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CONFLICT AND CHANGE IN THE MENA REGION

GEOPOLITICS AND GEOECONOMICS



X EDIZIONE
ROMA 2024

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MEDITERRANEAN DIALOGUES

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CONFLICT AND CHANGE IN THE MENA REGION: GEOPOLITICS AND GEOECONOMICS

The primary catalyst and destabilizing factor in the Middle East and the Enlarged Mediterranean region over the past year has been the war in Gaza. A war that is the offspring of a conflict that has been unresolved for decades and which, since the tragic events of 7 October 2023, has re-exploded with extreme violence, a civilian death toll and a consequent humanitarian crisis of exceptional scale. For more than a year, this war has persisted, extending across multiple theatres of conflict and involving both state and, predominantly, non-state actors, resulting in a confrontation that is often asymmetrical on several fronts.

Against this backdrop, the 10th edition of the Rome-MED Mediterranean Dialogues, organized by the Italian Ministry of Foreign Affairs and International Cooperation and ISPI, is more crucial than ever for fostering or renewing relationships among diplomatic and institutional actors in the enlarged Mediterranean. An essential part of this effort must necessarily involve the mediation of prominent think tanks, key stakeholders, and intellectuals, all of whom will be in attendance.

The mission of Rome-MED to promote a “positive agenda” in a region experiencing profound turmoil, especially this year, focuses on the study and analysis of the interconnected inter-regional and international dynamics within the MENA region. To this end, we have compiled this MED Special Dossier, featuring articles and insights published by ISPI over the past year. It includes concise essays from authoritative contributors within our network, updated specifically for this occasion, along with new, original pieces. This Special Dossier aims to provide an overview of the trends and scenarios – shaped not only by the ongoing war but also by broader dynamics – affecting the three regions on the southern shores of our sea: the Middle East, North Africa, and the Gulf.

This MED Special Dossier is organized into five chapters: the first and second examine this past year of war and its political, geopolitical, and geo-economic ramifications; the third offers an analysis of the five North African countries from various perspectives, portraying a subregion characterized by what we term “stable instability.” The fourth chapter explores the international influence and ambitions of the Gulf monarchies, while the last one delves into North-South relations, focusing on the European Union’s approaches and responses to crises in the Middle East, North Africa, and the Gulf Cooperation Council countries.

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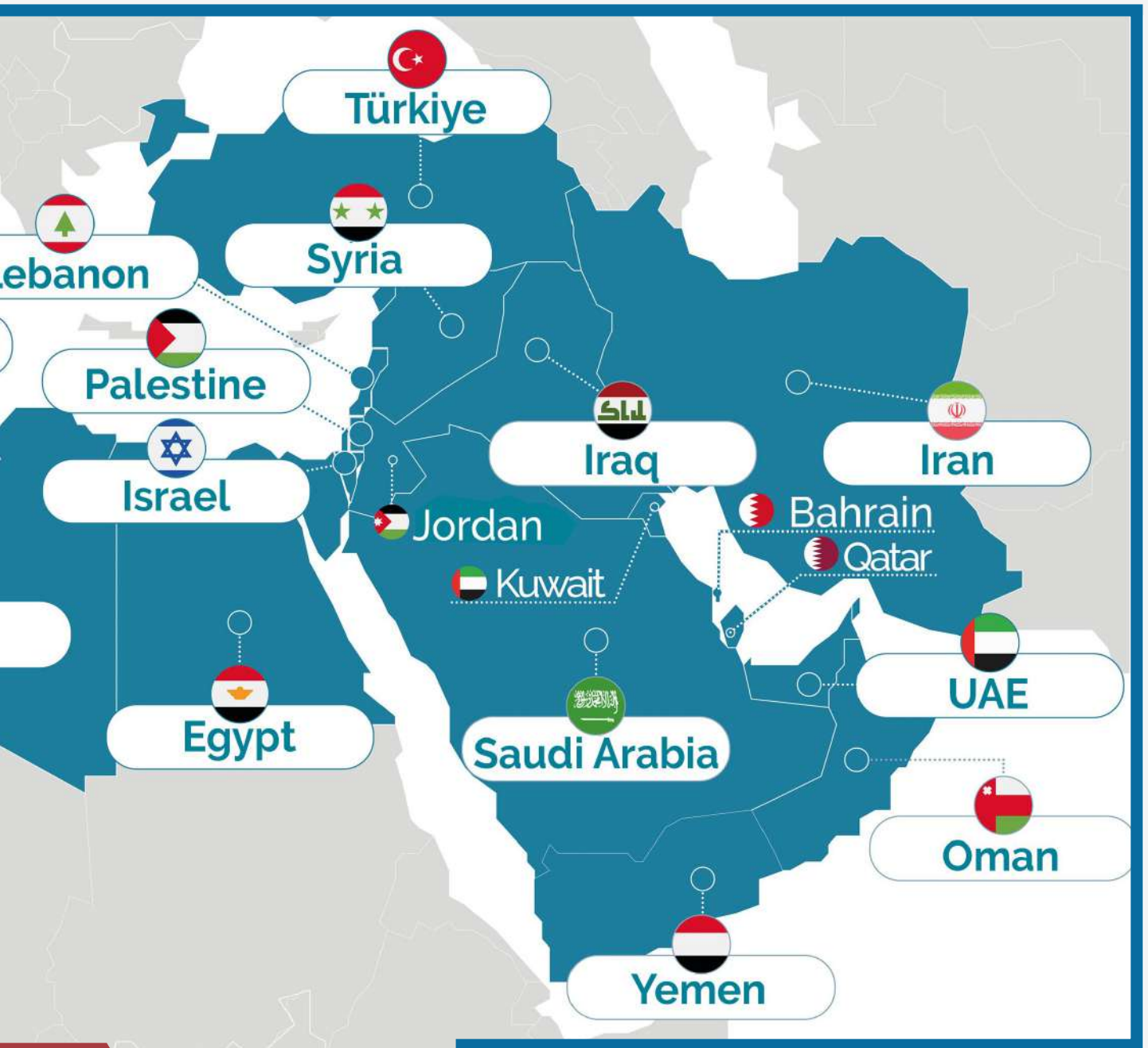
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A war that is the offspring of a conflict that has been unresolved for decades and which, since the tragic events of 7 October 2023, has re-exploded with extreme violence, a civilian death toll and a consequent humanitarian crisis of exceptional scale. For more than a year, this war has persisted, extending across multiple theatres of conflict and involving both state and, predominantly, non-state actors, resulting in a confrontation that is often asymmetrical on several fronts



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1. THE GAZA WAR AND THE FUTURE OF REGIONAL GEOPOLITICS

The war that erupted after October 7, 2023, in the Levant region has disrupted the fragile regional balance that had been maintained in recent years. The internal challenges and vulnerabilities of the two principal contenders quickly became evident. On one side, deep divisions within Palestinian nationalism reemerged in stark relief. On the other side, Israel's longstanding sense of regional insecurity was heightened by the collective trauma of October 7, further exacerbated by the influence of the Jewish far-right, which has fuelled the continuation of an all-out war. Among Arab countries, the lack of strong consensus capable of unifying various governments on the Palestinian issue was once again apparent. Meanwhile, the spread of the conflict across multiple fronts has resulted in significant upheaval. Lebanon has been deeply impacted, facing both the dismantling of Hezbollah's historic leadership and a renewed Israeli ground invasion. Moreover, Iran's direct involvement in the conflict, a longstanding nightmare for Tel Aviv, has become a reality



1.1 WHO IS LEADING THE MIDDLE EAST?

Valeria Talbot, Head, ISPI MENA Centre



One year after the Hamas attack on Israel, war continues to ravage Gaza, and the conflict has spread into Lebanon. Although no state in the Middle East has an interest in being drawn into chaos, the flare-up of the Lebanese front and Iran's launch of ballistic missiles in retaliation to Israel's targeted killings of Ismail Haniyeh in Tehran and Hassan Nasrallah in Beirut make the risk of a broader escalation more and more concrete.

While October 7 certainly represents a game changer for the Middle East, the extent of the ongoing changes is still unclear. Nor is it obvious how they will reshape the geopolitical balances in the region. Conversely, what is strikingly evident is that over the past twelve months many red lines have been crossed, potentially bringing the entire Middle East to the brink of a wider war.

The Calm Before The Storm

Only a year ago the picture was completely different. Despite the persistence of unresolved crises and longstanding tensions, a phase of détente seemed to have begun in the Middle East, after more than a decade of turmoil, fierce rivalry and proxy wars among regional players. Before October 7, in fact, there was a serious push for de-escalation in the area. The Saudi-Iranian diplomatic agreement – signed in March 2023 thanks to the mediation of China, Iraq and Oman – was the peak of the reconciliation processes that had characterised the Middle East since summer 2020 when the US sponsored Abraham Accords were signed between Israel and certain Arab states (Bahrain, Morocco, Sudan and United Arab Emirates). Driven by the need for economic recovery after the disruption caused by Covid-19 on one side and by geopolitical transformations at the regional and international levels on the other, Middle Eastern competitors recognised that cooperation would be more advantageous than confrontation for their security, stability, economic development and diversification plans, the last being especially relevant for the Gulf Cooperation Council (GCC) countries. These considerations paved the way for the intra-GCC reconciliation in January 2021, after three and a half years of the Qatar blockade, and for Türkiye's rapprochement both with the wealthy Arab Gulf states and with Israel. Moreover, last year, just before October 7, an agreement between Saudi Arabia and Israel was on the way: undoubtedly, such a deal would have marked a momentous turning point, adding a key piece to the mosaic of normalisations aimed at redesigning Middle Eastern alignments and balances. Nevertheless, an answer to the Palestinian question was missing from this picture: for a long time, indeed, it has not been high on the agenda either of regional or of international players.

No lasting stability can be achieved in the Middle East without a settlement of the Palestinian question, but no state is currently capable of assuming a role of leadership

No stability without Palestine

Against this background, Hamas' attack made brutally evident that there can be no lasting stability and détente in the Middle East without a settlement of the Palestinian question. However, despite Arab countries' condemnation of Israel for destroying Gaza and the suffering inflicted on over two million Palestinians in the Strip, normalisation agreements have largely held as have the historic peace treaties with Cairo (1979) and Amman (1994).

This does not mean that bilateral relations have not suffered strains, in particular in the wake of strong pressure from populations on their governments to break off relations with Israel. Highly supportive of the Palestinian cause, Arab people – from Morocco to Bahrain – have taken to the streets since the beginning of the war in Gaza. Neighbouring countries, such as Jordan and Egypt, are deeply concerned about spillover effects of the Gaza war on their fragile socio-economic fabric, while at the same time facing growing domestic discontent. In such a context, the gap between governments and populations is likely to widen amid the ongoing war in Gaza and its expansion into Lebanon and potentially beyond, not to mention the increasing death toll among civilians in the Strip.

Nevertheless, while Arab leaders in the Middle East are more and more aware that the Palestinian question can no longer be neglected and demand a solution, they have no effective leverage to force Israel to come to the negotiating table, nor to reach a ceasefire in Gaza. Despite Egypt and Qatar's strong engagement in mediation efforts, all negotiation attempts carried out since the beginning of the year have failed. Riyadh has also tried to play its cards, although unsuccessfully, by keeping on the table the possibility of a deal with Israel in return for recognition of a Palestinian state.

Yet, Israel remains firmly opposed to a two-state solution with the Palestinians.

In the end, looking at their domestic priorities and security concerns and interests, what matters for the countries in the region is to avoid escalation and put the Middle East back on the path to stabilisation. In the words of Jordan's Foreign Minister Ayman Safady, "Muslim-Arab countries want a peace in which Israel lives in peace and security, accepted, normalised with all Arab countries in the context of ending the occupation, withdrawing from Arab territory, allowing for the emergence of an independent, sovereign Palestinian state".

Beyond rhetoric, however, it seems that today the path towards de-escalation and stabilisation in the Middle East is beyond the control of the Arab states, who are watching helplessly as the conflict spreads to Lebanon and perhaps beyond. No one wants Lebanon to turn into another Gaza, but no one is moving to prevent it, perhaps in the hope that Israel will give Hezbollah the coup de grace.

In today's Middle East, where non-state actors have emerged as one of the main drivers of instability, no state is capable of assuming a role of leadership. Yet, at the same time the Middle East also lacks external peace broker. The United States, reluctantly drawn back into Middle Eastern affairs from which it had sought to disentangle itself, has proved unable or unwilling to effectively pressure Israel to end the war in Gaza and avoid regional repercussions. Regardless of who the next occupant of the White House will be, today no one can predict the duration and the extent of the conflict, and above all how Gaza, Lebanon and the entire region will look the "day after", whenever that day comes.

1.2 AMIDST UNPRECEDENTED THREATS, PALESTINIANS FACE CRISIS OF LEADERSHIP

Omar Rahman, Fellow, Middle East Council on Global Affairs

Palestinians face the worst crisis since 1948 Nakba.

For the past year, millions of Palestinians have endured an unprecedented assault on their national existence. Israel's post-October 7 offensive to devastate the Gaza Strip and secure a permanent hold over the West Bank has marked the most severe crisis facing the Palestinian people since the 1948 Nakba.

At least 41,000 Palestinians have been killed in Gaza – mostly women and children – and some experts estimate that direct and indirect deaths could reach hundreds of thousands. Over 2 million people have been displaced, famine has set in due to a policy of deliberate starvation, and much of the territory lies in ruins. In the West Bank, the pace of Palestinian deaths has reached a 20-year high, and Jewish settler violence has surged to unprecedented levels. Dozens of communities have been displaced, and Israel has expropriated more land than at any time since the Oslo Accords were signed in 1993.

At the same time, Israel has intensified its military campaign in and around northern West Bank cities and refugee camps. Armed resistance networks are being dismantled in a manner that is leaving broader communities devastated, and collective punishment is being imposed on the civilian population. The economy has come to a standstill, and there is widespread fear that the violence inflicted on Gaza might soon be unleashed on the West Bank.

Despite these severe challenges, Palestinian leadership remains conspicuously absent. The Palestine Liberation Organization (PLO) has been virtually silent, apart from the efforts of a few diplomats in New York and London. Mahmoud Abbas, chairman of the PLO and president of the Palestinian Authority (PA), has been largely invisible, appearing only for a speech at the United Nations General Assembly in September and the Arab League summit in Bahrain in May. He has never addressed the United Nations Security Council or testified at the International Court of Justice on behalf of the Palestinian people. Unlike Ukraine's President Volodymyr Zelensky, Abbas has failed to rally support in international capitals. He hasn't set foot in Gaza, despite numerous doctors and humanitarian aid workers risking their lives to help the trapped civilian population.

Hamas, which is not part of the PLO, has also been largely missing from a leadership role. In Gaza, its ranks are fighting for survival, while its political cadres in Qatar have focused on ceasefire negotiations and managing the fallout of their attack on Israel. Several of Hamas's leaders have been assassinated in Gaza and in regional capitals,

further diminishing their influence. Limited to occasional media appearances, Hamas officials have failed to influence the diplomatic landscape due to the group's longstanding international isolation. This underscores a fundamental flaw in Hamas's political capacity – it cannot represent Palestinians on a national level like the PLO, despite rising support for its armed resistance.

Putting the house in order

For Palestinians to confront their immense challenges, a new, unified national leadership is crucial. Yet since the 2007 political split between the Fatah-led PA and Hamas in Gaza, political life has stagnated and grown increasingly dysfunctional. Without a legitimate claim to power through elections or a clear strategy for liberation, those in power have become more authoritarian and corrupt.

The Palestinian public has consistently demanded political reconciliation, and numerous attempts have been made to repair the fractured leadership, with varying degrees of seriousness. However, all efforts have failed, partly due to a lack of political will. Each side preferred to maintain control over its territory rather than seek unity. External pressure from influential actors, including the United States, the European Union, and Israel, also played a role in discouraging reconciliation or democratic reforms, fearing these might upset the status quo. Given the PA's reliance on donor funding and Israel's cooperation, Abbas showed little interest in prioritizing national interests over his hold on power.

Since October 7, 2023, the demand for reconciliation has become more urgent. In February 2024, Palestinian factions met in Moscow for talks, followed by further discussions in Beijing in April. In July, 14 factions agreed in Beijing to form a national unity government and reform the PLO based on unity principles. However, behind the scenes, Abbas reportedly dismissed the importance of the agreement, and little progress has been made since then.

Grassroots efforts have also sought to revitalize and reform the PLO. One prominent initiative emerged from a Palestinian-led conference in Doha, where participants agreed to organize a national conference to restructure the PLO independently of the institution's official leadership.

Yet again, Abbas denounced the effort as a foreign plot, making it difficult for organizers to find a venue, as regional countries avoided appearing to interfere in Palestinian affairs. Other grassroots initiatives have faced similar setbacks, hindered by divisions over whether to work within existing structures or create new ones.

One year on from October 7, Palestinians face their most severe crisis in 75 years, with no unified leadership to guide them

The price of being leaderless

The inaction of the leadership in Ramallah suggests a strategy focused on avoiding Israel's wrath in the West Bank to escape Gaza's fate. Nevertheless, the West Bank has not been spared Israeli aggression and is on the verge of formal annexation.

The leadership's silence has left Palestinians in Gaza without a unified voice, forcing them to appeal to the world by documenting their own suffering and destruction. This effort has successfully garnered global sympathy and exposed Israeli war crimes, but it lacks the impact of organized political advocacy. There is no substitute for a unified political actor capable of mobilizing support at all levels, from international institutions to grassroots movements.

This was evident in the PLO's 2011 campaign for formal recognition of statehood at the UN, which, while not entirely successful, opened new avenues for the Palestinian national movement, including engagement with the International Court of Justice and the International Criminal Court. The recent ICJ advisory opinion declaring Israel's occupation illegal and requiring a speedy end

represents a significant step towards holding Israel accountable; as does the subsequent UNGA Resolution 12626 adopting the ICJ opinion and demanding Israel withdraw from the occupied territories within a year.

Substantially raising the costs for Israel's occupation and war crimes is a crucial path for Palestinians toward liberation and self-determination. Many of these efforts still rely on third-party states and grassroots actors, such as South Africa's genocide case at the ICJ and the BDS movement's long-standing grassroots campaign.

One year on from October 7, Palestinians face their most severe crisis in 75 years, with no unified leadership to guide them. The future of Gaza is uncertain, and the West Bank is at risk of formal annexation by an Israeli government with ministers advocating the mass expulsion of Palestinians. Yet, October 7 has thrust the Palestinian issue back onto the global agenda, disrupting the Arab-Israeli normalization project and creating opportunities for increased international pressure on Israel. Unless Palestinians repair their representative institutions, it will be challenging to navigate an effective path forward.



Main Palestinian political factions

Source: ISPI Elaboration



FATAH



POPULAR FRONT FOR THE LIBERATION OF PALESTINE



DEMOCRATIC FRONT FOR THE LIBERATION OF PALESTINE



PALESTINIAN PEOPLE'S PARTY



PALESTINIAN LIBERATION FRONT



PALESTINIAN DEMOCRATIC UNION



PALESTINIAN POPULAR STRUGGLE FRONT



POPULAR FRONT FOR THE LIBERATION OF PALESTINE (GENERAL COMMAND)

PALESTINIAN LIBERATION ORGANISATION (PLO)



HAMAS



PALESTINIAN ISLAMIC JIHAD

1.3 ONE YEAR ON, ISRAELI SOCIETY STILL GRAPPLES WITH OCTOBER 7

Nimrod Goren, President, Mitvim-The Israeli Institute for Regional Foreign Policies



One year has passed since the deadliest day in Israel's history – the Hamas terror attack of October 7, 2023 – and the trauma lives on. “We are still living on October 7”, goes the common Israeli saying. But beyond the cliché, this is a genuine reflection of how people feel. Thousands are still grieving for families and friends who were killed. Tens of thousands are still evacuated from their homes near Israel's southern and northern borders. Many are worried about their loved ones doing military service – including reservists, separated from their families for months. Society at large is yearning for the return of the 101 hostages still held by Hamas, as concern about their fate rises by the day. A large part of the population finds itself facing the threat of missile fire. And the list goes on, impacting countless elements of daily life throughout the country. Prime Minister Benjamin Netanyahu is seeking to hinder the appointment of a National Committee of Inquiry that will systematically look into the failures related to October 7 and draw lessons from them. The Israeli public is doing the opposite. The one-year anniversary of the Hamas attack coincides this year with the Jewish holidays. It takes place right between Rosh HaShana (New Year) and Yom Kippur (Day of Atonement). It is a time of year normally characterised by reflection, soul searching, and resolutions for the future. This year, it is mostly a time for remembrance and processing.

Public debate revolves around the hostages

Enter any Israeli bookstore and you will find shelves full of books of different genres about October 7 and its aftermath. The National Library of Israel announced that 169 publications have already been released on the topic and many more are forthcoming. There are also multiple films, documentaries, investigative journalism reports, databases, ceremonies, and even a civilian inquiry committee – launched by former officials, survivors and bereaved families. Israelis are genuinely trying to understand what happened on October 7 and why. They seek to embrace those who paid the highest of prices, they are committed to hearing their stories and they want to ensure that the “Never Again” lesson learned from the Holocaust will be applied once more.

Concern for the hostages still held by Hamas dominates the public space and popular culture in Israel. Over the course of the year, Israelis have come to know many of the hostages personally, even though they have never met. We see their photos on streets and in squares – on signs, billboards, and in bus stations. We see their portraits looking at us in the main aisle of Ben Gurion Airport, on the way in and out of the country. We hear their family members tell their stories and plead for their release in frequent media interviews, public protests, and high-level appearances abroad. We feel their pain in the face of a government that is not doing all it can to bring them home and is politicising their struggle, shattering a basic element of the Israeli ethos and identity. They have become an integral part of our lives and for many Israelis their release will be the one true moment of victory.

Israelis are stepping up in the face of these challenging circumstances. Resilience, innovation, agency, and optimism – traits that have characterised Israeli society for decades – have led to mass public mobilisation in solidarity with those in need and in a fight for a better future. A spirit of enhanced volunteerism is taking root, groundbreaking societal initiatives are being launched, new organisations for social change are being established, fresh grassroots leadership is emerging – and pro-peace and pro-democracy narratives are being adapted to fit the changing reality. This is also a way to counter the dangerous rise of militarism and extremism among parts of Israeli society, fuelled by far-right ministers with powerful portfolios.

A call for political change

True healing and transformation require political change. Since October 7, Israelis have voiced constant support for early elections, as well as a lack of trust in Netanyahu and his leadership. The prime minister is held accountable, not only for his failed strategy prior to October 7 and the catastrophic events of that day, but also for his conduct since then, which seems to have prioritised his personal political survival over the common good and national interest. At a time when Israelis needed reassurance, unity and empathy, Netanyahu was detached and polarising. The fact that one year on his coalition is still in power is inconceivable to many in Israel and is a source of frustration and concern about the country's future. So too is the increase in negative global attitudes about Israel, which fosters an inward-looking and defensive Israeli attitude towards the international community.

The history of Israel teaches us that moments of crisis create opportunities, including for transitions from conflict to peace. The ongoing war in Gaza has clearly damaged Israel's global standing and image. Nevertheless, it has also highlighted how resilient Israel's ties are with Arab countries. Bilateral relations continue, albeit in a toned-down way and with less visibility, and shared interests are still being pursued. New security challenges – such as those from Iran and the Houthis – have showcased that de facto cooperation is also possible even with Saudi Arabia, which has not yet normalised ties with Israel.

Israel's recent attacks on Hezbollah and other Iranian proxies have led to a potentially game-changing moment for the Middle East. Regional moderates could be empowered once the war ends. If so, this situation should be leveraged to advance Israeli-Palestinian peace based on the two-state solution. There is a long way to go towards that goal and most Israelis currently doubt whether it is even feasible or desirable. Yet the path towards peace is the best safeguard against continued Israeli, Palestinian and Lebanese suffering. Those who care about the future of the region and its people should do their utmost to empower and expand pro-peace constituencies in the region, as well as to foster dialogue among them. Regional cooperation, peaceful relations, and normalisation of ties would represent a true victory over the horrors of October 7.

Israeli society still seeks to fully understand what happened on October 7, while many in Israel yearn for a new and trustworthy political leadership

1.4 HEZBOLLAH AFTER NASRALLAH

Lina Khatib, Director, SOAS Middle East Institute

The Gaza war that erupted in October 2023 between Hamas and Israel has brought significant implications for Hezbollah, the Lebanese Shia political and militant group, with unprecedented challenges that quickly escalated from being subjected to hybrid warfare by Israel to Israel's assassination of Hezbollah leaders including Secretary General Hassan Nasrallah, followed by a ground invasion of Lebanon. Facing this mixture of serious problems, the group's involvement in the conflict has revealed its efforts to balance several competing interests, notably its image and legitimacy as a "resistance" actor against Israel, its dependence on Iran, and its own survival in the face of mounting Israeli retaliation.

Hezbollah has long claimed the mantle of "resistance" against Israel, aligning itself closely with Hamas and other armed groups backed by Iran in the Middle East. However, Hezbollah's participation in the Gaza conflict, though at first motivated by its desire to retain legitimacy as a resistance actor, has evolved into a strategy of self-preservation in the face of escalating Israeli pressure. But this is proving to be a miscalculation.

Hezbollah's first major aim in engaging in the Gaza war was to reassert itself as a key player in the broader resistance movement against Israel. Since its inception, Hezbollah has positioned itself as the vanguard of the armed struggle against Israeli occupation, particularly in southern Lebanon. By claiming to support Hamas and engaging Israeli forces, Hezbollah seeks to uphold its reputation as a legitimate and active resistance organization, an image that has bolstered its political influence both in Lebanon and across the broader Arab world.

Pagers and targeted killings

However, as the conflict progressed, Hezbollah's initial aim of reinforcing its resistance credentials gave way to a more pressing concern: self-preservation. Israel's response to Hezbollah's attacks grew increasingly aggressive, with targeted killings of hundreds of Hezbollah officers and strategic military strikes aimed at neutralizing the group's operational capabilities while exposing its security vulnerability. Israel's assassination

of Hezbollah's Secretary-General Hassan Nasrallah underlined the extent of Israel's access and reach in Hezbollah strongholds.

The assassination came after another particularly notable moment of embarrassment for Hezbollah, which occurred on September 17, 2024 when thousands of pagers carried by Hezbollah members and operatives in Lebanon suddenly exploded, killing some and injuring most. This operation, which was both highly symbolic and extraordinary in scope, underscored Israel's commitment to countering Hezbollah's involvement in the conflict by dealing a severe blow to the group's morale while demonstrating the extent of its infiltration by Israel's superior military technology and intelligence.

Defiant rhetoric, mild actions

Coupled with a relentless military campaign by air and ground, these Israeli actions have forced Hezbollah to recalibrate its strategy. Any retaliation by Hezbollah against Israel will necessarily involve the use of communication tools. With Hezbollah's communications network compromised, it is limited in what it can do with its military arsenal. With Israel having underlined the might of its security upper hand, Hezbollah's surviving leadership is acutely aware that a full-scale war with Israel would be devastating for the organization.

Hezbollah's hands are also tied because of Lebanon's ongoing economic and political instability, which has meant that there is no public appetite for war with Israel – instigating such a war would trigger mass cautious escalation, in which the group carefully weighed its actions to avoid provoking an overwhelming Israeli response that could threaten its very existence.

The group has continued to launch limited cross-border attacks on Israeli military positions but has avoided actions that would lead to a full-scale conflict. This approach reflects a delicate balancing act: Hezbollah must continue to present itself as a legitimate resistance actor while simultaneously avoiding an all-out war that could result in severe losses or even lead to its disintegration.



Hezbollah as Iran's proxy force

A further key aim for Hezbollah in the context of the Gaza war is the protection of Iranian influence in the Middle East. Hezbollah is more than just a Lebanese political and militant group – it is a critical element of Iran's regional strategy. As a proxy force, Hezbollah plays an instrumental role in advancing Iran's interests across the Middle East, including in Syria, Iraq, and Yemen. Its involvement in the Gaza war, therefore, is not just about its own objectives but also about serving Iran's broader geopolitical goals.

Iran has long used Hezbollah as a tool to project power and counter Israeli and U.S. influence in the region. The Gaza conflict offers a unique opportunity for Iran to project an image of possessing the capacity to challenge Israel on multiple fronts through its network of proxy forces as well as directly. By supporting Hamas in Gaza and Hezbollah in Lebanon, Iran seeks to present a united front against Israel.

However, disrupting Israeli security on multiple fronts and drawing Israeli military resources away from the Palestinian territories requires serious military intervention by Hezbollah, which would in turn spark a serious reaction from Israel, also targeting Iran. This is a scenario that Iran and Hezbollah tried to avoid but ultimately Israel lost patience: On the same day, Israel invaded Lebanon and Iran attacked Israel with ballistic missiles, raising the stakes for Israeli retaliation.

Hezbollah's rhetoric remains defiant, as demonstrated through the video statement by its Deputy Secretary-General Naim Qassem following the assassination of Nasrallah.

In practice, the group faces significant challenges as it navigates the complexities of the Gaza war.

Though its fighters are seasoned in ground warfare, allowing them to put up a fierce resistance to Israel's invasion, the group is under immense pressure. Hezbollah is striving to maintain its dual role as both a Lebanese political actor and a regional "resistance" movement, but as the Gaza war grinds on and as the Lebanon-Israeli confrontation escalated, it is losing its stature on both fronts. The group is facing the dilemma of navigating these internal and external pressures to avoid undermining its position within Lebanon, project strength as a key player in the Middle East, and continue to serve Iran's broader geopolitical interests. This is Hezbollah's biggest challenge in its lifetime.



1.5 IRAN'S LONG GAME IN A REGION ON THE BRINK

*Sara Bazoobandi, Marie Curie Fellow, GIGA Institute of Middle East Studies;
Associate Research Fellow, ISPI MENA Centre*

The terrorist attacks on Israel on 7 October 2023 have changed the regional and global dynamics. Both physical and cognitive elements of this crisis have been severe. Loss of life has prompted anger and resentment towards the state of Israel and its western allies across the region. In the battle of narratives, Iran and Iran-backed groups have been pushing to tilt the regional discourse in their own favour. Iran has remained a key player, through both its direct involvement in the conflict and its grey-zone aggression strategies. One year into the crisis, it is worth asking: 'where Iran stands in October 2024?' The first issue to explore is Iran's regional posture. Iran's regional strategy has brought it both gains and losses over the last year. Its support for the Yemeni Ansarullah (Houthis) has brought some successful results for Tehran in the physical battle. It has allowed Iran to test and showcase its warfare capabilities. The absence of a harsh response by the United States and its western allies to the destabilising acts of the Houthis highlighted the extent to which Iran-backed groups can be effective in threatening global security beyond Israel. In the war of narratives, Iran has supported efforts to cast the attacks by the Houthis (in the Red Sea and directly on Israel) as a freedom-fighting, justice-seeking response by the group to the war in Gaza. Iran has also launched two attacks on Israel, thus breaking the taboo of confronting Israel directly, something that no other state has done since Saddam Hussein in the 1990s.

Iran has faced some major setbacks too. An attack in Damascus in April 2024 that killed several Islamic Revolutionary Guard Corp (IRGC) senior commanders, a special operation to raid an Iranian weapons facility in the Masyaf area of Syria, the explosion of the pagers of Hezbollah members in Lebanon and the killing of Hezbollah senior leaders all demonstrated Israel's military and intelligence supremacy. Despite these setbacks, Tehran has remained determined to pursue its regional agenda over the past year. Through its support for regional groups, Iran has consistently sought to maintain its sub-threshold aggression, which it intends to be just enough to irritate Israel and its western allies and to consume their resources and capabilities, without triggering full-on war. This may have changed after Tehran decided to launch a barrage of missiles into Israel for the second time. This attack was much more substantial than the first, launched in April 2024. It prompted strong rhetoric from the Israeli government and its closest allies, particularly the United States

Saudi Arabia has never been so close to Iran

The second issue to examine is Iran's relations with other Middle Eastern countries. The Chinese-brokered Iran-Saudi rapprochement that took place months before the start of the crisis, was indicative of the growing acceptance of Iran by Gulf Cooperation Council (GCC) Member States.

After the drone and missile attacks on Saudi Aramco in 2019, and the military campaign in Yemen led by Saudi Arabia and the United Arab Emirates (UAE), which did not lead to weakening of the Iran-backed Houthis, the GCC leaders seem to have decided to put aside their differences with Iran. This mostly stems from the general understanding amongst GCC governments that the United States is not willing to confront Iran on their behalf. Indeed, the US is still a major security provider to the GCC.

Nevertheless, the GCC no longer seems to be interested in the kind of transactional security relations that they have had with the US. Although, the US has remained their main security provider, the Member States have been actively seeking bilateral strategic cooperation

with other global powers, including China, and are keen to link economic interests with security. The Iran-Saudi deal was a visible manifestation of such a strategy, where China, a major economic partner, also took on the role of strategic broker. After Saudi Arabia, other countries, like the United Arab Emirates (UAE) and Bahrain, have also indicated an inclination to reconcile with Iran. On his first state-visit to Iraq, President Pezeshkian talked about Iran's support for a European-style model of border-free travel between Muslim countries, which remains remote from the current reality of the region. However, it signals Tehran's confidence in the region's acceptance of its position.

A global anti-US axis in the making

Lastly, Iran's relations with international actors are worth exploring. For years, Iran has been seeking to strengthen its ties with Russia and China. In the last year, all three countries have aimed to signal a willingness to build a strategic alliance that would lead a global anti-US axis. They have been cooperating economically and sharing experience to advance that aim.

One major development in relation to Iran's ties with these countries since October 2023 is their increasing military cooperation. For example, over the past decade, Iran has been expanding its maritime presence across the region. Its engagement in a joint naval drill with Russia and China has been a key step in showcasing its desire to build up its naval strength.

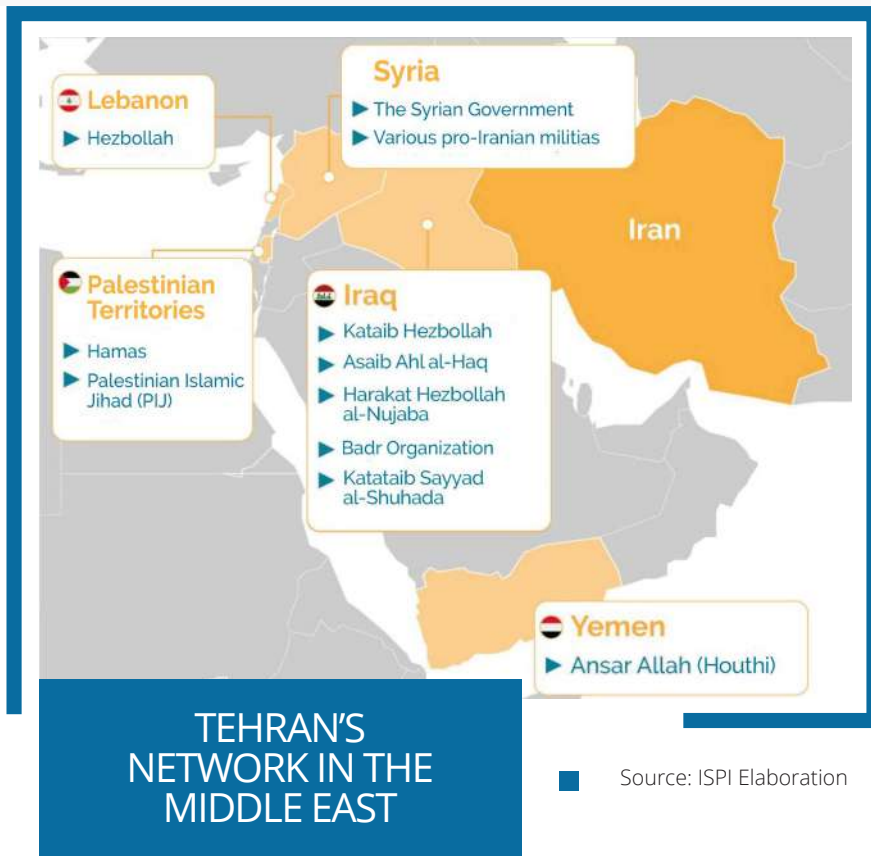
Iran's first naval drill with Russia was in 2009 in the Caspian Sea. It was said to be focused on the environmental and maritime safety of the Caspian. Several joint naval exercises have been conducted in the Caspian since then, some of which included other littoral states. In recent years, the frequency and sophistication of such activities have increased. Since 2018, Iran, Russia and China have engaged in several joint naval drills, most of which started near the Gulf of Oman and started or ended in Chabahar Port. The latest of these was held in March 2024.

Arms transfers to Moscow by Tehran to assist Russia's war effort in Ukraine are another clear example of such cooperation. Iran has managed to portray itself as a 'partner', in larger and more striking activities of the kind, with countries like Russia and China. Tehran's objectives for engaging in such activities follow its broader strategic goals, namely to display power, to show off its ability to break its US-imposed isolation, and to pursue regional projects aimed at expanding its strategic depth.

All in all, Iran's position across the region has been fluctuating. During the early months after the beginning of the crisis, Iran and Iran-backed groups visibly gained confidence in dictating the scope of crisis in Israel.

Since the beginning of the crisis in Lebanon, involving the destruction of Iran-backed Hezbollah's senior ranks and military capabilities, Iran seems to have made major adjustments to its strategy. Hezbollah is a valuable asset for Tehran's strategic project. The attacks on Hezbollah have undoubtedly influenced Tehran's calculus. The Iranian government was under pressure to respond to those attacks to project an image of power in the eyes of its domestic and regional sympathetic constituents. In practice, however, this may end up being a bad bet for Iran. To enhance its strategic power, Tehran has adopted the new world order narrative of major global powers like Russia and China, and strengthened strategic ties with Moscow, while maintaining a relatively good understanding with former regional rivals like Saudi Arabia. That said, the second Iranian missile attack on Israel may tilt the balance of power further and to the detriment of the Iranian government.

Iran's strategy of supporting regional groups and sub-threshold aggression against Israel has remained unchanged in the last year. But its international relations are evolving



2. THE GEOECONOMIC IMPACT OF WAR IN THE MIDDLE EAST

In the hardest-hit regions, the war has triggered a humanitarian catastrophe, resulting in tens of thousands of casualties, the vast majority of whom are civilians. The death and devastation, concentrated primarily in the Gaza Strip and extending into Lebanon, will have profound and lasting impacts on the affected populations. Economically, the immediate repercussions of a year of conflict are already apparent. For Israel's once-thriving economy, the prolonged state of war is becoming increasingly unsustainable. On a global scale, trade – particularly in hydrocarbons – has been severely disrupted, with routes through the Bab el Mandeb Strait and the Suez Canal experiencing significant declines in traffic. Shipments passing through the Strait of Hormuz are under intense international scrutiny, as their future is contingent on the potential escalation of hostilities between Iran and Israel. In this context, the urgency to implement the India-Middle East-Europe Corridor (IMEC) project has resurfaced as a critical priority



2.1 THE REPERCUSSIONS OF THE WAR IN GAZA AND THE MIDDLE EAST ESCALATION ON REGIONAL ECONOMIES

Alia Moubayed, Founder of the Association of Women Economists in MENA

The ongoing wars in Gaza and Lebanon are exacting an extremely heavy economic and human toll with more than 45,000 fatalities, 2 million people displaced so far and widespread destruction of key physical and social infrastructure. This will have a long-lasting direct and indirect impact on the physical and human capital of local economies and institutions, negatively affecting their potential for long-term growth.

The devastating impact of the war

The Palestinian economy contracted by 5.4% y/y in 2023 and is expected to contract by a further 17.1% y/y in 2024 according to the World Bank, with economic activity in Gaza coming to a complete halt and constraints on labour movement and economic activity in the West Bank exacerbated. Accordingly, unemployment in the Palestinian territories exceeded 50% in June 2024 according to the ILO, reaching 79% in Gaza and 35% in the West Bank. The total cost of damage as of the end of January 2024 stood at approximately \$18.5 bn according to a joint UN-World Bank assessment, but UNOSAT has identified that 66% of structures in the Gaza Strip and a total of 227,591 housing units have been damaged as of September 2024, which will raise reconstruction costs even further.

In Lebanon, which has been plagued by a succession of crises since 2019, direct attacks in the South, the Bekaa Valley, and Beirut's Southern Suburbs have inflicted severe damage and destruction on social and physical infrastructure in already impoverished areas. According to the UN's initial assessment, made in October 2024, the economy is expected to contract by around 9.2% y/y in 2024 compared to a no-war scenario, and unemployment is expected to rise to 32.6% given the loss of employment in the trade, tourism, and agricultural sectors and the destruction of thousands of Small and Medium Enterprises.

The ongoing conflicts are also resulting in the massive, forced displacement of millions of people, many of whom have fled to neighbouring countries (notably to Egypt, Jordan, and Iraq), which already are struggling to cope with the spillover of the conflict. The prolongation of war in Lebanon will accelerate the exodus of skilled labour and capital, further undermining the country's potential for long-term growth.

The spillovers into neighbouring economies

The prolongation of the wars in Gaza and Lebanon is adding further uncertainty and amplifying spillovers into neighbouring countries and the rest of the region. For the Middle East and North Africa region, the IMF has lowered its predicted growth to 2.1% y/y for 2024, a drop of 0.6% due to the wars and lower oil production. In both Egypt and Jordan, growth has weakened as sectors such as tourism and trade have been badly hit. In Egypt, growth fell sharply from 6.6% y/y in 2022 to 3.8% in 2023 and is expected to reach 2.5% y/y in

2024. In Jordan, growth stabilised around its 2022 level of 2.6% y/y last year but is likely to drop to 2.4% y/y in 2024. In a broader context, growth across the region has been generally low compared to the average in other emerging economies as the post-Covid recovery has been hampered by sustained structural impediments to improved productivity, slow reforms, and now devastating conflicts.

Fiscal sustainability and debt problems are at the forefront. Lacklustre growth, the slow pace of reforms and uncertainty are weighing on the already strained public finances of many oil-importing countries. Both Egypt and Jordan face large fiscal deficits (6% and 5.1% of GDP respectively in 2023) and elevated debt levels (95.2% and 89.2% of GDP respectively in 2023), and the conflicts have aggravated these concerns. However, in both countries, authorities have stayed the course with fiscal reforms, though at a slower pace than prior to the conflict, and have been helped by sustained external financial support from development partners in the form of concessional financing. In particular, part of the proceeds from the \$35 bn Ras Al Hikma investment deal with the UAE has helped reduce debt stock and improve debt dynamics.

External vulnerabilities exacerbated. The hostile external environment, with a combination of high interest rates in developed economies and a severe escalation in geopolitical risks since October 2023, has weighed significantly on trade activity and flows of capital into MENA economies and deepened already large and growing external imbalances in oil importing economies. In particular, the severe disruption of shipping in the Red Sea has led to a 70% decline in the volume of containers transiting through the Suez Canal (SC) compared to pre-conflict level. The ensuing loss of more than \$8bn of SC receipts is a major external shock to Egypt's balance of payments and has increased the country's dependence on bilateral and multilateral aid and financial support to bridge its financing gaps. Similarly in Jordan, external financing needs are likely to rise given an expected widening of the current account deficit from 1.2% of GDP in 2023 to 5.3% in 2024, highlighting the crucial nature of sustained concessional financing to Jordan during this period.

In both Jordan and Egypt, the authorities are facing difficult policy trade offs. On the one hand, maintaining macroeconomic stability requires a commitment to fiscal consolidation and tight monetary policies necessary to tame inflation and safeguard debt sustainability. These countercyclical policies, however, are hurting growth in the short-term, making it more difficult to meet IMF programme targets. In Egypt, sustained delivery on fiscal reforms and the strong support provided by the UAE have significantly reduced fears of debt distress for the foreseeable future and bolstered the central bank's FX reserves buffers. Having said that, financial markets' concerns about fiscal and external sustainability in the medium-term have yet to dissipate, underscoring the critical importance of delivering on structural reforms.

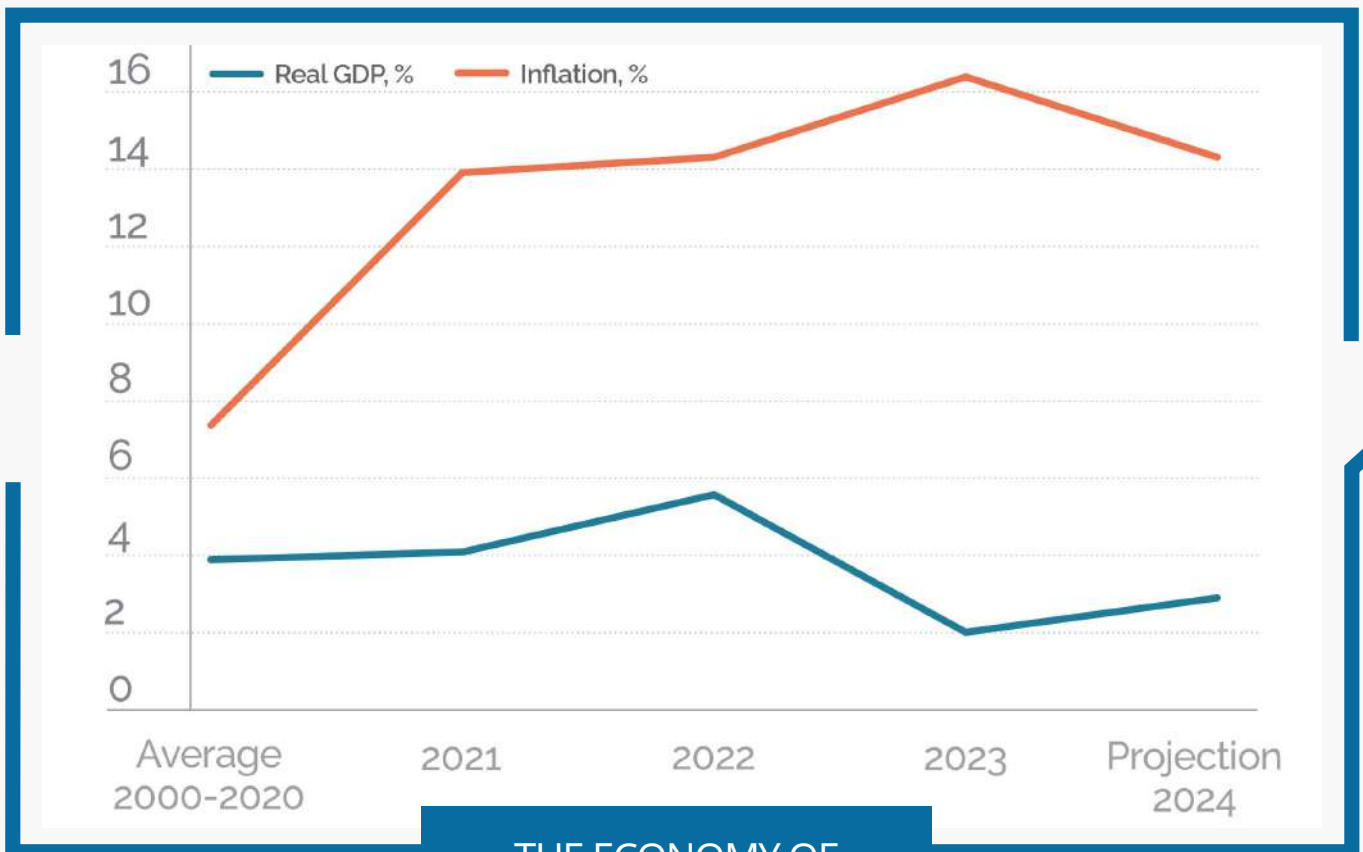
In the Gaza Strip 227,591 housing units have been damaged as of September 2024

A coordinated approach focused on state building is needed

Halting the ongoing war in Gaza and Lebanon immediately is the only way to stop further human and economic losses and to limit ripple effects into the rest of the region. As such, the international community should continue to exert all possible efforts to achieve a ceasefire, free the hostages and work towards a permanent longer-term solution to the Palestinian-Israeli conflict. In parallel, however, to mitigate the impact of the unfolding conflict, and contain the resulting spillovers into the region at large, it is crucial for the international community to adopt a swift and coordinated approach to post-conflict stabilisation, early recovery and reconstruction. It is in the interest of both the European Union and the Gulf Countries to lead such a coordinated effort in the period ahead while emphasising the critical importance of state building in both countries for sustainable results. In both Gaza and Lebanon, the massive destruction of physical and social infrastructure as well as the obliteration of key sources of livelihoods in major

economic centres have yet to be fully assessed given the continuation of the conflict. In the short to medium term, immediate humanitarian aid should be complemented by robust social safety net systems that can compensate for the loss of income and livelihood, while providing for subsidised housing, education, and health services. In parallel, effective structures for post-conflict reconstruction need to be established to devise new economic development and resource mobilisation plans for many years to come. Such efforts will be complicated by weak governance and dysfunctional state institutions in the short-term, and will therefore require strong, competent, and credible governments to deliver on these daunting existential tasks. In both Egypt and Jordan, further emphasis on accelerating structural reforms is needed to remove impediments to private sector growth in the short-term. The international community should prioritise these developments when providing financial support in the context of strengthened IMF programmes, to avoid pushing the burden of adjustment onto the most vulnerable while preserving fiscal and external sustainability.

The ongoing, prolonged wars in Gaza and Lebanon are having a devastating impact on economic and social fabrics and resulting in significant negative spillovers into nearby MENA economies, delaying further the much-needed reforms necessary to deal with long-standing structural challenges and aggravating socio-economic woes



**THE ECONOMY OF MENA REGION
THE MAIN INDICATORS**

Source: International Monetary Fund (IMF)

2.2 WHAT FUTURE FOR CONNECTIVITY IN THE MIDDLE EAST?

*Alessandro Gili, Research Fellow and Roberto Italia, Junior Research Fellow,
ISPI Geoeconomics Centre*



Projects passing through the region are vital in a context of risky strategic dependencies, but will have to be reassessed. One example is IMEC, which would involve Israel, Jordan and the Gulf

International trade could face yet another of the shocks we have been experiencing in recent years due to the risk of escalation between Israel and Iran. While traffic through Bab el-Mandeb and Suez has remained crippled by Houthi attacks since last autumn, the escalation of tensions between Tel Aviv and Tehran has shifted attention to another strategic chokepoint: the Strait of Hormuz. Around 30% of the world's seaborne oil trade and 20% of liquefied natural gas trade passes through this hub. Saudi Arabia and the United Arab Emirates have tried to find alternative export routes, but these are unacceptable to Kuwait, Qatar and Bahrain. Closure of the Strait by Iran, currently one of the less likely scenarios, would represent the second global energy shock within two and a half years, jeopardising flows from Gulf countries. The fallout for the global economy, which thought it had left the winds of stagflation behind it for good, would be significant. At the same time, infrastructure projects passing through the Middle East and vital in a global context of risky strategic dependencies will require reassessment.

IMEC: A disrupted situation

Decisions on new infrastructure corridors are inevitably influenced by economic conditions and feasibility, but more crucially by geopolitical variables that determine the safety and acceptability of specific infrastructure from the viewpoint of the countries involved. Large infrastructure projects owe their existence to, or ultimately determine, specific geopolitical conditions. By increasing economic ties between the countries crossed, major land and sea routes inevitably strengthen strategic and political relationships. If the political grounds for their implementation are missing or lacking, their economic feasibility inevitably takes a back seat.

This appears to be the case for the India-Middle East-Europe Corridor (IMEC) project, announced in September 2023, which will inevitably be affected by evolving international tensions sparked by the conflict between Israel and Hamas that began on 7 October 2023, the military confrontation between Israel, Hezbollah and Iran and the increasing destabilisation of trade in the Red Sea due to Houthi militia attacks in Yemen

As analysed in our article of 15 January, which also considered the broader motivations and global implications of the project, as well as its economic limitations, the conflict inevitably marks a paradigm shift and change in the short-term viability of infrastructure corridors that were devised at a different juncture in the region's international relations. This update focuses on the main changes in the region.



The India - Middle East - Europe Corridor (IMEC) was intended to be pivotal in stabilising the region and normalising political relations in the Middle East. Launched in September 2023 on the sidelines of the G20 Summit in New Delhi, the corridor is actually a G7 project driven by strong US, Indian, and partly European impetus, aimed at countering Chinese infrastructural expansion in the region. Nonetheless, the involvement of Gulf countries alongside Israel and Jordan highlighted the geopolitical significance of the corridor for the entire Middle East.

Saudi Arabia had already announced its intention to invest USD 20 billion in the project, which should consist of two separate corridors: the Eastern Corridor connecting India to the Arabian Gulf, particularly the ports of the United Arab Emirates, and the Northern Corridor connecting the Arabian Gulf to Europe. The plan includes a railway that, when completed, will provide a cross-border ship-to-rail transit network. This will complement existing sea and road transport routes, enabling the transit of goods and services to, from and between India, the United Arab Emirates, Saudi Arabia, Jordan, Israel and Europe.

The project goes beyond transportation, encompassing a comprehensive connectivity plan that includes new links between the electricity grids of all countries involved and a new pipeline for exporting green hydrogen to Europe. This would create a significant interconnected market for sustainable energy, effectively linking extremely remote production and consumption locations and matching supply and demand more efficiently.

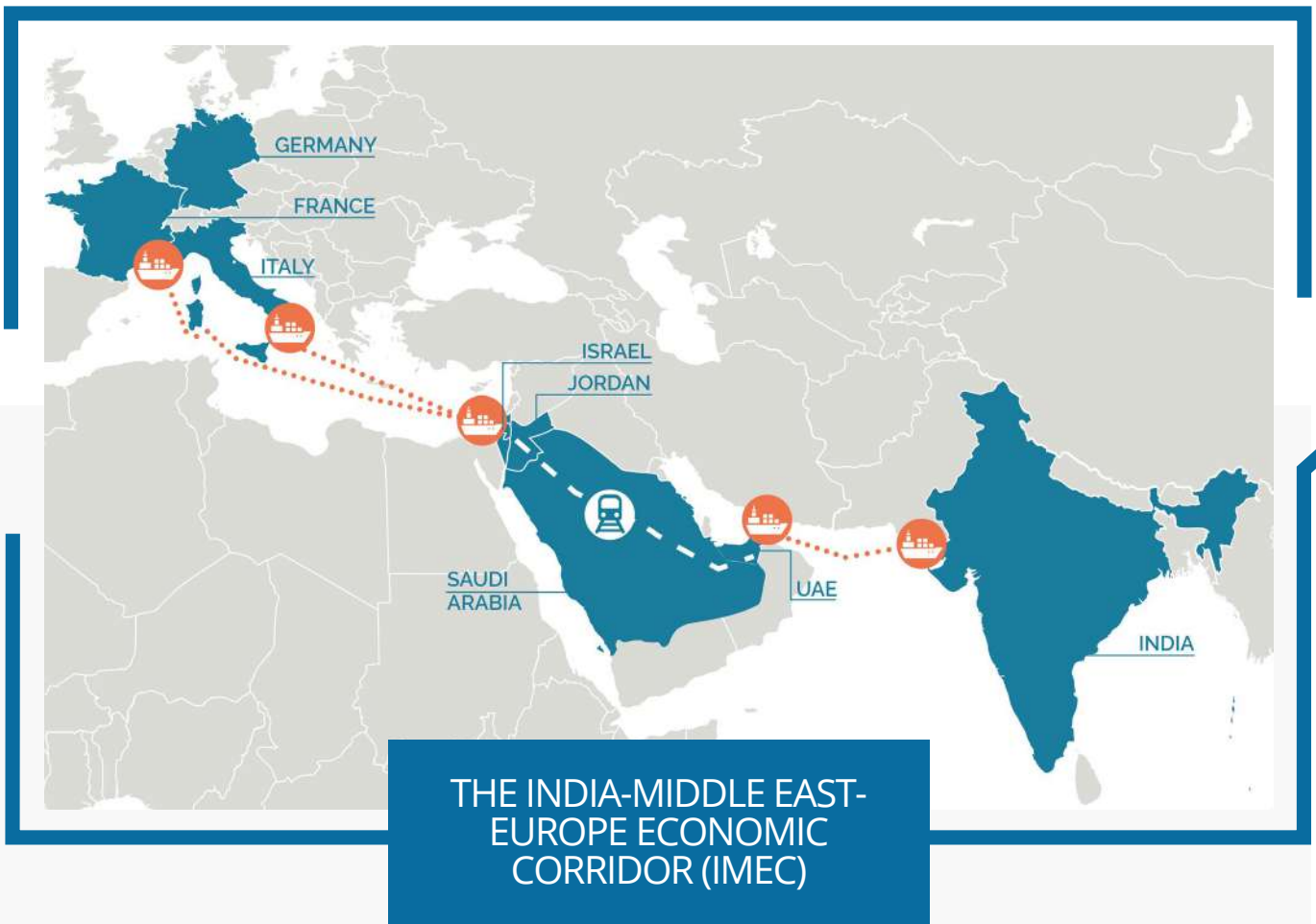
Above all, before the conflict between Israel and Hamas (and now also with Hezbollah), the IMEC project was meant to consolidate and facilitate the potential normalisation of political relations in the region. In 2020, the Abraham Accords (signed by Israel, the United Arab Emirates, and Bahrain with the involvement of the US) marked the establishment of diplomatic relations between Israel and the two Gulf countries, a significant milestone for more stable relations in the region. This was followed by Morocco's accession to the agreement in late 2020, in exchange for Israel's recognition of Moroccan sovereignty over Western Sahara. A second pillar of the I2U2 initiative, launched in July 2022, also promoted economic cooperation between the US, Israel, India and the United Arab Emirates with the intention of attracting private capital into the region.

The IMEC was also meant to seal a new chapter in relations between Israel and Saudi Arabia, which seemed to be moving towards overall normalisation. This was confirmed at the 2023 UN General Assembly by the political leaders of both countries, who declared that the corridor was to be a vehicle for peace and development in the region, foreshadowing the possibility of a historic peace agreement between both states. An exchange of visits by prominent members of both governments confirmed the strengthening of relations, which were moving towards complete normalisation.

The outbreak of the conflict between Israel and Hamas, as already described, has changed regional dynamics. Firstly, it has temporarily halted the trajectory towards normalisation of relations between Israel and Saudi Arabia. Above all, it makes the construction of a new infrastructure corridor between Israel and Jordan (essential for the overall project) highly unlikely given that relations are severely affected by the war. Jordanian public opinion, backed by the country's Palestinian population, also categorically rules out any cooperation with Israel.

Question marks

This situation is exacerbated by the uncertainty surrounding Iran. The original route of the IMEC was supposed to pass through the Strait of Hormuz. It would then reach the Emirates ports (notably Jebel Ali) and probably the Saudi port of Dammam. Potential closure of the Strait by Iran would (foreseeably) entirely paralyse corridor traffic, critically affecting connectivity between Europe and India. Including Oman in the IMEC corridor (and establishing an entry point in Emirates territory outside the Persian Gulf) would be key to diversifying and reducing geopolitical



risk, providing multiple entry points into the Arabian Peninsula and offering a crucial alternative to the passage through Hormuz if the Strait were closed. The paralysis of Hormuz would also pose a significant problem for energy supplies, given its importance for the oil and liquefied natural gas trade. However, adding Oman to the corridor could further complicate the already tense regional economic relations. Saudi Arabia and the United Arab Emirates, in particular, are stepping up their economic rivalry, each seeking to establish itself as the region's leading logistics and manufacturing hub.

Egypt's involvement is crucial to the actual planning and construction phase of the project. Cairo views the exclusion of the Suez Canal from a major East-West transport infrastructure project with suspicion. With the Canal contributing 2% to Egypt's GDP, the country sees IMEC as a threat to revenue generated by the Suez Canal and the broader Egyptian logistics sector. About 12% of global maritime traffic and 30% of container traffic pass through the Canal. Suez Canal revenues have already decreased by around 60% in 2024 due to Houthi attacks in the Red Sea, and the country fears that IMEC may further strain its public finances by diverting commercial traffic northwards.

However, if Egyptian ports are included in the IMEC corridor, Egypt could offer an alternative route to supplement the route via Jordan and Israel. Egypt is currently implementing a USD 4 billion national plan to develop and enhance its port terminals and is investing in the national railway network to connect major urban centres, ports, and industrial hubs. The development of a new terminal at East Port Said is expected to strengthen its role as a major transshipment hub in the eastern Mediterranean. Given China's significant

investments in Egyptian port and logistics infrastructure, IMEC could represent an interesting opportunity for Cairo, attracting investments from China, G7 countries, India and Gulf countries. It could also show that IMEC investments are not necessarily incompatible with China's Belt and Road Initiative (BRI).

Last but not least, Turkey. Turkish President Erdogan (simultaneously taking a firm stance against Israel's actions) has stated that such a corridor cannot exist without Turkey. Instead, Ankara has promoted an alternative called the Iraq Development Road Project, a USD17 billion initiative under development and negotiation with Iraq, Qatar, and the United Arab Emirates. The proposed route would transport goods from the port of Grand Faw in southern Iraq, which is rich in oil deposits, through 10 Iraqi provinces to Turkey. The plan envisages 1,200 km of high-speed railway and a parallel road network, developed in three phases: the first to be completed in 2028 and the last by 2050. Turkey, so far perennially poised between the Western camp and that of the autocrats, does not intend to be excluded from East-West trade routes, especially given its ambitions to become a global energy and manufacturing hub.

One thing is certain: Israel still considers the IMEC corridor crucial to its regional strategy for connectivity (and more). In a powerful piece of theatre staged at the UN in late September 2024, Prime Minister Netanyahu showed the General Assembly a map of IMEC, including participating or prospective countries (such as Egypt and Sudan) labelled "The Blessing", contrasting it with another map titled "The Curse", showing Iran, Iraq, Syria, and Lebanon. This clearly signalled Israel's view of the project as a fundamental tool for cementing relationships with the region's "new friends" and creating a new geography of economic and political alliances in the Middle East.

2.3 ASSESSING THE CONSEQUENCES OF AN (UNLIKELY) WAR IN HORMUZ

Simone Urbani Grecchi, Analyst and Geopolitical Expert

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With the opening of a new front against Hezbollah and the strengthening of the coalition led by Prime Minister Netanyahu, the delicate equilibrium in the Middle East conflict seems to have changed yet again. While the Israeli army's entry into southern Lebanon was largely predictable (given the goal of pushing the Shiite militias across the Litani river), the situation in Israeli domestic political is a new factor. With the six seats led by the moderate Gideon Saar at his disposal, Netanyahu now enjoys greater support in parliament. This could allow him to negotiate a truce with Hezbollah. Though this scenario has been excluded by the Orthodox right, with the entry of Saar, the right no longer hold the power of kingmaker.

The idea that the Israeli government's enhanced political stability might translate into an improvement on the ground in the Middle East is, of course, a moot point. In a recent statement, Netanyahu announced to the "noble Iranian people" that their suffering could end sooner rather than later, suggesting a strong Israeli reaction to Tehran's leadership. But just as Israel's response remains to be determined, Tehran's next moves will also be decisive.

To date, the Iranian position seems to be linked to two objectives: the need to lift international sanctions and the desire to resume negotiations on the country's nuclear programme. This could foster détente toward the West and, at the same time, stabilise relations with the Arab world, as President Pezeshkian has hoped. Should these scenarios materialise, it would be difficult to envisage Tehran's direct involvement in the Middle East struggle. In particular, it seems unlikely that the Strait of Hormuz, an area often cited as presenting a high risk of conflict and the focus of much interest from regional and global players, will become the scene of a military escalation. This is for a variety of reasons:

- In the Persian Gulf, Iran and Qatar share the world's largest gas field (South Pars/North Dome), and the Iranian-owned part of this now requires significant investment to maintain production levels.

- Around 30% of the world's maritime oil trade passes through the Strait of Hormuz, some 70% of which is directed to Asian markets particularly China. By some estimates, Beijing is the destination of 90% of Iran's oil exports (equivalent to 15% of China's crude oil imports). Almost all of this departs from the port of Kharg Island in the northern Persian Gulf and would be severely impacted by any blockade of the Strait. The same applies to Saudi oil (23% of Riyadh's crude oil exports and 16% of Chinese consumption) from the Marjan oil field, also north of Hormuz. Only UAE oil (16% going to China) bypasses the Strait through the Habshan-Fujairah land pipeline (built by CPECC) on its way to China. Adding to its interest in the region, Beijing also receives liquefied natural gas from Qatar (covering 23% of China's needs and accounting for about 16% of Doha's LNG exports) and has financed the construction of various port infrastructures in the UAE, Oman, Iran and Pakistan.

- The waters of the Persian Gulf (with the US fifth fleet stationed in Bahrain) and the Strait of Hormuz (which is patrolled by CENTCOM naval units) are closely monitored by the US. While this may present a potential military target, it also contributes to the stability of the region.

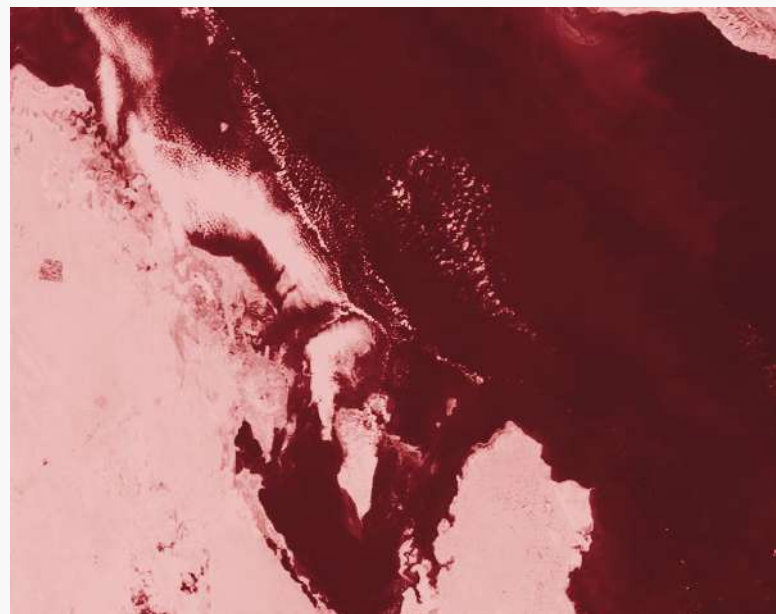
- Despite threats to extend their reach beyond the Red Sea and the Gulf of Aden, it is difficult to imagine that the Houthis could significantly destabilise Hormuz as well as this would create unrest in the territorial waters of their main financier (Iran) and of a country (UAE) already on a collision course with them in Yemen.

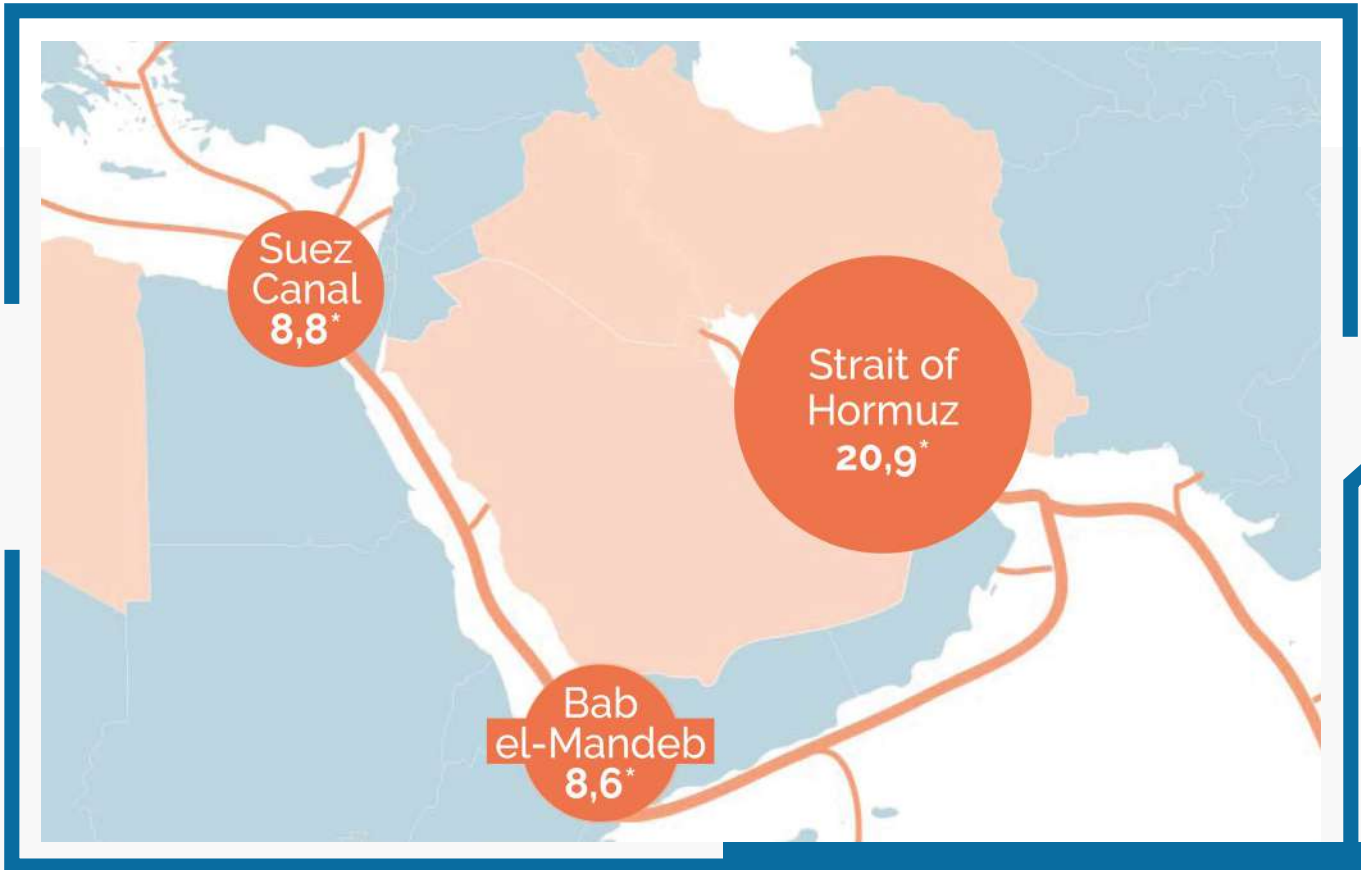
- There are strong links between Abu Dhabi and Tehran, in both commercial and human terms, given the significant presence of Iranian citizens in the Emirates (some estimates say around 600,000).

Tension between Israel and Iran will likely remain very high, especially if one responds disproportionately to the other's provocations. However, it seems unlikely that Israel will want to draw Iran into the ongoing conflict on its borders. In fact, Tel Aviv's military objectives seem to be aimed at crippling organisations that over sixty countries (including almost all Arab nations) consider terrorist. With (a) the killing of Ismail Haniyeh in Tehran while the Hamas leader was under the protection of the Islamic Revolutionary Guard Corps (IRGC) and (b) the attack on the Isfahan air base (the centre of Iran's nuclear programme) among other things, Israel has already hit sensitive targets without this leading to a direct confrontation.

Greater political stability could give Netanyahu an extra card to play. If so, we shall see if and how he plays it. As authoritative advisers to previous US administrations have argued, "Netanyahu needs to be able to translate Israel's military achievements into political outcomes. He cannot let nationalists in his coalition define what is possible in Gaza and the West Bank". In the meantime, despite the present highly unstable context, at least two potentially mitigating elements can be identified: (a) the dispute between Israel and Iran is not territorial and this could help to limit its duration; (b) even if the risk of escalation remains very high, the risk of the conflict spreading to neighbouring countries like Saudi Arabia, the UAE or Egypt appears significantly lower, both because of their political priorities at home and because of their traditional coldness towards the Palestinian cause.

The outbreak of war in the Strait of Hormuz is a much-feared scenario for the global economy. But does Iran really have an interest in closing it?

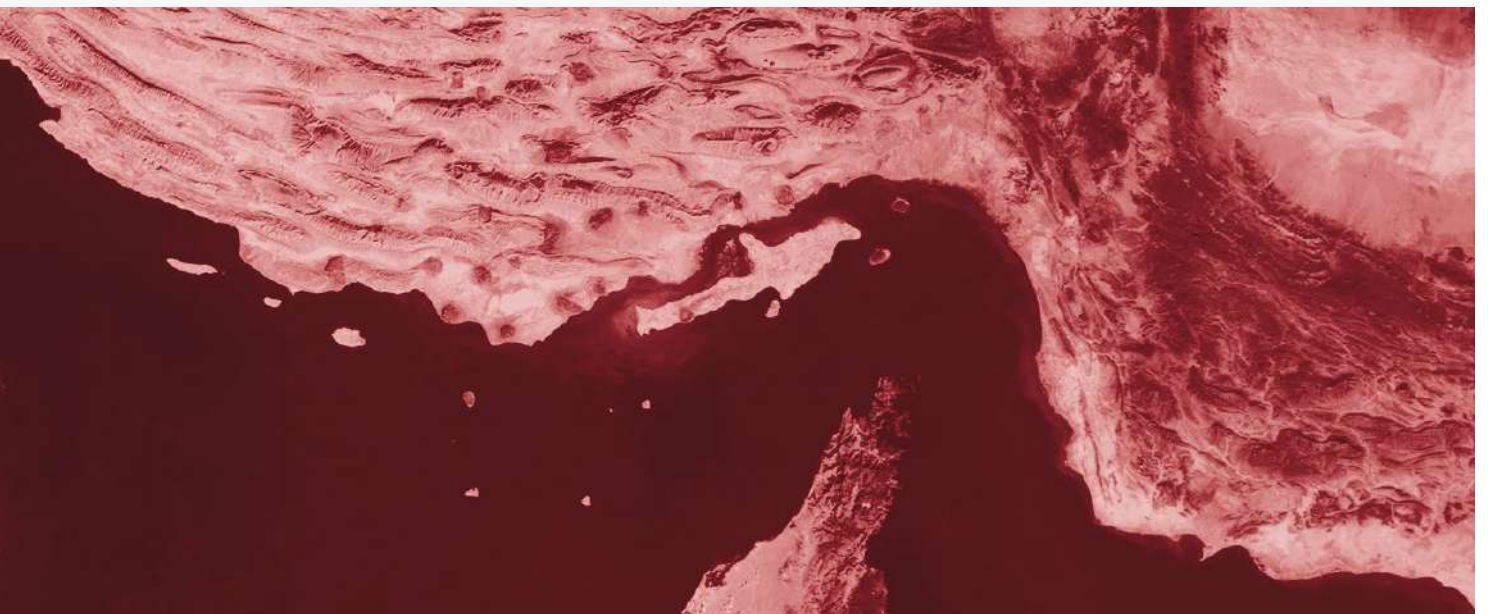




* Million barrels per day

ENERGY ROUTES IN THE MIDDLE EAST
 VOLUME OF CRUDE OIL AND PETROLEUM TRANSPORTED THROUGH MENA CHECKPOINTS (2023)

■ Source: US Energy Information Administration (EIA)



2.4 HOW WAR HAS AFFECTED ISRAEL'S ECONOMY

ISPI Data Lab

In early October, Israel Defense Forces (IDF) Chief of Staff Herzi Halevi sent a message to his soldiers: "This is a long war, measured not only by capabilities but also by willpower and perseverance over time." The length and intensity of the conflict, however, are the very variables that will almost certainly undermine Israel's ability to sustain the war effort. As hostilities continue, Israel will increasingly be compelled to shift its economic focus to a war footing, jeopardizing its future growth prospects.

The comparison with Russia

A stark contrast emerges between the impact of the Ukraine conflict on Russia and Israel's war effort in Gaza and, more recently, Lebanon. The impact of the present conflict on Israel highlights the difference between an energy superpower grappling with high poverty and inequality, but which benefited from soaring fossil fuel prices, and a small advanced economy reliant on the production and export of high-value-added goods, highly integrated into global value chains.

In 2021-2022, first fears of a Russian invasion of Ukraine, and then the invasion itself led to the prices of oil, natural gas, food and other raw materials rocketing worldwide. This caused Moscow's revenues from hydrocarbon exports alone to soar from an average of \$170 billion a year in 2010-2019 to \$370 billion in 2022. These revenues have proved essential to the Kremlin in financing its war effort. The lesson we learned is that at a time when fossil fuels still dominate the world's energy market, European sanctions have inevitably reduced but not prevented the inflationary impact of the conflict on the Russian budget.

Israel, however, is not Russia and its fragility in the face of involvement in a war resembles what many European countries would face in a similar scenario. Despite gas production rising year by year, Israel is still a resource-poor country. It compensates for this by means of a highly skilled workforce, a highly diversified economy, and its participation in complex, stratified global value chains. For these very reasons Israel may be hit far harder by a "traditional" military conflict than Russia.

The cost of the conflict so far

This can already be seen today. Looking at the estimates of the International Monetary Fund, we find that Israel's economy this year was almost 4% smaller than it would have been without the conflict with Hamas, despite the fact that the Israeli population continues to grow. This means that per capita GDP has stopped growing this year and has already experienced a slight but significant contraction.

To be sure, the economy is not doing as badly as feared on the eve of the conflict, when it looked as if Israel might lose 10% of its GDP in a matter of months. But this has happened because in the meantime public spending has risen, inflating the national deficit from a forecast 2% of GDP pre-war to 9% today, and simultaneously taking public debt from 58% of GDP (and a slowly falling trajectory) to 67% today. These are alarming signs, so much so that over the last twelve months the Standard & Poor rating agency has revised its assessment of Israeli debt downwards by two categories (AA- to A) while Moody's has been even stricter (down three notches, from A1 to Baa1, and only two steps away from a "junk bond" rating).

Last May, the Bank of Israel estimated that the costs associated with the war would reach \$66 billion this year, equivalent to 12% of Israel's GDP. This already very high figure is now going to rise further as Israel decided to directly intervene in Lebanon.

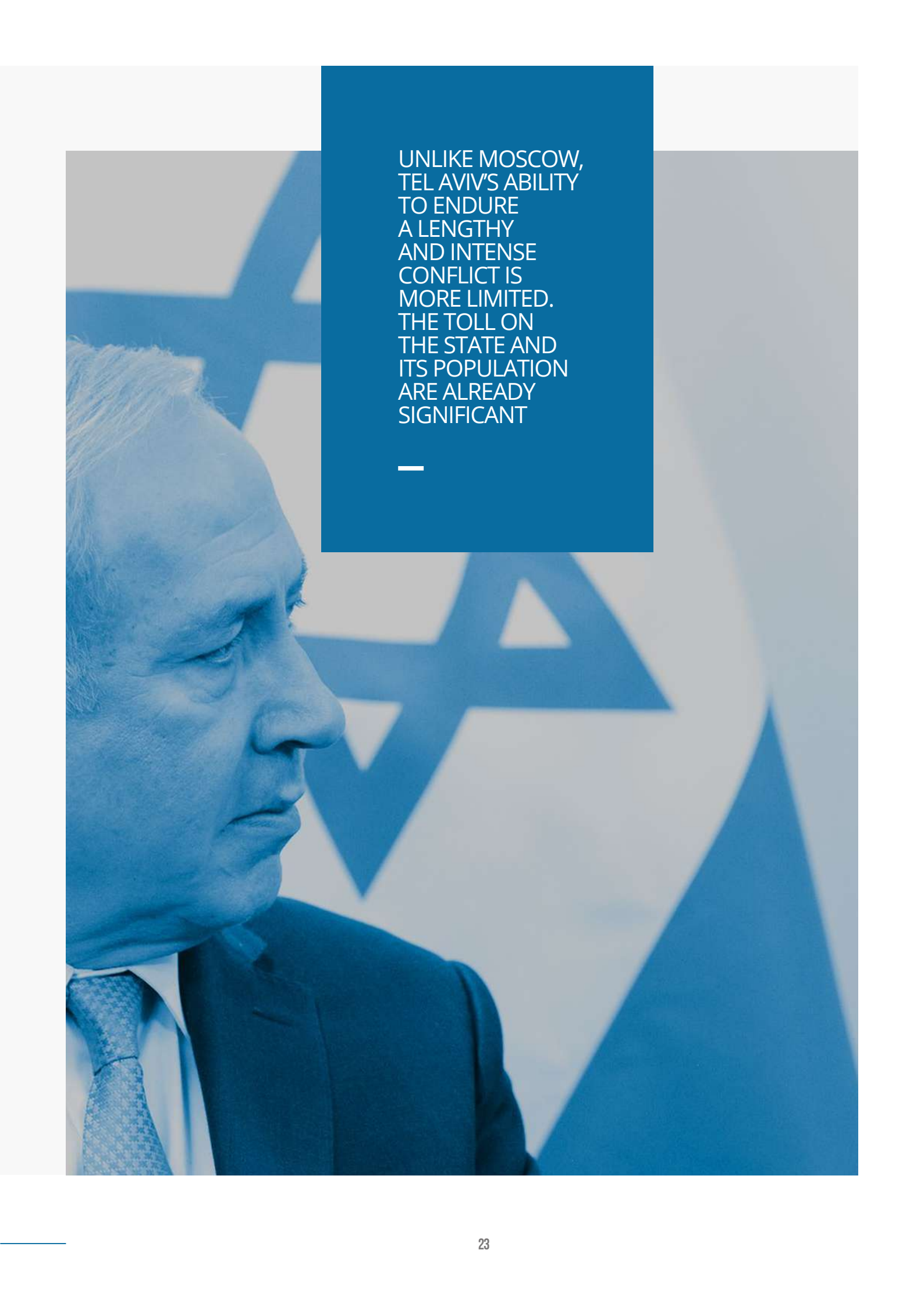
Last August, the Institute for National Security Studies (INSS) attempted to estimate the impact of the war on the Israeli economy under three possible scenarios: continuation of the conflict at the same level as in previous months, a ceasefire, or an extension of the conflict to Lebanon. In the latter scenario, the INSS believed that per capita GDP would continue to shrink in 2025, that public debt would exceed 85% of GDP, and that foreign investment would shrink even further. There are three main factors weighing on the economy. The first is the continued subtraction of labour to serve in the military. Although the war has also contributed to economic activity, given the reconversion of part of industry to meet its needs, an advanced nation with a significant share of its population engaged in high-value-added sectors can only see its GDP shrinking. Secondly, the change in perception of Israel from abroad moves the image of the country from that of an advanced and open economy toward one of siege and permanent war. This changes risk-reward calculations for foreigners that need to decide whether to invest in Israel or move there for work. Thirdly, reduced immigration is coupled by increased emigration. This relates particularly to valuable workers employed in high-tech sectors, who have an excellent chance of finding employment abroad.

Precedents

There is no shortage of similarities with past conflicts. In the years that followed of the 1973 Yom Kippur War, a sharp reallocation of resources from the civilian to the military economy plunged Israel into a "lost decade" that ended only after the 1985 economic stabilisation plan. Something similar is happening today, with defence spending doubling from 4.5% to 9% of GDP. Though still low compared to the whopping 30% figure reached in 1975, the direction of change is clear. On public finances, the last time debt exceeded 85% of GDP was in 2003, during the second Intifada (2000-2005). Again, it took Israel more than a decade to bring its debt down to a much more sustainable 60% level.

Israel today is not as it once was

At the beginning of this conflict, economic conditions in the country were much better than those of the early 1970s, if only because the economy is highly diversified. But as Western countries know all too well, people who have become rich resent losing their privileges. The social acceptability of a recession is very different in Israel than in the countries and territories with which Israel is at war. Moreover, Israel's society and workforce are deeply divided. On one side we find the Orthodox Jews, who are very much in favour of a protracted war but nearly always unskilled for the highest-value-added jobs; on the other side is a core of high-tech, urban, and generally more liberal workers, who, as we have seen, are most likely to leave the country if the conflict escalates or lasts much longer. For almost a year now, economists have been warning Israel that widening the conflict could quickly become economically unsustainable. The Israeli political class, however, does not yet seem ready to take their views seriously.

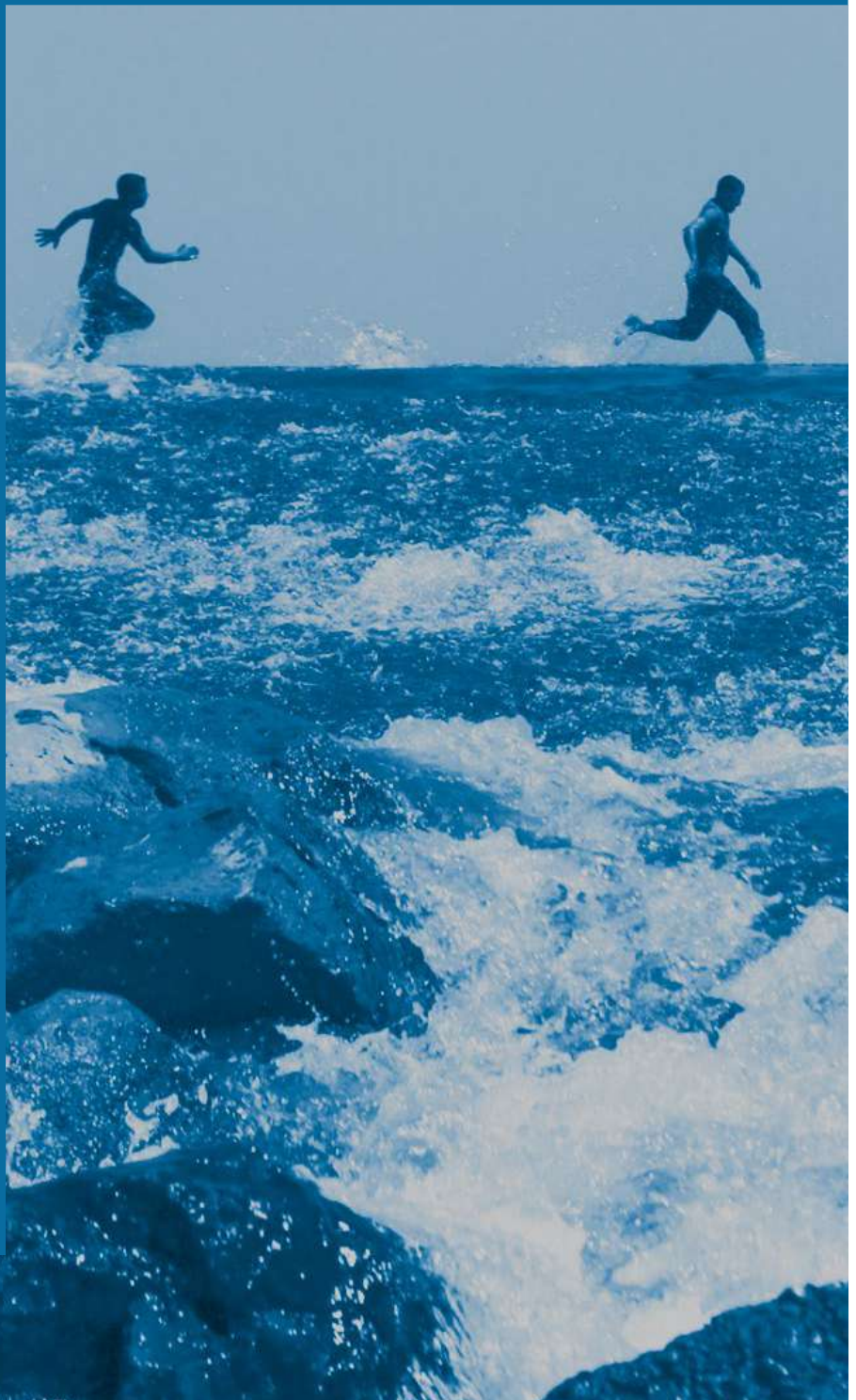


UNLIKE MOSCOW,
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THE TOLL ON
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3. THE STABLE INSTABILITY IN NORTH AFRICA

North Africa, with the exception of Egypt, has not been directly impacted by the ongoing conflict in the Middle East. The region remains generally stable, with governments maintaining varying degrees of control. However, underlying factors of instability are numerous and could signal the onset of major crises. The insecurity plaguing the Sahel – with the intensification of jihadist group activities and the militarization of five Sahelian nations – echoes across the Mediterranean. Migration waves traverse this route, and the management of these flows, particularly by countries like Tunisia, has drawn criticism from international human rights organizations. Meanwhile, relations between the Maghreb's two key powers, Algeria and Morocco, remain deadlocked, with the question of Western Sahara still unresolved. Libya's peace process is also at a standstill, plagued by high levels of corruption on both sides of the divided country. Egypt, however, has achieved a fragile new level of economic stability, largely thanks to substantial international financial aid. Yet, the war in Gaza and the severe humanitarian crisis in Sudan loom as potential threats to this delicate balance



3.1 ALGERIA'S QUEST FOR SECURITY IN A REGION OF COMPETING INFLUENCES

Jacob Mundy, Associate Professor, Colgate University

Tebboune's second term will continue to confront a region that has grown significantly less secure

As expected, Algeria's recent presidential vote on 7 September resulted in reelection of Abdelmadjid Tebboune for a second five-year term. Tebboune was the favored candidate of the technocratic corps of administrative, security, and party bureaucrats who succeeded in re-securing hegemony over Algerian politics in 2019 with the populist-backed ouster of longstanding President Abdelaziz Bouteflika and his inner circle of enablers.

Algeria facing an increasingly less secure region

The seventy-eight-year-old incumbent will thus continue to confront a region that has grown significantly less secure. Above all, relations with neighboring Morocco appear to be at an all-time low, largely as a result of the deteriorating political climate around the Western Sahara conflict and, relatedly, the growing military-political alliance between Rabat and Tel Aviv. A recent battle in Northern Mali near the border with Algeria underscores the heightened insecurity facing Algeria in the Maghrib and Sahara-Sahel areas. Not only were Malian armed forces routed by a coalition of rebel forces, but the participation of Russian mercenaries from the Wagner organization (backing the Malian state) and, apparently, Ukrainian advisors (on the side of the rebels) further highlights the increasingly transregional dimensions of these "local" conflicts.

To understand how dramatically regional insecurity has progressed, it is worth taking a snapshot of the situation when Tebboune first came to power in December 2019 during the massive HIRAK protests that ended Bouteflika's two decades of rule. At that time, the primary source of regional insecurity was the Libyan civil war, which was trending towards a bloody climax in late 2019 as eastern-based forces laid siege to Tripoli in a bid to end the conflict militarily.

In the Sahel region, various armed resistance groups continued to operate across vast swathes of territory, though the presence of French and American militaries aimed to augment the capacities of government forces. However, starting with Mali in 2020 (and again in 2021), the emergence of a "coup belt" in the Sahel would see governments in Chad in 2021, Burkina in 2022, and then Niger in 2023 largely replaced by military authorities.

In this political-security environment, hostility towards French and American military assistance grew, eventually resulting in their withdrawal and replacement, in some areas, by Russian forces from the Wagner organization, which had also been on the ground in Libya for several years already.

The Western Sahara file likewise went from stable to concerning during this period as well. At that time in 2019, then UN envoy Horst Köhler, the former German President, had succeeded in organizing two rounds of meetings between Morocco, which claims and occupies most of Western Sahara, and the indigenous independence movement, led by the Polisario Front, which has received major backing from Algiers since 1975. Köhler, however, resigned after the second round due to the intransigence and impertinence of the Moroccan side. Over a year later, the Polisario Front resumed armed attacks against Morocco, breaking with the 1991 UN ceasefire.

As the political and military situation in Western Sahara deteriorated, tensions between Algiers and Rabat also increased, eventually leading the former to sever all relations with Morocco, including natural gas exports via a pipeline running through Morocco to Spain.

Morocco, however, scored major victories in its decades-long effort to legitimize its illegal annexation of the former Spanish colony of Western Sahara. In late 2020, the outgoing Donald Trump administration recognized Morocco's sovereignty over Western Sahara, making it the first – and so far only – major North Atlantic power to do so officially. Making matters worse for Algeria, Morocco agreed in return to normalize relations with Israel, which has led to increasing levels of military cooperation between Rabat and Tel Aviv. Spain and, more recently,

France have opted instead to insist that autonomy within Moroccan sovereignty is the only way to resolve the Western Sahara conflict, moves that have also increased Algerian dissatisfaction with those neighbors as well.

Wars in Libya, Syria and the conflicts in the Sahel have shaped Algeria's security priorities

In the past few years, one of the few bright spots for Algeria has been the relative subsidence of the civil war in Libya, which has reduced concerns about trans-border insecurity in their shared Saharan frontiers. This "peace," however, has come without any substantive political breakthroughs to end the Libyan conflict definitively. The manner by which the civil war in Libya was arrested in early 2020 was nonetheless a cause of concern for the Algerians, as it came about as a result of a decisive Turkish military intervention at the behest of their political clients in the Tripoli-based side of Libya's divided government, a move that counterbalanced the Egyptian, Emirati, and Russian support for the eastern Libyan forces besieging Tripoli.

The previous decade had seen Türkiye and Algeria on opposite sides of many questions facing the wider Middle East and Southwest Asia region, notably Ankara's backing of anti-regime forces in the Syrian civil war.

Where Turkey saw opportunities to reshape the region in Syria and Libya, Algeria saw a heightened international campaign against secular Arab republicanism backed by the North Atlantic powers. Since Egypt's "betrayal" of the Palestinian cause in the 1979 Camp David agreements, Algeria has witnessed the steady replacement, overthrow, or encirclement of progressive Arab regimes. Whereas the cause of pan-Arab solidarity was ascendant in the first decades following Algeria's independence from France, Algeria — which still clings to those old values — now finds itself increasingly isolated in a region fragmented by the power of monarchism, Islamic revival, and the US-China "cold war."

As Libya, Syria, Yemen, and Mali began to descend into protracted internal conflicts from 2011 onward, Algeria's experiences with civil strife in the 1990s played an important role in shaping their responses to the multiple regional crises that unfolded after the Arab Spring. Some Algerians were quick to say that they had their "Spring" in 1988 and all it did was lead to the "dark decade" of the 1990s, when Islamist guerrillas attempted to mount an insurgency against the state, often by attacking civilians in urban and rural areas. Tens of thousands eventually died as a result, though President Bouteflika, in his first two terms (1999–2004, 2004–2009) largely succeeded in overseeing a quelling of this violence in the north of the country. The deep Saharan south was a different matter, where Islamist groups began to implant themselves in the frontier region between Algeria and its Sahelian neighbors (Mauritania, Mali, Burkina Faso, Niger, and – to a lesser degree – Chad).

The NATO-backed destruction of the Libyan state in 2011 then unleashed a torrent of small arms across the region, adding fuel to the fire of local insurgencies. The most notable were the collapse of central state authority in Northern Mali in 2012, the rise of an Islamic State in that area, and the threatened collapse of Bamako to these forces.

In early 2013, Algeria begrudgingly allowed the French military to fly through its airspace to send forces to bolster the Malian state. This was the beginning of the nearly decade-long French effort, which ended in 2022, to shore up its allied states in the region against the armed resistance based in their vast Saharan interiors. For Algiers, the low point in the Libyan civil war and

the Sahara-Sahel crisis was undoubtedly the complex armed assault against a natural gas production facility in Algeria's eastern Sahara region near the Libyan border in early 2013, which resulted in many fatalities, especially among the foreign workers. Despite the widespread insecurity that gripped Algeria internally in the 1990s, never had any of the armed opposition groups obtained the capacity to disrupt Algeria's petroleum production in such a manner.

In the years since the violence of the 1990s and the growing instability of the Bouteflika presidency, Algeria's military and administrative elites are committed to making sure that those mistakes are never repeated again. This explains to some degree the continuing high rates of military acquisitions, though recent foreign interventions to oust the Libyan and Syrian regimes, alongside French and American military interventions in the Sahel, have likewise shaped Algeria's internal and external national security priorities.

Recent history also explains why Algeria's administrative and military elites were eager to use the corona virus pandemic to shut down the Hirak uprising in 2020 and are highly sensitive towards foreign support for the cause of Amazigh (Berber) rights in Algeria's ethnic-minority Kabyle region. In other cases, Algeria has seen its regional neighbors and Western powers champion mass uprisings and repressed minorities as a justification for isolation and intervention. While no country in the region maintains an explicit policy of regime change towards Algiers, Algeria's steadfast support for Western Saharan and Palestinian nationalism makes it a continuing antagonist of both Moroccan and Israeli expansionism, as well as the North Atlantic powers backing those projects.

In the wider context of the emerging US-China cold war, these geopolitical forces appear to be bifurcating the Middle East into two blocs: one aligned with North Atlantic priorities, led by Israel and the UAE, and another more sympathetic to a new polycentric global order, with Iran and, to a lesser extent, Türkiye, as the keystones. That Algeria is firmly on the side of the latter is further reason for the regime to approach regional and international politics with extreme caution and much suspicion about the motives of Morocco and the North Atlantic powers. Concerns about regional instability fueled by foreign interference will continue to animate Algerian security policy for years to come.



3.2 TUNISIA: EXAMINING SAÏED'S MIGRATION POLICY IN A TIME OF CRISIS

Aldo Liga, Research Fellow, ISPI MENA Centre

The dramatic spike in migrant departures from the Tunisian coast reflects much of the political, security and economic crises Tunisia and its neighbours have been going through over the past decade. A rough political transition, popular disenchantment and frustration, rising social inequalities, low growth and a high unemployment rate led to a significant increase in the number of Tunisians who decided to leave their country. The deterioration of the security situation in the Sahel and in western Africa, changes in migration patterns, and smuggling dynamics in both Libya and Algeria also led Tunisia to emerge as a key transit point for Sub-Saharan African migrants aiming to reach Europe.

The number of people embarking from Tunisian ports to reach Italian shores has increased consistently over the years. While in 2016, approximately 90% of people heading for Italy left from Libya, with Tunisia ranking as the fourth country of departure, this balance started to tip the following year. Tunisia then emerged as the second most popular departure point for sea crossings, and the number of people embarked reached 5200, far higher than the previous year's total of 820. The proportion of departures from Tunisia increased from 4% in 2017 to 25% in 2018 and 32% in 2019. The numbers then exploded, with around 14,600 people leaving from Tunisia in 2020, 20,200 in 2021, and 32,300 in 2022. In 2023, Tunisia eclipsed Libya as the first point of departure: 62% of sea crossings (with 97,667 people left) as opposed to 33% from Libya.

Kais Saïed's approach to migration has been one of the most distinctive policies of his first term in office and it is precisely this way of dealing with the migration problem by the newly re-elected president that sheds light on several aspects. First of all about the reasons behind the growing number of Tunisians who decide to leave, but also concerning the recent spikes in violence against sub-Saharan Africans living in or transiting through the country, and about the use of migration as a foreign policy tool, a "weapon" to extract economic benefits and political legitimacy from northern Mediterranean counterparts. Against this backdrop looms the harsh reality of what is first and foremost a tragedy for the Tunisian people who, in a few short years, have seen their country emerge as an epicentre of suffering along the north African coastline.

Tunisia as a country of emigration

The waves of people leaving Tunisia by sea began during the early 1990s, but reached their peak in 2011 following the outbreak of the Jasmine Revolution. That year, around 25,500 Tunisians decided to take to the sea following the fall of the Zine el-Abidine Ben Ali's regime.

As mentioned before, the number of Tunisians leaving the country began to increase dramatically in 2017, which was a time when the country was suffering the economic repercussions of a difficult political transition, lack of socio-economic reform, deterioration of the security situation in neighbouring Libya and the impact on the tourism sector of the wave of terrorist attacks that hit the country in 2015. In 2020,

the country was hit particularly hard by the COVID-19 pandemic, which led to a 9% decline in gross domestic product (GDP), an increase in the number of people living below the poverty line from 15% to 21%, rampant unemployment and the closure of thousands of small and medium-sized enterprises. The aftermath of the outbreak of war in Ukraine brought inflation and a shortage of basic commodities.

All these factors meant that even more Tunisians were willing to leave their country of origin.

Tunisians did not only enter Europe via the central Mediterranean route. Interestingly enough, between 2020 and 2022 a significant number of Tunisian citizens reached western Europe by travelling through Serbia, thus escaping the deadly passage across the Mediterranean and benefiting from the possibility of entering Turkey and the western Balkan countries without visas.

The flow of young Tunisians fleeing the country, whether via the western Balkans or the central Mediterranean route, has had dramatic consequences for the future of Tunisia, enduringly shaping its society and undermining prospects for development. According to some estimates, roughly 40% of Tunisian migrants are aged between 15 and 29. The "disappearing" of the youth severely hit Tunisian cities, particularly in marginalized areas of the country that have been hollowed out by mass departures. Hopes for the future dissolve in the Mediterranean: although there are no reliable statistics on the nationalities of the people who have died during the sea crossings, more than 1300 people who left Tunisia lost their lives last year and it can be assumed that a significant number of them were Tunisian nationals. And this tragedy is still looming large over the country's future: even though fewer people are now following the central Mediterranean route, in the first nine months of 2024 Tunisian migrants were still ranked third among the nationalities reaching Italian coasts.

The emergence of Tunisia as a transit hub for Sub-Saharan Africans

How has Kais Saïed responded to this unfolding Tunisian tragedy? Instead of launching a comprehensive plan of action to tackle the root causes of migration in the country and discourage young Tunisians from leaving, the President launched a violent campaign against Sub-Saharan Africans living or transiting Tunisia on their route to Europe. In February 2023, while addressing the National Security Council, he called for urgent action to halt the flow of Sub-Saharan migrants, since "the undeclared goal of the successive waves of illegal immigration is to consider Tunisia a purely African country that has no affiliation to the Arab and Islamic nations", part of a broader plot to "alter the demographic structure of Tunisia".

The President's declaration triggered xenophobic narratives and conspiracy theories aimed at stigmatising Sub-Saharan Africans and diverting public attention from the breadth of the Tunisian political and economic disaster and the lack of political response from the three successive governments appointed by the President since his coup in July 2021.

THE SURGE IN MIGRANT DEPARTURES FROM TUNISIA IS DRIVEN BY THE COUNTRY'S POLITICAL, ECONOMIC, AND SECURITY CRISES, COMPOUNDED BY REGIONAL INSTABILITY AND SHIFTING MIGRATION PATTERNS, MAKING TUNISIA A KEY TRANSIT HUB FOR SUB-SAHARAN MIGRANTS HEADING TO EUROPE

Saïed's anti-migrant rhetoric sparked a wave of violent attacks against Sub-Saharan Africans, with people abused, robbed, beaten, arbitrarily arrested, racially discriminated against and expelled from their homes. Tens of thousands of people have been relocated to isolated areas such as the notorious olive groves near El Amra, north of Sfax.

Thousands of people have been driven to near the Algerian and the Libyan borders, where they are abandoned in desert areas without money, mobile phones, food or water.

Finally, recent troubling reports underline similarities between the violent attitudes of the many Libyan actors involved in the "management" of migration in the country and the attitudes of the Tunisian security forces. Witness reports of rapes and torture against migrants (in particular women) are increasingly common.

Here again, the long-term implications of the turbulent political transition reemerged, as the security sector was not efficiently reformed after the fall of Ben Ali and the security forces suffered from poor management, a decline in professionalism, corruption and the increased use of illegal force.

Tunisia has progressively emerged as a country of destination for migration flows over the past 20 years, with a rising number of people from Sub-Saharan Africa transiting through or willing to settle in Tunisia. As evidenced by the number of sea crossings from Tunisia over the last few years, the country has evolved from a place of exclusive emigration of Tunisian nationals, to a country of destination for people looking for economic and educational opportunities: it has become a leading embarkation hub and country of transit for people aiming to reach Europe. The growing presence of people from Sub-Saharan Africa in Tunisia dates from 2014-2015, when citizens from several African states were exempted from visa requirements to enter the country. In addition to this, Tunisia has seen an increasing number of irregular land crossings from Libya since 2017 due to a progressive deterioration of the security situation in Libya and harsh conditions experienced by people on the move when transiting the neighbouring country. The proportion of Tunisians in the flow of migrants has steadily declined over the years, while arrivals of Sub-Saharan Africans have increased. Though some 70% of the people who departed from the country in 2019 were Tunisian (2600 of a total of 3,600 migrants), by 2023 this percentage had fallen to just 18% (17,300 out of a total of 97,300).

Migration as a foreign policy tool

In addition to catalysing anti-migrant resentments, Saïed capitalised on this tragedy to advance its foreign policy agenda. As already seen with the case of Libya or Morocco, migration flows are weaponised as leverage to obtain policy or economic gains from European capitals that are terrified by the threat of unmanageable flows of people arriving along their coasts.

Although Saïed's anti-migrant rhetoric initially upset the African Union and some African countries, which asked Saïed to "refrain from racialised hate speech", the Tunisian President's strategy proved successful as the growing number of people who fled the country after his violent crackdown on migration accelerated the finalisation of new migration deals with the European Union (EU) and its Member States. In July 2023, after difficult negotiations, the EU and Tunisia

signed a Memorandum of Understanding (MoU) aimed at "opening a new chapter" in their relations. On that occasion Brussels pledged €105 million of migration-related funding to Tunis. Looking at the broader flows from EU-funded schemes, this amount is projected to reach €164.5 million over three years. In addition to this, the country still received €150 million in general budget support.

These funds are significantly higher than those obtained by previous Tunisian governments for the same purpose. This flow of money replenishes the coffers of the country's Interior Ministry, the backbone of the regime, thus ensuring stability for the presidency and the leverage to consolidate its power grab. Beyond these economic benefits, Saïed was able to use migration to extract political legitimacy from the EU, as any criticism of the anti-democratic direction the country has taken under his presidency have been toned down in order not to hurt him.

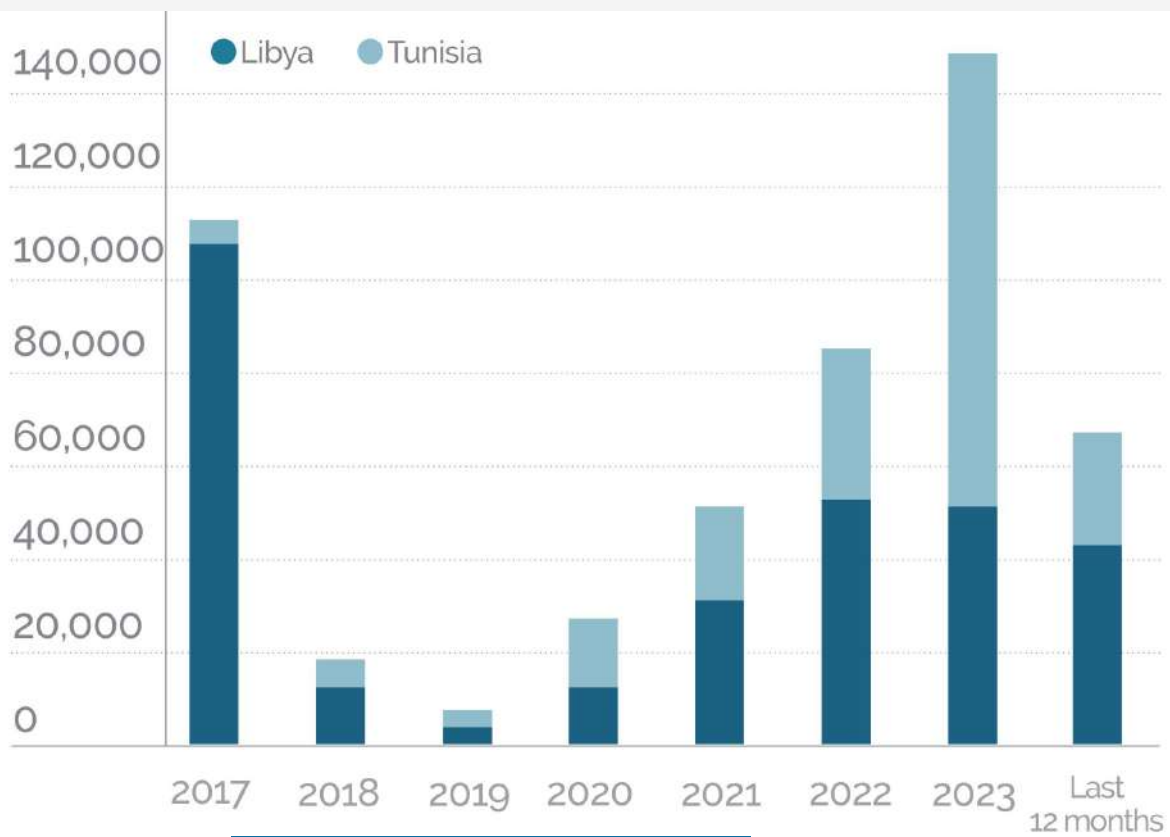
There is an inverse correlation between the amount of funding for Tunisia and numbers of migrants arriving in Europe. Tunisia has used the money to ramp up efforts to patrol its territorial waters, as has been borne out by the decreasing number of sea crossings recorded over the last year. In June 2024, Tunisia designated an official search-and-rescue (SAR) zone, a decision long called for by Italy. Between January and May 2024, more than 30,000 people have been intercepted at sea off Tunisia's coast, a 36% increase compared to the same period the previous year.

The use of migration as a foreign policy resource is among the most distinctive features of Saïed's first term in power, as little signs of a consistent or coherent approach in his foreign policy emerged in other dossiers, with the sole exception of the strong ties developed with Algiers and a sort of triangular entente established with Tripoli and Algiers on the migration issue.

The challenges of Saïed's second term

After the President's coup in July 2021, the number of Tunisians deciding to leave their country exploded, violence against Sub-Saharan Africans living or transiting the country spread and he was able to extract economic benefits and political legitimacy from EU countries interested in stemming the flow of departures. As the number of migrants who reach Europe drops, the number of those stuck in Tunisia rises (last June, 18,362 refugees and asylum seekers were registered by UNHCR, a 12% increase compared to March) and this will further increase the President's leverage with EU countries.

In his second term, Saïed will likely continue to play on anti-migrant resentment as a way to distract public opinion from the many urgently-needed reforms and as a foreign policy tool when dealing with EU countries. This is the only means he has at his disposal to continue to defer the many reforms needed to address the complex political, social and economic problems the country is suffering and to chart a clear path for Tunisia's future. The fear is that before not too long, the country will find itself even more frustrated and divided, exposed to the risk of economic collapse and instability. What now seems an easy way to navigate the many complexities the country is facing risks bringing about its downfall in the near future.



**MIGRANTS ARRIVING
IN ITALY FROM
TUNISIA AND LIBYA**

Source: ISPI Elaboration Data from the Italian Ministry of the Interior



3.3 LIBYA: THE ROOTS OF AN UNYIELDING STATUS QUO

Oliver Windridge, Senior Advisor, The Sentry



In April 16, 2024, UN Special Representative for Libya Abdoulaye Bathily announced he would resign, citing a “lack of political will and good faith” among Libyan leaders. Few would disagree with his diagnosis that the vested interests of Libyan leaders have created a roadblock for progress. Bathily conducted eighteen months of shuttle diplomacy before concluding that the leaders he was seeking to negotiate a better future for Libya with were acting in their own interests instead of those of the country. These events are sadly reflective of how recent years have represented a boon for Libyan kleptocrats who have found ways to prosper amid the Libyan state’s governance crisis. Moreover, they do so with the active support and complicity of external state actors. This trajectory bodes ill for Libya’s future.

Systemic shortcomings

By predicating political progress on agreement between the “five major actors” in Libya in order to reach elections, Bathily ensured a situation whereby those currently in power would have a monopoly over what comes next. In truth, however, only two of the five major actors he identified—Khalifa Haftar, commander of the Libyan Arab Armed Forces and Abdulhamid al-Dabaiba, the head of the Tripoli-based Government of National Unity (GNU)—have a meaningful influence on what happens on the ground. The other three—the heads of the Presidency Council and the High State Council and the speaker of the House of Representatives—draw their influence from their formal mandates, as well as political support from Turkey and Egypt, respectively.

Even if Bathily had created a more inclusive and representative process, there is a strong chance that vested interests would have ensured its failure. Indeed, it has become increasingly apparent that any political strategy will be doomed unless efforts are made to tackle the growth of kleptocracy that is sustaining the status quo.

For proof of this, it is necessary to look at the leaders and interests at the heart of the discussions. The Dabaiba family’s vast wealth has been generated through the management of Libyan state funds that remain subject to investigation, and the expansion of spending under Dabaiba’s GNU has been connected to widespread corruption. Meanwhile, Haftar’s dominion over eastern and southern Libya has translated into direct control over parallel institutions and their publicly funded budgets, which are subject to no oversight. When a fund for reconstruction was established in eastern Libya in recent months under the leadership of Khalifa’s son Belqacem (who appears to have no qualifications for the role), it was declared that there would be no financial oversight from the Libyan state’s anti-corruption agencies. The two sets of kleptocrats, the Haftars and the Dabaibas, also appear to have an under-the-table understanding on the management of the National Oil Corporation, through which state spending is skyrocketing, with little to show for it.

Libya’s list of kleptocrats is not limited to the Haftars and the Dabaibas. Armed group leaders and corrupt businessmen continue to build wealth and influence at the populace’s expense. Taken

together, the vast majority of what acts as Libya’s formal state is controlled by kleptocratic forces. A recent report by The Sentry found that an array of illicit industries results in enormous wealth and power not only with the tacit but often active support of public institutions. The resources of the state are being plundered through widespread contract fraud and several forms of trafficking, including large-scale abuse of fuel subsidies for smuggling purposes.

This ubiquitous barrage of corruption is hurting the population. Prices continue to rise, leaving ordinary Libyans in a position where they need to spend more for less. Tragedies such as the September 2023 floods in Derna and surrounding areas, where over four thousand five hundred deaths have been recorded and thousands more are missing and presumed dead, show the extent to which the state has become hollowed out, as vested rather than public interests prevail.

International complicity

While Bathily’s criticisms in his recorded remarks to the UN Security Council focused on Libyan leaders, much of his comments to the press afterward also took aim at the regional and wider international picture.

“Libya today is a battleground,” Bathily noted. “We needed all of the support of all the international and regional players to achieve meaningful results. Unfortunately, we have seen... parallel tracks taken by different foreign actors which undermine efforts of the UN. As long as this exists, there is no room for a solution in the future,” he bleakly concluded before later stating that “Libya is the prey to foreign economic interferences.”

This conclusion is accurate. Of course, there will continue to be a focus on security dynamics, particularly as a result of Russia’s growing presence in Libya and international concerns over the Sahel’s “arc of instability.” However, the economic plunder of the state continues at pace. In the oil sector, the 2022 deal to appoint a new chairman of the National Oil Corporation was brokered by the United Arab Emirates, while a Turkish-led and UAE-based energy merchant has grown increasingly involved in Libya’s fuel imports and crude exports. At the time of writing, recriminations over the contracting of oil concessions in Libya to international companies are rising, with widespread allegations that some newly formed companies are in fact fronts for Libyan kleptocrats and their international partners.

These dynamics raise serious concerns over who is profiting from Libya’s oil sector and highlight a significant reduction in transparency at a time when expenditures on fuel subsidies have reached unprecedented levels. Meanwhile, the Belqacem Haftar-led reconstruction fund is busy signing contracts, primarily with companies from Egypt, which openly eschew any form of oversight.

These dynamics illustrate that the accumulation of wealth by Libyan kleptocrats comes with the full knowledge and, indeed, support of regional interests, making it harder for the United Nations to adopt firm positions or marginalize Libyan leaders who enjoy continuing support from regional actors.

How to tackle these dynamics

Successive UN special representatives have found this fusion of Libyan and regional interests impossible to untangle. Ghassan Salamé sought to bring the international players with interests in Libya together through the Berlin process—which held one meeting in 2020 and another in 2021—with the support of the German government, but any consensus built remained short-lived. Today, it appears that the UAE and Turkey have found accommodation with one another through the alignment of economic interests. And, while Egypt has continued to interfere in the political process to achieve its goal of displacing the GNU, it has also pursued its economic interests through its partnership with Haftar’s dominant alliance in Libya’s east.

While the status quo, which keeps deteriorating and might collapse any day, seems comfortable for Libyan kleptocrats and their international partners, the Libyan population increasingly suffers the consequences, runaway inflation by way of a depressed dinar being only one of them. The situation is also harmful to the interests of the United States and like-minded states. Mounting corruption in the oil sector imperils the status of Libya as a key oil producer, and Haftar’s engagement with Russia has led to a growing influx of weaponry and men through eastern Libya in recent weeks.

The question then becomes how this kleptocratic boom can be addressed. In reality, it will fall to the United States and like-minded governments such as in the United Kingdom and Germany to impose greater pressure in a concerted and targeted way on the kleptocracy to address the cause of Libya’s governance crisis rather than its symptoms. This will require support for Libyan institutions that are trying to push back against these dynamics in highly challenging and dangerous circumstances. It will also require the use of targeted network sanctions on the kleptocratic elite and calling out their enablers in external states through clear diplomatic messaging. The UAE, recently removed from the Financial Action Task Force’s “gray list” for anti-money laundering and countering the financing of terrorism, should be a particular point of emphasis. An ongoing Organized Crime and Corruption Reporting Project-led investigation has identified that the Gulf state remains a prime location for those seeking to invest despite being subject to allegations of criminality and corruption. The United States and its like-minded allies should seek enhanced engagement between the private and public sectors through the use of business advisories and intelligence-sharing mechanisms to ensure Libyan kleptocrats can no longer launder and then stash their ill-gotten gains in financial centers and wealthy states across the globe.

A forceful focus on the kleptocracy is not a silver bullet by any means, but it is an attempt to attack the underlying cause behind most of the country’s problems in a way that has, to date, been lacking. The challenge of delivering on promises of democratic change for the Libyan people seems as far away now as ever. However, with a change of focus, international stakeholders can start to help Libyans begin to right the wrong of decades of kleptocracy and start to exact some accountability for the ongoing plunder of the country’s public resources. Only in such an environment will the next special representative have a more meaningful chance of success.

Kleptocracy remains the root cause of most of the country’s problems



3.4 THE ECONOMIC RECOVERY OF A CLAY-FOOTED EGYPT

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The deep economic difficulties and the flood of international financial support

Egypt is balancing on the hope that substantial international aid received over the past year can prevent its collapse, while urgently facing a complex international geopolitical landscapes.

For years, the country has been grappling with decreasing foreign currency reserves, which have significantly limited imports of even essential goods, supply chain shocks following Russia's invasion of Ukraine in 2022, a public debt that has quadrupled, and the need to repay approximately 42 billion dollars of foreign debt this year. The situation is further aggravated by alarming indicators of social stability, with more than 30% of the population living below the poverty line and a heightened risk of public unrest and protests. Compounding this is an exceptionally unstable geopolitical landscape, as the ongoing conflict in Gaza is monopolising the attention of the Cairo government, which is trapped between the inability to move toward a ceasefire and the risk that the prolonged conflict could have destabilising repercussions for the country. Consequently, the third term of Abdel Fattah al-Sisi, launched with a decisive victory in the April 2024 presidential elections, securing 89.6% of the vote, will therefore have to deal with difficult challenges.

After months of alarm over an economy on the brink of default, faint signs of recovery now seem to be emerging. According to the World Bank, growth is expected to reach 4.2% in the 2024/25 fiscal year and should increase to 4.6% in the 2025/26 fiscal year, reinforcing economists' optimistic forecasts regarding a genuine recovery of the Egyptian economy. However, significant challenges remain. More recently, the North African country recorded a decrease in trade through the Suez Canal, with traffic dropping by 40-50% from mid-December to early April 2024 due to Houthi attacks on merchant vessels in the Red Sea. For Egypt, a reduction of this scale in Suez Canal traffic, which accounts for 12% of global trade, represents an annual loss of about 4 billion dollars – equivalent to 2% of Egypt's GDP. More critically, it affects one of the main channels for dollar inflows, a strong currency and lifeline for a country that last year had to allocate over half of its state tax revenues to pay interest on its debt.

The energy sector has also been affected by the repercussions of the war in Gaza, primarily due to the initial decrease in natural gas flow from Israel. Egypt imports this energy source from its neighbour to meet both domestic demand and for re-export activities, which are facilitated through the LNG terminals at Idku and Damietta. Although Israeli exports have recently set a new record, there was an interruption in the flow from the Tamar field for over a month and a half. This reduction significantly contributed to a nearly 50% drop in gas exports from Egypt by the end of last year.

In this context, the establishment of a \$3 billion financial support programme from the International Monetary Fund (IMF) at the end of 2022, which was subsequently increased to a total of \$8 billion in March 2024, appears to be a crucial lifeline for the country. This agreement with the IMF was confirmed just two weeks after the Egyptian government announced another partnership with the Emirati sovereign wealth fund, the Abu Dhabi Developmental Holding Company (ADQ). In February 2024, ADQ announced its acquisition of

Despite modest signs of economic recovery, the overall picture of the "giant with feet of clay" remains very fragile

development rights for a 170-square-kilometre area on the country's northern coast, Ras El-Hekma, amounting to \$24 billion. Thanks to this investment from ADQ, the North African state's international reserves have reached their highest level since the onset of the war in Ukraine, surpassing \$40 billion. Shortly after the announcement of this loan, the World Bank initiated a new support plan valued at \$6 billion, aimed at bolstering government initiatives and the private sector.

An additional aid fund was announced in March 2024 by the European Union, consisting of a package valued at \$8.1 billion (€7.4 billion) that includes loans, grants and credits to tackle the economic challenges arising from the conflict in Gaza and the potential increase in refugee flows.

The humanitarian crisis in Sudan and the Gaza war: two major threats to borders

Since the outbreak of the conflict in Sudan in 2023, 500,000 Sudanese refugees have crossed Egypt's southern border, along with more than a million Palestinian refugees seeking passage through the Rafah crossing. The potential influx of displaced Palestinians into the Sinai Peninsula due to the war clarify why Egypt considers this option a red line that should not be crossed. The risk is that expelling Palestinians into Egypt would severely impede the prospect of establishing a Palestinian state and could turn the peninsula into a launch point for attacks against Israel by extremist groups or cells affiliated with Hamas.

Relocating Palestinians from the Gaza Strip to Sinai would effectively transfer the conflict to the peninsula, creating a base for operations against Israel – a scenario that could dangerously entangle Cairo in the conflict against its will.

Additionally, the humanitarian management of refugees would pose a significant challenge, further straining resources as it would add to the already substantial number of individuals fleeing the Sudanese civil war, a burden that Cairo would struggle to bear given the dire state of the country's economy.

In the meantime, diplomatic efforts continue to be made. Following the failure of the March 2024 meeting in Doha, which aimed at achieving a possible ceasefire between the conflicting parties and was mediated by Qatar, Egypt and the United States, new rounds of talks have taken place in recent months, but they have yet to yield a concrete resolution to the crisis.

The new aid from the IMF, the UAE, and, notably, the EU provides a tangible lifeline for the struggling Egyptian economy, alleviating the currency crisis and strengthening stability in the short term. However, in the long term, such financial support risks delaying the structural reforms necessary for the country, especially if the Cairo government continues to pursue the same economic policies that have led to its current economic failure. On the other hand, Egypt is a giant with feet of clay—too big to fail. The consequences of economic destabilisation would ripple throughout the entire region.

An economic collapse could result in political unrest and revolts, potentially destabilising a regime deemed crucial for regional balance by many domestic and international actors who have come to its aid. The United States fears repercussions for Israel's security, the Gulf is concerned about the nightmare of new uprisings akin to those in 2011, and Europe worries about an uncontrollable wave of migrants that, finally, it would struggle to manage.



EGYPT'S RESCUE UNDERWAY

LOANS GRANTED BY THE INTERNATIONAL MONETARY FUND TO EGYPT DURING AL-SISI'S PRESIDENCY

■ Source: International Monetary Fund

3.5 THE SAHEL TURMOIL REVERBERATES TOWARDS THE SEAS

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Pace, stability and social cohesion are increasingly fragile in the Sahel region. Jihadist groups have expanded their reach and grown from terrorist cells into large-scale insurgencies that exacerbate communal tensions, edging closer to civil wars. Leveraging widespread feelings of insecurity, military leaders in the region have risen in the political arenas, positioning themselves as strongmen who will restore state sovereignty, unity and pride. A succession of military coups has thus taken place in countries like Mali (2020 and 2021), Guinea, Chad (both in 2021), Burkina Faso (twice in 2022) and Niger (2023).

Beyond domestic disruptions, such military coups are reconfiguring the Sahel's international predicament. Facing Western criticism for the undemocratic regime changes, Mali, Burkina Faso and Niger have adopted an increasingly hostile attitude towards the West, including first and foremost France, but also the EU, the US and the UN; instead, they have all turned to Russia for security partnerships – albeit to differing degrees. At the same time, Bamako, Ouagadougou and Niamey have scaled up their cooperation through the forging of an Alliance of Sahel States (known by its French acronym AES), while announcing their intention to leave the regional organisation ECOWAS (Economic Community of West African States). After a one-year period of consideration, this step is set to be formalised in January 2025.

Meanwhile, observers and policymakers in Europe and Africa reiterate fears of jihadist “contagion”, with security volatility and instability spilling over from central Sahel into the coastal states of the Gulf of Guinea. Benin and Togo have indeed been experiencing a considerable escalation of jihadist attacks since 2020, especially in the northern regions. However, the impact of jihadist violence does not appear (so far) to extend to neighbouring countries: Ivory Coast has been spared since early 2022, while Ghana, Guinea Conakry and Senegal have so far proved immune from terrorist attacks. The international community's emphasis on how the countries in the Gulf of Guinea are affected by instability in the Sahel should not lead us to overlook the impact of the latter on North Africa.

The resumption of hostilities between Bamako and Tuareg rebel groups from the north of Mali is reverberating towards Algeria and Mauritania. At the same time, there are fears that the deterioration of security and economy in the Sahel will enhance migration flows towards the Mediterranean, prompting North African countries to question the benefits of counter-migration cooperation with – if not on the behalf of – Europe.

The ECOWAS crisis

The July 2023 military coup in Niger further contravened ECOWAS protocols to uphold democratic and good governance, exacerbating the diplomatic dissension triggered by previous military coups in Mali and Burkina Faso. Seeking to curb what some observers dubbed an “epidemic of coups in West Africa”, ECOWAS thus decided to impose very strict sanctions on Niger. These included closing land and air borders, halting economic transactions and freezing Niger's assets in ECOWAS banks. Under the assertive leadership of ECOWAS rotating Chairperson Bola Tinubu (who only two months earlier had been elected President of Nigeria, the state that alone accounts for more than half the population and GDP of the entire ECOWAS area), ECOWAS also threatened a military intervention to reinstate Niger's ousted President, Mohamed Bazoum.

In mid-September 2023, Niger responded by joining Mali and Burkina Faso to form the Alliance of Sahel States (AES) to defend their sovereignty against external threats. If ECOWAS's (threatened) intervention in Niger offered the pretext for the founding act, however, the Malian military leaders' ambition to relaunch the offensive against the Tuareg rebels contending Bamako's sovereignty in the north of the country also featured prominently among the motivations that led to the creation of the AES. After forcing the withdrawal of the UN stabilisation mission MINUSMA, since October the Malian junta has in fact been unleashing an offensive in the disputed territories in the north, with the political backing of the AES countries as well as the operational support of Russian forces.

ECOWAS's military intervention in Niger did not eventually come to fruition, largely due to increasing disagreements among ECOWAS members, staunch opposition by key constituencies in Nigeria and scepticism from some international partners, especially the United States. However, economic sanctions against Niger remained in place, severely impacting the country. By late 2023, Niger's projected GDP growth had plunged from 12% in 2022 to 2.4%, its state budget faced severe shortfalls and its credit rating was downgraded multiple times. Poverty and malnutrition rose sharply, exacerbated by inflation linked to global instability.

Condemning ECOWAS's “inhuman sanctions”, on 28 January 2024, Niger announced its plan to exit the organisation alongside Mali and Burkina Faso. ECOWAS rules require a one-year period to process such requests: Sahelian AES members look determined to leave the organisation after the January 2025 deadline even though ECOWAS has since emphasised that Mali, Burkina Faso and Niger remain “valued members” while lifting sanctions on Niger and deploying enhanced diplomatic efforts to preserve the bloc's unity.

Peace, stability and social cohesion are increasingly fragile in the Sahel region. Jihadist groups have extended their reach. Moreover, exploiting the widespread sense of insecurity, military leaders in the region have assumed power

Growing insecurity

In spite of an official narrative boasting of reconquered national sovereignty and military pride, the security predicament in the three AES countries of central Sahel suggests that the military juntas are struggling to deliver on their promises. After ousting the Tuareg rebels from the north of the country in late 2023, Malian forces have suffered a series of debacles in 2024, which might undermine the troops' morale and the regime's legitimacy. While the counter-terrorist campaign by the Malian forces and their Russian supporters has focused on the stronghold of the jihadist insurgency in the centre of the country, the jihadists are quickly increasing their grip in the south, west and north-east of the country. In late July, jihadist and Tuareg insurgents (separately) also ambushed Malian and Wagner forces in the northern Kidal region, at the border between Mali and Algeria, leading to significant casualties, including several tens of Russian troops and senior commanders. And in September the al-Qaeda-linked JNIM group perpetrated an unprecedented double attack in Bamako, targeting the gendarmerie national training centre and the airport infrastructures, setting fire to the presidential plane and reportedly killing more than 70. At the same time, the stigmatisation of entire ethnic communities accused of collectively colluding with the insurgent groups is prompting extrajudicial reprisals and war crimes, which are likely to exacerbate social polarisation and undermine reconciliation in the long term. The setbacks of the counter-insurgency campaign are also rumoured to stir growing tensions between Russian forces and their Malian customers.

Burkina Faso is arguably the most volatile of the three AES countries in central Sahel. Jihadist groups hailing from both al-Qaeda and Islamic State franchises are violently contending governmental control over most of the country's territory. Over the summer months, the security perimeter around the capital Ouagadougou was further reduced to a mere 20 km, as an (unclaimed) attack – fortunately with no victims – hit the country's main airport. In August, a major attack for which JNIM claimed responsibility killed more than 130 civilians whom the government had conscripted to build trenches. The widespread violence is making the humanitarian situation catastrophic: more than 2 million people have been internally displaced and 6 million (approximately 30% of the country's population) are in need of humanitarian aid, a 35% increase compared to the previous year. The unpredictability of President Ibrahim Traoré's appearances in public fuel rumours of conspiracies and dissension within the country's armed forces.

Niger appears to have adopted a more cautious approach, which extensively relies on effective intelligence, studiously avoids antagonising entire communities and abstains from the mass deployment of foreign forces, thereby confining the few Russian troops to their quarters in the capital's airport. The withdrawal of French and US forces, however, is hardly improving the security situation: groups linked to the Islamic State are encroaching and consolidating along the Niger-Mali border, while JNIM is reportedly expanding its reach towards the south. At the same time, a new (non-jihadist) rebel front is brewing, predominantly featuring disgruntled Tuaregs and Tebus fighters: while the group's capacity to mobilise followers is questionable, recent attacks on oil pipelines in the south and military installations in the north might contribute to further over-stretching Nigerian armed forces.

From the Sahel to the Mediterranean?

Growing insecurity and instability in the Sahel are reverberating towards the (wider) Mediterranean. Algeria much resents the intransigence of the new military regime in Niamey, as its failure to address the Niger-ECOWAS crisis testifies.

Most importantly, the resumption of hostilities between Bamako and Tuareg rebel groups is fuelling growing dissension between Algeria, Mauritania and Mali. Bamako's revamped nationalism seriously irritates Algiers, which was leading international mediation with the Tuaregs and threatens the ostracisation and mobilisation of a community straddled across its own borders. In return, Mali accuses both Algeria and Mauritania of hosting – if not colluding with – “terrorists” – be they Tuaregs, jihadists or religious leaders – who are wanted by Bamako authorities.

Escaping from widespread violence by both state and non-state actors, the flow of refugees and asylum-seekers from the north of Mali to neighbouring countries has meanwhile skyrocketed. In Mauritania, they now exceed 260,000, an almost six-fold increase in a couple of years. Migratory flows from Mauritania along the Atlantic route to the Canary Islands have also risen considerably, to 35-40,000 people a year since 2023, approximately one third of whom are from Mali. Burkinabé and Nigerians also increasingly view mobility as a resilience strategy to cope with greater insecurity.

In these cases, prevailing destinations include neighbouring countries both to the south – such as Ghana and Ivory Coast – and to the north – such as Algeria, Tunisia and Libya. In addition, more than 8,000 Burkinabé travelled along the Central Mediterranean route to Italy in 2023, suggesting a growing propensity for longer-range migration. However, the withdrawal of Nigerian law 36/2015, which criminalised the smuggling of migrants, has not (yet?) prompted the major rebound of transnational migration flows across Niger, that many observers feared. While several factors may contribute to explaining this unexpected trend, it is worth stressing how instability can also inhibit migration, as heightened security risks and political volatility at Niger's borders arguably make the country less attractive for both migrants and transport companies.

The growing scale of migration flows from the Sahel is inversely proportional to the capacity of North African countries to manage them properly. Maghreb state authorities are increasingly resorting to mass expulsions of migrants, asylum-seekers and refugees, most likely in violation of international laws. In light of the growing domestic concern for migration in North Africa, stigmatisation and scapegoating of migrants and foreigners in general are becoming a popular currency that populist and sovereigntist leaders in the region can use to gain consensus. And some observers detect a growing uneasiness by North African regimes regarding the ongoing cooperation with the EU and its Member States to curb migrants' departures from Mediterranean shores (even if it is far from sure that all the migrant people settled in North Africa aspire to crossing the Mediterranean to get to Europe).

Should the political and security predicament deteriorate further, ripples from the Sahelian epicentre of the regional instability earthquake could easily reach the Mediterranean shores.

3.6 THE UNSTABLE STABILITY OF MOROCCO AND RELATIONS ACROSS THE WESTERN MEDITERRANEAN

Irene Fernández-Molina, Senior Lecturer, University of Exeter

Morocco is one of the North African countries where foreign policy change and diplomatic crises have been most ostensible in the past decade. This has included signs of disengagement or decoupling from the European Union (EU) that seemed strikingly at odds with the country's prior historical trajectory. In fact, what we have seen so far is a primarily political-normative detachment that has manifested itself more at a discursive and diplomatic level than in strictly material terms, given that the high levels of bilateral economic (inter)dependence have barely changed. As a result, at the moment, the Morocco-EU relationship is characterised by an increasingly overt transactional approach from both sides. Each party has its own security and sovereignty anxieties (Western Sahara for Rabat and anti-migration for Brussels) as well as renewed strategic motivations to sustain and deepen economic interdependence (a revised national development model and supply chain resilience, respectively). Altogether, all these forces pull in converging directions to ensure the stability of the bilateral relationship. In other words, notwithstanding all the tensions and plot twists, and notwithstanding the persistence of the Western Sahara conflict as a thorn in both sides, stability prevails in relations across the Western Mediterranean.

Rabat's economic vulnerabilities and the red line on Western Sahara

In the case of Morocco, the liberal and economic view of national interest which has long underpinned the country's markedly pro-European foreign policy is now being recalibrated to face the post-neoliberal moment. In domestic policy discourse, the past five years have been dominated by King Mohammed VI's calls for a new "balanced and sustainable social pact", and his appointment of a Special Commission on the Development Model charged with sketching the broad strategic lines of such project in late 2019. The Covid-19 pandemic, the reverberations of Russia's war on Ukraine and the effects of climate change would subsequently raise the urgency of this agenda. Morocco has undergone concomitant crises concerning public health, employment, social insurance, inflation, food security and a historic drought, all with immediate negative effects on a precarious social contract.

The need for massive public investment and spending to address these problems also has implications for the country's structurally unbalanced economic relationship with the EU. While Morocco remains heavily dependent on the northern bloc in terms of both trade and finance, there seems to be little appetite in Rabat for resuming negotiations on a bilateral Deep and Comprehensive Free Trade Area (DCFTA), which were launched in 2013 and adjourned one year later. This is due to the anticipated costs of adapting to growing EU regulation and standards of all sorts, including on environmental aspects, which are seen as disguised neo-protectionism. By contrast, on the financial front, a potential migration deal with the EU, along the lines of those recently concluded with Tunisia, Mauritania and Egypt, could be a more straightforward and sizeable opportunity for Morocco to secure boosted support (grants and loans), and one with fewer strings attached besides migration containment itself.

On the other hand, aside from these economic calculations, the general health and course of the Morocco-EU relationship will continue to be contingent on Rabat's superior priority of advancing its self-styled "national territorial integrity", that is, its sovereignty over Western Sahara. The two souls that have coexisted in Moroccan foreign policy for decades with no major tensions – liberal-economic (with a pro-European orientation) and territorial-geopolitical (centred on Western Sahara and neighbourhood relations) – are proving increasingly tricky to reconcile. This is particularly the case since 2015, when the Court of Justice of the EU (CJEU) delivered the first of a series of rulings that invalidated the de facto inclusion of the disputed non-self-governing territory in the territorial scope of all the bilateral cooperation agreements (agricultural trade, fisheries, aviation) between the EU and Morocco.

This led Rabat to formally suspend all contacts with the EU institutions for three years, between 2016 and 2019.

In a second step, at the member state level, Morocco engineered unprecedented bilateral diplomatic crises with major partners such as Germany, Spain and France in an attempt to pressure them into following the new US position after President Donald Trump extemporaneously recognised Morocco's sovereignty over Western Sahara in December 2020. The common denominator in all these



crises was Rabat's willingness to assert a red line. As the king stated in 2022: "The Sahara issue is the lens through which Morocco looks at its international environment. It is the clear, simple benchmark whereby my country measures the sincerity of friendships and the efficiency of partnerships".

Hence, cooperation with the EU and its member states is now openly conditional. Last October, the final (Grand Chamber) CJEU judgement on the latest cases against the EU-Morocco fisheries and agricultural trade agreements confirmed their annulment due to the lack of valid consent to them from the "people of Western Sahara" holding the right to self-determination. However, the destabilising effects of this foreseen crisis were diluted by the preceding formalisation, just two months earlier, of a new French position whereby "the present and future of Western Sahara lie within the framework of Moroccan sovereignty". This allowed Mohammed VI to dismiss the CJEU ruling, proclaiming that "just causes inevitably triumph" and that Morocco now enjoys broad support from the "majority of EU countries". Indeed, many of the latter's statements suggest that the way ahead may be marked by a growing, undisguised bifurcation between positions on Western Sahara and territorial (un) differentiation practices from the EU institutions, on one hand, and key member states, on the other. A Trump electoral victory can only contribute to reinforcing this trend.

Anti-migration and supply chain resilience for Europe

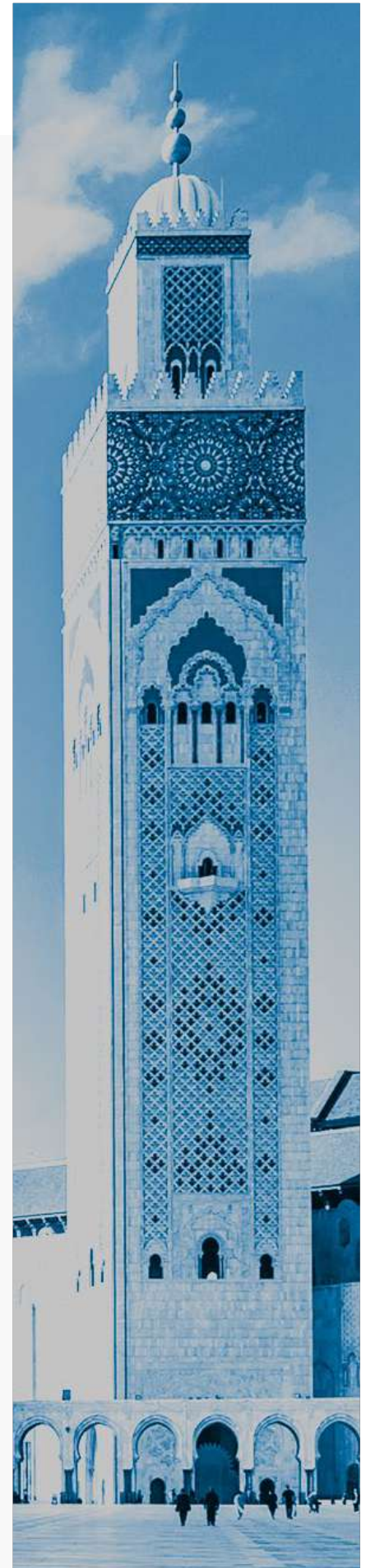
Meanwhile, on the other side of the Mediterranean, the primary EU security/securityised concerns are regional stability broadly understood, inclusive of the Sahel and West Africa, and migration containment through border externalisation. Anti-migration has become the closest to a new (unconfessed) European grand strategy towards the southern Mediterranean – the structuring policy into which the rest of EU external policies are being subsumed. This, in turn, has vastly multiplied the leverage of migration transit countries such as Morocco.

Recent examples abound of how migration cooperation with such neighbours trumps everything else for the EU and its member states, and is thus effectively used by Rabat as a bargaining chip to achieve other unrelated goals: from the Spanish government's formal change of position on Western Sahara after the coercive engineered migration to Ceuta orchestrated in May 2021, to the Belgian authorities' more recent dropping of their investigation into the Moroccan suspects at the heart of the European Parliament's Qatar/

Morocogate corruption scandal in exchange, reportedly, for a Moroccan commitment to enable the repatriation of undocumented migrants. For its part, France also tried to use negative visa conditionality (visa sanctions) as a stick to punish Maghreb states for their lack of cooperation in migrant deportation between 2021 and 2022, albeit not very successfully. This whole agenda is not likely to recede in view of the advance of the far-right and the mainstreaming of the anti-migration obsession throughout the continent. Therefore, a migration deal with Morocco may be soon on the table.

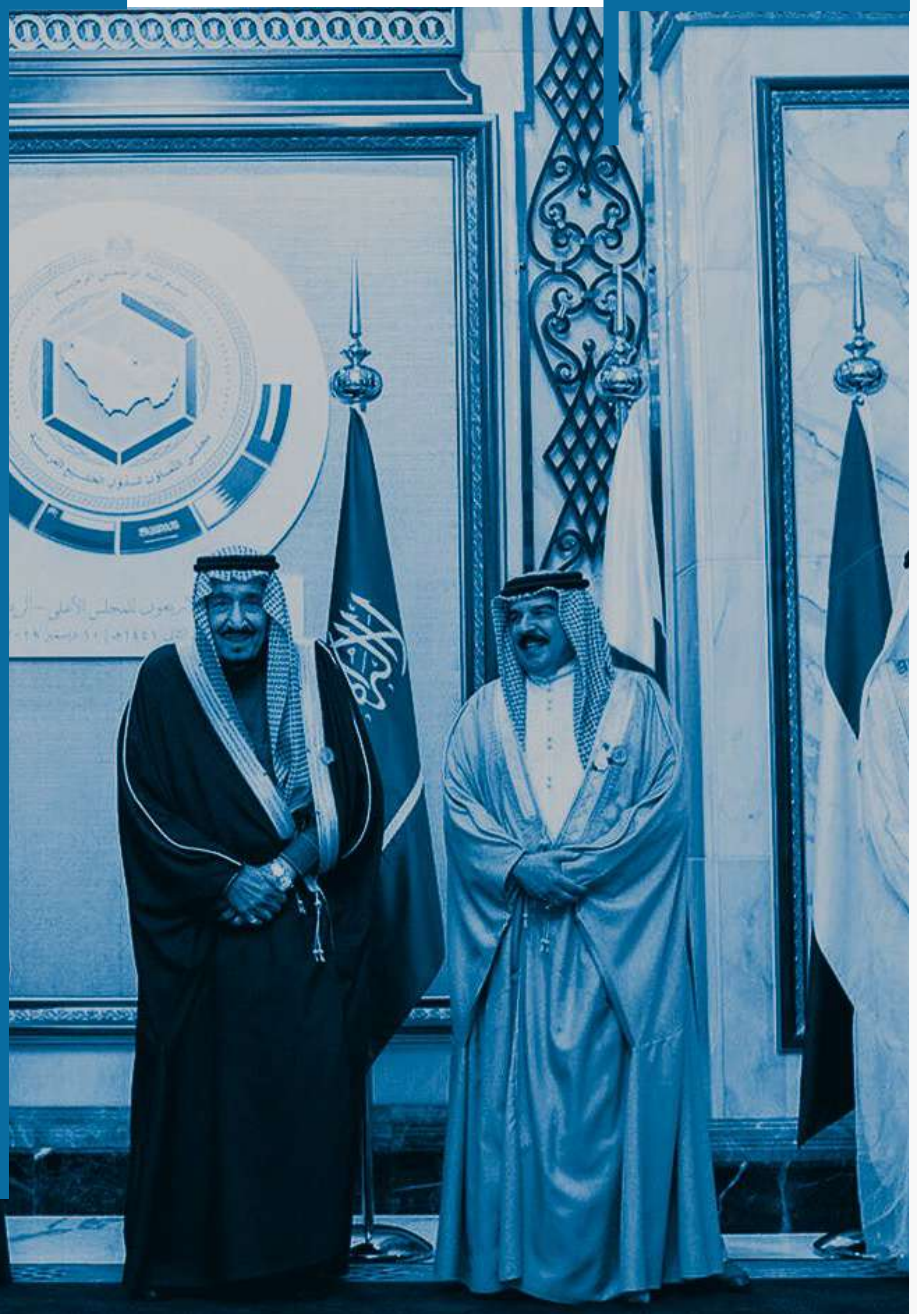
When it comes to drivers of interdependence with Morocco, the new EU worry in the aftermath of Covid and the Ukraine war is to promote supply chain resilience and "de-risking" from China by prioritising industrial nearshoring. This is propelling Morocco's strategy to upgrade its role as a manufacturing and distribution hub in proximity of the European market, building on its existing strengths in sectors such as automotive manufacturing, agrifood and fertilisers (phosphates). On this point, from Rabat's perspective, the North-South socioeconomic reorientations related to global value chains also converge with South-South cooperation and national territorial-security interests. Flagship projects such as the Nigeria-Morocco gas pipeline, or the recently announced Atlantic Initiative for the Sahel to "enable landlocked Sahel countries to utilise the Kingdom's road and port infrastructure", seek to serve all of these goals at the same time, including the inevitable Western Sahara connection.

The same applies to the EU's external environmental policy and the EU-Morocco Green Partnership, which was adopted in October 2022 as "the first such EU initiative with a partner country". Rabat is striving to develop its renewable (solar and wind) energy and green hydrogen production capacity by establishing partnerships with European countries (e.g. Germany, Netherlands and Portugal) and attracting foreign direct investment in these sectors. Besides reducing its own energy dependency, Morocco aims to capitalise on these projects politically, both to increase its leverage vis-à-vis the EU, and to further entrench and amass creeping international recognition of its control over Western Sahara through economic and infrastructural facts on the ground.



4 THE GULF MONARCHIES BETWEEN REGIONAL POLITICS AND INTERNATIONAL STRATEGIES

The Gulf monarchies are increasingly opening up to the outside world. Following a turbulent period of internal crisis from 2017 to 2021, the Gulf Cooperation Council (GCC) – the regional organization that has united the six monarchies since 1981 – has become more cohesive. Its current approach is grounded in pragmatism concerning strategic goals and in balancing the diverse internal positions of its members. A primary point of distinction within the GCC lies in the stalled process of normalizing relations with Israel, which remains unresolved. Each member state continues to prioritize its own national interests over regional ones; however, this is managed with a general focus on minimizing risk. Externally, the GCC is now adapting to an increasingly multipolar global landscape. The United States is no longer regarded as the primary partner, and the bloc is shifting toward greater engagement with the East, especially China, as well as with the European Union – forming the foundation of its new strategic orientation



4.1 GULF MONARCHIES' BOLDER MULTIPOLAR MOMENT

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In latest years, the Gulf Cooperation Council (GCC) states have quickly grown up and have become middle regional powers with global influence. These states have experimented and valued the international multipolar order learning, very well, how to navigate through rivalries and crises. And now are increasingly assertive, and audacious, in dealing with it. In fact, the GCC states' current approach to the multipolar reality is bolder than it was before 2022. Since the Russian invasion of Ukraine and the rise of US-China strategic competition, they have familiarized with a highly-polarized playground, abandoning some of the self-limitations they had when multipolar balances gradually emerged, turning the historical alliance with the US into a relationship no longer exclusive. Ruling classes in the Gulf reveal now a notable self-confidence in national strategies, also in terms of political mindset. And it clearly emerges from the stance these countries are assuming in daily foreign policy. In fact, the GCC states are more and more focused on achieving national political goals, rather than on striking a careful balance between competing powers, i.e. the US and China, the US and Russia. The monarchies are testing the limit of the traditional alliance with Washington: they accept to opt between competing poles only to avoid backlashes for national strategies. This is the choice the UAE recently made about disinvestments from stakes in Chinese artificial intelligence and advanced technologies' companies

Oman tightens economic relations with Russia

Three recent examples offer a taste of Gulf's bolder multipolar moment. The first is Oman's participation to the St. Petersburg International Economic Forum (SPIEF) 2024 as guest of honour, like the United Arab Emirates (UAE) was in 2023. Neutrality is historically the distinctive mark of the Sultanate's foreign policy. However, Sultan Haitham bin Tariq Al Said has not only confirmed Muscat's tight economic relations with China, but he has also strengthened partnerships with Russia and Iran, regardless skyrocketed tensions between these and the US.

In 2022, Omani-Russian mutual trade volume increased of 46% on the previous year, and of 60% in 2023. In 2022, Oman and Russia signed an agreement to avoid double taxation and in 2023 the Sultan and the Russian president Vladimir Putin exchanged the first-ever phone call since Oman-URSS diplomatic relations were established in 1985. Since the Russian invasion of Ukraine, the Omani coastline has become crucial for the ship-to-ship transfer of Russian oil heading to India, with the Northern port of Sohar serving as an hub.

The UAE hosts a Taliban leader (Aligning with Russia on Afghanistan)

The second example relates to the UAE. On June 4, 2024, the president Mohammed bin Zayed Al Nahyan received Sirajuddin Haqqani at Qasr Al Shati palace in Abu Dhabi. Haqqani is the leader of the Afghan Haqqani network and current minister of interior in the Taliban government of Afghanistan. Haqqani is still wanted by the US which put an up-to 10 million dollars bounty on him due to his involvement in several terrorist attacks, including the killing of an American citizen.

According to the Emirati news agency, the parties discussed "strengthening the bonds of cooperation between the two countries", mentioning economy and development. The UAE later accepted the credentials of the Taliban's ambassador. In 2022, the Abu Dhabi-based GAAC Holding firm signed an agreement with the Taliban government to operate Kabul, Kandahar, and Herat airports.

The contract also encompassed aviation security services at these airports, along with that of Mazar-e-Sharif.

The meeting between MbZ and Haqqani took place few days before also Putin stated Moscow has to "build up relations" with the Taliban government, thus signalling an Emirati-Russian alignment about Afghanistan. What's even more striking about the Emirati self-confident posture is that Tahnoun bin Zayed, the influential brother of MbZ, Deputy ruler of Abu Dhabi and UAE National Security Adviser, visited Washington in the same hours and met with Jake Sullivan, the US National security advisor to discuss international and regional issues.

Kuwait knocks at China's door for port infrastructures

The third example is Kuwait's decision to knock, again, at China's door to relaunch ports development projects in the emirate, as part of the Emir Sheikh Meshal Al-Ahmad Al-Sabah's effort to revive the economy after he suspended the National Assembly to overcome the political-institutional stalemate. The port initiative is likely the Kuwaiti reaction to an Iraq-based competing corridor project, the Arab Development Road, previously announced. On late May, Kuwait hosted discussions with Chinese officials to boost infrastructural ventures, with a focus on the finalisation of Mubarak Al-Kabeer, the port whose building stopped a decade ago.

Placed on Bubiyan island, the Kuwaiti port is very close, and so in direct competition, with the Iraqi Al Faw port, which stands at the centre of the Arab Development Road. This is an ambitious trade corridor launched in April 2024 to connect Iraq to Turkey and then Europe. The Arab Development Road project, which also receives funds from the UAE and Qatar would challenge - whether constructed - the Chinese Belt and Road Initiative (BRI), and to a lesser extent the IMEC, the India-Middle East Economic Corridor sponsored by the US in 2023.

Three reasons

There are three main reasons that can explain why the GCC states are now taking a bolder stance in dealing with a world of multipolar powers. The first is the economy, which drives their post-oil oriented foreign policies. The GCC states look more and more eastward for business since their "Visions" programs are entering a crucial implementation phase, in a highly unstable international context. In some cases (Oman; Kuwait), governments also aim to accelerate on investments and projects delayed or on late, also with respect to bigger neighbours. The second reason is strictly political. The Gulf monarchies are aware the US needs their support, from energy princes to Middle Eastern security, especially now the world is so polarized.

Geopolitical positions can be aligned with Washington in some theatres and dis-aligned in others without significant consequences for the alliance, and this contributes to make sense of GCC leaders' increasingly daring behaviour. Parallely, rising Asian economies need the Gulf for its energy resources and export-oriented infrastructures.

The third reason attains to the critical window a multipolar world order opens also for the GCC states. This means the possibility for Riyadh, Abu Dhabi, Doha and the others to have a say in the rewriting of international rules, also as part of the Southern-led BRICS platform.

Thus Gulf monarchies' foreign policy has entered a bolder multipolar moment, and this is going to mark their next choices.

4.2 GCC STRUGGLES: INTERNAL RIVALRIES, FRAGMENTATION AND LOST OPPORTUNITIES

*Kristian Coates Ulrichsen, Fellow for the Middle East,
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The six members of the Gulf Cooperation Council (GCC) have largely come back together since the Al Ula Declaration in January 2021 ended the longest and deepest rift in the GCC's 43-year history. Unlike the Riyadh Agreements of 2013 and 2014 which purported to end an earlier standoff among GCC states, the post-Al Ula period has seen tangible progress on addressing underlying issues that had split the Gulf States down the middle in the turbulent aftermath of the regional Arab Spring upheaval in 2011-12. While the Riyadh Agreements were kept secret at the time (and later revealed to be vague in committing the parties to action), a copy of the Al Ula Declaration was lodged with the United Nations, and a series of working groups that have convened since 2021 have facilitated and supported the regional reconciliation process. For most of its history since its establishment in 1981 in the wake of the turmoil of the Iranian revolution and the Iraqi invasion of Iran, the GCC has struggled to function as a collective entity, in part due to a lack of mechanisms to pool sovereignty or coordinate policymaking at a GCC level. The GCC lacks executive and legislative arms akin to the European Commission or European Parliament, and the Secretariat in Riyadh has been rather more successful in aligning technocratic standards than political decision-making. During the prolonged crisis in intra-GCC relations between June 2017 and January 2021, the GCC was unable to prevent three of its members (Saudi Arabia, Bahrain, and the United Arab Emirates) from embargoing a fourth (Qatar), and was not involved in the mediation efforts led by Kuwait and the U.S. A chronic inability to agree common positions on matters of foreign, security, and defense policy added to the centrifugal pressures and contributed to the severity of the political splits within the GCC in the 2010s.

A new mood of pragmatism

Regional developments since 2019 have nevertheless assisted the GCC both as an institution and as the collection of six relatively likeminded states. History has shown that the Gulf States drew closer together in times of external uncertainty, as was the case in 1981 when, after years of fruitless discussions about creating a regional grouping (and whether it would include or exclude Iraq and Iran), the GCC ultimately came together at speed as ruling elites in the Arab Gulf reacted to the war and revolution around them. In 2019, the Trump administration in the U.S. failed to come to its partners' aid after a series of attacks on maritime and energy facilities in Saudi Arabia and the UAE, linked to (but never formally claimed by) Iran, or Iranian-aligned non-state actors. This caused shockwaves in Riyadh and Abu Dhabi, where officials began to reach out, indirectly in the Saudi case and directly in the Emirati case, to Iranian counterparts, to initiate dialogue to de-escalate what had been soaring tensions and multiple rivalries in the Gulf. The rapprochement with Teheran, symbolized by the China-brokered Saudi-Iran deal to restore diplomatic relations in March 2023, is testament to the new mood of pragmatism that has swept through the region.

In March 2024, the GCC launched a Vision for Regional Security that encapsulated the opportunities as well as the limitations that continue to define the parameters of what is (and is not) possible for the

GCC. While the document signified a step forward in generating a degree of consensus around a particularly sensitive issue – regional security – that had hitherto been such a focus of divergence and bitterness among member-states, it was relatively anodyne in content and vague on detail. This suggested that while there remained a lack of coherence around 'big-ticket' items of foreign and security policy, such as the varying relationships with Israel, there was a greater willingness to put those issues aside and not let them get in the way of 'nuts-and-bolts' cooperation as the GCC navigated the maelstrom of regional geopolitics.

The future is on energy and economy

De-risking is the name of the game across the GCC as officials in all six states focus on economic diversification and long-term development plans. While their visions are national, rather than regional, and could result in competitive rivalries further down the line, particularly between Saudi Arabia and the UAE, they are far less likely to result in political ruptures of the sort that characterized the post-2011 era. Higher levels of cross-border investments across the Gulf States are a sign that, for the time being at least, there is a convergence of economic and energy interests that augur well for the GCC, but it remains to be seen whether this translates into outcomes such as regional free trade agreements with external partners. Finally, the growth of regional concerns over whether the U.S. is still a reliable and predictable contributor to regional stability and security, has fed into moves to expand the array of international relationships in the Gulf, and this offers new opportunities for the European Union and for European-Gulf relations moving forward.



4.3 NAVIGATING RIVALRIES AND BUILDING ALLIANCES: THE GCC IN A MULTIPOLAR WORLD

Yusuf Al Bulushi, Researcher, Modern College of Business and Science



The Gulf Cooperation Council (GCC), founded in 1981, two years after the Islamic regime took power in Tehran, has faced both opportunities and challenges since its inception. In particular, the rift of 2017 was a pivotal moment that nearly fractured the alliance and appeared like the tip of an iceberg. The crisis, often likened to other significant global political events, revealed both vulnerabilities and strengths within the GCC which have since shaped its current dynamics. The resolution of this dispute was not just about restoring diplomatic ties but also about establishing a new framework of cooperation among different Gulf countries based on pragmatism, unity, and shared strategic interests.

A more cohesive post-rift era

Post-crisis, GCC members have demonstrated a stronger capacity for collective action, especially when dealing with global powers and managing regional conflicts. The countries' cohesion is built on a shared identity as monarchies, in which the values of political stability and economic growth have been prioritised as socio-economic challenges have become national security concerns. While individual member states may pursue differing foreign policies, such as in their approach to Iran or Israel, the larger framework of GCC collaboration continues to hold. These policy divergences are relatively minor compared to more severe fragmentations seen in other regions. All countries are moving towards economic ties with different regions, realising that they can gain from their political efforts. The GCC has had strategic meetings with the U.S., China, Russia, Turkey and India, and is set for the largest meeting between multilateral partners with the EU in October 2024, at a time when the Middle East and Europe are in crisis.

A multipolar shift: adapting to global realities

The global order is increasingly defined by multipolarity, where power is distributed across several nations rather than dominated by one or two. This shift presents both challenges and opportunities for the GCC. As global powers like China, Russia, the EU, and the U.S. jockey for influence in the Middle East, the Gulf states have skilfully managed to position themselves as key players in the new geopolitical landscape. According to an analysis by the Carnegie Endowment, the GCC has embraced new trade and diplomatic alliances, particularly with China and India, while also maintaining ties with the West. This balancing act allows the GCC states to navigate global rivalries without being forced to choose sides, a strategy that has enhanced their diplomatic leverage. Saudi Arabia and the UAE, for instance, have diversified their global partnerships, engaging with China on trade and technology while collaborating with the U.S., Korea, and Europe on security and defence issues. These moves are strategic, as they enable the GCC to exert influence over global affairs while avoiding entanglement in great power conflicts. According to a report by Oxford Economics, the GCC economies are expected to see significant growth in 2024, driven by both their energy and non-energy sectors.

Energy diplomacy: stability amidst volatility

One of the most prominent examples of the GCC's influence in a multipolar world is its role in global energy markets. As major energy producers, GCC states have contributed to stabilising energy prices despite rising geopolitical tensions. By pursuing pragmatic policies, especially in the context of OPEC+, GCC states have helped mitigate price volatility and ensure a steady supply of energy. This not only strengthens their economies but also positions them as responsible actors in the global economic system.

The evolving global energy transition, with its push towards renewable sources, adds complexity to the GCC's role. However, Gulf states are increasingly investing in green energy initiatives, balancing their traditional oil revenue with the future demands of a carbon-neutral world. By doing so, the GCC aims to retain its influence even as the global energy landscape transforms. For instance, the UAE hosted COP28, showcasing its commitment to sustainable energy.

Engagement with regional conflicts: pragmatic mediation

GCC states have also established themselves as mediators in both regional and international conflicts, a role that demonstrates their diplomatic agility. For instance, Qatar's successful mediation with the Taliban, Saudi Arabia's involvement in peace talks for Sudan, and Oman's role in U.S.-Iran negotiations, as well as the UAE's success in prisoner exchanges between Russia and Ukraine all highlight the diverse mediation models employed by the GCC. While each state may have its own methods, the collective outcome has been a more peaceful and stable region. According to the Washington Institute, "Gulf states, particularly Qatar and the UAE, have built strong diplomatic channels that position them as indispensable mediators on the global stage".

Moreover, engagement with Iran, despite varied approaches, showcases how the GCC states have worked to manage tensions

with Tehran. By maintaining diplomatic channels, the GCC has helped lower the risk of direct conflict with Iran, thereby contributing to a more stable Gulf region. These engagements have also influenced Iran's internal politics, fostering the rise of reformist elements within its government.

Positive competition: economic diversification and collaboration

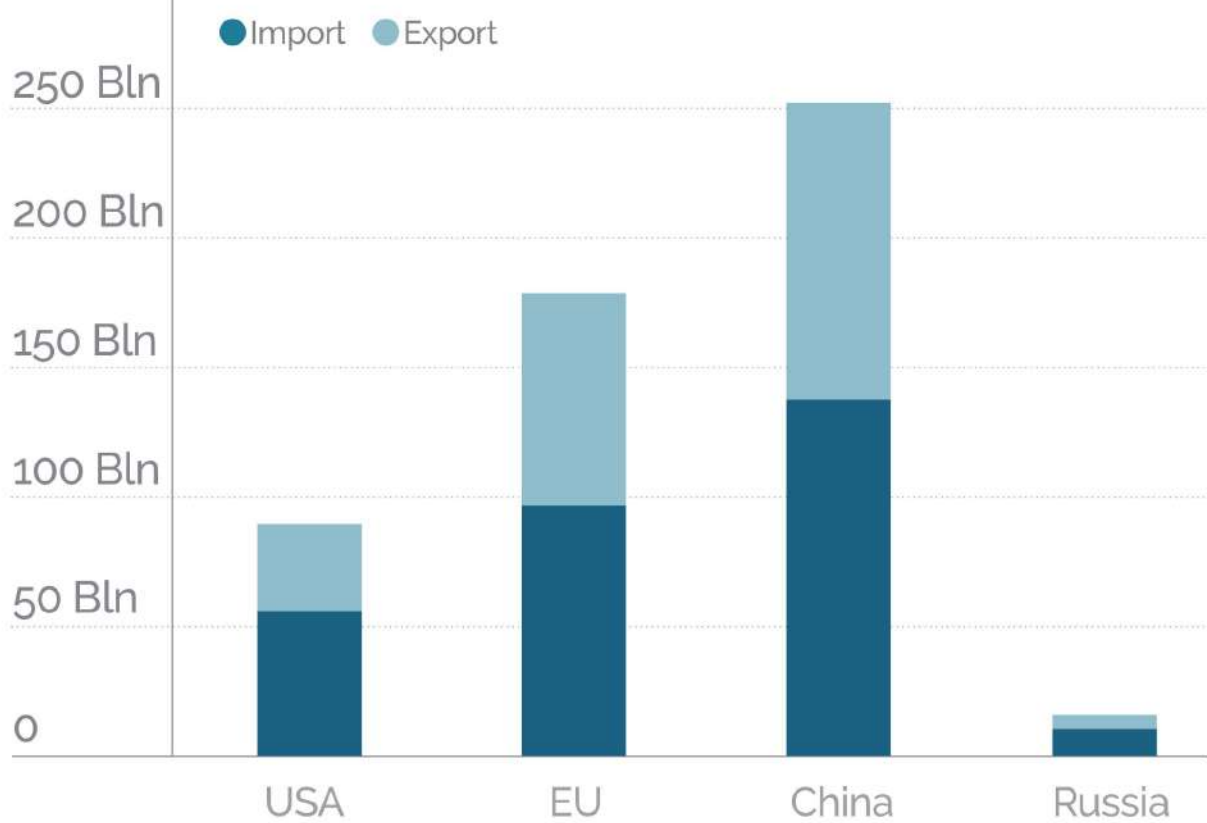
Intra-GCC competition, particularly between Saudi Arabia, the UAE, and Qatar, is often framed negatively. However, this competition has also sparked positive outcomes, particularly in economic diversification. The drive to attract investment, develop tourism, and build knowledge-based economies has benefited the entire region. The development of mega-projects like Saudi Arabia's NEOM and the UAE's advanced tech and finance sectors reflects this. As noted by Oxford Economics, non-oil sectors are set to drive much of the GCC's economic growth in 2024, further cementing the bloc's role in the global economy.

At the same time, competition has been balanced by increased economic cooperation, such as the expansion of intra-GCC infrastructure, connectivity, and trade. This cooperation has further cemented the GCC's place in the global economy as a vital player.

A stable path in a multipolar world

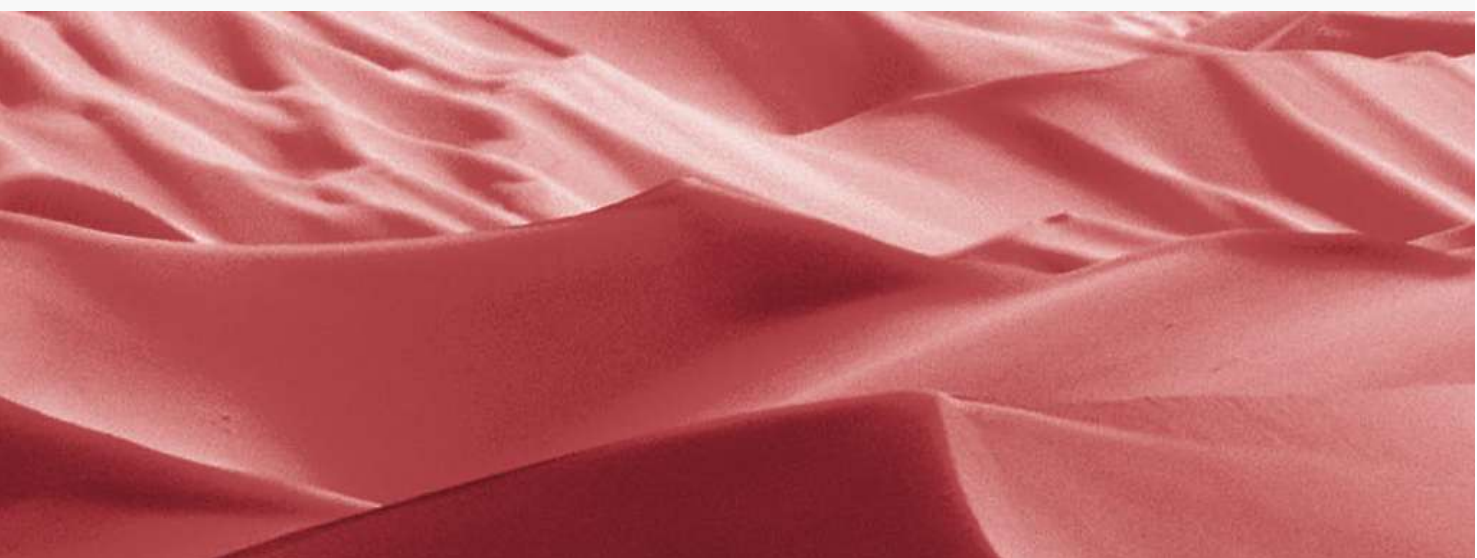
The GCC has managed to navigate a world marked by shifting alliances and great power rivalries by balancing internal differences, deepening partnerships across multiple fronts, and maintaining a pragmatic approach to foreign relations. As the first-ever EU-GCC Summit approaches, it is clear that the Gulf states are more united than ever in their approach to both regional and global affairs. The ability to engage with a range of powers, while maintaining a cohesive regional identity, ensures that the GCC will remain a key player in the multipolar world of the 21st century. Chatham House emphasises that the GCC's ability to maintain cohesion while pursuing diverse foreign policies ensures that it remains a stabilising force in an otherwise volatile international system.

THE GCC FACES CHALLENGES AND OPPORTUNITIES IN A NEW GLOBAL ORDER



**GCC TRADE WITH
US,EU, RUSSIA AND CHINA
IN 2023**

■ Source: ISPI Elaboration on data from Italian Ministry of the Interior



4.4 GULF INVESTMENTS IN CHINA: A NEW ERA OF STRATEGIC PARTNERSHIPS?

Layla Ali, Researcher, Gulf Research Center (GRC)

Gulf investments in China have expanded significantly over the past few years, driven by strategic partnerships and mutual economic interests. This expansion is not a mere coincidence, but rather the result of careful planning and strategic foresight.

For Saudi Arabia and the rest of the countries of the Gulf Cooperation Council (GCC), continued economic diversification plans take absolute precedence in their policy planning. China, and much of the rest of Asia, are seen as critical components of these vision plans which are coming to fruition.

Collectively and individually, the six GCC member states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) rank among China's largest trading partners in the Middle East, with a total trade volume of \$315.8 billion in 2022. The volume of the GCC countries' GDP amounts to \$2.4 trillion compared to China's which reached \$17.7 trillion. The GCC countries are the ninth-largest economy in the world while China is considered the second, making cooperation between the two regions pivotal to the global economy.

GCC-China strategic partnership: A path towards free trade and investment growth

Comprehensive strategic partnerships, multilateral action plans, joint initiatives, and perhaps soon, a China-GCC free-trade agreement, reinforce this ascending trajectory. During the China-GCC Forum for Industries and Investment held in Xiamen on May 23, 2024, President Xi Jinping stated that deepening industrial and investment cooperation between the GCC countries and China will help reinforce the alignment between the Belt and Road Initiative and the development strategies, visions, and plans of GCC countries.

The strengthening of the GCC-Sino cooperation can be further exemplified as around 90% of the terms of the free trade negotiations between the GCC member countries and China have been agreed on, as stated by Chen Weiqing, China's Ambassador to Saudi Arabia. Both sides have made progress regarding the deal, with the first session of the meeting of economic and trade ministers from China and the GCC states being held in Guangzhou in October 2023 after ten rounds of technical meetings and negotiations.

In addition, the value of acquisitions and investments by Gulf companies in China has climbed more than 1000% year-on-year to \$5.3 billion in 2023, much of this growth has been in corporate-level and joint petrochemical projects. During the 10th Arab-China Business Conference that was held in Riyadh in June 2023, it was mentioned that China is set to receive between \$1-2 trillion in investments from the top Gulf sovereign wealth funds (SWFs) by 2030 as they look to Asia, particularly China, amid a rise in their investment capital. Saudi Arabia's Minister of Investment, H.E. Khalid Al Falih, affirmed during the forum that economic ties between China and the Arab world, especially with Saudi Arabia, are growing, and there is room for further growth, particularly in capital market relations between Beijing and Riyadh.

Acquisitions by GCC SWFs in China increased to over \$2.3 billion in 2023, up from \$100 million the previous year. UAE President, His Highness Sheikh Mohamed bin Zayed

Al Nahyan, visited China on May 30, 2024, for the China-Arab States Cooperation Forum.

The visit was held within the framework of the Comprehensive Strategic Partnership between the UAE and China as it marks the 40th anniversary of the establishment of diplomatic relations between the two countries.

The number of Gulf entities applying for and receiving the Qualified Foreign Institutional Investor (QFII) certification increased from three to nine in 2021–2022, surpassing the previous decade's gradual and upward trend in the size and diversity of investments of well-established GCC SWFs in China. Although the Saudi SWF—despite its global ambitions and reach—arguably “entered” the Chinese equity market in 2016 through its partnership with SoftBank, it is only now starting to deploy capital directly into China. In February 2022, Saudi Arabia's Public Investment Fund (PIF) opened an office in Hong Kong, demonstrating its intentions to deepen its ties with Beijing. The Saudi Tadawul Group, which oversees the Saudi stock exchange, allegedly started preliminary talks about cross-listing with the exchanges in Hong Kong, Shanghai, and Shenzhen next year. Such agreements may facilitate greater Gulf SWFs and other GCC-based public and private funds access to the Chinese equity market.

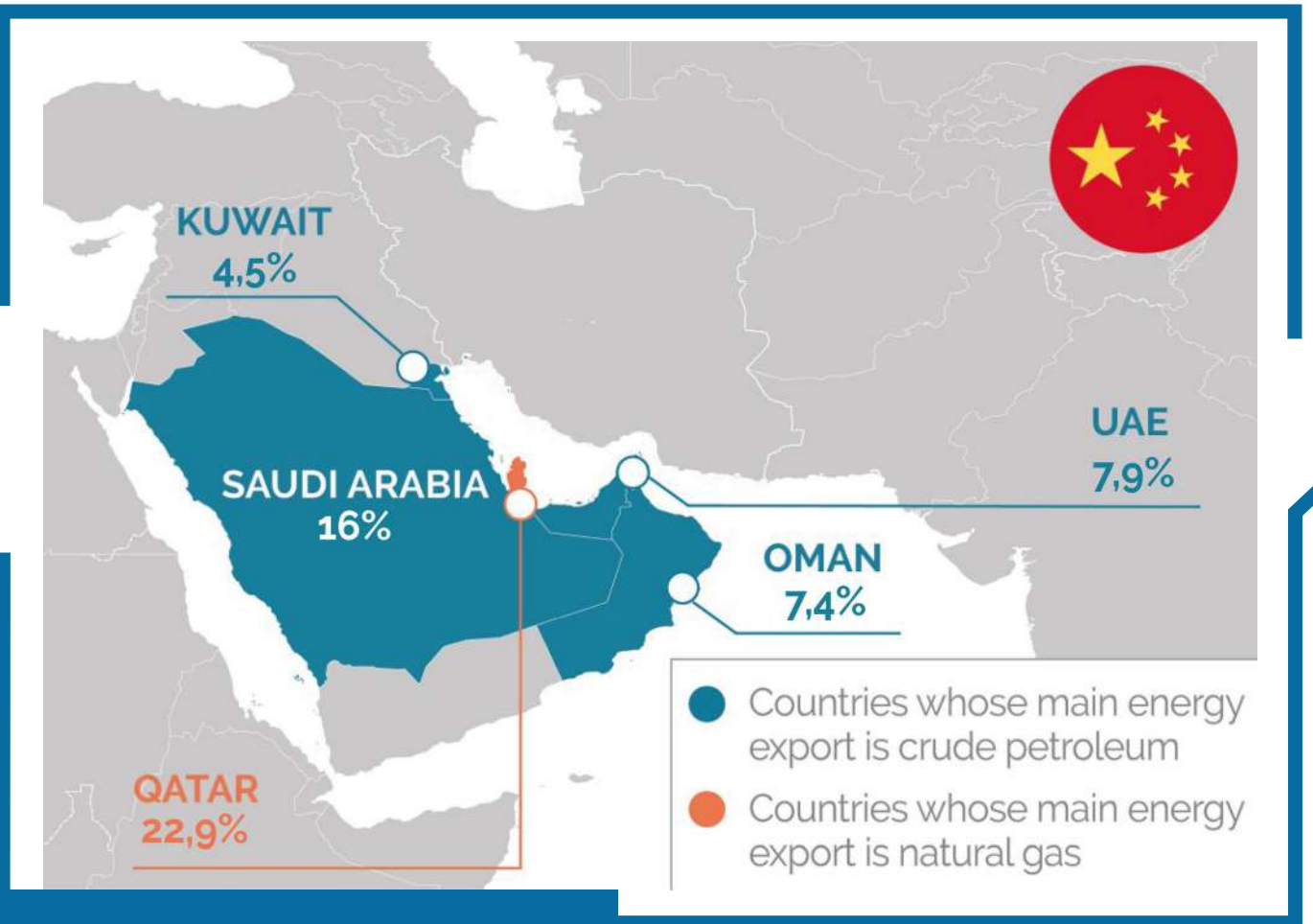
Diversification and innovation: The Gulf's strategic shift towards Asia

These efforts are indicative of a larger trend where Gulf countries are diversifying their investment portfolios and reducing dependence on fossil fuels. By targeting sectors with high growth potential, these investments not only seek financial returns but also aim to foster innovation and economic diversification in both regions. The GCC's ambitions to develop clean energy opportunities bind the region tighter to China, given that Beijing is the dominant global player in the clean energy supply chain, controlling significant shares in batteries, wind power, and lithium production. According to UN Comtrade data, China's lithium battery exports to the GCC grew 26% between 2021 and 2022, with a 99% increase in the first three-quarters of 2023. The market opportunity in renewable energy is driven by national visions and the GCC's quest for economic diversification. Chinese enterprises, attracted to the Gulf (such as in Saudi Arabia) by the shift from traditional governmental project models to public-private partnerships, claim that the involvement of Chinese businesses generates significant societal benefits.

The determination of the GCC states to expand business and economic ties with China will undoubtedly be impacted by the U.S.-GCC ties. Yet, despite current U.S. suggestions that broadening GCC-China ties could come with consequences, GCC

countries will continue to move forward with developing their relations with China. Indeed, the growing economic relationship between the Gulf and China underscores an increasing trajectory in global investment patterns, where traditional Western-centric investment strategies are being complemented by Asia-Middle East partnerships. These collaborations are expected to play a crucial role in shaping the economic landscape of both regions in the coming years.

**GULF INVESTMENTS IN
CHINA HAVE EXPANDED
SIGNIFICANTLY OVER
THE PAST FEW YEARS
AS A RESULT OF
CAREFUL PLANNING
AND STRATEGIC
FORESIGHT**



HOW MUCH ENERGY DOES CHINA IMPORT FROM GCC COUNTRIES?

GULF COUNTRIES SHARE IN CHINA'S ENERGY IMPORTS, BY PERCENTAGE (2023)

Source: General Administration of Custom People's Republic of China

Yet, Gulf investments in China should not be viewed as a strategic pivot away from other regions, but rather as an effort to enhance the Gulf countries' focus on Asia. This trend is characterized by a mutual interest in economic diversification and high-growth sectors. The rationale behind these investments is not just to capitalize on the robust growth potential of the Asian markets, particularly China, but also to foster a mutually beneficial relationship. This approach allows Gulf investors to tap into new opportunities in rapidly developing industries, fostering innovation and economic growth on both sides.

Although there has been a gradual upward trajectory in both the scale and diversity of investments by the Gulf funds and a growing engagement with the Chinese equity market, especially into technological and other emerging sectors that align with Gulf interests, it must be noted that this does not presage a transformation in China-Gulf relations.

Rather, the increasing complexity of their economic ties reflects a broader global shift towards Asia as a vital economic hub. Rather than representing a strategic realignment, Gulf investments in China signify a natural progression towards deepening economic ties with a region that is increasingly influential in the global economy. Overall, Gulf investments in China illustrate a pragmatic approach to leveraging growth opportunities in Asia while maintaining a balanced global investment strategy and they pave the way for a promising future for global economic relations.



5. THE FUTURE OF NORTH-SOUTH RELATIONS: THE EU AND THE MENA REGION



The European Union has historically been directly involved, to varying extents, in developments along the southern Mediterranean, yet it continues to struggle in defining a cohesive approach. A recent development has been the inauguration (in 2022) and subsequent strengthening of bilateral cooperation between the EU and the Gulf Cooperation Council (GCC). This promising synergy focuses primarily on shared economic development projects but is complicated by international political issues, including the war in Ukraine and, more critically, the conflicts in Gaza and Lebanon. In response to the escalating violence in the Levant, EU member states are largely acting individually, revealing clear divisions over their stance toward both Israel's conduct of the war and the recognition of a Palestinian state. In terms of its relationship with North African countries, the EU remains focused on managing migration through cooperative efforts between both sides of the Mediterranean. However, the challenge of balancing respect for human rights with effective migration management continues to elude a definitive strategy

5.1

GAZA AS EUROPE'S MIRROR: REFLECTIONS ON EU POLICY IN THE MIDDLE EAST

Eduard Soler i Lecha, Associate Professor, Universitat Autònoma de Barcelona

The war in the Middle East and the massacre in Gaza are a tragic reality. A tragedy that perhaps could have been prevented. Equally tragic, is the impact this episode may have on the EU's role in the international arena. Similar to the mirror in the classic tale of Snow White, international players can evaluate their stance on the Gaza conflict as a reflection of their capacity to act as credible, effective and constructive forces on the global stage. This is especially true for the EU.

Europe has always sought a role in the Middle East

From the very beginning, the Middle East has been a laboratory for the EU to gain acknowledgment of its status by major global players. One of the first topics addressed by the European Political Cooperation in the early 1970s – a precursor to today's Common Foreign and Security Policy – was the conflict in the Middle East. The launch of the Euro-Arab Dialogue following the Yom Kippur War, along with the groundbreaking Venice Declaration in 1980, demonstrated the then-members of the European Economic Community's ability to establish a distinct policy on the conflict, independent of Washington's stance. In 1995 the EU initiated the Euro-Mediterranean Partnership, which included both Israel and Palestine as full members, aiming to support the parallel Middle East Peace Process. Additionally, it became the largest donor to the Palestinian National Authority. In 2002, the EU joined the Quartet alongside Russia, the UN and the USA to push for a road map for peace, and in 2005, it deployed its first missions in Palestine (EUBAM Rafah and EUPOL-COPPS). While these milestones initially positioned the EU as an aspiring peace broker in the Middle East, the stagnation and divisions of recent years reveal a different account of the EU's capacities and role in this conflict. Prior to 7 October, assessments of the EU's role in the Middle East were quite precarious despite the commendable role it had played in the inception of the peace process in the 1990s.

After 7 October, divisions and misunderstandings among Europeans over Israel...

The outbreak of a new phase in this decades-old conflict serves, as indicated in the title, as a mirror through which the EU can candidly recognise its shortcomings in becoming an effective and constructive actor in a conflict in its neighbourhood that holds considerable global significance. This much-needed self-assessment, coinciding with the start of a new political cycle, is essential for the EU to regain the credibility and recognition it has lost, not only since 7 October but over the past decade as well.

We can start this assessment by looking at how the European Union (EU) responded to the 7 October attacks with a unified expression of solidarity with Israel, which contrasted with the EU's inability to reach any relevant common position on this conflict since 2016. The emotional shock was huge, and all countries could agree on the need to condemn this attack. However, cracks in EU policy quickly emerged and were visible to the world through uneven voting patterns in the

UN and contradictory statements.

The EU's approach to its policies toward Israel has revealed significant divisions among member states. Some countries, such as Austria, Hungary and the Czech Republic, advocate for unconditional support for Israel, prioritising its security needs and voting with Israel in the United Nations General Assembly against calls for a ceasefire. On top of this, the Hungarian government twice blocked an EU statement on the matter. Many other countries, such as the Netherlands and Germany, have taken a similar stance of support to Israel but opted for abstention when the issue was put to a vote in the UN. Conversely, countries such as France, Belgium, Luxembourg, Spain and Ireland have unequivocally condemned Hamas's actions while also criticising the excesses in Israel's retaliation and voting in favour of resolutions calling for truces and ceasefires. Some of these governments have gone a step further; for instance, Spain and Ireland have called for an "urgent review" of whether Israel is complying with human rights obligations under its trade agreements with the EU. Additionally, the French president has called for an end to arms exports to Israel that are being used in Gaza and Lebanon. Adding further complexity to this cacophony of viewpoints, Italy – a major player within the EU – abstained in the UN vote on the ceasefire while simultaneously imposing restrictions on arms exports to Israel.

Alongside the divisions among member states, the internal dissonance within EU institutions, exemplified by Ursula von der Leyen and Roberta Metsola's controversial visit to Israel on 13 October 2023, highlights the magnitude of the challenge. This visit was criticised in an unprecedented letter signed by hundreds of EU staffers for taking sides and overstepping their authority. Josep Borrell also reflected on this visit during a press conference in Beijing, stating that "the position of the European Union on foreign policy is being determined by the European Union Council and by the Foreign Affairs Ministers Council, because the common foreign policy of the European Union is an intergovernmental policy, it's not a community policy."

... and over the recognition of Palestine

When it comes to Palestine, the EU faces challenges in determining the degree and nature of its support. Following the Hamas attacks on Israel, Hungarian EU Commissioner Oliver Varhelyi announced on X that aid to Palestinians would be suspended, a statement quickly contradicted by Commission spokesperson Eric Mamer, highlighting a lack of consultation within the Commission. European Commissioner Janez Lenarcic reaffirmed that humanitarian aid would continue. Several member states, including France, Ireland, Spain and Luxembourg, opposed the proposal to cut aid, asserting that it would exacerbate the humanitarian crisis in Gaza. Spain, for instance, committed to doubling its aid to Palestinians. In contrast, Hungary and the Czech Republic supported Varhelyi's stance.

The lack of consensus was further evident in an informal video conference of EU foreign ministers, where a majority favoured maintaining

aid to the Palestinian Authority but unanimity was not reached. In January 2024, allegations by Israel against the UNRWA led to divergent responses among EU countries regarding funding. While the Netherlands halted contributions, France, Germany and Italy resumed funding after finding no evidence for Israel's claims, and Spain, Ireland and Portugal increased their support, underscoring the EU's fragmented approach on this particular matter.

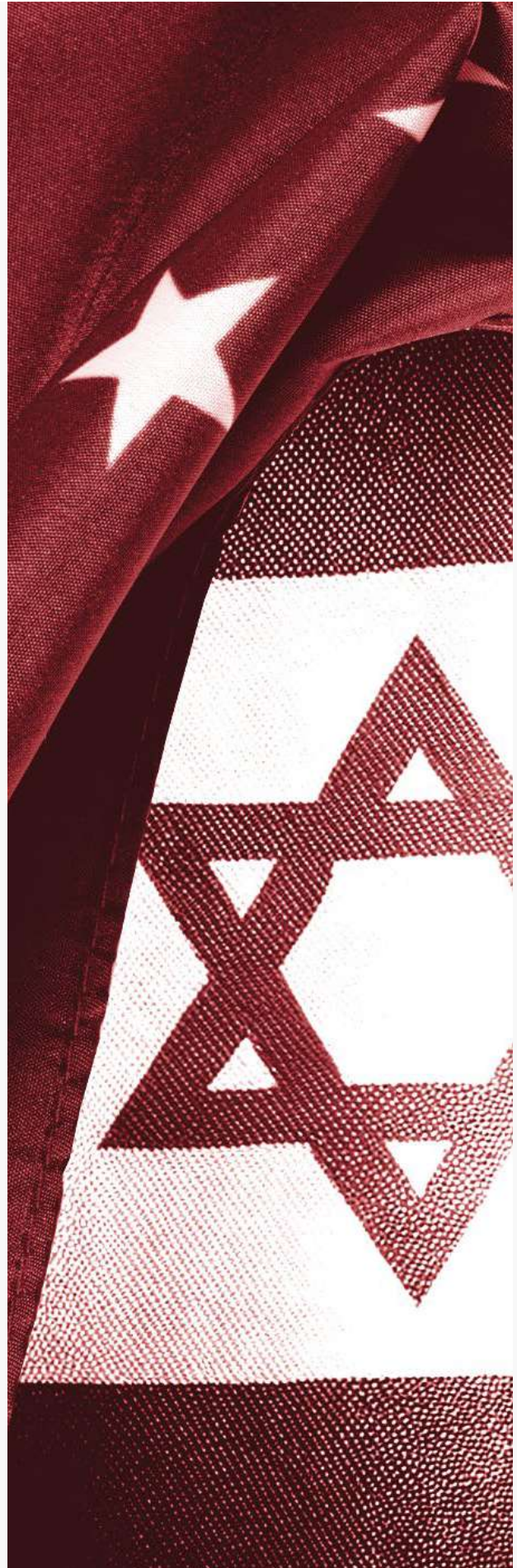
The issue of Palestinian statehood is also contentious, with some member states advocating for recognition and support of Palestinian statehood while others remain cautious, concerned about the potential implications for peace negotiations. It is worth reiterating that this is an issue where there was no consensus within the EU. In October 2014, Sweden recognised the State of Palestine, arguing that in light of the paralysis of the peace process, this was needed to create the basis for a fairer negotiation. In this new phase, Spain and Ireland, along with Norway, a non-EU country, took a similar decision, with Slovenia following suit a few days later. Israel reacted very negatively, not to say threateningly, towards these countries and, revealingly, this was not met with any display of solidarity by the other EU countries.

Remain united in divisions or show only passive concern?

To sum it up, when the EU sees itself reflected in the Gaza mirror, it perceives a divided group of countries that seem to agree on the need to de-escalate tensions, avoid a regional extension of the war and revamp the two-state solution. However, they struggle to agree on how to achieve these goals and, above all, how to respond to Israel's request for unconditional support. Given the substantial gap in positions and sensitivities, EU leaders will face a choice. The first option is to accept these divisions as a natural reality, while working collectively towards peace as the ultimate goal – which at least seems to be consensual.

To avoid this being perceived as an unbearable dissonance, all parties should reinforce their mutual loyalty and solidarity, and those leading the institutions must take care to mitigate the negative effects of these divisions rather than exacerbate them. Simultaneously, an assessment should be conducted to identify areas of greater convergence and allocate resources accordingly so that, at least in some aspects, the EU remains recognisable as a cohesive actor. The second option – to remain silent – confines the EU to passive concern rather than active involvement, hollowing out any semblance of a unified foreign policy. This would render a common foreign policy a farce; rather than unity of action, it would culminate in unity through inaction. Thus, unless a major shock alters this rather grim picture, the first option – acknowledging and managing divisions, strengthening loyalty and being imaginative about what can be done despite the adverse circumstances – appears to be a more productive path.

Similar to the mirror in the classic tale of Snow White, EU can evaluate its stance on the Gaza conflict as a reflection of its capacity to act as credible, effective and constructive forces on the global stage



5.2 THE EURO-MEDITERRANEAN PARTNERSHIP: THREE DECADES OF TRIALS AND TRIUMPHS

Caterina Roggero, Senior Associate Research Fellow, ISPI MENA Centre

Is there any change to be expected in the Euro-Mediterranean policy of the new European Commission? If we look at the difficulties, hesitations, steps forward and many steps backward of (at least) these last thirty years, there are no illusions. Despite the good intentions and the flaunting of common and shared values and strategies, from the Barcelona Process onwards, if not from even earlier, that is to say from the outdated Euro-Arab Dialogue, Euro-Mediterranean policy has always been driven by emergency issues, in turn connected to safeguarding the economic and geo-strategic interests of the Northern shore and not the Southern one. What is certain is that, even on the part of North African and Middle Eastern (MENA) countries, the attitude has been characterised, over the same time, by closures and divisions as well as by the physiological pursuit of the personal/national advantage of mostly authoritarian regimes.

Emergency! The North calls the South

The 1973 energy crisis was the first emergency faced by the European powers. Georges Pompidou's Gaullist France then succeeded in convincing the other members of the European Economic Community (EEC), the ancestor of the EU, that it was indispensable to break free from American control through direct negotiation and relations with those oil-producing countries, which during the Yom Kippur war had implemented an embargo on exports to Western countries supporting Israel, causing the economic shock. Promoted by France, the Euro-Arab Dialogue then took shape in 1974 and was conceived as a forum for discussion between the EEC and the Arab states under the auspices of the Arab League. At the time, the Palestinian question weighed like a boulder and the Dialogue trudged, surviving the many fronts opened up in the enlarged Middle East in the 1980s (wars in Lebanon and between Iraq and Iran, international terrorism, US raids in Libya), but collapsing following the invasion of Kuwait and the subsequent First Gulf War, which scuttled any cooperation between the two "worlds".

On the wave of the enthusiasm of the Oslo process and in order to carve out a space for itself in the American protagonism in the Middle East, in the early 1990s the EEC promoted a Renovated Mediterranean Policy, which was later translated into the famous Barcelona Process (1995). In those years, Europe had kept an eye on the simultaneous path of Maghreb regional integration that led to the Arab Maghreb Union (AMU, 1989): promoting this initiative of South-South collaboration was basically in the interest of the Old Continent. The emergency at that point had in fact shifted to the need to assist and consolidate the peace process, ensuring that "stability and prosperity" were established throughout the Mediterranean basin, crucial for the very wellbeing of Europeans. Peace and development on the Southern shore were necessary, if not indispensable, to the economic-political equilibrium of the North,

and therefore it was necessary to "haul" the AMU and/or the individual Maghreb countries along by hooking them up to the emerging EU. Initially, the new concept proposed was that of a "Euro-Maghreb partnership", i.e. moving from a logic of development cooperation to one of collaboration between two equal parties. With the Euro-Mediterranean partnership sanctioned at the Essen European Council in 1994, and then definitively with the Barcelona Declaration in 1995, the newly founded EU extended this renewed approach to all the countries on the Southern shore (including Israel). No longer, therefore, only to the AMU, also because the latter had in the meantime lost its individuality following the crisis (1994) that blocked any initiative over the age-old issue of Western Sahara, still nowadays an irremovable stumbling block in relations between Algeria and Morocco.

The Barcelona process was an ambitious and valuable project, which aimed to foster peaceful and cooperative relations between states on the shores of the Mediterranean. However, it ran aground, ending up as a collateral victim of the stalemate in the Oslo process. This was not the only reason behind the failure of the partnership that had raised so much hope in the 1990s. After the terrorist attacks of 11 September 2001 and the accompanying fear of the "clash of civilisations", the new emergency for the EU was terrorism. Security needs therefore prevailed over those of intensifying economic and civil society relations. Brussels adopted the European Security Strategy in December 2003, which referred to the MENA region as a victim of economic stagnation, social unrest and unresolved conflicts, and also highlighted the relationship between global terrorism and religious extremism. Adding to this was the fact that, with the 2004 eastward enlargement, the EU had to reckon with countries with radically different, if not opposing, Mediterranean needs.

The foundations were then laid for the new European Neighbourhood Policy (ENP), still active today, which pursued not only those objectives of prosperity and stability but also the quest for security, against the background of sharing the same values: good governance, democracy, rule of law and human rights. The ENP looked towards cooperation with a wider neighbourhood and had a different, less regional and more bilateral approach: relations between individual states and the EU were fostered. The Union also introduced positive conditionality mechanisms that guaranteed greater incentives to those who came closest to the values-objectives set by the Union.

The perennial centrality of the migration issue

Peace-development, security-fight against terrorism: behind these binomials, there was always inevitably the migration issue. Incentivising economic-cultural exchanges was supposed to help the peaceful development of states struggling to emerge from the economic crisis of the 1980s (due to the mix of post-

Despite good intentions and the promotion of common values and strategies, Euro-Mediterranean policy has always prioritised addressing emergency issues connected to safeguarding the economic and geo-strategic interests of the Northern shore rather than the Southern one

colonial demographic boom and international stagnation) and, consequently, discourage migration towards Europe from North Africa. Security cooperation was supposed to defuse the spiral of jihadist terrorism from the “Arab world” that was now also affecting the West. At the heart of the Euro-Mediterranean relationship, however, was the indirect support for authoritarian regimes, with which agreements were signed and whose leaders sat at the tables of the partnership negotiations sharing, only in words, those founding values. With the Arab Springs, everything was called into question and the migration crisis of 2015-2017, amid the Syrian civil war, brought the real emergency to the surface: for the EU it was now necessary to regulate the flows of those fleeing conflict, violence or failed transitions to democracy, to which were added the sub-Saharan migrants that passed through these Mediterranean lands. The ENP was at that point revised, placing even more emphasis on economic stabilisation, the security dimension and the migration issue, i.e. favouring more pragmatic and less aleatory issues, to be managed through ad hoc bilateral agreements (Partnership Priorities, Association Agendas or equivalent).

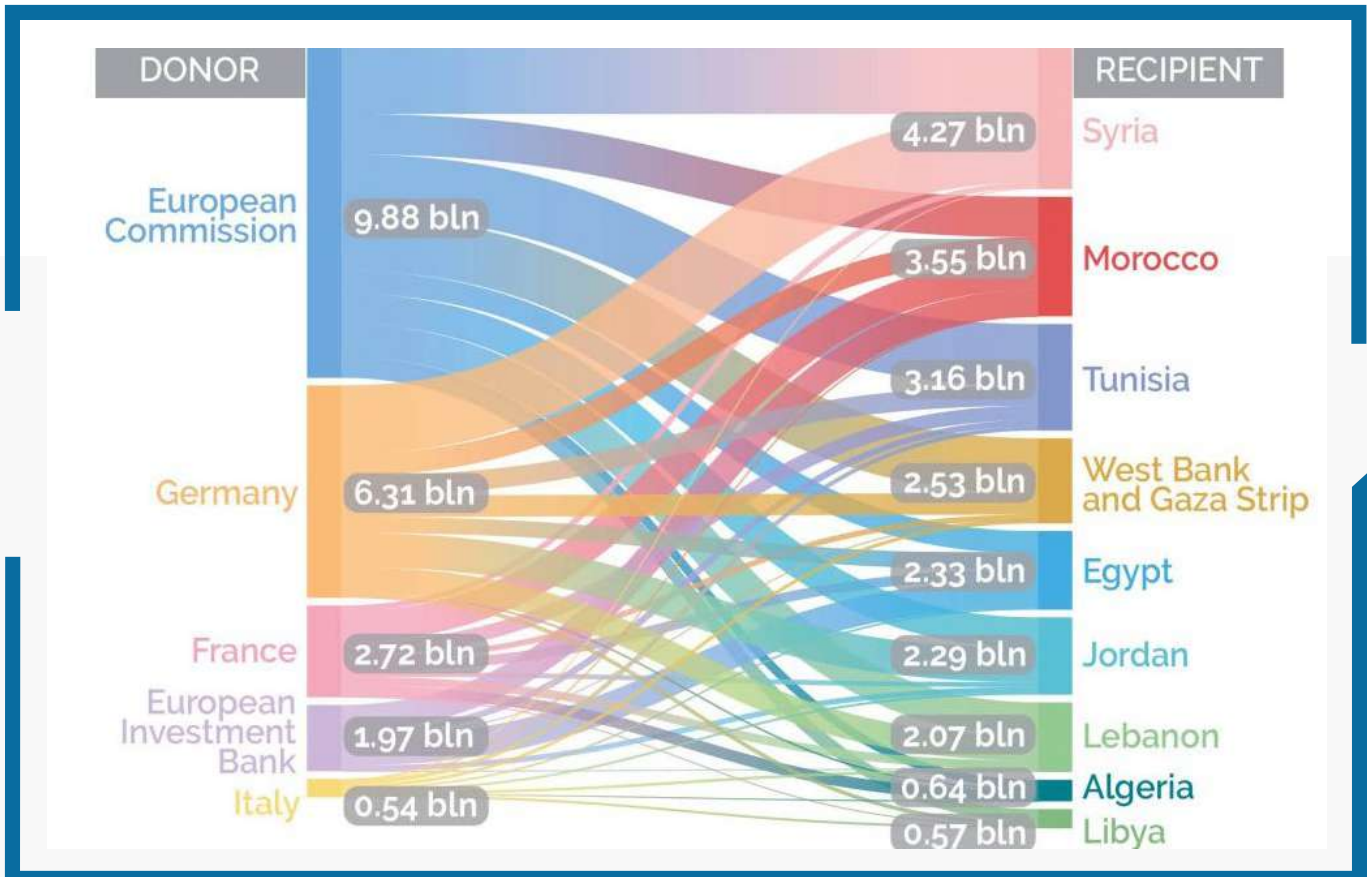
Within the ENP, just for the Southern shore, the new Agenda for the Mediterranean was approved in 2021: it still insists on the promotion of values such as the division of powers, the rule of

law, a commitment to human and fundamental rights, equality, and good governance.

The EU continues to fund cooperation projects with millions of Euros in various fields ranging from Human development & good governance, to Resilience, prosperity and digital transition, to Green transition, climate resilience, energy & environment. However, in order to stem the migratory phenomenon from North Africa and to ensure that the states in the region themselves are in a position to stop migrants from black Africa from crossing the sea in search of a better life in Europe, the EU is once again in talks with authoritarian regimes very similar to the pre-2011 ones.

By failing to overcome the dilemma of collaborating with such regimes while promoting democracy and human rights in its manifestos, the EU has fundamentally lost credibility among the North African population. The result of thirty years of difficulties and second thoughts is that the EU is no longer perceived as an example to follow, an engine from which to draw energy, a model in the field of the affirmation of the rule of law and economic development for all. Whilst it is seen as a “fortress” closed in on itself that, for its own interest and according to the emergencies of the moment, externalises its border, agreeing with governments that barely respect the human rights of its citizens and that do even less so when dealing with those who arrive from the other side of the desert.





EU SUPPORT TO THE SOUTHERN NEIGHBOURHOOD

INVESTMENTS AND AID FROM EU BODIES AND MAJOR DONORS (2019-2024)

Source: ISPI Elaboration (EU Aid Explorer Data)



5.3 IRREGULAR MIGRATION IN THE MEDITERRANEAN: DOWN, BUT FOR HOW LONG?

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At the end of summer 2024, many migration watchers wondered: how could irregular migrant arrivals along the Central Mediterranean route drop so fast, after having risen so steadily over the past three years? Over the past 12 months, around 70,000 migrants have made it to Italy: a sharp -57% drop compared to the 166,000 peak reached in October 2023. This contrasts markedly with the constant rise in arrivals that Italy had experienced since 2019, and which started just one month after the pandemic had spread to Europe and lockdowns ensued (wiping out tourist receipts in countries like Tunisia and Egypt, and representing a profound economic shock the world over): 11,000 in 2019, 34,000 in 2020, 67,000 in 2021, 105,000 in 2022, and 158,000 by the end of last year.

Rise and fall

For the Mediterranean as a whole, this drop in arrivals to Italy was only partially compensated by an increase in arrivals to Spain, with total irregular sea arrivals from Africa to Europe dropping from their peak of 230,000 last January to around 140,000 over the past 12 months (-40%). This somewhat mirrors what happened in 2017, as the start of informal compliance of Libyan militias with Italy's and the EU's desiderata abruptly brought down irregular departures from Libya – which, at the time, made up over 90% of migrants landing in Italy. This sharp drop was likely connected to a temporary “bulge” in arrivals to Spain (mainly heading to the Canary Islands), which surged since mid-2018 only to drop significantly as the Covid pandemic set in, temporarily hindering forward movement even as it encouraged arrivals to Italy by Tunisians and Egyptians. At the time, as well, the increase in arrivals to Spain was unable to compensate for the Italian drop, leading to total arrivals to Europe dropping to their minimum since 2012, from around 200,000 to 45,000 per year.

Over the past four years, as said, seaborne irregular migration from Africa to Europe picked up again. However, its composition changed markedly compared to the 2014-2017 period, in terms of points of departure, nationalities, and its overall dynamics of it. In 2020-2022, the first few years of the latest rise, flows from Sub-Saharan African (SSA) countries remained heavily subdued. Irregular sea arrivals to Spain (mostly composed by migrants coming from Western African countries) dropped from around 70,000 per year at the height of the 2018-2019 period to around 30,000 as pandemic-induced lockdowns peaked, then recovered somewhat to around 50,000 in 2021, only to crash again to 25,000 in early 2023.

Meanwhile in Italy seaborne irregular arrivals, while on the rise, were mostly composed of persons coming from Northern African countries, in particular Tunisia and Egypt. In 2021, close to half of the 67,000 migrants that reached Italy by sea were either Tunisians (24%), Egyptians (12%), or Bangladeshi who had been working in Libya for years (12%). By contrast, only 27% were hailing from SSA countries – another sign that, while having dire economic effects on all countries, the pandemic had contributed to “regionalize” irregular migration flows, hindering long-distance movements even as it encouraged short-distance flights to economic safety.



Migrant arrivals via the Central Mediterranean route have consistently declined. What are the key factors underpinning this trend?

The Tunisian connection

2022 marked a change. Irregular departures from Libya had risen sharply by then, but they had settled to around 50,000 per year: a long shot from the 150,000 per year of a decade ago. Instead, Tunisians leaving Tunisia irregularly gave rise to a parallel smuggling market which completely changed the game for SSA migrants already on the move.

Since 2017, Libya had become an inhospitable place for them: illegal detention, frequent human rights violations, and the practice to blackmail migrants' families back home asking for ransoms in order to free migrant "prisoners", coupled with the need of multiple journeys (as many as five) before being able to make it safely to Europe rather than being intercepted and brought back ashore by the Libyan Coast Guard, meant that SSA migrants in Libya were eagerly looking for alternative irregular channels. Moreover, the risk of dying at sea for those who departed from Libya has constantly remained higher than for those departing from Tunisia, likely due to the length of the journey and to Libyan smugglers using even less seaworthy boats than Tunisian ones. As soon as the migrant smuggling business appeared to find its own footing in Tunisia and for Tunisians, therefore, several SSA migrants already in Libya or in Algeria seized the opportunity, joined by others from back home who were alerted by those already on the move. In 2023, arrivals from Tunisia to Italy tripled to 97,000. Of these, SSA migrants increased by close to six times (from 14,000 to 80,000), while Tunisians plateaued (from 18,000 to 17,000).

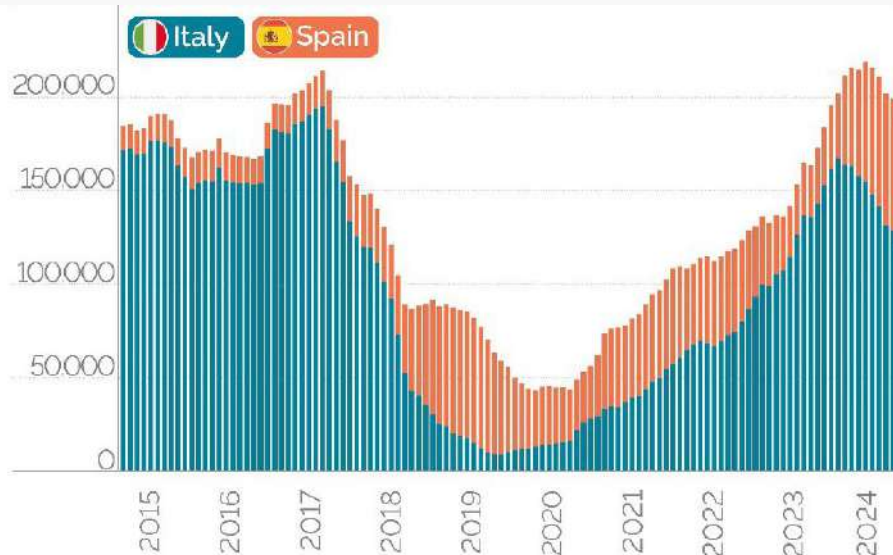
Having peaked at the highest level ever in January 2024 (225,000 arrivals over the past 12 months), irregular seaborne migration from Africa to the EU then started to drop sharply, until today. The immediate reason for this is the policy response by the Tunisian President, Kaïs Saïed.

In July 2023, the EU and Tunisia signed a memorandum of understanding (MoU) which, among other things, prioritized measures against irregular migration. However, the emerging deal showed signs of substantial weakness in the second part of 2023, with EU-Tunisia relations souring over the modalities and size of the funding component, and the Tunisian government even ending up refunding €60 million of EU money.

Can repression "work"?

Over the past few months, however, relations have started to ease again, as in April 2024 Italy and Tunisia signed agreements valued at €100 million within the framework of Rome's so-called "Mattei Plan", and the EU is slated to pay around €165 million throughout the year in line with the MoU. At the same time, Tunisia's policy response has proven to be less predictable than expected, with several policy turns over just a few months. Despite this unpredictability, conditions for SSA migrants in Tunisia have sharply worsened, as reports pile up of migrants rescued by the Tunisian Coast Guard, or rounded up in cities, and taken to the desert borders of the country.

In conclusion, the sharp drop in arrivals to Italy is closely connected to a sharp turn towards repression in Tunisia. While migration control by transit countries in Northern Africa seems to be working, at least tentatively and temporarily, in drawing down irregular migration flows, another side of the EU's migration policy is still showing signs of strain: encouraging irregular migrants found to be present in European countries to voluntarily return to their country of origin, or forcibly return them there. Both components are putting relationships between EU and African countries under strain. It is not yet clear whether these increased pressures will lead to a sustained drop in irregular arrivals on the northern shores of the Mediterranean, or if it will just be temporary respite, as 2017-2019 ultimately proved to be.



SPAIN AND ITALY REMAIN THE EU'S GATEWAYS

IRREGULAR ARRIVALS BY SEA FROM AFRICA IN THE LAST 10 YEARS (12-MONTH MOVING AVERAGE)

Source: ISPI Elaboration on UNHCR data

5.4 THE EU-GCC STRATEGIC PARTNERSHIP IN THE SHADOW OF THE GAZA WAR

Camille Lons, Policy Fellow, European Council on Foreign Relations (ECFR)

Brussels hosted the first ever EU-GCC heads of state summit. Two years after the launch of the EU's Strategic Partnership with the GCC in 2022, the escalation in the Middle East is posing a major challenge to EU-GCC relations. But current tensions also make this partnership more important than ever for the Europeans

In May 2022, the EU Council adopted the Joint Communication of the European Union on a "Strategic Partnership with the Gulf". The document marked the long-awaited recognition by the EU of the growing strategic importance of GCC countries both in the Middle East but also as rising middle powers on the international scene. Despite its economic weight, the EU has long lacked political gravitas in the eyes of GCC countries, often perceived as too bureaucratic, lacking political embodiment and coherence in its strategic positioning. The document, which was received positively in GCC capitals, laid the ground for a more ambitious and strategic European approach to the Gulf region. It identified a series of concrete areas where to deepen the EU-GCC relationships, from trade and investments, green transition and energy security, to humanitarian and development cooperation, regional stability and security.

EU-GCC Relations: Progress, setbacks, and strategic challenges

In the span of two years, the institutionalisation of EU-GCC relations crossed several important milestones. In September 2022, a new EU Representation opened in Doha, adding to the ones in Kuwait, Saudi Arabia and the UAE. The first EU Special Representative for the GCC, the former Italian Foreign Minister Luigi Di Maio, was appointed in June 2023. Following up on the call to hold regular dialogue about regional security issues, the first structured GCC-EU Regional Security Dialogue was organised in Riyadh in January 2024. It was followed by the GCC-EU High-Level Forum in Luxembourg in April, and the opening of the GCC-EU Chamber of Commerce in Saudi Arabia in May, aimed at facilitating investments and business exchange between the two regions. This October, Brussels hosted the first heads of states EU-GCC summit meeting, which is expected to take place every two years from now on.

Despite this progress however, cooperation on specific issues has been slow to take off, causing frustrations in the GCC that the Europeans did not dedicate enough resources to match their ambitious strategy in the Gulf.

Travels between the GCC and the EU remain constrained by the fact that GCC nationals – at the exception of the UAE – still need a visa to enter the Schengen area. Since the Qatargate corruption scandal in 2022, which involved several European Parliament officials, negotiations around the visa-free entry for Kuwaiti and Qatari citizens have remained suspended.

Presented as a priority of the EU-GCC strategic partnership, the re-launch of the long-delayed FTA negotiations is still confronted to major challenges. EU demands on carbon pricing, environmental standards, public procurement, human rights and labour laws have been stumbling blocks for GCC

countries, and the EU is no longer a priority market for energy exporters. During the October summit, the countries agreed, after long negotiations, to continue discussions on a bilateral basis with each GCC country, hoping that this approach to unlock the momentum for both bilateral and GCC-wide agreements. While smaller GCC countries like the UAE push for the bilateral approach, Riyadh continues to be strongly reluctant to such an approach.

A key issue of concern for the GCC countries is the EU's Carbon Border Adjustment Mechanism (CBAM), adopted in 2022 and gradually expanded, which consists of taxing the import by the EU of products from highly emitting sectors such as aluminium, steel, cement, fertilisers. Petrochemicals have not been added yet to the taxed products but their inclusion could be highly consequential for EU-GCC trade. However, in a longer-term perspective, the EU's CBAM could also end up benefiting Gulf countries given their investments in green energies and their comparative advantage in decarbonising their domestic industries.

Cooperation in hydrogen and green energies is also confronted to some challenges. In April 2024, the launch by the EU of the EU-GCC Green Transition Project was considered as a success. However, on green hydrogen, which was presented as a cornerstone of the EU's Gulf strategy, the EU failed to follow up with concrete measures and European countries did not position themselves as off-takers for EU hydrogen imports. Hydrogen remains highly expensive to export on long distances and the perspective of European countries becoming significant importers of Gulf hydrogen and ammonia is becoming less likely. An alternative solution for Gulf countries would be to encourage European companies to localise their industries in the Gulf and benefit from their cheap green energy. European companies have however shown limited interest so far in doing so as their priority remains to protect their own local industries.

The impact of Ukraine and Gaza wars on EU-GCC cooperation

Despite this, the main challenge to EU-GCC cooperation is not economic, it is political. The two first years of the EU-GCC Strategic Partnership were marked by the wars in Ukraine and Gaza. The two conflicts crystallised substantial political divergences between the EU and the GCC. Following the Russian invasion of Ukraine, the refusal by GCC countries to align with European positions, with some of them even facilitating Russia's bypassing of Western sanctions, was received with strong incomprehension in European capitals. Conversely, European positions in the war in Gaza strongly discredited Europe's values-based foreign policy narratives in the eyes of their GCC partners.

The EU's confused and divided response to the crisis projected an image of weakness at a time when GCC countries are negotiating more ambitiously their place in the world and their relations with big powers, including the US, China and Russia.

The Gaza crisis suspended the advancement of key projects such as the India-Middle East-Europe Corridor (IMEC). The initiative was key in the EU's efforts to develop flagship connectivity projects in the region as alternatives to China's Belt and Road Initiative (BRI).

The war also made any cooperation on maritime security politically radioactive for GCC capitals, despite mounting challenges in the Red Sea.

EU-GCC cooperation in maritime security had been identified as a key area of work in the Strategic Partnership. Yet, political sensitivities around the Gaza conflict led GCC countries to refuse joining the EU maritime mission ASPIDES, launched in February 2024 in response to the Houthi attacks in the Red Sea. This is a major missed opportunity for cooperation in an area that is crucial to both GCC and EU interests.

Not long before the October Summit, tensions between the UAE and the EU resurfaced over the UAE's trade with Russia and suspicions that Abu Dhabi helps Moscow bypassing European sanctions. In a signal of tense relations, UAE President Mohammed bin Zayed did not attend the EU-GCC Summit in Brussels, going instead the following week to Russia for the BRICS+ Summit.

The EU's growing dependence on the GCC amid global tension

Despite those multiple challenges, recent political developments further highlight the strategic importance of the EU's partnership with GCC countries. The war in Ukraine deepened the EU's energy dependency towards the Gulf as European countries sought to cut imports of Russian hydrocarbons. Heightened great power competition at a global level is highlighting the key role of GCC countries as emerging middle powers on the international scene.

Today, in the context of a dangerous escalation in the Middle East, GCC players are crucial interlocutors to the EU in trying to limit the situation from spiralling out of control.

After Saudi Arabia announced the creation of a global alliance to support the two-state solution in September 2024, the EU's foreign policy chief Josep Borrell publicly supported the initiative and declared that the first meetings would take place in Riyadh and Brussels. Going forward, GCC countries have the potential to be key partners of the Europeans to pressure Israel into a ceasefire and build a path towards the two-state solution.

The Saudi-Iranian diplomatic channel and GCC states' relations with Israel can also play a crucial role in trying to manage the ongoing risk of Israel-Iran escalation. The Europeans have a historical chance to seize those opportunities.



Rome MED

Mediterranean Dialogues

Rome MED Mediterranean Dialogues is the leading high-level conference on the **Mediterranean**, organized annually in Rome by the **Italian Ministry of Foreign Affairs and International Cooperation** and **ISPI** (Italian Institute for International Political Studies). The conference seeks to **redefine traditional perspectives** on the broader Mediterranean region by introducing innovative ideas and formulating a “**positive agenda**” to address security and socio-economic challenges through shared visions and cooperation.

The **10th edition**, taking place from **November 25 to 27, 2024**, comes at a critical juncture, as the **Middle East** and **Mediterranean** regions face escalating crises. With more than 35 sessions, the conference convenes government leaders, international organization representatives, academics, media professionals, business leaders, and civil society to discuss urgent issues, including security, energy and food insecurity, as well as cultural and religious dialogue.

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