

“Trump must focus on rebuilding a war-torn Middle East”, Op-ed in Arabian Gulf Business Insight (AGBI), 20 Nov 2024

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Trump must focus on rebuilding a war-torn Middle East

It is imperative that the US addresses reconstruction in the region

US President-elect Donald Trump has become the first Republican candidate in 20 years to win the popular vote.

His historic win hands him control of the Senate, Congress and the Republican party, along with a strongly conservative-leaning Supreme Court. How will this power be deployed?

If we take Trump’s election rhetoric literally, his “[Maganomics](#)” agenda will be top priority. Domestic policy will centre around protectionism, deregulation, deportation of irregular immigrants, tax cuts, a roll back of climate-related

commitments, and a move to oil and gas enabled “energy dominance”.

Trump has said he will impose tariffs of 20 percent across the board and 60 percent on China, along with trade restrictions. Should these tariffs be realised, GCC oil and gas, aluminium and steel exports would suffer.

Maganomics policies are also likely to stoke inflation, suppressing the Fed’s ability to lower interest rates aggressively in 2025. Higher rates will negatively constrain new borrowing and financing plans for both households and businesses.

In a context of absent social safety nets or tax credits, higher inflation will disproportionately impact low-income households, further raising inequality.

Investors should also be concerned about fiscal costs. US public debt already exceeds 120 percent of GDP, and the Penn Wharton Budget Model estimates that Trump’s plans will raise US deficits by \$5.8 trillion over the next decade – equivalent to wartime deficits in a full employment scenario. Beware, the US is overheating!

Trump has a unique opportunity to work towards ending the Israel-Gaza and Lebanon conflicts

The bottom line is that Trump’s America First policies set the stage for global supply-chain disruptions and trade tensions with China, Mexico, Canada, and the EU.

These policies will also put pressure on Nato members to boost defence spending. Without a shift away from these stances, the global economy is vulnerable to further geo-economic fragmentation.

A Trump Ukraine plan?

Three major geo-economic-strategic issues face the Trump

administration post-election: the Russia-Ukraine and Israel-Palestine-Lebanon wars, as well as growing tensions with China.

Trump's geostrategic "peace through strength" stance and unwillingness to engage the US in wars, implies striking a deal with Russia and a rapid end to the costly military confrontation through a neutral, non-Nato, Ukraine.

The next step is reconstruction. Post-war restoration will require massive funding, likely to be well in excess of \$600 billion. How can this be financed?

In one scenario, a "Trump Ukraine plan" could be jointly EU-US financed, focused on rebuilding infrastructure and renewed integration of Ukraine's export-oriented manufacturing and agriculture sectors into Europe. Such a strategy, supported by foreign aid, would act as a driver of economic growth.

New institutions for stability

With increased influence, Trump has a unique opportunity to work towards ending the Israel-Gaza and Lebanon conflicts as part of a broader Middle East peace agreement. This approach could champion the potential economic benefits that peace and stability would bring to the MENA region and the global economy.

The starting point would be the reconstruction and re-development of Gaza. The UN estimated in early-2024 that it would take Gaza 15 years just to remove war rubble and 70 years to restore the country to 2022 GDP levels.

The UN estimates the region will also require the largest post-war reconstruction effort since 1945, with rebuilding cost estimates ranging up to \$80 billion.

In [Lebanon](#), escalating destruction and displacement are pushing the country toward a Gaza-like crisis, worsening

severe economic, banking and financial instability.

The 2006 war dealt Lebanon a heavy blow, with reconstruction costs surpassing \$10 billion. This time, however, costs could exceed \$25 billion, with GDP potentially shrinking by 20 to 25 percent.

Funding for reconstruction and redevelopment in Gaza and Lebanon will need to come from multilateral aid and grants.

Once a sustainable peace settlement is achieved, [GCC countries can play](#) a major role in redevelopment, not only in terms of state reconstruction funding but in the mobilisation of its private sectors to help rebuild war-torn nations.

It's essential to learn from past reconstruction failures, like those of Iraq and Afghanistan, and apply lessons from previous post-war efforts. Transparency, accountability, anti-corruption measures, and the understanding that nation-building is a long-term commitment are all critical for success.

If Trump is to bring stability to the region, it is imperative that he address the rebuilding of nations that have been ravaged by war. The road ahead will not be easy.

Post the Lebanese civil war, it took 20 years for real GDP to recover to pre-war levels. It took Kuwait seven long years to recover following the Gulf War.

We need new institutions to address nation building. A Trump administration, in partnership with the GCC and multilateral banks, would do well to set up a Middle East development bank.

Such an institution can focus on financing post-conflict reconstruction, regional infrastructure projects, and promote the development and integration of economic and financial sectors across the region.