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## *Middle East Analysis Report*

The so-called Gaza crisis, which began in October 2023, has dragged on as Israel predicted shortly after the crisis began. There are fears that its effects will widen and deepen. Below is a summary of the various possible outcomes of the Gaza crisis and possible end-of-war and post-war scenarios, compiled by our researchers for your perusal.

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**Impact of the Gaza Crisis on the Middle East and Gulf Region:  
Focusing on the “Axis of Resistance,” energy situation, and the refugee crisis**

Middle East Institute of Japan

### 1. Introduction

On October 7, 2023, Hamas, which effectively controls the Gaza Strip in the Palestinian territories, declared Operation “Al-Aqsa Flood” and launched a large-scale surprise attack on Israel. In response, Israel retaliated, triggering the Gaza crisis that continues to this day. This crisis is very worrying and has led to new tensions not only in the region but also in the international community, and its consequences are expected to affect many countries, including Japan.

This report focuses on three areas: (1) trends in the Iran-led “Axis of Resistance,” (2) energy development and transportation in the Mediterranean and the Arabian Peninsula, and (3) displacement of refugees, and discusses the current situation in each as well as the possible implications of future developments in the Gaza crisis. We will also discuss the possible end of the war and post-war scenarios.

## 2. Positioning the Gaza Crisis

Let's first take a look back at the situation in the Middle East and the Gulf before the outbreak of the Gaza crisis and see how the Gaza crisis fits into the overall situation in the Middle East.

### (1) Middle East situation without Palestine

The situation in Palestine continued to deteriorate as we entered 2023. This is because the leaders of the coalition of "Religious Zionism," the driving force of the Netanyahu government (the sixth term), in Israel at the end of the previous year, continued their arbitrary acts against the West Bank. In response, the Arab countries took no more concrete or effective action than in the past. This is because in the past decade, following the "Arab Spring," the main focus of attention in the Middle East has not been on Palestine, but on Iran, the Muslim Brotherhood, and the response to the growing influence of extremist groups such as the Islamic State (IS). Therefore, when Saudi Arabia, which led the response above, signed an agreement with Iran to restore diplomatic relations in March 2023, there was even a mood in some quarters that the entire Middle East was headed toward stability.<sup>1</sup>

In this context, the UAE and Bahrain have established diplomatic relations with Israel; in the summer of 2023, and it was publicly reported that Saudi Arabia had also begun negotiations to normalize diplomatic relations with Israel.<sup>2</sup> Thus, a new regional order was emerging in the Middle East as major Arab countries, and Israel established diplomatic relations; against this backdrop, the start of the Gaza crisis has brought Palestine back into focus as a priority issue in Middle East affairs among regional countries and the international community.

### (2) Palestinian situation without Gaza

Another important context for the positioning of the Gaza crisis is the political division in Palestine. Since 2007, when the Palestinian Authority (PA) in the West Bank and Hamas, which controls the Gaza Strip, split,

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<sup>1</sup> However, the Saudis initially indicated that an agreement to restore diplomatic relations alone would not immediately improve the relations with Iran. "FM Prince Faisal: Saudi Arabia's agreement with Iran does not mean resolution of all differences," *Saudi Gazette*, 13 Mar. 2023.

<sup>2</sup> "Saudi Arabia 'getting closer' to normalizing relations with Israel, crown prince says," *The Guardian*, 21 Sep. 2023.

Western countries and most Arab states have regarded the PA as their Palestinian counterpart. In 2012, the Muslim Brotherhood came to power in Egypt, and Hamas, also based on the Brotherhood, expressed solidarity; this event led to alarm over Hamas<sup>3</sup> among neighboring countries seeking to isolate the Brotherhood, further isolating Gaza in the Middle East. In this context, Qatar and Turkey continued to support the Gaza Strip through Hamas, but the link between Qatar and Turkey, which was in an almost isolated situation in the region at the time, contributed in a way to the isolation of Hamas.

PA President Abbas has used this situation to keep his political life. Since the Abrahamic Accords, he has pursued a strategy of extracting political and economic support for the PA from the Arab states rather than tolerating the PA's proximity to Israel if it could not be stopped.<sup>4</sup> The current Gaza crisis has thus driven a wedge into the improvement of relations between Israel and the Arab states, disregarding the wishes of Gaza, and thus into a superficial solution to the Palestinian problem. The war resulted in Israel's re-isolation in the region and a growing distrust of the PA or Chairperson Abbas.

### **3. Growing activities of Iran-led "Axis of Resistance"**

Following the above classification of the Gaza crisis, we now examine its specific impact on the region. The first is the impact of the "Axis of Resistance" on public security and order.

#### **(1) Regional development by the "Axis of Resistance" factions**

The impact of the Gaza crisis has been most evident in the increased activity of the "Axis of Resistance." The "Axis of Resistance" refers to the network of militias developed by the Iranian Revolutionary Guard Corps (IRGC) as it expands its activities in the surrounding areas, and, like Iran, its philosophy of action is resistance to the domination of the United States and Israel.

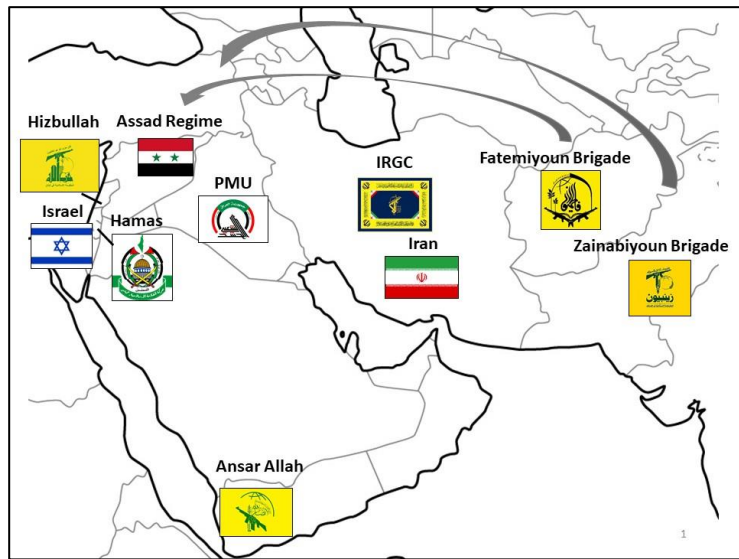
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<sup>3</sup> "Morsi's downfall hammers Hamas," *Aljazeera*, 10 Jul. 2012.

<sup>4</sup> In August 2023, Saudi Arabia was reportedly in serious negotiations with Israel to normalize diplomatic relations. In this context, the appointment of Saudi Arabia's first ambassador to the West Bank can be seen as a kind of barter between Saudi Arabia and the PA.

Since the Hamas offensive in October 2023, the “Axis of the Resistance” has carried out attacks against Israeli and U.S. authorities in various locations under the guise of support (Figure 1). The group is led by Hezbollah, which has repeatedly carried out cross-border attacks from Lebanon into

Figure 1 Regional development of the main “Axis of Resistance” groups



Source: Prepared based on publicly available information.

northern Israel, resulting in numerous casualties in cross-border firefights between the two sides.<sup>5</sup> In January 2024, Israel killed Ahlouri, the deputy political leader of Hamas abroad, in Beirut, and also killed Hezbollah commander Tawil in southern Lebanon on January 8. After these events, the danger of a counterattack by Hezbollah is even greater.

Another notable incident was the interception of Israeli ships by the Houthis, who controlled the northern part of Yemen and also posed a threat to Japanese rights.<sup>6</sup> This faction’s growing activities have also threatened logistics security and many shippers bypass the Suez Canal and switch to shipping via the Cape of Good Hope.<sup>7</sup> In response, the U.S.-British coalition of the willing launched airstrikes in northern Yemen on January 11, 2024 and expanded the front line.

In addition, there were ongoing attacks in Syria and Iraq, including on the U.S. military bases in Al-Tanf (Homs governorate, Syria) and Al-Asad Airbase (Al-Anbar governorate, Iraq). On January 28, a U.S. military facility in Jordanian territory near the border between the two countries was attacked, killing and injuring three U.S. soldiers. U.S. forces responded with retaliatory

<sup>5</sup> In the three months since October 2023, 146 Hezbollah fighters have been killed in Israeli attacks. Ali Alfoneh, “Lebanese Hezbollah Fatalities Since the Beginning of the War in Gaza,” *The Arab Gulf States Institute in Washington*, 11 Jan. 2024.

<sup>6</sup> On November 19, 2023, the NYK-operated *Galaxy Leader* was seized (Photo 1).

<sup>7</sup> “Here’s how the Houthi attacks in the Red Sea threaten the global supply chain,” *CNBC*, 18 Dec. 2023.

strikes against military installations in Syria and Iraq on February 2 and 3; US-Israeli fighting escalated.

(2) Iran is expected to continue to increase its presence

Iran belongs to the minority group within Islam (Shia) and is surrounded by Israel, Arab countries (Sunni, the largest branch of Islam), and U.S. military bases. For Iran, the “Axis of Resistance” is a forward deterrent alongside developing ballistic missiles.<sup>8</sup> Therefore, the “Axis of Resistance” factions are an essential element of Iran's regional security.

Photo 1 Galaxy Leader being seized



Source: Houthis-linked social media.

Conversely, a full-scale engagement with the United States or Israel that diminishes or destroys the “Axis of Resistance” is undesirable for Iran. On December 25, 2023, Israeli forces killed Brigadier General Mousavi, a senior advisor to the IRGC, in a Damascus suburb. At the time, the IRGC limited their retaliation to an attack on the autonomous region of Kurdistan in northern Iraq. These developments indicate that Iran is holding back its aggression and is afraid of a counter-attack.

On the other hand, if the Gaza crisis continues, the situation will indirectly favor Iran. Iran’s call for a boycott of Israel is easily accepted by regional countries where anti-Israeli sentiment is growing among the population. For Iran, this is to contribute to the dissolution of the Coalition-Building against Iran that Israel has been trying to promote since the Abrahamic Accords. It is therefore to be expected that Iran will continue to push the factions of the “Axis of Resistance” to attack Israel to a certain extent.

This would result in significant human casualties on the U.S.-Israeli side due to accidental clashes and the killing of senior commanders of the IRGC

<sup>8</sup> Diane M. Zorri et al., *Iranian Proxy Groups in Iraq, Syria, and Yemen: A Principal-Agent Comparative Analysis*, Joint Special Operations University, 2020, pp. 19-21.

in retaliation, apart from the original intentions of the “Axis of Resistance” factions; if these occur, further escalation is possible. In particular, the possibility that pro-Iranian militias in Iraq, which made great strides in the December 2023 local elections, will become more active under the name of the “Islamic Resistance Movement of Iraq” should be fully considered.

Iran’s continued political and military support for Hamas will have an impact on the post-war situation in Gaza. However, Iran does not support the Two-State Solution from the outset, as it does not recognize the existence of Israel. In this regard, there is concern that Iran will be a spoiler in the post-war peace talks.

#### 4. Impact on the energy situation

Although the full impact of the crisis has not yet been felt, the energy situation is a major problem when it occurs due to its extremely global and long-term effects.

##### (1) Eastern Mediterranean gas field development

On the energy front, the Gaza crisis has affected natural gas trends in Israel and Egypt.

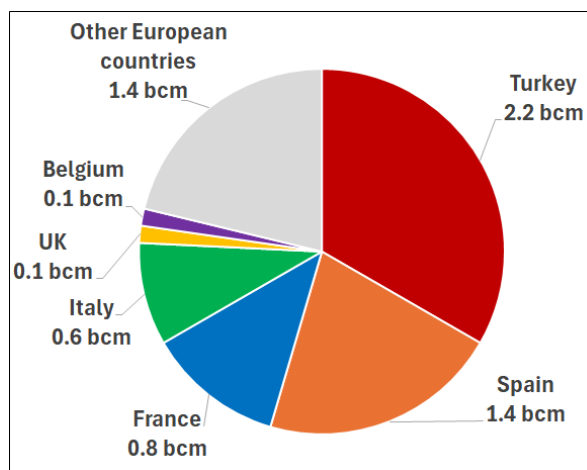
In recent years, Israel has successfully developed gas fields and dramatically increased production. Gas production in 2022 was about 21.3 billion cubic meters (bcm), of which about 9.2 bcm (43%) was exported to Egypt and Jordan <sup>9</sup> . However,

following the outbreak of the

Gaza crisis, production at the Tamar gas field on Israel’s southern coast was temporarily halted due to security concerns, and gas production and transportation fell significantly.

Conversely, Egypt has been importing Israeli gas since January 2020 as

Figure 2 Volume of Egyptian Gas Exports to Europe



Source: Prepared based on information from the Energy Institute.

<sup>9</sup> “Israel approves increase in gas exports to Egypt,” *Aljazeera*, 23 Aug. 2023.

part of its efforts to become a major natural gas supply hub in the eastern Mediterranean. In addition, since June 2022, imported Israeli gas has been liquefied at an LNG plant in Egypt and exported by tanker to European countries as part of an agreement with Israel and the EU. As Europe attempted to break away from its energy dependence on Russia in the wake of Russia's invasion of Ukraine,<sup>10</sup> Egypt, geographically close across the Mediterranean Sea, was expected to be one of the alternative sources of gas supply.

However, the Gaza crisis caused a temporary shutdown of the East Mediterranean Gas Pipeline (EMG)<sup>11</sup> between Israel and Egypt, making it difficult for Egypt to secure Israeli gas. Together with a slump in domestic production, this led to Egypt's gas exports halving in the fourth quarter of 2023 compared to the same period in the previous year during the Gaza crisis.<sup>12</sup>

## (2) Possible scenarios for Japan's energy imports

As far as energy transportation is concerned, the above-mentioned armed activities of the Houthis threaten the stability of the global energy supply. The Red Sea is one of the most important routes for the transportation of oil and gas, and the Suez Canal is a major artery between Asia and Europe. Therefore, Europe, which is pursuing a policy of de-Russification, is very concerned about supply disruptions from the Gulf countries, which are alternative sources of supply.<sup>13</sup>

To date, Houthi attacks have not directly impacted GCC resource-related activities. However, given that the faction has been at war with Saudi Arabia and the UAE since 2015, the faction and the Gulf states may clash in the future, including in accidental cases.<sup>14</sup>

Japan, in line with Western countries, has stopped importing Russian

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<sup>10</sup> The EU has imposed sanctions on Russia aimed at cutting off resource revenues that help pay for Russian warfare, and plans to embargo all Russian fossil fuels by 2027.

<sup>11</sup> EMG is an underwater pipeline connecting the southern Israeli city of Ashkelon (approximately 10 km north of the Gaza Strip) to the Egyptian city of Arish on the Sinai Peninsula.

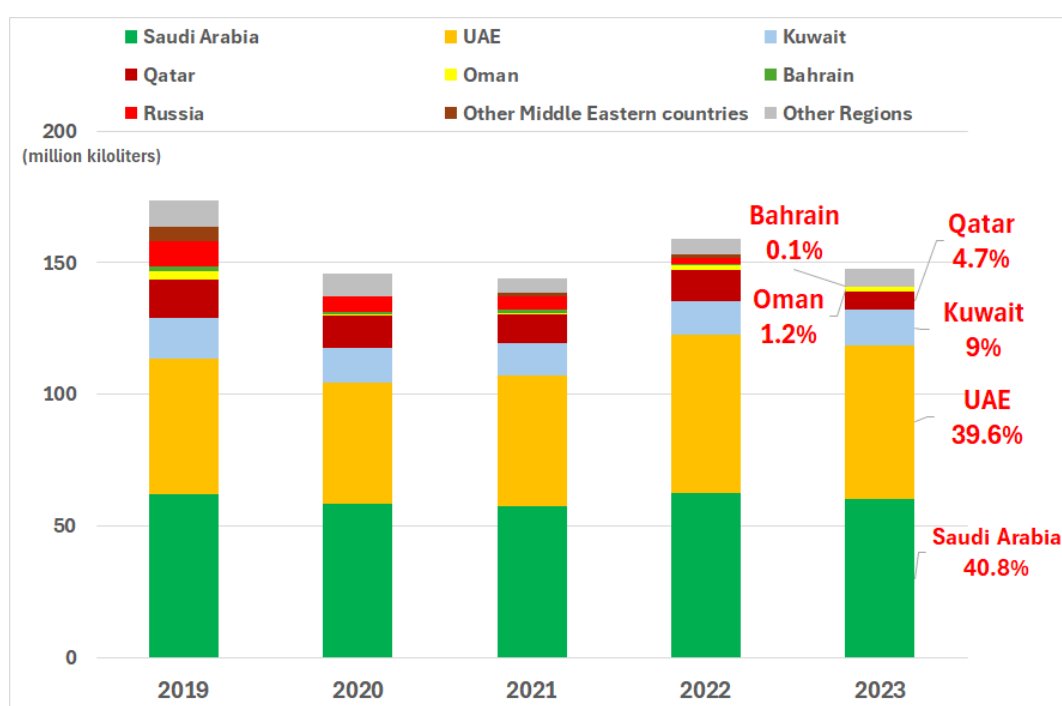
<sup>12</sup> "Gas Market Report, Q1-2024," International Energy Agency, Jan. 2024, p. 40.

<sup>13</sup> Due to attacks on ships in the Red Sea, LNG supply from Qatar to Italy began to delay from January 2024. "Edison seeing delays in Qatar LNG delivery due to Red Sea tensions: CEO," *Reuters*, 25 Jan. 2024.

<sup>14</sup> The Houthis have previously used drones to attack oil installations in eastern Saudi Arabia in September 2019, and in the UAE capital of Abu Dhabi in January 2022.

crude oil since 2022 and imports almost all of its crude oil from GCC countries, and its energy dependence on the Middle East reached 95% in 2023.<sup>15</sup> If oil production and transportation activities in Saudi Arabia and the UAE are disrupted, Japan could face an energy crisis in the medium to long term, even if oil reserves temporarily mitigate the impact. Furthermore, if the Houthis see the maintenance of relations between Japan and Israel as problematic and attack oil tankers and LNG ships destined for Japan, Japan will be forced to reconsider its entire relationship with Israel from the perspective of securing a stable energy supply.

Figure 3 Japan's crude oil import partners (2019-2023)



Source: Compiled based on trade statistics of Japan Ministry of Finance.

## 5. Aftermath of refugee crisis

The final issue that needs to be addressed is the refugee crisis, a constant source of instability in the region. Let us examine future developments in the case of Turkey, which currently hosts the largest number of refugees in the world.

<sup>15</sup> LNG imports for thermal power generation account for 9% of total imports from Qatar, Oman, and the UAE in 2023.



### (1) The case of Syrian refugees

Israel's incursion into the southern Gaza Strip, which began in February 2024, has heightened fears that residents already displaced from the north to the south of Gaza will be forced to flee further. Egypt and Jordan, which refused to accept people from the Gaza Strip from the outset, have not changed their stance. Many residents of the Gaza Strip are likely to become internally displaced persons in the long term (Figure 4).

It was Turkey that first attracted attention in this situation. Turkey, which has been critical of Israel and expressed solidarity with Palestine since the beginning of the war, has hosted some 3.6 million of the approximately 6.5 million (as of the end of 2022) persons who have been internally displaced by the Syrian civil war since 2011.<sup>16</sup> However, as of January 2024, the country was accepting only about 400 residents of the Gaza Strip via Egypt, including cancer patients, the injured, and their families.<sup>17</sup>

This is due to the negative impact that the admission of Syrian refugees has had on Turkey. Turkey took in Syrian refugees because sympathy for the Syrians was growing in its own country, there was the prospect that the situation would be resolved in a short time and, above all, because many Syrian refugees preferred European countries as their last refuge. In other words, the Turkish side had the political intention that the evacuation to Turkey would only be temporary and serve as a bridge to Europe. However, with the protracted Syrian civil war and the reluctance of European countries to accept refugees, the burden of hosting refugees in Turkey has increased and become permanent.

As a result, for Turkey, the disadvantage of the economic burden on its own country became stronger than the advantage of accepting refugees to gain a diplomatic card against Europe. The acceptance of refugees has worsened relations with Europe, with Turkey expressing irritation with Europe.<sup>18</sup>

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<sup>16</sup> "Global Trends Report 2022," *UNHCR*, Dec. 2022.

<sup>17</sup> "Türkiye to bring 85 additional Gazans for medical treatment: Health minister," *Anadolu Ajansı*, 11 Jan. 2024.

<sup>18</sup> The refugee crisis was an issue in the May 2023 presidential election, with opposition candidate Kılıçdaroğlu pledging to return all Syrian refugees. The government has also established a safe zone in northern Syria and has been working to ensure the safe and voluntary return of Syrian refugees. The government has also emphasized the promotion of a project to build housing for one million refugees in Syria with the support of Qatar.

Public opinions, initially sympathetic to Syrian refugees, have turned against them as the economic situation in the country has deteriorated; clashes with Syrians have occurred in various parts of the country, affecting public security.<sup>19</sup>

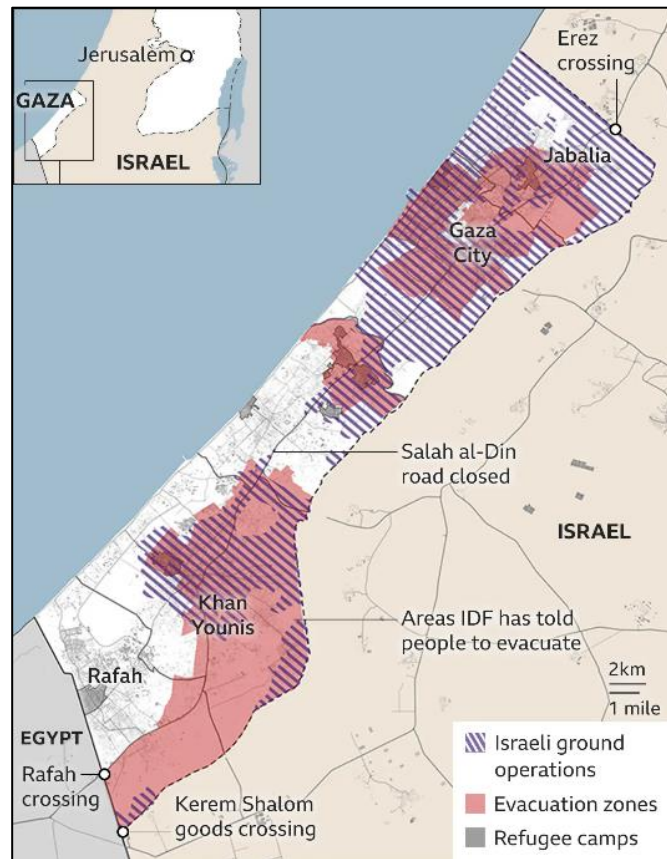
## (2) Potential dismantling of UNRWA and its impacts

In January 2024, with Gaza Strip residents unable to cross the border, Israel alleged that the United Nations Relief and Works Agency for Palestine Refugees (UNRWA) officials engaged in

Hamas' attack on Israel. In response, UNRWA fired 12 staff members and launched an investigation, and the United States and Japan announced a moratorium on their financial contributions to UNRWA. With many residents relying on UNRWA for basic services such as food, water, and sanitation, a slowdown in the agency's operations could lead to an unprecedented humanitarian crisis in Gaza.

Neighboring countries blame Israel for the stagnation of UNRWA activities, but this also reflects the countries' concern about the increasing burden of supporting Gaza. In other words, even if the neighboring Arab-Islamic countries currently support Gaza, the neighboring countries may not be a substitute for UNRWA if it stagnates or is disbanded. It is conceivable that this could encourage Israel to bear part of the burden of administering the Gaza Strip after the war, in which case Israel would seek to seize the Strip's autonomy.

Figure 4: Evacuation map for residents



Source: Israel Defense Forces

<sup>19</sup> For example, "Tensions Rise in Turkey Over Syrian Refugees," *Voice of America*, 30 Nov. 2017.

## 6. Possible end of war/post war scenarios

Based on the above, let us look at the scenarios surrounding the end of the Gaza crisis and post-war Gaza.

### (1) A Two-State Solution remains unattainable

Since November 2023, U.S. President Biden has called for a Two-State Solution as the only realistic way to achieve lasting peace in Palestine and has urged Israel to engage in the establishment of a Palestinian State.<sup>20</sup> Prime Minister Netanyahu, however, reaffirmed one of his original goals of eradicating Hamas. At the same time, he compromised on his other goal, the return of the hostages, whether alive or not, and continued to appeal that he would not give in to pressure from “outside” parties. The “outside” here includes the United States and France, which have called for an early ceasefire and understanding of the eventual creation of a Palestinian state while showing partial understanding of the current military deployment, as well as neighboring countries that have condemned the military deployment in Gaza.

Even ignoring the fact that the current administration has been described as “the most right-wing in history,” it is highly unlikely that the Two-State Solution will be supported in Israel. In February 2024, despite growing criticism of Prime Minister Netanyahu inside and outside the government, most of Congress rejected the two-state solution.<sup>21</sup> For Prime Minister Netanyahu, continuing the Gaza crisis (maintaining a war cabinet) is one of the few ways he can keep his political life amid criticism of his proposed judicial reforms and calls for his resignation over his indictments (corruption charges). Furthermore, as already mentioned, it has once again been shown that there is a consensus of interests within the government and Congress regarding the rejection of the establishment of a Palestinian state. Netanyahu will thus continue to reject options that would lead to an early ceasefire as a matter of principle, and the more the international community calls for the establishment of a Palestinian state, the more he will realize how important it is to reject it in order to prolong his political status.

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<sup>20</sup> “Biden says made clear to Israel occupying Gaza would be ‘big mistake,” *Reuters*, 16 Nov. 2023.

<sup>21</sup> “Israel’s Knesset rejects unilateral recognition of Palestinian State,” *Middle East Monitor*, 21 Feb. 2024.

## (2) Challenges to the unity of Palestine

As long as Israel rejects unilateral recognition of the Palestinian State, the feasibility of a Two-State Solution is almost impossible. If this is the case, the efforts of the neighboring countries and the West can only be directed towards the stabilization of Palestine, and in reality, this will be the basis for a scenario to end the Gaza crisis. To take the lead, Prime Minister Netanyahu mentioned a plan for the post-war administration of Gaza on February 22, 2024,<sup>22</sup> but he is expected to partially allow other countries to intervene because of the military and financial burden on Israel of administering the territory in Gaza. Moreover, while it is difficult for the countries above to interfere in Israel's internal affairs, it is relatively easy for them to interfere in Palestine's internal affairs in the name of providing immediate aid to Palestine and supporting the restoration of various rights in the future.

Given the situation in the Gaza crisis, as discussed in section 2 of this paper, the most realistic war and post-war scenario, in which the interests of the countries involved, including Israel, coincide, would be the resolution of the political division between the West Bank and Gaza. Of the neighboring countries, only Iran supports Hamas rule in Gaza, whereas Israel, which advocates the destruction of Hamas, can accept PA rule in Gaza. However, it is difficult to govern Gaza after the war with the current PA regime, which divided the two territories in the first place. Support for Chairperson Abbas in the West Bank is rapidly eroding during the Gaza crisis. In this situation, the fact that he is the representative of the new Palestine could lead to instability within Palestine and the rise of armed groups that could replace Hamas in the future.

In light of the above, a possible medium to long-term scenario is that neighboring countries and the West prepare the way for President Abbas to step down, while pushing for a political alternative to replace him with Israel's agreement.<sup>23</sup> In this case, however, the new regime may be seen as a puppet government; it would not be surprising if, for example, the "Axis of Resistance" factions condemned it. In addition, Islamic extremists such as IS

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<sup>22</sup> "Netanyahu presents post-war plan to cabinet, aims for 'local officials' to govern Gaza," *Times of Israel*, 23 Feb. 2024.

<sup>23</sup> "Palestinians want Abbas to resign, but don't say goodbye yet," *Al-Monitor*, 3 Feb. 2024.

may intensify their activities, even if only temporarily, using a conspiracy such as “Palestine being overrun by Western countries, their stooge Israel, and authoritarian states (Saudi Arabia, Egypt, etc.).”

## **7. Conclusion and outlook**

Based on the above, let us summarize the current situation of the Gaza crisis and the impact of Gaza Strip’s future on the region.

First, the impact of the Gaza crisis is not limited to Israel-Palestine; its effects have spread to Yemen, Iraq, Syria, and Lebanon through the increased activities of the “Axis of Resistance” factions, destabilizing the security environment in these countries. In particular, the growing impact on Yemen threatens navigation in the Red Sea, which could affect future energy supplies. As Russia’s invasion of Ukraine continues, Israel, Egypt, and the Gulf States are increasingly in demand as energy suppliers; any threat to their stable supply would have global economic repercussions. The ongoing crisis in Gaza, parallel to the war in Ukraine since 2022, has intensified in its severity.

Second, the continuation of the war could result in the long-term internal displacement of the majority of residents in the Gaza Strip. Neighboring countries that condemn Israel are reluctant to intervene in the refugee crisis because the burden on their own countries is increasing; this situation is unlikely to change significantly with UNRWA’s stagnant activities. However, if the neighboring Arab and Islamic countries do not actively intervene in Gaza, Israel could partially intervene in the administration of Gaza for its own defence. This could be a new spark of Israeli hatred in Palestine.

Since Prime Minister Netanyahu has kept his own political life through the Gaza crisis, Israel is unlikely to step up to the plate to end the war. In addition, the rejection of the establishment of a Palestinian state is almost a consensus in the Israeli parliament, regardless of the ruling party or opposition party, making it extremely difficult to achieve the Two-State Solution. As a practical alternative, neighboring countries and Western nations are likely to work to resolve the political division between the West Bank and the Gaza Strip. In other words, they will try to stabilize Palestine by returning it to its pre-2007 state.

However, even if Palestine is reunified, support for President Abbas is low,

making it difficult for the PA in the West Bank to govern Gaza, namely, to represent Palestine. For this reason, neighboring countries and Western nations are expected to urge the PA to change its regime for reunification; the resignation of the PA's Shtayyeh Cabinet announced on February 26, 2024, would be one of its responses.<sup>24</sup> There is, of course, no guarantee that Palestine will be unified and stable once the new regime is established, especially since Iran, which has supported Hamas's rule in Gaza, is unlikely to support the reunification of Palestine without Hamas unanimously, Iran may seek to exert some influence over Gaza's postwar governance.

(END)

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<sup>24</sup> "Palestinian PM Shtayyeh hands resignation to Abbas over Gaza 'genocide,'" *Aljazeera*, 26 Feb. 2024.