lack of credible options and management and implementation capability for recovery, time involved, and cost.

Any assessment of the risks in the Middle East and North Africa in 2016 and beyond much address the reality that most – if not all – of these forces will shape the stability of the MENA region for decades to come:

- Virtually all regional states have serious problems with governance, rule of law, security, and finding a balance between religion and secularism. These problems in governance are illustrated in Figure Three.

- As Figure Four shows, they have broader impacts in terms of acute corruption, state-driven barriers to effective development, and “crony capitalism.” Ironically, given Western perspectives, it is the Arab monarchies and theocracy in Iran that have done the most – if still far too little – to adapt and meet the other needs of their
population. No state in the MENA has developed a pattern of government that has responded to the full needs of its population – if foreign workers are considered as part of the population in smaller, elitist, wealthy oil states in the Gulf.

- The UN and U.S. Census Bureau estimate that the population of the MENA region grew by well over five times between 1950 and 2010. **Figure Five** shows that major population growth will sustain serious pressure on governance and national economies well beyond 2050.

- **Figure Six** shows that Acute population pressure has strained the capacity of every state and created a massive “youth bulge” from a young population where at least 34 percent of the total population of the MENA area is now under 15 years of age. Most MENA states are not meeting basic needs in terms of meaningful education, job creation, career opportunities, housing, medical services, infrastructure, and the ability to give young men and women the resources to marry and support a family.

- A study by the Pew Trust shows that about 20 percent of the world’s Muslims are now in the MENA region and that this percentage will not change by 2050, although it still means the number of Muslims in the MENA region will increase from some 312 million to 512 million. This estimate assumes that the annual rate of increase in the Muslim population will drop from 1.8 percent in 2010-2015 to 1 percent in 2045-2050, and that Europe will allow migration to increase the percentage of Muslims in Europe from 8.4 percent on 2010 to 10.2 percent in 2050 while the United States and Canada will allow enough migration to allow the percentage to increase from 1.4 percent to 2.4 percent.

- The challenge of religious extremism, sectarian violence, and the fight for the future of Islam may currently be centered in the MENA states, but it increasingly has a broader impact on the Islamic world. The same study by the Pew Trust projects that the world’s population will increase by 35 percent between 2010 and 2050, and that the increase in the Muslim population will be 73 percent during this period – rising from 1.6 billion to 2.8 billion. It will be more than twice the percent of increase in the world’s Christians and Hindus during this time, nearly five times the increase in the world’s Jews and must be compared to a projected loss in the percentage of Buddhists.

- Major shifts in the structure of the economy and the size and distribution of population that have created hyperurbanization in most states, broken up traditional tribal and regional patterns, pushed different ethnic and sectarians groups into closer and new patterns of contact, and often into tension and conflict.

- Failed economic development and diversification makes even the most “wealthy” oil states vulnerable to global economic conditions and cuts in oil prices, and leaves other states lagging in the ability to provide either security or stability. This pushes significant numbers to migrate and often leave the region – creating new levels of tension between migrants and the largely European states they turn to for jobs and opportunity.

- Failed secularism and social and economic stability – coupled to a failure to deal with the needs of youth and provide hope and effective governance – have helped
push significant numbers of men and women towards religious extremism. This extremism is tied to opposition to both their government and their traditional religious leaders. It is fueled by new means of communication and social networking that neither most of the region’s governments or its clergy can use or counter effectively.

- Semi-authoritarian rule increasingly turns to repression as instability grows, adding new “counterterrorism” measures without taking responsibility for adequate reform in terms of modernizing government, the political process, and economy, and meeting the broader needs of the population. Some states meet religious, sectarian, and ethnic violence and opposition with the equivalent of state terrorism, fueling the very movements they seek to suppress. At the same time, legitimate dissent and political opposition are suppressed and cannot develop an effective moderate voice or alternative. No moderate group outside government is able to take and hold power if regimes collapse under the cumulative weight of their own failures.

None of the events that have followed – the rise of ISIS/ISIL, the instability in Iraq that followed U.S. withdrawal, the Syrian civil war, and the civil war in Yemen – can be separated from these problems and the inequalities in income distribution, corruption, and lack of opportunity for many in the middle class as well as the poor. As the UN’s Arab Development Reports, World Bank, and IMF warned repeatedly long before 2011, they raised a serious risk of major political upheavals and created a situation where even the creation of dedicated and competent reform governments meant such governments face a decade of effort to correct the structural problems involved.
Figure Three: Government Effectiveness and Failed Secularism

[Graph showing government effectiveness and secularism rankings, with higher ranking indicating better performance.]


Figure Four: Transparency International Corruption Perceptions Ranking (Out of 177)

[Graph showing corruption perceptions index rankings, with lower numbers indicating worse corruption.]

177 is worst country in the world

Transparency International Corruption Perceptions Index *The Corruption Perceptions Index ranks countries and territories based on how corrupt their public sector is perceived to be.*

**Figure Five: Population Pressures on MENA States**

Demographic Pressure: 1950-2050 (In Millions)

<table>
<thead>
<tr>
<th>Country</th>
<th>1950</th>
<th>2015</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Libya</td>
<td>960,000</td>
<td>6,410,000</td>
<td>X 6.7</td>
</tr>
<tr>
<td>Syria</td>
<td>3,500,000</td>
<td>22,300,000</td>
<td>X 6.3</td>
</tr>
<tr>
<td>Iraq</td>
<td>5,160,000</td>
<td>33,300,000</td>
<td>X 6.5</td>
</tr>
<tr>
<td>Yemen</td>
<td>4,780,000</td>
<td>26,700,000</td>
<td>X 5.6</td>
</tr>
</tbody>
</table>


**Figure Six: Youth Bulge (Percentage of Native Population Below 25)**

The Heritage of War and Violence through 2015

These pressures have been compounded by the cumulative impact of a long series of regional and civil conflicts that long precede the crises of the day that dominate far too much reporting and analysis.

It seems far too easy for outside observers to forget that the tension between Iran and its Arab neighbors began with British withdrawal from East of Suez, the Shah’s claims to Bahrain, and his seizure of Abu Musa and the Tunbs in 1971, and that Iran has sought to influence or control the Shi’ite population in Arab states ever since the fall of the Shah in 1971 – sometimes supporting violent opposition and other separatist movements, or that the alignment between Iran and Syria did not begin in 2011, but at the start of the Iran-Iraq War in 1980.

Even if one largely ignores the Arab-Israeli conflicts, and their destabilizing impact in militarizing Arab states and shaping their economies around an arms race, the levels and types of violence that exist today have a long heritage that affects virtually every and new or ongoing crisis and conflict. These sources of conflict include:

- British withdrawal from East of Suez, the Shah’s claims to Bahrain, and the Shah’s seizure of Abu Musa and the Tunbs in 1971. The Iranian revolution did not set the precedent for Iranian-Arab tension, the Shah did. Iran has since sought to influence or control the Shi’ite population in Arab states ever since the fall of the Shah in 1971 – sometimes supporting violent opposition and other separatist movements.

- Sectarian, ethnic, and tribal differences have increasingly become institutionalized and a growing source of tension and conflict, over time. For example, the Western Sahara conflict that peaked between 1975 and 1991 set the pattern for regional tensions. It can be argued that the Dhofar rebellion in Oman, and a long series of conflicts and clashes in the YAR and PDRY in Yemen had an equal impact and illustrates the extent to which some conflicts have antecedents going back for decades.

- There are many other cases of violence that set important precedents for today’s crises. Religious extremism surfaced with the uprising at the Grand Mosque in Mecca in 1979, and the elder Assad’s massacre of Muslim Brotherhood fighters in Hama in 1982. The Algerian civil war in the 1990s set the pattern for conflicts between the state and religious extremists. Arab and Kurdish tensions – initially centered in Iraq and Turkey – have led to new rounds of violence since the 1960s.

- The Lebanese civil war helped increase sectarian tension over a period of decades and the Israeli invasion of Lebanon in 1982 ended in alienating Lebanon’s Shi’ites, creating the Hezbollah and a center of Iranian influence in that country.

- The Iranian revolution led Khomeini to send messengers opposing Arab governments into various states as early as 1979, and the Iran-Iraq War started a pattern of Sunni and Shi’ite conflict that has grown since 1979-1980. This was made worse by internal sectarian and ethnic tensions and fighting within Iraq that became serious in 1982, and by the fact the ongoing tensions between the United
States and Iran led the United States to establish strategic partnerships with Saudi Arabia and the other Arab Sunni states in the Southern Gulf.

- The alignment between Iran and Syria did not begin in 2011, but at the start of the Iran-Iraq War in 1980. The elder Assad’s long standing rivalry with Saddam Hussein led him to halt Iraqi petroleum exports through Syria, and align himself with the Khomeini government.

- The Soviet invasion of Afghanistan from 1979 to 1989 – and President Zia and his successors’ manipulation of Pakistan’s support of the Afghan rebels, and Sunni religious extremists to fight India in Kashmir – helped create violent Islamist extremist movements that spread into the MENA region. It also helped create a broader outside network of extremist movements feeding, and fed by extremists in the MENA area.

- Iraq’s invasion of Kuwait in 1990 further divided the Arab world, helped Iran remerge as a regional power in spite of the cost of the Iraq-Iraq War, and triggered an anti-U.S. reaction in Saudi Arabia and parts of the region that led to the rise of Al Qaeda and violent religious extremism. It also led Saddam Hussein to turn away from secularism and to try to exploit Islam and the faith of his ruling Sunni minority in ways that helped lead to the rising of Al Qaeda in Mesopotamia and then ISIS after the U.S. invasion of Iraq in 2003.

- The U.S.-led invasion of Iraq also removed Iraq as a military counterbalance to Iran, left Iraq without a stable government and economy, and further stimulated violent Islamic extremism and sectarian tension and violence between Sunni and Shi’ite as well as tension between Arab and Kurd. According to one State Department estimate it also displaced some 70 percent of the remaining religious minorities in Iraq.

- The structure of outside alliances led by the United States from the fall of the Shah onwards focused far more on security than on encouraging political evolution and economic development, and linked the United States to Arab partners in a common opposition to Iran and its military build-up in the Gulf. It did not provide a broader basis for stability.

- After 9/11 and the Al Qaeda attacks on Saudi Arabia in 2003, the U.S. strategic partnership with the Arab states became focused on the threat of violent Islamic extremism without effectively addressing the causes of that extremism. At no point from the U.S. invasion of Iraq in 2003 onwards, did the United States have a clear regional strategy, and from 2011 onwards, the United States was confronted by immediate military and terrorist threats where both the United States and its Arab partners focused on security with little attention to overall stability.

These patterns of violence interacted with the previous problems in governance, economics, and demographics. They helped lead to major upheavals in Libya, Tunisia, Egypt, Syria, Iraq, Bahrain, and Yemen – although each state was affected by the causes of instability in different ways and no MENA state was immune to serious domestic problems and challenges.
At the same time, these same forces ensured that no upheaval took place in a state where those challenging the government had an organized political structure, practical experience in leadership or governance, any broad basis for functional democracy, and could replace repression with a stable form of governance.
Key Challenges in 2016

It is not possible to address all of the challenges raised in Figure Two in an overview of regional tensions and risks, but the Saudi-Iranian crisis over the execution of Sheikh Nimr al-Nimr and three other Shiites when Saudi Arabia executed 43 Sunni terrorists -- began 2016 with a sudden shift in media focus from the fighting against ISIS in Ramadi to a focus on Saudi-Iranian tensions.

Once again, far too many reports act as if these tensions were a new crisis, and many reports are written in the context that Sheikh Nimr al-Nimr was a peaceful voice of dissent in spite of his early ties to Iranian sponsored violent Shi’ite movements in Saudi Arabia and calls for Shi’ite separatism in the oil-rich Eastern province. They also ignore Iran’s own executions and history of terrorism, human rights violations, suppression of free speech and opposition, threats to close the Gulf, missile build-up, support of violent non-state actors, and role in empowering the massive human rights violations and civilian casualties caused by the Assad regime’s military actions in Syria.

The Broader Crisis with Iran in Military Forces, the Gulf, and the Region

This crisis has far broader origins. Saudi Arabia, the UAE, and other Gulf states have been involved in a major arms race with Iran since the beginning of the Iran-Iraq War in 1980, and in a confrontation with Iran over its support of Shi’ite movements and separatism since 1979.

There has been a continuing struggle over regional influence since the rise of an Iranian-sponsored Hezbollah after 1982, sharply exacerbated by the destruction of Iraqi forces in 2003, Iran’s nuclear and missile programs, and Iran’s creation of asymmetric warfare forces in the Gulf that it has threatened to use to close the Strait of Hormuz.

This has led to over $100 billion worth of Arab Gulf arms orders that are now in the process of delivery, as well as to separate new Arab, Israeli, and U.S. programs for missile and rocket defenses. It has pushed Saudi Arabia into a major new program to modernize its Gulf fleet as well as U.S. efforts to build up its naval presence in the Gulf and 5th fleet.

It also led Saudi Arabia to declare an Arab partnership in counterterrorism some two weeks before the executions, and an alliance that not only was directed against movements like ISIS and Al Qaeda, but indirectly addressed Iran. It followed on the fact that Saudi Arabia has never seen the nuclear agreement with Iran as leading to any broader pattern of regional stability, sees Iranian influence in Syria and Iraq as major threats, and sees Iran as also posing a threat in its Eastern Province and in Lebanon, Yemen, and Bahrain.

Both Iran and Saudi Arabia and the other Arab Gulf states seem likely to try to avoid any actual military clashes, but the major arms race in the region, the struggle for regional influence, and the sectarian nature of this power struggle seem likely to lead to new incidents throughout the year, a steady build up in Iranian missile forces and developments, and drive Iran to seek advanced arms from Russia and China as part of what is almost certain to be an accelerating military build-up and power struggle in the Gulf, Levant, Iraq, and Syria.
As **Figure Seven** shows, these tensions also threaten to create Sunni conflict with Shi’ite, Alawites, and other Islamic minorities that can grow steadily more serious in 2016, and expand elsewhere in the Islamic world.

**Figure Seven The Sunni, Shi’ite, and Other Sectarian Divide**

![Map of the Middle East showing Sunni, Shi'ite, and other sectarian divides.](http://www.nytimes.com/interactive/2016/01/04/world/middleeast/sunni-shiite-map-middle-east-iran-saudi-arabia.html?_r=0)

**Tensions with Iran and the Iranian Elections**

It is unclear whether the furor over the Saudi execution will produce the level of increase Saudi-Iranian attention that many fear, but it follows in a broader pattern that creates a real risk of some serious incident in the Gulf or elsewhere in the region.

Iran does seem to have made major progress in carrying out the terms of the nuclear agreement, and moving toward the Implementation Day necessary to lift most nuclear sanctions, and it has compromised to the extent of negotiating with the U.S. and Arab states over Assad and Syria. There has not, however, been any broader rapprochement. Iranian rhetoric is as hardline as ever, and Iran has carried out several provocative long range ballistic missile tests, and it has fired rockets near a U.S. carrier.

There is also the possibility that internal developments will make thing worse. The cut in global petroleum price means that Iran will not get anything like the economic benefits it
once counted on – for either domestic or national security uses – and this could trigger an internal struggle over resources.

Iran’s hardliners are also competing with its moderates to shape and control two key elections. Parliamentary elections will be held in Iran on February 26, 2016 to elect both the Islamic Consultative Assembly and the Assembly of Experts. Hardliners are trying to ensure that all candidate possible support them, and the elections can expose the tensions between them and moderates.

The Islamic Consultative Assembly election can drag out for several reasons. In single-member constituencies candidates must received at least one-third of the votes in the first round. If no candidate passes this threshold, a second round is held with the two best-placed candidates. In multi-member constituencies, voters cast as many votes as there are seats available. Candidates must receive votes from at least one-third of voters to be elected; if not all the seats are filled in the first round of voting, a second round will be held with double the number of candidates as there are seats to be filled (or all the original candidates if there are fewer than double the number of seats).

The 88 members of the Assembly of Experts, are directly elected. The elections had been planned for 2014, but have already been were delayed by a year because of internal elections and in order to hold them alongside the Islamic Consultative Assembly elections. The Assembly is the body that elects the Supreme Leader and Khatami is old and has had serious prostate problems.

A Broader Arab Focus on Assad, Syria, Iraq, and Yemen and the Failure of Peace Initiatives in Syria and Yemen

The coming year is almost certain to see a broader Arab focus on Syria, Iraq, and Yemen as major threats that are at least as important to the Arab Sunni states as the threat posed by ISIS and Al Qaeda. The U.S. and Europe may prioritize terrorism, but key Arab allies like Jordan, Egypt, Saudi Arabia, Bahrain, Kuwait, and the UAE have clear national interests in pushing Assad from power and reducing or ending Iranian influence in Lebanon, Syria, Iraq, and Yemen.

This may well prevent any settlement in Syria that assumes that Assad and Iranian forces can stay, that the Arab rebels will compromise with Assad and focus on ISIS, and that the Arab states will not become far more proactive in trying to limit Iranian influence in Iraq or building up Arab Sunni forces in Iraq.

Even if such a settlement appears to be reached, Arab strategic interests in blocking Iranian influence and ousting Assad for his attacks on Arab Sunnis seem likely to kill any settlement or make it so unstable as to be little more than a political fiction. They also seem likely to place critical limits on any partnership between the United States and Europe and the Arab Sunni states that tries to ignore Arab strategic interests in dealing with Assad and Iran.

The most likely outcome is not a meaningful settlement, but a continuing crisis in Syria, and a steady polarization of that state along pro-Assad, Arab Sunni, and Kurdish lines, limited Arab support for the fight against ISIS in both Syria and Iraq, and a growing level of Kurdish autonomy in both Syria and Iraq – backed in part by U.S. need to support the Kurds as a force that will actively oppose ISIS.
Grindingly Slow Progress Against ISIS and Al Qaeda

This, in turn, is almost certain to mean slow progress in the fight against ISIS in both Iraq and Syria, as well as outside these states. Figure Eight shows the situation in Syria and Iraq at the end of 2015. Figure Nine and Figure Ten compare different ways of showing the expansion of ISIS influence in the MENA region.

The fight in Ramadi has shown that relatively small elements of the more elite Iraqi government ground forces can be effective against ISIS with massive U.S. air support. However, the United States has been remarkably silent about the overall level of improvement in Iraqi government forces and the extent to which the evolving Iraqi order of battle includes Sunnis and Kurds and is truly national in character.

The unity of Iraq remains at question, although there are reports that the Iraqi parliament may finally address the National Guard bill and efforts to create more effective Iraqi Sunni and Kurdish forces. Unless the Iraqi government can reach out to Iraq’s Sunnis and Kurds far more effectively than in 2015, the defeat of ISIS may also become little more than a prelude to new sources of violence and divisions in the country and its steadily increasing de facto division into Kurdish, Sunni, and Shi’ite sectors, as well as internal struggles for power within each area that can cripple the Abadi government in Baghdad.

It is possible that the steady use of U.S. airpower can cripple the ISIS “caliphate,” but it is all too possible that ISIS will survive through 2016 while the primary conflict within Syria will remain one between the Assad regime, backed by Iran and Russia, and Arab rebels backed by the Arab states.

It also seems likely that any progress that is made against ISIS will lead ISIS to try to find new ways to attack targets in the United States and Europe and broaden its influence in other parts of the MENA region. It seems equally likely that if ISIS is pushed toward actual defeat in terms of its control of its key population centers, it will find ways to disperse its fighters and continue its “caliphate” as a broader terrorist and extremist network. This may lead it to seek new alliances with Al Qaeda and movement like the Taliban or to replace them in new countries. It may also lead to the formation of new Islamist structures and threats.
Figure Eight: Fighting and Factions in Syria and Iraq

Figure Ten: Spread of Attacks And Groups Affiliated to ISIS/ISIL as of 12/2015

• **Algeria:** Wilayat Algeria formed from Jund al-Khilafah after it pledged allegiance to ISIL. Wilayat Barqa formed from the Shura Council of Islamic Youth.

• **Libya:** Some militants formerly associated with Ansar al-Sharia in Libya also pledged allegiance to ISIL.

• **Egypt:** Wilayat Sinai formed from the majority of the membership of Ansar Bait al-Maqdis.

• **Yemen:** Wilayat Sanaa formed from a faction of Ansar al-Sharia who pledged allegiance to ISIL.

• **Pakistan and Afghanistan:** Wilayat Khorasan formed from the allegiance of militants from groups based in Pakistan and Afghanistan, including Jundallah, Tehreek-e-Khilafat, the Islamic Movement of Uzbekistan and dissident commanders formerly associated with Tehrik-i-Taliban Pakistan.

• **Northeastern Nigeria, Chad, Niger and northern Cameroon:** Wilayat Gharb Afriqiya formed from Boko Haram pledging allegiance to ISIL.

• **Chechnya and Dagestan:** Wilayat Qawqaz formed from dissident militants of the Caucasus Emirate in Chechnya and Dagestan who switched their allegiance to ISIL.

• **Palestinian:** Militants of the group Army of the Islamic State (Palestinian Territories) pledged allegiance to ISIL.

• **Philippines, Malaysia:** Militants of the group Abu Sayyaf pledged allegiance to ISIL.

• **Saudi Arabia:** Unidentified militants in Saudi Arabia – designated as provinces of ISIL.

• **Jordan:** Militants of the group Sons of the Call for Tawhid and Jihad (Jordan) pledged allegiance to ISIL.

• **Lebanon:** Militants of the group Free Sunnis of Baalbek Brigade pledged allegiance to ISIL.

• **Maldives:** The group Islamic State of the Maldives pledged allegiance to ISIL in July 2014.

Turkey and the “Kurdish Problem”

As Figure Eleven shows, the Kurds span a wide range of sensitive borders and areas in the MENA region. Erdogan’s power struggle to create a “presidency” that will dominate Turkish politics has led to the rebirth of Turkish fighting against the PKK and other Kurdish factions that challenge Turkish power. This seems likely to create a continuingly worsening level of tension on another front in Syria and Iraq.

Erdogan also seems likely to see U.S. support of the Syrian and Iraq Kurds against ISIS as empowering the Kurds against Turkey. This will interact with the fact that the Syrian Kurds now control much of the border area with Turkey and have a major ethnic identity for the first time, with mixed links to both the Kurds in Iraq and Turkey. They have supported the United States in dealing with ISIS, but have shown little interest in supporting Turkey or Arab factions in dealing with Assad, and have every reason to focus on securing their own identity and “zone,” rather than broadening their role.

The Iraqi Kurds have less and less reason to keep strong ties to the Iraqi central government, benefit from separate train and assist aid from the United States as well as Turkish aid, and see Turkey as a key counterbalance to Baghdad while having to deal with Turkish attacks on the PKK. They also have to deal with the fact that they have expanded their area of control in the east to include Kirkuk and its petroleum fields, and into Ninewa Province to the southwest. This may well mean an open confrontation with the Iraqi central government if ISIS is defeated, both over Kirkuk and in the area above and to the east of Mosul.

Like the sectarian struggle between Sunni and Shiite, the Kurdish issue creates an ethnic issue with Turkish dimensions that highlights the fact that ISIS is only one of the sources of crisis in Syria and Iraq – much less the region.

Figure Eleven: The Kurdish Issue

**Yemen and the Red Sea**

The war in Yemen is having mixed results at best. Airpower has weakened the Houthi and Saleh forces, but Saudi Arabia, the UAE, and the other members of the Saudi-led coalition have shown only limited ability to occupy and secure space on the ground. They have not yet shown the ability to carry out the kind of stability operations that can lead to effective Yemeni governance and a functioning economy. Saudi Arabia also seems to have spent some $5.3 billion on the war in the last year – a major economic strain.

More broadly, Yemen is a failed state by every norm in terms of governance and economic development, has a growing problem in terms of internally displaced persons and migrants, and has no clear options for creating stability given its mix of problems with water, economic, and population pressures. Al Qaeda in the Arabian Peninsula – and to some extent ISIS – seem to have gained from the fighting between the Saudi coalition and Houthis, and the tensions between northern and southern Yemen remain serious.

It is unclear that Iran will find any alternatives in the Red Sea area, but it is equally unclear that Saudi Arabia and the UAE can “win” the war in Yemen in any meaningful sense. The war may well become one more endemic conflict, and Islamist extremist movements in Yemen may well benefit from the tensions between Iran and the Sunni Arab states. In short, 2016 may well be as bad in Yemen as in Syria, Iraq, and the Gulf.

**Egypt, the Sinai, Gaza, and the 3rd Intifada**

It is not clear that 2016 will be any worse in Egypt, the Sinai, and the Gaza than in 2015. It is equally unclear that the situation will be better. The Sisi regime seems to have establish a level of control that limits internal threats, but it does not seem to have succeeded in improving governance, economic development, or meeting popular needs. It is far from clear that this lack of progress will not raise the level of popular discontent during 2016, or that the level of violence will not increase in the Sinai. Repression is not a substitute for effective stability operations and efforts to win popular support.

More broadly, the rise in Israeli-Palestinian tension and violence seems likely to increase without any clear solutions, creating more problems in Gaza, Jerusalem, and the West Bank and at a time when the Palestinian Authority seems to steadily be losing Palestinian support and both Palestinians and Israelis continue to polarize against each other. There is also at least the possibility of new tensions between Israel and the Hezbollah-Iran, and ISIS or other efforts to create a new front in Syria along the Golan.

**Libya and Tunisia**

The situation in Libya may move towards some kind of peace of exhaustion and agreement between the two key tribal factions in the west and east – if partly to deal with the threat posed by ISIS. Tunisia also has so far been able to cope with the extremist attacks and internal pressures it faces, and there is reason for hope – if not yet a basis for confidence. Both countries do, however, remain “at risk” to say the least.

**Russia**

It is possible that Russia will reach some compromise over Syria, will not actually transfer key arms to Iran, and will not try to further expand its influence at the expense of the United States. It may also find its presence in Syria and ties to Iran are both costly and present
more problems in dealing with the Arab Sunni states than they are worth. It is also more unlikely than probable. There is still a serious risk that Russia will steadily increase its efforts to portray the United States as destabilizing the region through “color revolutions,” and its tensions with Turkey since Turkey shot down a Russian fighter may lead it to keep trying to put pressure on Turkey as well.

**The United States**

The FY2016 defense and foreign aid budgets give the United States the resources to sustain its strategic partnership with the Arab Sunni states, sustain operations in Syria and Iraq, and maintain the security of Israel. At the same time, the U.S. focus on ISIS, and seeming willingness to deal with Assad, Iran, and Russia in Syria presents serious problems in terms of the priorities of the Arab states.

Iran has not shown any open or official interest in easing its broader tensions with the United States regardless of how the Iranian nuclear agreement proceeds, or near term signs of easing the arms race in the Gulf or the other security challenges the United States faces from Iran. It is also possible that a combination of easing UN, European, and U.S. sanctions may give Iran access to more advanced weaponry as well as the resources to sustain its efforts in Syria and expand them elsewhere in the region.
The Broader Challenge of Extremism and Terrorism

It is important to note that the challenge of extremism and terrorism is likely to grow regardless of what happens in Syria and Iraq, and to ISIS in those countries. The most recent unclassified data on terrorist incidents show that ISIS is only responsible for roughly a third. The key trends are illustrated in Figure Twelve, and are almost certainly broadly correct. However, the data involved are complex and often show conflicting facts and trends.

A fully accurate risk analysis would have to take full account of how uncertain much of these data are. The United States no longer reports any official estimates of trends in terrorism, and the U.S. State Department draws on START for the data in the National Consortium for the Study of Terrorism and Responses to Terrorism: Annex of Statistical Information, Bureau of Counterterrorism.

The START data base used in the State Department annual report on terrorism shows that even if one includes every reported attack in Syria and Iraq in 2014 – regardless of whether ISIS was responsible or the attacks was part of an ongoing insurgency rather than terrorism – they amounted to 2,723 attacks in 2013 and 3,602 attacks in 2014. This is only 27 percent of a total of 9,964 attacks worldwide in 2013, and 27 percent of 13,463 attacks in 2014.

The vast majority of these attacks were from violent Islamist extremist movements and the numbers in Pakistan and Afghanistan alone were greater than the ISIS numbers in Iraq and Syria. For all the focus on casualties, the number counted as killed in Iraq was 6,387 in 2013, and 9,929 in 2014.

These numbers include substantial fatalities from counterinsurgency rather than classic terrorism, but they were only about a third of the total fatalities from violent Islamist extremism. If one looks at the much smaller figures for Syria, they were 1,084 in 2013 and 1,698 in 2014. These not only are a small fraction of the 18,066 killed in 2013 and 32,727 in 2014, they are a tiny portion of the 250,000 to 300,000 killed since 2011 in the fighting between the Assad regime and other Arab rebels – driven largely by Assad’s barrel bombing, artillery attacks, and sieges on civilians.

What is equally important is that while there is no precise way to identify how many casualties were Muslim, the vast majority of the 32,727 dead and 34,791 injured in 2014 counted in the annex to the U.S. State Department report did not come from the West or any “clash of civilizations.” They came from violent Islamist extremism in six countries: Iraq, Pakistan, Afghanistan, India, Nigeria, Syria – which accounted for 25,827 (79 percent) fatalities and 27,035 (62 percent) injuries.

In short, uncertain as the numbers for recent trends are, no one looking at any of the data involved – regardless of source -- can avoid the conclusion that the vast majority of those killed by violent Islamist extremism are fellow Muslims, the attacks occur outside the United States and Europe, and are caused by natives of the countries involved and not by foreign volunteers.

All of these data show that an ISIS-centric approach to counterterrorism and violent Islamist extremism is inherently absurd. We either fight the entire threat – and address its causes as well as its violent actors – or our strategy is one of ignorance and driven by the
political opportunism of voices who care far more about their own political advantage than national security or our allies.

**Figure Twelve: The Broader Patterns in Terrorism**

**Terrorist Attacks: 2000-2014**

The majority of terrorist incidents are highly centralised. In 2014, 57 per cent of all attacks occurred in five countries: Iraq, Pakistan, Afghanistan, Nigeria and Syria. However the rest of the world suffered a 54 per cent increase in terrorist incidents in 2013.

**Deaths from Terrorism: 2000-2014**

Deaths from terrorism have increased dramatically over the last 15 years. The number of people who have died from terrorist activity has increased ninefold since the year 2000.

The Worsening Humanitarian Crisis

The humanitarian crisis in the region also goes far beyond the crisis in any one country, and will steadily worsen in 2016, and possibly well beyond. A summary of the crisis at the end of 2015 is shown in Figure Thirteen, but it only covers short term human impacts.

It does not address the lasting impact of population migration and displacement, de facto segregation by sect and ethnic group, new sources of internal tension, the impact on the growth, health, education and the attitudes of children, and a host of lasting human impacts. It does not address the massive loss of economy capability, housing, infrastructure and job creating capability.

More broadly, it does not address the fact that much of the fighting and diplomatic effort focuses only on winning or ending the fighting. It does not address recovery, post conflict stability, development, and creating a stable political-economic social structure. The military mantra for the successful end of civil conflict is “win, hold, build.” So far, the practice focuses only on “win” or “stop.”

For all the U.S. talk of a strategy for the region, it has yet to demonstrate that it has a broader strategy for dealing with the recovery of Syria and Iraq if ISIS is defeated, or for helping regional states deal with their problems in governance, economics, and demographics – key underlying causes of instability, terrorism and violent extremism.
Figure Thirteen: Immediate Humanitarian Impact of Conflict and Crisis in the Middle East, North Africa, and Nearby Regions

Syria Crisis

Fighting continues across Syria taking a heavy toll on civilians and increasing displacement and humanitarian needs. As of 30 November, over 1.5 million people have been internally displaced in 2015 alone, many of them having been displaced multiple times, while hundreds of thousands have fled to neighboring countries and beyond. Humanitarian access remains limited to the estimated 4.5 million people in hard to reach and besieged areas.

Key figures (inside Syria)

13.5 M people in need
6.5 M IDPs
4.6 M in hard to reach and besieged areas

Iraq

Humanitarian organisations are working to address the winterization needs of 585,000 IDPs across Iraq. In addition, 132,000 Syrian refugees in the Kurdistan Region of Iraq (KR-I) will be assisted through the provision of basic domestic items. Colder temperatures (minus 9 to plus 5 degrees Celsius) in KR-I region underscore the urgency of sustained supplies of kerosene for heating and cooking, as well as other essential winterization needs.

10 M people in need
3.2 M IDPs
470,000 returnees

Libya

Armed conflict and political instability has impacted over 3 million people across Libya. This includes IDPs, the non-displaced conflict-affected population, refugees, asylum-seekers and migrants. The crisis is predominantly urban centered with most of the fighting taking place in major cities such as Benghazi, Tripoli, Misrata, Sirte, Sabha and Derna.

2.44 M people in need
435,000 IDPs
250,000 refugees, asylum seekers and migrants

Yemen

Conflict continues to devastate the lives of people in Yemen. Eighty-two per cent of Yemen’s population requires some form of humanitarian assistance to meet their basic needs or protect their fundamental rights. The severity of needs among the most vulnerable population has deepened and parties to the conflict continue to show disregard for the lives of civilians and civilian infrastructure. Humanitarian organisations continue to deliver much needed assistance across the country.

5,955 killed; 28,111 injured (as of 20 December, WHO)
2.5 M displaced
The Economic and Petroleum Wild Cards in 2016

All of these issues will be even more critical in a year and possibly years where low oil and gas export prices may be a serious new source of instability. As Figure Fourteen shows, oil prices have dropped sharply since 2013, when OPEC earned some $824 billion in export revenues, and fell by another 35 percent in 2015 alone.

From 2010 until mid-2014, world oil prices ranges around $110 a barrel from 2010 to mid-2014. They were some 50 percent of that total in June 2015, and prices dropped below $50 a barrel the first time since May 2009, and then to levels of as low as $38 a barrel. Some experts have even begun to talk of $20 oil.

Figure Fifteen shows that OPEC revenues in 2016 could easily be as low as $313 billion in 2013 dollars, or roughly 38-40 percent of the 2013 level revenues. This is critical in exporting states where some 60-90 percent of government revenues come from oil exports, and the state sector dominates key aspects of the economy and job creation. This will have a critical impact on the budgets, military spending, job creation, and aid efforts of all of the major oil exporting states and major drops in earnings and aid to other states may well last to 2018 or beyond.

If there is “good news,” it may be that Iran will not achieve the kind of economic gains from the lifting of sanctions that will allow major increases in military spending and aid to states like Syria. The “bad news” is that it will create serious civil problems in Iran and affect both Arab exporting states and non-exporting Arab states that depend heavily on outside aid.

Saudi Arabia has already had to announce major limits to its budget, and increases in taxes and revenues. The Kingdom has saved funds in the past to help pay for cuts in export revenues, but it also has a long history of underestimating budget costs and it is now committed to major efforts to improve jobs, housing, education and medical services, pay for major new arms purchases, and pay for an ongoing war in Yemen.

The problems for Iraq are already critical. EIA estimates it earned some $87 billion in 2014 dollars in 2014. This compares with $214 billion for Saudi Arabia, and Iraq is a state involved in far more serious conflict, and with far fewer sources of income.

Anthony H. Cordesman holds the Arleigh A. Burke Chair in Strategy at the Center for Strategic and International Studies (CSIS) in Washington, D.C.
Figure Fourteen: The Crisis in Oil Prices

(End of day Commodity Futures Price Quotes for Crude Oil WTI (NYMEX))

Long Term

Short Term

**Figure Fifteen: A Guesstimate of the Decline in Oil Revenues in Nations with Government 60-90% Dependent on Petroleum Related Revenues**

OPEC (excluding Iran) net oil export revenues

<table>
<thead>
<tr>
<th>Country</th>
<th>Nominal (billion $)</th>
<th>Real (billion 2014$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>$55</td>
<td>$48</td>
</tr>
<tr>
<td>Iran</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Iraq</td>
<td>$87</td>
<td>$87</td>
</tr>
<tr>
<td>Kuwait</td>
<td>$90</td>
<td>$81</td>
</tr>
<tr>
<td>Libya</td>
<td>$29</td>
<td>$9</td>
</tr>
<tr>
<td>Qatar</td>
<td>$42</td>
<td>$38</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>$278</td>
<td>$246</td>
</tr>
<tr>
<td>UAE</td>
<td>$57</td>
<td>$53</td>
</tr>
<tr>
<td>OPEC</td>
<td>$824</td>
<td>$730</td>
</tr>
</tbody>
</table>


For each country in the 2013 and 21014 estimates, EIA derived net oil exports based on its oil production and consumption estimates from the March 2015 edition of the STEO. For countries that export several different crude varieties, EIA assumes that the proportion of total net oil exports represented by each variety is equal to the proportion of the total domestic production represented by that variety.

For example, if Arab Medium represents 20% of total oil production in Saudi Arabia, it is assumed that Arab Medium also represents 20% of total net oil exports from Saudi Arabia. EIA assumes that these exports are then sold at prevailing spot prices. Projected revenues are then estimated using EIA's projections for oil prices from the STEO. These projections incorporate historical price differentials between spot prices for the different OPEC crude oil types and the benchmark crude oil prices that are projected in the STEO (Brent, West Texas Intermediate, and the average imported refiner crude oil acquisition cost).