

# The 2024 Outlook for the Middle East

Global divisions deepen as the Palestinian Gaza conflict continues

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# Key points of this report

- ✓ Unresolved issues facing the Middle East
  - ✓ Continuing instability in the Middle East.
- ✓ Conflict between Israel and Palestine
  - ✓ No point of compromise, situation is not expected to calm down until after New Year's.
  - ✓ Houthis causing greater disruption to Red Sea navigation.
- ✓ Decarbonization and the vision of the Gulf States
  - ✓ Oil-producing Gulf States praise the COP28 outcome document for avoiding the call for an incremental shift away from fossil fuels.
- ✓ Middle East tug-of-war continues between the U.S., China and Russia
  - ✓ Gaza conflict causes pro-U.S. countries to drift away and expands the presence of pro-Palestinian China and Russia.
- ✓ Role of Japan
  - ✓ Reopen GCC and FTA negotiations to maintain economic presence in the Middle East.

# Unresolved issues facing the Middle East

- Ethnic conflicts: Palestine issue, Kurdish issue, Western Sahara issue
  - Outlook for the Abraham Accords (UAE, Bahrain, Morocco, Sudan?)
- Civil wars: Syria, Yemen, Libya, Sudan
  - Terror and sectarian issues (including Afghanistan)
- Democratization and human rights: All
- Conflict and compromise: Normalization of relations between Saudi Arabia and Iran
- Iran Nuclear Deal (JCPOA)
- Economic problems (Lebanon, Turkey, Egypt)
- Climate change response: Global warming, rising sea levels, cyclones, torrential rains, floods, droughts, wildfires
- Moving beyond oil dependency (vision): Economic diversification
- Leadership changes (Saudi Arabia, Iran, etc. (the Emir of Kuwait passed away and the new Emir was appointed on December 16))
- Border issues
- U.S. presidential election
- China's Belt and Road Initiative

# The conflict between Israel and Palestine

- On October 7, 2023, Hamas and related factions mounted a large-scale strike on Israel from Hamas-controlled Gaza
  - Over 20,000 dead across both sides, hostages held by Hamas

## ● Middle East divisions grow.

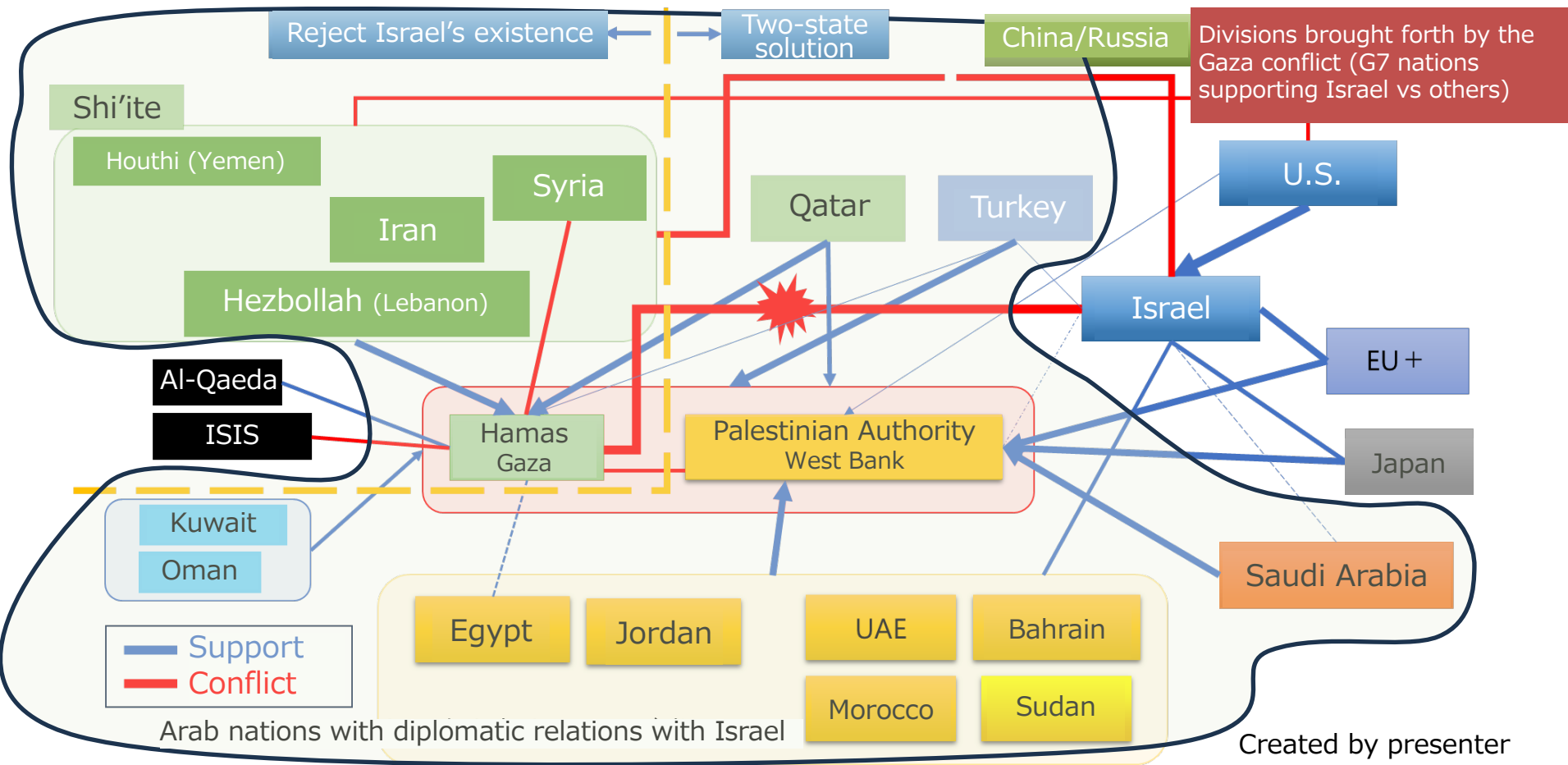
- Western countries label Hamas a terrorist organization, support Israel
  - Course correction due to concern over humanitarian crisis
  - U.S. cannot fully restrain Israel -> 2024 presidential election
- Arab and Muslim States that also criticize Israel without supporting Hamas
  - Countries with and without diplomatic relations with Israel
  - Qatar and Egypt as mediators (temporary cease fire and hostage exchange)
- Russia/China
- Cut relations with Israel (Bolivia and other South American nations)
- Hamas-supporting Iran and allied organizations

## ● Developments among the oil-producing Gulf nations

- Impact on oil prices, weaponization of oil?
- Future of the Abraham Accords, Saudi Arabia and Israel relations



# Gaza relationship chart



# Post-conflict scenarios for Gaza

- Road to a two-state solution -> The only option for long-term stability between Palestine and Israel
  - However, prime actors Israel and Hamas (and Iran, etc.) reject the two-state solution.
- Annihilation of Hamas
  - Realistically impossible. Even if this Hamas is destroyed, another will take its place.
  - Killing or expelling all Palestinians in Gaza is also unrealistic.
- Who will rule Gaza?
  - Hamas remains popular in Gaza but is not recognized by Israel or international society.
  - The Palestinian Authority is the logical choice, but it is corrupt and incapable.
    - Ideally, a new authority would govern the West Bank and Gaza.
  - Even the U.S. opposes Israel governing Gaza.
  - Mandate from the United Nations and international community.
- Scenario impacting energy prices
  - Expanded conflict (Israel strikes Iran, Iran strikes Israel, Hezbollah and Houthi fully commit, direct U.S. military involvement, etc.)
  - Domestic turmoil in the oil-producing Gulf States

# Post-conflict scenarios for Gaza (Reference)

New road map to a two-state solution after cease fire

Conflict extends, expands to other regions

Public outcry grows in Arabic/Islamic nations

Perpetual cycle of violence

Refugees flood surrounding nations

Natural gas development stops in Israel, Egypt and Lebanon

Public outcry focuses on countries supporting Israel

Trust in Western nations declines

China/Russia influence in the Middle East expands

Anger turns on local government incapable of making impact

Trump reelected in U.S.

U.S. increases support for Israel

Terrorism against Western interests around the world

Anti-government protests in oil-producing Gulf nations

Israel strikes Iran

Hezbollah and Houthi fully enter conflict

Saudi Arabia-Iran relationship deteriorates

Domestic turmoil

Iran strikes Israel

U.S. military intervention increases in the Middle East

Houthi strike Saudi Arabia

Gulf nation regime change

Weaponize oil exports to control unrest

Iran blockades the Strait of Hormuz

Yemeni Houthi blockade Bab el-Mandeb Strait

Strike UAE oil/gas fields & nuclear facilities

Libya/Iran

Disruption of the Red Sea-Indian Ocean route

Impact on oil production

Impact on oil production

Impact on oil exports

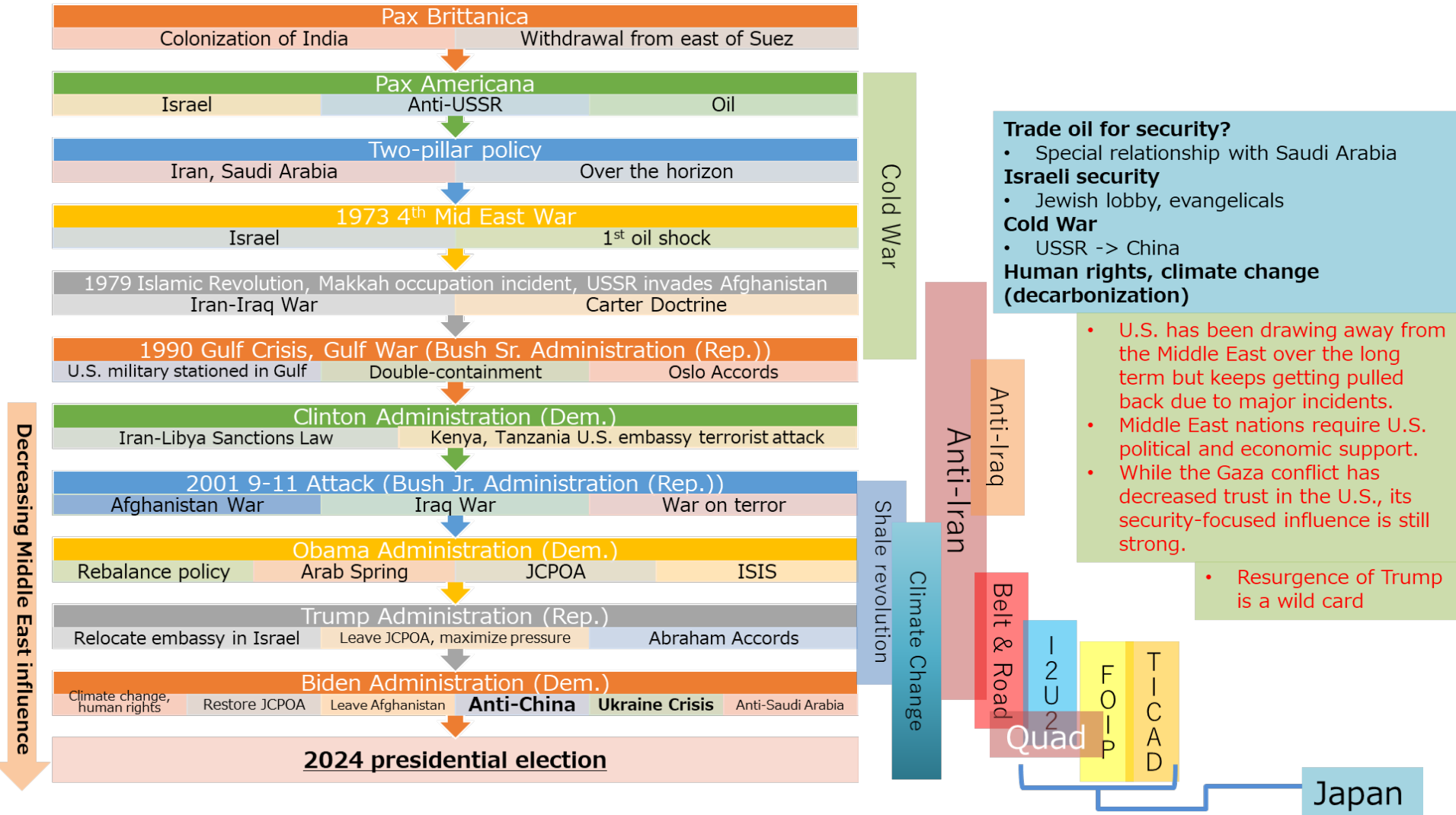
Impact on global trade

# Other developments in the Middle East

- President Sisi was reelected in Egypt.
  - However, the region is struggling economically
- Civil war continues in Syria, Libya, Yemen, and Sudan
- Failed state Lebanon
- Increasingly authoritarian Turkey, Tunisia, and Egypt
- Provincial council elections in Iraq, parliamentary elections in Kurdistan Region
- 12th parliamentary elections, 6th assembly of experts election in Iran
- General elections in Turkey
- U.S. presidential election
- Saudi Arabia requests foreign companies to move regional headquarters to Saudi Arabia -> Conflict of interest with other Gulf States
- Aged statesmen in poor health (Kuwait, Saudi Arabia)
- Developments in oil-producing Gulf States decarbonization and vision
  - “Accelerate action in this critical decade by moving our energy system away from fossil fuels in a fair, orderly, and equitable way to achieve net zero by 2050.”
  - Oil-producing Gulf States praise avoidance of the problem of incremental phase-out of fossil fuels.



# U.S. Middle East policy highlights



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

- China's Belt and Road Initiative, Great Power Diplomacy
    - Silk Road Economic Belt (Belt), 21st Century Maritime Silk Road (Road)
    - 2014 onwards: Great Power Diplomacy with Chinese characteristics
  - Asian Infrastructure Investment Bank (AIIB)
    - Covers all Middle East nations except Syria, Yemen, and Palestine
    - Asian Development Bank (ADB) only covers Turkey.
  - Shanghai Cooperation Organization (Iran; dialogue partners: Turkey, Saudi Arabia, Qatar, Egypt, UAE, Kuwait, Bahrain; observer: Afghanistan)
  - BRICS (many Middle East nations have decided to join, or expressed intention to join)
  - Confucius Institutes have expanded to many universities in the Middle East
  - Russia
    - Middle East nations have not participated in the Ukraine related anti-Russia sanctions
    - Continues to cooperate with OPEC+
- Support the Arab cause in the Gaza conflict
  - Expanding presence among Arab States

# Japan's next move

## ● Japan's position on the Gaza conflict

- Can Japan play a major role in resolving the Gaza conflict?
- While Japan is trusted by Arab States, it is also criticized for being pro-Israel in this conflict.
- Will Japan become a target due to backlash from anti-Israel forces?

## ● Gulf States' vision and decarbonization

- The importance of energy security is unchanged. Cooperation between vision and decarbonization (circular carbon economy, CCS, CCUS, renewable energy, hydrogen/ammonia, nuclear power) = Mutually beneficial soft-landing support for Gulf countries to decarbonize
- New fields: Entertainment (anime, video games, esports), sports, tourism, outer space, robotics
- **Program to transfer regional headquarters to Saudi Arabia starting from January 2024**
- **Reopen FTA negotiations with GCC**

## ● The Iran situation

- Normalizing relations with Saudi Arabia a plus, movement to reestablish JCPOA?

## ● 100th anniversary of the establishment of diplomatic relations with Turkey

- Relationships expected to grow including not just economy, but culture (Turkish-Japanese Science and Technology University) and diplomacy

- Aligned with G7 on Gaza conflict, criticized by Arab States
- Energy procurement rivals with China, South Korea, and India

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