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Middle East Analysis Report

In 2023, the Middle East continued to experience a variety of political upheavals and clashes, which have had a major impact both within and outside the region. The Middle East Institute of Japan has reviewed the year 2023 and compiled the following summary of the Middle East region for your perusal.

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Review of the Situation in the Middle East in 2023 and Future Outlook

Middle East Institute of Japan

1. Overview: Reorganization of the regional order and the impact of the Gaza crisis

Military clashes between Israel and Gaza have continued after Hamas (officially known as the Islamic Resistance Movement), the effective ruling force in the Palestinian Gaza Strip, launched a large-scale attack on Israel on October 7, 2023; this has led to widespread tensions in the region, including the intensified activities of Islamic extremists and militia groups in Yemen, Iraq, Syria, and Lebanon. Israel's violent attacks on the Gaza Strip have led to great human suffering and physical harm. As a result, criticism against Israel has intensified not only in Middle Eastern countries but also at the citizen level in Western countries. What other governments in the Middle East fear is that protests against Israel in their own countries will lead to criticism of their own governments and evolve into a widespread movement demanding regime change and transformation, further exacerbated by ongoing social issues such as poverty and unemployment. For this reason, each country has refrained from making statements in support of Gaza, partly out of consideration for

international public opinion, but they continue to express strong criticism of Israel.

Israel aimed to destroy Hamas and sought to expand its sphere of influence by invading northern Gaza Strip. In the process, the U.S. asked the Netanyahu government about its prospects of governing Gaza after the destruction of Hamas. However, the answer did not seem to have met U.S. expectations. In response to this, on November 18, U.S. President Biden referred to a “Two-State Solution” in a post in a domestic newspaper, emphasizing it as the only solution to the Palestinian issue. Over the past decade, attention of the Middle Eastern governments has been focused on Iran’s nuclear program and Islamic extremists, such as the Islamic State of Iraq and the Levant (ISIL). Additionally, there has been a notable trend of increased cooperation between Israel and Arab countries. At the same time, interest in the Palestinian issue was declining at regional and international levels. With the so-called Gaza crisis since October 7, the Palestinian issue has once again emerged as an important matter for countries to address. As part of this effort, the “Two-State Solution,” which the Japanese government has officially supported, has once again attracted global attention.

It is important to note that the current situation has arisen due to the deadlock of the “Two-State Solution” and lack of support from countries such as Iran for this approach. Therefore, the revival of the concept will not immediately stabilize the region; it will require groundwork to move closer to its realization. In this context, the recent progress in compromises among Middle Eastern countries is one of the few positive factors. Symbolic events in 2023, such as the restoration of diplomatic relations between Iran and Saudi Arabia, the resumption of Bahrain-Qatar relations, Syria’s return to the Arab League, and the appointment of ambassadors between Egypt and Turkey for the first time in a decade, highlight this progress.

The severing of diplomatic relations between Iran and Saudi Arabia, the blockade of Qatar, the suspension of Syria’s membership in the Arab League, and the conflict between Egypt and Turkey are all consequences of the disunity among countries in the region that emerged during the Arab Spring in late 2010, as well as the responses to the subsequent rise of Islamic extremism. In recent years, there has been a concerted effort among Middle Eastern countries to alleviate tensions from the past decade. The major earthquakes in Turkey and Syria in February, along with the civil war in Sudan that commenced in April,

also presented an opportunity to enhance cooperation among countries in the region.

One factor contributing to this situation is the diminishing influence of the U.S., a trend that has been widely acknowledged. Specifically, the U.S. strategy of redirecting its military attention from the Middle East to Asia has instigated a shift in dynamics within the region. This shift has led to a concerted effort among Middle Eastern countries to enhance their security cooperation, signaling a departure from reliance on the U.S. for security guarantees. This trend is underscored by the reintegration of Iran, Syria, and Turkey into the regional fold, despite their historically strained relationships with the U.S.

These developments have also resulted in the diversification of each country's intra-regional diplomacy. The first aspect was the strengthening of relations with China, Russia, and other countries that compete with the U.S. China and Russia played intermediary roles in the restoration of diplomatic relations between Iran and Saudi Arabia, as well as Syria's reintegration into the Arab League (and the subsequent restoration of relations with Arab countries). When Russia initiated its invasion of Ukraine in February 2022, many countries in the Middle East declared themselves "neutral," a stance that was criticized by Western countries as being "pro-Russian." These positions remained unchanged in 2023, with the Russian side actively seeking opportunities to expand its influence in the Middle East region.

The subsequent endeavors focused on fostering positive relations with emerging economies, known as the Global South. Specifically, Saudi Arabia and the UAE are enhancing their diplomatic efforts through various cooperative frameworks, including BRICS, ASEAN, African Union (AU), and Association of Caribbean States (ACS). This development highlights how Middle Eastern countries are adapting to the emergence of a distinct "international community" that differs from those traditionally led by Western countries like the G7.

In other words, while every country is actively transitioning toward a new order, the Israeli-Palestinian conflict, a longstanding issue from the old order, remains unresolved. Since the coalition government took power in December 2022, Israel has continued to escalate tensions in the West Bank, led by ministers from the religious right. In response, neighboring Arab countries have issued statements criticizing the situation but have not taken effective action. It has been reported that Saudi Arabia is working toward normalizing diplomatic relations with Israel through U.S. mediation and assigned its first

representative in Palestine in August. With this compromise as a catalyst, the key question is whether each country can align their goals and allocate responsibilities toward resolving the Palestinian issue.

In the energy market, prices initially increased following the Israel-Hamas clashes, driven by concerns regarding instability in the Middle East and potential impacts on energy infrastructure and shipping. However, the overall impact was limited and short-term, as the global economic downturn led to a rebalancing of supply and demand in the market.

Nevertheless, if militia groups escalate their activities, posing greater geopolitical risks to infrastructure and shipping, and if the conflict intensifies in the future, there is a possibility of a significant rise in energy prices that could impact the global economy, including Japan. It is essential to monitor the progress of the fighting, U.S. sanctions against Iran in response to Iranian involvement, and Russia's collaboration with OPEC closely.

2. Notable trends

The following is a discussion of notable trends and future outlook in Middle Eastern countries.

(1) Iran: The surrounding situation has improved due to the diversification of diplomatic efforts

In 2023, the Raisi government in Iran achieved diplomatic success and improved the country's regional and international standing. Domestically, the Iranian regime faced challenges following ongoing hijab protests since fall 2022. In terms of foreign relations, tensions with Israel escalated in the region as uranium enrichment continued, sparking suspicions that the drones used by Russia in Ukraine were produced in Iran, drawing attention from the West. Essentially, Iran found itself under pressure from all sides early in 2023.

Despite this, the normalization of relations with Saudi Arabia in March, the first in seven years, created a more favorable environment for Iran. Subsequently, Iran officially joined the Shanghai Cooperation Organization in July and it was announced in August that Iran would officially become part of the BRICS countries from 2024. Through these actions, Iran managed to break free from regional and international isolation, signaling a shift in the existing

Western-dominated international order.

Furthermore, a significant attack on Israel by Hamas on October 7th further altered the narrative in the Middle East, moving away from the isolation of Iran that had been progressing since the Abraham Accords in September 2020. Both Arab countries and Iran found common ground on the issue of anti-Israel sentiments, aligning interests in a manner beneficial to Iran. Under these circumstances, the “Axis of Resistance” spearheaded by Iran intensified its offensive against Israeli and U.S. authorities, prompting the need for thorough caution and consideration of potential retaliatory measures.

(2) Afghanistan: Western involvement declines while China’s presence increases

In 2023, Afghanistan remained under the effective control of the Taliban throughout the vast majority of the country. In April, the Taliban issued a proclamation banning Afghan women from working for the United Nations within the nation. In response to this development, an international meeting was convened on May 1st and 2nd at the invitation of UN Secretary-General Guterres to discuss potential countermeasures, however, no tangible action was taken. One of the reasons for the ineffectiveness of external efforts was that the leader, Haibatullah Akhundzada, was in hiding. Economically, the country continued to be impacted by the plague and an earthquake that struck the western province of Herat in October in addition to the unemployment of the youth.

In terms of external relations, China’s presence was increasingly evident. On April 12th, China officially announced its position on the Afghanistan issue, clarifying its commitment to the nation. China’s new ambassador presented credentials to the Taliban in September, and the Taliban’s new Chinese ambassador reciprocated by presenting credentials to the Chinese government in December, signifying a state of “de facto recognition.” This marked a notable shift from the stance of Western countries, which were alarmed by the Taliban’s exclusive grip on power and its infringement of women’s rights. With Western engagement dwindling, China emerged to fill the void. Russia also asserted its presence by hosting an international meeting.

Conversely, relations with Pakistan significantly deteriorated starting in November, when the Pakistani government deported numerous Afghan migrants and refugees. The outcome of any potential agreement between these

two nations will play a crucial role in shaping Afghanistan's future foreign policy.

(3) Turkey: Erdoğan's victory in the presidential election and his efforts to enhance relations with regional countries

In 2023, a significant seismic event struck the southeast on February 7, coinciding with double elections - presidential and parliamentary - as well as the celebration of the country's 100th founding anniversary. Originally slated for June, the double elections took place on May 14, a month earlier than planned. The political atmosphere was charged with mounting criticism toward the government for its sluggish response to the earthquake aftermath, coupled with serious economic challenges, leading to widespread anticipation of a possible change in leadership.

In response to these circumstances, the six primary opposition parties joined forces in a coalition aimed at unseating Erdoğan. However, the coalition, consisting of parties with diverging ideologies, faltered due to their inability to nominate a unified candidate promptly or present clear and viable policies. Consequently, the ruling party secured a parliamentary majority, and the presidential race culminated in Erdoğan's victory after a run-off election. On June 3, President Erdoğan introduced his new cabinet, seeking to address the pressing economic issues by reinstating Mefmet Şimşek as the Minister of Treasury and Finance. Şimşek, esteemed for his financial acumen, had previously served as Deputy Prime Minister and Minister of Finance from 2009 to 2018.

To bolster diplomatic ties, President Erdoğan appointed ambassadors to countries such as Saudi Arabia, the United Arab Emirates, and other Gulf states that had developed positive relations with Turkey since 2022. Additionally, ambassadors were dispatched to Israel and Egypt to strengthen regional partnerships. However, relations with Israel soured dramatically following the outbreak of the Gaza crisis on October 7, 2023, showing no signs of improvement.

(4) Syria: No breakthrough in the conflict

Overall, since 2011, the country has failed to seize the opportunity to recover from the conflict. The various damages that ensued, along with social and economic decline, have become increasingly apparent. Syrian territory has been occupied by Islamic extremists, such as the Hay' at Tahrir ash-Sham,

Kurdish nationalist forces, Turkey, and the U.S., while Israeli attacks on Syria have persisted. Progress in dealing with and repatriating Islamic State members detained by Kurdish nationalist forces has also been stagnant.

Despite suffering significant damage from an earthquake in February, effective aid has not been forthcoming due to entrenched political stances stemming from the Syrian conflict. Although the earthquake led to improved relations between Syria and Arab countries, resulting in Syria's reinstatement in the Arab League in May, economic sanctions imposed by Western countries have remained unchanged, with little tangible impact from the diplomatic developments. President Assad's visit to China in September appeared to signal China's expanding influence in the Middle East, yet its actual impact on Syrian politics and diplomacy was largely symbolic.

Meanwhile, escalating fighting in Palestine since October has further fueled the war in Syria, with tensions escalating through a series of attacks on U.S. military bases within Syrian territory, as well as attacks by U.S. and Israeli forces on Syrian soil.

(5) GCC: The bright and dark sides of improved relations

The trend toward improving relations between the countries in the region, which began around 2021, continued until 2023. There were several symbolic events during this period, including the agreement to restore diplomatic relations between Saudi Arabia and Iran in March, the resumption of relations between Bahrain and Qatar in April (based on the Al-Ula declaration of January 2021), and the support for Syria's return to the Arab League in May (along with the improvement of relations between Saudi Arabia and the UAE with Syria around this time). It is noteworthy that during this process, China and Russia increased their presence in the Middle East by acting as mediators. This indicates that countries have a keen interest in strengthening ties with extra-regional powers that compete with the U.S. in an international order different from that led by the West.

This shift was particularly evident among the GCC countries, as demonstrated by the GCC-Central Asia Summit in July and the invitations extended to Saudi Arabia, the UAE, Egypt, and Iran to the BRICS Summit in August (with their formal inclusion in January 2024). At the same time, Israel and Arab countries continued to foster closer relations, with Saudi Arabia

initiating full-fledged negotiations with Israel on the normalization of diplomatic relations starting from April. However, this might have been one of the motivations behind the Hamas offensive against Israel in October, leading to a subsequent war in Gaza that prompted Saudi Arabia to “freeze” negotiations with Israel.

Neighboring countries, particularly Qatar, Kuwait, and Saudi Arabia, strongly criticized Israel and stood in support of Palestine, partly due to domestic public opinion. Bahrain, despite having diplomatic relations with Israel, recalled its ambassador for security reasons, and the Israeli ambassador to Bahrain also returned to the country in early November. The UAE, which also maintains diplomatic ties with Israel, refrained from taking a clear political stance as COP28 approached at the end of November: it did not recall the Israeli ambassador and actively avoided references to the Gaza war.

(6) Israel-Palestine: Background and intentions of the war on Gaza

The Netanyahu government, which began its sixth term at the end of 2022, caused a significant controversy not only in Israel but also in Palestine. On the domestic front, the introduction of a proposed judicial reform in January greatly reduced the power of the Supreme Court over the government, leading to widespread criticism that it could weaken democracy. Internationally, Finance Minister Smotrich and National Security Minister Ben-Gvir, both from the right-wing religious party that was instrumental in forming the coalition government, engaged in provocative actions in the West Bank, exacerbating the security situation in the region.

The attack on October 7 allowed Hamas, based in the Gaza Strip, to assert its presence by launching direct attacks on Israel, further highlighting the Palestinian Authority’s administrative shortcomings. While Hamas is unlikely to achieve a military victory over Israel in the ongoing Gaza-Israel conflict, the group’s political victory may be within reach if it can secure recognition as a key player in the Israeli-Palestinian conflict from neighboring countries and the international community, as well as hinder Israel’s efforts to build relationships with Arab nations.

Conversely, Israeli Prime Minister Benjamin Netanyahu, whose popularity declined during the Gaza war, remained unwavering in his aim to dismantle Hamas to maintain power. As tensions from the Gaza-Israel conflict

spilled over into Yemen, Iraq, Syria, and Lebanon, the prospect of de-escalation through diplomatic negotiations became increasingly challenging.

(7) Iraq: Relations with neighboring countries

The country faced numerous challenges, including internal conflicts between the federal government and the Kurdistan Regional Government, widespread corruption and the subsequent efforts to recover stolen assets, and diplomatic relations with neighboring countries like Iran, Turkey, and Kuwait. The political gridlock resulting from disagreements over budget allocations and natural resource management between the federal government and the Kurdistan Regional Government has become deeply entrenched in the current administration. Despite ongoing efforts, exposing governmental corruption and reclaiming misappropriated funds have proven to be significant but unsuccessful endeavors for successive administrations.

Water and natural resource management, as well as the presence of Kurdish military forces, have emerged as common points of contention in Iraq's diplomatic engagements with Iran and Turkey. Both Iran and Turkey have conducted military operations within Iraqi borders under the pretext of targeting Kurdish opposition forces. In an effort to bolster security cooperation with Iran, Kurdish strongholds along the border region between the two nations were dismantled in September. Additionally, the decreasing river flows originating from Turkey and Iran have raised concerns for numerous years, exacerbating drought conditions in provinces like al-Muthanna.

In a recent development, Iraq's Supreme Court deemed the agreement with Kuwait regarding shipping activities in Abdullah Bay, situated at the mouth of the Persian Gulf, as unconstitutional, resulting in a backlash within the country. This longstanding issue has its roots in the Gulf War and highlights broader challenges within Iraq's political system, as well as social and economic development woes.

(8) Tunisia: President rejects financial aid, leading to illegal immigration concerns

In a recent development, the President of Tunisia has declined financial assistance, causing repercussions in the realm of illegal immigration.

In April, President Kais Saied announced his intention to reject a new

loan from the International Monetary Fund (IMF) that was being negotiated. Tunisia had agreed to receive a new \$1.9 billion loan from the IMF at the staff level in October 2022. However, President Saied began to show difficulty with the economic reforms that were a condition of the loan. The concern was that subsidy cuts would harm the middle-class and low-income groups. President Saied also rejected EU financial aid in October. The EU and Tunisia had agreed in July on large-scale financial assistance on the condition that Tunisia would actively cooperate in combating illegal immigration, which is a priority issue for both countries. However, most of the EU's financial aid was contingent on Tunisia's economic reforms, as was case with the IMF. President Saied therefore reacted to the EU's assessment that his economic measures were inadequate, leading to a growing confrontation with the EU. Meanwhile, people from sub-Saharan Africa are streaming from Tunisia to Italy. If the Saied government does not crack down on recruitment agencies and tighten border controls, the number of illegal migrants entering Europe could continue to rise.

(9) Yemen: End of civil war exacerbated by Gaza conflict

When the ceasefire expired in October 2022, Yemen once again found itself embroiled in conflict between Ansarullah (the Houthis) in northern Sana'a, and the unity government led by the Presidential Council in Aden in the south. Despite the resumption of hostilities, there was a period of relative calm following the ceasefire, creating a sense that an end to the war in Yemen was within reach. Negotiations between Yemeni and Saudi delegations occurred in Sana'a in April and in Riyadh in September 2023, with all parties showing optimism about reaching a peaceful resolution. Defense Minister Khalid bin Salman, representing the Saudi side in the Riyadh negotiations, expressed support for finding a peaceful solution.

However, the outbreak of war in the Gaza Strip in October had a detrimental effect on the situation. Ansarullah declared their support for Hamas by launching rockets and other weapons at Israeli forces, despite the unlikelihood of causing significant damage. Although it was unlikely that Ansarullah would dramatically alter the course of the conflict in Gaza, their actions such as disrupting maritime traffic by attacking commercial vessels bound for Israel in November and December contributed to regional instability. This development effectively derailed the imminent end to the war in Yemen,

pushing it further out of reach.

(10) Libya: Massive floods in the east, the negative effects of “one country, two governments”

In September, eastern Libya was struck by a storm from the Mediterranean, causing devastating flooding in the city of Derna as dams collapsed. Approximately a quarter of the city was left in ruins, with the death toll and number of missing persons exceeding 20,000. The ongoing conflict in Libya, which has resulted in a divided governance structure since the summer of 2014, exacerbated the situation. The eastern region is governed by the “Government in the East,” distinct from the internationally recognized Government of National Unity (GNU) based in Tripoli. With limited disaster response capabilities and facing recognition challenges, the eastern government was slow to seek assistance from the international community.

Despite offers of aid to the UN-recognized GNU, there were delays in deploying rescue teams and delivering aid to areas outside of the GNU control. The prolonged conflict in Libya, fueled by competing interests between local and foreign actors, has impeded effective disaster relief efforts.

(11) Algeria: Appointment of a new Prime Minister in anticipation of the next presidential election

In November, President Abdelmadjid Tebboune appointed Nadir Larbaoui, chief of staff to the presidency, as the new Prime Minister. This decision was believed to be aimed at garnering support for the upcoming presidential election and advancing Western Sahara policies. With the economic challenges brought on by COVID-19 now under control, President Tebboune has begun filling key decision-making positions in his administration with loyalists in order to achieve his political objective of re-election.

During his time as the Permanent Representative to the United Nations, the new Prime Minister Larbaoui emphasized the significance of the Western Sahara territorial issue to the international community. Algeria has maintained a confrontational stance with Morocco over the Western Sahara conflict, evidenced by diplomatic relations being severed in August 2021 and gas supplies being suspended as of November 2021. It is expected that Prime Minister Larbaoui’s appointment will lead to increased involvement by the Tebboune

government in this issue.

Should President Tebboune choose to run in the upcoming presidential election, it is likely that he will be re-elected due to his strong relationships with the military, which holds considerable influence over political affairs, as well as the quelling of anti-government protests that escalated in 2019, and the absence of a formidable opponent. However, there are growing concerns about President Tebboune's health, as he will be turning 78 this year, and whether he will be able to fulfill his five-year term starting in 2024.

(12) Egypt: Stagnation in energy cooperation with Israel

Natural gas trends in Egypt and Israel have been significantly impacted by the deteriorating situation in Gaza. In early October, the U.S. oil company Chevron suspended natural gas exports to Egypt through the East Mediterranean Gas (EMG) pipeline connecting Israel and Egypt. Additionally, the Tamar gas field off the coast of Israel ceased production due to security concerns.

By mid-November, Israeli gas production and transportation had resumed. However, as a result of the decline in Israeli gas imports and the rising demand for domestic gas, Egypt experienced a shortage of gas supply. This shortage led to constraints in industrial gas distribution and power outages in certain regions, while also making it impossible to secure gas for export. Consequently, Egypt's status as a gas supplier is gradually being threatened.

Following Russia's invasion of Ukraine in February 2022, Europe sought to reduce its energy dependence on Russia. Egypt, located across the Mediterranean, was expected to serve as one of the alternative sources of energy for Europe. However, if conflicts in Gaza continue to hinder the development of Israeli gas fields, the resumption of Egyptian gas exports will be further delayed. As a result, the opportunity to increase gas revenues in the medium to long term will be lost.

(13) Lebanon: Confusion becoming the norm

A political vacuum emerged when the presidency became vacant in October 2022, as minimal progress was made in discussions and coordination among various factions to elect a successor. The election of a president, along with political and administrative reforms, is seen as a prerequisite for Western

economic assistance to Lebanon. International loans and economic aid from other nations to assist Lebanon in overcoming the economic crisis since late 2019 have also been stalled. This situation has been exacerbated by the influx of Syrian refugees, further deepening the economic turmoil. Adding to the challenges, ongoing confrontations between groups such as Hezbollah and the Israeli military persisted following the conflict in Palestine that began in October. The hostilities took an unusual turn with Palestinian groups in Lebanon conducting cross-border operations, alongside artillery exchanges and bombardments across the border. Concerned that the escalation of violence could entangle Lebanon in a broader regional conflict, countries within and outside the Middle East have called for calm. With nearly half a million Palestinian refugees residing in Lebanon, pre-existing security issues in refugee camps like Ain al-Hilweh have deteriorated. The long-standing Palestinian refugee crisis has been largely overlooked internationally, and without significant attention to address this, finding a lasting resolution to the conflicts and tensions will prove challenging.

(14) Jordan: A sense of crisis regarding the situation in Gaza

With the escalation of the Israeli military campaign in Gaza, demonstrations of solidarity with Palestine have increased in Jordan. In response to an explosion at Al-Ahli Hospital in Gaza, protesters in Amman sought to target the Israeli embassy but were thwarted by security forces. The Jordanian government has taken a firm stance against Israel, unequivocally condemning its assault on the Gaza Strip and recalling its ambassador. In light of these developments, Jordan has opted to review its water and electricity exchange agreement with Israel.

At the same time, there has been hesitation on the part of the Jordanian government to accept more Palestinian refugees. This reluctance stems from concerns that the deteriorating situation in Gaza could spill over into the West Bank and trigger a surge in Palestinian refugee influx into Jordan. The country already hosts a significant number of Palestinian refugees, with the United Nations Relief and Works Agency for Palestine Refugees (UNRWA) estimating the population to exceed 2 million. The growing number of refugees count has strained Jordanian public services and further strained its financial stability.

(15) Morocco: Shaky relations with Israel

Morocco normalized relations with Israel in December 2020 and has since been working to strengthen ties across various sectors. In June, Israel participated for the first time in the joint Moroccan-American “African Lion” military exercise for the first time. The peak of the growing relationship between Morocco and Israel came in July when Israel recognized Morocco’s sovereignty over the disputed region of Western Sahara. However, continued Israeli attacks on Palestinians prompted Morocco to halt its efforts to enhance bilateral cooperation with Israel. In July, Morocco called off the scheduled second ministerial meeting of the Negev Summit, which was supposed to take place in Morocco, and strongly condemned Israeli military actions amid the escalating situation in the Gaza Strip in October. This decision stemmed from concerns that a pro-Israeli stance by the Moroccan government could spark significant pro-Palestinian demonstrations in the country and lead to explicit criticism of the king, who holds considerable authority over foreign policy decisions. Meanwhile, in November, a town in Western Sahara was attacked by the Polisario Front, a group advocating for the independence of the region, resulting in civilian casualties. If this group continues to target residential areas in Western Sahara, Morocco is likely to prioritize its own security interests and continue to foster military ties with Israel.

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