



Saving the reconciliation process in the Middle East and North Africa: Mission (almost) impossible?

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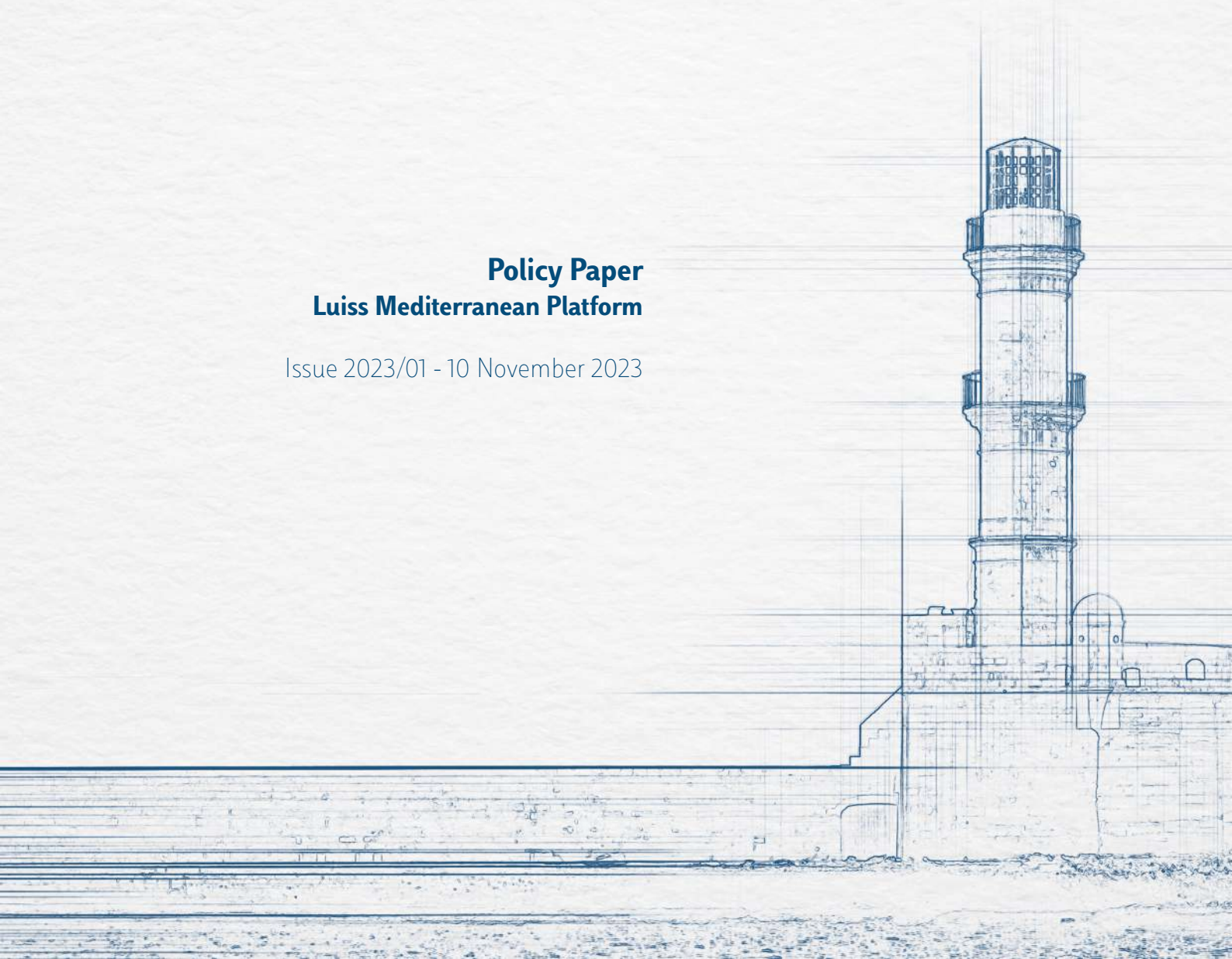


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Executive summary

Before the Gaza War, the Middle East and North Africa (MENA) had experienced a series of diplomatic efforts and reconciliations, giving rise to a timid *détente*. This process was the result of the consolidation of multipolarism in the region, as well as of the interplay of socio-economic factors and geopolitics. The present policy paper reviews how these dynamics have started to slowly reshape the relations between MENA states. If sustained, there could be more favorable grounds for cooperative approaches to stabilisation and regional affairs.

The paper also examines the disruptive power of unresolved conflicts, focusing closely on the ongoing Israel-Gaza War and its repercussions for the region. The recent explosion in violence has pushed the Israeli-Palestinian conflict back to center stage and represents a watershed moment for MENA countries. Were the ongoing conflict to turn into a multi-country conflict, it would torpedo the modest advances made in the last three years and open the way to numerous negative scenarios.

But this tragic crisis may also eventually prove to be an opportunity. Regional states might find a way to build on the recent reconciliation process to contain the risks of a regional war. They could prepare the way for meaningful negotiations to resolve the Israel-Palestinian conflict – and perhaps other thorny conflicts in the region. Moving on, MENA countries could usefully aim to create institutions to manage conflicts and crises autonomously and independently from external great powers. This would mean taking steps towards a more sustainable regional security system, as well as fostering MENA economic cooperation and trade.

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Introduction

Until Hamas' shocking terrorist attacks on 7 October 2023, the Middle East and North Africa (MENA) appeared to be gradually moving away from the belligerent and ideological dynamics of the 2010s. *Rapprochement, reset, recalibration, normalisation, reconciliation, détente* were the recurring terms that many analysts used to describe an array of de-escalatory efforts and initiatives that characterised the region over the last three years. While Europe's and the west's attention has been focused on the continuing Russia-Ukraine War, diplomacy has slowly started to re-shape relations between MENA states.

Indeed, since the United Arab Emirates' (UAE) cautious overtures towards Iran in 2019, there have been serious attempts to bridge the divides between regional players. Saudi Arabia and the UAE lifted the embargo imposed on Qatar and ended the intra-GCC conflict. Turkey and its opponents – UAE, Egypt and Saudi Arabia – overcame geopolitical rivalries and put an end to the animosities over Ankara's support of the Muslim Brotherhood. The Abraham Accords normalised Israel's relationship with the UAE, Bahrain, Qatar, Sudan and Morocco, spurring new economic and political dynamics. Then, Saudi Arabia and Iran, the two regional arch-rivals, have resumed diplomatic relations – thanks to a much-discussed deal brokered by China¹. If sustained, this rapprochement between the two countries could end a forty-year-long cold war.

After years of rivalry and proxy wars, a desire for calm and stability marked MENA geopolitics. The realisation that confrontation is a costly and ineffective way to advance interests was getting some traction among leaders. Conflict fatigue and the fact that no regional power has succeeded in asserting itself in a hegemonic role have certainly contributed to this recent pause. But there is also the idea that diplomacy and soft power are better instruments to ensure lasting benefits. This probably explains the recent revival in diplomatic activity. Take, for example, the new “zero problems” policy of the UAE², which aims to promote de-escalation, develop economic relations and resolve political disagreements through diplomatic means. This policy contrasted with years of more aggressive postures and military projections. Saudi Arabia has followed a similar path.

This policy paper analyses the trajectory of the recent reconciliation process in MENA, and how it has been shaped by the gradual consolidation of multipolarism in the region. It then explores the role played by socio-economic factors and their interplay with regional geopolitics. Finally, it analyses the risks for MENA security and peaceful regional relations posed by the flaring up of the Israel-Hamas conflict. It also, though, flags up possible opportunities for de-escalation and for the post-crisis regional environment if countries in the region succeed in salvaging the recent *détente* and in shuffling forwards on the path of cooperation.

PART 1 The MENA region: A new push toward multipolarism

The perception of the US's strategic downgrading of MENA

MENA is probably the world macro-region where the push towards multipolarity is currently the strongest. At least in part, this is the result of a perception that the United States (US) – historically the external hegemon and mediator in the region – has been gradually disengaging.

This perception is not, it should be said, entirely justified. The US still maintains significant military capabilities³ across the region and is prepared to mobilise them when the stakes are high, as has been seen in the current Gaza crisis. Furthermore, in a not-too-distant future, the need to counter China and to deny it easy strategic gains in MENA might trigger a renewed strategic US interest in the region.

1 Mehran Haghiri and Jacopo Scita, “The Broader Context Behind China's Mediation Between Iran and Saudi Arabia”, *The Diplomat*, March 14, 2023, <https://bit.ly/3MUUs8v>

2 Mohammad Barhouma, “The Reshaping of UAE Foreign Policy and Geopolitical Strategy”, *Carnegie Endowment for International Peace*, January 4, 2022, <https://bit.ly/49maDFb>

3 Todd Lopez, “Defense Official Says U.S. Remains Committed to Middle East”, *U.S. Department of Defense News*, June 5, 2023, <https://bit.ly/3OqWJJI>

Nevertheless, today the perception of a US's strategic downgrading of MENA is widespread and has been reinforced by the attitudes and decisions of successive US administrations. Several US policies and narratives provide cogent examples of this: the *Pivot to Asia* strategy under Obama or his decision not to punish Bashar Al Assad for using chemical weapons against his own population. The decision by the Trump administration not to retaliate against the Houthi missile attack on Saudi Arabia's oil processing facilities in 2019; or, under Biden, the emphasis on the Indo-Pacific and intensifying competition with China. These policies have made many MENA powers distrustful of the US and wary of its military protection. Pushed by the urgent need to take security into their own hands, they have started prioritising regional policies aimed at reducing tensions.

At the same time, the perception that the US is stepping back has opened the way to an intense great power competition. Eager to fill the void left by the US, Russia and China have increasingly pushed for geopolitical and geo-economic gains.

Russia's continued capacity to project power and influence?

Russia has used the success of its 2015 military intervention in the Syrian conflict to project the image of a powerful, determined and reliable partner for local regimes. Before the war with Ukraine, it had, for instance, succeeded in projecting hard power to Libya and the Sahel through the Wagner group. There Russia played a destabilising role, fostering a wave of military coups. Moscow also managed to consolidate relations with several MENA countries⁴ – many of which, like Egypt and Turkey, were traditionally close allies of the US – enhancing arms exports and cooperation in the energy and nuclear fields. Particularly significant was the OPEC Plus agreement that Russia concluded in 2016 with Saudi Arabia to keep oil prices high. Despite the radical changes in the international context, the agreement still holds, in total disregard of US pressures on its Gulf partners⁵ to increase production to stabilise energy prices and their effects on global inflation.

Currently, maintaining its presence in MENA is vital for Moscow for a variety of reasons. It demonstrates that the country is not isolated internationally and helps it to bypass western sanctions. Strong informal connections are fostered by the presence in some Gulf countries of Russian tycoons who moved there after the start of the Ukraine War⁶. Moreover, Russia has developed enhanced cooperation with Iran, which is expanding into the military field, as Teheran supplies Russia with weapons and drones⁷.

However, Russia's future capacity to project power and influence in MENA is uncertain. The war with Ukraine and the spillover effects of the Gaza War could have long-term consequences for Russia's MENA policies. Its lacklustre performance in the Ukraine War, for instance, has, to some extent undermined its image among MENA leaders⁸. Alternatively, it could influence Russia's decisions to consolidate its military presence in Libya or to intervene militarily should Syria be drawn into a broader regional war. Moscow might also adopt more provocative positions, for instance, by triggering horizontal escalations in regional theaters, or by exploiting strategically its capabilities to act as a spoiler.

China's penetration beyond the geo-economic field?

Energy-thirsty China has an important strategic interest in MENA, which is its major supplier of hydrocarbons. In recent years, MENA has also proved an important market for its excess production capacity⁹. Indeed, the Asian giant has intensified trade with most MENA countries, becoming the most important export partner for ten of them¹⁰. The region is also an important destination for China's direct investments, especially in the framework of its Belt & Road Initiative (BRI).

4 Luigi Narbone, "A Pax Russica in the Middle East? Putin will have to do more to make it stick", *The Conversation*, February 24, 2017, <https://bit.ly/3u4enLo>

5 Ahmad Elhamy and Moaz Abd-Alaziz, "Saudi Arabia, United States clash over reason for OPEC+ oil cut", Reuters, October 13, 2022, <https://reut.rs/47iANXF>

6 Ben Bartenstein, Manchester City's Owner Helps Usher More Russian Tycoons to UAE, *Bloomberg*, April 28, 2022, <https://bloom.bg/3tVygvp>

7 Anton Mardasov, "Can Iran's Shahed drones in Ukraine help ease tension with Russia?", *Al Monitor*, August 6, 2023, <https://bit.ly/49nbohn>

8 Galip Dalay, "Russia's Ebbing Grip: What the Ukraine War Means for Moscow in the Middle East", Issue brief (Doha: Middle East Council on Global Affairs, September 20, 2023), <https://bit.ly/3SqKtLB>

9 Mohammad Eslami and Maria Papageorgiou, "China's Increasing Role in the Middle East: Implications for Regional and International Dynamics", *Georgetown Journal of International Affairs*, June 2, 2023, <https://bit.ly/49DpYSb>

10 Amr Hamzawy, "The Potential Inroads and Pitfalls of China's Foray into Middle East Diplomacy", Commentary (Washington, D.C.: Carnegie Endowment for International Peace, March 20, 2023), <https://bit.ly/3MyghKu>

China's economic interests are mirrored in those of the region. The BRI is attractive for North Africa¹¹ and is an inspiration for the Gulf's new development and diversification strategies. These, leveraging on geography, aim to transform the Arabian Peninsula into a large hub for global transport and logistics. Mutual interests explain why China and the Gulf countries increasingly see their relationship to be strategic: something borne out by President Xi Jinping's recent visit to Riyadh.¹²

But China's penetration goes beyond geo-economics. China has a strategic interest in MENA stability and its successful mediation between Saudi Arabia and Iran – another strategic partner for China – could mark the first step towards growing Chinese involvement in Middle Eastern matters. In Beijing's eyes, MENA could in the longer run also play a number of important functions in the framework of intensifying strategic competition with the US. For instance, MENA might prove helpful in countering possible western sanctions or in relocating production capabilities outside China. Finally, MENA partners might prove important in setting up an alternative international norms system if the decoupling from the west becomes inevitable. Obviously, these scenarios would represent a profound shift for China and might also entail a Chinese military build-up to support its new geopolitical role.

The rise of regional middle powers

Multipolarity has also changed the behaviour of regional powers. The new multipolar context is more fluid, as MENA middle powers pursue their self-interest through a multiplicity of temporary and non-exclusive partnerships and alliances of convenience. They also hedge in an attempt to maximize their national interests.

There is limited negative fallout in exploiting great powers' rivalries to achieve specific objectives. Today, regional powers have more choices of interlocutors and fewer constraints on these relationships. Regional powers have used the new context to conclude deals on a transactional and non-ideological basis, and have built up multiple alignments. MENA countries' multi-alignments increase their agency in regional and international affairs, foster strategic autonomy and help maintain the regional balance of power. All MENA countries greatly benefit from the current systemic shift. They are also wary of the constraints that intensifying tensions between great powers, or a new cold war between the US and China might have on their newly acquired sense of independence¹³.

This explains the very diverse phenomena we observe in the region. Take for example the positions of equidistance that MENA countries have pursued on the Russia-Ukraine war, considered a distant European conflict. Or else, the active interest in BRICS membership by Saudi Arabia, the UAE, Egypt – historically close to the US – and Iran as a counterbalance to traditional western influence¹⁴. Witness how Saudi Arabia is building up a strategic partnership with China, while at the same time attempting to obtain stronger defense guarantees from the US and maintaining OPEC Plus agreement with Russia. Or, alternatively, how Algeria, traditionally linked to Russia, is developing new cooperation fronts with energy-poor Europe and a stronger engagement with the US on security issues.

In turn, great powers accept that they now operate in a very competitive environment and that they have limited capacity to influence regional developments. They are increasingly aware that they cannot expect exclusive commitments – nor even, strong allegiance – from MENA partners.

11 Dalia Ghanem, "Footprints in the Sand: China's and India's low-key but growing presence in the Maghreb", Brief (Paris: European Union Institute for Security Studies, March 2023), <https://bit.ly/471qbNc>

12 Abddullah Bahood, "Mr. Xi Goes to Riyadh", *Carnegie Middle East Center*, December 21, 2022, <https://bit.ly/3ONIPIS>

13 Nicole Robinson, "Russia's War on Ukraine Heats Up Great Power Competition in the Middle East and North Africa", *The Heritage Foundation*, September 27, 2023, <https://heritag.org/3MtSoUw>

14 Alessandra Bajec, "Will a BRICS expansion mark the dawn of a new world order?", *The New Arab*, September 6, 2023, <https://bit.ly/3SuyVXu>

PART 2

Socio-economic factors and their impact on regional *détente*

In addition to the geopolitical and geo-economic dynamics explored above, socio-economic factors weigh heavily in shaping the behavior of MENA countries. More than ever, the economy is front and center in the concerns and motivations of MENA governments, influencing or constraining foreign policymaking and playing an important role in the *détente* process.

The Covid 19 and the Russia-Ukraine war shocks have resulted in equally powerful stressors for the global economy. In MENA they combine with structural socio-economic and long-term governance problems, as well as with the growing impact of regional mega-trends, such as the climate crisis. Their effect is significant, but uneven across the region. All countries are under intense pressure, but their capacity to tackle the complex economic situation and to find effective responses to mitigate social effects differs widely.

The Gulf countries' 'visions' and their impact on foreign policies

For the Arab Gulf countries, the key priority is the success of their economic diversification strategies, or 'visions' as they are called in the region. After decades of paying lip service to the principle, reducing dependency on oil is now at the top of the agenda. The Gulf monarchies have finally realised that the world is moving towards de-carbonisation and that in the next decades the green transition will inevitably lead to the gradual phasing out of oil and gas. Aware of the urgency of accelerating economic transformation, they bet on the development of new sectors – such as tourism, transport and logistics, technology and artificial intelligence – and aim at diversifying their economies and broader economic relations. These strategies also explain the interest they have shown in normalising relations with Israel, a potential strategic partner in the technology sector. In Saudi Arabia, the largest Arab Gulf nation in terms of population and territory, this process is also linked to the need to provide productive employment to the hundreds of thousands of young men and women entering the job market every year. Economic diversification and modernisation are, therefore, essential in ensuring the continuing legitimacy of the ruling elite, now that the old social contract¹⁵ – based on the re-distribution of parts of the oil and gas riches through social benefits and subsidies – is no longer economically viable.

Against this backdrop, regional stability proves paramount. Continuing geopolitical tensions – or worse, conflicts – are to be avoided at all costs as they risk derailing the implementation of the *visions*. Conflicts would threaten to destroy this unique opportunity to carry out profound transformations while oil wealth subsists.

Saudi Arabia and UAE have, for this reason, abandoned the traditional behind-the-scenes approach, favouring a more direct involvement in regional affairs. As the recent *détente* started to consolidate, they have diminished political interference and geopolitical projections in the region. They have also adopted more hands-on policies to foster de-escalation and stabilisation. Over the past decade Gulf Arab countries have played a major economic role through financial flows and direct investments across MENA. The economic bonanza brought about by the recent oil and gas price increases has allowed them to double down on these approaches.

But price hikes have produced winners and losers in MENA, exacerbating the differences between hydrocarbon exporting and importing countries. The balance has tilted in favor of the Gulf monarchies, which have consolidated a leading role in the new regional order. However, while GCC countries are now enjoying the benefits of their new regional dominance, they also show signs of fatigue in dealing with never-ending MENA problems. Nowhere is this more evident than in regional economics. After years of granting large financial packages to assist key Arab countries entangled in civil strife or economic difficulties, the Gulf monarchies seem increasingly reluctant to support troubled economies in the region. In Egypt or in Lebanon, for instance, GCC countries invest only the bare minimum to keep economies afloat, while seeking lucrative assets as guarantees¹⁶.

15 Steffen Hertog, "The End of the Old Social Contract in the Gulf – and What Could Replace It", *LSE Blogs*, March 6, 2023, <https://bit.ly/477NIMA>

16 H.A. Hellyer, "We Need Egypt to be stable": GCC-Egypt Relations in the Revolutionary Era", *Istituto per gli Studi di Politica Internazionale*, July 31, 2023, <https://bit.ly/3SuF32c>

Rather than assisting in solving the problems of these countries, the objective seems to be to contain the instability and chaos that would follow on from their economic collapse. The approach is a signal that the Arab Gulf monarchies are losing interest in the region. Their main focus is now on cultivating ties with more attractive Asian nations, ties which would be useful in building up their global middle powers status. However, given the magnitude of the economic problems in a number of key countries in the region, containment might prove short-sighted.

Socio economic crises and their impact on the foreign policies of other regional powers

Economic pressures also exert significant influence on the foreign policies of other regional middle powers such as Turkey and Iran.

Since 2018, Turkey has been experiencing its most serious economic crisis in over two decades, made worse by unorthodox economic policies and mismanagement. With spiraling double digit inflation, multiple currency devaluations and widespread impoverishment of large sectors of the population, President Erdogan had no other option but to turn off his support to the Muslim Brothers and to repair ties with his Arab Gulf neighbours. This new stance secured a financial and investment lifeline, allowing the regime to weather the crisis¹⁷. While Erdogan won the presidential election in May of this year, the country continues to face economic troubles¹⁸. The constraints created by the ailing economy are likely to have an impact on Turkey's post-election foreign policy, reducing its ability to act in multiple arenas – Europe, NATO, MENA, the Black Sea, the Caucasus and Africa. Ankara continues to be vigilant and active in Syria, in order to address its national priorities such as the Kurdish issue and the question of the return of Syrian refugees. Its support to Azerbaijan has also been important in the recent flare up in Nagorno Karabakh. But Turkey's leverage is limited and threatens to tarnish its image. The broader geopolitical direction of this pivotal country will depend on what happens next at the economic level: will Ankara move closer to the US and the EU or will it deepen its links with the Gulf states, Russia or China?

Socio-economic pressures remain one of the major challenges for Iran, too. After years of international sanctions, coupled with economic mismanagement, under-investment and corruption, the economy is a shambles¹⁹. The country appears unable to tackle ballooning public debt, high inflation, stagnating growth and investors' total loss of confidence. Neither the regime's *Look East* policy, nor the gamble it has taken by tying itself closer to Russia after the invasion of Ukraine are likely to produce game changing results. Its economic woes aggravate an already dire social situation, increasing the risk of popular upheavals. Economics might combine with widespread political opposition to the regime among younger Iranians to trigger a powerful new protest wave, like that of last year's mass mobilisation on women's rights. This could ultimately threaten the regime itself.

These dynamics are also entangled in a complex domestic power struggle between regime hardliners – who push for more costly and risky regional policies – and moderate factions which are wary of economic and geopolitical consequences²⁰. The increasingly untenable economic situation may explain Teheran's recent diplomatic efforts: its rapprochement with Saudi Arabia and the UAE, as well as its indirect negotiations with the US, which led to an exchange of prisoners and to the unfreezing of \$6 billion of Iran's assets held in South Korea²¹. Before the Gaza crisis, there was a sense that economic imperatives could be a driver of change which, if sustained, might lead to a profound overhaul in Iran's foreign policies. The Gaza War, with its significant dangers of escalation and broader conflagration – also linked to the dynamics produced by Iran's regional allies – points unfortunately in the opposite direction.

But it is in Egypt, Tunisia and Lebanon that socio-economic dynamics are likely to have the strongest consequences. These countries have been hit hard by Covid-19 and the war in Ukraine. Given their heavy dependency on the import of food commodities and primary goods, these two shocks have significantly accelerated inflationary trends and dramatically inflated public deficits. They have dried out foreign exchange reserves, spurred currency devaluations, made access to

17 Serhat S. Çubukçuoğlu and Mouza Hasan Almarzooqi, "What's behind growing ties between Turkey and the Gulf states", Atlantic Council, July 21, 2023, <https://bit.ly/462clZA>

18 Stefanie Glinski, "Turks Are Running Out of Cash—and Patience", *Foreign Policy*, September 7, 2023, <https://bit.ly/47nKWSO>

19 Mahdi Ghodsi, "Dark comedy or tragedy? The dire straits of Iran's economy", (The Hague: Clingendael Institute, May 24, 2023), <https://bit.ly/3QmJNnM>

20 Amwaj.media, "Deep Dive: How division within Iran polarizes views on Israel-Palestine conflict", November 2, 2023, <https://bit.ly/49mPo6j>

21 David Gritten, "US releases \$6bn in frozen Iran funds for prisoner swap", *BBC*, September 12, 2023, <https://bit.ly/3OMlu2J>

credit and investment very hard and undermined the sustainability of social programs and subsidies. Factors like these have combined with long-standing structural issues, internal fragilities, and complex political realities to create a ‘perfect storm’. Both Egypt and Tunisia²² are in serious risk of default. Lebanon is already a failed state on the brink of total collapse and has been ‘muddling through’ for some time.

Needless to say, these economic crises have foreign policy consequences. For Tunisia the deepening economic problems have meant closer ties with Algeria and more ambivalent relations with Europe²³. Particularly significant is the impact on Egypt, especially given its historical leadership role among Arab countries. The current economic crisis is further reducing Egypt’s capacity to act effectively both in MENA and in Africa. We have seen this very clearly during the recent Sudan crisis, where Egypt could not play any significant role in spite of the traditional importance of Sudan in the country’s foreign policy. But there are many more theatres where the struggling Sisi regime might lose out, from Libya to relations with Ethiopia, where tensions over the Nile waters might reemerge. The challenges posed by the ongoing Gaza War and the political and humanitarian fall outs of a prolonged Israeli operation will prove even more complex.

The risks of socio-economic collapse and regional spill-over

In Egypt, Tunisia and Lebanon the bleak economic situation aggravates long-term social problems such as unemployment, rising poverty, widening inequalities, and youth and marginal communities’ disenfranchisement. Moreover, new problems have emerged such as widespread food insecurity due to the unavailability or unaffordability of basic staples. The consequences of these socio-economic crises²⁴ have not yet fully played out: though we already see larger migration outflows. But the social situation in these countries is a ticking timebomb, with risks of major repercussions on migration and security and other spill-over effects in MENA and Europe.

There is little room for complacency. There are no real attempts, by these countries’ governments or other international players, to tackle the socio-economic crises. Nor is it clear what kind of intervention would be needed. These deep crises occur in economies structurally subject to crony capitalism, clientelism, and elite capture. Reform attempts have failed miserably for decades and governments continue to be unaccountable for their mistakes and misdeeds. Nor is it clear where the relief should come from. As we have seen, there is no sign that the Gulf countries, China or other key international players would be willing to step in. Europe is neither willing nor able to take a leading role.

Egypt, the second most indebted country with the International Monetary Fund (IMF), has an ongoing three-billion-dollar Extended Fund Facility, but it is missing its loan targets. No progress has been recorded on key loan conditions such as in the privatisation of state assets or in the commitments from the military to pull out of the national economy. In Tunisia, the IMF deal has been rejected by President Saied²⁵, because the social cost of the IMF program might, he believed, prove too costly in political terms. Lebanon has no external relief program, nor any meaningful domestic policy to stop its downward spiral.

Growing authoritarianism makes it impossible for the suffering populations of these countries to express their grievances. While authoritarian pressures harden, some observers predict a new wave of protests, just like the 2011 uprising or the turmoil in Algeria, Sudan and Lebanon in 2019. But it could be worse this time. Authoritarian regimes have learned how to effectively suppress protest movements. Furthermore, exhausted by years of crises, MENA populations no longer believe that protest can bring about change, nor do they seem to have the strength and stamina to take peacefully to the streets. Economic implosion could, therefore, give rise to a profound rupture of the social fabric, with localised violence.

What would be the spill-over effects for the region as a whole? The existing limited degree of economic integration would act as a buffer in the case of the collapse of one or more of these countries (though Egypt is arguably too big to fail. Certainly its failure would not go unnoticed). It is difficult to predict how social explosions would affect regional stability. If the experience of the 2011 uprising teaches something it is that contagion is a real possibility.

22 Tarek Megerisi, Autumn of the patriarch: How to help Tunisians defend their democracy, Policy brief (Berlin: European Council on Foreign Relation, March 30, 2023), <https://bit.ly/47cYtg6>

23 Thomas Hill and Sarah Yerkes, “Tunisian Foreign Policy Under Kais Saied”, *Carnegie Endowment for International Peace*, January 11, 2023, <https://bit.ly/473jdgO>

24 Shahrokh Fardoust, “Challenges new and old: The myriad economic issues affecting MENA through the lens of public opinion”, *Analysis* (Washington, D.C.: Middle East Institute, February 28, 2023), <https://bit.ly/3FOcAwA>

25 Angus McDowall, “Fate of Tunisia’s stalled IMF loan lies in hands of unwilling president”, Reuters, March 9, 2023, <https://reut.rs/40ujT6n>

PART 3

The disruptive power of unresolved MENA conflicts

The nervous calm that has taken hold in the region since 2019 has been a positive factor, including for countries in conflict. Yemen, Libya and Syria have benefited from an improved political atmosphere. In Yemen, the Saudi-Iran rapprochement has facilitated a prolonged ceasefire and the resumption of peace negotiations. In Libya, an agreement of sorts between the different actors and armed groups active in the divided country ensures a modicum of stability. In Syria the regime has largely regained control and re-established its authority over most of its territory. Violence has somehow receded in all countries.

However, this stability is frail. Neither the causes nor the consequences of these conflicts have been addressed and there are no meaningful ongoing political processes. In Libya, for example, parties to the conflict have a vested interest in the *status quo*. They are entrenched in power positions and use them for personal enrichment. There is no incentive for them to engage in any political or electoral process to exit the stalemate. In Yemen, Saudi Arabia's evident desire to put an end to eight years of hostilities is an important incentive for de-escalation. But due to the fragmented political and military landscape after years of fighting, a breakthrough in peace negotiations remains hard²⁶ – a reminder that these are more than just proxy wars. Larger difficulties impede the resolution of the long-lasting Syrian conflict, where the regime appears totally unwilling to change its course of action. Neither negative incentives – like international sanctions – nor potentially positive ones – like the readmission of Syria into the Arab League or the prospect of reconstruction funds – appear sufficient to push Bashar Al Assad to make moves that could lead to an end in the conflict.

Given the lack of willingness on the part of the international community and of key regional actors to invest more political capital in conflict resolution, the risk of new cycles of violence remains high. This has already been the case in the last few months in Syria, where episodic fighting has occurred in Idlib as well as in the southern region around Sweida²⁷.

The Gaza War, with its risk of escalation and regional conflagration, could turn this risk into a much more tragic reality.

The reaffirmed centrality of the Israeli-Palestinian conflict and the need for a political solution

There is no more far-reaching conflict in MENA than the long-standing Israel-Palestinian one. It has scarred the region since the end of the Second World War. The surprise terrorist attack by Hamas on 7 October, and the events that ensued, risk breaking the region's fragile *détente*. The unprecedented dynamics at play in the new Israel-Gaza War offer an iconic representation of the disruptive power of unaddressed conflicts.

On Israel's side, the magnitude of the bloodshed and the horror it has provoked have shocked the nation. Moreover, the failure of the security apparatus in preventing the mass killing and hostage taking has shaken Israeli citizens' sense of security. To restore confidence, the Israeli government has chosen massive military retaliation. It has also sought and obtained unconditional support from the US and western allies.

Israel's declared objective in this war is to annihilate Hamas. However, as many analysts have noted²⁸, the end-goal of Israel military operation is ill-defined and this might prove problematic for the definition of victory. The complete elimination of Hamas on the battlefield is difficult and costly to achieve militarily, especially in a dense urban theatre like Gaza. It will be even more difficult to defeat Hamas – or whatever is born from its ashes – politically, as twenty years of US war on terror have taught. As the war intensifies, uncertainties also remain about the fate of the 240 hostages²⁹ in the hands of Hamas.

26 "How Huthi-Saudi Negotiations Will Make or Break Yemen", Briefing N°89 (Sanaa/Riyadh/Brussels: International Crisis Group, December 29, 2022), <https://bit.ly/3OOLBaK>

27 Amwaj.media, "Amid protests and clashes, Iranian media see return of 'crisis' to Syria", September 8, 2023, <https://bit.ly/3MC2faT>

28 Anthony H. Cordesman, "Gaza: Why the War Won't End", *Commentary* (Washington, D.C.: Center for Strategic and International Studies, November 2, 2023), <https://bit.ly/3QLxJ0S>

29 Cassandra Vinograd and Isabel Kershner. "Israel's Attackers Took About 240 Hostages. Here's What to Know About Them". *The New York Times*, November 2, 2023, <https://nyti.ms/49sn6ak>

Furthermore, the relentless bombing of the Gaza Strip has resulted in an extremely high numbers of casualties among civilians, as well as in an unprecedented level of infrastructure destruction. The Israel Defense Forces (IDF) have implemented a total siege of Gaza and ordered the evacuation of more than one million Gazan civilians to the south of the Strip, reiterating this order at the beginning of the ground invasion. While a large number of Gazans have stayed in northern Gaza – thus further increasing the risk of civilian casualties – another massive Palestinian displacement is unfolding with potential long-term ramifications. Moreover, even after winning the war Israel would be left with the problem of what to do with a destroyed Gaza Strip. Indefinite occupation is economically and politically unviable and any other solution – e.g. the return of the Palestinian Authority or an international peace-keeping mission to govern Gaza – unlikely. Even maximalist solutions, like the expulsion of all or part of the Gazans from the Strip and the creation of a security zone there, are in blatant breach of international law and full of long-term political risks for Israel.

On the Palestinian side things look equally complicated. Whatever popular support Hamas might have had before its terrorist attack³⁰, it is unlikely to emerge untarnished from the war, given the huge price Gazans have had to pay. Similar changes could also affect the ineffective Palestinian leadership in the West Bank, which has shown itself unable to further the cause of a Palestinian state and has proved powerless in this new tragedy. Meanwhile the war has exacerbated the anger of Palestinians in Jerusalem and the West Bank and further activated the Israeli settlers there³¹. Clashes and IDF raids – already numerous before the war – are on the rise.

At the regional level, there have been worrying signs of escalation. The Iran-supported axis of resistance – Hezbollah, the Shia militias in Iraq and Syria, the Houthis in Yemen – have backed Hamas vociferously and started demonstrative military actions. Continuous but contained missile and artillery exchanges between the IDF and Hezbollah have been underway at the Lebanon-Israeli border, and have grown in intensity after the start of the Israeli ground invasion. Iran has firmly rejected accusations that it is behind Hamas's attack and seems wary of a war with Israel and the US. But the escalatory dynamics of this crisis or acts involving the axis of resistance could draw Iran into a regional war. To deter other parties from entering the conflict, the US has moved two aircraft carriers to the eastern Mediterranean. But if deterrence fails, this direct US involvement might increase the risks of a major war.

Regional powers are clearly alarmed at the dangers of a multi-country conflagration. But at the same time they are increasingly concerned about the impact that the Gaza War could have on their domestic legitimacy. The dire humanitarian situation of Gazans has inflamed Arab and Muslim publics. Mass demonstrations have taken place in most MENA countries and are only likely to increase as the war moves to its next phase and the humanitarian drama in Gaza worsens. In many countries of the region, mobilisation against the war might combine with the socio-economic grievances that we have analysed in the previous section of the present paper. This powerful combination could give rise to destabilising protests against local regimes. It is a prospect, naturally, that increases the pressure on Arab governments to show meaningful commitment to the Palestinian cause³².

The reactions of regional actors after the events of 7 October have varied. Countries that had normalised relations with Israel strongly condemned the terrorist attacks, while others took less clearcut positions. But the flare up in violence has pushed the Israeli-Palestinian conflict to centre stage. As a result, Saudi Arabia has frozen its talks on normalisation with Israel, and the countries which have Abraham Accords might be induced to review their relationship with Tel Aviv. Meanwhile regional diplomacy has shifted gear, increasing the level of consultations. Iran has reached out to Saudi Arabia, while its foreign minister has visited Lebanon, Iraq and Qatar and might use the conflict to try a rapprochement with Egypt. Iran is also pushing for a total Organisation of Islamic Cooperation's (OIC) embargo on Israel and an extraordinary meeting of this organisation has been called in Riyadh.

Regional powers have stepped up their policy coordination and been very vocal in asking for a ceasefire. They have also condemned what they see as an Israeli attempt to expel Palestinians from Gaza. Egypt is in a particularly difficult position. At some point it might have to decide whether to allow a major inflow of Gazan refugees to Sinai, with the possibility that this

30 Amaney A. Jamal and Michael Robbins, "What Palestinians Really Think of Hamas", *Foreign Affairs*, October 25, 2023, <https://fam.ag/49pALPy>

31 Susannah George and Sufian Taha, "As settler violence surges, West Bank Palestinians fear new displacement", *The Washington Post*, October 30, 2023, <https://wapo.st/40ukQLZ>

32 Giorgio Cafiero, "How Arab states could respond to an Israeli invasion of Gaza", *The New Arab*, October 24, 2023, <https://bit.ly/3ONAsHO>

turns out to be a new permanent exodus of Palestinian refugees. President Sisi has so far strongly rejected this possibility³³ and has obtained agreement from Arab neighbours.

The Gaza War could therefore represent a watershed moment for MENA countries. Were the ongoing conflict to escalate and turn into a multi-country conflict, it would almost certainly torpedo the modest advances made in regional reconciliation. Numerous negative and consequential scenarios could emerge for the region. But the Gaza War might prove a remarkable occasion to recompact the Arab camp and strengthen the rapprochement between regional powers. Much will depend on how the crisis unfolds. But an important role will also be played by the multipolar dynamics that we have seen in the first section of this paper.

International diplomacy is at work to contain the crisis. The US Secretary of State Blinken has twice crisscrossed Arab capitals, to prevent the widening of the conflict and to discuss humanitarian measures. President Biden has also travelled to the region to show support to Israel and to discuss the situation with Arab partners. But US leverage appears to be limited. The planned meeting with Jordan's, Egypt's and the Palestinian Authority's leaders was called off in the face of the growing humanitarian disaster in Gaza and the international community is increasingly divided on the war. While the UN Security Council is paralysed by vetoes, a resolution to ensure that humanitarian assistance is delivered to Gazans, coupled with a call for humanitarian pauses, has been approved with 120 votes in the UN General Assembly. Most western countries either abstained or voted against this resolution. Only a trickle of humanitarian aid has been allowed into Gaza and no humanitarian pause was observed at the time of writing.

The west and the global south have also been at odds on the need to stop the war. Western countries have not been publicly calling for a ceasefire, arguing that Israel has the right to defend itself. Israel is probably being encouraged behind closed doors to moderate its use of military force. But it is unlikely that these mild western efforts to reduce the impact of the war on civilians will bear fruit, at least not in the initial phase of the war. China and Russia are coordinating their positions on the Gaza War. They have called for a ceasefire, used the crisis to double down on their anti-western stances, and to denounce western double standards. China has also offered to mediate between Israel and the Palestinians³⁴. While it is unlikely to succeed, these developments signal China's interest in exploiting opportunities arising from the crisis.

How this great power confrontation on the Gaza War and its aftermath plays out will very likely influence the stance of regional powers.

The war in Gaza: a disaster that could be turned into an opportunity?

A prolonged war in Gaza will bear a terrible price tag in terms of human lives, economic costs and political consequences. But even a bloody and consequential Gaza War is unlikely to end the Israel-Palestinian conflict. As the past 75 years have shown, there is no military solution.

Discussing positive scenarios in the midst of an intense war is always a challenging task. It is all too easy to be seen as an idealistic dreamer, particularly given the challenging situation set out above. At the same time, there is always a silver-lining in even the darkest cloud. The war, with its unprecedented levels of destruction and high costs for all parties, could have unexpected ramifications. The first consequence might prove the end of Netanyahu's political career³⁵ – increasingly considered responsible for this crisis in Israel. A change in leadership, coupled with the difficulties that Israel might encounter in managing the post-conflict scenarios, might provoke a review of two decades of failed policies to ensure Israeli security. Similar transformations might be brought about by the war within the Palestinian leadership³⁶, with the likely disappearance of Hamas and serious changes in the Palestinian Authority. These changes could serve as an incentive to give negotiations a chance.

33 Patrick Kingsley, "Israel Quietly Pushed for Egypt to Admit Large Numbers of Gazans", *The New York Times*, November 5, 2023, <https://nyti.ms/3snqzXb>

34 Camille Lons, "How the Israel-Hamas war is testing China's diplomatic ambitions in the Middle East", Commentary (Berlin: European Council on Foreign Relations, November 3, 2023), <https://bit.ly/49sRD8i>

35 Bethan McKernan, "Netanyahu's political future looks shakier in midst of Israel-Hamas war", *The Guardian*, October 31, 2023, <https://bit.ly/40qlauS>

36 Salam Fayyad, "A Plan for Peace in Gaza: The Reforms That Could Allow the PLO to Lead and the Palestinian Authority to Govern", *Foreign Affairs*, October 27, 2023, <https://bit.ly/46b8jhK>

The situation on the ground would make negotiations difficult. The expansion of illegal settlements and the increased territorial fragmentation of the Occupied Territories, render the realisation of the two-state solutions highly complex³⁷. Moreover, Israel's political polarisation is not going to disappear, with extremist religious and settler groups continuing to push for radical solutions.

However, history shows that wars at times produce new political will. And political will is often the most important ingredient for the success of negotiations. If MENA countries manage to contain the risks of a regional war, this could also be an opportunity for them to converge on shared regional positions that increase the chances for peace and stability. They could, for instance, seek more unified positions on the crisis and its aftermath. They could exert more pressures on the parties to the Israel-Palestinian conflict and play a constructive role in the negotiations, if and when those were to take place. They could also call for a large political conference after the war to address the political problems linked the longstanding Israel-Palestinian conflict. And perhaps also from the other conflicts that have plagued the region more recently.

One thing is clear, however. The idea, epitomised by the Abraham Accords, namely that the Palestinian issue could be neglected in the regional reconciliation process, was faulty. If MENA countries want to continue to build a *détente* they will need to invest in the resolution of this and other conflicts in the region.

Conclusion: Moving beyond economic interests: the need for political processes

The rapprochements set in motion in MENA over the past three years demonstrate that countries in the region have both the willingness and the mutual interests necessary to move along the path of de-escalation and dialogue. Urgent economic needs have been sufficiently strong to motivate all parties in this process. Intensifying great power competition has also favoured a shift towards multipolarity in the region, increasing the strategic autonomy of regional middle powers and convergence on the pursuit of stability as a paramount goal.

Against this backdrop, the Gaza war represents a watershed. The risk of a widening conflict creates new incentives for regional powers to intensify and deepen their diplomatic engagement. Furthermore, the growing popular mobilisation against the war may combine with deepening socio-economic grievances and give rise to destabilising protests across the region. Thus, stopping the war is a top priority for most MENA countries.

The discussion of regional peace plans might advance as follows. States will try to establish a common agenda for an ambitious regional conference. This would tackle the Israeli-Palestinian conflict – and possibly other conflicts the region – in a setting where the necessary compromises can be made by all parties. Israel could be induced to join to discuss new modalities of its regional integration in a way that would ensure its durable security. While difficult – especially in absence of a benevolent and legitimate external mediator willing to provide much needed guarantees – more united and determined regional powers could have sufficient agency and incentives to embark on this process and to involve great powers in it.

It is often stressed that MENA's international relations and regional security lack an essential ingredient for this process to be successful: trust. The lack of trust between leaders continues to be high, feeding negative threat perceptions and complex security dilemmas. Rearmament policies are widespread across MENA and could even see a nuclear arms race if Iran succeeded in building nuclear weapons. Going beyond the current crisis, building trust will be a *sine qua non* for countries to pursue *détente* and reconciliation.

Trust-building should be pursued gradually, beginning with the consolidation of formal and informal channels of communication between countries. The first objective could be to create de-conflicting mechanisms, to avoid the risk of inadvertent escalations. The way forward should be to seek a gradual institutionalisation of dialogue, cooperation and conflict resolution mechanisms³⁸. Given time and appropriate conditions, this process might lead to a more structured

37 Harriet Sherwood, "Israel-Palestine: Is the two-state solution the answer to the crisis?", *The Guardian*, November 4, 2023, <https://bit.ly/463DP0I>

38 Dalia Dassa Kaye and Sanam Vakilk, "Seizing MENA's moment: How to build a sustainable forum for region-wide cooperation", Research Paper (London: Chatham House, September 26, 2023), <https://bit.ly/3skesdx>

multilateral cooperation.³⁹ Actors could usefully build on the existing regional political or economic forums; leverage the positive results of several track 1.5 and track 2 exercises which have been going on in the region for some time; fostering people-to-people contacts. They could aim to create institutions to manage conflicts, tensions and crises autonomously and independently from external great powers and start working on the establishment of an inclusive, sustainable and cooperative regional security system. It is a lengthy process, but it is the only one that in the long run has a chance of producing greater stability in the region.

Fostering economic cooperation and trade⁴⁰ would also be key. Intraregional total trade might prove an extremely important engine for growth and development. Trade between MENA countries is only 2.9% of these countries' total trade: by comparison, the EU intraregional trade represents 29% of the EU members states total. It is estimated that dropping barriers to trade would add 5% to MENA's GDP. Launching much needed ambitious connectivity projects – transport and logistic infrastructure, digitalisation, electricity and energy – would also do much to increase the region's economic potential, redress years of economic underperformances and advance regional integration. This would eventually improve MENA capacity to take advantage of new global value chains. MENA nations would have the chance of seizing growth and development opportunities provided by the green and digital transitions, and maximising comparative advantages, for example in the production of renewable energy.

39 Luigi Narbone and Abdolrasool Divsallar, eds, *Stepping away from the abyss: A gradual approach towards a new security system in the Persian Gulf* (Fiesole: European University Institute, 2021). <https://hdl.handle.net/1814/71221>

40 *The Economist*, “The Gulf countries want to reshape the Middle East in their image”, September 7, 2023, <https://econ.st/3StAwgg>



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