

Review of the Situation in the Middle East in 2022 and Future Prospects

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1. Overview: The political and economic effects of Russia's invasion of Ukraine

An overview of the trends in Middle Eastern countries in 2022 can be described in the effects the February invasion of Ukraine by Russia had on the politics and economics of the Middle East. It would be no exaggeration to state that the entire world, not only the Middle East, had to deal with this event. What follows is an examination of the effects this event had on the economics and politics of the region. The situation in Ukraine is further strengthening existing trends, such as the withdrawal of the United States from the Middle Eastern region and increased cooperation with China through its "Belt and Road Initiative." However, this issue will be analyzed in a separate paper.

The first effect of the Russian invasion of Ukraine on the Middle Eastern economy has been a crisis in the food supply. Middle Eastern countries depend on Russia and Ukraine for most of their imported wheat. Therefore, the cessation of exports of wheat from those countries as a result of the conflict has plunged the Middle East into a severe wheat and bread shortage. To control the rising prices of wheat and bread, Middle Eastern countries' governments have established additional budgets to control prices, entered into new contracts to procure wheat from EU countries, and acquired financing from international financial institutions.

The second effect has been a decrease in the amount of crude oil supplied to the Western countries as a result of sanctions these countries have placed on Russian coal and oil, which has resulted in increased crude oil prices. As a result, the prices of energy, food, and many other goods sold in Middle Eastern countries have increased. This is placing pressure on the daily life of people in countries where the individual income level is low, while the energy-related income in oil-producing countries has rapidly risen. Furthermore, two of the major OPEC+ nations, Saudi Arabia and UAE, have continued to display a cooperative stance toward Russia despite Western criticism. While they temporarily increased oil output, they shifted their policy toward decreased output in anticipation of reduced energy demand around the world in a move designed to shore up the profits of oil-producing nations. Thus, increased energy prices resulting from the

Ukraine crisis exposed the vulnerabilities of the low-income non-oil-producing countries as well as the enormous influence the oil-producing countries have on the rest of the world.

The third economic effect was increased interest in natural gas fields in the Mediterranean Sea as alternate sources of energy for EU countries due to the EU ban on the import of Russian coal and oil. In May 2022, the EU, Israel, and Egypt agreed to export natural gas acquired off the coasts of Israel and Egypt to Europe in the form of liquid natural gas (LNG) and that the EU would invest in natural gas development in Israel and Egypt. In addition, France and Italy are looking into increasing the import of natural gas from Algeria through existing pipelines and as LNG. While it is known that the amount of natural gas these countries can supply is not enough to meet the demand of the EU countries, when one takes into consideration the high likelihood that the tension between the EU and Russia will continue over the long term, one realizes that natural gas exporters such as Israel, Egypt, and Algeria are increasingly important.

One of the political effects of the Russian invasion of Ukraine has been the complete halt of discussions to reestablish the Joint Comprehensive Plan of Action (JCPOA, commonly known as the “Iran Nuclear Deal”) that resumed in November 2021. Iran, which is suffering under economic sanctions, certainly wanted to use the resumption of the JCPOA as a means toward economic recovery through foreign investments. However, shortly after the invasion, Russia demanded that the Western sanctions on trade and investment between Russia and Iran be lifted as a condition of their support of renewed JCPOA talks and that Russia and Iran be allowed to deepen their political, economic, and military cooperation. The hardline conservative Iranian government indicated that it would not agree to US proposals. As a result, it would be difficult in the foreseeable future for Iran, the US, and the EU to reach an agreement on resuming JCPOA. On the other hand, within Iran, the death of Mahsa Amini sparked anti-government demonstrations throughout the country that continue to this day. As a result, the most serious problem facing the Iranian government shifted from the resumption of JCPOA to maintaining domestic stability.

Due to the fact that the resumption of JCPOA has receded and Iran's nuclear breakout time (the time it would take to construct a single nuclear weapon) has shortened, there is a tendency in the region to view Iran with increased alarm. While there has long been tension between Iran and the West, Israel has frequently launched military attacks on Iranian interests within

Syria and is engaged in secret operations within Iran. As the attention of the international community has turned toward the fighting between Russia and Ukraine, the opportunities to discuss the Iran issue have declined overall. Considering the possibility that conflicts between Middle Eastern countries may escalate over Iran, there is a need to pay close attention to the trends displayed by them.

The second political effect is that the crisis in Ukraine revealed the fact that the countries of the Middle East consider Russia to be an indispensable strategic partner. Many Middle Eastern nations agreed with the resolution adopted by the United Nations demanding that the Russian military withdraws from Ukraine (March 2022) and the resolution criticizing the annexation of eastern Ukraine (October 2022), but many of them abstained from voting on the UN General Assembly resolution (April 2022) in which it was decided that Russia would be suspended from the UN Human Rights Council. Saudi Arabia and UAE spurned a request by Western nations to increase their production of crude oil, and they chose a coordinated production cut in cooperation with Russia. This led the US to criticize these countries as being “pro-Russian.” Egypt, which is experiencing severe shortages of wheat as the result of the Ukraine crisis, continues to import wheat from Russia; Israel, which is one of the Western countries, has repeatedly rejected requests from Ukraine for weapons. In addition to the explanation that this attitude is due to the fact that cooperation with Russia is indispensable to the security and economic interests of the Middle Eastern nations, the attitude is also the result of Middle Eastern nations diversifying their strategic partners in the wake of the markedly reduced US presence in the Middle East. Turkey’s diplomatic intermediation between Russia and Ukraine can also be understood in this context. Turkey is a NATO member nation, but it also has a close economic and military relationship with Russia and Ukraine. Thus, Turkey claims to be an intermediary in discussions between those two countries to protect its own security and economic interests. There is merit in paying attention to Turkey’s diplomatic ability to, for example, realize an agreement on the export of Ukrainian grain crops through intermediation.

Therefore, going forward, attention will be on the role Russia plays in the Middle East. It would be impossible for Russia to serve as an alternate to the US politically, economically, or in terms of security because Russia does not have the strength required to take on that role. However, Middle Eastern nations will likely expand military cooperation as well as their investment and

trade relationship with Russia. Particular attention should be paid to the possibility that Russia may become an important partner of the Middle East in terms of energy policy. While the shift to “green economics” is becoming a worldwide trend, one problem facing the realization of renewable energy as a viable energy source is its limited electrical power generation capacity. Indeed, demand for fossil fuels has only increased as the result of the Ukraine crisis. Within this context, increased attention is once again being placed on nuclear power as a type of green energy. Russia is actively exporting nuclear energy to developing countries, and in the Middle East, it is entering into contracts for the construction, long-term maintenance, and management of nuclear generation plants in Egypt and Turkey. Based on the prediction that the electricity demand will increase long-term in the Middle East, it is assumed that demand for nuclear power generation will increase in the future from the perspectives of supply and demand and the shift to green energy. This is a sector in which there is a possibility for a partnership between Russia and the Middle Eastern nations to develop.

2. Notable Trends

What follows is a discussion of the notable trends in the Middle East and future prospect in the region.

(1) Iran: Authoritarianism continues to increase, and resistance by the public is strengthening.

The rise of a conservative hardline faction and the resulting increasing authoritarianism has led Iran to reinforce its anti-US stance while at the same time show signs of increased closeness with China and Russia. Simultaneously, the Iranian government’s policy enforcing the wearing of the hijab has resulted in a backlash among a public that is increasingly secular, and since mid-September, anti-government demonstrations have been held around the country. Rumors that the Supreme Leader of Iran, Ali Hosseini Khamenei, is in poor health have spread. These rumors seem to have shaken a government that has been in power since its revolution 43 years ago.

In the wake of former US President Donald Trump (2017-2021) removing the US from the nuclear agreement with Iran, Ali Hosseini Khamenei has had an increasingly distrustful view of the US. Although Iran has not

discontinued indirect negotiations with the US via the EU concerning the resumption of the nuclear agreement, it is strengthening its political and economic ties to China and Russia and has shifted toward placing increased importance on promoting trade with the nations of Central Asia, the Middle East, and South America. Particularly striking is its closer relationship with Russia, which invaded Ukraine in February. The Russian military was discovered using Iran-made drones in its attacks on Ukraine from around September to October 2022, which led the Foreign Minister of Iran to make a partial admission that his country was cooperating militarily with Russia. This increased Iran's international isolation.

Demonstrations held in the wake of the death of Mahsa Amini, a Kurdish woman, on September 16, 2022, showed a tendency to be anti-regime, as can be seen, for example, in demonstrators calling for the "death to the dictator." The Iranian regime concluded that the US, Israel, Saudi Arabia, and others were engaging in a conspiracy against Iran, and it announced a policy of dealing severely with their "recklessness." Public frustration grew as the result of the dire economic situation caused by the sanctions, which called into question the stability of the regime. In November 2022, the right-wing party made a strong showing in the Israeli national election, and because nuclear discussions were still on hold, it was feared that Iranian isolation would continue.

(2) Afghanistan: Deadlock persists one year after the Taliban regained power

The Taliban, which regained power in the wake of the withdrawal of the US military, took de facto control of nearly the entire country, but deadlock still persists overall. The Taliban installed their own members as Ministers in the interim government without allowing anyone from other ethnic groups or political factions to occupy any positions of power. There was hope that the Afghanistan Ulema Gathering, which met from June 30 to July 2, 2022, would reflect public opinion, but it was a "government-manufactured meeting" in which loyalty was pledged to the Taliban. In terms of social policies, in March 2022, the Taliban revoked their decision to resume middle school education for girls. In May 2022, an announcement was made that obligated women to wear the hijab, which led to domestic and international criticism of the regime. In late July 2022, Ayman Mohammed Rabie al-Zawahiri, the emir of al-Qaeda at the time, was killed in a US drone strike, and the fact that there was a continuing

relationship between the Taliban and international terrorist organizations was unequivocally determined. In December 2022, the Taliban temporarily stopped women from attending university and restricted the work being done by female NGO employees. At the end of 2022, no country had recognized the Taliban as the government of Afghanistan, economic hardship and natural disasters continue to devastate the country, and the public is forced to lead difficult lives.

Under these circumstances, in April 2022, despite the fact that their effectiveness was unknown, the Taliban implemented proactive measures, such as announcing a ban on the cultivation of poppy. In late September 2022, the Japanese government resumed some services at the Japanese Embassy in Afghanistan. Thus, under the circumstances in which the politics and economics of the country are stagnated, the central issue is whether the Taliban will continue to maintain their rule through force or adopt a more flexible way of addressing the issues facing the country.

(3) Turkey: Despite worsening domestic economic conditions, Turkey makes its presence felt in the Ukraine situation.

The most important and concerning domestic issue is the worsening economic condition. The continuing fall in the value of the Turkish lira and rising inflation within the country are making life in Turkey increasingly difficult. The consumer price index (CPI) released each month by the Turkish Statistical Institute (known as TÜİK in Turkish) has indicated rapid increases since December 2021. As of October 2022, less than a year since the trend began, the CPI had risen approximately 50%. While the rate of the rise of the CPI has been trending toward slowing down since June 2022, it remains at a high level and there are no signs that it will decline. The Central Bank of the Republic of Turkey lowered the key interest rate from 13% to 10.5% over three meetings since August 2022, and efforts to stop the fall of the Turkish lira are continuing. The interest rate cuts are seen as an effort by Turkish President Erdoğan to establish support before the Presidential and Parliamentary Election, which is scheduled for June 2023. However, support for Erdoğan continues to decline with the economic downturn. These circumstances have led the opposition parties to build a stronger coalition. As a result, the six leading political parties have agreed to support a single presidential candidate who is supported by this coalition. However, as of November 2022, the candidate's name had yet to be

announced, and it remains unclear if a regime change can be achieved.

On the diplomatic front, Turkey's role as a diplomatic intermediary in the Ukrainian war, which broke out on February 24, 2022, is being observed with great interest. Turkey has built good relations with Russia and Ukraine. Starting with the Turkey-Russia-Ukraine Trilateral Foreign Ministers Meeting held in Antalya on March 10, 2022, direct meetings with Russia and Ukraine have resulted in some success, such as exporting Ukrainian grain and exchanging prisoners of war. Turkey has also rapidly improved relations with countries in the region, such as Israel, UAE, and Saudi Arabia, that it has been in conflict with in the past, and the Turkish government is emphasizing these diplomatic successes.

(4) Syria: The stalemate of the civil war, divided territory, and occupation.

The Syrian civil war has been in a stalemate since 2020 between division and occupation. The Assad regime has recovered control of the majority of the country's territory, which has led to a cessation of combat. However, the northwest of the country is under the effective control of armed groups that are backed by Turkey, while the northeast remains under the effective control of Kurdish ethnic forces who are receiving military assistance from the United States. Although the Islamic State (IS) launches small-scale terrorist attacks in the suburbs of the eastern part of the country, the threat they pose has largely decreased.

The Ukraine crisis is being viewed as a factor that may disrupt the stalemate in the Syrian civil war; at this point in time, it has not caused any major changes. Although there is information indicating that the Russian military operating in Syria has withdrawn the S-300 Air Defense System that it installed in parts of the country, the Russian and Syrian military forces have not been negatively affected. It is unlikely that the Russian military will withdraw from Syria, which it views as a strategic base in the Middle East. However, the possibility that there will be changes in the deployment of the Russian military due to the Ukrainian situation cannot be ruled.

On the other hand, it is also possible that there will be changes in the stalemate in Syria in the future. Although Turkey attacks Kurdish ethnic forces north of Syria, it has shown glimmers of a possible normalization with the Assad regime, and discussions toward this end have already been held by the directors

of the respective intelligence agencies and foreign ministers. Although there are numerous obstacles to normalization between the two countries, there would be major benefits to normalized relations. For the foreseeable future, whether relations between the two countries will be normalized will likely depend upon the establishment of the 30 km “safety zone” around its borders that Turkey demands, the realization of tightened control of its borders, and relations between Syria’s relationship with the military forces in the northwestern region of its country and Turkey, which supports those military forces.

(5) GCC: Emphasizing maintaining relations with Russia in the wake of the Ukraine situation

In the wake of the Ukrainian situation, European countries and the US intend to isolate Russia, while the GCC (Gulf Cooperation Council) nations appeal to the importance of maintaining a relationship with Russia. Saudi Arabia in particular has been consistent in its view that Russia is necessary for the stability of the energy market. In October 2022, when OPEC+, led by Saudi Arabia, decided to reduce oil production as of November 2022, the United States was critical of Saudi Arabia as the US determined that this move was designed to promote higher crude oil prices for the benefit of Russia. Saudi Arabia countered this by saying that the decision to decrease production was made purely on economic grounds. Nevertheless, many in the US demanded that relations with Saudi Arabia be reevaluated. The fundamental problem is the GCC’s, mainly Saudi, distrust of the US position of withdrawal from the Middle East, which the US maintains as its established policy, while at the same time trying to preserve its influence in the region. As a result, the GCC countries have swiftly strengthened their ties to extra-regional major powers other than the US, namely Russia and China. Their relationship with China, which aims to further strengthen its current regime, is likely to become even closer in the future.

(6) Israel/Palestine: A new Netanyahu regime and increased isolation of Palestine

The Bennett government, which marked the end of the long Netanyahu era, ended after only one year, after which Netanyahu once again became Prime Minister of Israel in December 2022. The new government is composed of the Likud party, the Jewish supremacist extreme rightwing, and Jewish ultra-

orthodox parties, making it the most right-leaning administration in the history of Israel. Ministerial posts concerning oversight of the Border Police and settlement policy on the West Bank have been given to members of far-right parties, which is causing concern that there might be an outbreak of violence in the West Bank region. The new government has begun judicial reforms that threaten the independence of the judiciary, and there is a possibility that Israeli democracy is regressing.

On the diplomatic front, a framework for regional cooperation between Israel and the Arab nations, known as the “Negev Forum,” was established. The promotion of cooperation in fields, such as clean energy, food and water security, health, regional security, and tourism, has been agreed upon. Military cooperation with UAE and Morocco is progressing. This is notable because it means that in the future substantive sales of weapons systems may occur.

While Israel and the Arab nations are growing closer, there has been no change in Palestinian isolation. Members of Hamas visited the Hezbollah in Lebanon as well as Tehran, Hamas has repaired relations with the Assad regime in Syria, and it has reached a reconciliation agreement with the various Palestinian factions. However, because it has no intentions of resuming peace negotiations with Israel and the US, the current Palestinian isolation will continue.

(7) Iraq: A new regime after a year of political crisis

The Muqtada al-Sadr’s party won majority of seats in the October 2021 election, but the competing coordination framework integrated Shi’a groups other than the al-Sadr’s party, which prevented the al-Sadr’s party from gaining the casting vote in Parliament. In June 2022, it was announced that there was support for the candidacy for prime minister of Mohammed Shia' Al Sudani, who is close to former Prime Minister Nouri al-Maliki of the State of Law Alliance (SLA), in which the coordination framework plays a central role. Subsequently, in October 2022, the new government with al- Sudani as prime minister was launched. Nevertheless, it remains unknown whether this development will guarantee stable policy management. Muqtada al-Sadr announced his retirement from politics, but as can be seen from the continuing demonstrations within the Green Zone since the end of July 2022, he is likely to maintain influence through his supporters. Although the result was the birth of a new

cabinet that was free of anyone from the al-Sadr's party, it cannot be ruled out that this may in fact strengthen the influence of the al-Sadr's party.

(8) Tunisia: Presidential power expanded by the new constitution and increasingly severe economic conditions

President Kais Saied, who took power last July 2021, held a national referendum on July 25, 2022 over whether there should be a new constitution that expanded presidential powers. The results of this referendum indicated that over 90% of voters were in agreement with the expansion of presidential powers. However, voter turnout was at a record low of approximately 30%. The reasons for this include the fact that members of the opposition parties and citizens' groups boycotted the vote and many voters disagreed with the process used by the president to reform the constitution. Anti-president forces led by Ennahda have not recognized the revisions made to the constitution. Many Tunisian citizens are more concerned with issues more directly related to daily life, such as policies designed to combat rising prices than they are with political issues. As a result, dissatisfaction with the Saied administration, which has not produced effective policies, is growing.

In this situation of increased social instability, a delegation of the Tunisian government engaged in discussions with the International Monetary Fund (IMF) in October 2022 on the issue of new loans. An agreement was made at the administrative level for support using the Extended Fund Facility (EFF). The details of the agreement indicate that Tunisia is scheduled to receive loans equivalent to 1.472 billion (equivalent to \$1.9 billion US dollars) in special drawing rights (SDR). However, talks related to the IMF's new loans were removed from the December IMF Board calendar, and talks on a final agreement on the plan will occur sometime in January 2023 or later. The politically influential Tunisian General Labor Union (UGTT) has indicated its opposition to the conditions of this loan, including the phasing out of subsidies and reforms of state-run enterprises. If President Saied implements his financial reform proposals by, for example, cutting subsidies through hardline measures, public opposition to his administration is likely to increase, which in turn might spur further disorder in Tunisia.

(9) Yemen: What has changed after six months of ceasefire?

In the wake of drone attacks on UAE and Saudi Arabia by Ansarullah (Houthis) from January to March 2022, there is apprehension that the Yemeni War may persist. However, a two-month ceasefire agreement was reached in April 2022 as the result of UN mediation. During this period, the “unity government,” which was hostile to Ansar Allah, ousted Abdrabbuh Mansur Hadi from the presidency. It is believed that the UN and Arab nations in the region that support this government gave up on President Hadi, who refused to negotiate a settlement with Ansarullah. On the other hand, Ansarullah was able to resume commercial routes at Sana’a International Airport, which is in a region under their control. Although this was seen as an opportunity for the two governments to find some common ground, the ceasefire expired on October 2, 2022, without being extended. Ansarullah explained that this was due to the rejection of the demand to fully open all airports and seaports. There have been no reports of Ansarullah engaging in significant armed action after the ceasefire, but the situation is returning to pre-ceasefire conditions because Ansarullah has made statements alluding to the fact that it may resume attacks on UAE and Saudi Arabia.

(10) Libya: Breakdown of the dispute resolution process and a return to “parallel authorities”

The Libyan conflict that has persisted since the summer of 2014 has developed into a conflict between forces in the eastern and western regions of the country, both of which enjoy the support of various foreign countries. In October 2020, a ceasefire agreement was reached, and in March 2021, the Government of National Unity (GNU), a provisional unity government, was launched. This was a sign that the situation in Libya was headed toward stability. However, in the wake of increased political conflict as the presidential election approached, the split between the forces in the eastern and western regions of the country widened; the Government of National Stability (GNS), a government that was backed by the eastern forces, was approved in March 2022. As a result, within just one year Libya returned to a situation in which there were “parallel authorities,” which in turn led to the breakdown of the conflict resolution process that was based on the ceasefire agreement. In August 2022, the largest military conflict since the ceasefire agreement occurred in Tripoli, and the ensuing urban warfare caused civilian casualties.

As this was occurring, Turkey engaged even more strenuously in mediating the Libya situation. In October 2022, GNU, which is based in the western region of the country, signed a memorandum related to a new energy coalition with Turkey. This memorandum included provisions for Turkish cooperation to engage in search and drilling operations, which meant that its scope went beyond the November 2019 memorandum on maritime demarcation. However, forces in the eastern region of the country and Egypt, which supports those forces, were strongly opposed to the agreement between GNU and Turkey. If Turkish corporations actually begin drilling operations within Libya and its territorial waters, national conflict over energy development may trigger further worsening of the situation within Libya.

(11) Algeria and Morocco: Conflicts over supplying gas to Europe and the Western Sahara issue

Since the February 2022 Russian invasion of Ukraine, the nations of Europe, which are dependent upon Russian gas, have hastened to ensure alternate procurement routes. Since Algeria is geographically close to Europe and a gas pipeline has already been completed, it is able to take on the role of gas supplier to Europe. In April 2022, Algeria came to an agreement with Italy to supply it with gas. It is predicted that by 2024, the amount of gas Algeria exports to Italy will increase approximately 50% over the current amount. In August 2022, President Macron of France visited Algeria. During this visit, he clearly indicated his desire to strengthen relations between the two countries with increased gas supplies from Algeria in mind.

At the same time, Algeria came into conflict with Spain, which sided with Morocco in March 2022 over the sovereignty issue in Western Sahara, and Algeria used gas supplies as a political weapon against Spain. After the cessation of gas supplies to Morocco, with whom Algeria had cut off diplomatic relations (November 2021), Algeria limited the amount of gas it exports to Spain. Thus, Algeria is linking gas supplies to the Western Sahara issue. By suggesting that it may cut off gas exports, Algeria has unsettled Spain's Western Sahara policy. One noteworthy issue is whether the stoppage of the Maghreb-Europe Gas Pipeline (MEG) will be protracted. In order for increased amounts of Algerian gas to be supplied to the nations of Europe, MEG must be re-opened. However, the condition upon which the reopening of MEG depends, such as

improved relations between Algeria and Morocco, does not seem likely.

(12) Egypt: Political, economic, and security stability

The domestic and international activities of the Muslim Brotherhood have been almost eradicated, and the Abdel Fattah al-Sisi administration has been able to maintain relative stability on the political, economic, and public security fronts. However, food security and control of rising prices resulting from the Ukraine crisis have become major economic problems. As a way to address this crisis, Egypt reached an agreement with the IMF in December 2022 on the Extended Fund Facility (EFF), which allowed it to obtain food procurement loans and subsidy funding. As a result of rapid improvements in its relations with Qatar since the al-'Ula Agreement (2021), Qatar has deposited \$1 billion US dollars in the Central Bank of Egypt, which has allowed Egypt to raise the level of its foreign currency reserves, which had decreased as the result of efforts to address the Ukraine crisis.

The major highlight of 2022 was the fact that Egypt served as the host country for COP27, where the international community managed to reach a final agreement on establishing a fund that would compensate for the “losses and damages” resulting from climate change. The debate over the method that money would be donated to this fund was put off until next year’s COP28 (to be held in UAE), but the fact that an agreement was made over the “losses and damage” that developing countries had demanded for many years was an accomplishment for host country Egypt. The accomplishments of COP27 and the agreement between the European nations and Gulf nations on a variety of green economy projects are recognized throughout Egypt as accomplishments of the al-Sisi administration. This is likely to act as momentum for the government as the country approaches the 2024 Presidential Election.

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