

**The 2024 Outlook for the Middle East**  
**Global divisions deepen as the Palestinian Gaza conflict continues**  
<Summary>

Shuji Hosaka  
Board Member, Director of JIME Center  
The Institute of Energy Economics, Japan

Unresolved issues facing the Middle East

1. The conflict between Israel and Palestine that broke out in Gaza in October 2023 has become a major, world-shaking event. While Qatar, Egypt, the U.S., and others have stepped in as mediators, the fundamental solution is still far from being reached and the division between pro-Israeli and pro-Palestinian forces has become apparent. If the conflict spreads to surrounding regions and divisions deepen further, it could have an impact on the global economy and energy.
2. In addition to Palestine, there are ongoing civil wars in Syria, Yemen, Libya, and Sudan, and security turmoil such as terrorism and sectarian conflicts are spreading across the borders of these countries.
3. On the economic front, the Gulf States are primarily on a recovery track thanks to the COVID-19 pandemic subsiding and rising crude oil prices from 2021 onwards, but some countries suffer from rapidly deteriorating economies due to the depreciation of their own currencies and rising inflation.
4. In Iran, the focus is on whether progress will be made in rebuilding the Iran Nuclear Deal (JCPOA). Furthermore, an economic recovery is expected if relationships with the Arab nations normalize.
5. In countries such as Saudi Arabia and Iran, there are concerns about the aging and poor health of the leadership (the emir of Kuwait passed away on December 16<sup>th</sup>, 2023).

The conflict between Israel and Palestine

6. While there have been temporary pauses in the fighting for hostage exchanges, it remains unclear whether a true ceasefire can be achieved. Israel insists it will annihilate Hamas, but the feasibility of this goal is being questioned.
7. A key point of focus remains on whether the conflict can be prevented from spreading

to surrounding nations such as Lebanon, Syria, Yemen and Iran. Already, there have been skirmishes between Israel and Shi'ite forces in Lebanon, and Houthis in Yemen have attacked ships sailing near the Bab el-Mandeb Strait, and there are concerns of even greater disruption to navigation around the Red Sea and the Arabian Sea. Furthermore, there is a risk of a greater crisis if Iran takes direct military action against Israel.

8. The Gulf States maintain a firm pro-Palestinian stance, but there are questions about how far they can suppress national sentiment. If the public's anger toward Israel turns into dissatisfaction with the government, these states could take strong measures against pro-Israel countries, such as by weaponizing their oil exports. The course of the conflict could have a major impact on crude oil prices.

#### Gulf States' vision and decarbonization

9. The oil-producing Gulf States gave high praise to the COP28 outcome document for avoiding any statements that called for an incremental shift away from fossil fuels. However, the challenge is whether the Gulf States' vision for moving away from their dependency on oil can be connected to progress towards decarbonization.
10. Starting from 2024 in Saudi Arabia, international companies will be removed from government projects if they do not establish a regional headquarters in Saudi Arabia. The focus will be on whether this leads to competing interests with neighboring countries that lead to conflicts and other friction.

#### The tug-of-war between the U.S., China, and Russia in the Middle East

11. The U.S. policy towards the Middle East will change depending on whether the Democratic or Republican party wins the upcoming presidential election. In particular, if former President Trump wins the election, Israel's military actions will accelerate further leading to a higher risk of conflicts between Israel and Iran and the U.S. and Iran.
12. As Middle Eastern countries expand their participation in the Shanghai Cooperation Organization and BRICS, China may gain even more political and economic influence in the Middle East.
13. Russia is expected to strengthen its cooperation with Saudi Arabia and other oil-producing Gulf States through OPEC+, and to use this as a check against the anti-Russian West in the conflict in Ukraine.

The role of Japan

14. How the pro-Palestinian Arab countries view Japan's position regarding the Gaza conflict is a major point of focus. Criticism of Japan has already begun to arise, and the contrast made with China, which has taken a consistently pro-Palestinian stance, is becoming clearer. There is a risk Japan's presence in the Middle East will decrease further.
15. Beyond energy and conventional business relationships, it is important to strengthen initiatives in new fields such as entertainment (anime, video games, esports), sports, tourism, outer space, and robotics.
16. While economic relations with Turkey are expected to strengthen in celebration of the 100th anniversary of the establishment of diplomatic relations between Japan and Turkey, economic relations with Israel may stall due to the ongoing conflict in Gaza.

Contact: [report@tky.ieej.or.jp](mailto:report@tky.ieej.or.jp)