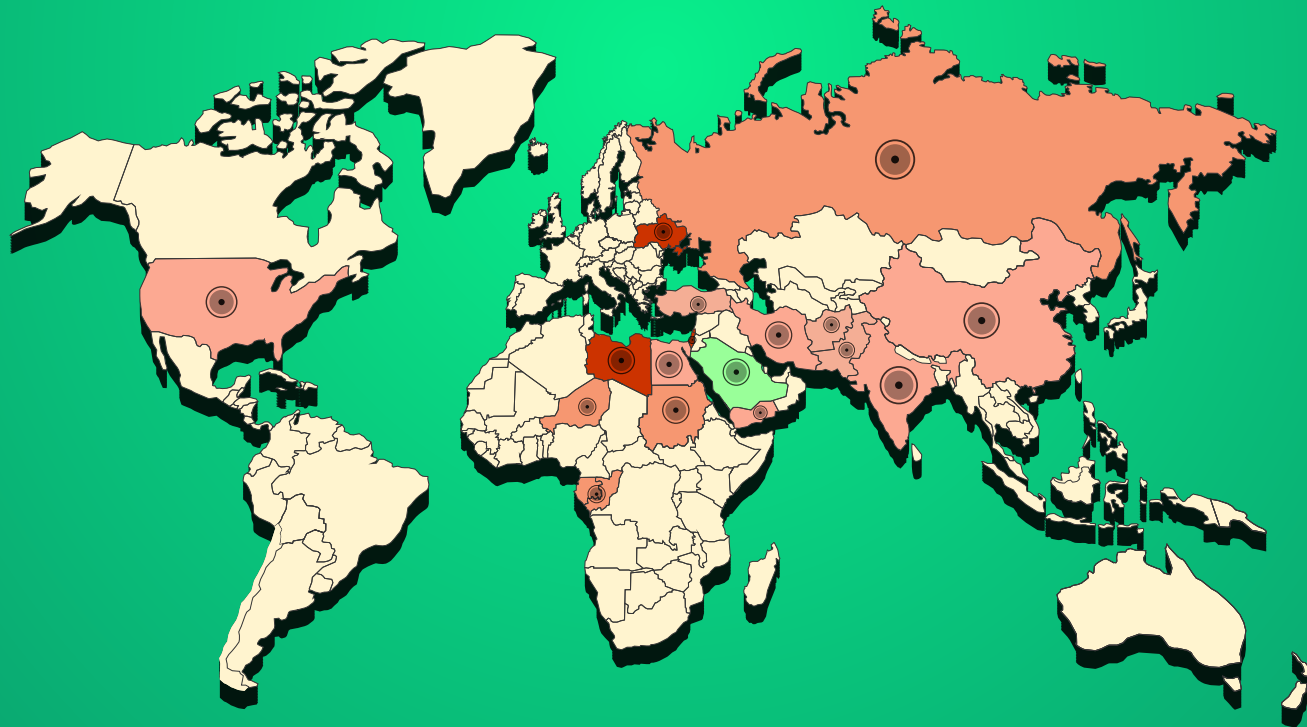


# ANNUAL STRATEGIC REPORT

Obstacles to Peace and Strategic Hedging

2023 - 2024





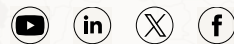
# ANNUAL STRATEGIC REPORT

**Obstacles to Peace and Strategic Hedging**

**2023 - 2024**

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## CONCLUSION AND TAKEAWAYS

The Board of Trustees at the International Institute for Iranian Studies (Rasanah) expresses its sincere gratitude toward all staff members who contributed to the successful completion of the Annual Strategic Report. We acknowledge your exceptional skills, expertise, dedication and efforts that went into producing this report. Your collective cooperation resulted in providing Rasanah's valuable readership with comprehensive insights into the current dynamics in the region and the world, along with potential forecasts. We thank each one of you for your valuable contribution and commend you for your hard work.

**Chair of the Board of Trustees.**

# ACRONYMS AND ABBREVIATIONS

AfCFTA	African Continental Free Trade Area
AfD	Alternative für Deutschland
AI	Artificial Intelligence
AIO	Iran's Aerospace Industries Organization
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASEAN	Association of Southeast Asian Nations
ASR	Annual Strategic Report (Rasanah)
AUKUS	Trilateral security arrangement between Australia, the UK and the United States

BRI, B&R	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, South Africa
BRICS	Brazil, Russia, India, China, South Africa
CARICOM	Caribbean Community
CF	Coordination Framework
CIS	Commonwealth of Independent States
CNPC	China National Petroleum Corporation
COMESA	Common Market for Eastern and Southern Africa
COP28	Conference of the Parties to the United Nations Framework Convention on Climate Change



CSIS	Center for Strategic and International Studies
DAC	Direct air capture
DB, Deutsche Bahn	DB, Deutsche Bahn
ECCAS	Community of Central African States
ECCI	Equipment Corner Company Industrial
ECCI Industrial	Equipment Corner Company Industrial
ECOWAS	West African Community
EU	European Union
FCAS	Future Combat Air System
FCAS	Future Combat Air System
FISP	International Federation of Philosophical Societies
FMF	FMF - Future Minerals Forum
FURAS	2023 Municipal Investment Forum
G20	Group of 20
G20	Group of 20
G7	Group of Seven

GAFTA	Greater Arab Free Trade Area
GAMI	Saudi General Authority for Military Industries
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GFCF	Gross fixed capital formation
GII	Global Innovation Index
GSCRI	Global Supply Chain Resilience Initiative
HDI	Human Development Index
HEU	highly enriched uranium
HIMARS	High Mobility Artillery Rocket System
ICAIRE	International Center for AI Research and Ethics
ICBM	Intercontinental ballistic missile
ICC	International Criminal Court
ICRC	International Committee of the Red Cross
IMD	International Institute for Management Development
IMF	International Monetary Fund
INCIT	International Centre for Industrial Transformation

INSTC	International North-South Transport Corridor
IOC	Initial Operational Capabilities
JCPOA	Joint Comprehensive Plan of Action
KAPT	King Abdulaziz Public Transport Project
KAUST	King Abdullah University of Science and Technology
KH	Kata'ib Hizballah
KSS	Kata'ib Sayyid al-Shuhada
KTZ	Kazakhstan Railways
LNA	Libyan National Army
LPI	Logistics Performance Index
MENACW	Middle East and North Africa Climate Week
MODON	Saudi Authority for Industrial Cities and Technology Zones
MOU	Memorandum of Understanding
NADEC	National Agricultural Development Company
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NCMS	National Company for Mechanical Systems

NDB	New Development Bank
NIDL	National Industrial Development and Logistics Program
NIS	National Investment Strategy
nm	Nanometers
NSTEX	Instrument in Support of Trade Exchanges
NTLS	National Transport and Logistics Strategy
OFAC	Office of Foreign Assets Control
OIC	Organization of Islamic Cooperation
OIC	Organization of Islamic Cooperation
OLA	Oromo Liberation Army
OPEC	Organization of Petroleum Exporting Countries
PA	Palestinian Authority
PBO	Planning and Budget Organwization
PGII	Partnership for Global Infrastructure and Investment
PRC	People's Republic of China
PSANA	Pardazan System Namad Arman

PSDSARC	Prince Sultan Center for Defense Studies and Research
PSDSARC	Prince Sultan Center for Defense Studies and Research
RCRC	Royal Commission for Riyadh City
RGMBS	Riyadh Global Medical Biotechnology Summit
RSF	Rapid Support Forces
SACSC	Saudi Arabia Command and Staff College
SAGO	Saudi Grains Organization
SAMI	Saudi Arabian Military Industries
SBE	ESMAX Distribution Company
SCEGA	Saudi Conventions and Exhibitions General Authority
SCO	Shanghai Cooperation Organization
SDAIA	Saudi Authority for Data and Artificial Intelligence
SDF	Syrian Democratic Forces (
SPL	Saudi Professional League
SPR	Strategic Petroleum Reserve
TAC	Treaty of Amity and Cooperation in Southeast Asia

TITR	Trans-Caspian International Transport Route
TSMC	Taiwan Semiconductor Manufacturing Company
UAV	Unmanned aerial vehicle
UN-GGIM	United Nations Committee of Experts on Geospatial Information Management
UNESCO	United Nations Educational, Cultural and Scientific Organization
UNGA	United Nations General Assembly
UNHCR	the United Nations High Commissioner for Refugees
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
UNWTO	World Tourism Organization
US	United States
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WTO	World Trade Organization
ZATCA	Zakat, Tax, and Customs Authority

## EXECUTIVE SUMMARY

In the context of the competition among global powers, a persistent and dynamic movement is unfolding in numerous regional and international arenas, encompassing Europe, Africa, the Middle East, Central and East Asia, the Caucasus and other regions. Among the noteworthy developments is the acceleration of events in the Middle East, with the resurgence of the Israel-Palestine conflict taking center stage. This occurrence marks a significant transformation in the region, dashing initial hopes for a new era of stability following the resolution of issues spearheaded by the Kingdom of Saudi Arabia. Instead, the region has once again found itself at the forefront of global conflicts. In line with its vision and objectives, the International Institute for Iranian Studies (Rasanah) is striving to stay abreast of the swiftly unfolding strategic developments. These developments have far-reaching implications in both the short and long term. The political and economic repercussions of these developments have given rise to numerous challenges, posing threats to global stability and heightening tensions in international relations. Forecasts suggest that the impact of these developments will endure into 2024.

Therefore, Rasanah's 2023 Annual Strategic Report (ASR) is structured around three primary focal points. The first theme delves into the developments unfolding in the international environment, where the scope of competition among major powers is expanding. The second theme centers on the strategic transformations occurring in Saudi policy, capturing the kingdom's exceptional year on both internal and external fronts. The third theme navigates through the developments characterizing the Iranian situation, following Rasanah's traditional approach of presenting a comprehensive overview of Iran's policies and circumstances within the year. These themes underscore Rasanah's commitment to pioneering insights that align with regional and international dynamics. Whether scrutinizing the global arena marked by major power competition or examining regional environments experiencing significant movements and developments in inter-country relations, cooperative or conflictual, Rasanah aims to be at the forefront of strategic analysis. Remarkably, Rasanah has adopted an unprecedented approach by extensively addressing strategic developments within Saudi Arabia. This marks a significant milestone, as the ASR stands out as the first of its kind in the kingdom, offering a comprehensive and diverse exploration of Saudi strategic transformations as well as those that have taken place regionally and globally.

Within the context of international developments, the ASR delves into the ongoing Russia-Ukraine war and its reverberations across both Western nations and Russia. This analysis explores the post-Ukrainian counter-attack landscape, scrutinizing the available options for the conflicting parties. Additionally, the ASR assesses the ramifications of NATO's expansion on European stability and reviews Germany's inaugural national security strategy. Notably, the analysis of the Russia-Ukraine war outlines the consequences of

the Ukrainian counterattack's failure, resulting in a military stalemate and the inability of any involved party to enforce a new reality. This impasse left Russia and Ukraine with choices that ranged from relinquishing their objectives to pursuing a diplomatic settlement or continuing the ongoing conflict. While the involved parties endure the burdens of the war, encompassing economic and political costs, the prevailing reality suggests that the conflict will persist for an extended period. Consequently, the European arena is poised to bear the brunt of the ongoing war, manifesting in escalating crises in European countries as well as heightened tensions between countries. The recently introduced German national security strategy emerges as a crucial response to the repercussions of the protracted Russia-Ukraine conflict. Concurrently, international transformations, particularly the Israeli war on Gaza, have shifted the spotlight away from the Russia-Ukraine war, potentially influencing its trajectory. The Middle East has assumed prominence in the focus of the United States and the West to manage the conflict's expansion and prevent it from diminishing the Ukrainian front against Russia, consequently lessening Western support for Ukraine.

Moreover, the ASR evaluates the intensifying competition between the United States and China, particularly examining the strategic balance in East Asia. It focused on US policies aimed at encircling China and the corresponding Chinese counter-moves in response. The analysis extends to the competition over electronic chips and its impact on the strategic equilibrium in East Asia. Forecasts are provided regarding the consequences of this competition and its influence on the regional balance during 2024. The assessment indicates that both sides will persist in adopting policies of mutual encirclement without resorting to actions leading to direct conflict. The United States prioritized achieving a strategic balance

in East Asia, emphasizing collaboration with allied powers to shift the focus of international competition from a global confrontation with China to a regional contest among East Asian nations. This approach aimed to avoid bearing the greatest cost in confronting China and to prevent the depletion of US strength through extending regional conflicts. Asian powers aligned with Washington, especially Japan, were noted for significant shifts in their military orientations. The United States pursued a policy of cooperative competition with China to maintain control over the competition and prevent it from escalating into a war scenario. In response, Beijing adopted counter-policies focused on achieving regional superiority alongside intensified international efforts to redefine the international balance with the United States. The competition between the two global powers reached considerable intensity, particularly in the realm of electronic chips or semiconductors. This went beyond the imposition of mutual customs duties, with both parties resorting to restrictions and export bans to hinder the other's global leadership in the chip industry in what has become known as the "chip war."

Moreover, the ASR's "Global Economic Trends" section identifies the most prominent global economic conditions and the key issues and trends that surfaced in 2023. This analysis is split into two segments: the first segment presents the reality of the global economy in 2023, revealing the impact of weak economic growth in the seven major industrial economies, excluding China, on actual global growth, which was confined to a 3% growth rate during the year. Despite a slight reduction in global inflation compared to previous years, elevated inflation remained a paramount economic challenge for these seven major industrial economies and the world at large. Notably, the challenge encompassed the prices of essential commodities and raw materials, stemming

from factors such as supply shortages and ongoing geopolitical tensions. The major central banks, led by the US Federal Reserve, employed policies to combat inflation, including raising interest rates to historical levels over 15 months. However, these measures resulted in adverse economic consequences, including the constraint of investments and economic growth, an increase in government debt, and the exportation of internal crises to developing countries. The second segment addresses two variables that could exert a certain degree of influence on the global economy. Firstly, the Gaza war, if it escalates and garners international participation, has the potential to risk global energy supplies and inflict widespread material and human losses. Secondly, the expanding applications of artificial intelligence are explored, examining the economic gains and losses associated with this technological advancement.

In the second segment of the economic file, two pivotal economic trends that have recently gained momentum are brought to light. Firstly, governments have accelerated their inclination toward economic blocs to optimize trade and developmental gains. While this phenomenon is not new and has historical precedents across various continents, especially in Asia, the efficiency and integration levels of many blocs varied. The European Union and some other blocs were notable exceptions. The second remarkable trend involved challenging the global dominance of the US dollar. Efforts are underway to develop financial technology that diversifies currencies and introduces new or alternative currencies. This prompted a comprehensive examination of the factors contributing to the dollar's strength and the reasons for its prevailing dominance in the global economy. While numerous factors currently support the continuation of this dominance in the short and medium term, emerging threats pose a growing challenge to the dollar's glob-

al sovereignty in the long run. These threats, which have already impacted the current share of the dollar, echo historical events that affected the pound sterling. In conclusion, the Economic File provides insights into various facets of the global economy in the near future.

In the context of non-conventional security concerns shaping the global landscape, the ASR examines six pivotal issues. These encompass the complex challenges posed by artificial intelligence (AI), the role of advanced chips in the evolving arms race, the transformative effects of military technology on conventional warfare patterns, the resurgence of the space race, international competition for resources in the Arctic, and the European response to the pressing issue of illegal migration across the Mediterranean. This comprehensive exploration highlights these key topics as crucial facets of the non-traditional security agenda on the international stage throughout 2023.

The evolving dynamics in this context underscore the heightened complexity and challenges facing international security and stability. A clear divide has emerged, involving those possessing cutting-edge microprocessors (chips) and those without. Following in the footsteps of the United States, Europe responded by enacting protective legislation and providing financial support to bolster its competitive stance in the rapidly advancing landscape of future technology. Attention is now directed toward potential developments in China's leadership in electronic chip manufacturing, with the Chinese company, the Semiconductor Manufacturing International Corporation (SMIC), making significant strides in producing microchips with 7-nm process technology for the latest Huawei smartphone. This achievement has defied skeptics, highlighting China's technological prowess. Beijing and Brussels perceive the US chip ban and substantial subsidies to tech giants as breaches of World Trade Organization (WTO) rules. In the

wake of these swift developments, it becomes evident that the global technology conflict has only just started.

On the other hand, renewed military talks between the United States and China, now incorporating considerations of the role of AI in warfare, hold the potential to lay the groundwork for strategic stability on a global scale. The eventual inclusion of Russia in these bilateral talks appears imminent. The world is currently witnessing a remarkable acceleration in the advancement of AI, reaching a point where it could replace humans in routine and technologically demanding tasks. This necessitates establishing a comprehensive global regulatory framework like the Treaty on the Non-Proliferation of Nuclear Weapons or agreements affiliated with the United Nations. Consequently, the risks associated with the covert utilization of AI by non-state actors will persist until nations acknowledge this phenomenon as a global threat.

The rapid evolution of technology has significantly altered the warfare landscape, giving rise to a proliferation of non-military offensive methods to achieve strategic objectives for states. This technological progress has also dismantled stereotypical perceptions of conventional weaponry, with technological development emerging as a prominent tool for undermining the foundations of states. The heightened risk associated with the use of advanced military technologies becomes even more significant when these capabilities fall into the hands of non-state actors, including terrorist or coupist groups. The applications of AI extend beyond the military domain, permeating the civilian sector, hence rendering these technologies easily accessible. The trajectory of technological advancement in the military domain is expected to persist, ushering in further changes to patterns of warfare. Moreover, it has become evident that nations, companies and entrepreneurs will continue to channel in-

vestments into space exploration, undertaking both manned and unmanned space missions. This trajectory positions the space sector as one of the most critical and vibrant areas for investment and economic development in the medium and long term.

As the competition for resources escalates, the Arctic is poised to witness heightened rivalry among major powers. In the long run, this competition may drive Arctic nations to pursue bilateral cooperation to avert being entangled in unwarranted tensions arising from the global rivalry between Moscow and Beijing on one front and the United States on the other. Shifting focus to the Mediterranean basin, the deepening crisis of illegal immigration remains a significant concern for Europe. The predicament is further exacerbated by the outbreak of conflicts in Ukraine and the Middle East. The potential for increased migration toward Europe adds to the burden, posing challenges for the region. It also raises the question of the European countries' inability to respond politically to the issue of immigration and the consequent implications. It also supports the rise of European far-right parties in the European Parliament, with elections scheduled for the summer of 2024, thus exacerbating the state of European insecurity and instability.

Regarding intellectual and ideological issues related to political Islam, the dispute over fundamental tenets and the rise of the far-right globally, the file discusses the role of the official and central religious establishments in the Islamic world. The Saudi religious establishment has sought to preserve the traditionalist heritage centering around the pristine Islamic doctrine and monotheism while enhancing the discourse of moderation — rejecting the discourse glamorizing extremism. Al-Azhar, meanwhile, has pursued the policy of remaining aloof of the executive authority while diligently attempting to maintain its role enshrined in the Constitution. With regard to Islamist groups, the new leader-

ship of the Muslim Brotherhood (MB) has failed to unite the divided organization, with fragmentations and internal finger-pointing persisting. The Ennahda movement in Tunisia, meanwhile, was dealt huge blows following the arrest of its senior leaders and Rachid Ghannouchi. With regard to violent groups, al-Qaeda and ISIS saw a decline in operational activity as well as media presence and recruitment due to the killing of senior commanders, including founding figures of these groups, and other factors. The Taliban government attempted to ally itself with al-Qaeda to counter ISIS while at the same time preserving its traditionalist heritage and classical jurisprudential opinions, especially regarding women and human rights. Regarding the Shiite hawzas, the dispute between the Najaf hawza and the Qom hawza continued. Also, intra-disagreements between Iranian clerics; Shiites and Sunnis, regarding the ruling system's orientations were apparent in 2023.

With regard to the rise of the far-right worldwide, the file sheds light on the Holy Quran's desecration by right-wing extremists in Europe, attacks on Muslims and the demolition of mosques by Buddhists in India, as well as the storming of Al-Aqsa Mosque by Israeli extremists and attacks against Arab tourists by Turkish racists. In the same context, the file points to the globalization of unconventional sexual behavior and attempts by the West to forcibly impose this on countries with different cultural values and norms. This is considered another kind of extremism aimed to coerce people into embracing ideologies that contradict their norms, cultures and religions.

In the context of regional affairs throughout 2023, the Middle East grappled with a series of ongoing crises. Notable among these were severe political and security challenges unfolding in the occupied Palestinian territories and Israel. The situation escalated with Operation Al-Aqsa Flood (also known as Operation Al-Aqsa Storm) and a comprehensive Israeli offensive on the

Gaza Strip, resulting in heightened uncertainty and complexity. The repercussions extended beyond regional borders, impacting the international arena. Governance issues persisted, exemplified by the Libyan scenario marked by ongoing divisions and polarization among political forces, hindering elections and impeding the consolidation of state institutions. Additionally, economic challenges surfaced in Turkey, where President Recep Tayyip Erdogan, re-elected in May 2023, confronted significant hurdles in addressing economic issues and revitalizing growth rates in the country.

On another front, the initiation of a settlement agreement between two influential regional powers, Saudi Arabia and Iran, marked a significant shift in their relations, ushering in a new phase. The diplomatic breakthrough, facilitated by China in Beijing in March 2023, underscored a fresh approach to Saudi-Iran dealings. Both nations emphasized respecting each other's sovereignty and refraining from interfering in internal matters, signaling the easing of disagreements, particularly concerning regional issues such as Yemen. A tour by President Erdogan to Saudi Arabia, Qatar and the UAE highlighted the continued significance of the Gulf region in the Middle East, driven by economic, security and military commonalities. Furthermore, Egypt-Turkey relations experienced improvement due to key developments that expedited their reconciliation. The Jeddah Summit witnessed Syria being readmitted into the Arab League after a freeze in membership since 2011, showcasing Riyadh's capacity for mediation and resolution of complex regional crises.

In 2023, the diplomatic apparatus of the Gulf states stood out for its adoption of a policy of collective action, aiming to enhance their interests and influence at the global level as well as within international blocs. The Gulf Cooperation Council (GCC) apparatus played a crucial role in unifying efforts among member countries, fostering effectiveness, and addressing internal

differences. Recognizing the importance of collective action in confronting cross-border crises and challenges, the GCC sought to strengthen its position in international balances. The General Secretariat of the Council States actively coordinated and unified the GCC countries' dialogue with significant blocs and nations globally, maximizing opportunities and mitigating potential risks and threats the organization could face.

In 2023, the African continent witnessed a resurgence in frenzied international competition as various powers sought to strengthen their influence and expand their roles there. France's influence in West Africa fluctuated, while Russia extended its presence through the Wagner Group operating in the region. The West Africa region saw two military coups, one in Niger in July 2023 and another in Gabon in September 2023. The phenomenon of auxiliary forces rebelling against national armies and governments also grew, as seen in Sudan, where the Rapid Support Forces (RSF) aimed to overthrow the army, citing accusations including loyalty to the former regime led by Omar al-Bashir. In Ethiopia, the Fano militia rebelled in the Amhara region, engaging in clashes with the army. This rebellion stemmed from the government's decision to integrate regional special forces into the army, police or civilian apparatus, aiming to prevent the reoccurrence of civil war and eliminate auxiliary forces — the decision sought to enhance the government's ability to maintain security in the country.

In 2023, the Central Asian countries faced opportunities and challenges as tensions in their neighboring regions prompted a re-evaluation of their policies. Political instability resulted from interactions with neighboring conflicts, regional disputes, and the challenge of balancing the interests of major powers — Western countries, Russia and China — competing in the region. The Central Asian nations responded to these challenges by strengthening ties with Russia and China while simultaneously main-





taining relationships with the United States and the European Union to establish a balanced approach. They also welcomed Gulf involvement, fostering cooperation between the two regions. Additionally, these countries remained vigilant in addressing the risks posed by the Russia-Ukraine war, implementing strict sanctions on mercenaries among their citizens. These countries believe the conciliatory approximation best suits them; therefore, it is expected to persist throughout 2024.

In Rasanah's ASR, the second theme is based on the strategic transformations in Saudi policy amidst the global and regional crises and wars of 2023. Notable events included the ongoing Russia-Ukraine war and the eruption of conflict in Gaza, particularly highlighted by Operation Al-Aqsa Flood on October 7. The ASR examines the global economic repercussions of these events, amplifying the challenges numerous countries face across continents. Despite the tumultuous global landscape, 2023 emerged as one of the kingdom's most successful years, showcasing commendable performance across political, economic, military, social, cultural, scientific and artistic dimensions, as evident in various sector indicators.

In a comprehensive assessment, the overall indicators unequivocally affirm that 2023 marked a significant milestone in the realization of Vision 2030. This period witnessed the application and implementation of this vision, with tangible outcomes visible on the ground.

At the domestic level, the drive for modernization and good governance continued, reflected in initiatives to strengthen national identity and empower women. Particularly, women played an active role in military service and participated in a space mission, underscoring their significance to the nation. The importance of this mission went beyond rights and citizenship, symbolizing the elevated status of women in the new landscape developing in Saudi Arabia.

Saudi modernization and good governance were evident in education, innovation, scientific research, urban identity preservation, national heritage conservation, AI, digital transformation and cultural, literary and artistic endeavors. Additionally, efforts to promote sports and enhance the kingdom's soft power were recognized internationally, leading to the country deservedly winning the bid to host Expo 2030.

On both regional and global fronts, Saudi Arabia's aspirations for global and continental influence became apparent, notably through its diplomatic engagements in continental and regional summits throughout 2023. The kingdom expanded its global relief efforts, taking on an enhanced role as a peacemaker, a force for regional stability, and an intermediary in times of crisis.

Economically, Saudi Arabia persistently advanced its diversification strategy across various dimensions manifested in clean energy initiatives, economic diplomacy, investment promotion, bolstering self-sufficiency and food security. This is in addition to optimizing logistics and supply chain efficiency, fostering local manufacturing through the Made in Saudi Program, and fortifying its appeal as a prime tourist destination.

Simultaneously, on the military front, the armed forces underwent ongoing development programs, aligning with the goals set in Vision 2030, focusing on localizing military industrialization.

These endeavors occurred in the context of the framework of the kingdom's new vision for itself, the Gulf, the Middle East and the world, as articulated by Crown Prince Mohammed bin Salman in his statements throughout 2023. The vision is characterized by a commitment to fostering a prosperous Middle East, like a new Europe and contributing to a stable and secure global landscape. The crown prince emphasized the interdependence of its various components, recognizing the indispensability of each pole

to the others. The ASR meticulously details the developments across the evolving global landscape.

Indeed, a notable level of harmony and coordination prevailed across various Saudi domains, including politics, economics, military affairs, society, culture, art and sport. Evidently, there are cohesive threads and a well-coordinated institutional system among these diverse domains. The overarching convergence centers around Vision 2030, embodied by Crown Prince Mohammed bin Salman, with a commitment to realizing the targets set in this strategic vision.

Hence, the strategies formulated by various ministries, agencies and sectors across Saudi Arabia's business landscape at every level of decision-making have not only underscored their alignment with the overarching objectives of Vision 2030 but also emphasized a meticulous commitment to the intricacies outlined therein. Each institution, ministry and body is diligent in featuring on their websites a dedicated section illustrating the extent to which their endeavors are linked to Vision 2030. This concerted effort ensures a synchronized movement of the Saudi state toward a specific strategic objective, establishing a universal performance metric based on the extent of compliance with/or deviation from the vision's goals.

The outcomes of this concerted effort and organizational efficiency surpassed the initially set ambitions and goals, with tangibles outpacing aspirations. Numerous indicators demonstrated that the accomplishments exceeded the targets outlined in Vision 2030. This success prompted the crown prince to highlight "the imperative to transition to" the execution and moving toward Vision 2040, with plans to announce it in 2027 or 2028.

All initiatives and strategies within the kingdom revolve predominantly around economic objectives. This holds true even in sectors such as clean energy, the green economy, tourism, entertainment and sports, where meticulous

calculations are made regarding their economic dividends and their impact on the economic diversification strategy. This approach establishes a cohesive equilibrium and a benchmark for success. Thus far, the results indicate that Saudi strategies and approaches are yielding positive outcomes.

The development momentum in Saudi Arabia appears unstoppable, and the near future promises an accelerated pace of progress across all sectors, particularly on the national front. However, it is crucial to bear in mind that numerous competing regional and international powers closely observe this Saudi experience. Potential challenges may arise, especially amidst the ongoing turmoil in the Middle East and worldwide. Yet, Saudi Arabia's assurance of its position and success lies in its adept leadership and ability to navigate evolving realities through a comprehensive and promising internal transformation initiative that garners widespread support. Externally, strategic acumen enhances leverage — diversifying partnerships and achieving independence.

The ASR's third theme is dedicated to the developments related to the Iranian case. Internally, the Raisi government faced severe criticism for the second consecutive year. Criticisms focused on its lackluster performance, continued curbing of freedoms and the absence of transparency in periodically disclosed economic and life quality statistics. Iranian "reformists" dismissed attributing failures to the previous government, asserting that Raisi's government enjoys unwavering support from all Iranian state institutions, which, according to them, has not been appropriately employed to achieve the government's plans and objectives. Externally, the government made notable strides, including the restoration of Saudi-Iran relations and accession to the Shanghai Cooperation Organization (SCO) and BRICS. Despite this diplomatic openness, Iranian economic experts argue it has

yet to positively affect Iran's economic and living conditions.

As the parliamentary elections set for March 2024 approach, there is a notable eagerness among the "reformists" to re-enter the Iranian political landscape. However, concerns linger about the potential repetition of the mass exclusion scenario witnessed in the 2020 parliamentary elections and the 2021 presidential elections. Recent amendments to the parliamentary elections law by the Iranian government have heightened these apprehensions. Despite this, the Iranian supreme leader and the "hardliner" current's interest in revitalizing popular participation in the upcoming elections may lead the Guardian Council to approve the candidacy of some "reformists," albeit without allowing them to secure a majority of seats in the forthcoming Parliament.

In 2023, Iran faced overall economic weakness, marked by sluggish growth and financial challenges, except for notable growth in oil exports, including efforts to access new markets by joining economic blocs like BRICS. Despite this, living standards declined sharply, with record inflation rates, especially in food and housing prices, and a steep devaluation of the local currency. Unemployment exceeded 40% among the highly educated, while inflation reached around 47%, and food prices soared by over 70%, causing at least 57% of Iranians to experience malnutrition, according to local statistics. These economic hardships manifested in declining societal well-being, deteriorating living standards and increased misery, impacting health and food security and undoubtedly affecting psychological and societal stability. The government's financial and monetary decisions, coupled with the lingering effects of US sanctions imposed five years ago, severely undermined the effectiveness of the "resistance economy" adopted by the ruling establishment, putting it in an awkward position with the Iranian people.

In the social sphere, the Iranian government managed to weather a widespread protest movement sparked by the killing of Kurdish woman Mahsa Amini at the hands of the morality police, using a combination of repression and limited concessions. However, the government later diverged from public opinion by introducing a new law on the hijab, aligning with its religious identity and emphasizing the importance of its ideological foundation. The ruling establishment perceives the hijab as a crucial element for maintaining legitimacy, particularly among religious segments of Iranian society. Therefore, individual conflicts over the hijab between Iranians and the political authority are likely to persist, alongside efforts by the state to quell factional protests and prevent them from evolving into broader movements.

The restoration of relations with Saudi Arabia garnered significant support among Iran's internal factions, with both the "conservative" and "reformist" movements recognizing the importance of strengthening ties between Riyadh and Tehran to reduce regional tensions. Iranians are optimistic that renewed diplomatic relations can facilitate alignment on various issues, including Hajj, good neighborly policies, regional security, Israel and the Abraham Accords, Iran's nuclear program, Asian cooperation and prospects for relations with the United States. However, achieving a substantial breakthrough in the relationship necessitates addressing core disputes, notably the Yemeni crisis and Iranian interventions in the region's countries.

In 2023, Iran's policy toward Arab countries, particularly Yemen, witnessed distinct characteristics because of peace efforts and international initiatives led by Saudi Arabia and Oman. Saudi Arabia consistently sought a political resolution in Yemen, aiming to establish a national government inclusive of all Yemeni political factions. The joint efforts of Saudi Arabia and Oman contributed to creating a positive political atmosphere conducive to intra-Yeme-

ni dialogue. However, challenges continued to loom over the political trajectory, notably the Houthi militia's stance on peaceful coexistence and Iran's determination to maintain influence through the Houthi lever. The success of the political process in Yemen hinges on the sincerity of Yemeni components in ending the conflict, prioritizing the interests of the Yemeni people over partisan and regional affiliations. Direct discussions with the internationally recognized Yemeni government, which has made significant concessions for peace, are crucial. Given relatively positive indicators in 2023, the political path and military calm are anticipated to continue in 2024.

In 2023, Iran adopted a new approach toward Iraq, emphasizing pragmatic tools for implementing its expansionist policies in the Iraqi arena. This shift came against the backdrop of internal complexities, with emerging Shiite political forces resisting increased Iranian influence and advocating for rejecting sectarian quotas in favor of restoring statehood. Simultaneously, criticism and pressure intensified regionally and globally against Iran's foreign militarism. While this adjustment may appear as a tactical shift aligning with current internal and external conditions, the core objectives of the Iranian establishment, driven by ideology and a commitment to geopolitical projects, remain unchanged. The proposal to transition from military to pragmatic tools does not signify a strategic shift but rather an adaptation to prevailing circumstances. Considering regional developments, including the Israeli-Gaza war and the potential for Hezbollah to alter engagement rules with Israel, leading to a broader regional conflict, there is an anticipation that military tools might be reactivated in the Iraqi arena.

Regarding Iran's influence in Syria, regional and international developments continued to impact Iran's presence and its approaches to managing the rising challenges and consequences that resulted from regional shifts in

2023. Among these developments was the US ramping up military mobilization of its troops on the Syria-Iraq border on the one hand and the outbreak of Operation Al-Aqsa Flood on the other launched by Hamas against Israel inside the Gaza Envelope Settlements, which resulted in an escalation of Israeli strikes against pro-Iran militias in Syria. Against the backdrop of these developments, the Iranian strategy as to how it manages its dispute with the United States and Israel — and the challenges they pose to its clout and interests in Syria — became apparent. Iran wavered between inciting its militias to escalate attacks in northeastern Syria while at the same time ordering its aligned paramilitaries in southern Syria at the Golan border to diminish the escalation.

In Lebanon, the prolonged presidential vacancy crisis since October 2022 persisted, presenting a significant political challenge to the country. Hezbollah, facing difficulty in garnering support for its candidate, opted for an indefinite presidential vacuum until a consensual candidate emerged. This situation added complexity to the political, economic and security challenges facing Lebanon, impacting Iranian influence and Hezbollah's interests. For its part, Iran closely watched the situation with "measured satisfaction." Iran was unable to avowedly throw weight behind Hezbollah's candidate, thus forcing the other parties to accept this option because of the domestic resentment against it. Nor was Iran willing to accept or endorse the candidate of the other political forces, which would generate additional challenges to its interests in Lebanon. In addition to the dilemma caused by the political crisis in Lebanon and Hezbollah's approximation toward it, the developments in neighboring Palestine, the surprise attack by Hamas against Israel and the Israeli response by declaring war on the movement and the Gaza Strip, all raised questions about Tehran's calculations and the positions of its aligned

proxies and militias coalescing into what is called the "Axis of Resistance," and how Iran would address the crisis and the possibilities of Hezbollah's involvement in the war.

In Iran's interactions with global and regional powers, the ASR delves into the nuances of US-Iranian relations over the past year. Recognizing the pivotal role of these relations in shaping Iran's internal and external policies and their impact on regional security and stability, the report highlights Iran's notable influence on US policies in the Middle East. This analysis considers the longstanding hostility that has continued to smolder between the two nations for over four decades. Throughout 2023, it became evident that US-Iran relations underwent fluctuations between moments of tension and periods of relative calm. Both nations demonstrated a concerted effort to navigate their conflicts cautiously, avoiding direct confrontation and unplanned escalation. This approach led to an implicit calm regarding the nuclear file and an agreement to exchange prisoners. However, this did not extend to other contentious issues such as regional confrontations and opposing trajectories and alliances. But Operation Al-Aqsa Flood highlighted the complexities gripping the relations between the two countries and the huge conflict of interests that could pit them against each other in a broad confrontation. Though there is a desire to prevent the conflation of the indirect confrontation between the United States and Iran into a wider regional face-off, the evolution of events indicates that such a confrontation is not totally ruled out. This comes especially as the war's scope has broadened, even impacting global trade movements.

In 2023, Iran-Europe relations were influenced by various factors, including the prolonged hijab protests following the death of Mahsa Amini, a young Kurdish woman, in the latter part of 2022. The ongoing Russia-Ukraine war and developments in the Ira-

nian nuclear file further contributed to the dynamics of this relationship. Iran strategically capitalized on the detention of European citizens and exerted pressure on countries hosting Iranian opposition figures, resulting in some diplomatic gains. The interplay between these events shaped the nuanced and complex nature of Iran-European relations during the year. Throughout 2023, Iran persistently provided Russia with weaponry and drones, utilized in the conflict against Ukraine. Tehran also continued with its nuclear activities. This ongoing support for Russia drew European ire, particularly regarding Iranian actions that contravened the previous nuclear agreement (formally known as the Joint Comprehensive Plan of Action (JCPOA)). Iran's activities hindered the monitoring and inspection efforts of the International Atomic Energy Agency (IAEA) and continued supporting Russia in the Russia-Ukraine war. Despite this, France, Germany and the UK continued pressuring both Iran and the United States to re-engage in nuclear negotiations. Thus, Iran-Europe relations were characterized by the sanctions-cooperation dichotomy, reflecting the intricate balance between punitive measures and collaborative efforts. The utilization of either sanctions or cooperation was influenced by Iran's involvement in the Russia-Ukraine and Palestine-Israel conflicts, in addition to considerations related to the nuclear file and human rights.

In 2023, Iran actively pursued its relationships with the Central Asian and Caucasus countries amidst heightened international competition for influence in these regions. Amidst the rivalry between the United States and Europe against China and Russia, and evolving dynamics among regional powers, Iran sought to bolster its ties and maintain relevance. Noteworthy developments included the Turkey-Azerbaijan agreement to establish the Zangezur corridor, connecting Turkey to Turkish-speaking regions while posing eco-

nomic challenges for Iran. Additionally, the Gulf states, particularly Saudi Arabia, emerged as influential players, organizing the inaugural summit between the GCC and the Central Asian countries (GCC-Central Asia Summit), outlining a strategic cooperation plan until 2027 across various domains. In response to evolving regional dynamics, Iran intensified its turning eastwards policy, as articulated by President Ebrahim Raisi. This involved setting aside differences with Azerbaijan, resolving disputes and forging numerous trade and economic agreements with the Central Asian nations. Despite these efforts, Iran's actions in the region appear constrained compared to rival powers. Hence, Iran is anticipated to confront growing challenges in the region, particularly considering its constrained capabilities stemming from internal economic conditions.

The geographical proximity of Iran and Pakistan led to clashes on various fronts, encompassing social, political, economic and security issues. The political orientations of leaders in Tehran and Islamabad significantly impacted the nature of their relationship, with geopolitical considerations playing a crucial role in shaping their interactions. Despite a brief period of Iranian-Pakistani rapprochement under Imran Khan's rule, it failed to address fundamental issues of contention between the two nations. Even with Khan's vote of no confidence and Shehbaz Sharif assuming power, Islamabad reverted to its previous alignments, maintaining close ties with the West. Nevertheless, he refrained from adopting confrontational policies toward Tehran. Consequently, Pakistan-Iran relations experienced significant progress in economic cooperation. The Saudi-Iran agreement also contributed to this trajectory, particularly amidst tensions in the Taliban's relations with neighboring countries, including Pakistan. Additionally, China's involvement played a role in strengthening relations, with both countries supporting the

Belt and Road Project. Therefore, the expectation is that relations between the two nations will continue oscillating between economic collaboration and disagreements on security and foreign policy matters.

Iran's relations with Afghanistan were overshadowed by the Helmand River crisis in 2023. It did not achieve any progress in various economic and political fields. On the contrary, the two countries almost entered into war after armed skirmishes between the border guards of the two countries. Iran is bargaining with the Taliban government, utilizing the issue of recognition, and is leveraging the Afghan refugee issue, threatening to expel them. It is also pressing to form a government that includes its loyalists from the Shiite Hazara community. Iran does not want the dispute to develop into an all-out war because of the great cost it entails. Therefore, it prefers diplomatic tools in addressing its intractable problems with the Taliban.

In a related context, the Raisi government resuscitated Iran's policies of engagement with select Latin American and African countries. This shift reflects the government's international stance, emphasizing a departure from the West as a primary approach to counter the isolation imposed by the United States and overcome the challenges of sanctions and blockade. This strategy yielded partial diplomatic and economic gains for Iran, fostering unity with anti-US countries in these regions and securing a foothold near the United States. It also facilitated the resurgence of Iran's influence in Africa, which is of huge significance at this stage. Despite these maneuvers, they lack strategic depth and fail to provide a genuine substitute for normal relations with the West and regional allies close to Iran. Their sustainability is contingent on whether Iran reaches an agreement with the West concerning the nuclear deal.

# Training Center

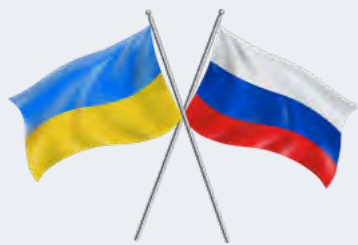
Rasanah's Training Center, licensed and accredited by the Saudi Technical and Vocational Training Corporation (TVTC) and the Ministry of Education, offers training courses on crisis management, strategic analysis, writing and research skills as well as the Persian language (at varying levels).

## **WORLD IN FLUX: EXPLORING GLOBAL DYNAMICS**

The year 2023 witnessed significant changes in the international arena, spanning across economic, military, security, stability and ideological fronts. These changes could be attributed to the fierce competition between major powers and the transitional phase that the world order experienced. The competition has intensified and spread to new regions, namely, Africa the Middle East, Latin America and Central Asia, in addition to the ongoing conflict in Ukraine. Operation Al Aqsa Flood further added to the uncertainty in the region, disrupting the previously calm approach of regional countries. These strategic shifts will undoubtedly have both short-term and long-term impacts, which will be discussed in this section of Rasanah's Annual Strategic Report (ASR).

- Trends of the Russia-Ukraine Conflict and Its Repercussions on the West and Russia
- US-China Rivalry and Strategic Balance in East Asia
- Global Economic Trends
- Global Competition and Non-traditional Security Issues
- The Ideological Dispute, the Status of Fundamental Movements and Extremist Groups Worldwide
- Strategic Interaction Between Regions

## Trends of the Russia-Ukraine Conflict and Its Repercussions on the West and Russia



Rasanah's 2022 ASR analyzed the most significant consequences of the Russia-Ukraine war on global security. The report outlined Russia's motives for instigating the conflict and assessed Moscow's gains and losses. Moreover, the report examined the primary impacts of the war on global security and the world order. Finally, it offered future scenarios regarding the evolution of the conflict in 2023. In terms of a long-term war, the report ruled out the possibility of it developing into a nuclear war or ending with a victory for either party. Additionally, the conflict's evolution demonstrated that neither of the two parties succeeded in resolving the conflict in their favor, reflecting the prolonged nature of the conflict — especially after the eruption of a new crisis; the repercussions of the Hamas-Israel conflict on the conflict in the Middle East, which has forced the United States and the West to shift their attention and support to Israel at the expense of Ukraine.

In this regard, Europe has been the most affected by the course of the war, as demonstrated by the continent's political and economic dimensions in general and by its security dimension in particular, due to the consequences of NATO's expansion and Germany's latest national security strategy. Rasanah's 2023 ASR discusses the following topics: alternatives for the parties to the conflict after the failed Ukrainian counter-attack; second, the implications of NATO's expansion on Europe's stability; third, the return of Germany: a reading of the country's first national security strategy; and finally, the trends and implications of the Russia-Ukraine conflict.

### Alternatives for the Parties to the Conflict After the Failed Ukrainian Counterattack

Most of Ukraine's allies had anticipated its collapse at the beginning of the war and within days of the Russian army's incursion that swept across vast areas of the country and came close to the capital Kyiv, penetrating its outskirts. However, Ukraine's ability to repel the attack, regain much of its territory, and inflict great losses on the Russians had reversed the outlook of Ukraine's allies, who had widely moved to support it politically, economically and militarily. Ukraine's allies also embraced the idea that suggested that a Russian defeat could be achieved by the Ukrainian army, ultimately restoring all of Ukraine's eastern lands that were under Moscow's control. However, the Russian army had learnt its lesson from its previous blunders and repelled the counterattack preventing Ukraine from achieving significant progress, which eventually restored Putin's confidence. Several trajectories arise at this stage of the war, each of which is subject to several considerations. Most notable are the costs that either side of the conflict must be prepared to bear to pursue the war further until the desired goal set by each is achieved.

### The Military Scene After Two Years of War

The military scene witnessed many developments over the course of the Russia-Ukraine war. The conflicting frontlines, after two years of fighting, seem to be in a semi-stable situation in the eastern region of Ukraine, which Russia had captured and annexed. That being said, Ukraine carried out some operations in Crimea, while mutual attacks competing over Ukrainian grain exports were witnessed in the Black Sea. There was also progress and regression by mere kilometers in some villages. Some tactics adopted against this backdrop had no effect in changing the rules of the game. Meaning that no major attacks similar to those that penetrated the depths of Russia using UAVs took place. These Ukrainian attacks managed in recent months to strike several military bases and vital installations in Russia, even those in the capital Moscow — a move Ukraine's allies seemed to reject to prevent the expansion of the scale of the war.

### The Cost of a Prolonged War for Both Parties

Russia and Ukraine have suffered grave human losses during the course of the war. Naturally, both parties to the conflict have also incurred economic and political costs while they strive to achieve their desired endpoint.

■ The economic cost: Russia has faced several economic conundrums as a result of the war, whether because of Western sanctions or the cost of the war itself. Notably, financing the war on Russia's side required a 68% increase in expenditure under the 2024 "defense clause," reaching 10.77 trillion rubles. Military expenditure increased to 29.6% of total Russian budget payments in exchange for reducing the minimum share of "social policy" spending in the general budget expenditure structure since 2011. Russian defense expenditures are expected to rise to three times more than those allocated for education, environmental protection and health care combined in 2024.<sup>(1)</sup> Indeed, this will have its own set of living consequences for the

Russian people, which will, in time, put pressure on Putin's ongoing war in the medium term.

Of course, these economic drawbacks are not limited to Russia. Ukraine's allies, in turn, face several economic hurdles. Despite overcoming the energy crisis in the winter of 2023, Europe remains concerned in this regard, especially in light of global tensions and their repercussions on energy prices (the Gaza conflict and its repercussions). European economies, alongside high inflation rates and slow economic recovery post the coronavirus pandemic, were negatively impacted as a result of the war. According to the International Monetary Fund (IMF), since the inception of the Russia-Ukraine war in February 2022, "prices, in two years, rose by 25%, which is the same percentage seen in the five years that followed the global financial crisis."<sup>(2)</sup>

These economic troubles exacerbated poverty rates in most European societies and pushed a decline in purchasing power for most European workers. Salaries have not kept pace with high inflation rates, especially since the initiation of the Russia-Ukraine war. The United States, on the other hand, was threatened with a government shutdown that would have inflicted very large losses on the US economy. At the time, the EU stated that it would not be able to fill the void left by the end of US support. Moreover, Eastern European countries faced a hit as a result of Russia's pullout from the Ukrainian grain export agreement.

■ The political cost: Significant military gains were achieved in Ukraine by the Wagner Group after the Russian regular army's offensive faltered. Yet Wagner's role caused a crisis that overshadowed the military successes, as the failed

coup attempt led by its leader, Yevgeny Prigozhin, created political problems for Putin that he could not overlook. The potential coup left Putin looking weak and exposed divisions within the military leadership. Despite overcoming the crisis in a very short time, its consequences linger on, not to mention Prigozhin's mysterious assassination.

Ukraine's allies nonetheless suffered a chain of political dilemmas. Perhaps the most significant of which was the controversy among the Democrats and Republicans in the United States over whether to continue to provide support to Ukraine, a hurdle that threatened to cause a government shutdown. Europe, however, still stood its ground in its support for Ukraine, as showcased through the EU foreign ministers' visits to Kyiv in early October 2023, reflecting its support for Ukraine. Despite this, the Europeans are contending with intra-disagreements concerning the extent of military support and the future of the war. These intra-disagreements are expected to escalate amid the 2024 European election;





for example, in Eastern Europe, political currents have embraced approaches close to Russia and away from Europe.

### **NATO Expansion and Its Impact on Europe's Stability**

Instead of pushing NATO further away from Russia, the war on Ukraine has prompted the opposite. NATO, which Finland has officially joined and Sweden is on the cusp of joining, continues to grow larger and closer to Russia's doorstep. Despite NATO's involvement in the ongoing war — through providing military, technological and intelligence support — it still maintains a level of non-direct involvement to avoid the risk of sliding into a regional or global war. Even with the security guarantees NATO provides its new members and its assurances to stick by them, still, this does not signify security and stability in Europe. Just as the NATO enlargement ambitions were one of the reasons that drove Russia to wage war against Ukraine, the new geopolitical situation imposed by NATO creates, on the other hand, political and security challenges that threaten political stability in Europe. These political and security challenges are as follows:

#### **Threats of a Direct Collision**

In principle, the closer NATO's borders are to Russia's, the greater the possibility of a confrontation between the two. Both parties, however, are keen to avoid such a confrontation given their awareness of the gravity of such a scenario and the possibility of it developing into a third or nuclear world war. This explains NATO's emphasis, from a defensive perspective, on supporting Ukraine whether through supplying it with weapons or its explicit rejection of any form of Ukrainian attacks on Russian depth. But despite both parties' heedfulness, the risks of slipping into a direct military confrontation continue to grow amid NATO's enlargement policy. Certainly, Europe will be a pivotal arena in the context of any military confrontation hence it will be vulnerable to more instability.

### **The Repercussions of the Economic Crisis Caused by the Russia-Ukraine War**

The aftermath of the economic crisis — an outcome of the Russian-Ukraine war — emerged as one of the root causes of Europe's political unrest. Russia, amid NATO's steadfast expansionist approach and the risk of a direct confrontation with Moscow, aims to employ economic pressure — among other tools — to inflict as much damage on Europe. This move would likely provoke European citizens to protest or express their anger via the ballot box to get even with their political elites, who have been unable to address poor living conditions, job losses, rises in energy costs, and inflation rates. Furthermore, coordination and collective dealings within the EU's institutional frameworks will suffer further complications due to conflicts because of national and collective interests. A prominent example of the EU's intra-disagreements is the grain crisis. After Russia's withdrawal from the grain agreement and the obstacles hindering ex-

porting grains via the Black Sea, the Europeans resorted to importing Ukraine's grains through their land route. However, Bulgaria, Hungary, Poland, Romania and Slovakia, which border Ukraine to the west, have imposed restrictions on Ukrainian grain imports, with the influx of Ukrainian agricultural items negatively impacting farmers in those countries. The European Commission criticized this unilateral step, asserting that trade policy is a matter of EU jurisdiction.<sup>(3)</sup> Although this particular matter has been resolved for the time being, it remains a temporary fix. As the war progresses, the grain crisis alongside other upheavals are likely to resurface as an outcome of the conflict between Russia and NATO.

#### **Russia's Tools for European Destabilization**

Aside from the risks of a direct confrontation, Russia will certainly adopt steps against NATO's expansion by employing various tools at its disposal to impact Europe's political stability. These tools include the following:



■ **Influencing European public opinion:** Finland, along with other countries that preceded it by joining NATO, was able to neutralize direct Russian threats, but this did not stop Russia from exerting its influence. In this respect, Russia intends to indirectly influence Eastern European countries by promoting its narrative and supporting political forces not far from its vision. Russia will also attempt to win over public opinion, which was once enthusiastic about joining NATO at the beginning of the war out of fear of a possible Russian invasion of their countries, pushing it to gradually shift to an opposing position — or at least to a neutral one. Needless to say, these Russian attempts will be accompanied by continued battles in Ukraine with all their economic repercussions.

■ **Supporting right-wing parties:** In recent years, Russia has forged close relations with many right-wing parties in Europe, with much of their political views in line with Russia's. Many leaders of right-wing parties are candid about their ties to Russia. Yet, despite their condemnation of the war on Ukraine, they at the same time, hold the West accountable to a degree for pursuing offensive policies that threaten Russia's security. Furthermore, right-wing parties have achieved significant electoral gains in both Western and Eastern European countries. On this basis, Moscow, with regard to the conflict in Ukraine, will be able to win over right-wing parties, whose views revolve around coming to an understanding that will resolve the Russia-Ukraine war while taking into account Russian national security concerns.

■ **Fueling conflicts in the Balkans:** The Balkans have often been a model of international rivalry and ethnic conflicts, and despite the political settlements that followed the Bosnia and Herzegovina War of the 1990s, the region remains a flashpoint that has several factors that could fuel conflicts; specifically ethnic ones. Russia in connection with its confrontation with NATO, also intends to employ the Balkans to

destabilize European security and stability. To achieve this, Russia could extend its support to Serbia, which demands the protection of Serbs in northern Kosovo. It is important to note that Russia justified its invasion of Ukraine and seizure of its eastern regions under the pretext of protecting ethnic Russians. Further, several skirmishes took place in 2023 between Serbia and Kosovo, which prompted the EU to issue warnings against any practices that could lead to an armed conflict. The Russia-Ukraine war has also impacted Serbia, which believes that the US and European preoccupation with the war is a unique opportunity to reap geopolitical gains at the expense of Kosovo.

### **Germany's Return: A Reading of the New National Security Strategy**

In June 2023, the publication of Germany's first National Security Strategy represented a new sign of Berlin's ambition to transform its economic wealth into political and military capital.<sup>(4)</sup> This strategy is based on three dimensions of security: defense, resilience and sustainability (defense includes strengthening the civilian and military forces and protecting citizens).<sup>(5)</sup>

#### **New Approach**

The idea of publishing a national security strategy was part of the new government's coalition agreement when Chancellor Olaf Scholz took office in December 2021. Nevertheless, in the context of the Russia-Ukraine war, Germany assesses that it was urgent to clarify its security objectives to overcome perceived vulnerabilities including new military, economic, geopolitical and climate threats.<sup>(6)</sup>

The document is, first and foremost, a compromise between a three-party coalition government. This explains the limited ambitions of the strategy and the ambiguity regarding the future of Berlin's relations with Beijing. The document considers China as a "partner, competitor and systemic rival."<sup>(7)</sup> This ambiguity can be best explained by looking at the level of German trade

with China, reaching \$328 billion in 2022, 21% higher than in 2021. The rise of bilateral trade and investments in their respective economies can provoke an increase in German dependency on Chinese economic supplies for "several strategic and critical inputs to manufacturing."<sup>(8)</sup>

Regarding China, there are two different approaches in Germany: one from the government and the vision of the German business sector. These internal contradictions explain why, at the National Security Strategy, it is mentioned that China is a partner and a rival at the same time. In other words, Beijing can be an economic partner and a security competitor. Another aspect of the document is controversial: France is the only European power that is of "particular importance" to Germany.<sup>(9)</sup> The document does not mention Germany's pivotal role between Western and Eastern Europe and the need to balance its relationship between France and Poland.

#### **Rebuild Hard Power: Reality and Expectations**

The strategy appears as the first step to build German hard power, but it is not sufficient to serve as a basis for a new German strategy in Europe almost two years after the beginning of the war between Russia and Ukraine. On the military front, there is a disconnect between the country's strategic interests and its political will to use force.<sup>(10)</sup> The German government announced, after the beginning of the war between Russia and Ukraine, the creation of a €100 billion special fund for military procurement. It also pledged to allocate more than 2% of Germany's gross domestic product (GDP) to defense by 2024. This reflected the beginning of a new era in Germany since the Second World War and the decision to keep a low profile in expressing German hard power on the regional and international scenes.<sup>(11)</sup>

Given its low profile in dealing with security issues, Germany received widespread criticism for not complying with a minimum level of military spending inside NATO. This weakness in defense spending was perceived as an incongruity



**See also**

The concept of globalization refers to the international flow of trade and culture between civilizations and countries. This concept is unlikely to change given that common interests and benefits from mutual linkages have been a basic need for countries and regions of the world since the dawn of history. However, “liberal” globalization and its Western foundation that has been imposed on the world since the end of the Cold War needs to be challenged and reconsidered...

**THE RUSSIA-UKRAINE WAR AND THE FUTURE OF GLOBALIZATION**

**Study**

Ahmed Daifullah Algarni  
Vice President of Rasanah III



by some NATO allies because Germany is one of the largest economies in the EU.

Despite the announcement to raise military expenditure, Germany has still not increased defense procurement and it faces difficulties in replacing weapons and munitions donated to Ukraine.<sup>(12)</sup> Moreover, the 2023 German defense budget shrunk by €300 million, with only a small portion of the special fund paid out by the end of the year.<sup>(13)</sup>

Of the special fund's €100 billion announced by Chancellor Olaf Scholz to modernize the Bundeswehr on February 27, 2022, three days after the Russian invasion of Ukraine, about €30 billion has already been allocated, includ-

ing for the acquisition of 35 US F-35 fighter jets which are expected to be delivered in 2026. The German opposition, especially the conservative opposition (CDU-CSU), considers that the €100 billion fund, which was approved as early as summer 2022, could have been mobilized much faster than it was.

Some argue that Germany's army needs not €100 billion but €300 billion to become fully “operational.” There is a shortage of tanks, ships, boats and aircraft. This lack of military reserves was aggravated because of the equipment delivered to Ukraine. At the end of 2023, it appears that the Bundeswehr is even more ill-equipped than it was before February 24, 2022.

According to the new German Minister of Defense Boris Pistorius, Germany must spend 2% of its GDP on defense in the long term, in accordance with the objectives set by NATO for its members. In 2022, Germany spent only 1.4% of its GDP on its military. The challenges to rebuild German military forces also concern the military infrastructure and the state of military bases. According to a German parliamentary report, “there is a lack of housing, functioning toilets, clean showers, lockers, covered sports facilities, troop kitchens, support facilities, ammunition depots and armories, not to mention wi-fi which many soldiers do not have access to in their barracks.”<sup>(14)</sup>

This urgent need of improved facilities, the lack of equipment and the difficulty to recruit are the key hurdles to overcome for the German authorities to transform Germany into a powerhouse that is capable of projecting hard power on the regional and international scenes. For instance, at the end of the year 2022, the Bundeswehr had 183,000 soldiers whereas the objective is to have 203,000 soldiers by 2031. Moreover, the parliamentary commissioner noted in her 2022 report, that the number of applicants to the armed forces fell by 11% from the previous year.<sup>(15)</sup>

These difficulties encountered by the German military forces as well as the ambiguities of the National Security Strategy remain a hurdle for Germany to become the first military power in Europe before Poland and France. It is more probable that France will remain the main security leader of the EU based on the idea of French nuclear deterrence at the European level. Eventually, it appears that Germany's new strategy is still immature to be sufficient to overcome the historical heritage of weak investments in German hard power.

### **Conclusion: Trends of the Russia-Ukraine Conflict and Its Implications**

The pressing question that arises as the Russian-Ukraine war approaches its third year is how the war could end given both sides' unwavering stance. A long-term war is a likely scenario because of the following factors:

- By not deciding to compromise and start negotiations to end the war, both sides of the conflict face numerous losses and dilemmas. However, current indicators suggest that the cost of the war — whether it be military, economic, or political — inflicted on both is still in its early stages and may take a long time to reach its peak. This situation could push one party to concede while the other responds. Although Russia in this regard is an individual actor, which makes it more vulnerable to the

consequences of the war, especially economically speaking, its political system allows it to keep up with the war. On the other hand, the presence of an alliance consisting of European countries and the United States on Ukraine's side gives the latter an advantage to bear the cost of the war. However, there remain some variables within European countries and the United States that will dictate whether support to Ukraine continues or not. For example, the mentioned government faces political crises that may force them to retreat from extending their support to Ukraine, especially in response to public pressure. Another variable could be the arrival of new political elites to power, through elections, who oppose extending support to Ukraine.

- Both parties to the conflict can reach an understanding regarding security guarantees for Ukraine and its membership in NATO; however, the geographical dimension will continue to pose a dilemma that pushes toward a long-term war scenario.

Ukraine wants Russia to withdraw from its territory and return to the 1991 borders, while Moscow demands that Ukraine recognizes the new regional reality. This could complicate diplomatic efforts to stop the war, given the fact that giving up land is difficult and costly for both parties internally. Factually, Ukraine is fighting to regain parts of its territory that it must protect and defend. Russia, in turn, has taken unilateral steps that made the war in Ukraine of national significance — when it swiftly annexed Ukraine's provinces. Despite this Russian decision being a unilateral one that has no basis in international law, it became part of Russia's national sovereignty internally, especially since it emerged from an ethnic dimension with the intent to protect Russian speakers in those Ukrainian areas.

The implications of the Russia-Ukraine war, bearing in mind the general trends of this conflict and in light of the international develop-

ments — especially the febrile situation in the Middle East, will vary in 2024. This is due to the conflicts of interest between clashing powers and the primacy of this war for each of them, especially at the major powers level.

Russia seeks to take advantage of the Israel-Palestine conflict since it has created a distraction for Ukraine's allies, most notably the United States; US military support for Kyiv has significantly declined. This being said, the double standards of Western governments toward the Israeli attack on Gaza have provided Russia with media fuel to draw comparisons between the Western media narrative on Ukraine and Gaza. Russia could also want the situation in the Middle East to generate a settlement that achieves the goals it has set since the beginning of its operations in Ukraine. This scenario appeals to China as well, which is exploiting these ongoing events to better handle its conflict with the United States. China believes that whenever the United States is preoccupied with international issues, the better are its chances to strengthen its influence in its region.

As for the EU countries, their priority will not revolve around defeating Russia militarily. But it is likely that during 2024, the EU member states will come to realize that there is an increased need to make diplomatic efforts to resolve the Russia-Ukraine conflict or at least freeze it. This is because Ukrainian military forces are showing their European supporters, near the end of 2023, that reaching a military resolution will be difficult to achieve in the coming months. Thus, Europe in 2024 will stand at a crossroads to either continue providing high-level military support to Ukraine or reduce this support to advance peace. This dilemma will be at the center of the European diplomatic agenda in 2024, especially among those who frame the war debate in the context of a conflict between hawks and doves and those who offer an alternative between military victory and defeat.



# TRENDS OF THE RUSSIA-UKRAINE CONFLICT AND ITS REPERCUSSIONS ON THE WEST AND RUSSIA

## Alternatives for the Parties Following the Failed Ukrainian Counterattack

1 The failure of Ukraine's counteroffensive has added further complexity to the calculations of the parties to the dispute, whose continuation depends on the cost of the war.

2 The cost of continuing the war for the two parties to the dispute:



- **Economically:** Russia grapples with severe economic challenges arising from the war, Western sanctions and the financial burden of warfare.



- **Politically:** The involvement of the Wagner Group in Ukraine yields military gains but exposes divisions within the military establishment; in addition, Ukraine's allies grapple with political problems.

## NATO Expansion and Its Impact on European Stability

- 1 Threats of a direct collision.
- 2 Repercussions of the economic crisis caused by the Russia-Ukraine war.
  - Influence European public opinion.
  - Support right-wing parties.
  - Fuel conflicts in the Balkans.
- 3 Russia's tools for European destabilization:



## Germany's Return: A Reading of the New National

### Security Strategy

- 1 Germany has adopted a new approach to address military, economic, geopolitical, and climate threats.
- 2 The strategy for building the country's hard (military) power suffers from inconsistency, with a misalignment between Germany's strategic interests and the political will to use force.

Current indications suggest a prolonged timeline for the war's costs to peak in military, economic and political domains.

Russia aims to leverage its efforts in the Israel-Palestine conflict further.

### Conclusion: Trends of the Russia- Ukraine Conflict and Its Implications

The geographical dimension related to Ukraine's security guarantees and NATO membership will increase the likelihood of a protracted conflict.

European Union nations will embark on diplomatic initiatives in 2024 to resolve or at least freeze the Russia-Ukraine conflict.

## US-China Rivalry and Strategic Balance in East Asia



In Rasanah's 2022 ASR, a scenario was proposed that predicted fluctuations between limited escalation and rivalry in relations between the United States and China. This prediction came true in 2023, with ongoing competition between the two global superpowers and the United States' attempts to isolate China while effectively managing the competition. The Biden administration adopted a strategy that aimed to contain China by shifting the focus of the geopolitical competition from a global level to a regional one in East Asia. This particular approach is intended to entangle China in a regional conflict, thereby impeding its efforts to establish a multipolar global order. If a conflict were to erupt in East Asia, it is probable that Beijing would be reluctant to confront Washington. This situation would help sustain the United States' unilateral dominance of the world.

This file provides an analysis of the reciprocal competition policies of the United States and China and their implications on the strategic balance in East Asia. This is undertaken through examining four key aspects: the dimensions of US policies aimed to contain China, Beijing's countermoves against US policies, the contentious issue of electronic chips between the two global powers, and lastly, the implications of US-China competition on the strategic balance in East Asia in 2024.

### The Dimensions of US Policies to Contain China

The Biden administration has, for the third consecutive year, continued to counter China's goal of establishing a multipolar global order that ends US unilateral dominance. This aim has been sought by focusing on two main dimensions. First, striving to achieve a balance of power in East Asia, a strategy that would effectively encircle China within its regional sphere. Second, managing competition within the framework of cooperative rivalry<sup>(16)</sup> by maintaining open communication channels. This ensures that the competition remains under control and does not escalate into a conflict that could potentially lead to war.

### The Policy of Encircling China Within Its Regional Sphere

The US policy in 2023 reflected a more refined focus than the past two years on encircling China within its regional sphere. This approach shows an intent to establish a balance of power, as opposed to allowing one dominant power in the region. This is evident in the US' efforts to establish a balance in the Indo-Pacific region between China and its neighboring countries and Asian powers allied with Washington.<sup>(17)</sup> The ultimate US goal is to shift the intense geopolitical competition with China from a global arena to a regional one among East Asian powers.

In this pursuit, Washington intensified its efforts in the Indo-Pacific to provoke China. Firstly, it supported the defensive and offensive capabil-

ities of its Asian allies. Secondly, it conducted more joint military maneuvers that were implicitly aimed at deterring China. Thirdly, it mobilized allied forces against China and reinforced their aspirations to achieve a balance of power. This was against the backdrop of their growing concerns over the impact of China's growing power on the future of security arrangements and the power hierarchy in East Asia.

Washington supplied Taiwan with defensive weapons systems worth over half a billion dollars, most of which was aid from the amounts estimated at \$1 billion for Kyiv in the US defense budget for 2023. Moreover, Washington deployed on South Korean territory a strategic launcher capable of carrying nuclear warheads to enhance Seoul's deterrence power. It also agreed with its allies Japan and South Korea during the tripartite summit in August 2023 to organize joint military exercises, hold an annual tripartite summit and establish a direct contact line for consultation. This was in response to what they considered as aggressive Chinese behavior in its disputes with Tokyo and Seoul. These moves were interpreted by Beijing as the formation of a hostile alliance.

Interestingly, the August summit marked a significant shift in the longstanding animosity between Seoul and Tokyo over the latter's historical occupation of the Korean Peninsula. This change signaled a Japanese-Korean tendency toward prioritizing the consolidation of their power to confront the risk of China's growing influence. It effectively highlighted Washington's ability to weave agreements between different allied powers with the strategic objective of curbing China in East Asia.

Additionally, the United States, in collaboration with the UK and Australia, established the Australia-US-UK enhanced security partnership, known as AUKUS in 2021, and part of this pact is to supply Australia with nuclear-powered submarines (SNN). This aims at enhancing the maritime deterrence power of Canberra which

is becoming a critical player in deterring China through force posture cooperation. Washington also signed an agreement with Australia to supply it with multiple GPS-aided launch rocket systems known as HIMARS.

In addition, the United States ensured that the Philippines did not fall under any Chinese influence. As the Asian country was reoriented toward the West during the presidency of Ferdinand Marcos, Washington promptly reached an agreement to establish new military bases in strategic areas near Taiwan and the South China Sea to further encircle China.

Washington, in a coordinated effort with Tokyo, Seoul and Canberra, executed military exercises that were different from those of previous years. These maneuvers were distinct in their duration, timing, the scale of participating forces, the nationalities involved and the range of weapons. They included air, ground and naval exercises to equip allies with defensive and offensive expertise. Training was provided on the HIMARS system for launching precise missile strikes as well as on strategic launchers capable of carrying nuclear warheads. Remarkably, the duration of these exercises spanned over two months, and the number of troops in a single maneuver doubled, reaching 30,000. The primary focus of these exercises was to test integrated military capabilities under potential armed confrontation scenarios with the Chinese army.

The timing of these drills amplified their importance, as they took place amid escalating concerns among allied powers over China's growing influence in East Asia. The exercises showed the allies' efforts to revise their defensive doctrines and establish a deterrence force against Beijing and Pyongyang and discourage them from contemplating altering security arrangements or directing preemptive strikes against their territories. The drills were perceived as a significant provocation by the two countries that exhibit heightened sensitivity

toward air maneuvers due to the comparative weakness of their air forces against the US air force. In response, Pyongyang hastened to test a torpedo drone capable of carrying nuclear warheads underwater and launched intercontinental ballistic missiles. These moves were intended to convey a clear message to Washington and its allies that Pyongyang possesses a tremendous nuclear and ballistic deterrence force, capable of targeting any location worldwide.

The concluding statement of the G7 meeting, held in May in 2023 in Japan, centered on the fears of allied Asian countries and those indebted to China, with Washington raising alarms bells over what it refers to as the "Chinese debt trap." The G7, in which Washington significantly influences its decisions, underscored that China was practicing "economic coercion" to maintain its control over a significant proportion of global supply chains, thus deducting the share of allied powers. Washington aimed to encourage the allied powers and the G7 countries to align with its policy of achieving a balance of power in the Indo-Pacific region.<sup>(18)</sup>

Moreover, the United States actively engaged with India, recognizing its aspiration to bridge the power gap with China and play a greater role in the global arena. During the G20 summit, Washington endorsed the Indian-Middle Eastern-European corridor project, which President Biden described as "historic."<sup>(19)</sup> The project would change the rules of the game and the competition between the West and China, potentially stripping Beijing of its "world's factory" advantage. New Delhi, from the US perspective, is a leading force among its allied powers, capable of achieving a regional balance with China and preventing the latter from monopolizing leadership in the Global South. The US strategy of fostering a balance of power in East Asia serves its objective of transforming its international rivalry with China into a competition among East Asian countries. This will enable the United States to insulate itself from the primary burden





of countering China and to deplete China's power in protracted regional conflicts with countries striving for influence in East Asia. This could eventually disperse Chinese efforts toward establishing a multipolar global order.

#### **The Policy of Cooperative Rivalry With China**

Besides the policy of encircling China within its regional sphere, the United States adopted a policy of cooperative rivalry with China. This policy advocates the use of diplomacy to ease tensions and competition.<sup>(20)</sup> The relations between the two sides became extremely tense since the balloon crisis in February 2023. This policy is particularly relevant given the lack of communication between the military forces of the two countries, which has been exacerbated by Beijing's refusal of a US request for a meeting between the defense ministers of both countries, a decision influenced by Washington's ongoing sanctions on the Chinese defense minister.

The US diplomatic approach to China included multiple meetings and visits by US officials

to Beijing from May to November 2023. These encompassed a meeting between National Security Advisor Jake Sullivan and member of the Political Bureau of the Chinese Communist Party Wang Yi. This was followed by a visit by Director of the Central Intelligence Agency William Burns to China. Then, Assistant Secretary of State for East Asian and Pacific Affairs Daniel Kritenbrink visited China along with Director of China and Taiwan Affairs in the National Security Council Sarah Beran. This was followed by visits by Secretary of State Antony Blinken and Secretary of Commerce Gina Raimondo. The final and the most primary event was the meeting between the US and Chinese presidents in November 2023.

These meetings aimed at achieving a breakthrough in relations, alleviating tensions and devising strategies for managing the competition with China. This was accomplished by conveying messages of reassurance to Beijing, emphasizing Washington's intention to prevent

the escalation of competition into conflict. They also sought to clarify to Beijing that the trade restrictions imposed on semiconductor exports were intended to address US national security concerns. They communicated that the intention was not to blockade the Chinese economy, as its recession would mean a global economic downturn. The presidents of the United States and China also concurred on the importance of maintaining open lines of communication, resuming military talks and discussing thorny issues such as mutual sanctions, chip production and the issue of Taiwan.

Despite the diplomatic efforts, there was no significant progress in US-China relations due to the prevailing unresolved issues. Therefore, the US policy of encirclement toward China persisted. This was amid the Republicans' criticism of Biden for his lenient position on Beijing, coupled with fears within his administration about the potential impact of this position on their chances in the 2024 US presidential election.

Beijing continued to challenge Washington for world leadership, which led the latter to send the late US foreign policy luminary Henry Kissinger to create a backchannel for negotiations after the failure of official channels. Kissinger had robust relations with China since the 1970s when he managed to persuade his country to change its position on China by recognizing it in the United Nations after two decades of refusal.

The veteran diplomat possessed the skill to thaw the frosty relations between the United States and China through establishing a new path for dialogue between the two poles based on common interests, trust and mutual respect. Given that both powers form pillars of the global economy, the downfall of either would lead to catastrophic repercussions worldwide which necessitates peaceful coexistence.

Kissinger's longstanding relationship with the Chinese leadership was evident in the warm welcome he received in Beijing. The Chinese president himself met with him in a hall for distinguished guests. He stated that Kissinger is "an old friend" of China, adding that "History will remember what the centenarian had contributed to China-US relations." However, his efforts did not succeed due to the ongoing US provocations toward China and its readiness for any potential military confrontation with Beijing. This rendered the diplomatic path ineffective and forced the Chinese to reconsider their calculations.

Accordingly, the US diplomatic approach to China did not reflect a shift in its existing policies. Rather, its goal was limited to preventing the rivalry with China from escalating into a draining armed conflict. It is clear that the encirclement policy that the United States adopted toward China in its regional sphere is firmly entrenched in its strategy. This policy is becoming increasingly effective with the increase in the tendency of Washington's Asian allies to strike a balance with China. This is owing to their concerns over China's expanding influence and its

increasing partnership with Russia and North Korea. Therefore, the US-East Asian alliance spares these countries an extended conflict with China and enables Washington to curb China's global ambitions.

### **China's Countermoves Against US Policies**

In 2023, China sought to counter the US encirclement policy by adopting policies at both the regional and international levels. These policies focused on achieving regional supremacy as well as intensifying efforts at the international level to balance itself with the United States. This aimed to transform the latter from a dominating force, aligning with China's strategy to usher in into what it calls "the new era."

#### **The Focus on Achieving Regional Supremacy**

A main pillar of China's US counter strategy is achieving regional supremacy. This aims to thwart the US policy of undermining China's regional dominance by empowering and aligning with neighboring Asian powers. Hence, the first move taken by the Chinese president after his re-election for a third term in March 2023 was forming a cabinet of figures supporting his regional and international policies.<sup>(21)</sup> The new Chinese government focused on countering US policies by developing new strategies to ensure China's supremacy of power in East Asia and ability to continue to reduce the military gap with the United States.

As part of these efforts, China unveiled its "Blue Dragon Strategy" in the Indo-Pacific region.<sup>(22)</sup> This strategy emphasized strengthening China's military foothold in Sri Lanka, situated adjacent to its rival, India, as well as in Taiwan, an ally of the United States. It also aimed at controlling transboundary rivers such as the Brahmaputra River basin in India and Bangladesh and the Mekong River in Southeast Asia. This is in addition to intensifying military exercises near the Chinese/Japanese Senkaku/Diaoyu Islands. Given that New Delhi, Tokyo, Taipei and Seoul are among the capitals most receptive

to US policies against China, the Blue Dragon strategy intends to exert additional pressure on Washington's allies. This is either to compel them to compromise on unresolved issues or to deter them from implementing policies that conflict with Beijing's objectives.

Furthermore, Beijing sought to increase the potential differences with US-allied Asian powers on the one hand and reduce the power gap between itself and Washington on the other hand. This was reflected in three key initiatives. Firstly, the Chinese leader ordered a faster army development with the aim of reaching global supremacy by 2049. Secondly, the defense budget for 2023 saw a surge, with an increase rate of 7.2%, the highest since 2019. The budget stands at \$225 billion, making it the second-highest defense budget behind US military spending which is roughly three times higher.<sup>(23)</sup> Thirdly, the country expanded its nuclear stockpile. The Stockholm International Peace Research Institute revealed in June 2023 that China's arsenal increased from 350 warheads in 2022 to 410 in 2023.<sup>(24)</sup> The announced number further elevates China's standing among all its neighboring countries allied with Washington, except for India. The latter is a nuclear power (joined the Nuclear Club) with a stockpile of 164 warheads announced in 2023. It is worth noting that China's main allies also possess nuclear capabilities. Russia ranks first globally with 5,889 warheads and North Korea has 30 warheads, while the United States ranks second globally with a stockpile of 5,233.<sup>(25)</sup>

#### **Fostering Diplomatic Breakthroughs in US Spheres of Influence**

While the compass of US policy headed East to encircle China, the latter's compass headed toward areas traditionally influenced by the United States. This is because establishing a robust presence in regions such as the Middle East, Central Asia and West Africa enhances China's overall power and influence on the global stage. The most prominent diplomatic breakthrough

brokered by China in 2023 was in the Middle East, a region of significant traditional US influence. This is when it managed to mediate in the conflict between Saudi Arabia and Iran, two important players in regional and international affairs. This achievement has allowed China to bypass the United States' longstanding hold on conflict resolution and position itself as a global mediator with the means to ensure the success of agreements. Furthermore, it demonstrated its reliability to emerging regional powers seeking greater autonomy in their foreign policies. China's Saudi-Iran reconciliation serves Beijing's interests in the region, given that both Riyadh and Tehran are key trading partners and major oil suppliers. It also enhances the potential of the Silk Road initiative (aka BRI), given the strategic locations of the two countries. Additionally, it ensures the safe passage of oil tankers and commercial vessels— most of which are Chinese, strengthening China's foreign trade.

China has also begun a new chapter in its relations with Central Asia, in response to the shifting global dynamics, particularly with Russia and the United States' focus on the Russia-Ukraine war. This move comes as part of China's strategy to polarize and strengthen the Eastern axis. China held the inaugural "China-Central Asia Summit" in Xi'an in May 2023. The summit, which is scheduled every two years, saw the signing of agreements in strategic sectors such as oil, gas, railways and industrial zones.<sup>[26]</sup>

This constituted an unprecedented move, aimed at communicating to Washington its proficiency in the polarization game. This is particularly evident in strategic regions that Washington has long used to threaten China's security, most notably Central Asia, located on China's western border.

The enhanced relations with the five Central Asian republics serve to secure the Silk Road passage and ensure energy security. This approach not only strikes a balance between Chi-



na and the United States globally but also aligns with China's goal of establishing a global order different from the post-Cold War order, one that is grounded in political pragmatism and economic interests.

With regard to Africa, the continent has undergone significant transformations since the onset of the third decade of the third millennium. These changes were marked by numerous coup attempts, both failed and successful, with the most recent ones occurring in Niger and Gabon in 2023. As a result, there has been a noticeable shift toward the Eastern bloc, particularly China and Russia. The two countries have been accused by various Western circles of backing the coups to distance Africa from the Western bloc, particularly France. Critics argue that the discourse of the coup leaders has been charac-

terized by an opposition to Western policies, including accusations of double standards regarding Africa's issues and control over its resources. These leaders are perceived as accusing the West of neglecting the African populace, leaving them to grapple with dire living and economic conditions, poverty, epidemics and diseases. This has sparked widespread resentment against the West, both at the official and popular levels.

The recent transformations in Africa have given China more room for maneuver, making the continent a destination for senior Chinese officials. The Chinese president's visit to South Africa for the 2023 BRICS (Brazil, Russia, India, China, South Africa) meeting is deemed highly significant, given that his speech praised Africa's liberation from colonialism,<sup>[27]</sup> in reference to the coups against the West. His speech also

included a commitment to continue China's efforts to establish an alternative to the current global order.

Moreover, Beijing hosted in September 2023 the Chinese-African Peace and Security Forum, attended by representatives from 50 African countries. The event held a clear indication of a shared Chinese-African desire to incorporate a security dimension into their relations, which for decades have been primarily commercial. China's influence in Africa is expected to grow in the coming years for several reasons. These include the likelihood of continued coups, should their motives persist and the increasing resentment toward Western policies among African peoples and governments. This is in addition to China's strategic approach to Africa which recognizes its voting potential, strategic commodities and minerals essential for chip production, a heated ongoing conflict with the United States.

### The Expansion of BRICS

In 2023, China endeavored to expand the BRICS,<sup>(28)</sup> where it plays a pivotal role in its decisions and policies by admitting six new countries — Argentina, Saudi Arabia, the UAE, Egypt, Iran and Ethiopia. The now BRICS Plus is in line with China's strategy to establish an international economic bloc parallel to the US-led G7 in order to shift power from the Global North to the Global South, or at the very least, enhance its global standing in what it refers to as the “new era.”

The expansion of BRICS paves the way for its evolution into a global economic bloc, making it capable of challenging the policies of the G7, particularly in global trade transactions. This is especially true in the event of the introduction of a new unified currency or the completion of trade transactions in local currencies, which could disrupt the dollar's dominance over the global financial system. The reason for such a result is the BRICS' significant contribution to the global economy, which stands at 31.5% and slightly

surpasses the G7's 30.7%.<sup>(29)</sup> The recently admitted countries, Saudi Arabia and Iran, which own vast global oil reserves and Russia's huge reserves, could potentially create the world's largest oil reserves and production bloc. Saudi Arabia, a member of the G20, is recognized for its economic strength and Iran, with its anti-West stance, is seen as a reliable ally of China and Russia. The UAE, an attractive destination for investment, maintains balanced relations with all international powers and Egypt, despite its ongoing crises, remains a pivotal country in the region.

In addition to all these factors, the member states' aspirations to increase the volume of bilateral trade transactions in local currencies, amid their struggles and those of many other countries within the global Western financial system, underscore the importance of BRICS and its efforts to establish a new global system independent of the Western one. However, this goal is not easy to accomplish. The organization is confronted with numerous challenges in establishing a new global financial system, especially given the disparity in the political, economic and military capabilities of its member states. China, for instance, has an economy vastly larger than that of South Africa. This is in addition to the disparity in the positions of member states on regional and international issues. One example is the conflict in views between New Delhi and Beijing over the US policy of achieving a balance of power in East Asia. Such conflicts complicate the process of making consensual decisions, especially the issuance of an alternative currency that rivals the dollar's strength. Currently, the dollar accounts for 58.3% of foreign exchange reserves, followed by the euro at 20.4%, according to the IMF in 2023.<sup>(30)</sup> Therefore, Washington is not expected to remain passive in the face of any initiative that seeks to undermine its most prominent instrument in the context of global economic influence.

### The Contentious Issue of Electronic Chips

While there are numerous areas of rivalry between the United States and China, the electronic chips or semiconductors<sup>(31)(32)</sup> industry has been particularly intense in 2023. The competition evolved from mutual taxes and customs duties on metals and elements used in chip production to each party imposing restrictions and export bans to solely control this industry. What has been called the “Chip War” was initiated by US-China efforts to dominate the digital future of the world. The war is especially tense given Washington's relatively weak position in technology production vis-a-vis China's advanced standing.

### The Developments in the Chips Issue

The chip crisis took a significant turn due to a global supply shortage in the face of rising demand. This shift occurred against the backdrop of sanctions imposed by President Trump on China's Huawei in 2019. Then, President Biden, in an effort to boost domestic production, signed the CHIPS and Science Act, offering subsidies to chipmakers for manufacturing in the United States. In response, China stored some essential materials for chip production and its companies stored manufactured chips to avoid sanctions. The chip deficit worsened because of the COVID-19 pandemic, with lockdowns and the closure of many global chip factories despite an increase in global demand for chips and fifth-generation technology and its associated electronic components.

The issue of chip production has become the central issue in the US-China rivalry for one primary reason — its link to global technological superiority and placement in the global power hierarchy. As a result, both countries have taken new measures to prevent the other from gaining dominance over the global chip market. Washington has imposed stringent restrictions prohibiting global companies from selling chip manufacturing technology to Beijing. This move

See also

Report

## THE US-CHINA CHIP WAR AND ITS IMPLICATIONS FOR THE GULF STATES

The United States is trying to curb China's chip industry with the Biden administration urging US allies to curb Beijing's efforts to acquire high-end chips. Tit-for-tat responses exchanged between Washington and Beijing have created bottlenecks and uncertainties in global tech supply chains. The chip war is not only affecting tech companies but also countries such as the Gulf states that have accelerated their investments in cutting edge technology given their quest to become key players in AI and transition to a green economy...



restricts the latter's access to sensitive Western-made technology, as China relies on importing chip manufacturing equipment from various countries. Washington also imposed new licensing conditions for any technological exports to China by US companies and banned the export of advanced microchips, citing potential military applications as the reason. Moreover, it agreed with its allies, such as Japan and the Netherlands, to restrict exports of advanced chip manufacturing equipment to China. The United States also sought to cooperate with Taiwan, the world's largest producer of chips and a country that China considers an integral part of its territory, on chip production.

China responded by imposing tightening restrictions on the export of two key elements used in chip manufacturing: gallium and germanium. This has created a challenge to the chip industry, given that China is the largest producer of these elements in the world and no alternative can be found in the short or medium term. Moreover, in an accelerated effort to win the chip manufacturing race, China shifted its in-

dustrial base from labor-intensive industries to advanced technological industries as part of its "Made in China 2025" initiative. This has resulted in its share in the global market growing from zero to 15% and it aims to further increase it to 24% by 2030. On the contrary, the US share has declined from 37% in 1990 to just 12% in 2020.<sup>(33)</sup> This stark contrast underscores the intensity of the US-China competition over chips and largely explains the US opposition to China's annexation of Taiwan. The latter alone produces nearly two-thirds of the world's chips and if forcibly annexed to China, the balance of power will tilt toward China, not only in the chip production area but also in the hierarchy of international powers.

### The Chip War and the Power Dynamics Between the United States and China

Both the United States and China understand the importance of chip manufacturing leadership to their overall power and influence. This industry permeates all advanced industries in the world, notably the sophisticated military

and intelligence industries, including advanced fighter jets and drones, which have revolutionized warfare globally. This is in addition to cutting-edge defense systems, winged and guided missiles, intercontinental and advanced satellites, as well as modern geographical scanning devices important for identifying targets. It also encompasses surveillance, spying, intelligence and remote-sensing devices, along with advanced wireless devices, phones, smart tablets, computers, artificial intelligence, robots and centers for collecting security and military information. Accordingly, the semiconductor market has evolved into a large international market, with a value reaching \$622 billion in 2023.<sup>(34)</sup> The magnitude of this industry gives the dominant country the potential to possess the world's largest economy and strongest army as well as unparalleled influence to shape the future global order.

Experts on the matter expect the global chip conflict to broaden in the coming years for several factors. Not only is the US-China rivalry escalating, but the EU is also involved and aims

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to quadruple its chip production by 2030, along with Germany, the UK, France, Italy, Taiwan and South Korea. This is in addition to some Arab countries, such as Saudi Arabia, which are investing billions in this industry to support their economies. The race for a leading position in chip production is driven by a desire to achieve self-sufficiency and lessen dependence on foreign exports. This comes at a time when the chip issue has escalated into a pressing matter for the countries involved, influencing their standing, power and national security. The soaring global chip prices, caused by the ongoing mutual restrictions by the United States and China as well as the pressing demand for smart technology driven by the evolving shifts toward artificial intelligence, smart cities and digital-guided weapons are other factors driving the chip race.

### **The Implications of US-China Competition for the Strategic Balance in East Asia**

The aforementioned policies of the United States and China in the context of their conflict over global leadership have intensified the tendency for competition with China among US-allied East Asian powers. This is evident in their strategic adjustments in defense to counterbalance China's expanding military clout in the Indo-Pacific. New Delhi has increased its military budget by 13% and Seoul by 4.4% of the total GDP in 2023.<sup>(35)</sup> East Asian powers also now aspire for a bigger role in international trade and for an enhanced standing in the global logistical, commercial and economic landscape, attempting to assert themselves in the upcoming international equation.

Japan has surpassed both India and South Korea in the policies to counterbalance China in 2023. The US-allied country, annoyed with China's growing military power, profoundly reassessed its defense policy and presented a transformational national security strategy.<sup>(36)</sup> The newly revealed plan adopts a more hostile position toward the Eastern camp of China, Rus-

sia and North Korea. This move marks a revolutionary shift from Japan's traditional defensive posture and is considered a leap of change since World War II when Japan, compelled by its defeat, abandoned its offensive policy for a defensive one as reflected in the country's Constitution.

### **The Threats to Japan's Security**

Japan's new national security strategy identified three main challenges facing the country. The first is China which the document not only regards as a serious threat to Japan's security, but also international security. In Japan's view, the threat is attributed to China's escalating military activities in the East and South China Seas, its rising defense spending, its advancing nuclear and missile capabilities and its persistent unilateral efforts to alter the prevailing security arrangements in East Asia. Adding to Tokyo's concerns is Beijing's approach to Taiwan, which has sparked Japan's fears of a potential China-US war in the neighborhood. Such a bleak scenario could inadvertently involve Tokyo due to its geographical proximity and the presence of US interests in Japan that could fall within China's strategic targets.

The second threat is Russia which, according to the document, has been challenging established international norms since the end of the Cold War until its war on Ukraine. This history of aggression reflects Russia's tendency of using force to achieve its strategic security objectives in the neighborhood. The document also points to the growing strategic coordination between Russia, China and North Korea on security arrangements in the Indo-Pacific. Russia has classified Japan as an "unfriendly" country after it joined the G7, which has sanctioned Moscow over the Russia-Ukraine war.

The third threat is North Korea, with its growing nuclear and ballistic missiles capabilities. It has already launched about 50 ballistic missiles in 2022 which fell into the waters between North Korea and Japan.

### **Japan's New Defense Policy**

The newly released national security document has assessed that Japan does not possess deterrence and counter-deterrence capabilities to effectively address regional threats. Therefore, Japan must transition its military doctrine from a defensive to an offensive one. The details of this transition are as follows:<sup>(37)</sup>

#### ■ Doubling the defense budget

Japan has doubled its defense budget from 1% to 2% of total GDP,<sup>(38)</sup> a rate equal to the average military spending of NATO countries. The move was perceived by Russia, China and North Korea — which border the northern regions of Japan — as a threat to the prevailing security arrangements in the Indo-Pacific.

#### ■ Enhancing counter-offensive capabilities

In an unprecedented move since the end of World War II, Japan has taken a move to empower its military to initiate counterattacks against aggressor states. The country has acquired F-16 fighter jets and US-made long-range missiles, including Cruise and Tomahawk missiles. This is in addition to funding research for the advancement of long-range and hypersonic missiles to enhance aerial deterrence capabilities as well as improve naval capabilities.

#### ■ Establishing military cooperation with the United States

A US-Japan joint command force has been assigned with coordinating operations between the two armies across air, land and sea domains. However, it is striking that the Japanese new national security document underscores Tokyo's aspiration to enhance its military capabilities independently of Washington. This can be interpreted as Japan's concerns about the possibility of China and North Korea developing missile capabilities that could neutralize the US military should a conflict erupt with either country. These concerns are also driven by China's and North Korea's possession of ballistic missiles capable of reaching targets within the United States.

Japan's recent defense policy draws an end to the country's longstanding peaceful coexistence policy, serving the US goal of achieving a balance of power in East Asia. It also increases the chances of escalation in the Indo-Pacific in the coming years. Japan's relations with China, Russia and North Korea are expected to heighten tensions amid the three countries' consideration of Japan's new defense policy as a serious threat to the existing security arrangements in East Asia. The three countries perceive the move as Japan following in the United States' footsteps to internationally isolate them. The new Japanese military changes are in fact a major US breakthrough in convincing Japan to adopt its viewpoint of achieving a regional balance to hinder China's rise. This success is added to the United States' success in Europe when it managed to convince Germany to develop its armaments to counter the perceived Russian threat. These successes are likely to have far-reaching geopolitical implications.

### **Conclusion: Projected Scenarios for US-China Rivalry and Strategic Balance in East Asia in 2024**

Based on the dynamics of the US-China rivalry and its implications on the strategic balance in East Asia, several outcomes and scenarios can be envisioned. For the conclusions that are drawn from 2023, it is notable that the Biden administration has intensified its efforts to reorient the geopolitical competition with China from the global stage to the Indo-Pacific region. Washington has been instrumental in encouraging its allied Asian powers to strike a balance with China to turn the latter from a dominating force into a counterbalancing power. This strategy aims at exhausting China's efforts and preoccupying it with a battle over regional supremacy, thus curbing its rush to establish a multipolar global

order. This policy highlights Washington's realization that its attempts to draw China into a conflict with Taiwan have failed.

The recent shift in US policy has made a notable impact in East Asia. The United States has successfully influenced key Asian powers, particularly Japan, to establish a balance with China, thus challenging its regional dominance. Moreover, these countries have been persuaded to adopt a more confrontational stance not only toward China but also toward Russia and North Korea, marking a significant shift from defensive to offensive orientations. These changes in military doctrine have empowered East Asian countries to develop counter-deterrence capabilities by increasing military spending and acquiring advanced missiles to strike targets within hostile countries.

In response, China has stepped up its efforts to enhance its global standing. It has undertaken initiatives to preserve its regional dominance and has achieved unparalleled diplomatic breakthroughs in areas traditionally under US influence, particularly in the Middle East. This is evident in its break of Washington's monopoly over crisis resolution, a diplomatic card that enhances global posture. The China-brokered Saudi-Iran détente landmark agreement presents China as a reliable global actor, a status that will be reinforced if it can demonstrate its strength and influence over international affairs.

As for the scenarios for 2024, US-China relations are expected to fluctuate between limited escalation and de-escalation.

#### **In the scenario of continued escalation:**

This scenario is likely to be propelled because of competition over global leadership and the race for superiority in chip manufacturing. These issues are essential for both powers as they directly affect the global power hierarchy. This is

along with the fact that US-China competition overlaps across numerous strategic sub-regions.

#### **In the scenario of de-escalation:**

This scenario is likely to be driven by a mutual desire not to slide into conflict and bear a considerable cost of war. It would also be favorable in light of the massive trade volume between the two countries and the involvement of European and Asian actors allied with Washington. This scenario could materialize amid fears of these countries of a destructive war that could ruin the global economy, especially in light of the crises already created by the Russia-Ukraine war and Israel's war on Gaza. This is in addition to the disparity of European positions toward encircling China. It is worth noting here that the French president, after his visit to China in April 2023, called for developing European defenses, reducing reliance on the dollar and remaining neutral with regard to the Taiwan issue.

Other factors contributing to this scenario include Beijing's calculations of a war's potential impact on the future of its Belt and Road Initiative, Washington's realization of Beijing's capacity to invade Taiwan given its location in a region where Beijing, Moscow and Pyongyang have the upper hand. This would make it hard for Washington to provide a large security cover for Taiwan similar to the protection it provides for Kyiv, located in Europe. **In East Asia**, tensions are expected to rise among regional countries in 2024. This is largely attributed to the efforts of US-allied Asian states, such as Japan, India and South Korea, to achieve a balance with China, aligning with US interests. Beijing, on the other hand, is striving to uphold its regional supremacy. It aims at widening the power gap with its US-allied neighbors and reduce the power gap with the United States which could aid its goal of shifting to a multipolar global order.





## **THE US-CHINA RIVALRY AND STRATEGIC BALANCE IN EAST ASIA**



## The Dimensions of US Policies to Contain China

For the third consecutive year, the Biden administration persisted in its strategic approach aimed at countering China's pursuit of creating a more balanced global order, one that diminishes the uncontested dominance of the United States in the international arena. This involves two key initiatives:

- ① The US administration is actively working to encircle China within its regional sphere by bolstering the defensive and offensive capabilities of allied nations and rallying their support against China.
- ② The US administration is implementing a strategy of cooperative competition with China, primarily through diplomatic means to ease tensions. However, despite diplomatic efforts, a significant breakthrough in bilateral relations remains elusive as both nations continue their policies of mutual encirclement.



## China's Countermoves Against US Policies

In 2023, China implemented countermeasures against US encirclement policies, aiming to secure victories in both regional and global arenas. These strategies include:

Prioritizing regional dominance with a focus on East Asia to ensure a superior power position and progressively narrow the military power gap with the United States.

Achieving diplomatic breakthroughs in regions where US influence is substantial such as the Middle East, Central Asia and West Africa. By bolstering its presence in these strongholds, China seeks to enhance the overall strength of its international influence.

Expanding the scope of the BRICS alliance as a strategic move to establish an international economic bloc that runs parallel to the Group of Seven (G7) led by the United States. This expansion is part of a broader strategy to reshape the global economic landscape, shifting power dynamics from the Global North to the Global South and altering the rules of the international equation.

## The Contentious Issue of Electronic Chips

- 1 The developments in the chips issue:** The competition for control over electronic chips reached its zenith in 2023, evolving beyond the imposition of mutual customs duties on chip-making metals. Both parties escalated the conflict by resorting to export bans on crucial chip components, strategically aiming to thwart each other's chances of attaining global dominance and asserting supremacy in shaping the digital future on a global scale.
- 2 The chip war and the power dynamics between the United States and China's comprehensive power:** Recognizing the pivotal role of securing global leadership in the chip industry, both parties acknowledged the substantial value added to their overall comprehensive power. This acknowledgment stems from the understanding that commanding the chip sector opens doors to influence and control across various advanced industries worldwide.

## The Implications for US-China Competition on the Strategic Balance in East Asia

In the context of the fierce competition between the two major parties over the structure of the international system and global leadership, their respective policies have fueled heightened rivalry among East Asian powers. This is particularly evident with the increasing inclination of Asian nations aligned with Washington to revise their defense strategies. Two key developments underscore this trend:

1

**The threats to Japan's security:** The new national security document highlights emerging challenges to Japan's conventional defense posture, specifically pointing to China, Russia and North Korea as significant threats.

2

**Japan's new defense policy:** Japan has adopted a new defense strategy characterized by a substantial increase in the defense budget. It aims to allocate 1%-2% of its GDP to defense expenditures and acquire counter-attack capabilities.

## Conclusion:

# Projected Scenarios for US-China Rivalry and Strategic Balance in East Asia in 2024

The Biden administration has notably prioritized amplifying its efforts to shift the geopolitical competition between Washington and Beijing from a global context to a regional one, particularly within the Indo-Pacific region.

Concurrently, China has intensified its endeavors to recalibrate the international balance by concentrating on regional dominance and securing unprecedented diplomatic breakthroughs within spheres traditionally considered under US influence, notably the Middle East.

## Expected Scenarios for 2024

**Escalation with no war:** The core issues remain central and concessions prove challenging.

**Relative calm:** This approach aims to avoid plunging into a catastrophic scenario, given the anticipated high costs associated with an outright war.

**Further escalation is foreseen among East Asian countries in 2024. This escalation is fueled by the efforts of Washington's allied powers, such as Japan, India and South Korea, striving to establish a regional equilibrium in alignment with US interests. In contrast, Beijing remains steadfast in asserting its position of regional superiority.**

## Global Economic Trends



Rasanah's 2022 ASR concluded that the stability of the global economy in the short run depends on several factors, namely, the cessation of war and geopolitical stability in addition to stability in energy prices and interest rates and debts. The continuation of the Russia-Ukraine war and the war in Gaza have increased the geopolitical challenges before stability and economic growth. The global economy faced other challenges hindering its stability, namely recession, inflation, fragile food security, increase in commercial hedging and increase in debt and interest rates, which slowed economic growth in industrial countries and created economic, political and social problems for several developing countries; including Arab countries. Rasanah's 2022

ASR expected a calm in energy prices (oil and gas), which proved true in 2023<sup>(39)</sup> to support the sluggish economic growth. The report also expected that Europeans would rush to invest in steady gas supplies, with an aim to replace Russia's gas supplies.<sup>(40)</sup> This scenario also translated into reality. Rasanah's 2022 ASR crafted a host of scenarios that materialized in 2023, which although not listed here can be downloaded for further reading.

The year 2023 saw a host of important economic events that influenced the shaping of the future and the livelihoods of people. The global economy is still affected by the accelerated events of the past five years, which have played a significant role in shaping the realities of the economy today, steering its compass toward several trajectories.

The 2023 ASR's Economic File touches on two main topics. The first discusses the interactions and trends of global economic growth in 2023 through four themes that cover the most salient economic issues, such as the economic growth of the world's various countries, the levels of global prices and their impact on the lives of people, stock markets and interest rates and all related aspects such as debts. The file also discusses the challenges of artificial intelligence (AI) and the war in Gaza. Meanwhile, the second part of this file discusses the rising economic trends on the global stage, such as the trend toward the formation of economic blocs and their trajectories. Finally, the file sheds light on the standing of the US dollar in the global economy in light of the inclination toward forming blocs and opting for different alternatives. Finally, it lays out future scenarios for 2024.

### Interactions and Trends of Global Economic Growth

The rise in the prices of goods and services throughout the world's markets is no secret. Not a single economy seems unaffected by inflation not seen in years or even decades — though in

varying degrees — across the different economies. It is one of the most urgent problems facing the global economy for the time being, especially in food commodities. However, chronic inflation is just one of the three major problems facing the global economy; others include low funding/investment and high interest rates.

These challenges have been created from (caused by) the advanced nations' economies; then, they shifted to the emerging and developing countries at varying degrees. The major governments and central banks found themselves compelled to intervene and address the challenges, using financial and monetary tools and measures — particularly the governments making up the most significant portion of the global economy, such as the United States, China, some EU nations, Japan and the G7 countries.<sup>(41)\*</sup> While these nations have attempted to handle the crises, their policies have contributed to aggravating some of the mentioned economic problems, extending them to the rest of the world due to globalization and overlapping supply chains, consequentially creating new problems.

As usual, geopolitical swings played a significant role in creating transboundary economic consequences. The last of these swings is the war in Gaza, which followed Operation Al-Aqsa Storm on October 7, 2023<sup>(42)</sup>. The war is expected to have negative implications for the region and the global economy if the dispute widens.

In the following lines, the file attempts to diagnose the reality that shapes the world's economy today in more detail through the following essential aspects: the reality of global economic growth, the inflationary situation in different economies, and the status of the stock markets, financing and debts globally. This file concludes by discussing current economic challenges, such as the war in Gaza and artificial intelligence.

### Global Economic Growth

Throughout 2023, the world saw low economic growth, reflecting the industrialized econo-



mies' low growth that led the global economy — except India and China. In 2023, real global GDP growth was estimated at around 3%. This rate is lower than last year's growth rate (3.5%) and lower than the 3.8% average historical pace for the two decades preceding the coronavirus pandemic (2000-2019). This is according to the most recent IMF reports (until October 2023). The latter anticipated a \$3.7 trillion loss in global GDP since 2020.

Put another way, this loss is greater than the current size of the UK economy, which is Europe's second-largest behind Germany. This figure clarifies the extent of the loss in the value-added or the scale of the loss in the supply of global products and services. The nature of the contractionary financial and monetary pol-

icies pursued by American and European governments and central banks to handle waves of inflation was one of the primary factors for this global downturn in growth in 2023. They agreed to hike interest rates rapidly, undermining global investment and GDP growth.

The leading cause of sluggish global economic growth is primarily attributed to the underperformance of all G7 economies except China. This slowdown extended beyond the G7 nations, significantly impacting global economic growth. The G7 economies and developed countries play a substantial role in the global economy, and their faltering performance had widespread repercussions.<sup>(43)\*</sup> Projections indicate that the United States, boasting the world's largest economy, is expected to post a modest

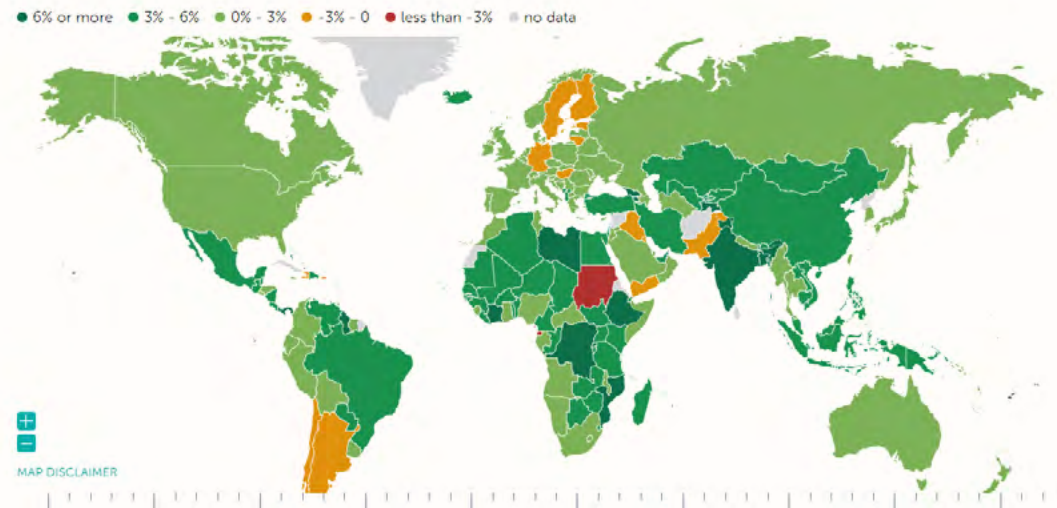
real growth of approximately 2.1% in 2023. In stark contrast, major European economies witnessed low or even negative growth rates. This stands in sharp contrast to the positive economic trends observed in China and other emerging economies, as illustrated in Table 1.

Map 1 illustrates that the preeminent Western industrialized nations, comprising the United States, Germany, the UK, France and Italy, predominantly experienced economic growth within the 0%-3% range in 2023. Conversely, fewer countries, such as China, Brazil and various emerging economies, positioned themselves in the category of average economic growth, falling within the 3%-6% rate.

### The Inflationary Situation









For the second consecutive year, the global population views high and persistent inflation as the foremost challenge, prompting economic

**Map (1): The Range of Real GDP Growth for The World's Countries in 2023 (%)**



Source: "World Economic Outlook," IMF, October 2023.

**Table 1: The Real GDP Growth Rate for the World's Countries in 2023**

State		Real GDP growth rate in 2023
United States		2.1%
Germany		0.5%
UK		0.5%
France		1%
Italy		0.7%
China		5%
India		6.3%
Emerging markets and developing economies		4%

Source: World Economic Outlook Report (October 2023)

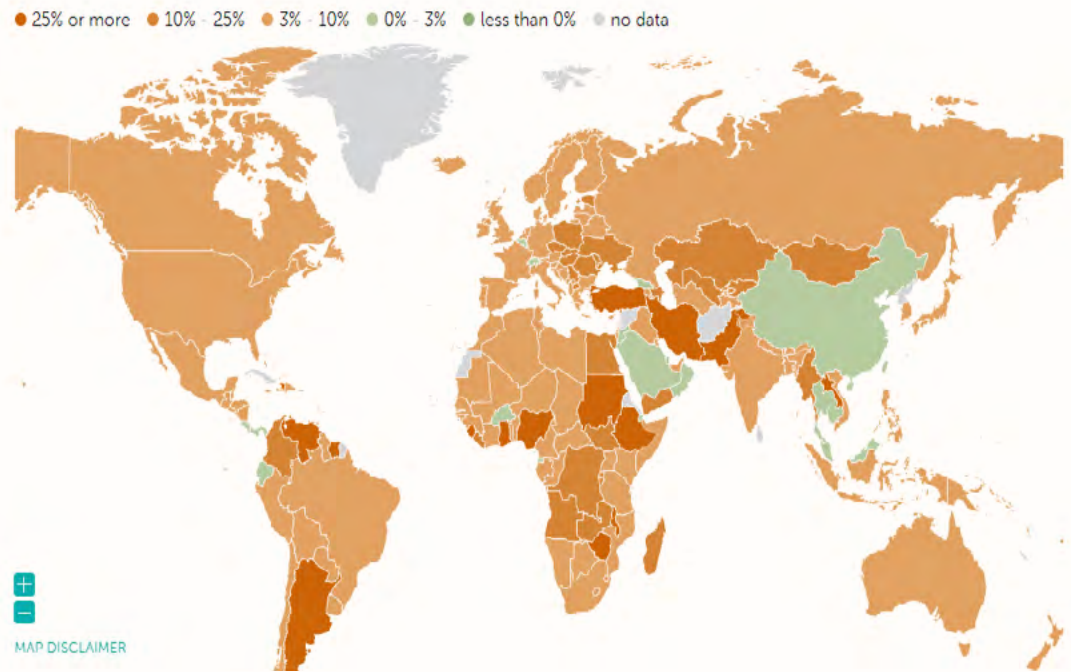
decision-makers and governments worldwide to prioritize its control. The surge in inflation has been an ongoing concern since 2020, following the coronavirus pandemic. In 2023, the IMF estimates indicate that average consumer prices were pegged at 6.9%, a decrease from the 8.7% posted in 2022. Nevertheless, this figure remains high compared to the 3.2% average seen in 2020.

In examining inflation rates globally, disparities are evident among countries, as highlighted in Map 2. Notably, only a few nations, including the Kingdom of Saudi Arabia, Oman and China, exhibited inflation rates within the 0%-3% range. Contrastingly, most countries worldwide fell within the inflation range of 3%-10%. This encompasses nations across Europe, North and South America, India, Asia and Africa. Furthermore, certain countries experienced inflation surpassing 25%, including Iran, Turkey and Argentina.

Food price inflation poses a significant threat to global stability, impacting most of the world's populations and economies, especially those in developing nations; according to the World Bank, the annual food price inflation worldwide is estimated at 20%, the highest in two decades.<sup>(44)</sup> It is worth noting that certain countries may have experienced rates surpassing this average, and individuals within society might have perceived inflation rates that significantly exceeded officially reported figures from international organizations or authorities when the measurement scope is narrowed for a specific category.<sup>(45)\*</sup> The World Bank raised concerns that in 2023, 238 million people across 48 countries were at risk of acute food insecurity.<sup>(46)</sup>

Our focus in assessing the state of the global economy revolves around understanding the factors contributing to the persistence of this difficult economic phenomenon and examining how governments worldwide responded to it. It is worth noting that the interplay of supply and demand forces and variables influences price

Map 2: The Ranges of Estimated Inflation for the World's Countries in 2023



Source: "Inflation Rate, Average Consumer Prices," IMF, 2023, <https://cutt.us/jSp60>.

rates. Any lack of equilibrium on one or both sides inevitably disrupts this balance. Moreover, sudden geopolitical influences further compound the complexities of the situation. This can be elucidated as follows:

- The demand on a global scale has been on the rise and has rebounded since 2021, following the control of the COVID-19 pandemic and the restoration of worldwide market and trade activities. The heightened demand necessitates a corresponding growth in supply, but the latter has encountered a series of obstacles impeding its growth.
- Facing numerous challenges, the supply and production sectors have been significantly impacted by successive shocks. This began with the outbreak of the COVID-19 pandemic in 2020, enforced restrictions, factory closures, disrup-

tions in public life, and a halt in movement and production. The surge in prices for raw materials and production elements, including labor, exacerbated the situation. Even after nearly two years and the pandemic's containment, a shortage of shipping and transport workers in ports persists, resulting in a backlog of goods hence the smooth flow of global trade is hindered. A labor shortage led to a rise in shipping and international transport prices, contributing to a worldwide increase in inflation rates. Though prices were relatively calm by the end of 2021, the eruption of the Russia-Ukraine war in early 2022 became a pivotal shock affecting the supply side and global prices. This conflict stands out as the most significant geopolitical variable impacting global prices in recent decades,<sup>(47)</sup> and its repercussions persist.



■ Global food prices are experiencing significant inflation, driven by several shocks threatening food security and global stability. Among these, the Russia-Ukraine-Europe conflict, droughts exacerbated by climate change, and the Russian withdrawal from the Black Sea Grain Export Agreement (BSGI) in July 2023 stand out as particularly influential factors. Several nations are adopting policies of augmenting grain stockpiles or completely halting exports, a strategy witnessed, for instance, in India's recent decision to cease rice exports. Such actions contribute to increasing food prices globally.

To address the persistent issue of chronic inflation, prominent central banks have intervened for over 15 months, employing various tools, with particular emphasis on interest rate adjustments. However, these measures have presented challenges to economic growth and investment financing. Consequently, supply shortages remain unresolved, compounded by ongoing geopolitical influences. This scenario heightens the likelihood of experiencing elevated inflation rates for the foreseeable near-term period.

### Stock Markets, Funding and Global Debts

Global financial markets are currently witnessing an unprecedented surge in interest rates, particularly for major currencies such as the US dollar and euro. This surge is a critical element of the neoliberal monetary policy adopted by central banks to curb inflation. The policy involves raising interest rates to diminish the liquidity circulating within markets and economies. As previously discussed, the aim is to mitigate the escalating aggregate demand, balancing it with constrained aggregate supply. The intention is to establish equilibrium and drive prices down in line with fundamental economic theories. However, this prolonged intervention, involving the continuous increase in interest rates over the past 15 months, has adversely affected global economic growth, investments and worldwide debts. The repercussions are particularly prom-

inent among developing economies, as elaborated below:

■ The US Federal Reserve executed a series of consecutive decisions to elevate interest rates over a span exceeding 15 months, ultimately reaching a 5.5% interest rate for dollar investments. This move aimed to counteract soaring inflation rates in the US economy, levels not witnessed in the past four decades. The escalation in interest rates resulted in a robust appreciation of the US dollar against major global currencies, a devaluation of other currencies such as the euro, yen and sterling, and a redirection of international investments toward the US stock market. Conversely, and more perilously, this led to an increase in the cost of borrowing for nations relying on dollar loans from international institutions, precipitating a downturn in global investments. This downturn extended to the US economy, contributing to a deceleration in global economic growth.

■ The surge in interest rates and the appreciation of the dollar against other currencies has contributed to a substantial increase in global debts. This is further compounded by pre-existing debts stemming from the financial stimulus measures adopted by most governments to kickstart economic growth post the COVID-19 pandemic. In the first half of 2023 alone, global debts soared by approximately \$10 trillion, as the International Institute of Finance reported, pushing the total global debt to a staggering \$307 trillion. The United States, Japan, the UK and France witnessed the most significant spikes in debt growth. The situation is even more dire and complicated for developing countries. Their debts are intertwined with a surge in interest payments, exacerbated by the devaluation of their currencies against the dollar, sluggish growth, inflation, and the outflow of money and investments abroad. This confluence of factors renders these countries more susceptible to economic, political and security upheavals in the future.

In the foreseeable future, it is increasingly unlikely that interest rates on the US dollar will continue to ascend, primarily due to the apprehension that the US economy may plunge into a state of economic recession. This unusual trend of rising interest rates is anticipated to conclude as soon as positive indicators emerge within the US economy, signaling a slowdown in inflation and unemployment rates. Conversely, the global economy desperately needs measures to spur growth and investments. This entails reducing borrowing costs, boosting production and aggregate supply, and stabilizing prices.

Contrary to the earlier optimistic scenario, the specter of global inflation threats persists near the horizon, with numerous issues and unresolved supply shocks. The likelihood of an ongoing deceleration in global economic growth is compounded by the prospects of a resilient dollar and elevated oil prices. Additionally, the potential for heightened geopolitical tensions in the Middle East, particularly in the aftermath of the Gaza war, introduces increased risks of an economic recession, a topic we will delve into more extensively in the following section.

### Economic Challenges

During 2023, the global economy faced a host of challenges, including:

■ The Gaza war expanding: In October 2023, the Gaza conflict erupted, coinciding with a precarious global economic situation still reeling from the repercussions of the Russia-Ukraine war on worldwide markets. Last year's geopolitical tensions significantly affected food, energy and mineral prices. Until November 2023, the Gaza war inflicted severe consequences on the populations and economies of Gaza and the West Bank.<sup>(48)</sup> The Israeli economy incurred substantial financial and material losses exceeding \$53 billion within 100 days of the war.<sup>(49)</sup> Furthermore, the economic ramifications extended to neighboring countries, impacting regional investment rates, tourism, shipping costs and trade insurance.

The escalation of the Middle East conflict, a focal point of global attention following the Gaza war outbreak, is poised to have far-reaching implications for the world economy. The primary sectors to be affected are gas and oil prices, potentially surging to \$157 per barrel (compared to the current price below \$90), according to the most pessimistic World Bank scenario. This scenario anticipates a broader conflict threatening the energy supply flow through the Strait of Hormuz.

The expansion of the conflict, coupled with clashes among regional and international powers, could lead to severe economic consequences. Global energy supplies may be affected, directly increasing energy, shipping, transportation and insurance costs. This is what happened after the Houthi attacks in the southern Red Sea: insurance costs rose by 200%, and transportation costs increased significantly. This, in turn, could impact international trade, potentially pushing industrial and emerging economies into recession. The repercussions of such a scenario would extend globally, compounding existing crises stemming from events like the Russia-Ukraine war. Persistent issues such as inflation in grain and metal prices, disruptions in international trade and rising global poverty rates further exacerbate threats to worldwide security and stability.

Conversely, these devastating implications in case the war broadens could be an impetus for regional and international powers to end it. First, they would seek to avert the disastrous consequences of the war and second, many economies are unprepared for enduring additional burdens for the time being or in the near future — foremost of which are the Israeli and Western economies.

■ AI: This phenomenon is sparking concerns about the future employment landscape as its integration across various sectors accelerates, gradually diminishing the necessity for human involvement. The increasing prevalence of AI,

coupled with the expanding utilization and analysis of “big data mining,” has prompted the CIA to project a transformative shift by 2040. According to a forward-looking report, AI is anticipated to supplant the waves of innovation that characterized the 20th century, resulting in an initial overall decline in employment, restructuring of job sectors, and global workforce upheaval. Despite these challenges, the report also predicts the emergence of new job opportunities over time.<sup>(50)</sup> In the same context, the IMF warned that AI’s rapid growth would affect almost 40% of jobs worldwide and exacerbate income inequality.

Although AI holds the potential to positively enhance productivity in certain countries and improve facets of life such as education, healthcare, transportation, business, agriculture and defense over the next two decades, there is a flip side to consider. The widespread adoption of AI also raises concerns regarding privacy, financial and personal security, and an increased risk of fueling armed conflicts and chaotic collective punishment.<sup>(51)</sup> This underscores the necessity for a cautious approach to AI’s unbridled development, emphasizing the importance of implementing restrictions and regulations that take into account safety standards.

### Accelerating Economic Trends in the World

In the last two decades, the global economy has undergone swift transformations, a departure from the relatively slow changes that characterized the latter half of the 20th century when economic dynamics were predominantly shaped by the interplay between capitalism and socialism. This status quo persisted until the collapse of the Soviet Union in the 1990s. Conversely, the post-capitalism era witnessed heightened economic competition among nations, particularly with the widespread dissemination of globalization. Over the past three decades, numerous governments in Europe, North America and Asia leaned toward forming economic alliances

that aligned with their interests, often pitting themselves against others. However, in recent years, there has been a notable acceleration in governments either joining existing economic blocs or forming new ones. The emergence of fresh blocs, notably in Asia, has intensified the competitive landscape. Consequently, this has threatened the standing of the US economy and its globally dominant currency, the dollar, while ushering in the rise of competing economic blocs and currencies.

Hence, we will delve into a crucial facet of recent global economic trends: the movement toward economic blocs. This exploration encompasses the conceptualization and evolution of economic blocs, highlighting key models, their efficacy and developmental trajectories. The second trend revolves around challenging the supremacy of the US dollar and the emergence of alternative currencies. This examination involves scrutinizing the factors underpinning the strength of the US dollar, elucidating the reasons behind its dominance in the global economy, and identifying potential threats to its preeminence. Additionally, we will contemplate the future trajectory of the dollar’s dominance, navigating the delicate balance between transformative shifts and inherent difficulties.

### The Trend Toward Economic Blocs

The notion of an economic bloc involves the establishment of regional trade agreements, entailing the elimination of both customs and non-tariff barriers among a collective of member states. Geographical proximity is not a mandatory criterion for participation, as the primary objective is to initially foster increased trade among member nations. As this process evolves, the ultimate goal is to progress toward economic integration or implementing unified economic policies in more advanced stages. The highest level of economic integration, exemplified by the EU, signifies a comprehensive alignment of economic strategies and policies among member states.

The significance of economic blocs lies primarily in their capacity to stimulate trade, marked by heightened trade volumes achieved through the reduction or complete elimination of trade barriers among member states. This arrangement allows for the optimal utilization of resource diversity across countries, fostering increased efficiency in the division of labor and production among members. Consequently, all participating nations stand to gain from enhanced trade, experiencing positive impacts on development, employment rates and consumer welfare.

The inclination toward trade blocs gained momentum subsequent to the establishment of the World Trade Organization (WTO) in 1995, experiencing a rapid proliferation in the past two decades, now surpassing dozens of blocs worldwide. However, it is noteworthy that economic blocs are not a recent development; their origins trace back to the post-World War II era. The growth and expansion of these blocs in the 1990s were catalyzed by the aftermath of the Soviet Union's collapse, the founding of the WTO, escalating trade rivalries among nations and continents, and a pivotal shift toward economic competi-

tion, supplanting the erstwhile political competition that prevailed during the Soviet era. Capitalism and globalization asserted dominance over the global economy in the wake of these transformative events.<sup>(52)</sup>

There are five ascending stages of economic integration among countries around the world:

The initial stage involves a preferential trade agreement, signifying a reduction in some customs tariffs. The subsequent phase encompasses establishing a free trade area, entailing the elimination of customs tariffs. Moving forward, the third level involves the formation of a customs union, characterized by implementing a unified customs tariff in dealings with countries

**Table 2: The World's Most Important Economic Blocs in Terms of Role and History of Establishment**

The Bloc	The Date of Establishment and Current Level of Integration
The European Union	(Economic Union (1991
(North American Free Trade Agreement (NAFTA	(Free trade zone (1993
ASEAN Free Trade Area, created out of the Association of Southeast Asian Nations (ASEAN	(Free Trade Zone (1992
(Asia-Pacific Economic Cooperation (APEC	(Trade zone (1993
(Shanghai Cooperation Organization (SCO	(Not yet a free trade zone (2001
BRICS	(Not yet a free trade zone (2011
The Common Market for Eastern and Southern Africa ((COMESA	Free trade zone
(The Southern Common Market (Mercosur	(A common market (1991
(The Gulf Cooperation Council (GCC	Common market (1981) and a monetary union in the works (2010
(The Greater Arab Free Trade Area (GAFTA	(Free trade zone (2005

outside the bloc. The fourth stage sees the creation of a common market, facilitating the free movement of labor and capital among the bloc's member countries. Ultimately, the highest degree of economic integration is realized through establishing an economic union, marked by the implementation of shared economic policies and the adoption of a unified currency. This is the highest degree of economic integration; the EU is a case in point.

Table 2 shows the most important economic blocs worldwide and the aim behind establishing them.

There are dozens of economic blocs scattered throughout the world's continents. Therefore, we will focus on the most important and salient economic blocs in Europe, Asia, the Americas, Africa and the Arab world.

The EU stands as one of the foremost international economic blocs, representing the pinnacle of economic integration and undergoing notable transformations over the decades. Its inception traces back to the establishment of the European Iron and Steel Community in 1951, functioning initially as a preferential trade agreement among a select group of European nations focused on bolstering trade in critical commodities — iron and steel. This collaborative effort aimed to enhance trade ties and prevent the recurrence of warfare following World War II. Over the ensuing years, the European bloc progressed through various stages, advancing from a common market to forming the European Economic Union in 1991. Currently, it boasts a unified currency, the euro, and cohesive economic policies in its interactions with the outside world.

As a counterpoint to the European economic bloc, the United States initiated the establishment of the North American Free Trade Agreement (NAFTA) in 1993. Comprising only three countries — namely, the United States, Canada, and Mexico — NAFTA held the distinction of being the largest free trade area (FTA) global-

ly during its inception. This preeminence was measured in terms of GDP, the number of participating countries, population size, the concentration of advanced technology, and the availability of a substantial labor force.

As for Asia, it is the most active in terms of the establishment of economic blocs over the past three decades. Among the major Asian economic blocs are:

- The Association of Southeast Asia Free Trade Area (AFTA) emerged from the ASEAN in 1992, initially encompassing six countries: Thailand, Singapore, Indonesia, Malaysia, Brunei and the Philippines. Over time, AFTA expanded to include a total of 10 countries, with the subsequent inclusion of Vietnam, Laos, Myanmar and Cambodia. The association functions as a free trade zone among its member nations.

- The Asia-Pacific Economic Cooperation (APEC) stands as a substantial economic alliance currently comprising 21 countries. Led by influential nations such as the United States, Japan, China, South Korea, Russia, Canada, Australia, New Zealand, Mexico and others, APEC represents a formidable bloc, contributing to 62% of global GDP in 2023. With nearly 3 billion people and accounting for 48% of global trade, APEC has significantly reduced average tariffs from 17% in 1989 to 5.3% in 2021.<sup>(53)</sup>

- SCO, established in 2001 by six countries, prominently featuring China, Russia and nations from Central Asia, expanded its membership to include India, Pakistan and Iran. Although not yet a free trade zone, the organization has experienced notable growth, with its share of total global trade increasing from 5.4% in 2001 to 17.5% in 2021. The GDP of its member states reached approximately \$23.3 trillion, housing more than 54% of the world's population (around 3.4 billion people) and constituting over 20% of the global GDP.<sup>(54)</sup>

- BRICS, initially a political group with significant economic aspirations, held its first preparatory meeting in 2005 involving Russia, China,

India and Brazil. South Africa joined in 2011. This bloc aims to reshape the global economy and financial system, striving to reduce US hegemony, including the influence of the dollar. Key initiatives include developing alternative international payment methods to SWIFT, fostering trade in common currencies among members, and establishing the New Development Bank (NDB) as a partial replacement for traditional financial institutions such as the World Bank and the IMF.

The BRICS economies collectively account for over 31.5% of GDP, boasting the highest concentration of population globally at 42%.<sup>(55)</sup> Despite these impressive statistics, no free trade zone currently exists among its member countries, and the Chinese economy holds a dominant position in trade relations with the other BRICS members. Consequently, the bloc has not achieved the status of an economic bloc among its constituents or on the global stage.

In 2023, however, the emerging bloc took a significant step by welcoming five new countries — Egypt, Saudi Arabia, the UAE, Iran, Argentina and Ethiopia — into its fold. This expansion marked the inception of BRICS Plus as of January 2024. Notably, the bloc expressed openness to including additional members in the future.

On the African continent, economic blocs are relatively fewer in number. One notable bloc is the COMESA, or the Free Trade Area for Eastern and Southern Africa, comprising 21 countries spanning from Tunisia, Libya and Egypt in the north and east to Zimbabwe in the south. Another significant development is the African Continental Free Trade Area (AfCFTA), a relatively recent bloc established in 2018. Currently, AfCFTA includes 47 countries, representing the majority of African nations.

In South America, the Southern Common Market, known as MERCOSUR, was established in 1991 and encompassed a set of economies, prominently featuring Brazil, Argentina, Uruguay, and Paraguay. MERCOSUR has advanced

beyond the free trade zone phase, evolving into a joint market among its members. With a combined GDP surpassing \$2 trillion, MERCOSUR's market comprises nearly 300 million people. In 2022, the bloc achieved a notable trade surplus with the outside world, amounting to nearly \$70 billion.<sup>(56)</sup>

At the level of the Arab bloc, the GCC stands out as the most prominent model, established in 1981. Over time, the GCC has made notable strides in economic integration, commencing with the activation of a customs-free trade zone among its members based on specified regulations. Subsequent milestones include establishing a customs agreement mandating unified customs tariffs and the free movement of goods, activating the Gulf common market, and the enforcement of the Monetary Union Agreement in 2010. In the period from 2003 to 2013, intra-trade volume among GCC members experienced an annual growth rate of 24% following the implementation of the Customs Union.<sup>(57)</sup> Despite challenges posed by similarities in production structures among Gulf countries, impacting the efficacy of intra-regional trade compared to external trade, ongoing efforts in economic diversification and initiatives to stimulate and attract investments have gradually improved the situation in recent years. Another model in the Arab region is the GAFTA, which came into effect in 2005. Encompassing 18 Arab countries, GAFTA provides complete customs exemption for goods of Arab origin and additional facilities.<sup>(58)</sup> However, GAFTA has not progressed to higher levels of economic integration. Overall, the economies within this group face challenges related to similar production and foreign trade structures among many members and limitations in technology and capital.

From the foregoing, it is evident that numerous economies are unequivocally moving toward greater integration into economic blocs. This can take the form of joining new economic blocs or advancing levels of economic integra-

tion within existing blocs. The aim is to enhance the competitiveness of their economies, especially considering the significant presence of powerful and influential blocs like the EU and APEC, along with the rapidly emerging trend of modern blocs aspiring for global economic influence, exemplified by BRICS.

Certain blocs have successfully promoted “intra-bloc trade” by reducing or eliminating customs rates among their members, sometimes at the expense of those outside the bloc — effectively “diverting trade” from non-members. Notably, some blocs have taken strides toward establishing financing and investment banks among their members, exemplified by BRICS. These initiatives represent significant steps toward integrating, developing and facilitating foreign trade among member nations.

However, the majority of blocs have yet to elevate their levels of economic integration to the advanced stages achieved by the EU. Moreover, there are formal blocs whose members engage in minimal exchanges with one another. Additionally, many blocs, which constitute the majority, still lack several elements crucial for success.<sup>(59)\*</sup> Despite these challenges, they are on a trajectory to enhance their effectiveness amidst intense commercial competition and accelerating international changes.

### Competing With the US Dollar and Creating Alternative Currencies

The global acceptance of the US dollar as a widely used medium for international trade saw significant expansion post-World War II. This trend persisted despite challenges and shocks, such as the Nixon shock in 1971 when US President Richard Nixon decided to unpeg the dollar from gold. The popularity of the US dollar surged further as the world transitioned into a unipolar system, with the majority of global systems adopting the capitalist model following the fall of the Berlin Wall and the collapse of the Soviet Union. However, as economic history consistently demon-

strates, no currency can maintain dominance indefinitely, regardless of the robustness of its associated economy. Similar scenarios unfolded in the past, notably with the pound sterling in the early 20th century, which gave way to other currencies after a prolonged period of global economic dominance. Prior to that, currencies like the French and Swiss francs also experienced shifts in global prominence.

The ongoing dominance of the dollar in the global economy presently stumbles into a series of significant threats and challenges, prompting uncertainties about the sustainability of this hegemony and its potential implications both in the present and the future. Therefore, we will delve into three concise aspects: examining the current elements contributing to the dollar's strength in the global economy, identifying existing and potential threats and challenges that could undermine this dominance, and evaluating the extent of their impact currently and in the foreseeable future.

- The elements of the dollar's strength and the reasons behind its global economic dominance: At the present time, the dollar not only holds the status of being the most preferred and utilized currency in international trade but also stands as the currency most sought after by countries to safeguard foreign reserves and by individuals to preserve wealth value. As a result, it currently ranks as the world's most important currency due to its significance and the following elements of strength:

- Dominance in global trade: The dollar commands around 90% of transactions in foreign exchange markets and contributes to roughly half of total global trade.<sup>(60)</sup> This underscores its significance in foreign exchange markets and widespread use in international trade. Additionally, it accounts for approximately 43% of international financial exchanges within the SWIFT system, the primary financial network for cross-border bank transfers. In comparison,

the euro represents 32%, and the renminbi accounts for 2.3%.<sup>(61)</sup>

■ **A depository of wealth and global investment:** Wealthy individuals worldwide invest trillions of dollars in American financial markets. The US bond market alone constitutes 60% of the total global bond market.<sup>(62)</sup> This substantial investment in the dollar results in increased demand from the global market. Consequently, this demand supports the stability of the US currency and enables the US economy to borrow at a remarkably low cost through the US bond market, attracting investments. The global confidence in the US economy leads to the transfer of wealth from abroad, supporting the growth of the US economy with low-cost funds from global lenders (investors).

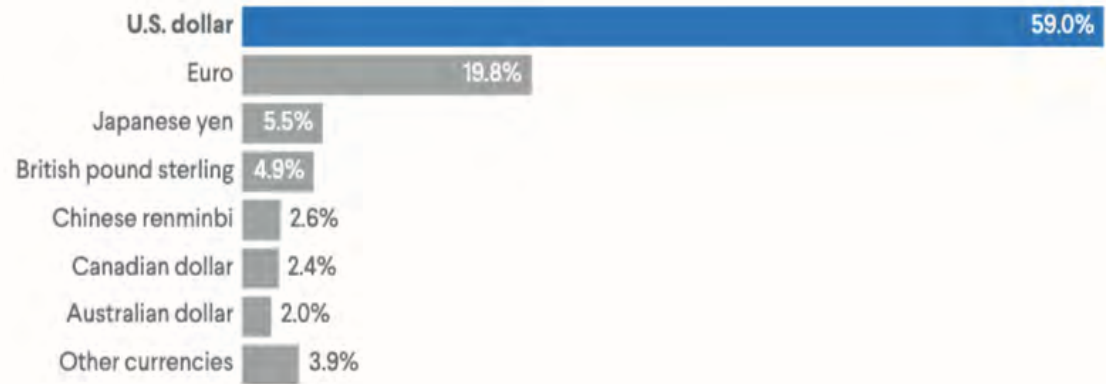
■ **The largest percentage of cash reserves:** The dollar represents 59% of central bank reserves,<sup>(63)</sup> constituting the most significant portion of global reserves. In comparison, the euro accounts for approximately 20%, and as of the first quarter of 2023, the Chinese renminbi comprises less than 3% (see Figure 1).

■ **Tool for estimating the prices of the most important strategic commodities:** The prices of the world's most crucial commercial commodities including oil, gas, iron, steel, copper, basic metals, gold, silver, coffee, cocoa, cotton as well as essential food staples like wheat, corn, rice, sugar, oils, soybeans, barley and others, are denominated in dollars. According to the US Federal Reserve's composite index, the dollar continues to be the most widely used currency (see Figure 2).

■ **Depending on the most important global economy:** The dollar is anchored in the US economy, which stands as one of the foremost drivers of global economic growth currently, representing approximately 10% of the world's exports on its own. Furthermore, US-based companies control 50% of global wealth,<sup>(64)</sup> reinforcing confidence in both the economy and its currency.

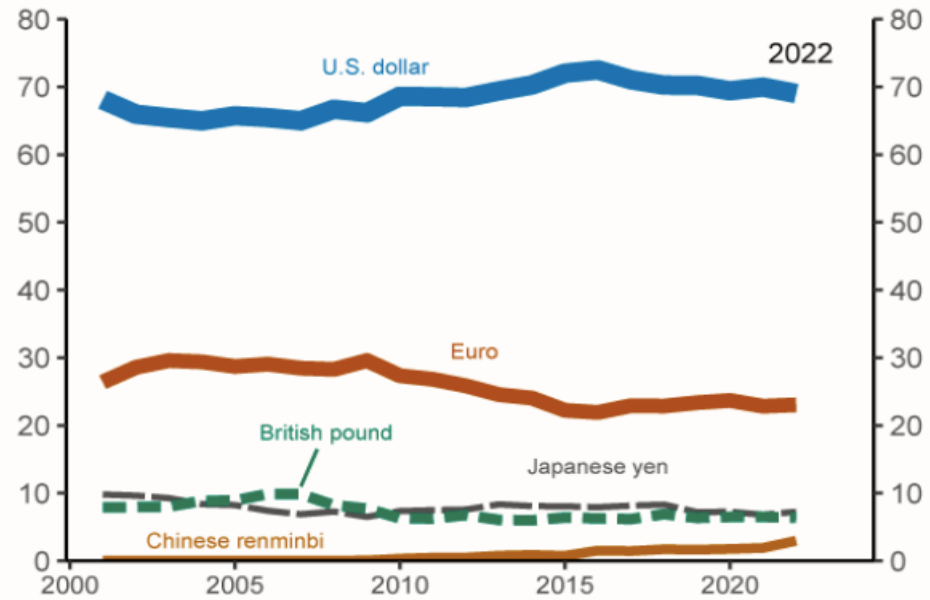
■ **Global debt valuation tool:** Almost half of the global debt is denominated in dollars. The dol-

Figure 1: The Ratios of Currencies Constituting the Foreign Exchange Reserves of Governments Until Q1 of 2023



Source: IMF, quoting the Foreign Affairs Council, <https://cutt.us/ZZ0Io>

Figure 2: The Index of Using Foreign Currencies (2000-2022)



Source: Bertaut, Carol, Bastian von Beschwitz, Stephanie Curcuro (2023), "The International Role of the U.S. Dollar" Post-COVID Edition," FEDS Notes (Washington: Board of Governors of the Federal Reserve System, June 23, 2023), <https://doi.org/10.17016/2380-7172.3334>.

lar serves as the primary currency for providing loans by the IMF and the World Bank to countries in need.

■ **Arms exports and their valuation in dollars:** The United States holds a prominent position in the global arms market, accounting for half of the world's arms exports (49.2%). Additionally, the United States possesses leading industries and advanced military technology. Notably, arms exports worldwide are priced and valued in US dollars.<sup>[65]</sup>

### Threats to The Dollar's Dominance Over the Global Economy

Despite the strength of the US dollar and its significant role in the global economy, its sustained global dominance may face a series of substantial threats and challenges, which we elaborate on below:

■ **Chinese ambitions:** Undoubtedly, the economic expansion and influence of China are integral components of its global competition with the United States. China has remarkably advanced its economic position within a short timeframe, emerging as the world's factory and surpassing the United States in terms of GDP

measured according to purchasing power parity. According to the IMF (2023),<sup>[66]</sup> China alone constitutes 18.5% of global GDP, surpassing the United States at 15.6%. China also leads in global exports of goods and services,<sup>[67]\*</sup> accounting for 12%, compared to 9.7% for the United States (see Table 3).

■ **The excessive US use of the dollar as a tool for economic sanctions:** The US administration has increasingly utilized sanctions as a powerful tool against various countries, particularly since the events of September 11. In 2022 alone, over 12,000 entities worldwide fell under the US Treasury Department sanctions, marking a more

**Table 3: The Major World Economies' Contributions to the Global Economy**

Country	GDP/Portion Out of Global GDP	Goods And Services' Exports Portion of the Global GDP
China	18.5%	12%
US	15.7%	9.7%
Germany	3.3%	6.6%
France	2.3%	3.3%
Britain	2.3%	3.2%
Japan	3.8%	3%
India	7.3%	2.5%
Russia	2.9%	2%

\*The Gross Domestic Product calculated according to the purchasing power parity

Source: "World Economic Outlook: A Rocky Recovery," IMF, April 2023, 120.

than twelvefold increase since the beginning of the century. Notably, recent sanctions were imposed on countries like Russia and Iran.<sup>(68)</sup> These measures have prompted affected nations to unite in exploring alternatives for their foreign financial transactions, seeking to lessen dependence on the US dollar.

For instance, US sanctions have significantly impacted Iran's economy, resulting in the squandering of hundreds of billions of dollars in oil revenues. Similarly, Russia faced isolation from the dollar, with the freezing of \$300 billion in assets from the Russian Central Bank. This, in turn, led to a default on the country's sovereign debt, substantial shocks to the Russian ruble, and heightened calls within Russia for the creation of a multipolar economic system, primarily in collaboration with China.

■ **Pressure on developing countries:** This is owing to the increase in interest rates on the dollar. This pressure might prompt developing countries that borrow in the US currency to explore alternatives. The elevation of interest rates on the dollar to historic levels, reaching 5.50%, has contributed to escalating issues in developing countries over the past year and a half. These issues include budget deficits, heightened inflation and the emergence of internal challenges.

■ **The rise in US debts and the balance of payment's deficit:** Debt is rapidly accumulating in the US economy due to extensive borrowing and substantial liquidity injections since the onset of the COVID-19 pandemic, resulting in US debt surpassing \$32 trillion.<sup>(69)\*</sup> The likelihood of continued growth in US debt in the future is on the rise, with the US Congress repeatedly agreeing to raise the US debt ceiling. The accumulation of debt at this magnitude raises the potential for default risk and a downgrade in the credit rating of the US economy, which could erode confidence in the US dollar in the future. Yet, the US economy has been shifting over the years toward import-dependent consumption rather than domestic production. This shift is evident

in the transformation of the US balance of payments from achieving a surplus of \$4 billion in 1960 to a deficit exceeding \$950 billion in 2022.<sup>(70)</sup> Failing to control the growing deficit may result in a consumer economy increasingly reliant on imports from abroad, diminishing the competitive advantages historically enjoyed by the US economy.

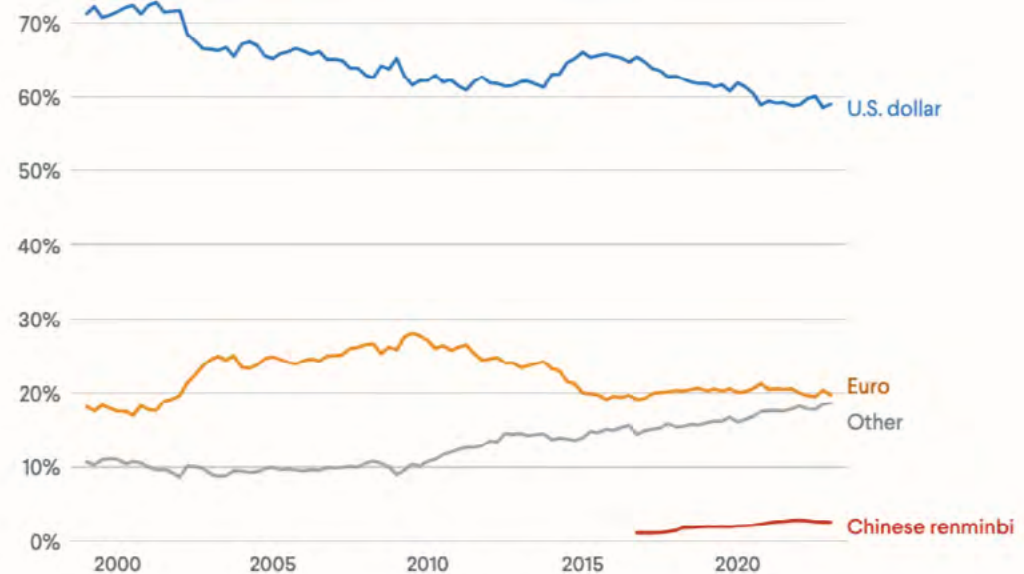
■ **European ambitions to expand the euro's utilization:** A research paper conducted by the European Central Bank<sup>(71)</sup> suggested the potential for destabilizing the dollar's dominance in global trade in favor of the euro. This could be achieved by establishing strategic integrations primarily within the eurozone and between the eurozone and other regions. Such integrations would bolster the import and export of the euro, expanding its international usage and aligning with Eu-

ropean ambitions to broaden the scope of global euro trading.<sup>(72)\*</sup>

■ **Cryptocurrency and financial technology:** The advancement of financial technology and the emergence of digital and encrypted currencies, including Bitcoin and others, have become a tangible reality in today's world. Some central banks have already initiated the development of their own digital currencies, with the Chinese Central Bank being a notable example. If these digital currencies evolve to become well-suited for commercial exchanges, they could potentially compete for a share in international trade traditionally held by conventional currencies.

■ **Trading oil in currencies other than the US dollar:** The influence of the dollar in global oil markets is also experiencing a decline, with an increasing number of sales being conducted in

Figure 3: The Percentage of Currencies Held as Global Reserves (1999-2023)



Source: IMF, quoting the Foreign Affairs Council: <https://cutt.us/2qIVG>





non-dollar currencies, according to JPMorgan.<sup>(73)</sup> Oil, being the most crucial commercial commodity globally, is traditionally priced and exchanged predominantly in US dollars. However, the growing trend of conducting oil transactions in non-dollar currencies is diminishing the demand for the dollar.

■ **The decline in the dollar's share of global reserves:** The dollar's portion of foreign exchange reserves held by central banks worldwide declined to 59% in early 2023, marking a decrease from 70% two decades ago. This reflects an average annual decline rate of half a percent over the past 20 years.

This decrease represents the dollar's smallest share in two decades, with other currencies, notably the renminbi and the Japanese yen, leading the way. It serves as tangible evidence of an actual decline in the dollar's position on the global stage at present.

### **The Future Trajectory of the Dollar's Dominance and Present Obstacles**

Based on the foregoing, it becomes evident that there are tangible and influential threats to the

sustained dominance of the dollar both in the present and the future. However, it is crucial to distinguish between the short, medium and long-term. Certain financial threats and developments have already commenced impacting the dollar's share in global usage. Consequently, in the long-term, there are not sufficient assurances for the perpetuation of the dollar's global dominance. It is highly likely that the US dollar will not maintain the same standing it held in the past or even the present, as indicated by the gradual erosion of the dollar's share in global reserves at a rate of half a percent per year.

Nonetheless, the long-term decline in the dollar's dominance does not necessarily imply an immediate or even medium-term shift for several crucial reasons and challenges that impede such a transition. These are as follows:

Firstly, there is a threat to the interests of numerous countries and the potential for severe global fluctuations due to the linkage of many world currencies to the US dollar. This is especially relevant for strategic commodities like oil and global assets and investment instruments such as gold and US bonds. A significant decline

in the dollar could result in a sharp devaluation of the currencies linked to it, leading to abrupt inflation and price shocks. Moreover, there could be violent fluctuations in asset values if there is a sudden departure from the dollar.

Secondly, the US dollar and the US economy still retain significant strengths at the current time and in the foreseeable future, as previously explained.

Thirdly, the risks associated with cryptocurrencies versus the safety of bonds present a significant factor. Cryptocurrencies are regarded as high-risk investments compared to the perceived safety of US bonds with guaranteed returns. Moreover, the US Federal Reserve posits that technological advancements in digital payments might bolster the position of the US dollar. This is because stable digital currencies are tethered to assets linked to the dollar,<sup>(74)</sup> creating an implicit connection that enhances demand and confidence in the dollar.

Fourthly, the absence of a globally reliable alternative is a critical factor. No currency has yet achieved international trust and acceptance to the extent that the dollar has. Despite the robust competition between the Chinese and American economies, with China surpassing the United States in terms of GDP according to purchasing power parity, the Chinese currency's global contribution remains limited. It has not yet reached a position that makes it a dependable global alternative to the dollar, trailing behind the Japanese yen and the British pound in importance and circulation. Additionally, restrictions imposed on financial markets and investments in China impede the broader circulation of the Chinese currency, particularly restrictions related to national security from the perspective of the Chinese Communist Party. While the euro, the European currency, is not extensively utilized, it holds the potential to compete with the dollar. Conversely, the notion of creating a unified currency for certain emerging blocs like BRICS encounters implementation obstacles, not to men-

tion the lack of consensus on the idea among its members. Therefore, a clear and reliable alternative to the dollar in the long term is not yet clear.

Nonetheless, the pace of the global shift away from the dollar in the long-term — and the avoidance of a complete shift — is contingent upon how the US administration addresses the aforementioned factors or catalysts. This includes reassessing some of its foreign policies in the upcoming years, particularly in terms of leveraging the dominance of the dollar as an economic tool against other countries. A research study conducted by JP Morgan, concluded that a swift decline in the dollar is unlikely in the future. This is especially considering the United States' extensive, long-term global network of partnerships and alliances. However, there is a possibility of its partial decline, particularly in favor of the growth of the Chinese renminbi.

Similarly, economic history provides valuable insights, revealing that when the US economy surpassed the British economy in 1870 — where the latter held the position of the world's largest economy at the time — it took the US dollar at least an additional 45 years to assume a greater global role than the British pound. This transformation also necessitated geopolitical changes that reshaped the world, such as World War I and the onset of the disintegration of British colonies worldwide. While this does not necessarily imply that it will take the same duration for another currency to supersede the US dollar in the future, the process is contingent upon numerous intersecting economic and geopolitical factors, the timing of which remains unpredictable. What appears most certain, however, is the uncertainty surrounding the sustained dominance of the dollar over the global economy in the long-term.

### Conclusion: Looking Forward

At the outset, it is crucial to acknowledge the inescapable impact of a multitude of intertwined factors and effects on economic projections.

These encompass a spectrum of internal and external forces, spanning political, geopolitical and natural and climate-related dimensions. The unpredictable nature of these factors has the potential to disrupt even the most meticulously crafted expectations. Therefore, the pursuit of foresight into future trajectories necessitates a thorough examination of historical precedents and a comprehensive understanding of the present landscape, incorporating the persistent influences that shape it. While the aim is to minimize the influence of unforeseen external variables on future expectations, the current reality stands in stark contrast. Presently, we grapple with accelerating developments across various spheres, each capable of exerting a profound impact on the economic trajectory.

Let us start off with addressing a positive outlook for the future, specifically the potential for a deceleration in the upward trajectory of global inflation rates. By “slowdown,” we refer to a decline in the intensity of the surge compared to the rates posted in recent years (9.2% and 5.9% in 2022 and 2023, respectively). It is important to note that this does not imply a reduction to pre-pandemic levels in inflation rates or price levels. This optimistic scenario aligns with the prospect of interest rates easing in 2024, fostering increased investments, catalyzing trade and promoting gradual economic growth. However, these projections hinge on the absence of unforeseen external disruptions, primarily of a geopolitical nature, which could recalibrate the calculus, akin to the impact of the Russia-Ukraine war or the potential of broadening of the scope of regional or international conflicts, such as the war in Gaza, to the point that poses threats to global stability, as previously detailed.

Conversely, the most plausible near-term scenario on the positive spectrum is a deceleration in global economic growth. This entails restrained growth for many nations, characterized by a deliberate reduction in interest rates on the US dollar and major currencies throughout 2024

— an anticipated development. The envisaged effect is a relative stimulation of investment and growth in industrialized and advanced economies, aligning with the requisites for global economic enhancement, as previously elaborated. Within the landscape of emerging Asian economies, India exhibits slightly more favorable growth prospects than China. This is attributable to the potential negative repercussions for China if its real estate credit crisis<sup>(75)</sup> escalates beyond control, posing a threat to global markets, stability and altering expectations unfavorably — similar to the impact of the US mortgage crisis in 2008. While there is a likelihood of a modest subsidence in inflation rates, persistent challenges on the aggregate supply side persist. Risks associated with food price volatility endure, given their vulnerability to climate variations, regional disturbances and the inclination to hedge certain grain types such as wheat or rice, among other factors.

With regard to people's livelihoods, the challenges posed by slowing economic growth, elevated inflation levels and escalating government debt represent worrisome trends with potential negative consequences in the short term. These include a reduction in the creation of new job opportunities and a decline in overall standards of living. This downturn is a result of diminishing purchasing power and stagnant incomes for low-wage earners, along with the adverse impact on fixed savings and the gradual erosion of their value over time — unless owners strategically reallocate them through assets that align with rising inflation rates.<sup>(76)</sup> This situation further amplifies issues such as increased poverty and hunger, along with a diminished sense of food security in numerous economically disadvantaged nations and communities. Conversely, elevated government debt levels contribute to financial instability, curtail development prospects and foster discontent within societies. This pattern is particularly discernible in several poor and developing economies.

# GLOBAL ECONOMIC TRENDS

## Diagnosing the Reality and Practices of the Global Economy in 2023

Worldwide gross domestic product (GDP) demonstrates a sluggish growth at 3%.

Lackluster global growth is attributed, in part, to contractionary fiscal and monetary policies.

The foremost global economic challenge continues to be elevated and enduring — inflation.

In contrast to the previous year, the global inflation rate has exhibited a relative easing.

1

### Global Economic Growth

2

### The Inflationary Situation

The growth observed falls below the historical average rates spanning the last two decades (2000-2019).

Notably, certain emerging and developing economies outpaced their developed counterparts in terms of economic growth.

Elevated food prices persist, with an estimated annual inflation rate reaching 20%.

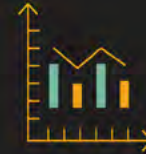
Global inflation is influenced significantly by supply shortages and geopolitical tensions, marking them as pivotal drivers.





3

### Stock Markets, Funding and Global Debts



Financial markets experienced the most substantial interest rate hikes in two decades as a measure to tackle inflation.

The increase in interest rates resulted in a deceleration of global economic growth and triggered a government debt crisis.

Inevitably, central banks are expected to implement interest rate reductions.



4

### Economic Challenges



#### Expanding the Scope of the Gaza War

The war inflicted substantial economic costs on Israel, Palestine and neighboring nations.

Escalation of the Middle East conflict could have far-reaching implications for the global economy in various aspects.

#### Accelerated AI Use

The situation may influence employment opportunities and contribute to global innovations.

There could be positive outcomes linked to heightened productivity and well-being, though accompanied by numerous security risks.

## Accelerating Economic Trends in the World

1

### Economic Blocs

Achieving successful economic integration involves navigating various stages, with renowned models implemented on different continents.

In recent years, there has been a growing inclination toward blocs to enhance economic competitiveness among nations.

Asia stands out as the most advanced in establishing blocs, including the SCO, BRICS and the GCC among others.



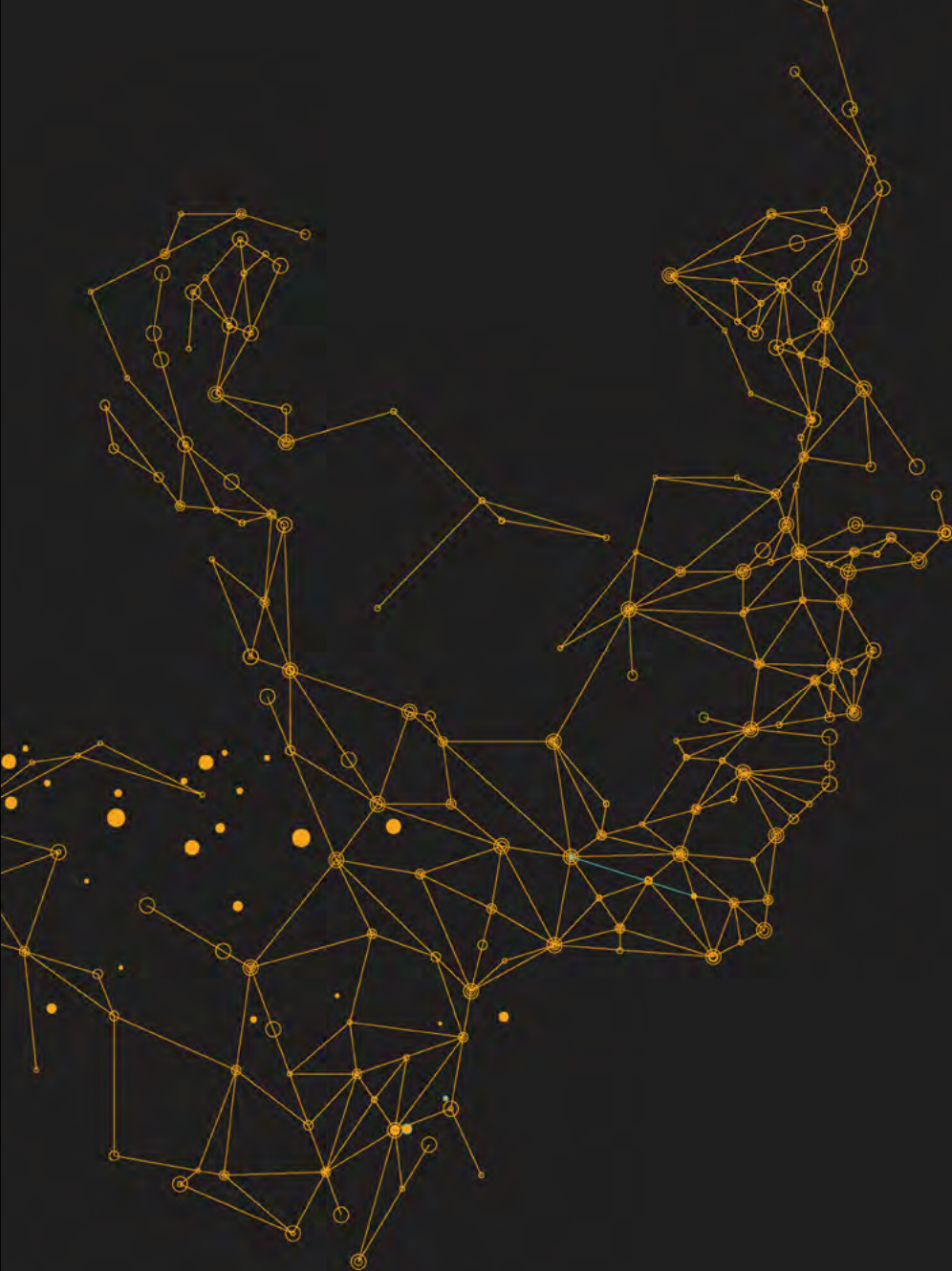
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### Competing With the US Dollar and Creating Alternative Currencies

The strength of the US currency is attributed to various factors, positioning it to dominate the global economy.

Notwithstanding its robustness, the supremacy of the dollar in the global economy is on the decline, facing escalating real threats.

The trajectory of the dollar's global dominance is contingent upon both short and long-term determinants, inevitably contributing to global fluctuations.



## Conclusion: Looking Forward

There is a potential for a deceleration in the upward trajectory of global inflation rates, accompanied by a gradual push for global growth through the easing of interest rates in 2024.

The most probable scenario in the near-term points to a slowdown in global economic growth.

Persistent risks of volatility in food and raw materials prices persist, primarily fueled by ongoing geopolitical tensions.

Elevated levels of government debt on a global scale are anticipated to amplify financial crises and societal challenges.

## Global Competition and Non-traditional Security Issues



Rasanah's 2022 ASR predicted a further deterioration in non-traditional security issues. Cooperation regarding non-traditional challenges in the international arena was pessimistically viewed. The developments during 2023 have proved this forecast. The security environment at the international level is complicated. Rival parties have vigorously adopted policies far from cooperation. The priority of climate resilience has declined, and the parties have rushed into a frantic race in many areas, including the use of artificial intelligence, the development of non-traditional weapons and the space race.

In conclusion, the erosion of three essential dangers could bring about tangible economic steadiness and stability worldwide. This includes the geopolitical tensions associated with energy prices, minerals and food (the Russia-Ukraine war, keeping the scope of the Gaza war confined), interest rates and government debts and the China real estate crisis. The opposite holds true in case these dangers deepen over the coming year. The intensified international competition has played a role in introducing further complexities and security challenges. This year's ASR sheds light on these critical issues. This includes the use of artificial intelligence, which became an urgent issue during 2023 due to its large-scale use, opportunities and the security challenges it poses, especially with progress in this field impacting military strategies and armament. This competition is closely associated with competition for access to the resources in support of this field, namely chips, which have become an important issue in the competition between the United States and China. The latter has an influential position in this field outperforming Washington. The competition over resources has spilled over into the Arctic, which possesses an abundance of natural resources and the focus of many international powers, namely the major countries with cross-interest in this uninhabited part of the world, to exploit its resources. The return of international competition brought the space race back to the forefront. One of the significant issues is undoubtedly the development of unconventional military capabilities, which have witnessed significant breakthroughs, especially in manufacturing weapons such as hypersonic missiles and drones, which significantly influence the trajectory of modern warfare. The report will address the illegal migration issue across the Mediterranean, which imposed itself on Europe and Africa. The gap between the states of the South and the developed North has increased the waves of migration across borders and the Mediterranean toward European coun-

tries. The Europeans were obliged to adopt a policy with a security dimension, stopping the flow of these migrations in cooperation with the southern Mediterranean countries. This part of the ASR is divided into six main sections:

- The Quandary Around Artificial Intelligence
- The New Arms Race Over Advanced Logic Chips
- Military Technology and Patterns of Modern Warfare
- Escalating Space Race
- Europe and the Dilemma of Illegal Immigration Across the Mediterranean
- Dimensions of the Global Competition Over the North Pole's Resources

### The Quandary Around Artificial Intelligence

When US President Joe Biden last met his Chinese counterpart Xi Jinping in San Francisco, the issue of AI in the military's decision-making was on the table. The United States seeks a pledge from China to ban the use of AI in autonomous weaponry, such as drones, and in the control and deployment of nuclear warheads. The mistrust and distance between the two sides makes such an expectation unrealistic.

Beijing did not subscribe to Washington's approach but agreed to hold deliberations as part of the bilateral military-to-military framework.<sup>(77)</sup> This new arena of competition is the most disruptive as well as unpredictable. Russia finds itself left out of such talks and vows to stress AI's use as deemed necessary.<sup>(78)</sup> In September 2021, Russia set up an AI department with exclusive financial allocation under its Military-Industrial Commission, which leaves little to the imagination regarding Moscow's plan to use it for strategic and tactical purposes.<sup>(79)</sup> Unlike China, Russia remains out of global strategic talks, especially due to the ongoing Russia-Ukraine war.

Regardless, the United States is taking the initiative to lead the agenda on the place of AI in statecraft as well as everyday lives. On November



1, US Vice President Kamala Harris announced a range of AI initiatives while warning about the threat AI poses to human rights and democratic values. With approval from 31 nations, the United States launched an initiative to set guardrails around the military use of AI. The legally non-binding declaration pledges signatories to use legal reviews and training to ensure military AI stays within international laws, develop the technology cautiously and transparently, avoid unintended biases in systems that use AI, and continue to discuss how the technology can be developed and deployed responsibly.<sup>(80)</sup>

Like Russia, China is suspicious of the United States' efforts to regulate AI. "In light of the dual-use nature of AI technology, while strengthening regulation and governance, we need to oppose drawing ideologically or overstressing the notion of national security, remove man-made barriers in the field of science and technology, and en-

sure the rights of all countries to technological progress and peaceful uses," reads a Beijing position paper presented by China's permanent representative in Geneva.<sup>(81)</sup>

In his report to the Chinese Communist Party National Congress in 2022, Xi pledged to "foster the unified and focused growth of strategic emerging industries," with a special emphasis on AI.<sup>(82)</sup> International Data Corporation projected "the compound annual growth rate of China's AI market to surpass 20 percent during the 2021-2026 period," adding that China's AI market value is expected to reach \$26.44 billion in 2026.<sup>(83)</sup> China's investment in AI is likely to soar to \$38.1 billion by 2027.<sup>(84)</sup> According to a recent US government study, the top five companies in facial recognition are Chinese.<sup>(85)</sup> Beijing's interest in AI seems driven more by its domestic law enforcement needs, with it using tools like facial recognition. Due to its closed system, official information about China's funds allocation for AI's military applications is not public. The United



States and the EU are using its secrecy to their advantage by often exaggerating the threat of autonomous weapons by rivals, China and Russia, an approach helpful to gain public support for preemptive legislation and funds allocation while also spooking the other side to develop counter-measures.

The use of AI is not limited to military and policing but it also raises concerns of privacy and credibility. ChatGPT, an assortment of chatbots and deepfakes both alarmed states and individuals of their horrid repercussions. From robbing someone's identity for crimes or stealing/interfering in an electoral process has become easier like never before.

The international community must reach a consensus on the use of AI for civilian and military purposes, something which seems like a fantasy at the conclusion of 2023. Even if the United States and China agree on a definition of such weapons to start with, Russia will not until it gets the choice-bargain on Ukraine besides other asks.<sup>(86)</sup> Besides other thorny issues, the stalled military-to-military talks on the use and regulation of AI will also be part of the agenda. China is quite likely to link progress toward a framework on AI's use, military and civilian, with the United States softening its export controls of advanced microprocessors imposed due to the CHIPS and Science Act while Washington would object to Beijing's generous subsidies for its hi-tech companies besides negotiating for easing tensions with Taiwan.<sup>(87)</sup>

If the United Nations cannot agree on the definition of terrorism, its success in the regulation of AI is anybody's guess. If the world is divided into two or three camps on the function of AI, the developing and especially poor countries will be at a grave loss.

### The New Arms Race Over Advanced Logic Chips

Microchips are all the rage amongst the superpowers. The United States is even going so far as

to undo the principles of the global market economy by giving public investment to chip companies without nationalizing them. The CHIPS and Science Act provides \$52 billion in subsidies to the semiconductor industry, one of the largest public-funded industrial development programs since the Second World War.<sup>(88)</sup> The surgical strike is aimed at banning US investments in three critical Chinese technological sectors: semiconductors, quantum tech and AI.

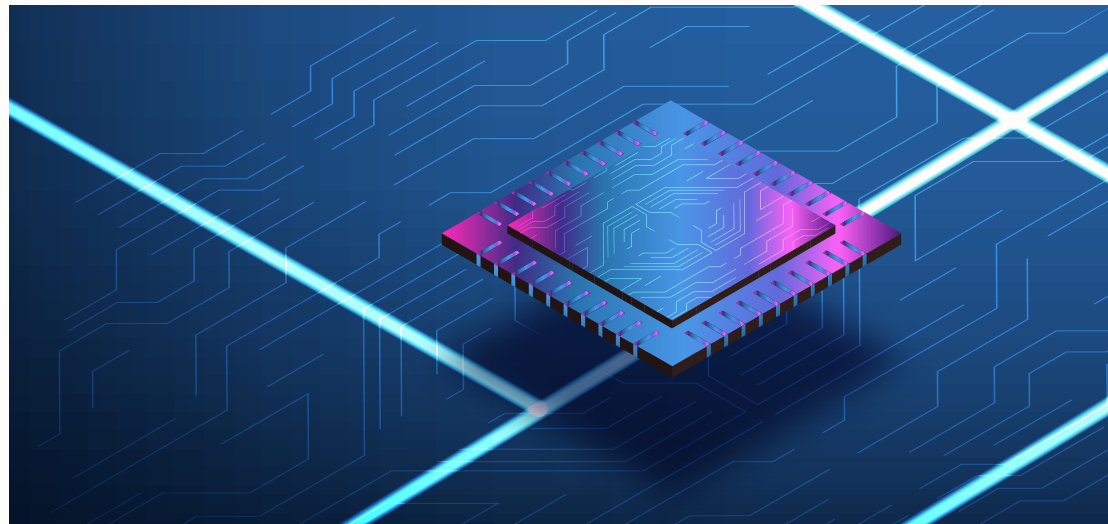
The bipartisan legislation seeks to entice a half-dozen big semiconductor manufacturing facilities in the United States by authorizing tens of billions of dollars to support federal research and development and regional tech start-ups. Washington is incentivizing big construction projects by Intel, Taiwan Semiconductor Manufacturing Company (TSMC), Micron, GlobalFoundries among others.

A year later, the EU launched its own Chips Act calling it "digital sovereignty."<sup>(89)</sup> Through the European Chips Act, the EU aims to reach its target to double its current global market share to 20% in 2030. "The Initiative will be supported by €3.3 billion of EU funds, which is expected to be matched by funds from Member States."<sup>(90)</sup>

The United States has erected a formidable barrier against China by not only restricting exports of the advanced tech device from its plants but also taking onboard the EU, Taiwan and Japan.

For their utility in AI-powered devices, supercomputers advanced weapon systems and applications in space to name a few, the United States is concerned about the prospect of a surging China becoming at par if not surpassing the world's longstanding superpower. Hence, the Biden administration has been embarking on layers and layers of rules to restrict microchip exports to the Asian nation.<sup>(91)</sup> Under Washington's new approach, "if a government prevents U.S. officials from conducting site checks at companies placed the unverified list, Washington will start the process for adding them to the entity list after 60 days."<sup>(92)</sup>

The target scope seems far wider than just the systems posing national security threats as the United States defines a supercomputer as any system with more than 100 petaflops of computing power within a floor space of 6,400 square feet. The classification includes commercial data centers of big corporations and banks too, which again contradicts Washington's claims



that it is not seeking economic decoupling with Beijing.

The United States seems desperate to keep its dominance in the Fourth Industrial Revolution which has microchips, interconnectivity and AI at its core. Since the Third Industrial Revolution and the Second World War, national military industrial complexes enjoyed monopoly over advanced technologies. In the last decade and a half, the norm simply shattered. The national security apparatus has been playing catch-up, and it is just the beginning.<sup>(93)</sup> After software is developed, it is sent to a chipmaking company to etch it via transistors on a microprocessor.

Intel invented integrated circuits and the process was refined over decades. However, it lost its lead in the last half a decade to Samsung of South Korea and TSMC of Taiwan. Microchips have shrunk to 4 nanometers (nm), hence nearing their saturation point of 2 nm, the thickness of an atom will be the end of the road for transistor advancement [a nanometer is a billionth of a meter]. Since the dawn of microchips in 1965, Moore's law – named after Gordon Moore, one of the founders of Intel – holds its ground. He had stated in a paper that the number of transistors would double every year or two.<sup>(94)</sup> The world's top universities are already researching the post-silicon chip era as it nears its maximum capacity.

Using lithography machines from the Netherlands, China can at best produce 7 nm chips while its breakaway island, Taiwan manufactures 92% of the advanced chips while the remaining eight per cent are fabricated in South Korea. The era of Chinese smart phone competitiveness is starting to get eclipsed, Huawei being the first victim. If microchips are the new oil for the next half century, the US chip action is akin to the 1974 Arab oil embargo.

The question arises that if the United States with its allies can kneecap China's growth, will the Asian giant surrender due to its inability to make advanced logic chips? Of course, no. In

2014, the Chinese president identified semiconductors as the core technology China should produce domestically. SMIC, the country's leading microchip producer, banned by the United States, has seen cash injections of \$47 billion since 2014 besides generous Chinese subsidies.<sup>(95)</sup> President Xi is giving the chip industry no less importance than it accorded to its atomic bomb program. Besides its prospect of paralyzing Beijing's emergence as a rival superpower, the dependence is becoming a burden on the Chinese economy bigger than the import of crude oil. In 2022, the country imported \$415.58 billion worth of semiconductors compared with \$365.51 billion of crude oil.<sup>(96)</sup>

The chip war is not limited to the superpowers alone. The world's leading corporations face life-threatening challenges from the US-led ban on export to their biggest customer. To put the reality in perspective, of 25 manufacturers in 2023, only three remain today i.e. TSMC, Samsung and Intel. The advancement is so fast that a \$5 billion company can become obsolete in five years. And, when China, the world's export hub, is ousted from the revenue equation of chips' manufacturers, the profit margins slim, and so does the business model's viability. Add to that a couple or more parallel state-funded chip giants in five years, which would sell the advanced logic chips at a lower cost and without any political strings attached.

Even if Beijing cannot catch up with the United States in a few years, over time the export restrictions will weaken and some countries will start reselling their chips to China for money and clout. Meanwhile, it may come up with similar machines through industrial espionage or innovation. Considering the worst case in which China remains at the lower end of the supply chain and a low-tiered manufacturer, US protectionist policy is risking Taiwan's independence. While bogged down in Ukraine and the Middle East, the United States is not capable enough to counter China's might near its shoreline where Taiwan

along with TSMC are located. The Chinese president seems confident of his country's ability to defeat Western technological colonialism without risking its rise as a future global power.

### **Military Technology and Patterns of Modern Warfare**

The sophistication of technology is considered among the most essential factors directly impacting patterns of warfare at the strategic level in modern times. Standards of military efficiency now directly depend on the ability to use and develop AI technology to directly contribute to changing modern warfare patterns. Therefore, many countries are competing to develop their military capabilities through the application of AI. AI impacts a host of military aspects like air defense systems, hypersonic missiles, drones and advanced cyber warfare.

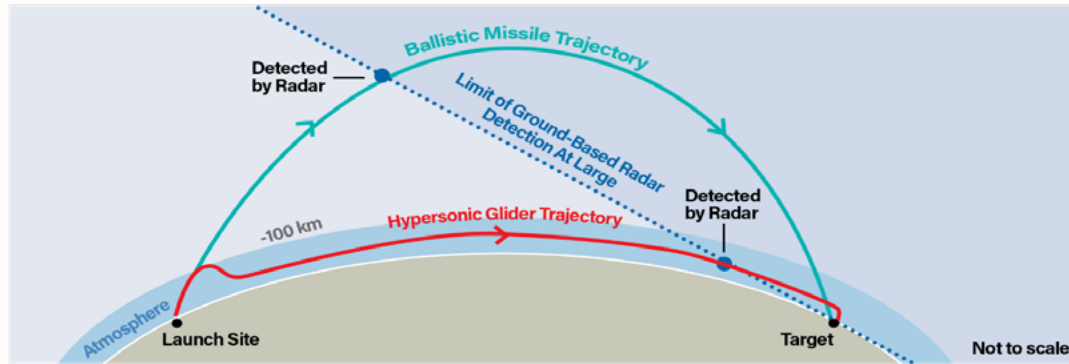
#### **Hypersonic Missiles**

AI has played a crucial role in developing hypersonic missiles, which are defined as projectiles that travel within the atmosphere at a speed greater than Mach 5 or 6,125 kilometers per hour. This definition only covers one aspect of the missiles' specifications. Many missiles have surpassed this speed since the Second World War, including the intercontinental ballistic missile (ICBM) whose speed surpasses 22,000 kilometers per hour (nearly Mach 18). However, the strength of modern hypersonic missiles lies in their maneuverability throughout all courses while maintaining the same speed.

This sophistication had been a far-fetched possibility until very recently. Despite the ICBM's velocity surpassing that of sound, its counter-battery radar only required course analysis rather than continuous tracking, as it followed a fixed trajectory post-launch into the atmosphere. It follows an arc-shaped course until it returns to Earth and advances toward the target. This enables the radar to precisely determine the missile's course, accordingly, activating an-

**Figure 1: Ground-Based Radar Detection of Ballistic vs Hypersonic Glide Weapons**

Current missile warning radars are designed to monitor for ballistic flight paths. China and Russia's new hypersonic weapons are designed to defeat such radars by flying low and undetected until its too late.



Source: "Christopher Stone Enhanced Space-Based Missile Tracking," Air and Space Magazine, October 7, 2023, accessed December 1, 2023, <https://bit.ly/3H0Fqur>.

ti-missile defense systems. In contrast, hypersonic missiles possess the capability of dynamic maneuverability and terrain evasion, enabling them to circumvent obstacles and evade defensive missile systems, even during low-altitude trajectories, while maintaining a velocity surpassing that of anti-missile systems. The temporal window for defenses to detect the presence of a hypersonic missile and initiate a response exceeds the duration required for the missile to reach its target (see Figure 1).<sup>(97)</sup>

**Drones**

Using advanced logarithms, AI has managed to transform and revolutionize drone technology. Integrating AI into drone technology has generated several opportunities not only in the drone industry. AI has enhanced drone capabilities and combat missions that historically depend-

**Table 1: Drones' Manufacturers and Specifications**

Drone name	State	Specifications
MQ-9 Reaper	The United States	<ul style="list-style-type: none"> <li>■ Gathering intelligence.</li> <li>■ Engaging with air, ground and maritime targets.</li> <li>■ Carrying 1,701 kilograms of explosives.</li> <li>■ Flying at a maximum speed of 240 knots.</li> <li>■ High-precision sensors and surveillance cameras.</li> <li>■ 14-hour endurance.</li> <li>■ Taking off from aircraft carriers.</li> <li>■ Carrying more than 10 types of missiles.</li> </ul>
Wing Loong I-D	China	<ul style="list-style-type: none"> <li>■ Conducting intelligence and combat missions.</li> <li>■ High engagement capability and precisely homing in on targets.</li> <li>■ 35-hour flight endurance.</li> <li>■ Carrying out several laser-guided missiles.</li> <li>■ Capability to effectively engage ground targets from an altitude of 7 kilometers.</li> <li>■ Carrying 400 kilograms of weapons.</li> </ul>

Drone name	State	Specifications
Sukhoi S-70 Okhotnik-B (Hunter)	Russia	<ul style="list-style-type: none"> <li>■ The stealthiest drone.</li> <li>■ Possesses top-notch technology.</li> <li>■ Could be used along with the Su-57 fifth-generation aircraft for support during engagement.</li> <li>■ Weighs 20 tons and is considered the world's heaviest drone.</li> <li>■ High-precision ammunition that could hit ground targets with bombs and destroy them.</li> <li>■ Includes anti-radar air-to ground missiles and four supersonic X-74M2 missiles and 8 KAB-250 guided bombs.</li> </ul>
Sky Guardian	The United Kingdom	<ul style="list-style-type: none"> <li>■ Designed to hit ground and maritime targets as well as air engagement.</li> <li>■ Could carry 1.8 tons of missiles and guided bombs and fly at an altitude of 13,000 meters.</li> <li>■ Could carry ground-to-air and air-to-air missiles.</li> <li>■ Jamming and electronic warfare operations.</li> <li>■ Possesses high-precision sensors.</li> <li>■ 40-hour endurance.</li> </ul>

Source: "Owned by Four Countries...The Most Powerful Military Drones in the Worlds," Sky News, March 17, 2023, accessed November 20, 2023, <https://cutt.us/mPybm>. [Arabic].

ed on the human mind for realization, learning, inference and decision-making. AI algorithms exhibit unparalleled proficiency in managing vast data sets and intricate calculations, empowering them to execute tasks with superior efficiency and accuracy. Recent conflicts, particularly the Russia-Ukraine war, have underscored the pivotal role of drones in modern warfare. Their proven success on the battlefield highlights their capacity to make a substantial difference in modern combat.

Major global powers compete with one another to develop and possess advanced drone technology. The countries in Table 1 possess the most advanced drones in the world.

### Cyber Warfare

The challenges in the cyber sphere get complex and intensify as technology becomes more advanced and AI makes new leaps. AI boosts the arsenal of cyber armies, making cyber warfare the most sophisticated and yet complicated method of indirect warfare. Conversely, AI could be utilized to counter cyber threats, hence it could be considered as a double-edged weapon.

AI technologies have the capacity to engage with sophisticated cyberattacks, especially those associated with data analysis, thereby revealing anomalous patterns within cyber networks. This engagement facilitates the early detection of potential attacks. The swift and automated response can curb the impact of cyberattacks by

enhancing isolation systems (techniques) to prevent further proliferation.

In the intricate and interconnected digital landscape, the rapid evolution of AI presents unprecedented opportunities and challenges. The most significant and pressing challenges in this digital sphere manifest in the escalating cyber-threats, intensified by the infusion of AI. As this technology progresses, it becomes imperative to scrutinize and comprehend how technological advancements effectively engage with and counteract advanced cyber threats.<sup>[98]</sup>

Overall, it could be said that massive technological advancements have contributed to changing the patterns of warfare in our modern times. Non-military attack methods aiming to achieve strategic objectives vary. Modern tech-

nology has contributed to changing the traditional outlook on conventional weapons, with technological sophistication becoming one of the methods of undermining the foundations of states. Experts believe that developing countries need to possess an atypical, preemptive mindset to understand and absorb the technological revolution that has contributed to changing the patterns of modern warfare. This comes especially as it does not follow any specific set of well-known rules of military engagement, whether at the levels of planning, command or execution. Here, we could say that the danger of using sophisticated military technology doubles when such technologies fall into the hands of non-state actors like terror outfits or revolutionary groups. AI applications extend to civilian and commercial sectors. Thus, they are easily accessible and it is likely that military technology will continue to advance on an exponential scale to cope with the change in warfare patterns.

### Escalating Space Race

The year 2023 witnessed an unprecedented turning point in space. This sphere is no longer a theoretical or hypothetical one, but countries are now competing over it, and major companies are investing therein. Competition between a number of countries has intensified, particularly in terms of exploration missions to the moon, especially after discovering water ice on the Moon's southern polar region, which is likely to contain the Moon's most valuable resources. In 2023, India accelerated the space race, becoming the first country in history to successfully land its spacecraft Chandrayaan-3 on the moon's south pole. India's Moon probe followed a failed Russian attempt to land on the Moon's south pole. Three countries preceded India: Russia, the United States and China.

Despite Indian-Russian competition in space, US-Sino competition is intensifying, noticeably dominating the space landscape. This is due to the massive space technology development in

the two nations, especially given that Russia has been busy over the past year grappling with the fallout from the war in Ukraine. The geopolitical dispute between the United States and China has recently moved from conflicts on the ground to space. The two nations are fervently competing to send spaceships to the moon for scientific research and space exploration. The launch of NASA's Artemis 1 rocket last year marks the program's initial phase aimed at reintroducing humans to the moon. It represents a pivotal moment in the exploration of space resources and the formulation of a terrestrial model, encompassing political, commercial, and societal aspects, particularly by major space powers such as the United States and China.<sup>(99)</sup>

It is worth noting that the intensification of competition for the Moon's south pole is motivated by the fact that the Moon's dark holes contain water ice, which experts believe could contribute to settling humans on the Moon's surface in the future, not to mention the possibility of providing fuel for future space missions. Discov-

ering water on the Moon could assist in enabling humans to live for longer periods on the Moon and in attempting to extract lunar resources such as helium-3; an isotope of the rare helium found on Earth. The estimated amount of this element on the Moon reaches 1 million tons. The European Space Agency affirms that this isotope offers the potential for nuclear energy production without generating hazardous waste due to its non-radioactive nature. Additionally, the presence of other valuable rare metals, including scandium, yttrium and the 15 elements comprising the lanthanide group in the periodic table, further enhances its significance.<sup>(100)</sup>

In 2023, the space economy experienced unprecedented momentum, with private companies and investors injecting funds into projects related to this sector. They have played an influential role in putting an end to the monopoly of governments over space activities. Several pioneering private companies are now investing in the field, such as SpaceX of Elon Musk, Jeff Bezos's Blue Origin and Virgin Galactic, owned



Source: Muhammad Abu Sari, "The Militarization of Space... Why Are the Major Powers Competing for the Resources of the Moon?" Al Qahera News, September 15, 2023, accessed November 20, 2023, <https://cutt.us/yYOgF>. [Arabic].

by UK entrepreneur Richard Branson. All these companies operate in various aspects of the aerospace field, undertaking different missions such as landing satellites, space tourism and hyperspace travel. NASA's contractual agreements with multiple commercial enterprises mark the initiation of a new era, ushering in the privatization of low Earth orbit. This strategic shift enables the agency to concentrate on advancing missions to the Moon's surface and venturing toward Mars. NASA personnel are optimistic that the intense competition among leading commercial entities in the space and aviation sectors will significantly propel the establishment of multiple space stations within the next five years.<sup>(101)</sup>

Similarly, Amazon has plunged into the competitive arena against SpaceX in the race for space-based internet dominance. Securing a Federal Communications Commission license, the company is set to launch the ambitious Project Kuiper. This initiative aims to deliver high-frequency, high-speed internet globally at affordable rates by deploying a constellation of satellites in low Earth orbit. Anticipated to commence customer services by the close of 2024, Project Kuiper comprises three key components: infrastructure, satellites and space stations.<sup>(102)</sup>

Overall, it could be said that the space infrastructure spinning around the Earth is one of the most important accomplishments related to the history of space ventures at the present. It has significantly impacted the nature and style of the lives of most people on Earth, contributing to advancing navigation and communication in addition to helping in early weather and climate warning systems. It has also played a prominent role in military wars, especially when it comes to defensive measures spotting and tracking targets and others. Satellites have influenced cultures by spreading scientific knowledge, and now, space travel, once considered unusual, has become commonplace. There is a likelihood that nations, businesses and entrepreneurs will

maintain their investments in this sphere, ensuring that both manned and unmanned space flights continue. This sphere could evolve over the medium and long term into one of the most crucial and vibrant investment and economic opportunities for a host of actors including the public and private sectors.

### **Dimensions of the Global Competition Over the North Pole's Resources**

Since the end of the Cold War and the start of the Ukrainian crisis in the 2010s, Russia's neighbors were pushed toward becoming NATO member states. In fact, the Ukrainian crisis provoked the emergence of a northern flank to the western theater of renewed confrontation between Russia and the United States.<sup>(103)</sup>

In 2014, after the annexation of Crimea by Russia, Moscow organized full-scale military exercises named Vostok 2014 in which Russian combat forces prepared for operations in the Arctic.<sup>(104)</sup> Two main factors are driving the rise of tensions in the Arctic: first, the militarization of the Arctic strategy of the Great Powers such as Russia, China and the United States. Second, the proactive defense of perceived economic interests in the Arctic region of the Great Powers, especially concerning untapped gas reserves. Indeed, competition has increased over this region's immense untapped resource base representing 13% of the world's oil reserves and nearly 30% percent of global gas reserves.<sup>(105)</sup>

The rise of Russo-US tensions have impacted the cooperative atmosphere around the Arctic that prevailed from 1991 until 2008. Since then, one has also to consider the rise of Chinese ambitions in the Arctic in economic, diplomatic, scientific and military activities. This new interest from Beijing is driven by its long-term objective of shaping the regional governance of the Arctic. On the military front, according to US sources, "PRC has expanded its icebreaker fleet and sent naval vessels into the Arctic for the first time. Other non-Arctic countries have also increased

their presence, investments, and activities in the Arctic."<sup>(106)</sup> Over 2023, it became clear that the one of the main consequences of the Russia-Ukraine war<sup>(107)</sup> on the global competition over resources in the Arctic is that cooperation and dialogue between the West and the Russian-Chinese axis is now more difficult as long as the military confrontation in Ukraine will last. A peaceful resolution of the Russia-Ukraine appears at the end of 2023 as a prerequisite for better cooperation in dealing with the multiple challenges in the Arctic region including the development of hydrocarbon resources, the fight against climate change and the risk of escalation given the increased militarization of the regional strategies of the three main Great Powers. The Arctic will be a focal point in the policies of Russia, the United States and China in 2024.

In March 2023, Russia published an updated version of its Foreign Policy Concept – the main Russian doctrinal document that reveals how Moscow perceives international affairs and its place in the new world order.<sup>(108)</sup> The Arctic region is one of top regions of priority for the Kremlin. One of Russia's objectives is "countering the unfriendly states' policy aimed at militarization of the region and limiting Russia's ability to exercise its sovereign rights in the Arctic zone of the Russian Federation."<sup>(109)</sup> Moreover, in previous Russian official documents, the Arctic was mentioned as part of Western policy interests. In March 2023, after a reassessment of regional priorities, "the Arctic now occupies an honorable second place after the 'near abroad' (i.e., the Commonwealth of Independent States – CIS)."<sup>(110)</sup> The continuity in the Russian doctrine is apparent in the unchanged objective of developing the Northern Sea Route for transportation between Europe and Asia.

This new Russian tone has to be comprehended within the framework of the Russian military investment in the Arctic over the last decade: modernization of its military bases and airfields; deployment of new coastal and air defense mis-

sile systems and upgraded submarines. These military moves could nevertheless be slowed down in the hypothesis of a prolonged conflict between Russia and Ukraine.

Alongside Russia's growing tensions with Western countries in the Arctic, China is also trying to increase its influence in this region using both the military card and the financial dimension. During the last decade, China has doubled its investments in the Arctic, especially in the domain of mineral extraction.

Eventually, the United States published a new Arctic strategy in 2022. The strategy aims to confront the challenges of climate change and the increased strategic competition in the Arctic, especially with Russia in the context of the war in Ukraine. This strategy is based on four pillars: security, climate change and environmental protection, economic development and international cooperation and governance.<sup>(111)</sup> For the coming years, from the US official point of view presented by the Biden administration, cooperation with Russia has become impossible given the current military confrontation in Ukraine. For the next 10 years, Washington considers that it may be possible to reopen communication channels to deal with regional issues such as the Arctic with Moscow. Last but not least, it is noteworthy that the rise of great power competition in the Arctic could push, in the long term, regional countries to seek cooperation at the bilateral level to avoid an undesired escalation of tensions driven by the global rivalry between Moscow and Beijing, on the one hand, and the United States, on the other hand.

### **Europe and the Dilemma of Illegal Immigration Across the Mediterranean**

The European dilemma toward illegal immigration is based on the contradiction between the promotion of humanist European values and the necessity of preserving European political stability threatened by the rise of far-right movements all over Europe. The last year, 2023 appears similar to 2015.<sup>(112)</sup> Back then, in Germany, the refugee

and migrant crisis were the main causes behind the rise of the Alternative für Deutschland (AfD) in Germany and the Freedom Party in Austria. The AfD is now one of the main political parties in Germany, even in rich regions such as Bavaria and Hesse.<sup>(113)</sup> In Austria, the Freedom Party is leading across opinion polls.<sup>(114)</sup> During the last Dutch elections, Geert Wilders' anti-Islamic populist party won a dramatic victory.<sup>(115)</sup>

To explain the rise of these populist parties, it is worth considering the importance of the issue of illegal migration in the decision-making process at the EU level and for member states, especially Spain and Italy. Illegal migration became a political issue and a communication issue for the representatives of the European political elite who tried to challenge the negative perception of globalization among the majority of EU citizens. In 2023, Italy became the top frontline country ahead of Spain facing the challenge of illegal immigration from Morocco. Spain was the first country for the entry of illegal migrants in 2020. From January 2023 until the beginning of the month of August, 44,000 migrants and refugees from the southern shores of the Mediterranean landed in Italy, mainly on the island of Lampedusa.

During that period, there was an increase of 40% compared to the corresponding period in 2021, according to figures compiled by the United Nations High Commissioner for Refugees (UNHCR).<sup>(116)</sup>

Italy is currently absorbing nearly 56% of the overall flow of migrants crossing the Mediterranean to Europe, compared to only 9.2% in 2019. The decline that followed the migration crisis of the mid-2010s is well and truly over for the Italians. The number of arrivals fell from 181,436 in 2016 to a low of 11,500 in 2019, only to rise again in 2020 (36,435) and then in 2021 (68,309).<sup>(117)</sup>

The main reason explaining the rise of illegal immigration in Italy was the resumption of crossings from Libya. Despite the political efforts from Italy to cooperate with the Libyan authorities, the

volatile internal political situation and the institutional chaos in Libya were the main drivers behind the rise of illegal migrant arrivals on Italian shores. The trend accelerated in the first six months of 2022, with 3,442 migrants landing on Italian shores each month from Libya compared to 2,543 in 2021.<sup>(118)</sup>

Given the political difficulty in managing the flow of illegal immigrants, the challenge for European governments is to convince their electorates that migration is under control. This necessity appears as a key element in the electoral strategy of moderate forces, the European Parliament has shifted to the illiberal right. The dilemma for moderate forces in Europe is to appear as competent to manage the issue of migrants without rejecting European values. One can consider three different scenarios for 2024. First, the rise of the far right in the next European Parliament election<sup>(119)</sup> will bring a renewed focus on illegal immigration in 2024. This scenario is highly probable given the electoral success of far-right parties in the last European elections at the member states level. Second, in case of a Russian counter-offensive during the spring of 2024, one can expect a new wave of Ukrainian migrants that will see a new discourse of European solidarity toward migrants at the political elite level but this potential new arrival of refugees could create social tensions in a difficult economic context. For now, attention is focused on the Gaza war and the Ukrainian issue is secondary in European media discourse. Third, one can expect a shift in the debate from a political to a security one driven by countries from southern Europe (Greece, Spain and Italy). The European member states will search for the conclusion of partnerships with countries such as Turkey, Libya, Algeria, Morocco and Tunisia to limit the impact of illegal immigration on the European internal political debate. This scenario is highly probable given the top-down approach of European leaders in their quest to control the migration phenomenon.

What is certain is that the Russia-Ukraine war and the risk of an extension of the war in Gaza re-

main two potential sources of illegal migration for the next year. The unintended effect of the inability of European states to politically respond to the migration issue could pave the way for the further rise of far-right European parties during the election campaign for the European Parliament in 2024.

### **Conclusion: The Future of International Competition in Non-traditional Domains**

Within the framework of international competition, major states moved to enhance their power and obtain a larger share of resources to prove their superiority and leadership. This has been embodied in many areas, including the militarization of the technology field, the use of AI in conflicts and wars, weapons development, the space race, and presence expansion in the Arctic. These developments suggest that traditional conflicts in the international arena will not solely settle the current competition and that whoever has the technological power and decisive resources in the future will take the lead. Competition is likely to cause many conflicts. These will spill over to resource-rich regions, the struggle over electronic computers, the space race, and any region in the world with a stock of unconventional power sources. This is similar to the competition shift to Africa, which possesses a wealth of natural resources, including rare minerals. This is also similar to the competition to enhance influence in the Arctic, which will be the center of the struggle and competition. In fact, competition in these areas will likely increase, especially amid the fundamental differences between Washington and China on who will lead the world order in the future and Washington and Moscow on the ongoing struggle in Ukraine. China pushes hard to strengthen its power, and Russia attempts to preserve its presence among the major countries. Meanwhile, the United States defends its status, resulting in further tensions and limiting international cooperation despite the attempts to contain and control this conflict.

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# **GLOBAL COMPETITION AND NON-TRADITIONAL SECURITY ISSUES**

## The Quandary Around Artificial Intelligence

The United States introduces barriers against military AI use.



China shares Russia's skepticism over the United States' legalization of AI.

## The New Arms Race Over Advanced Logic Chips

The EU passes the digital sovereignty law known as the European Chips Act.



China considers electronic chip manufacturing to be as significant as the atomic bomb program.

The United States' Creating Helpful Incentives to Produce Semiconductors and Science Act of 2022 (CHIPS Act) restricts investments in key tech sectors such as semiconductors, quantum computing, and artificial intelligence.

## Military Technology and Patterns of Modern Warfare



Military efficiency standards depend on the use and development of AI technology.

AI has played a crucial role in hypersonic missiles and drone development.

The more technology and AI advance, the greater cybersecurity challenges emerge.

## Escalating Space Race

The space race has become a field of competition and investment for mega firms.



Space infrastructure has played a significant role in warfare and military operations.

## Dimensions of the Global Competition Over the North

### Pole's Resources

Competition for resources in the Arctic has been ongoing since the Cold War.



China seeks increased influence in the Arctic

**Tensions arise due to:**

Proactive defense

Strategic militarization of the Arctic by the major world powers



## Europe and the Dilemma of Illegal Immigration Across the Mediterranean

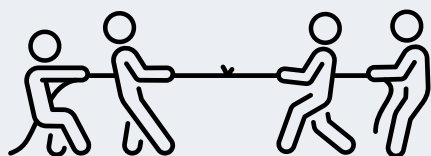
- Focusing on illegal immigration in 2024.
- The refugee crisis could shift from a political to a security issue.

## Conclusion: The Future of International Competition in Non-traditional Domains

International competition will add more complexity to non-traditional security issues. Forecasts include:

- 1 Imposing greater militarization in technology.
- 2 Technology playing an expanded role in conflicts and modern warfare.
- 3 Widespread use of AI in conflicts, wars and weapons development.
- 4 A strong resumption of the space race.
- 5 Strengthened presence in the Arctic.
- 6 Insecurity in the Global South will increase and migration rates toward the Global North will spike.

## The Ideological Dispute, the Status of Fundamentalist Movements and Extremist Groups Worldwide



Rasanah's 2022 ASR, in the two files on the hawza (religious seminary) and Islamist movements, Sunni and Shiite, discussed a host of issues, some of which affected the interactions in 2023. The previous year's report highlighted the growing crisis in the hawza regarding the opposition to the hijab and the resignation of Ayatollah Haeri, which put the Sadrists in an uncomfortable position. There was a dispute between Haeri and the Sadrist Movement because the latter followed Haeri's lead on newly developed legal issues. In addition, the report touched on the leadership crisis within the Muslim Brotherhood and the status of its religious and ideological theorizations after the death of Yusuf al-Qaradawi. The report also broached on al-Qaeda's crisis after the demise of its leader, Ayman al-Zawahiri. The report stated that the impacts of many of these problems are still ongoing. The 2023 report will discuss these issues further, as well as urgent new issues such as the rise of far-right extremism, desecration of religious sites, globalization of non-traditional sexual practices, and the positions of major Islamic religious institutions on social and political events.

### Religious Institutions in the Islamic World and the Enhancement of "Via Media"

Several influential and central religious institutions exist in the Sunni and Shiite Islamic world. They possess the authority to lay out the contours of the religious discourse, the right to issue legal judgments, and thereby, the ability to guide and shape public opinion. Therefore, it is important to assess the overall status of these institutions during 2023.

#### The Saudi Religious Establishment

The Kingdom of Saudi Arabia has succeeded in striking a balance between cultural and social openness while at the same time maintaining a rational, moderate religious discourse. The radical discourse, especially in relation to the public sphere, such as the issues related to women, other sects and religion, is no longer accepted by the government or society. It has been totally rejected and marginalized, with society completely moving past it and looking for a new era in which the religious establishment becomes a source of guidance for society and a shield against destructive and radical ideologies. However, it is noticed that the Saudi state has maintained the core body of jurisprudential heritage, giving precedence to openness, which marks a break from the situation that had prevailed with the emergence of the Sahwa (Awakening) extremism following the Grand Mosque seizure by the Juhayman group and the outbreak of the Iranian revolution, which gave rise to radical groups and waves of violent extremism throughout the Islamic world. The kingdom has not resorted to embracing outlier jurisprudential schools (Mu'tazili, Ash'ari or Maturidi) deemed foreign to its jurisprudential legacy, heritage and identity. Instead, the kingdom has maintained an equal distance from all those affiliated with orthodox Muslim schools of law, keeping the Salafi school and the centrality of monotheism as a chief rubric and canopy under which the official religious establishment operates. The kingdom worked to enhance dia-

logue and deepened openness to the rest of the Islamic schools of thought and multiple readings, excluding none of them. In an important gesture, the kingdom has set a separating line between matters of certain and conjectural status, the well-established principles and the variables. The kingdom has also reconsidered the centrality of sole-transmitter narrations, relegating them to their normal place within the sphere of Islamic epistemology. They now follow the certain matters and central tenets of absolute certainty. Some of the developments that have occurred within the Saudi religious establishment could be highlighted as follows:

*Separating the Administration of the Two Holy Mosques' Affairs From the Presidency of Religious Affairs*

In August 2023, the Saudi cabinet approved, upon royal directives, the establishment of a body called “The Presidency of Religious Affairs at the Grand Mosque and the Prophet’s Mosque,” which is linked to King Salman. All the matters related to the affairs of the Grand Mosque and the Prophet’s Mosque will be delegated to this body. The General Presidency for the Affairs of the Two Holy Mosques will be transformed into a public body called the “General Authority for the Care of the Affairs of the Grand Mosque and the Prophet’s Mosque.” The body will be a legal personality, financially independent, linked to the king, and will undertake tasks, services, operations, maintenance and developments related to the two holy mosques. It will also have a board whose members shall be appointed via a royal decree. Sheikh Saleh Al-Fawzan has described the decision as “a great decision that will further bolster and deepen the religious mission of the two holy mosques, enrich the religious experience of visitors and pilgrims, and strengthen Islam’s mission of moderation globally.”<sup>(120)</sup> In the context of restructuring and rationalizing the establishment, the kingdom’s Grand Mufti Abdulaziz al-Sheikh issued a decision in September 2023 to appoint Sheikh Khalid bin Fahd al Jalil as

a spokesman for the Permanent Committee for Scholarly Research and Ifta, a move aimed to enhance media outreach and highlight the establishment’s role and the efforts it is making in the media.<sup>(121)</sup>

*The Council of Senior Scholars’ Position on the Call for Establishing a New Jurisprudential School of Law*

In April 2023, Saleh al-Maghamhsi called for creating a new school of law.<sup>(122)</sup> The Saudi Council of Senior Scholars rushed to respond to this call. In an official statement, the council said that the call for creating a new school of law is not objective or realistic. It also reiterated that Islamic jurisprudence, in all its primary schools of law and diverse efforts of ijtiḥād (legal reasoning), caters to all the novel matters of modern life, reconciling human needs with the Islamic sharia. The aforesaid is proved by the scholarly entities and jurisprudential seminaries that ex-

ercise social ijtiḥād.<sup>(123)</sup> Based on the council’s statement, it is notable that it did not reject the new ijtiḥād on principle. Instead, it reiterated that the jurisprudential academies are applying social ijtiḥād. The call for creating a new school of law apparently raised concerns among the well-established traditional institutions because of their historical standing and roles in issuing fatwas.

**The Egyptian Religious Establishment**

The Egyptian religious establishment consists of several institutions such as Al-Azhar, Dar al-Ifta, the Ministry of Awqaf (religious endowments), and others, all indirectly belonging to Al-Azhar as the staff in these institutions have graduated from Al-Azhar University. This is not to say that differences do not resurface from time to time, some of which are politically motivated while others are purely in defense of respective interests.



### *Between Al-Azhar and Dar Al-Ifta*

Al-Azhar's administrative body (Mashyakhat) encompasses several bodies under its control such as the Association of Senior Scholars, the Islamic Research Academy, Al-Azhar University and the Al-Azhar Institutes Sector. The Egyptian Constitution's Article 7 stipulates that Al-Azhar is an independent scientific Islamic institution with exclusive competence over its own affairs. It is the main authority for religious sciences and Islamic affairs. It is responsible for preaching Islam and disseminating the religious sciences and the Arabic language in Egypt and the world. The state shall provide enough financial allocations to achieve its purposes. Al-Azhar's grand sheikh is independent and cannot be dismissed. The method of appointing the grand sheikh from among the Council of Senior Scholars members is to be determined by law. Regarding Dar Al-Ifta, it is linked to the Ministry of Justice but is treated as a standalone religious institution. This is driven by a desire by the Egyptian state since the 1950s to create a balance with Al-Azhar and its various affiliated bodies; the government also seeks to manage and take advantage of the competition between the two institutions. The Egyptian president has renewed the grand mufti's term in office, ignoring the clause necessitating he should consult with the Association of Senior Scholars, which is provided for by the law<sup>(124)</sup> and even without noticing he has reached the retirement age.<sup>(125)</sup>

### *Religious Issues and the Relationship With the Government*

The Egyptian government in 2023 worked to settle the religious debate over legal issues through Dar al-Ifta rather than Al-Azhar on several key religious and social issues such as birth control and verbal divorce. Here, differences between Al-Azhar and Dar al-Ifta emerged. According to the constitutional provision, Al-Azhar believes that ending the debates and settling such issues rests with it rather than Dar al-Ifta. The first is-

sue is birth control. The government has sought the opinions of Dar Al-Ifta on the issue of birth control this year. The state wants to enforce birth control as it sees the growth in births as the biggest threat to economic growth, seeking urgent solutions to population density problems, which the government considers the chief problem, curbing the fruits of development and depleting national resources.<sup>(126)</sup> Therefore, Egypt's Grand Mufti Shawki Allam announced that birth control is necessary and legitimate.<sup>(127)</sup> We notice that the fatwa breaks with previous legal judgments on the same issue by Azhari scholars.<sup>(128)</sup> The second issue is verbal divorce. On several occasions, the Egyptian government has sought to pass legislative amendments that render divorce legitimate only when notarized, meaning divorce will only be legally effective when it is notarized in the concerned offices. This proposal to make verbal divorce only effective after notarization was rejected by the Association of Senior Scholars of Al-Azhar in February 2017. The Al-Azhar-affiliated Association of Senior Scholars refused to change the law even though the grand imam himself approved the controversial proposal. But he agreed with the Association of Senior Scholars' opinion. However, the association's rejection of the proposal caused a crisis between Al-Azhar and Egypt's presidency.<sup>(129)</sup> Al-Azhar again rejected the proposal in 2023<sup>(130)</sup> despite the political and media pressures on Al-Azhar to budge from this position.

Nonetheless, the Ministry of Justice is planning to change the law and enact a new law that contravenes the opinion of Al-Azhar's Association of Senior Scholars, thereby running counter to the Egyptian Constitution's provisions. As regards Dar al-Ifta, it also rejected the proposal initially, with the mufti urging not to be hasty about issuing this law.<sup>(131)</sup> But when the executive authority insisted on moving ahead with its plan to change the well-established law and make notarization the only way to make divorce effective and thus legitimate, the mufti changed his

position on the matter in March 2023.<sup>(132)</sup> Thus, the tensions between Al-Azhar and Dar al-Ifta remained, with the latter tilting toward the positions of the government, tipping the scale in its favor for many reasons. Foremost among these reasons is that Dar al-Ifta seeks independence from Al-Azhar as well as abolishing the law that makes the selection of the mufti rest with the Association of Senior Scholars. Additionally, Dar al-Ifta wants the mufti to have the same status as the grand imam of Al-Azhar. Thus, the state exploits these differences to make whatever proposals on religious and legal matters pass.

### *The Ministry of Awqaf*

In a remarkable development in 2023, the Ministry of Awqaf coordinated with the Reserve Officers College, affiliated with the Egyptian Ministry of Defense, to train imams and preachers who are likely to work under the canopy of the Ministry of Awqaf. In September 2023, the Egyptian armed forces' spokesman announced the graduation of the first batch of imams as preachers from the Reserve Officers College. The aim of this coordination, as referred to by Director of the Reserve Officers College Major General Abdul Rahim, is the continued support provided by the armed forces' command for the college to develop preparation and qualification courses in a way that benefits the studying imams. He also reiterated the significance of these courses in terms of building collective awareness and immunizing future generations against radical and destructive ideologies, which is in line with the Egyptian government's vision.<sup>(133)</sup>

In conclusion, the executive authority has been keen to keep all Islamic religious institutions under its control for several reasons. Foremost among these reasons is the constitutional provision (Article 7) about Al-Azhar, which has made the institution quasi-independent, especially when choosing the grand imam. As a result, the Association of Senior Scholars is the body that elects the grand imam and nominates the state's mufti. For this reason, the government

has been keen to appoint the country's mufti, overriding the legal provision, which exclusively entrusts the Association of Senior Scholars, affiliated with Al-Azhar, with nominating him. The government has also been keen to restructure the Ministry of Awqaf to align with its vision and strategic objectives in a way that serves the government's religious rhetoric in Friday sermons. Al-Azhar has no absolute authority over the Ministry of Awqaf and Dar al-Ifta.

Moreover, the head of Al-Azhar University is only appointed when the security services approve his nomination, which is a time-honored norm.<sup>(134)</sup> Among the reasons that the state is keen to bring religious institutions under its control is the concern that new waves of protests, like those of 2011, could break out, which was reiterated by state officials in several speeches. Thus, the state aims to control the religious establishment to curb protests through an engineered and censored religious discourse.

#### *The Shiite Religious Establishment*

The supreme marjaya in Najaf has kept itself aloof from the internal political situation in Iraq, with the Friday sermon still suspended. However, this did not prevent the Najaf religious hierarchy from issuing statements on current events, such as those supportive of the Palestinian cause. In Qom, meanwhile, clerics have criticized the political opposition, declaring support for the Palestinian cause and their readiness, if the supreme leader permits, to fight in Gaza until Israel is wiped off the map. Further clarifications and details are discussed in the following lines:

#### *Najaf and the Public Sphere*

Najaf continues to adhere to non-involvement in Iraqi internal political affairs, as was the case in 2022. Last year, Najaf remained aloof from the issue of Marja Kazem al-Haeri's resignation, which triggered a crisis between Haeri and the Sadrists. At the same time, the marjaya has some degree of involvement with the public sphere.

In October 2023, it issued a statement in which it declared support for the Palestinian cause, calling on the world to stand up to Israeli brutality.<sup>(135)</sup> In the same context, Grand Ayatollah Ali al-Sistani issued a fatwa rendering unlawful the purchase of Israeli goods as well as goods of the companies providing Israel with genuine and significant support.<sup>(136)</sup> It appears that this position, considered very strong compared to other positions and statements, came from the pressures exerted by the Iraqi and Arab streets. Najaf seems to be seeking to extricate itself from the accusation that it is a silent hawza, an accusation deployed by Najaf's foes on many occasions, which enhances the legitimacy of its adversaries in Qom.

#### *Qom and the Palestinian Cause*

The Qom hawza's management body decried what it called the Zionists' crimes against the Palestinians in Gaza. In an October statement, the hawza expressed the readiness of teachers and students to put on combat gear and to go to Gaza to totally erase Israel in case the supreme leader grants permission.<sup>(137)</sup> Ruhollah Bajani, director of Amir al-Muminin (a.s) Islamic Seminary, expressed a stricter position, revealing that a brigade of martyrdom-seekers dubbed the "Khamenei Army" has been formed, which is transnational in order to engage in the war against Israel.<sup>(138)</sup> He also stated that he awaits the legal permission of the supreme leader to defend Gaza and reach al-Quds. It is no secret that such remarks are politically employed at home to enhance the political system's legitimacy, quell public anger and absolve the ruling religious elite of any blame. This is indicated by the attack he mounts, in the same remarks, on Shiite Azerbaijan. He said Zionism is controlling the decision-making in the Shiite but secular neighbor, which points to the employment of the events in Gaza to serve Iranian interests overseas. The Friday preachers did not hesitate to employ the events internally to enhance the presence of the IRGC and improve its image.<sup>(139)</sup>

#### *Qom and the Political Opposition*

Some have criticized the hawza in Qom for its silence toward the government's violence against the protests throughout Iran in general and in the Sunni regions in particular. There, the Sunni population has been protesting since September 2022 against the death of Mahsa Amini, with the protests continuing into this year. Therefore, voices within the hawza have criticized this silence for fear that things could get out of control, thereby the hawza losing legitimacy on the Shiite street as well as its centrality for the Iranian government. Ayatollah Mohaqiq Damad criticized lawmakers' efforts to pass legislation that would hand 10 to 15-year jail sentences to critics of the government. He said mockingly, "I don't know if there's something like this in North Korea." He then clarified that jurisprudence is not to blame for the failures in the political and economic arenas, arguing that jurisprudential rulings are not correctly enforced.<sup>(140)</sup>

In the same vein, the opposition by Sunni clerics has continued as well as protests in the Sunni and Kurdish regions against Iran's policy of repression. The Iranian ruling establishment has applied a two-pronged approach to this — proceeding in parallel. First, the ruling establishment attempted to quell tensions and enter into negotiations with Sunni clerics. Second, the government has arrested a number of clerics supportive of the protests in these regions and denounced other dissenting Sunni leaders. Ayatollah Mahmoud Rajabi, the president of the Imam Khomeini's Educational and Research Institute, mounted an attack on Sunni scholar Molavi Abdulhamid, accusing him of being ideologically distracted and deviating from orthodox Islam. He also attempted to turn Sunnis against Abdulhamid.<sup>(141)</sup>

But Sunni scholars have continued pushing back against the government and its security policies. Molavi Abdulhamid criticized the government's policy of obtaining coerced confessions from prisoners.<sup>(142)</sup> Hassan Amini, the head



of the Kurdistan Jurisprudence Assembly and the director of Religious Sciences at the School of Imam Bukhari, protested against the massive wave of arrests of Sunni clerics, criticizing Shiite clerics for their silence over the crackdown on protests and the arrest of professors, clerics and jurisprudence students. Moreover, he criticized the government's heedlessness to the people's demands while focusing solely on suppressing the protests in any way whatsoever. All this is happening while Shiite clerics are standing idly by,<sup>(143)</sup> according to him. It appears as though he is attempting to create popular incubators and backing for the Sunni and Shiite protest movements in the face of the ruling establishment, while at the same time reproaching and blaming the Shiite hawza for its silence.

### **The Far-Right, Islamophobia and the Wave of Attacks on Sacred Religious Symbols**

Right-wing religious movements made a resurgence in 2023. Copies of the Quran were burnt throughout Europe by far-right extremists, particularly in Sweden and the Netherlands. Muslims in India were attacked by extremist Hindus; and al-Aqsa Mosque was stormed on several occasions by Jews backed by extremists in the Israeli government. Additionally, Turkey is witnessing a wave of hate and racism directed against Arab residents and tourists, a wave deemed as one of the facets of extremism.

#### **The Rise of the Far-right in Europe**

In May 2023, the French Ministry of Interior stated that Sunni Islamic terrorism is the gravest threat facing the country as well as Europe, stopping short of specifying the core danger posed by or the core identity of this terrorism.<sup>(144)</sup> Based on the principle of state secularism, the French government imposed a ban on wearing the abaya in schools at the end of August 2023. The decision sparked debate. A 2004<sup>(145)</sup> law made it illegal in France to place religious symbols in schools. Other European countries, such as Sweden and the Netherlands, on the other hand, wit-



nessed the burning of copies of the Holy Quran by extremists, with no official Western condemnation, which may have an impact on the level of extremism worldwide.

#### **An Upsurge in Right-wing Religious Extremism in India**

In January 2023, the Indian authorities demolished a huge part of the historic Shahi mosque. The mosque was built five centuries ago in Allahabad city in the state of Uttar Pradesh under the pretext of expanding the roadway. It is worth noting that Muslims are enduring a horrendous policy of extremism on the part of the Modi government, which has let loose the extremist Hindus to persecute Muslims. Hundreds of Muslims have been killed throughout the country on accusations of slaughtering cows. The sale of halal meat has been banned as well as the wearing of the veil. In addition, the educational curriculum has been changed, with material praising the the Islamic rule of India being removed and totally distorted.<sup>(146)</sup>

#### **The Emergence of Turkish Nationalism and Fanaticism:**

A wave of attacks on foreigners and tourists in Turkey broke out recently. The minister of interior has attributed this wave of racism to the rhetoric of the Turkish opposition. In September, Turkish President Recep Tayyip Erdogan described the racists as having a fascist mindset, stressing that “we cannot allow racism and xenophobia, which have no place in our history, culture and beliefs, to spread throughout our societies.”<sup>(147)</sup> Even if Turkey genuinely wants to resolve the problem, there remains for it a huge obstacle, the removal of which requires substantial changes to the official and media discourse, making crucial changes to the Turkish educational system to entrench the concepts of coexistence and acceptance of the other.

#### **The Globalization of Non-traditional Sexual Practices**

The Catholic Church, through remarks via Pope Francis, announced that those rendering unlawful homosexuality are mistaken. These

comments come in an attempt to elaborate on previous comments in which he said that homosexual practices were a grave sin. In a letter sent to the American Jesuit priest James Martin in January 2023, the Pope stated that he wanted to stress in the interview that (homosexuality) “[...] is not a crime. Yes, but it’s a sin. Fine, but first let’s distinguish between a sin and a crime.”<sup>(148)</sup> This comes in light of Western pressure on the world’s countries to accept/coexist with homosexuality, conform to its slogans, stop cracking down on homosexual people, and categorize homosexuality as part of human rights like the right like the rights of religious and ethnic minorities, regardless of the religious tenets and local customs of each society and state. However, there is some resistance to counteract these efforts. Many of the world’s countries have officially criminalized homosexuality. Iraq has officially banned homosexuality in all media outlets, replacing it with sexual deviation.<sup>(149)</sup> The Malaysian Ministry of Interior also announced penalties that reach up to three years in jail and fines of up to \$4,000 against those selling, prompting or even wearing watches that feature symbols, slogans or flags of homosexuality.<sup>(150)</sup> Ugandan President Yoweri Museveni ratified an anti-gay and trans law in May 2023, which sets harsh punishments for same-sex relationships or for those promoting homosexuality.<sup>(151)</sup>

### Islamist Movements — Between Internal Crises and Political Action

Islamist movements, at the heart of them, comes the Muslim Brotherhood, which continues to experience severe internal crises due to the vacuum of political leadership and religious guidance — both of which were extensively discussed in last year’s report. This year, the Muslim Brotherhood has attempted to address its crisis and appoint a new leadership of the organization following the death of Ibrahim Munir. However, the new leadership has found no acceptance among the organization’s breakaway

and fragmented wings. In Tunisia, the Muslim Brotherhood’s Ennahda group saw a deepening political and ideological guidance crisis following the arrest of Rached Ghannouchi as well as other senior leaders within the group. This has created a massive gap in the group’s hierarchy, negatively impacting its structure, operations, and vision of the political crisis it is experiencing. Additionally, al-Qaeda and the Islamic State groups are experiencing a leadership crisis after the killing of Ayman al-Zawahiri and several ISIS leaders. As for the Taliban, it is allying with al-Qaeda to curtail ISIS’s clout and placing ideological pressure on the Iranians on the other hand given their ideological differences.

### Egypt’s Muslim Brotherhood: A New Leadership and Attempts at Reparation

During 2023, the Muslim Brotherhood went through several crises as was the case last year. However, the crises were exacerbated this year, with the government unable to heal the internal divisions and external pressures that have impacted its structure. After the death of Ibrahim Munir, the acting supreme guide of the group, in November 2022, several of the Muslim Brotherhood’s leaders in the diaspora held a meeting to choose a new head to succeed Munir. At the same time, the Mahmoud Hossein wing, residing in Turkey, also referred to as the Turkey Front, announced the selection of Mahmoud Hossein as an acting supreme guide to succeed Munir. A statement by Mahmoud Hossein’s wing in Istanbul mentioned that the General Shura Council has rendered effective Article 5 of the group’s General Regulation, enacting it by the original provision, which stipulates that “in case there is a force majeure that prevents the group’s supreme guide from discharging his duties, his first deputy shall act in his place, with other deputies picked based on seniority, then those elderly among the Guidance Bureau members. Thus, Mahmoud Hossein shall act in the supreme guide’s place since he is the eldest.” But Munir’s wing, also called the London Front, an-

nounced that Muhyeddine al-Zayet is the acting supreme guide until a new one is elected. Then, the London Front chose Salah Abdel-Haq, born in 1945, as the Muslim Brotherhood’s self-proclaimed acting supreme guide in March 2023. Abdel-Haq belongs to the “1965 Muslim Brotherhood clique,” including Sayyid Qutb and his comrades. He served at the helm of the international organization’s pedagogy apparatus for nearly 15 years. It is said that Mohammed Badie, the Muslim Brotherhood’s last supreme guide, wrote a letter from prison that blesses the choosing of Abdel-Haq as acting supreme guide. Thus, the London camp attempted to dominate the Turkey group through this choice, and this occurred in the context of a group where variables such as calamity, imprisonment and seniority are significant in terms of obedience (to the leadership) and the functioning of the group’s activities. Some expected internal reconciliation as well, but this did not occur. Salah Abdel-Haq has stayed out of the spotlight because he is not good at it nor enjoys it, and he is not the kind to take decisive and straightforward political or religious positions.

### The Islamists and the Egyptian Presidential Election

Egypt’s Salafi party Al-Nour, the largest political party in Alexandria’s Salafi community, pledged their support for President Abdel-Fattah el-Sisi in the next presidential election on October 3, 2023. It came one day after Sisi declared his intention to run for a third presidential term and before the Higher Election Commission approved any of the contenders’ candidacy registration forms. The party defended its decision by noting Sisi’s ability to run state institutions.<sup>(152)</sup> As regards the Muslim Brotherhood, the group did not comment on the electoral candidates, opting to remain silent during the period of the candidates submitting their candidacy registration documents. Perhaps this is due to the group having its hands full with its internal crises or due to its awareness of the new shifts that the

Egyptian political landscape is witnessing, with the Muslim Brotherhood left behind.<sup>(153)</sup>

### Tunisia's Ennahda and Political Decline

In 2023, the Ennahda Movement faced significant challenges as its longstanding leader, Rashid Ghannouchi (born in 1941), was arrested in April amid investigations into various cases, including the “secret apparatus case.” Subsequently, several other leaders of the movement were also detained.<sup>(154)</sup> The arrest of Ghannouchi prompted surprise from President Kais Saied, who was surprised by the expression of concern by some countries regarding Ghannouchi's detention. Despite international reactions, President Saied firmly rejected the interference of these countries in Tunisian affairs. Meanwhile, the Ennahda Movement accused security services of fabricating charges, conducting arbitrary arrests and violating the 2014 Constitution, the only one recognized by Ennahda.

### Hamas and the Islamic Jihad Movement

The year 2023 saw landmark events in which Hamas and Islamic Jihad played a significant role. These events included extremist settlers storming Al-Aqsa Mosque, the skirmishes between Islamic Jihad and the Israeli army and the clashes between the two groups and the Israeli military after the launch of Operation Al-Aqsa Storm on October 7, 2023. There is an important dimension in this war that receives little attention, which is the religious dimension. Israeli Prime Minister Benjamin Netanyahu invoked verses from the Torah in his official speeches, whereas Hamas leaders quoted verses from the Holy Quran and prophetic traditions. Thus, spearheads of the battles on both sides base their operations on a religious basis. On many occasions, political and military activities are nothing more than a means to make a religious prophecy come to pass, according to a Hamas spokesman in one of his remarks.

### Disagreements and Axes Within Hamas

In April 2023, Mousa Abu Marzook, a member of the Hamas Political Bureau, said that his movement is not part of any political or military axis in the region, whatever the name or the rubric. The comment is a response to or a contradiction of, the comments of the movement's chief in Gaza Yahya al-Sinwar in which he said Hamas is an integral part of the axis led by Iran in Syria, Lebanon and Yemen. However, Operation Al-Aqsa Storm and the Israeli war on Gaza came to confirm Sinwar's remarks. The war has revealed that Marzook's remarks were merely diplomatic, through which he aimed to avoid the ire of the Gulf states.<sup>(155)</sup> It is unlikely that there are disagreements within Hamas regarding the relationship with Iran since the relationship with the Iranians is deep-rooted and began even before Sinwar took over leadership of the movement in Gaza.

Moreover, the relationship between Hamas and Iran dates back to the time of Ahmed Yassin, the movement's founder. The movement's political wing outside Gaza, in Qatar, Turkey and Lebanon, has made multiple comments on the special and strategic relationship between Iran and Hamas; the remarks of Marzook came in response to those of Sinwar. It appears to be a message of reassurance to the Arab countries concerned about the growing relationship between the movement and Iran. They occurred against the backdrop of rumors about a visit by a Hamas delegation to the major capitals in the Gulf.

### Operation Al-Aqsa Flood and the Ideological Presence

Skirmishes broke out last May between Islamic Jihad and the Israelis, with the former threatening the latter with a violent response to the assassination of several of its leaders. Then Operation Al-Aqsa Storm was launched because of what Hamas called “the continued Israeli aggressions on Al-Aqsa Mosque throughout 2023 and breaking into it by extremist Jews.” On July

27, 2023, Israeli National Security Minister Itamar Ben Gvir broke into Al-Aqsa Mosque's courtyards amid protection by the Israeli police. He said, “This place is the most important for the Israeli people, to which we should return and exercise our sovereignty over it.”<sup>(156)</sup> The spokesman for Hamas considered the step at the time to be a dangerous escalation of the religious war.<sup>(157)</sup>

On October 1, 2023, hundreds of Israeli settlers stormed Al-Aqsa Mosque under the protection of Israeli security forces. Hamas reiterated the assertion that this step is an escalation of the religious war. In April 2022, Sinwar said, “You should brace for a major battle in case the occupation doesn't stop the attacks on Al-Aqsa Mosque.”<sup>(158)</sup> During Operation Al-Aqsa Storm, the ideological rhetoric featured prominently in Hamas leaders' speeches. The speech of Mohammed Deif, which paved the way for the operation, attributed the reason for the operation to Israel reneging on the international charters and what he called the occupation's crimes and the unchecked aggression of the occupation. He said, “Our upright fighters...kill them wherever you find them...never kill the elderly and children. Fight, and the angels will fight alongside you.”<sup>(159)</sup>

### The Ideological Inspiration and the Aberrated Fatwas

It appears that Operation Al-Aqsa Storm inspired some zealots in the Arab world. As a result, an Egyptian police officer opened fire on an Israeli tourist delegation in Egypt's northern city of Alexandria, killing two and wounding others. A huge debate broke out over the killing of Israeli citizens outside the area of the conflict. A fatwa purportedly issued by the Muslim Brotherhood has rendered lawful attacks on Israelis, including civilians, anywhere in the world. The fatwa came at the time of the Egyptian police officer's attack on the Israeli delegation in Egypt's northern city of Alexandria, as if it gave its blessing for the attack. After a barrage of criticisms, the fatwa was deleted.<sup>(160)</sup> However, in general,



this is indicative of a “crisis of ideological theorization” among the Islamists, a lack of religious guidance and the issuance of irresponsible fatwas. Among these irresponsible fatwas issued by the Islamists is the statement released by a self-proclaimed ulama of Islam, in which they criticize the grand imam of Al-Azhar, calling on him to head personally to Rafah Crossing to open it.<sup>(161)</sup> This reckless rhetoric does not consider the nature of war, the sources of power or even the limits and scope of Al-Azhar’s work as a government institution functioning according to the Constitution, laws and norms.

#### **Shiite Political Islam — Between Politics and Sectarianism**

Crises broke out among the Shiite Islamist movements in 2023, particularly among the major actors. The differences were not stirred up by political competition; instead, they were a manifestation of the valid reason for disagreement, which is the difference in the religious reading within the Shiite sect. These differences indicate a profound intellectual crisis among many

of the Islamist movements, most of which have not been able to adopt the modern state jurisprudence nor belief in citizenship and religious and political pluralism.

#### **The Crisis of Activist Shiism and the Enhancement of Sectarian Rhetoric:**

In July 2023, Secretary-General of the Dawa Party Nouri al-Maliki attacked Sunni figures, showing heedlessness to the unity of the Iraqi social fabric as well as the civilian and constitutional state. In a speech he delivered during Ghadir Khumm celebrations, he criticized the Prophet’s companions and Sunni figures, saying, “Imam Ali was ordered to be insulted from pulpits for seven decades. Muslims were shaking one another by insulting Ali.” He even went on to describe Amr ibn al-As as a malicious man.<sup>(162)</sup> These controversial remarks, though exposing the sectarian mindset of Maliki, reflected the major shifts through which the party was going — which was modeled on the Muslim Brotherhood — since its establishment to this day.

Additionally, Maliki wanted to achieve some private objectives and interests by making these remarks. He wanted to reposition himself politically following the major setback he and his party have suffered over the past years. He deployed sectarian rhetoric as a populist tool to enhance the Shiite incubators and the confessional alignments.<sup>(163)</sup> There were other objectives that Maliki wanted to achieve that went beyond the issue of internal competition with political adversaries within the Shiite Islamist movements. Perhaps he wanted to torpedo the internal understandings and the Iraqis’ inclinations, among all of their factions, to adopt the constitutional nation-state. Perhaps he also sought to sabotage the external understandings among the regional actors. Both understandings are a source of concern for the Dawa Party regarding its position on the political and religious map of the country.

### The Difference Over Sadr's Status as Marja

Not only has the Dawa Party sought to disturb relations with the Sunnis, but it also sought to sabotage ties with the Sadrist Movement, the biggest contemporary Shiite Islamist movement. Tensions broke out against the backdrop of a Dawa Party affiliate defaming the Sadrist Movement's Marja Mohammad al-Sadr (d.1999), the movement's source of religious guidance on all religious matters — except the novel issues for which the movement's affiliates turned to Marja Kazem al-Haeri and then Sistani and other jurists following Haeri's resignation as marja in August 2022, after which he attacked the Sadrist Movement.<sup>(164)</sup> As a result, affiliates of the Sadrist Movement attacked several of the Dawa Party headquarters in several Iraqi provinces, with the party's Najaf office being assaulted by an RBG projectile.<sup>(165)</sup> The attack came after the Sadrist Movement leader Hassan al-Azari wrote a post in which he accused the Dawa Party of defaming Ayatollah Mohammad al-Sadr's image and tarnishing his reputation by accusing him of having links with the Ba'ath Party. At the same time, Azari called for passing legislation that criminalized the defamation of Sadr and criticizing the speaking hawza. It is worth noting that the one who published the news regarding the legislation was a religious leader within the Sadrist Movement. It was not just a publishing news in the press and media, which means that the Sadrists wanted to evoke pressure from the masses and the hawza on the Dawa Party and force it to approve the bill criminalizing any insult directed toward marjas, thereby putting it in an awkward position before the people and the hawza. The Sadrists wanted to make Maliki appear as the one attacking one of the most influential Shiite marjas in the 20<sup>th</sup> century and the founder of the speaking hawza, as the Sadrists prefer to call him.

Conversely, the Dawa Party has been keen to contain the Sadrists' anger. Maliki issued a statement in which he denied the Sadrists' ac-

cusations, denouncing any insult to Sadr or the rest of marjas. Moreover, he reminded the Sadrists of the Dawa Party's assistance to them following the death of Mohammad al-Sadr both inside and outside Iraq. The Sadrists have issued several statements, some of which are official from Sadr's office and others unofficial, made by mid-ranking and senior officials, in which they reiterated restraint and the necessity not to be dragged into sectarian bickering.

### Shiite Political Islam and the Palestinian Cause

Al-Qassam Brigades announced its links to the Iran-led "Axis of Resistance." Mohammed Deif, in his speech on the morning of Operation Al-Aqsa Storm launch day, pointed to what he called the "Axis of Resistance," saying, "Our brothers in the Islamic resistance in Lebanon, Iran, Yemen, Iraq and Syria, this is the time in which your resistance fighters join forces with their brothers in Palestine." Afterward, the Shiite Islamist movements, as well as several Shiite Iraqi and Yemeni factions, blessed Operation Al-Aqsa Storm, throwing weight behind the Islamic resistance in Gaza against the Israeli occupation army. Still, the assessment of the Shiite political movements of the solutions that should be deployed to support Gaza has varied. On October 9, the Sadrist Movement called for a million-man protest in Tahrir Square in Baghdad in support of Gaza against the Israeli bombardment.<sup>(166)</sup> He then came out to give a speech himself on October 10, heaping praise on Hamas, Islamic jihad and al-Qassam Brigades and criticizing some Arab rulers who did nothing to aid this just cause — at least to preserve their thrones and power. Sadr described the Israeli acts as "Umayyad-Zionist terrorism," in a remarkable statement that employs alleged historical grievances — at the hands of the Umayyads — to serve the sect's interests and to enhance his legitimacy within the Shiite community. Sadr also criticized the head of the Palestinian Authority, Europe and the United States.<sup>(167)</sup> Sahab Al-Kahf (Companions of the Cave) also blessed Operation

Al-Aqsa Storm, considering the operation to be revenge for the killing of Qassem Soleimani and Abu Mahdi al-Muhandis. The militia also threatened to level US bases to the ground in case the leadership issued an order.<sup>(168)</sup> The Dawa Party also announced, through comments of its head Nouri al-Maliki, support for Operation Al-Aqsa Storm.<sup>(169)</sup> All these condemnations are not without political employment at home and to rid the leadership of any blame before the masses. This is evidenced by not a single faction among these groups having decided to enter the war, whether by deploying personnel or dispatching equipment.

### The Jihadist Groups — Between Failures and Attempts at Expansion

Since the killing of the head of al-Qaeda, Ayman al-Zawahiri, in July 2022, the group has entered into a state of stalemate. This is due to the leadership vacuum and the inability of the current leaders, scattered in various countries and having conflicting interests, to choose a new head of the organization, which has yet to announce choosing a new successor to Zawahiri. However, some reports suggest that al-Qaeda has chosen Saif al-Adl (who goes by the name Mohammed Salaheddin Zidan and is believed to be settled in Iran). Similarly, ISIS is going through a leadership crisis following the killing of some of its leaders in recent times. Despite declaring a new leader, the organization's main body, structure and ability to recruit and convince in the jihadist circles are no longer the same as they were before the military defeat it suffered in its key bastions. As for the Taliban, it is still struggling to obtain international acceptance, showing an ability to maneuver, negotiate and exert pressure on some issues. At the same time, the group continues to hold on to its well-established, time-honored jurisprudential opinions on several social issues.

### Post-Zawahiri al-Qaeda

A UN report in June 2023 stated that al-Qaeda is working to enhance its presence in Afghanistan and that there is an alliance between it and the Taliban to counter the Islamic State in Khorasan, ISKP.<sup>(170)</sup> Al-Qaeda has already succeeded in curbing the clout of ISIS in Afghanistan in collaboration with the Taliban. This was reiterated by a CIA report, which stated that it is unlikely that al-Qaeda will restore momentum in Afghanistan and Pakistan despite the efforts and attempts at strengthening its presence there and standing up to ISIS.<sup>(171)</sup>

■ The reasons for al-Qaeda's decline: Among the significant reasons behind the decline of the organization is the killing of senior leaders in Syria, Afghanistan, Pakistan, Africa and elsewhere, not to mention its chief Ayman al-Zawahiri. This has weakened the organization and curbed its ability to conduct effective attacks overseas. This is in addition to the decline in the number of foreign fighters in its ranks due to the organization's hibernation and the erosion of the appeal that once attracted thousands of fighters during the height of its combat activism against Western interests and Middle Eastern governments. Yet among the reasons for al-Qaeda's waning is the multiple armed battles in which it has been embroiled against ISIS in many places, which has exhausted both organizations, rendering them significantly unable to conduct significant attacks against Western interests and Arab governments.

■ The new leadership and the organization's maneuverability: Al-Qaeda has kept the name of its new chief secret following the killing of Zawahiri. Several reports, some of which are close to al-Qaeda circles, have confirmed that the organization had chosen Saif al-Adl, also known as Mohammed Salaheddin Zidan, as its new head. Zidan (born in 1963) served as a colonel in the Egyptian commandos in the 1980s before being dismissed from the army for belonging to al-Jihad organization. He then moved to Saudi

Arabia and then to Afghanistan, becoming one of al-Qaeda's leaders and founding generation members.<sup>(172)</sup> In September 2023, he released a book on the anniversary of the September 11 attacks, titled "A Free Reading in the 33 Strategies' Book." Al-Qaeda also released a new issue of its official magazine named Umma Wahida (One Community), which was dedicated to the September 11 attacks. In the issue, al-Qaeda threatened to mount attacks far more extensive than the September 11 attacks. An article in the issue, believed to be penned by Zidan, argued that these attacks were insufficient to force the United States to change its policies. He urged the jihadists to continue their attacks to achieve their objectives.<sup>(173)</sup> This message was intended to prove the presence of al-Qaeda. However, it could indicate the exact opposite, exposing the weakness of the group's body and structure instead.

### The Islamic State (Daesh)

A June 2023 report by the UN said that the Islamic State in Khorasan is still working to expand its presence into the Afghan territories, putting the number of its fighters at 6,000. However, it is noticed that the organization is declining, its presence in strategic bastions in Syria and Iraq is waning, and its affiliates in Sinai, Yemen and Africa are suffering from a low number of fighters. The organization has lost its inspiring appeal and its ability to attract combatants from all over the world. The organization has also suffered major blows in its primary and strategic hotbeds in Syria and Iraq, leading to the elimination of many of its leaders as well as its rank-and-file members. This has deprived the organization of its capacity to politically, militarily and financially operate, not to mention decision-making efficiency and the ability to continue fighting. However, the organization has attempted to pretend that the succession process is smooth and natural, especially after announcing the killing of its chief Abu al-Hossein al-Hosseini al-Qurashi last year.

■ The danger of the organization's resurgence: Despite the blows dealt to ISIS and its subsequent hibernation, the threat of its resurgence continues to loom ahead. There are UN reports that warn of the organization's resurgence, as it still controls 7,000 fighters in Syria and Iraq.<sup>(174)</sup>

■ Lone-wolf operations continue: Though ISIS has lost its ability to hold on to swathes of land, as was the case during its heyday, it continues to pursue the lone-wolf strategy, which is a source of concern for international actors. It has been adopting this strategy since its final defeat and loss of land in March 2019 after the fall of its last bastion, Syria's al-Baghouz. Therefore, the organization wants to reassert its presence and ability to act through terror operations in some regions where security is tenuous. The organization claimed responsibility for a suicide attack that targeted a gathering of a religio-political party in Pakistan, which killed and wounded dozens.<sup>(175)</sup>

In conclusion, ISIS appears fragmented and unable to rearrange its ranks as it did in 2014. However, regional and international actors agree that it remains a threat to global security and their strategic interests. Nonetheless, it is noticed that the organization has a bigger ability in Pakistan and Afghanistan to show operational activism than it had in its original bastions in Syria and Iraq. And it confirms that the leadership is decentralized and has adopted a policy of allowing more room for its proxies, sub-groups, to conduct operations in various countries according to the existing realities and contexts.

### The Taliban: From an Organization to Statehood:

The Taliban has attempted to cement its rule in Afghanistan through policies that have sparked widespread criticisms on the part of the international community. At the same time, the group has continued to expand its clout and counter ISIS and Iran simultaneously.

■ Between the Taliban and Shiites: Differences erupted last July 2023 between the Taliban and the Shiite Afghan community when the Taliban

attempted to block Shiite gatherings for Ashoura rituals. The Taliban also removed Muharram banners from shops, stores and markets. On the other side, Ayatollah Sayyed Mohsen Hajjat, an influential Shiite cleric in Kabul, called on Shiites not to obey the Taliban's restrictive orders, calling on the group to show respect to the Muharram rituals and remove the restrictions.<sup>(176)</sup> This came amid more immense tensions between the Taliban and the Iranian government, which reached the point that Abdul-Hamid Khorasani, a Taliban leader, threatened to conquer Iran in case the Taliban leaders decided to declare jihad against the Iranian leadership.

■ **The Taliban and social reform:** The Taliban chief, Hibatullah Akhundzada, issued an edict last March preventing officials in the Taliban from employing their relatives in government positions. He also ordered them to sack their children and other relatives working in the administration.<sup>(177)</sup>

Last July 2023, the Taliban authorities, via the Ministry of Vice and Virtue, ordered the closure of a beauty salon dedicated to women — in an attempt to impose its religious reading.

### **Conclusion: The Future Trends for Religious Establishments and Islamist Groups**

The central religious institutions throughout the Islamic world appeared effective this year. The Saudi religious establishment sought to enhance “the via media” and moderation and conduct an administrative restructuring that allows conducting a rational moderate religious rhetoric that can balance with traditional religious one. Al-Azhar also sought to maintain a close distance from the government, attempting to cling to its constitutional rights regarding nominating the mufti and the state's jurisprudential choices. Probably, Al-Azhar will maintain adherence to its position on social issues—accordingly, the government (specifically its executive branch) will resort to relying more on Dar al-Ifta without referring to Al-Azhar.

As for the Shiite religious establishments, the Najaf-Qom competition is likely to mount further.

Najaf will continue to avoid getting involved in politics while Qom will continue its approach in following the government's approach and legitimizing the government's policies and actions from its fundamentalist and traditional clerics.

At the level of Islamist movements, the Muslim Brotherhood's internal crisis is likely to persist, with the new leaders unable to reunite the group and its conflicting wings. The arrest of Tunisia's Ennahda top leaders is also likely to continue, thereby losing influence and presence among the masses.

As for the violent groups, al-Qaeda entered into a period of hibernation following the killing of its leader, Ayman al-Zawahiri, stopping short of declaring a new leader. This impacted the organization's body and structure, further affecting its ability to attract fighters. Despite this, the organization has engaged in armed battles with ISIS in Afghanistan and elsewhere. Both groups have lost major military and combat capabilities in these battles, with ISIS failing to secure a foothold in Afghanistan due to the collaboration between the Taliban and al-Qaeda. Therefore, the hibernation of the two organizations and their inability to make a change in the region are likely to continue— unless unexpected dramatic changes occur. As for the Taliban, it has succeeded in displaying diplomatic competence on some issues, involving exerting pressures at times and negotiations at others, as it did with Tehran. However, there are other files that constitute a source of concern for the international community, especially those related to women and human rights. The Taliban has so far made no concessions on these issues, nor has it conducted a review of its traditional jurisprudential choices. Thus, the Taliban's political future faces threats, given the continuous sanctions imposed by the West and the latter's insistence that the group must change and revise its behavior and ideology. The group faces obstacles to continue imposing its longstanding thoughts and actions while maintaining control of the military and political life. Its success in the economy and society is surrounded by risks until the group resorts to changing its religious thoughts.

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# THE IDEOLOGICAL DISPUTE, THE STATUS OF FUNDAMENTALIST MOVEMENTS AND EXTREMIST GROUPS WORLDWIDE

The year 2023 witnessed defining events for fundamentalist movements and radical groups worldwide. The year also saw the emergence of novel, urgent issues such as the resurgence of the far-right, the defiling of sacred religious icons and the globalization of non-traditional sexual behavior. This is in addition to the effective role of religious establishments in the Islamic world and their positions on public issues, as well as their reactions to political and social events. This could be clarified as follows:

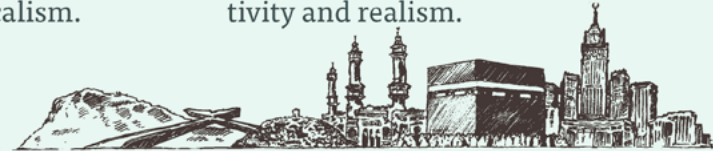
## Religious Institutions in the Islamic World

### The Saudi Religious Establishment

The Saudi religious establishment has struck a balance between cultural and social openness and maintaining a rational, moderate religious discourse.

The Saudi state has preserved the jurisprudential heritage, striking an open tone and restoring the line that prevailed before the emergence of the wave of Sahwa (Awakening) and radicalism.

In 2023, Sheikh Saleh al-Maghamisi called for the creation of a new Islamic school of thought, but the Saudi Council of Senior Scholars rejected the call for lacking objectivity and realism.



### The Egyptian Religious Establishment

Egypt has embarked on settling some controversial religious issues via Dar al-Ifta, such as birth control—with Al-Azhar rejecting the Egyptian presidency's position toward it.

The wrangling between Al-Azhar and Dar al-Ifta remains, with Dar Al-Ifta tilting toward the executive authority, tipping the scale in its favor.

The executive authority in Egypt has been keen to keep all the religious establishments under its direct control and administration for fear of a full assertion of independence by Al-Azhar and its grand imam.

The Egyptian state also seeks to control all the religious establishments for fear of any protests like the 2011 uprisings. Therefore, the state is preparing the religious establishment to abort any harbingers of such protests via an engineered religious discourse.

The Ministry of Awqaf has coordinated with the Reserve Officers College to train imams and preachers preparing to work within the ministry — to engineer a religious discourse tallying with the state's strategy.

## The Shiite Religious Establishment/Hawza

The administration of religious seminaries has decried what it called “the Zionist crimes” against the Palestinians in Gaza, announcing the readiness of teachers and students to head to Gaza to wipe out Israel if the supreme leader gives permission.

The director of Amir-Al-Momenin School in Tabriz announced that the transboundary Martyrs Battalion of Khamenei’s Army (aka Jaish-ul-Khamenei’ Battalion) had been formed to fight against Israel. He said he awaits “legal permission from the supreme leader to defend Gaza.”

Opposition by Sunni scholars, as well as protests in the Sunni and Kurdish regions against the policies of marginalization and deliberate targeting, have continued. The government, meanwhile, has attempted to contain these movements — either through rapprochement or repression.

## The Far-right, Islamophobia

- ✪ Far-right movements have resurged across the world. Extremists in European countries burned copies of the Holy Quran; Muslims in India came under harassment by extremist Hindus and Al-Aqsa Mosque was stormed several times by extremist Jews. In Turkey, racism has surged, targeting Arab residents and tourists.
- ✪ European nations have sought to render uniform homosexuality and other non-traditional sexual behavior across the world, particularly in the East and Africa. However, they are still facing resistance that prevents countries with particular cultures and identities from recognizing such practices.

## Islamist Movements — Between Internal Crises and Political Action

- ✦ The Islamist movements, foremost of which is the Muslim Brotherhood, continue to be hit with stormy internal crises created by the vacuum in the political leadership and sources of religious guidance, in addition to the internal differences over intellectual issues and interests and security crackdowns.
- ✦ On October 3, 2023, Egypt’s Al-Nour Party, the biggest political party representing the Salafi movement in Alexandria, announced its support for President Abdel-Fattah el-Sisi’s candidacy in the presidential election. The announcement came one day after Sisi had revealed his intention to run for a third presidential term.
- ✦ Tunisia’s Ennahda Party suffered painful blows following the arrest of its prominent leader, Rachid Ghannouchi.
- ✦ Operation Al-Aqsa Flood, launched on October 7, 2023, came to express the religious dimension in the confrontations between the Palestinian resistance factions and Israel.

## Shiite Political Islam — Between Politics and Sectarianism

In July 2023, Secretary-General of Iraq's Dawa Party Nouri al-Maliki attacked Sunni religious figures, showing total disregard for the Iraqi social fabric as well as the rationale of the civil, constitutional state.

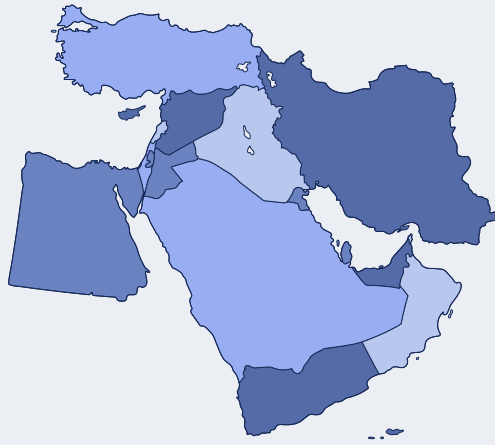
A disagreement flared up between the two biggest Shiite political Islam movements in Iraq, the Dawa Party and the Sadrists, over the marjaya of Ayatollah Mohammad al-Sadr. Tensions arose after leaders of the Sadrist Movement accused the Dawa Party of insulting Sadr's marja status.



## The Jihadist Groups — Between Failures and Attempts at Expansion

- Following the assassination of al-Qaeda leader Ayman al-Zawahiri in July 2022, the organization has become dormant. This is primarily attributed to a leadership vacuum, as leaders scattered across different countries with conflicting interests have struggled to agree on a new leader. This internal discord visibly impacted the organization's effectiveness in 2023.
- Despite facing a leadership crisis due to the elimination of key figures, ISIS remains a potential threat, as indicated by UN reports.
- The Taliban, in an attempt to consolidate power in Afghanistan, implemented policies criticized by the international community. Simultaneously, the group expanded its influence and confronted both ISIS and Iran.
- Up to now, the Taliban have not demonstrated any willingness to make concessions or reconsider their established traditional jurisprudential choices.

## Strategic Interactions Between Regions



In 2023, various regions around the world, including the Middle East, Central Asia and Africa, experienced different interactions in terms of politics, economy and security due to the emerging changes in the global order. However, the Middle East witnessed a fierce geopolitical conflict that re-emerged after the eruption of war between Israel and Palestinian resistance factions. This conflict arose as a result of Operation Al-Aqsa Flood initiated by the Palestinian resistance factions and Israel's subsequent full-scale war against the Gaza Strip, which has been under siege for a long period. The repercussions of the Gaza war have reverberated throughout the Middle East, making it the center of global attention once again. Prior to the war, many observers expected the region to become more peaceful, especially after the China-brokered peace agreement between Saudi Arabia and Iran, which created the possibility of reconciliation between Iran and other Arab states.

In 2023, there was a surge of coups in the Sahel region of Africa, which caught the attention of global powers. The chaos created by these coups led to paramilitary forces taking over power in some African countries. Many experts predicted that this wave of coups might also spread to some countries in the Middle East.

The Middle East returned to square one; it returned to the phase of wars and international conflicts in 2023. As a result, the attention toward the Russia-Ukraine war and the internal shifts in African nations decreased. As for the Gulf region, the GCC states adopted coordinated and inclusive policies to address the rising challenges from regional and international shifts. To enhance their tools of influence, they diversified their relations and strategic alliances with various parallel regional blocs and global powers that play influential roles in the current regional and international changes.

The Central Asian nations seized the opportunities that emerged from the international competition in their region in light of the international shifts. They also worked to mitigate the political, security and economic risks generated by the international shifts.

This part of Rasanah's ASR is divided into five main sections as follows:

- The Middle East Crises
- Trends in Relations Between International and Regional Powers in the Middle East
- Summit Diplomacy and the Gulf's Aspirations to Enhance Its International Posture
- Africa at the Heart of International Competition
- Central Asian States: The Response to International Shift

### The Middle East Crises

The year 2023 saw the outbreak of conflicts and a continuation of crises and tensions escalating in many countries of the Middle East, taking it back to the top of the list of the most intense regional and international arenas in 2023. This happened against the backdrop of signs that the Middle

East would enter a stage of calm after the two major regional powers, Saudi Arabia and Iran, signed a China-brokered deal. At the Palestinian and Israeli levels, significant developments took place; including the re-eruption of the conflict and the subsequent comprehensive Israeli war on the besieged Gaza Strip. This brought the Palestinian issue back to the focus of regional and global attention. The Gaza crisis greatly impacted Palestinian and Israeli internal interactions and resulted in great implications at the regional and international levels.

The governance crisis in Libya continued amid the ongoing political deadlock against the background of the division between the parties to the Libyan political equation over the regulation of the postponed presidential and parliamentary elections, the eligibility of candidates, and the disruption of the political and security institutions' unification. This put the fate and future of the political transition process in Libya in uncertainty and ambiguity. Meanwhile, the country witnessed the disaster of the Derna floods, increasing the suffering of Libyans and revealing the depth of the political divisions in the country and their implications for the Libyan domestic front and foreign relations. The economic crisis in Turkey also continued and the Turkish government struggled to address the lira's depreciation, the high inflation rate and the increased size of foreign debt. It also had to address the consequences of the devastating earthquake in the southern parts of the country.

The developments in the Middle East, particularly Israel's war on the Gaza Strip before the end of 2023, brought the region to the forefront of international crises — because these developments had serious implications for the security and future of the region amid the global turbulence. Thus, it has become imperative to analyze the crises the Middle East went through in 2023. This part of Rasanah's ASR analyzes the trends of the Israeli war on Gaza and the return of the Palestine cause to the limelight. It also addresses

the future of the Libyan crisis in light of the proposed initiatives to reach a political settlement. Finally, it deals with the future of economic reforms and the prospects of the Turkish government's success in addressing the country's economic crises.

### **The Implications and Trends of Israel's War on Gaza**

On October 7, 2023, the Izz ad-Din al-Qassam Brigades, the military wing of Hamas, and the Palestinian resistance factions in the Gaza Strip launched a surprise military operation called Al-Aqsa Flood. It began with a major rocket attack, including the firing of thousands of rockets at many Israeli settlements. Hamas fighters infiltrated the Gaza Envelope settlement and fought fierce battles at several military sites and settlements inside the area. According to Israeli sources, 1,300 people were killed. The number of Israelis wounded reached 3,300 with 200 Israelis held hostage.<sup>(178)</sup> Israeli reports are conflicting about the exact number of hostages held by Hamas, claiming they are between 200 and 240 prisoners. Arab media reported about 230 prisoners with some Israeli military vehicles seized.

Conversely, Israel declared a "state of war" on the Gaza Strip, launching "Operation Iron Swords," to achieve two major goals: recover the hostages and eliminate Hamas. The Israeli attacks began with regaining control of the settlements and sites infiltrated by the militants in the Gaza Envelope. It also bombed several areas of the Gaza Strip and stepped up attacks on northern Gaza Strip to displace civilians to the southern region on the border with Egypt. This coincided with cutting off food, water, electricity and fuel to Gaza. On October 27, the occupation army began its ground incursion into the Gaza Strip, amid fierce fighting with the resistance forces. Tensions also flared up in the West Bank. The occupation army stepped up the incursions into various areas and settler attacks on Palestinian civilians surged. Skirmishes and mutual

shelling between Iran-backed Lebanese Hezbollah and the Israeli army also escalated along the Lebanese-Israeli border, and the Iran-backed Houthis entered the crisis by targeting Israel and hijacking ships in the Red Sea. Israel stepped up the targeting of Syrian territory from which shells were launched. It accused pro-Iran militias of carrying out this shelling.

On November 22, 2023, a pause was declared for several days as a result of Egyptian, Qatari and US mediation against the backdrop of the catastrophic consequences of the Gaza war. It resulted in 15,000 Gazan civilians killed, mostly children and women, 30,000 wounded and thousands missing under the rubble. The Gaza Strip's hospitals are also out of service. This deal stipulated the suspension of hostilities in all areas of the Gaza Strip, the release of some Israeli women and children held hostage, in exchange for the release of a number of Palestinian women and children detained in the occupation prisons, and the delivery of humanitarian aid to Gaza. The pause entered into force on November 24, 2023. However, Israel confirmed that it would continue military operations after the end of the truce until it eliminated Hamas. On December 1, 2023, Israel's war cabinet declared the end of the truce and the resumption of the war to recover the remaining hostages and eliminate Hamas.

Operation Al-Aqsa Flood, which triggered the unprecedented conflict, was an inevitable result of the stalled peaceful settlement and the extreme far-right government taking power in Israel. This government undermined the prospects of a two-state solution by intensifying the establishment of settlements, confiscating land to Judaize the West Bank and east Jerusalem, and escalated its efforts to suffocate the Gaza Strip. It stepped up the violations against the Al-Aqsa Mosque and Palestinian citizens, which reached a critical level.

Under the far-right government led by Benjamin Netanyahu, 2023 was full of provocations, repressive practices and pressures that trig-



gered Operation Al-Aqsa Flood. During the first months of 2023, the Israeli occupation authorities killed more than 220 Palestinians in the West Bank, Jerusalem and Gaza and issued more than 2,600 administrative detention warrants. The number of Palestinian prisoners in the occupation prisons before Operation Al-Aqsa Flood was about 5,200 prisoners. The number of Israeli settlers who stormed Al-Aqsa until the end of September 2023 was about 41,000 settlers. The settlers carried out hundreds of attacks against Palestinians and their property, and the Israeli occupation authorities demolished hundreds of houses. Settlement activities also hit record

highs, and plans were approved to establish more than 14,000 settlement units in the West Bank.<sup>(179)</sup> Moreover, the Israeli occupation authorities returned to the policy of assassinations against resistance leaders in the Gaza Strip. This was evident by Operation Shield and Arrow, from May 9 to May 13 2023, resulting in the assassination of the leaders of the Islamic Jihad Movement along with their family members.

#### **The Implications of the Outbreak of the Conflict Between Israel and Hamas in Gaza**

Operation Al-Aqsa Flood and the full-blown Israeli war in Gaza caused a strategic earthquake

in the Middle East and had profound and large-scale repercussions at all levels.

■ At the Palestinian level: Operation Al-Aqsa Flood and the subsequent Israeli war in Gaza signify a turning point in the Palestinian cause. It came at a critical time as internal and external challenges were escalating before the Palestinians amid the heated Palestinian debate on whether to continue to pursue resistance or dialogue to reach an endpoint to their cause. This is in addition to the debate on the role of the Palestinian Authority (PA) and the escalating tensions between the resistance factions and the PA's security services. The intra-political division continued and extended externally. The year 2023 witnessed a serious development with the outbreak of armed clashes between the Fatah movement and some Islamist groups in Ain al-Hilweh camp, the largest Palestinian refugee camp in Lebanon, resulting in dozens of deaths and injuries.<sup>(180)</sup>

Operation Al-Aqsa Flood and the Israeli war on Gaza have relatively defused these tensions, as the intra-Palestinian divisions returned to the political debate amid the growing popular sympathy for the resistance. On the other hand, these developments have placed the PA in an extremely difficult position, in light of the increasing popular criticism of its inability to provide any kind of protection to Palestinian citizens from the attacks of the occupation forces and settlers. Therefore, its legitimacy eroded further, amid mounting fears that it will face marginalization or collapse, especially in the event of an outbreak of conflict in the West Bank if the Israeli war on the Gaza Strip is prolonged.<sup>(181)</sup>

■ At the Israeli level: Operation Al-Aqsa Storm operation posed a serious challenge to Israel. It erupted against the backdrop of an acute political crisis due to the judicial reform plan of the Netanyahu government. The operation exacerbated differences and divisions, which spread across the country. This judicial crisis deepened and faced complications as the military entered

the line of protests. Thousands of reservists threatened to refuse military service to pressure the government to reverse the judicial amendments.

The Al-Aqsa Flood, which shocked severely Israel's society and leadership and exposed the weakness of Israel's home front, defused relatively the political crisis. It prompted the ruling coalition and the majority of opposition components to set aside differences to focus on managing the difficult and complex war with Hamas and the resistance forces. As part of attempts to restore the home front, Netanyahu formed a partnership with opposition leader Benny Gantz to expand the ruling coalition and form a national emergency government. He declared that this government would not pass any laws or take any decisions that were irrelevant to the war.<sup>(182)</sup> However, this effort failed to stop intragovernmental disputes over decisions on the military confrontation with the resistance factions. These disputes happened amid popular discontent and protests calling for Netanyahu's resignation and trial.<sup>(183)</sup>

The implications of Al-Aqsa Storm and the Gaza war further complicated the Israeli political crisis, which may worsen in the next stage. Criticism against the Netanyahu government is likely to increase amid the human losses, significant economic pressures, and extremely difficult security challenges caused by the war. The Likud party may witness further disagreements and its alliance with the far-right forces may collapse. The political balance will change in favor of the opposition forces. This, therefore, will overthrow the most extremist government in the history of the Jewish state, hold Netanyahu and many of the political, security and military leaders accountable, preparing the ground for the return of more moderate currents to power in Israel.

■ The Palestinian cause and the equations of the conflict: Operation Al-Aqsa Flood and the Israeli war on Gaza were a turning point in the



trajectory of the Palestinian cause. The aforesaid brought the Palestinian cause back to the limelight after its status had dropped and it turned merely into a humanitarian issue. This lack of priority was because of a shift in global attention to other acute and intense international crises and issues like the Russia-Ukraine war and US-Sino competition for global leadership. Moreover, Al-Aqsa Storm confirmed that the

*Smoke rises following Israeli strikes on a building on May 17, 2021 in Gaza*



Palestinian cause is impossible to be liquidated or ignored, and that it is the central cause to the Arab and Islamic worlds.

At the level of the Palestinian-Israeli conflict, Operation Al-Aqsa Flood and the Israeli aggression in Gaza proved the failure of the Israeli deterrence strategy based on launching intense strikes and employing a blitzkrieg strategy. The operation revealed the abject failure of various components of the Israeli military and security system that did not predict the operation nor was able to access any information about it. It also proved the Israeli fallacy that it can contain Hamas in the besieged Gaza Strip and keep the West Bank and Gaza apart within the framework of managing the conflict with the Palestinians.

The outbreak of the conflict also added a new element to the equation of the conflict: the involvement of other forces in hostile acts to support the Palestinian resistance (along with the Lebanese Hezbollah), such as the Fajr (Dawn) Forces — the armed wing of the Islamic group in Lebanon.<sup>(184)</sup> It launched missile strikes at some Israeli positions along the Lebanese border. Pro-Iran armed Iraqi organizations carried out rocket attacks against US troops in Iraq and Syria in retaliation to US support for Israel. The Iran-backed Houthis in Yemen launched a number of missiles and drone attacks toward Israel, shot down a US drone off the west coast of Yemen and threatened to target Israeli ships in the Red Sea. It had already seized a ship owned by an Israeli businessman.

■ At the regional level: Operation Al-Aqsa Flood and the subsequent Israeli war on Gaza had very serious implications for the region and exacerbated the tensions, posing a major threat to regional stability. The operation erupted after the emergence of signs that the region would enter a stage of calm, against the background of the Saudi-Iran rapprochement deal to resume their mutual diplomatic relations. As pro-Iran militias in Iraq and Syria entered the confrontation line, US strikes against these militias and IRGC

sites in some areas of Iraq and Syria escalated, increasing tensions in both countries.

With the increase of Houthi threats against Israel and its ships in the Red Sea, fears grew that the United States or Israel could respond to these threats, leading to the militarization of the Red Sea and the Bab al-Mandab strait. Consequently, these Houthi threats risked or disrupted international navigation in this vital shipping lane. As Hezbollah attacks on Israeli positions near the Lebanese border intensified, fears increased that Israel would use these attacks as a pretext to carry out large-scale attacks against Lebanon. This is amid the heated debate and disputes between the Lebanese parties over the principle of resistance against Israel, and the proposed demands by anti-Hezbollah parties. These are centered on confining the decision of peace and war to the Lebanese state and restricting weapons to the Lebanese army.

In response, Israel opted for a retaliatory attack against Iran on Syrian territory by targeting Reza Mousavi, a prominent commander of the Quds Force. This action is anticipated to further intensify the escalation between the two parties.

In light of the escalation of Israel's war on Gaza, Palestinians forced to leave the northern part of the strip to the south, and the increasing assault of the occupation forces and settlers on Palestinians in the West Bank, geopolitical concerns increased about the attempts to displace Palestinians to Egypt and Jordan, thus exporting the crisis to both countries. This may also lead to serious security implications for both countries. Egypt rejected this Israeli attempt and stressed that the displacement of Palestinians from the Gaza Strip to Egypt was a red line. Jordan also stressed that any attempt to displace Palestinians from the West Bank would be considered an act of war.

A popular and official Arab and Islamic position also developed. It rejected the aggression and called to break the siege on the Gaza Strip and emphasized commitment to the two-state

solution as the only way to settle the Palestinian cause and achieve stability in the Middle East. This position has been apparent in the popular diplomatic moves in many Arab and Islamic countries, as evidenced by the summits held to discuss the Gaza war. These summits include the Cairo Peace Summit, the Egyptian-Jordanian summit, the Egyptian-Qatari summit, and then the Joint Arab-Islamic Summit held in Riyadh on November 11, 2023. The latter's final statement reflected the Arab and Islamic position that strongly rejected the Israeli aggression by explicitly condemning the war, calling for an immediate cessation and refusing to describe the Israeli retaliatory war as self-defense or justify it under any pretext. It called for breaking the siege on Gaza and the delivery of Arab, Islamic and international humanitarian aid convoys to Gaza. It also stressed the need for the international community to take action to launch a serious process to achieve peace based on the two-state solution which would establish an independent sovereign Palestinian state on the borders of June 1967, with East Jerusalem as its capital.

One of Al-Aqsa Flood's implications is the suspension of normalization. In light of the unprecedented outbreak of the conflict and the growing popular anger over the Israeli retaliatory war in Gaza, the US administration, the sponsor of this path, will not be able to pursue the conclusion of further normalization deals between some Arab countries and Israel. This remarkable development, coupled with the return of the Palestinian cause to center stage, provides Saudi Arabia more room to deal with the normalization file in line with its conditions, interests, and adopt a realistic and rational approach based on the principle of the need to achieve concrete steps toward a peaceful settlement of the Palestinian cause before moving to normalization.

■ At the international level: the outbreak of the conflict between Israel and Hamas caused tensions and divisions among the international

See also

# WHEN WILL ISRAEL REALIZE THAT FORCE IS NOT THE BEST OPTION?

There is a tragic and yet foggy war raging these days between the Palestinian resistance movements and the Israeli army. The fierce fighting comes amid regional and international warnings that the war could escalate into a major regional confrontation. However, the ongoing war has brought the Palestinian question to the fore once again, with the world reminded of the danger of it remaining unresolved. The war has also injected momentum into regional and international peace initiatives, reiterating the need for Palestinians to reclaim their rights under the two-state solution...

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parties. They split into two blocs: one supporting s Israel, including the United States, Britain, Germany, France and Italy, and the other rejecting Israel's aggressions, including Russia, China, Spain, Norway and the majority of the world's countries, primarily the Arab and Islamic countries. Tensions and divisions also hit the countries of the bloc supporting Israel. Many European countries witnessed demonstrations condemning the Israeli aggression and supporting the Palestinian cause and countries imposed a ban on demonstrations in support of the Palestinians, such as Germany and France. However, other popular European sectors expressed solidarity with Israel.

At the US level, the United States further engaged both militarily and politically in the region. The US administration set aside its differences with the Israeli government. Their bilateral relations witnessed a significant recovery. The Biden administration excessively supported

Israel. This was demonstrated at the diplomatic level by supporting official Israeli statements, the visit of President Joe Biden and his secretary of state to show solidarity with Israel and preventing the issuance of any UN Security Council resolutions against Israeli interest. The US administration shifted aircraft carriers USS Gerald R. Ford and USS Eisenhower to the eastern Mediterranean,<sup>(185)</sup> and provided Israel with all the needed weapons and ammunition. In addition, it provided intelligence and information via US drones flying over the Gaza Strip since the day after Operation Al-Aqsa Flood to aid in Israeli efforts to free hostages held by Hamas.<sup>(186)</sup> The US House of Representative approved \$14.3 billion for Israel.<sup>(187)</sup>

The most crucial support materialized in the announcement made by US Secretary of Defense Lloyd Austin on December 19, 2023, unveiling a multinational military operation named "Prosperity Guardian" under US leadership. The coun-

tries involved include the United States, Canada, the UK, France, Italy, Spain, the Seychelles, the Netherlands, Norway and Bahrain. This coalition is set to conduct joint patrols in the southern part of the Red Sea and the Gulf of Aden. The primary objective is to establish military deterrence by countering Houthi attacks targeting trade vessels at Bab al-Mandab, a strategically significant point for international trade. The escalation of Houthi missile and drone attacks targeting ships bound for Israeli ports through the Red Sea compelled major international shipping companies to halt the passage of their vessels through the Bab al-Mandab Strait — a critical route accounting for approximately 40% of international trade.<sup>(188)</sup> Therefore, there has been a re-routing of trade vessels, making a detour around the Cape of Good Hope. This shift is poised to increase insurance and shipping costs, extend shipment delivery times, and result in increased prices for imported goods.

The coalition encounters numerous challenges marked by divergence among countries regarding leadership dynamics, the theater of operations, and the coalition's true objectives. This is exacerbated by Israel's ongoing conflict in Gaza. Additionally, reluctance among many nations to join the coalition, particularly from Arab countries, reflects a desire for the US administration to address the core issue of the Palestinian struggle and the oppressive Israeli blockade on the Gaza Strip. The all-out war in Gaza, which has resulted in the loss of tens of thousands of lives and left many injured and missing, underscores the severity of the situation. Furthermore, several Arab nations perceive the coalition's primary aim as mitigating international isolation on Israel, attributed to its genocidal and war crimes against defenseless civilians in Gaza. This sentiment was evident in the voting patterns of countries in both the UN General Assembly and the UN Security Council, where, with the exception of the United States, there was a consensus in favor of halting the war in Gaza.

Numerous international media outlets have reported the withdrawal of three influential European countries — France, Italy and Spain — from the alliance. These countries have explicitly stated that they will not engage in further naval operations in the Middle East unless under the leadership of the North Atlantic Treaty Organization (NATO), not the United States.<sup>(189)</sup> As a result, only the United States and the UK remain, with their confirmed participation in deploying the naval destroyer HMS Diamond. Canada, whose scope of participation remains undetermined, the Seychelles, the Netherlands, Norway and Bahrain are the remaining participants. Some of these countries have declared their involvement with a minimal number of forces, not exceeding 10 soldiers at most, expressing their dissatisfaction. This development has highlighted the contradiction of many countries, especially Western powers, in swiftly moving to pro-

tect international trade while demonstrating an inability to shield the defenseless civilian population in Gaza from the Israeli war.

However, this unconditional US support for Israel did not conceal the nature of the American societal and political divisions over the position on the war. The internal criticism of the Biden administration's position on the war increased. This was noted in several letters sent by politicians, diplomats, and officials to the White House, the secretary of state and members of the US Congress.<sup>(190)</sup>

In UK, divisions also grew because of the position on the Israeli war on Gaza; the dispute between the government and the police over the pro-Gaza demonstrations erupted. They resulted in the dismissal of the interior minister. The Labour Party, led by the opposition, witnessed an acute crisis due to disputes among its members about the need to stop the war. The British Parliament rejected a resolution calling for a ceasefire in Gaza. The Scottish first minister criticized this rejection and the Scottish and Welsh Parliaments adopted a resolution for a ceasefire.

The outbreak of the conflict also shifted international focus and priorities. It took attention away from the Russia-Ukraine war and weakened American and European support for Ukraine, hence stalling the Russia-Ukraine conflict during the coming period.

### Scenarios of the Israeli War on Gaza in 2024

Three scenarios could be proposed for the future of the Israeli war in the Gaza Strip. The first suggests further escalation as the Israeli occupation forces continue their retaliatory military action on the Gaza Strip, and the ground invasion extends into the south of the Gaza Strip. This would lead to massacres and fuel the eruption of violence in the West Bank and the Palestinian circles inside the Green Line, which in turn would lead to further attacks and clashes on other fronts, especially on the Lebanese-Israeli border and the Golan Heights. This would be

coupled with further Iran-backed Iraqi militia attacks against US bases in Iraq and Syria and an increase in Houthi threats to Israel, and finally spark a regional war, including Iran and US participation in this war.

The second scenario would see a deadlock without the war extending to other fronts. According to this scenario, the progress of Israeli occupation forces in the rest of the Gaza Strip would be slowed down, but they would continue with intense bombing and genocide operations. The resistance would continue to hold out. The military operation would enter a phase of a war of attrition.

The third scenario would see the official and popular international pressure succeeding in defusing the conflict and reaching an agreement on the remaining hostages. Certain arrangements in the Gaza Strip that guarantee Israel's security would be concluded. This scenario is unlikely to come to fruition due to Israel's determination to continue the war until it completely eliminates Hamas, a goal that seems unrealistic. However, the likely increase of Israeli deaths with the prolongation of the war would lead to further pressure on the Israeli government to usher in a phase of calmness.

With respect to the future of the Gaza Strip post-war, it seems very complicated and ambiguous amid the multiple possibilities in the coming stage. Gaza's future can be summarized as follows:

- The reoccupation of the Gaza Strip;
- Israel's retention of military control over Gaza as the case in the occupied West Bank;
- Israel may partially control Gaza, especially the northern part, and establish buffer zones along the border with Israel. Hamas would be in control of some areas in Gaza, especially the south. The PA may return to rule the strip with regional and international support.
- An alternative political system might be formed to run the Gaza Strip. It would consist of local leaders, such as mayors and tribal elders —

this will be implemented via the participation of the PA and the support of regional and international parties.

- A joint Arab International administration might rule Gaza. This administration could be integrated with Egypt or under the supervision of the United Nations.

- The Hamas movement will continue its rule in Gaza.

Realizing any of these forecasts depends on the outcome of the ongoing war between Israel and Hamas.

In general, the Palestinian cause will face complex challenges in the coming period, regardless of the outcome of the ongoing war in Gaza. The file of the Palestinian political divisions remains open. It may become complex due to the interactions of the war, which has put the PA in a critical and extremely difficult position as the popular criticism of its performance increases. It faces US pressure to return to the Gaza Strip if Hamas' rule is eliminated or weakened, which may put the PA in a serious confrontation with the resistance factions. Israel's brutal war has many severe implications, and dealing with them will be a great challenge necessitating enormous efforts and costs.

With the return of the Palestinian cause to the international limelight because of the unprecedented escalation of the conflict, the political settlement efforts will likely witness some momentum, especially as the international powers realize how hard it is to maintain stability in the Middle East without a just solution to this cause. Some international powers, such as China and Russia, have stressed the need to kick-start the negotiation settlement after the end of the war. However, any progress in this regard will depend on how serious the international powers, especially the United States, are about pushing for a just settlement of the cause and will be conditioned on the rise of a moderate and rational Israeli government, which should be aware of the fact that ensuring security is impossible to be

realized through military force and deterrence, and convinced of the priority of the peaceful solution.

### **The Libyan Crisis: Is There a Roadmap to a Political Settlement?**

During 2023, deadlock and confusion prevailed in the Libyan arena because of a governance crisis in light of continued political divisions, the stalled unification of political institutions, and the failure to hold presidential and parliamentary elections because of the dispute over their frameworks.

### **The Continued Divisions and Confusion the Political Scene**

Signs of division and confusion increased significantly in March 2022, after the Libyan House of Representatives appointed a new government, named the Government of National Stability, led by the former Interior Minister Fathi Bashaga, instead of the Government of National Unity headed by Abdul Hamid Dbeibeh in Trip-

oli, which the House of Representatives deems expired. This was rejected by Dbeibeh. He declared that power would be only handed over to an elected government.<sup>(191)</sup> After three rounds of violent clashes, most recently in August 2022, the Bashaga government failed to enter Tripoli by armed force. Bashaga announced that his government would conduct its work from Sirte and Benghazi.<sup>(192)</sup> Along with the dispute over legitimacy between these two governments and as a sign of the wide range of divisions, a group of the Southern citizens, supporters of Saif al-Islam Gaddafi, announced their intention to form a third government for the south of Libya (Fezzan region) in response to the marginalization and exclusion suffered by the region and called for the southern Libyans from the Libyan National Army (LNA), led by Field Marshal Khalifa Haftar. They called to form a parallel military force to secure the south and protect its wealth.

This division and confusion continued throughout 2023. In addition, the House of Representatives suspended Fathi Bashaga as

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the head of the National Stability government and referred him for investigation. It assigned Osama Hammad instead on May 16, 2023, as the dispute over power and legitimacy continued between the National Stability Government backed by the House of Representatives in the east of Libya and the National Unity Government in the capital Tripoli.

While the division between the parties to the Libyan crisis raged, the floods in Derna, eastern Libya, in September 2023 resulted in thousands of dead, injured, and missing and the displacement of thousands, exposing the depth of divisions between the parties to the Libyan crisis. These parties failed to set aside their differences and unite efforts to deal with the implications of the disaster. Both parties faced growing criticism and exchanged accusations of negligence and looting public money. They rushed off to present themselves as the main party in the relief and reconstruction efforts. The National Stability government alleged that it was the first and last decision maker in the reconstruction operations and confirmed that it had the capacity to reconstruct the cities and areas affected within the framework of its development plan that includes all cities throughout Libya. It warned all administrative and local authorities in the cities under its control of dealing with the National Unity Government in any way. Although it does not have any actual authority in eastern Libya, the statements and meetings of the National Unity Government with some international officials aimed to highlight the government's role in dealing with the flood catastrophe.

In regard to drafting laws regulating elections, the 13th amendment to the constitutional declaration was passed in February 2023. A committee of 12 members (6+6 committee) was formed, with 6 members from the House of Representatives and the same number of the States Council to work on drafting referendum and election laws. This committee announced the drafting of the election law and the consensus

on points of the election of the head of state and members of Parliament. The House of Representatives in eastern Libya passed these laws in October. However, this did not put an end to the dispute and controversy over the organizational framework of the elections. The State Council in Tripoli announced its rejection to pass the election laws, for their contradiction to the 13th constitutional amendment and inherent flaws and errors.<sup>(193)</sup>

### **The Scenario of Settling the Crisis in 2024**

Amid the ongoing disputes and tensions between the Libyan political parties, reaching a clear and viable roadmap for the settling the crisis and a political transition in the near term is out of reach. This is due to several barriers to the political transition and the reconstruction of official institutions. They include the absence of consensus on a clear and inclusive approach for the transition process with no timetable for the following necessary steps: the enactment of the election laws and the election of the president and members of Parliament and the formation of the government. The barriers also include the growing influence of armed militias, and the parties to the crisis deploying them as levers as well as the contradictory positions of international and regional parties on the Libyan crisis. They still compete for influence in the Libyan arena. These barriers increase the likelihood of the ongoing stalemate in the next stage.

### **Economic Reforms and the Prospect of The Turkish Government's Success in Addressing the Country's Economic Recession**

The Turkish economy has long encountered serious challenges. They include the depreciation of the lira, the high inflation rate, and the increasing external debt. The earthquake disaster, which hit the southern provinces in February 2023, added further burdens on the Turkish economy. This prompted the Turkish government headed by President Erodgan, who

was re-elected in May 2023, to pursue a medium-term program that included a set of reforms to foster development and economic stability in Turkey.

### **The Challenges to Turkey's Economy**

The national currency depreciation and the high inflation rate are the major challenges to the Turkey's economy. The lira's price declined to 27.5 against the dollar during the past year. The inflation reached record levels estimated at 62%,<sup>(194)</sup> and foreign debt, which increased significantly, posed a difficult challenge to the Turkish economy. Turkey's total external debt balance amounted to 475.8 billion US dollars, about 46.5% of GDP. The net external debt balance amounted to 267.7 billion dollars, or about 26.2% of GDP, in June 2023.<sup>(195)</sup>

The Turkish economy also encountered the problem of the general budget deficit. The budget of the Turkish central government ran a deficit of 4.63 billion dollars in September, according to official data of the Ministry of Treasury and Finance on October 16, 2023.<sup>(196)</sup> Moreover, tackling the implications of the devastating earthquake, which hit the southern provinces on February 26, was another challenge to the Turkish economy. It displaced 2.7 million people and destroyed about 600,000 buildings and duty stations. The damage was estimated at more than \$100 billion.<sup>(197)</sup> To tackle these challenges, the Turkish government embarked on a reform program aimed at realizing a number of economic goals and policies over the next three years.

### **The Objectives of the Economic Reform Program**

The most important goals of Turkey's medium-term economic reform program, which entered into force in September 2023, are to reduce the inflation rate to 33% in 2024, 15.2% in 2025, and 8.5% in 2026, boost the economic growth rate from 4.4% in 2023, to 5% by the end of 2026, reduce the budget deficit to GDP ratio to

2.9% at the end of the program period, decrease the unemployment rate to 9.9% in 2025, to 9.3% in 2026 and increase exports to \$267 billion in 2024, \$283.6 billion in 2025, and \$302.2 billion at the end of the program.<sup>(198)</sup>

### The Prospects of Success

Although the economic reform program has ambitious ideas, and Turkey has significant capabilities that can help it realize positive economic transformations, the prospects of achieving all the goals of the reform program in the foreseeable future seem relatively limited due to the obstacles or constraints facing this program. They include particularly the correlation between cash reserves and foreign investments and the growing dependence on short-term external debt to meet financing needs. Turkey set a record during the first months of 2023 for external debt, which increased to \$207 billion.<sup>(199)</sup> This type of debt involves further risks than long-term debt, which will adversely affect efforts to achieve financial and economic stability. The regional political conflicts and tensions, especially in Ukraine and the Middle East, and the complexities of Turkey's relations with some international parties, such as the United States and EU, involve negative repercussions. This may adversely affect Turkey's foreign trade activity, foreign investments and economic growth rates.

### Conclusion: Future Scenarios

Developments with regard to the manifold crises raging across the Middle East suggest that the tensions and difficulties facing the region over the past year will continue in the foreseeable future, with some deepening and getting further complicated. As a result, the signs of tensions and instability in the region will step up. With regard to Palestine, the challenges will grow in the next stage in light of the outbreak of violence in the wake of the Al-Aqsa Storm and the brutal Israeli war on the Gaza Strip. They will have serious, complex and protracted repercussions. These conflicts will be accompanied by

significant shifts in the course of the Palestinian cause. Israel's political crisis will likely continue and exacerbate during the next stage. It coincided with the implications of Operation Al-Aqsa flood, the growing protests against the Netanyahu government, and the change of political balances in favor of opposition forces. The situation in Palestine will cast a shadow on the intricate international relations with the region's states and perhaps new approaches will be reached are reflect shifts to a multi-oriented and multipolar world.

It is likely that the political stalemate and tensions between the various Libyan parties will continue, without any concrete steps to reach a consensus on a clear and viable roadmap to resolve the crisis and achieve political transition in the near term. In regard to Turkey, economic challenges will remain in place in the near term amid the reform program entering force. Its success will rely on the Turkish government's success in tackling the structural dilemmas of the Turkish economy and capitalizing on the favorable regional and international conditions.

### Trends in Relations Between International and Regional Powers in the Middle East

In 2022, Rasanah's ASR anticipated the possibility of Gulf-Iran rapprochement. This was embodied in the Saudi-Iran rapprochement deal signed in March 2023 and in China's prominent role in maintaining a balance in its relations with Middle Eastern powers through its mediation and sponsorship of Saudi-Iran reconciliation, thereby abandoning its policy of neutrality toward regional issues. Many are counting on the deal to resolve Saudi, Gulf and Arab-Iranian disputes and accelerate diplomatic transformations in the region. In this context, the trend for a political solution to settle the crisis in Yemen emerged, and the Arab League summit was held in Jeddah in May 2023, with the return of Syria to the league. Last year's ASR also addressed the transformations in Turkey's foreign policy

in 2023, which was embodied in the Turkish orientations toward the Gulf with President Recep Tayyip Erdogan's visits to Riyadh, Dubai and Doha, and ending the stagnation in its relations with Egypt. Therefore, this file focuses on analyzing several developments. It discusses the Saudi-Iran deal, the Chinese role and the regional repercussions, President Erdogan's Gulf tour, the end of the political stalemate in Egyptian-Turkish relations and the Jeddah Arab Summit as well as the Arab openness to Syria.

### The Saudi-Iran Deal: China's Mediation and Regional Repercussions

The first quarter of 2023 witnessed the signing of the historic deal between Saudi Arabia and Iran, which was brokered by China on March 10, 2023. This deal occurred against the backdrop of Chinese discussions with the two parties, after several rounds of negotiations sponsored by Iraq and Oman. The deal inspired hopes that the two countries would witness a new era of relations after seven years of estrangement as a result of Iranian protesters storming the Saudi diplomatic and consular headquarters in Tehran and Mashhad.

The deal stipulated the resumption of diplomatic relations and discussions on strengthening bilateral relations, respecting the sovereignty of states, and non-interference in their internal affairs, with the activation of the Saudi-Iran security cooperation agreement signed in April 2001 and the general agreement for cooperation in the fields of economy, trade, investment, technology, science, culture, sports and youth signed in May 1998.<sup>(200)</sup>

As soon as the two parties signed the deal in Beijing, Iran quickly expressed its desire to expand the deal and include many Gulf and Arab countries, including Bahrain, given Manama's special significance for Iran's strategy. Needless to mention Manama was the first capital to sever relations with Iran against the backdrop of the severing of Saudi-Iran relations. It also sought



rapprochement with Egypt, with which relations had been severed since 1979. Sudan and Iran also moved toward restoring diplomatic ties that had been severed since 2016 in protest against Tehran's attack on Saudi diplomatic headquarters.

#### **China's Mediation Role to Resolve the Saudi-Iran Conflict**

The Saudi and Iranian parties have held several talks in Baghdad and Oman over the past two years. However, Chinese brokering achieved a diplomatic breakthrough by attracting the two parties to talks, leading to the signing of the rapprochement deal in Beijing. This Chinese role put Beijing's foot on the path to international mediation, especially since it has a footprint in the world in general, and the Middle East in particular, and has launched global strategic projects like the One Belt and One Road Initiative to help in achieving its goal of transitioning the unipolar order to a multipolar one. Beijing also had an interest in the two parties signing the

deal for economic considerations (the two countries export oil to China, constituting a key cog in Chinese economic production and China needs both parties to help implement its global economic project), political considerations (the two countries can play a significant role in changing the existing international order) and security considerations (ending the conflict between the two parties guarantees the safety of Chinese trade passing through the Bab al-Mandab Strait and the Strait of Hormuz).<sup>(201)</sup>

China also wants to play a more active international role primarily as a mediator, shifting away from its traditional static posture to playing a positive role in international diplomacy. In relation to Iran, China may want to compensate for the negative position it adopted in the talks that led to the forging of the 2015 Joint Comprehensive Plan of Action (JCPOA) and its role in the faltering talks to revive the nuclear deal. Beijing is also interested in supporting Moscow's plan to develop a corridor through Iran that will allow

Chinese trade to reach global markets without passing via the Suez Canal. The development of this corridor could also allow China to circumvent the Strait of Malacca, which is witnessing a massive naval build-up by the United States and its allies.<sup>(202)</sup>

Therefore, the deal represented an opportunity for China to achieve a diplomatic victory for the Global South as part of its efforts to present an alternative to the existing unipolar order. This Chinese vision is consistent with the Iranian perception of a decline in the US role, especially in the Middle East.

#### **Implications of the Deal on Regional Issues**

The deal received great official Arab, regional and international backing, even by some Iran-backed militias in Iraq, Syria, Lebanon and Yemen — given the significant roles of Saudi Arabia and Iran in the regional arena and their impact on the global stage. However, Israel expressed its concern about the resumption of Sau-

di-Iran relations and the direct threat this could pose to its strategic goal of launching a regional alliance against Iran, which would contribute to preventing it from expanding into its spheres of influence and crossing Israeli red lines. It is considered a dangerous development that could have consequences for Middle Eastern security, and here are the most prominent regional repercussions of the Saudi-Iran deal:

■ **Yemen:** The Yemeni crisis represents the most significant test of Iran's intentions and the extent of its commitment to the deal given the complexities of the Yemeni scene because of its role. Iran's interferences in Yemen have thwarted the course of the Yemeni political process, especially through its adoption of Houthi positions and conditions that aim to cement the authority of the militia. The Houthis have a sectarian dimension in northern Yemen, in addition, it has marginalized the internationally recognized legitimate government represented by the Presidential Leadership Council, which consists of all Yemeni components. Yemen is likely to witness a primary shift after the deal, which serves as a factor to strengthen international and regional peace efforts and initiatives. The latter led to calming the military escalation that erupted in April 2022. Against the backdrop of the Saudi-Iran rapprochement deal, the Houthis may seriously engage in peace talks with the Presidential Leadership Council, leading to the drawing of new trajectories in the context of reaching a political settlement in Yemen. The Iranian Permanent Mission to the United Nations announced that the resumption of relations between Iran and Saudi Arabia would contribute to the start of dialogue and the formation of a comprehensive national government in Yemen.<sup>(203)</sup>

■ **Lebanon:** Many expected that the signing of the deal by Saudi Arabia and Iran would contribute to resolving the overwhelming Lebanese crisis that has been fomented by Hezbollah's sectarian policies and not agreeing on the nomination of a president for the country. The deal could

also lead to a dialogue between Saudi Arabia and the Lebanese Hezbollah within the framework of stabilizing the various arenas of regional conflict. It could also lead to the success of the dialogue mediated by former Iraqi Prime Minister Mustafa Al-Kadhimi between Saudi Arabia and Hezbollah and reaching an agreement on a presidential candidate, which will reflect positively on the economic, political and security fronts in Lebanon.

■ **Syria:** In May 2023, Syrian President Bashar al-Assad attended his first summit in the Arab League after Damascus was suspended in 2011 following the outbreak of the Syrian war. This attendance occurred against the backdrop of Arab aspirations to end the isolation of Syria and return it to the Arab League despite Western objections. Arab League Resolution No. 8914, which approved the resumption of Syria's membership in the league included an emphasis on the necessity of taking practical steps to gradually resolve the crisis in Syria, in line with UN Security Council Resolution No. 2254, and to allow the delivery of humanitarian aid to all those in need in Syria by the mechanisms approved in the relevant Security Council resolutions.<sup>(204)</sup>

■ **Iraq:** Iraq considered the deal like the beginning of a new page in relations between the two major regional powers. In addition, Iraq hopes that it will enhance security and stability in the region and cooperation that will reflect positively on Iraqi interests. The deal will serve Iraq's principle of balance in its foreign relations and strengthen Iraqi relations with Saudi Arabia in line with the outcomes of the Saudi-Iraqi Coordination Council. The deal can also restore the intra-power balance if pro-Iran political alliances realize that Iraq's interests must be prioritized over foreign sectarian ones. This is because predisposed loyalties will inevitably impact their political positions.<sup>(205)</sup>

■ **Gaza War:** Due to the importance of the Palestinian cause to both parties, the first telephone conversation between Saudi Crown Prince Mo-

ammed bin Salman and Iranian President Ebrahim Raisi since the resumption of diplomatic relations happened on October 11, 2023, to discuss the repercussions of the Israeli war in Gaza.<sup>(206)</sup> The right-wing Israeli opposition criticized the Saudi-Iran detente which heightened its fears, in addition, the United States feared the possibility of establishing a regional axis consisting of Saudi Arabia, Iran and China — which could threaten the peace accords between Israel and Arab states and squander Washington's efforts to empower the anti-Iranian regional alliance. Many Israeli opponents viewed the joint declaration issued by Tehran and Riyadh regarding their desire to restore diplomatic relations as a personal setback for Israeli Prime Minister Benjamin Netanyahu. Israeli politicians see Iran and its controversial nuclear program as an existential threat to Israel.<sup>(207)</sup> As for the Palestinians, Saudi Crown Prince Mohammed bin Salman has always stressed that the Palestinian issue will remain significant to normalize relations with Israel, and it is contingent on the implementation of the two-state solution and a just settlement of the Palestinian refugee issue.

■ **Nuclear Issue:** The success of the Saudi-Iran deal is based on the Iranian nuclear file getting back on track, and Saudi Arabia can now possibly contribute to Iran moving in a positive direction and showing commitment to the terms of the JCPOA. After the deal, Iran was expected to allay its neighbor's concerns regarding increased uranium enrichment and show good faith in the context of peaceful coexistence, but this depends on committing to the terms stipulated under the 2015 nuclear deal. The fact that the two parties reached settlements to resolve several thorny issues between them reflects the possibility of overcoming other partial obstacles in the nuclear file; Saudi Arabia — by investing in its rapprochement with Iran — can convince Tehran to allow the UN watchdog inspectors to access its nuclear sites. On the other hand, any success achieved by this deal will



contribute to building confidence between Iran and Western countries, especially the United States, and reflect its seriousness in settling outstanding issues.<sup>(208)</sup>

### The Future of Saudi-Iran Relations in 2024

In contrast to the pessimistic scenario of the Saudi-Iran deal collapsing due to developments like the Houthis resuming their targeting of Saudi territories or certain parties obstructing the implementation of the deal, the status quo scenario appears to be the closest to continuing, at least during 2024 in a way that ensures the achievement of various interests of both parties given their gains from the deal. Saudi Arabia is a clear winner, due to considerations related to ending exhausting conflicts in the region, and the conflict with Iran would contribute to reducing the size of the political and security costs to Saudi Arabia, especially the security threats that come from Iranian spheres of influence and reduce the chances of Israeli and US blackmail through Iran's front. Moreover, Saudi Arabia, in light of the deal, will not be part of any potential war between Israel and Iran.

It is worth mentioning that Saudi Arabia's growing role as a mediator in the region can contribute to resolving many regional crises, enhance opportunities for other countries and also influence their positions while undermining the strength of non-state actors (militias). Plus, a calm atmosphere guarantees a constructive regional environment to achieve the goals of Vision 2030. On the other hand, Iran has achieved several gains related to ending its regional isolation and blockade and ending the regional and international mobilization by Saudi Arabia against it to modify its system's behavior.

### Erdogan's Gulf Tour

Turkish President Erdogan began his Gulf tour (July 17 to 19, 2023) from Saudi Arabia, followed by Qatar and the UAE. The three-day tour focused on bilateral, regional and international relations as well as economy and investment.

Turkey is facing a difficult economic situation, as President Erdogan has pursued a controversial monetary policy of aggressively lowering interest rates because of Russia's use of the Turkish financial and economic system to evade Western sanctions. The tour was at the core of Turkey's endeavors to attract foreign investments to help mitigate the effects of its economic crisis. Turkey works to expand economic and investment cooperation with regional countries, especially with Saudi Arabia, Qatar and the UAE as an alternative to depending on the West.

Before President Erdogan won the presidential election in May 2023, he revealed that several Gulf countries had sent financial aid to Ankara to relieve pressure, and thus Gulf funds compensated for the decline in the Turkish Central Bank's foreign exchange reserves. As part of the three countries' support for Turkey, in March 2023, Saudi Arabia deposited \$5 billion in the Turkish Central Bank, and Qatar and the UAE also presented Turkey with currency swap agreements worth \$20 billion. It was also reported that Turkey is in talks with Gulf states to sell their rights to operate the Alsancak port in Izmir.<sup>(209)</sup>

### Saudi Arabia

Before the Turkish president headed to Saudi Arabia, Turkey's Minister of Treasury and Finance, Mehmet Şimşek, and the Governor of the Turkish Central Bank, Hafize Gaye Erkan, visited Riyadh. It is noteworthy that Saudi-Turkish trade amounted to about \$3.4 billion during the first half of 2023,<sup>(210)</sup> and relations between both sides have witnessed a qualitative shift recently. During the Saudi-Turkish business forum, which was held in Istanbul on July 12, 2023, Saudi and Turkish companies signed 16 agreements to enhance investment cooperation in the fields of real estate/urban development, construction of smart cities, engineering, and others exceeding 2.3 billion riyals.

The forum represents an opportunity to enhance cooperation, joint work, and exchange successful experiences in urban development

and housing, at a time when Saudi Arabia is making qualitative progress in various economic and development sectors, including the housing sector, achieved through effective strategic planning to reach the goals of Saudi Vision 2030.<sup>(211)</sup>

During President Erdogan's visit to Saudi Arabia, the two parties signed several MoUs covering joint defense, energy and media cooperation. The development of the Saudi military industry is part of Crown Prince Mohammed bin Salman's plan to diversify the Saudi economy away from oil and to localize military industries. Therefore, the agreement between the two countries included cooperation in transferring technology to manufacture some drones in Saudi Arabia. Saudi Defence Minister Prince Khalid bin Salman said that "with the aim of enhancing the readiness of the kingdom's armed forces and bolstering its defence and manufacturing capabilities."<sup>(212)</sup>

### Qatar

President Erdogan's visit to Doha on July 18, 2023, witnessed the signing of a joint statement marking the 50th anniversary of establishing diplomatic relations. The two countries also agreed to enhance bilateral trade and cooperation in areas of common interest.

Turkish Ambassador to Qatar Mustafa Koku said that this visit happened against the backdrop of the region and the world witnessing significant developments which require extensive coordination of positions with Turkey's allies and friends. He also stated that the political consensus, economic integration, security, and military partnerships demonstrate the historical relations between the two countries to strengthen mutual trust and pursue joint work on bilateral and regional issues. In addition to economic stability and trade opportunities, other driving forces were behind the visit, such as regional security concerns.<sup>(213)</sup> The volume of mutual trade exchange has exceeded \$46 billion.<sup>(214)</sup> Qatar is also one of the largest investors in Turkey, with

investments amounting to approximately \$20 billion.<sup>(215)</sup>

### The UAE

The visit of the Turkish Vice President Cevdet Yılmaz in June 2023 paved the way for President Erdogan's visit to the UAE on July 19, 2023, which concluded his tour of the Gulf states. The visit coincided with Turkey's celebration of the 50th anniversary of diplomatic relations between Turkey and the UAE, and they signed 13 agreements in the fields of investment, economy, industry, defence, law, judiciary, renewable energy and space industries. The value of the agreements and MoUs were approximately \$50.7 billion, and according to them, the Emirati-Turkish oil and defense companies agreed to enhance cooperation. The visit witnessed the announcement of a joint agreement to establish the High-Level Turkish-Emirati Strategic Council Mechanism.<sup>(216)</sup> In March 2023, the two countries signed a free trade agreement aiming to increase bilateral trade to an annual \$40 billion within five years,<sup>(217)</sup> and it is noteworthy that Turkey is the number 11 partner for the UAE, as the volume of trade between the two parties amounts to more than \$30 billion.<sup>(218)</sup>

President Erdogan's Gulf tour reflected the continued centrality of the Gulf to the Middle East and the world, and the common denominator of the Turkish president's visit to the three Gulf states was economic, political, security and strategic considerations. At the economic level, the three Gulf states maintain good relations with Turkey because they enjoy economic robustness; they are deemed primary energy providers and can increase the trade volume and investment opportunities.

Politically, the visit will open the door for political aspects to be discussed and risks, and challenges to be addressed. These countries together can contribute closely to the solve the conflicts in Yemen, Sudan, and Gaza. On security level, since Turkey and the three Gulf states enjoy an effective security structure, they can

contribute to tangible results such as developing the Gulf national security capabilities and defence industries.

Strategically, President Erdogan had objected to the establishment of the economic corridor that would link Europe to India via the UAE, Saudi Arabia, Jordan, and Israel, which Saudi Arabia announced at the G20 summit in New Delhi. This objection was against the backdrop of Turkey and Iraq making progress in discussions regarding the Development Road Project initiative, which is a railway line and a road. It links the large port of Al-Faw in Basra to the southern Turkish border and is supported by Qatar and the UAE. President Erdogan aims to place this initiative within a regional framework instead of a bilateral initiative.

### The Future of Gulf-Turkey Relations in 2024

Despite expectations that Turkey will expand its economic, political, security and strategic partnerships with the three Gulf states, the ASR anticipates signs of a possible Turkish attempt to maneuver by highlighting competition, especially in the localization of defense industries.

### The End of the Political Stalemate in Egypt-Turkey Relations

Egypt-Turkey relations witnessed a noticeable improvement in 2023 after a decade-long break. In the last round of rapprochement, former Turkish Foreign Minister Mevlüt Çavuşoğlu visited Cairo in March 2023 and held bilateral talks with his Egyptian counterpart, Sameh Shoukry. It came after Shoukry visited Turkey in March 2023 to express Egyptian support in the wake of the devastating earthquakes that struck south-eastern Turkey.

After a Turkish delegation visited Egypt to begin the process of restoring relations in May 2021, the main turning point came with a short meeting between Egyptian President Abdel Fattah El-Sisi and his Turkish counterpart during the opening of the FIFA World Cup in Qatar in November 2022. In June 2023, the Egyptian

foreign minister and his counterpart Turkish Foreign Minister Hakan Fidan stressed the importance of moving forward with the process of restoring full relations between the two countries. In July 2023, diplomatic representation between the two countries occurred, for the first time in a decade. The foreign ministers of Egypt and Turkey announced that they had raised diplomatic representation between the countries to the level of ambassadors.

### Factors of Mutual Rapprochement

Several factors influenced the acceleration of rapprochement between Egypt and Turkey and the removal of the deadlock in relations between them, the most prominent of which are the repercussions of the economic pressures resulting from the Russia-Ukraine war and the resulting impact on energy and food prices, in addition to climate change.

There is an urgent need for cooperation in food security, and both Egypt and Turkey are significant suppliers of agricultural products to Europe and the Middle East. There is also the need to invest in renewable energy, a sector in which Egypt has shown remarkable progress.

About 10 years after the so-called "Arab Spring," the two sides realized the need to shift the focus from ideology to common interests and overcome conflicts by creating a diplomatic breakthrough with multiple tracks that include state institutions, private companies, non-governmental organizations, academic cooperation and public diplomacy. As a sign of good intentions, Turkey asked the Egyptian opposition stations broadcasting from its territory to stop any attack on the Egyptian political system. Saudi Arabia also played a significant role in the rapprochement and issued a statement supporting the improvement of mutual relations, as it sees it as a new opportunity to create a better atmosphere in the region and a key step toward a secure Middle East in which the priority is development, stability and the creation of

trade partnerships and investments between the countries of the region.<sup>(219)</sup>

The impact of international and regional changes in pushing forward rapprochement cannot be ignored, which necessitated the two countries to review their foreign policies according to international principles and values — moreover, they need to maintain flexibility to be able to deal with the surrounding circumstances to preserve regional and international peace and security. They also need to contribute to reducing regional escalation and adopt initiatives that lead to reconciliation between regional rivals.

### The Impact of Turkey-Egypt Rapprochement

■ **Economic Impact:** Despite the cooling of diplomatic relations in the past period before the stalemate was resolved, the two countries maintained solid economic relationships. Turkey was the largest importer of Egyptian products in 2022, at \$4 billion. In February 2023, a delegation consisting of 14 representatives of Turkish companies visited Cairo and met with Egyptian Prime Minister Mostafa Madbouly to discuss economic cooperation between the two countries. The volume of trade between Egypt and Turkey amounted to about \$9.2 billion with energy. Without energy, it would be worth about \$7 billion. The trade volume could reach \$20 billion within 10 years.<sup>(220)</sup>

Both Egyptian and Turkish companies seek to achieve climate goals and integrate with European markets in line with the European Green Deal, which provides additional opportunities for cooperation and benefiting from EU grants and training to address climate change, especially in agricultural and sustainable production methods. The rapprochement between the two countries could positively impact the tourism sector, which has always been an area of competition between the two Mediterranean countries. The number of Turkish tourists in Egypt has increased by no less than five times compared to 2022, and there are expectations that the number of Egyptian tourists visiting Turkey

during the next five years will reach about 1 million people.<sup>(221)</sup>

■ **Regional impact:** The rapprochement between the two countries could be reflected in reaching a political agreement in Libya because both are members of the international contact group on Libya and are fundamental supporters of UN efforts and of holding elections to ensure Libya's unity, territorial integrity and political independence. Because of the support enjoyed by Cairo and Ankara, the possibility of accelerating the resolution of the crisis is high while protecting their interests on the ground. At the same time, potential unilateral hardening could drag Libya back into the abyss of civil war. The rapprochement also ends the confrontation between both sides in Libya, with support to opposing parties.

While Egypt expects a change in Turkish policy regarding Libya, Turkey expects Egypt to change its policy regarding the Eastern Mediterranean. With the end of the stalemate in relations between Ankara and Cairo, there will be new developments in these two issues in the interests of both parties. In exchange for reassuring Egypt regarding Libya, and given Egypt's sensitivities and the attempt to find a common solution, Ankara expects Cairo not to be involved in projects that could harm Turkey's interests in the Eastern Mediterranean and to reset the agreement that cut off most of Greece's maritime borders and neglected the island of Crete, which conflicts with the maritime borders established by countries under the umbrella of the Eastern Mediterranean Gas Forum, of which Egypt is a member. Maritime borders constitute a vital element of national sovereignty, and their importance rests on undersea natural gas reserves, which all countries wish to exploit and control.<sup>(222)</sup>

The end of the political stalemate in Egypt-Turkey relations proves that review in international policy and foreign relations is possible, imposed by circumstances, governed by principles and values, and achieved through di-

alogue. Although Egypt and Turkey have shown good intentions to improve their relations, the success depends on practical steps that lead to a breakthrough in relations, especially since there is no significant impact on the economic relationships as the two countries have committed to maintaining their bilateral free trade agreement.

### The Future of Egypt-Turkey Relations In 2024

The 2023 ASR expects that the resumption of relations in 2024 will lead to shifting the focus on shared interests and exploring opportunities through strategic cooperation, as well as coordination alongside Saudi Arabia to end the Gaza crisis, extend the truce between Israel and Hamas and reach a two-state solution. The ASR also expects cooperation to ensure security and stability in Libya, given Egypt's and Turkey's influence over the warring parties. The ASR also expects that the restoration of relations will impact regional politics and energy dynamics.

### The Jeddah Summit and Arab Openness to Syria

Two months after the revival of Saudi-Iran relations, an acceleration of diplomatic transformations in the region occurred, the Arab League Summit was held in Jeddah on May 19, 2023, under theme of "Joint Arab Action and Looking Forward to the Future." The Arab League decided in the initial meeting in Cairo on May 7th that Damascus would return to its seat, a decision that came after improving relations between Damascus and other Arab governments, as the foreign ministers of Saudi Arabia, the UAE, and Egypt recently visited Syria.

President Bashar al-Assad participated in the 32nd Arab League Summit for the first time in 12 years after its membership was suspended in 2011 against the backdrop of the outbreak of the Syrian crisis. The Jeddah Summit occurred against the backdrop of exceptional regional and global circumstances and these factors made the Arab leaders determined to confront

common challenges and enhance regional security and stability. Saudi Arabia's hosting of the Arab Summit was an extension of its leadership role at the regional and international levels, which supports communication with the leaders of Arab countries, continuous discussion and coordination of positions regarding shared files and issues.

### Strategy for Rapprochement With Syria

The decision to restore Syria's membership, whose president visited the UAE and Oman in early 2023, carries great importance and reflects an Arab desire to propose solutions within the Arab house that overcome the intensity of regional and international polarization. The Syrian president said in his speech before the summit, "As we hold this summit in a turbulent world, hope rises in light of the Arab-Arab, regional and international rapprochement, which culminated in this summit, which I hope will mark the beginning of a new phase of Arab action for solidarity among us for peace in our region for development and prosperity instead of war and destruction."<sup>(223)</sup> Damascus's participation in the Arab Summit came against the backdrop of many Arab and regional powers reaching a strategic conviction of the necessity of entering calmness and easing the tensions that put the region on the brink of a regional battle whose consequences would be dire for everyone. The earthquake that struck northern Syria on February 6, 2023, gave impetus to Arab rapprochement with Syria with the flow of Arab humanitarian aid.

The Jeddah Summit held important symbolism as it was considered the most significant one in a long time. The focus of this summit was to rebuild the Arab region in a way that embodied common Arab interests, it overlooked some transgressions and aimed to turn challenges into opportunities, despite the opposition of some countries to normalizing relations with Damascus, like Qatar, which stressed that it would not be a stumbling block in the way of the

League's decisions. The Arab League's decision came in the context of an Arab movement led by Saudi Arabia, Egypt, and Jordan to resolve the Syrian crisis, using the principle of step-for-step and in a way that does not conflict with UN Security Council Resolution No. 2254. The United States and several Western countries expressed reservations against Damascus's return to the Arab League. However, Saudi Foreign Minister Faisal bin Farhan indicated an understanding of the viewpoint of the United States and Europe, stressing dialogue with them to address shared sources of concern such as the humanitarian crisis and refugee issues.<sup>(224)</sup>

The Jeddah Summit and the Arab openness to Syria, with Syrian participation in the summit and the return to the Arab League after many stages that witnessed major disagreements, also represented a significant step towards building a common understanding of the international and regional entanglement in the Syrian crisis. Despite many challenges forcing the Arab countries, led by Saudi Arabia, to move toward finding a balance between the position of the international powers, especially the United States, regarding Syria's return and the position of Damascus, there are positive results, such as the return of trust in the possibility of an Arab-Arab solution to the Syrian crisis on the one hand. On the other hand, the international contribution to the reconstruction in Syria.

### The Future of Rapprochement With Syria in 2024

The most likely scenario here is that the Arab League countries will continue facing tough US and Western stances on the political system in Syria; however, they will go forward with their reconstruction deals and expand the scope of economic cooperation with Syria with the aim to alleviate the suffering of the Syrian people. Thus, the Arab dynamics of diplomatic activity are expected to continue in order to keep Syria in the Arab scope, which will create a dialogue and

cooperation that will push the Syrian government to maintain this track.

### Conclusion: Future Visions of Trends in Relations Between Regional and International Powers in 2024

This part of ASR presents many future scenarios regarding trends in relations between international and regional powers in the Middle East. The Saudi-Iran deal brokered by China in 2023 constitutes the foundation of a new geopolitical reality in the Middle East. It indicates a cautious convergence of strategic interests and represents a challenge to reconcile the interests of the two countries and maintain regional peace and security on the one hand. On the other hand, refrain from confrontation. Turkish cooperation with Saudi Arabia, Qatar, and the UAE indicates a greater recalibration of regional alliances and partnerships through MoUs for cooperation in fields of trade, investment, energy, and defense, especially with these countries' interest in strengthening their partnership. Over the past 10 years, Egypt and Turkey had been exchanging stubborn statements that kept their relations in a deep freeze; yet the two countries managed to maintain a good level of economic interaction until they finally managed to achieve a relative breakthrough. However, they need more diplomatic interactions with key regional players and actors to proceed further with their relations. The year 2023 turned a page of negativity with Arab openness to Syria, which was a key outcome of the Jeddah Summit held under the auspices of Saudi Arabia. This summit heralded Syria's return to the Arab environment, and through it, Damascus can participate in Arab issues, and Arab countries can help resolve its crisis by delivering aid, returning refugees, and contributing to reconstruction. The topics reviewed provide a realistic reading of the 2023 developments and lay the foundation for understanding related events that may take place in 2024.

### **Summit Diplomacy and the Gulf's Aspirations to Enhance Its International Posture**

International developments are unfolding at an accelerated rate, and dealing with these challenges has become increasingly difficult for countries across the globe. The Gulf states are no exception to this trend. They have been grappling with various crises and obstacles that have affected the entire world. However, it could be reasonably argued that the Gulf states have been the least affected by these factors because of the strategic mindset of their leaders and the employment of their substantial financial resources to create safeguarding mechanisms. These mechanisms act as a shield against the potential repercussions of intense fluctuations. However, this does not mean that the potential challenges and risks have become less severe. Throughout the first two decades of the third millennium, the Gulf states suffered from the consequences of the geopolitical orientations of some regional and international powers. These manifested in the proliferation of terrorism and extremist groups as well as the igniting of sectarian conflicts that fragmented some nation-states in the region. These developments posed significant threats to the countries of the Arabian Gulf. Nevertheless, owing to the insightful awareness of their leaders, the Gulf states managed to maintain their balance and navigate their way through this vortex of challenges.

The Gulf states have been facing intricate regional and international challenges due to major shifts in the global landscape that have disrupted the global balance of power. These shifts have resulted from the endeavors of some major powers to strike a balance with other global powers. Additional factors include the impact of the COVID-19 pandemic on the Gulf economy, the fallout from the Russia-Ukraine war and the competition for global leadership, with the United States, China and Russia vying for the top spot. This is in addition to the escalating conflict

in Gaza and its potential to destabilize security and development in the region. These recent challenges, as opposed to those of the past two decades, have presented opportunities for the Gulf states to enhance their regional and international status.

Given the transnational nature of crises and challenges, blocs have emerged as a key feature of this era to tackle them. Individual countries have found it challenging to address these issues, particularly against the backdrop of global divisions and intense polarization because of major power disputes. This dynamic brings to mind the global leadership struggle that marked the Cold War era.

Through the four decades since the GCC was established, its member states have faced many challenges. These challenges have significantly shaped their decisions and strategies to safeguard their resources and potential. Recently, there has been a shared understanding among the GCC's leaders about the importance of adopting a unified approach. This approach is intended to enhance their tools of influence through forging alliances with entities of a similar nature or with major powers that can substantially affect regional and international affairs.

Despite occasional disagreements and instances of weak collective performance, the GCC has proved itself over time to be a unifying organization that adds value to the efforts of its members. This unity enhances their effectiveness, influence and ability to manage bilateral disputes. The GCC countries have successfully navigated significant events such as the First Gulf War, the aftermath of the "Arab Spring" and the economic and political challenges brought by the COVID-19 pandemic and the Russia-Ukraine conflict. This collective resilience to overcome challenges has demonstrated their effectiveness and commitment to safeguarding their national interests amid persistent regional tensions and ongoing inter-

national shifts. These developments have led numerous international relations theorists to speculate a potential collapse of the unipolar global order, giving way to the formation of a new and distinct international system.

This file examines the Gulf's collective actions and their effectiveness in enhancing the GCC countries' individual capabilities. It also explores how this unified action strategy has strengthened the trust of prominent organizations and countries in their dealings with the GCC, recognizing it as a balanced and influential bloc amid the current and future circumstances.

### **Gulf Policies Amid the Current Opportunities and Risks**

#### **Motives for Promoting Collective Action by the GCC Countries**

Enhancing coordination and cooperation among the GCC countries against the backdrop of global shifts, is aimed at formulating unified positions on political, economic and social matters that concern the GCC countries in Arab, regional and international contexts. Through the aforesaid approach, the GCC aims to interact with the world as a unified entity, grounded in principles of mutual respect, non-interference in domestic affairs, and consideration of shared interests. In addition, this approach not only is intended to safeguard the interests of all GCC countries but also to strengthen their security, stability and the well-being of their peoples.

Moreover, the aim is to boost the collective capability of the GCC countries to tackle the fallout of complex challenges posed by global shifts. This involves not being reliant on a single international actor, but rather strengthening global alliances and developing a variety of international alternatives. This strategy allows the Gulf countries to maximize their interests and expand their influence, particularly in the post-Russia-Ukraine war phase.

The objectives outlined in the basic charter of the GCC provide a foundation for enhancing coordinated and collective efforts to confront challenges. The charter stipulates achieving integration and synthesis among members in all fields, fostering unity and strengthening societal relations among their peoples. It calls for establishing similar systems in various areas, including economics, finance, commerce, customs, transportation, education, culture, social services, health, media, tourism, legislation and administration. Furthermore, the charter promotes advancing science and technology in industry, mining, agriculture, water and animal resources. This is facilitated through the establishment of scientific research centers, implementation of joint projects and encouragement of private sector cooperation.<sup>(225)</sup>

#### **Gulf Policies Amid Global Transformations**

The shared desire of all GCC countries to diversify their economies has emerged as a primary policy in their interactions with regional and international stakeholders in recent years. This shift is largely driven by the economic challenges of the traditional oil-based model. Initiatives have been undertaken to enhance sectors like tourism, technology and renewable energy. The Gulf countries have embarked on numerous projects with their lands blessed with abundant natural resources such as sunlight and wind. These projects primarily focus on the development of renewable energy and investments in technology, industry and logistics services, aiming to lessen reliance on oil and gas. The ultimate goal is to foster sustainable growth from diverse sources.

The second policy underscores the enhancement of economic integration. This is achieved through strengthening trade relations and facilitating the movement of individuals, commodities and services among the GCC countries. This policy aims to boost the Gulf countries' standing in the global economy and realize shared benefits.

The third policy emphasizes the shift toward digital transformation and innovation, an area where the Gulf countries invest significantly. These countries are adopting cutting-edge technology and innovation in fields such as artificial intelligence, fintech and e-commerce. This strategic move boosts their competitiveness and fosters the growth of new, high-value sectors.

The fourth policy is strengthening international relations and geopolitical standing through robust trade exchange, political support and multifaceted cooperation. The Gulf countries particularly focus on amplifying their economic, political and cultural partnerships with the world, whether with emerging or major powers.

#### **The Challenges Posed by Regional and International Shifts**

Geopolitical challenges were a key factor leading to the establishment of the GCC. The council, which plays a role that may appear to have a minimal impact, is essential for the collective security of the Gulf region. It has demonstrated resilience and consistency, successfully navigating numerous political crises since its inception, compared to other Arab and regional organizations.

Regional and international transformations have imposed a set of challenges on the Gulf countries, foremost of these are related to security. This is primarily due to the military imbalance between these countries and their northern neighbor, Iran. The increasingly egregious actions of the latter in the region are evident in its militarization, nuclear weapons quest and establishment of non-state actors. This is compounded by its threatening rhetoric and dismissal of peaceful solutions to outstanding issues, such as the three Emirati Iran-occupied islands: Abu Musa, Lesser Tunbs and Greater Tunbs. Iran has also been provoking issues related to oil rights in the territorial waters of the Gulf countries, demonstrating a lack of compliance with international law to end these disputes.

Recent international transformations have also placed economic challenges on the Gulf countries. These have stemmed from fluctuations in energy prices, disruption of supply chains, destabilization of the global economy and a surge in global prices. Therefore, the Gulf countries have devised initiatives to explore alternative economic policies and strategic partnerships, aiming to reduce their total reliance on oil in the medium to long term. These economic challenges add to the geopolitical issues, where the Gulf countries have become a contested area for countries looking to advance their global economic and logistical initiatives. This is attributed to the Gulf countries' significant economic potential and stable economies, making the region a strategic target for powers seeking to enhance their global standing. This situation constantly challenges the region's countries in balancing their international relations.

#### **The Opportunities Before the Gulf Countries**

The Gulf countries hold substantial oil resources, which have gained further significance due to the global changes driven by worldwide demand for oil and gas. This development has occurred in the wake of disruptions to energy supplies, following Russia's decision to halt oil exports to Europe, a region that backs Ukraine in its conflict with Russia. An additional avenue of opportunities for the Gulf countries lies in the onset of the global economic recovery phase.

These two developments have provided prospects that can be leveraged to enhance economic and political standing in regional and international arenas. Among these opportunities is the Gulf countries' rise to prominence due to their vast oil resources. This is in addition to their entry into significant acquisitions in countries experiencing financial deficits, hence boosting their profits and influence. Other opportunities include strengthening the infrastructure within the GCC countries by developing long-term projects that serve their future. Moreover, the GCC countries have forged strategic alliances

with countries and organizations that safeguard them from numerous political disruptions in the international arena and from severe regional and international stances against their interests. This strategy amplifies the international support for the GCC countries, especially as some GCC members have joined the BRICS and the SCO and Saudi Arabia's membership in the G20.

### Collective Gulf Efforts to Enhance Regional and International Relations

The GCC has engaged in strategic talks with countries and regional and international organizations to enhance relations and prospects for maximizing its interests across various sectors. These efforts help to achieve the following objectives:<sup>(226)</sup>

- Development of relations with countries and regional and international organizations that affirm the council's presence on the international stage: Regular discussions serve to deepen mutual understanding of the issues discussed in the United Nations and its various bodies as well as other regional and international issues. They also foster the development of relations between the GCC countries and the rest of the world.
- Formulation of unified positions on political issues of interest to the GCC countries: The GCC countries are seeking to foster unified positions among themselves on issues related to Arab, regional and international environments. They aim to act as a cohesive entity grounded in principles of mutual respect, non-interference in internal affairs, and consideration of shared interests. This approach safeguards the interests of the GCC governments and peoples and serves as an essential means of reinforcing the policies of the GCC, particularly those aimed at supporting Arab and Islamic issues at international forums.
- Affirmation of the commitment of the GCC countries to global issues: The Gulf countries are actively working to align with the world in terms of shared principles and cultural values as well

as attempting to reorganize mutual interests that must be preserved and enhanced.

### Joint International Engagements of the GCC Countries

In an effort to diversify their alliances, the Gulf countries have managed to expand their foreign engagements and partnerships with various great powers in 2023. The following part examines the most prominent of these partnerships.

#### The GCC-Central Asian Summit: Significance and Implications

The Gulf countries have strategically targeted Central Asian countries to develop relations and cooperation. The first joint ministerial meeting for strategic dialogue between the two sides was held in September 2022. The meeting concluded with the consensus to adopt a joint action plan for the period from 2023 to 2027, marking a new era of cooperation between the Gulf and Central Asia. The 2022 meeting was followed by the first economic forum in June 2023, providing a platform for economic discussions and potential partnerships. Furthermore, a summit involving the two sides was held in July 2023.

During these meetings, a strong emphasis was placed on fostering cooperation to enhance efforts for global economic recovery and tackle the challenges posed by the COVID-19 pandemic. This was along with cooperation across diverse sectors — political, economic and health — and efforts were made to enhance societal relations. The meetings also underscored the importance of strengthening trade and economic cooperation and stimulating joint investments. Driven by the leaders' commitment from both sides, the joint action plan for 2023-2027 for the Gulf and Central Asian countries was put into effect. In accordance with this, a subsequent summit has been scheduled for 2025.<sup>(227)</sup>

The importance of the July 2023 summit stems from the fact that cooperation between the two sides would lead to a potent political and economic alliance with substantial regional

and international influence. This can be largely attributed to their strategic geographical locations, substantial resources and their active participation in global trade initiatives. The Gulf and Central Asia are also bonded by a mutual aspiration to make significant strides in development, attain a level of autonomy in foreign policy and broaden international alliances.

Central Asia holds great importance for the Gulf countries for economic considerations that position it as a crucial ally in global energy markets. A substantial portion of Central Asia is situated on the Caspian Sea, a region abundant in oil and gas reserves. These reserves are estimated to exceed 150 billion barrels of oil and more than 76,000 billion cubic meters of gas. In addition to these energy resources, Central Asia is rich in metallic resources, such as gold, iron and uranium. Adding to this wealth of resources are political considerations, as relations between the Gulf and Central Asia could help create a balance with Turkey and Iran in that region.

Geopolitical factors also contribute to the importance of Central Asia to the Gulf countries. The region, viewed as an extension of the Gulf, is pivotal in global geopolitics. This is echoed by renowned British geopolitics scholar John Mackinder's Heartland Theory that places Central Asia as the "pivot of the Earth." Furthermore, Central Asia's unique geopolitical location intersects with countries with considerable influence in both regional and international landscapes. This intersection extends to areas under the clout of regional and international powers.

Historical considerations also play a role as Central Asia has long been connected to the Arabian Peninsula since the onset of the Islamic era. Central Asia was the birthplace of some of the most distinguished scholars in modern Islamic interpretation and jurisprudence whose contributions have greatly enriched the dissemination of Islamic sciences globally. Furthermore, both the Gulf and Central Asia were, in earlier historical periods, integral parts of a

vast Islamic empire. This shared history has fostered deep-rooted bonds between them, evident in their cultural, intellectual and even doctrinal convergence.

The Gulf countries, particularly Saudi Arabia, are viewed as significantly important by Central Asian countries. This is due to several factors, including their evolution into a strategic actor in the global landscape and the religious and symbolic significance of Saudi Arabia as the home of the holy cities of Makkah and Medina. This is along with the vast economic resources of the Gulf countries. These countries offer attractive investment opportunities stemming from their economic, political and security stability, unprecedented economic growth and diversity as well as their mega development projects. They also possess a competitive geopolitical location and maintain world-class infrastructure, positioning them at the core of the global logistics map.

The most critical important factor in the Gulf-Central Asia relations is a political will with the Gulf to shift from traditional oil-based economies to modern ones focused on industry, investment and science. This is part of a strategy to diversify revenue sources and eventually ensure sustainable growth.

The Gulf-Central Asia acknowledgment of the importance of bilateral cooperation was reflected in the remarks made by their leaders and the concluding statement of the July 2023 summit. They emphasized the necessity of cooperation in all fields in a manner that maximizes mutual benefits. Economic cooperation, in particular, has emerged as a key aspect in the hierarchy of their relations. Prominent among this was the potential for cooperation in the energy sector and the coordination of oil policies. This approach aims to stabilize energy prices and safeguard the interests of oil-exporting countries, thus promoting the energy interests of both sides.

The two sides' cooperation also enables them to address the implications of disruptions in energy security and global supply chains. In addition, it facilitates the integration of managing similar resources, leveraging the Gulf's expertise in the energy sector and its investments in the development of oil resources. This is particularly relevant as Central Asian countries are eager to attract Gulf investments, a prospect enhanced by their mutual trust. This trust stems from reciprocal relations and the Gulf countries' commitment to preserving Central Asian nations from hidden agendas or expansionist projects. In contrast to several neighboring countries of Central Asia, the Gulf countries do not uphold expansionist agendas but rather respect state sovereignty and the principle of non-interference.

The mutual desire to partner in global commercial and logistical projects is also enhanced by the two sides' membership in the Organization of Islamic Cooperation (OIC). Such projects would serve both sides in strengthening cultural and economic relations and coordinating policies concerning global issues. Moreover, cooperation allows for mutual support in political issues and proposals presented at international forums. A prime example is the Central Asian countries' support for Saudi Arabia's proposal to host World Expo 2030.

#### **The GCC-ASEAN Summit: Access to New Markets**

In response to a Saudi initiative aimed at consolidating relations,<sup>(228)</sup> the first summit of its kind was held between the GCC countries and the Association of Southeast Nations (ASEAN).<sup>(229)(230)\*</sup> Hosted in Riyadh on October 19, 2023, the landmark event was headed by Saudi Crown Prince Mohammed bin Salman and saw full participation from the leaders of the Gulf and ASEAN. The summit concluded with the approval of a joint action plan for the period from 2024 to 2028, aimed at enhancing cooperation across political and economic fields as well as in energy and food security. The event also saw the signing

of a memorandum of understanding (MoU) to determine the mechanism of consultations between the two sides. In addition, six specialized working teams were formed in accordance with the areas of cooperation specified in the joint action plan. These areas include economics and trade, tourism, agricultural investment, food security, energy, education, culture and media.<sup>(231)</sup>

The summit's importance is underscored by the growing role and influence of the two regions at the regional and international levels. This is attributed to their economic capabilities and rising developmental experiences. Their strategic focus on diversifying regional and international alliances, coupled with mutual interests, positions the Gulf countries as a vital source of oil for ASEAN countries. This is particularly relevant amid the latter's reliance on the Gulf for 70% of their energy needs. Conversely, the large Gulf market is well-positioned to accommodate a variety of agricultural and industrial products from ASEAN countries. This aligns with the Gulf countries' strategy of broadening trade partners with a particular focus on investing in the ASEAN region.

The GCC countries perceive their relations with ASEAN countries as increasingly important amid the shifting regional and international events. These relations enable communication, consultation, exchange of interests, and pursuit of new areas for mutual cooperation. ASEAN, comprising several significant countries, has a populace of over 672 million and a GDP of \$3.7 billion, according to 2022 estimates.

Furthermore, ASEAN enjoys a network of international allies and partners and is considered a prominent organization in Asia and the Pacific. It also conducts discussions with countries like Japan, South Korea, India, Australia and the Netherlands, making ASEAN countries a hub for prominent economic, political, security, social and cultural discussions.

Moreover, enhanced relations between the Gulf and ASEAN contribute to both sides ben-



efiting from supportive votes in international diplomatic forums. An example is ASEAN's support for Saudi Arabia and other Gulf countries' proposals to host some global events. Such cooperation is likely to extend to political issues, especially in light of the Gulf-ASEAN agreement on many international matters. Furthermore, the strategic positioning of the Gulf and ASEAN countries along international maritime trade routes can serve as a crucial factor in safeguarding their interests. This is particularly relevant when dealing with the security challenges that maritime transportation has been facing.

In addition, the recent global shifts, which indicate a growing interest by global powers in the Eastern bloc, have underscored the prominence of ASEAN and the GCC. This has rendered the collaboration between these two organizations crucial. This is because they share a strategic focus on economic development, providing an ideal platform to bolster cooperation opportunities amid the stark polarization by major powers. This polarization necessitates that small and middle powers strategically align their policies to mitigate the adverse impacts of the competition among the great powers.

### **The GCC-China Summit: Cooperation and Development**

On December 9, 2022, Saudi Arabia hosted in its capital, Riyadh, a significant summit between the Gulf countries and China. In his opening remarks, Saudi Crown Prince Mohammed bin Salman noted that the summit will establish a historic new phase of Gulf-China cooperation. This sentiment was expressed as his highness recognized the need for joint action to confront the challenges facing the region and the world. He stated in his speech that the summit aimed to deepen cooperation in all fields and coordinate views on regional and international issues.

Echoing the sentiments of Prince Mohammed bin Salman, Chinese President Xi Jinping expressed his country's support for the Gulf countries in maintaining their security. He

pointed out that the GCC is the most dynamic regional organization. He also praised the Gulf countries' capability to achieve development despite the COVID-19 pandemic and their effort to find political solutions to complex issues in the region. In his speech, he confirmed China's commitment to enhancing cooperation with the Gulf countries at all levels over the next five years, including clean and nuclear energy projects, trade, investment and technology. He also emphasized China's continued need to import hydrocarbon energy resources from the Gulf countries.

It is worth noting here that China is the largest trading partner of the Gulf countries. Among these, Saudi Arabia not only tops the list, but also distinguishes itself as China's largest trading partner at the Arab level with a trade volume estimated at \$82.4 billion in 2021. Following Saudi Arabia is the UAE, with a trade volume exceeding \$64 billion. The trade volume with Oman was about \$21 billion, around \$20.2 billion with Kuwait, over \$18 billion with Qatar and over \$2 billion with Bahrain. Moreover, these figures show that collaboration between the Gulf countries and China in the energy sector is on a consistent and steady path toward a deeper partnership, especially in areas of oil and natural gas extraction and oil refining.<sup>(232)</sup>

On this basis, the Gulf countries contribute significantly to China's strategy to solidify its ascent on the global stage. They constitute major trading partners, large consumers of economic and military products and a primary energy source. Additionally, their strategic location on the vital straits of Hormuz and Bab al-Mandab, through which most strategic goods are transported to China, further underscores their importance. Furthermore, the stable region of the Gulf falls within the scope of China's transborder One Belt and One Road Initiative.

On the other hand, China is highly valued in the Gulf strategy, given its status as a global power that helps balance the interests of the Gulf countries globally. This relationship enables the

Gulf countries to avoid polarization and hedge against the stark positions of some great powers, particularly in relation to obtaining advanced technologies and weapons. Moreover, China is a permanent member of the UN Security Council and has the world's second-largest economy after the US economy. It also upholds the principles of respecting countries' internal affairs and sovereignty. The Chinese political leadership highly emphasizes fostering relations with stable Gulf countries that present attractive investment opportunities.

Based on these factors, it can be concluded that strengthening relations between the Gulf and China achieves numerous gains. The most significant of these is establishing a balanced approach to relations with international powers, which facilitates advocating for Arab and Gulf issues and interests at international forums. It limits the impact of some great powers' policies against the Gulf countries' interests and their growth and development. In addition, it promotes cooperation in advanced and sensitive sectors such as AI and electronic chips, areas in which the Gulf countries, particularly Saudi Arabia, are keen to expand. China also serves as a significant source of expertise in the fields of transport and armament, which are of interest to the Gulf countries.

In return, China's close relations with the Gulf countries help strengthen its foothold in a region that has predominantly been under US influence for decades. This could give Beijing additional points to score in its battle with the United States over global leadership. It also ensures the smooth operation of China's production wheel by securing oil supplies, particularly crucial amid oil export sanctions imposed on Iran. Furthermore, it mitigates the challenges associated with implementing the One Belt and One Road Initiative.

In the context of China's strengthened ties with the Gulf countries, it is noteworthy that one of China's most significant accomplishments in

the region is its instrumental role in brokering reconciliation between Saudi Arabia and Iran. This development is expected to be a key factor in easing the ongoing tensions in the Arabian Gulf region.

#### The GCC-Russia Summit: Mutual Interests

On July 10, 2023, the sixth Gulf-Russia summit was held in Moscow, as part of a series of strategic discussions that have been held between the Gulf countries and Russia. This initiative was driven by a shared interest to enhance cooperation and exchange views amid the ongoing global developments.

In its foreign policy approach, Russia places a high priority on the Gulf countries. This has been particularly evident in the wake of Western sanctions on Russia over its war on Ukraine. This approach is driven by Russia's strategic objective of establishing a global balance, thus enhancing its regional and international interests. This includes strengthening alliances with the Gulf countries and coordinating on crucial energy markets, which hold significant importance for the Russian economy.

In return, the Gulf countries see enhanced relations with Russia, a major power, as a means to broaden their strategic partnerships. This is to avoid bipolarity in the current global order — by the rivalry between United States and China in their battle for global leadership. This also serves to maintain their OPEC+ alliance<sup>(233)</sup> with Russia, ensuring the stability of their most important resources: oil and gas. Furthermore, close relations with Russia helps persuade the latter to abstain from supporting issues against the interests of the Arab and Gulf countries, such as the spread of armed militias across many Arab countries. As a permanent member of the UN Security Council, Russia's support is crucial for the GCC countries. This relationship can be leveraged to enhance their proposals, such as the two-state solution, which involves establishing a Palestinian state within the June 1967 borders. The GCC countries also aim to coordinate

with Russia on issues related to nuclear non-proliferation as well as acquiring Russian weapons and advanced technologies.

#### The GCC-US Meetings: A Fundamental Partnership

The Gulf countries, particularly Saudi Arabia, have witnessed high-profile visits by US officials in 2023. These repeated visits to the Gulf capitals, aimed at addressing regional issues, have indicated a US desire to reassert its presence in the region following talks of a decline in its influence. In an effort to revitalize the somewhat stale relations between Washington and some Gulf capitals, especially Riyadh, these frequent visits have been crucial. Among these were multiple visits by senior officials from the Biden administration to Riyadh. One of them was by Republican Senator Lindsey Graham, a vocal critic of Saudi Arabia, followed by another one by the White House's Senior Advisor for the Middle East Brett McGurk. The latter was accompanied by US Envoy for Global Energy Security Affairs Amos Hochstein. Subsequently, National Security Advisor Jake Sullivan and US Secretary of State Antony Blinken visited in the aftermath of the Israeli conflict in Gaza. Blinken also made a visit to Doha. Before these visits, the Biden administration had collaborated with Saudi Arabia to propose an initiative to resolve the ongoing conflict in Sudan between the Sudanese army and the Rapid Support Forces (RSF).

In their repeated meetings, the Gulf and US sides emphasized their commitment to maintaining the region's security and stability. They expressed support for diplomatic initiatives to reduce regional tensions and deepen their regional cooperation in defense, security and intelligence. They also pledged to ensure the safety of maritime routes.

In these meetings, the United States reiterated the significance it places on its strategic partnerships with the Gulf countries. It expressed its readiness to work collectively with them to deter and counter all external threats to the

Gulf region. This includes any threats to crucial maritime routes, particularly the straits of Bab al-Mandab and Hormuz. Furthermore, both sides agreed to foster cooperation and coordination to develop joint defense and deterrence capabilities in response to escalating risks, including threats from terrorist militias and armed groups.<sup>(234)</sup>

The Gulf countries view the United States as an essential and influential global power in international affairs. Therefore, they maintain strong relations with the United States based on principles of partnership, mutual benefits and interests. Gulf-US relations hold substantial importance in the foreign policies of the Gulf countries. These countries continuously stress that their endeavors to diversify their strategic allies and partners on the global stage and support a balanced international system that safeguards their interests do not compromise their relations with the United States. This is particularly relevant in matters of combating terrorism and acquiring advanced weapons. The Gulf and US sides also share substantial economic, commercial and investment interests, owing to the longstanding historical bilateral relations. For instance, Riyadh has a broad economic and commercial footprint in the US economy, recently highlighted by signing a major deal with the US company Boeing to manufacture aircraft worth \$37 billion. Moreover, on their path toward development, the Gulf countries recognize the need for the expertise of major US technology companies in areas such as infrastructure, construction and industrial advancement.

#### Conclusion: Scenarios for GCC Collective Action in 2024

Amid the challenges and opportunities facing the Gulf countries due to domestic, regional and international shifts, and given their similar economic structures and political systems, they have witnessed similar developments in recent years. This underscores the need for the Gulf

countries to take collective action to protect their interests effectively, thus mitigating the impacts of global shifts on them. This is to be achieved through partnerships with political and economic blocs and enhancing international relations as well as through a collective approach with the aim to diversify their economies. This move is crucial to avoid economic crises resulting from fluctuations in energy prices and to employ local and international opportunities available to enhance their financial capabilities. They also need to focus on developing renewable energy projects and to invest in technology and artificial intelligence. This is to reduce dependence on oil and gas and achieve environmental sustainability.

The ongoing international challenges draw three scenarios for the collective action of the GCC in 2024:

- The GCC countries are expected to enhance their collective action to achieve a more robust global posture. This could involve efforts to ease tensions and leverage rising oil prices to stimulate growth. This is in addition to diversifying revenue sources through strategic investments, particularly in clean energy, modern technologies and industries, as well as minimizing detrimental competition among the GCC countries. These actions align with the development plans adopted by the GCC countries.

- The GCC countries would likely persist with their traditional action plan that switches between individual and collective benefits and involves unhealthy competition. However, the challenges facing the Gulf countries could necessitate a shift from individual to collective action to achieve larger interests and capitalize on previous successes.

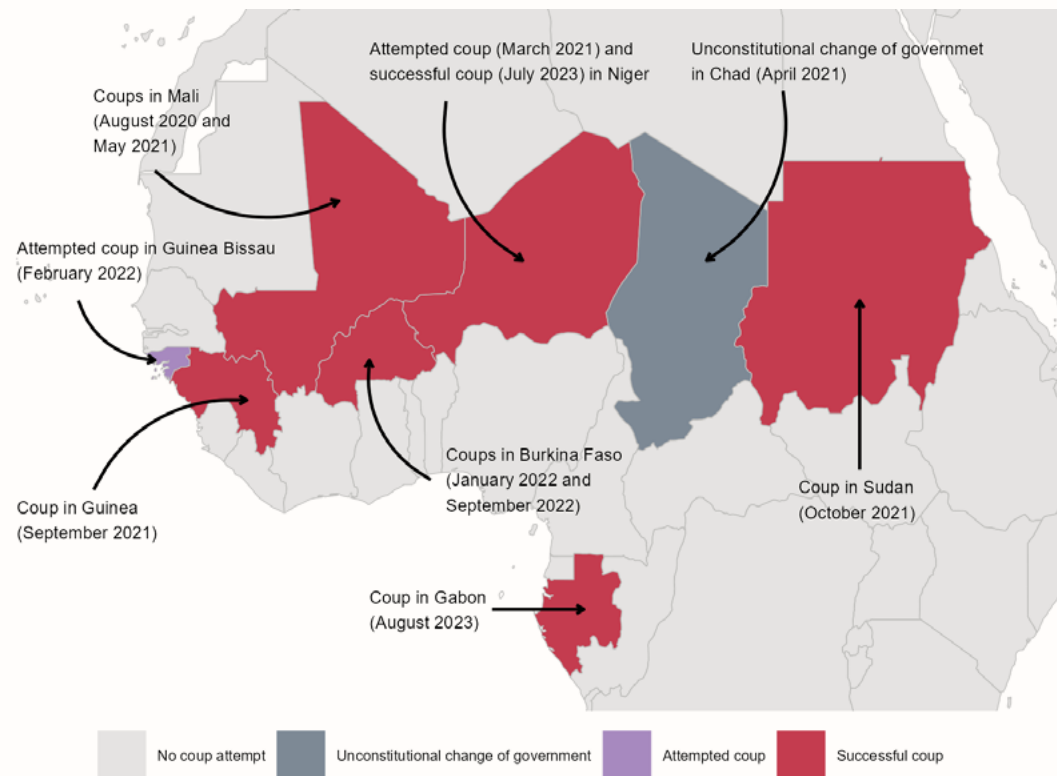
- The GCC countries might experience renewed disagreements that would undermine the effectiveness of the GCC. This is scenarios is set against the backdrop of anticipated regional developments following the Gaza war. However, this scenario seems unlikely given the es-

tablished presence of the GCC at both regional and international levels and the effective role it plays in collaborating with influential global blocs. The challenges of withdrawing from the commitments made by the Gulf countries to significant blocs, coupled with the resurgence of regional tensions following the eruption of the Gaza war, have heightened the Gulf leaders' awareness of the need for a collective security approach. This is particularly crucial in confronting potential regional challenges should the war escalate with the involvement of numerous regional parties.

## Africa at the Heart of International Competition

Africa has once again caught international attention. It is safe to say that Africa is now at the heart of international competition, as some competing international powers seek to enhance their influence and play a greater role in this continent. Not only have foreign interventions impacted African stability and security, they have also led to many interactions, conflicts and crises that currently prevail across the continent. The year 2023 saw an increase in the number of military coups as witnessed in Niger and

Map 1: Military Coups in Central and West Africa



Source: Alexander Hudson, David Towriss, "Two More Coups in Africa: Similarities, Differences, and What Comes Next," IDEA, September 5, 2023, accessed December 21, 2023, <https://bit.ly/48pciPj>.

Gabon, in addition, there was a surge in internal conflicts, most notably attempts by paramilitary forces to seize power or confront national governments and institutions as manifested in Sudan or Ethiopia. Rasanah's 2023 ASR will attempt to shed light on the aforementioned developments in 2023 amid growing international and regional interest in the continent.

### Military Coups in West Africa: The Rise of Russia and the Decline of France

West Africa witnessed two coups in 2023, one in Niger in July and the other in Gabon in September. The coups reflected the latest in a series of military attacks on constitutionally elected governments in West Africa. With a total of eight coups in the region since 2020, the aforesaid coups shared some similarities with the coups that occurred in West and Central Africa (see Map 1). In addition, the coup leaders in Niger and Gabon, like others, insisted that their motivations were to save their countries from the scourges of insecurity, corruption, economic hardships and foreign dependency. However, there were also differences with past coups in terms of the roles of external powers, particularly the influence of France and Russia — which has expanded its presence through the Wagner Group that is deployed in the region.

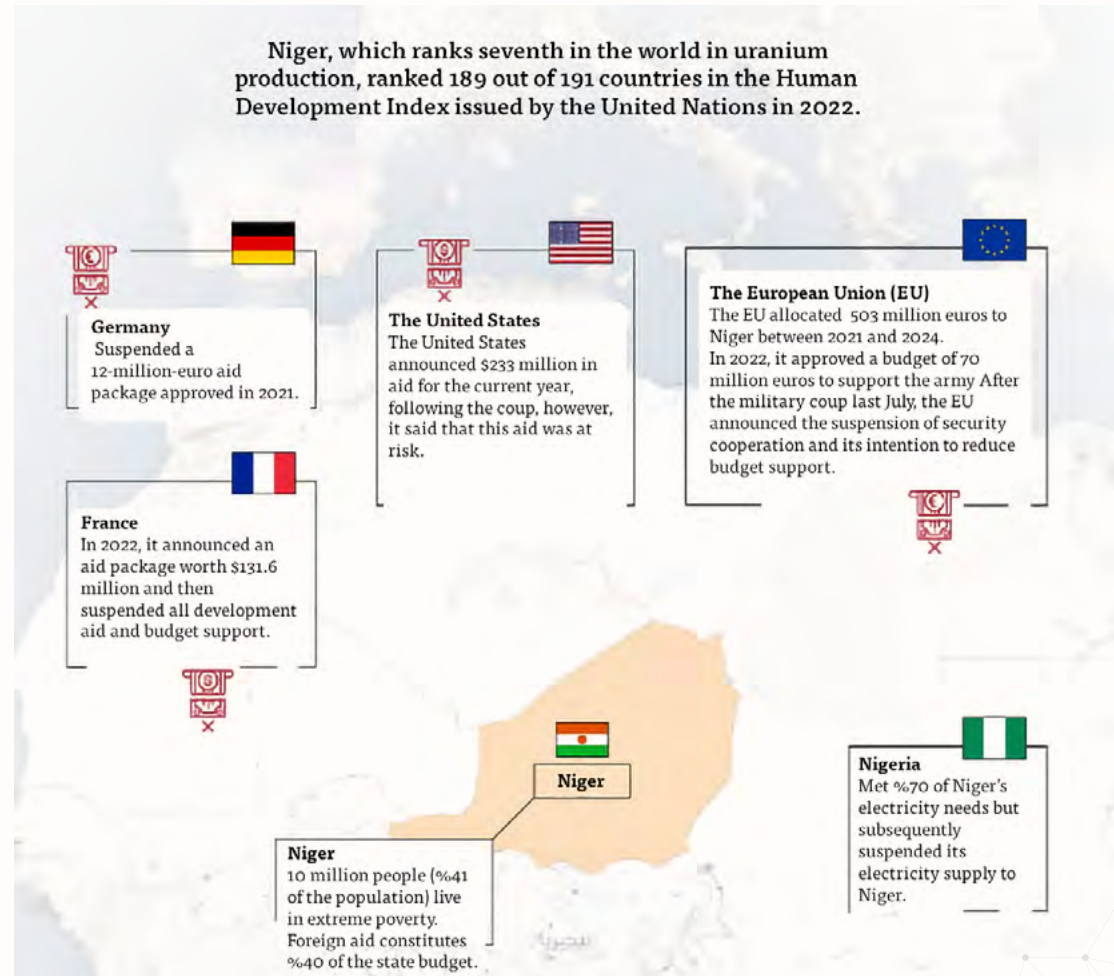
#### The Coup in Niger

The coup in Niger is the country's fifth coup since its independence in 1960 and the first since 2010. Its cause is rooted in disagreements between the ruling elite, particularly between President Mohamed Bazoum and his predecessor Mohamed Issoufou, who had hoped to return to power under a prior agreement with Bazoum. It seems, though, that Bazoum backtracked on his promise and aimed to cement his power and influence in state apparatus, especially in the army, a move that brought him into direct conflict with influential members of his party and elements of the military. What weakened Bazoum's position was his belonging to the

Arab minority, which represents only 1% of the population of Niger. This allowed the deep state, which took advantage of growing opposition over worsening living conditions, to overthrow him. Niger, in this respect, ranks 189 out of 191 countries in the United Nations 2022 Human Development Index (HDI), meaning more than

half of its population languishes below the poverty line, with 50% of school-age children out of school (see Figure 1). Moreover, the country suffers from poor security conditions, with the spread of armed movements, whether Boko Haram or al-Qaeda and other extremist outfits.

Map 1: Military Coups in Central and West Africa



Source: "Niger, One of the Poorest Countries in the World, Struggles Under Economic Sanctions," Anatolia Agency, August 2, 2023, accessed December 5, 2023, <https://2u.pw/ylGghwL>.

Niger's coup is not far off from the chain of coups that have unfolded in the Sahel. In this context, one can say that the coup is an outcome of the related coups across Africa; a historically regular phenomenon in post-independent Africa. It is a phenomenon that is linked, at this stage, to the rise of a new generation of leaders with more independent perceptions and tendencies. Moreover, ill-conceived policies undertaken by external powers in the Sahel, especially by France — which sent in 2013 several thousand troops to the region, specifically to Mali, to confront the rising activity of jihadist groups — did not achieve their desired goal. On the contrary, these policies contributed to the expansion of jihadist groups in the tri-border area between Mali, Niger and Burkina Faso, ultimately destabilizing these countries. In this regard, France has ignored calls from the Sahel countries to hold a political dialogue to stop the violence and unrest. Instead of working toward stability, France exploited the crises to strengthen its security and political influence in the Sahel countries and set up several security companies to confront security challenges which contributed to turning areas of peace and stability into hotspots of tension and conflict, especially after local communities moved to arm themselves in self-defense.

France implemented its policies in partnership with the ruling regimes in these countries; popular anger erupted against these regimes, which are considered proxies of Paris. This is why, since the coups in the region since 2020, France's influence has started to gradually decline, for example it was forced to withdraw its troops from Mali. But instead of sending its troops back home, France pushed them back into Niger instead. In the second half of 2022, France deployed thousands of soldiers in Niger. In return, Bazoum received an additional €70 million in grants and loans from France for much-needed food and infrastructure. The deal was a gamble on Bazoum's part, but he was bet-

ting that he could keep the French presence a secret.

Bazoum's proximity to the United States grew, especially after allowing Washington to set up a CIA drone base in Derkau to carry out surveillance missions over southern Libya. He also allowed Washington to invest more than \$100 million in an airbase in Niger's northern regional capital, Agadez, to expand US intelligence capabilities in the region, along with keeping about 1,000 troops at bases in Niger and Niamey, the capital.

These moves ostracized Bazoum from his people. Nigeriens were furious over Bazoum allowing Western powers like France to exploit Niger's natural wealth like uranium which was sold at favorable prices at the expense of national revenues. France's political support for Bazoum fueled popular anger against Paris. This popular anger paved the way for an undeclared alliance between some civilian and military actors. Bazoum had previously planned to oust several of them and replace them with his supporters. Under pressure from coup leaders, France was forced on September 24, 2023, to announce the exit of French troops from Niger by the end of 2023. This last exit marked France's third withdrawal post its withdrawal from Mali and Burkina Faso in 2023, which reflects a decline in France's influence in the region.

While the Sahel and West Africa, including Niger, were witnessing a French, European and American retreat, Russia, China and Turkey were stepping up their influence. Russia, in particular, has provided extensive military and security support, including the deployment of the Wagner Group. Russia's growing influence accelerated the process of French decline, as Moscow provided effective tools through security companies for African countries to get a grip on the security situation. Russia's arrival in the region coincided with the orientation of African countries to diversify their partnerships. Russia, for its part, saw an opportunity to extend its

influence in Africa because of the continent's fragility. In President Vladimir Putin's view, Russia's influence in the Sahel is an important bargaining chip as Moscow competes with its hostile states in Libya, Syria, Ukraine and elsewhere.

Although there is no evidence that the Wagner Group was involved in the Niger coup, there are Western concerns that Russia might exploit the current situation in Niger to further its influence in the country — given the fact that the leaders of the military coup requested the help of the Wagner Group — which holds significant influence across the Sahel region — after France and the West African Community (ECOWAS) threatened to intervene militarily to restore the legitimate president to power. Against this backdrop, Russia may find an opportunity to deliver a devastating blow to French and Western influence in their traditional spheres of influence. This readiness to intervene on Russia's part was reflected in the statements of a Russian official who declared support for the coup and rejected any military action against the coup leaders in Niger. This Russian intervention will provide it with an opportunity to take advantage of strategic minerals, to possess a card to play against Europe; Russia can push migrants towards Niger's southern shores with an aim to build anti-Western coalitions. Russia has its own set of incentives to play a role in Africa, particularly related to its connections with African regimes and the growth of anti-Western trends in the continent. In addition, Russia seeks to form nuclear and security pacts with the military juntas.<sup>(235)</sup>

While the Niger coup created tensions with international and regional powers who insisted on the return of constitutional rule, Algeria, on its part, put forward an initiative for a peaceful settlement, hence ruling out the military intervention option. Algeria's efforts or others, however, have not yet yielded an agreement for a peaceful settlement of the Niger crisis. Yet all concerned parties appear to be dealing with the new status quo as it stands. France, for one, had

reinstated its ambassador and is discussing a new course of relations. Meanwhile, the United States is exhibiting openness with the new government. These moves reflect an orientation to accept and deal with the new order, leaving Russia and China with no opportunity to extend their influence in this key West African country.

### The Coup in Gabon

The coup in Gabon is the country's first successful military overthrow since the Bongo family took power in 1967.<sup>(236)</sup> The coup came after the announcement of President Ali Bongo Ondimba's victory in the election on August 26, 2023. At the time, the opposition concluded that the election lacked integrity as it was subject to a series of violations, most notably, the denial of foreign media coverage and the shutting down of the internet over security claims. In addition, violence characterized the elections, repeating what was witnessed in the 2016 election when Bongo won a second term. Amid this context, the coup leaders, led by General Brice Oligui Nguema, head of the Presidential Guard, announced the annulment of the election result, the closure of the border and the dissolution of all state institutions. At this point, the new transitional government — called the Committee for the Transition and Restoration of Institutions — denounced Bongo's rule, claiming that his government manifested “irresponsible and unpredictable governance.”<sup>(237)</sup>

However, the coup in Gabon does not appear to be similar to the one in Niger. Even regional and international powers look at the two events through a different lens, as European Commissioner for Foreign Affairs Josep Borrell put it, “The situation in Niger and Gabon are not at all equivalent. In Niger, the president was a democratically-elected president [...] In Gabon, hours before the military coup, it was an institutional coup, because the elections were stolen.”<sup>(238)</sup> The Economic Community of Central African States (ECCAS) merely monitored the developments in Gabon without threatening military inter-

vention, and the French position was to contain rather than escalate or confront what unfolded in Gabon unlike what it did in Niger.

One cannot deny that many internal factors led to the Gabon coup. Economically speaking, 30% of the Gabonese population live in poverty and nearly 40% of the youth suffer from unemployment, although the state achieved a surplus of nearly \$6 billion in 2022 from its massive oil production wealth. This wealth, however, enriched the ruling family, its supporters and its foreign patrons while the people faced extreme poverty. Politically, the Bongo family was one of the longest-ruling dynasties in Africa. Before Bongo, who had been head of state since 2009, his father before him had ruled the country for nearly 42 years. The opposition came together to support a single candidate in the last election in an attempt to break this prolonged political cycle that harmed the country and held it hostage to France's calculations and interests, especially after Bongo attempted to consolidate his power through some flawed constitutional amendments, excessive repression of opposition actors and his closure of the public domain. On the ground, the army's move found a positive echo from the masses that came out in support of the coup. The election also showed divisions within the ruling family, with a wing opposing Ali Bongo's quest to remain in power because of his deteriorating health and the country's leadership remaining under the grip of a group of close and influential advisors.

Although the coup in Gabon came in the context of a wave of coups that erupted in West and Central Africa, this coup was somewhat different, regionally speaking, than those seven recent coups that occurred in the area. It is estimated that the coup was most clearly influenced by the internal power struggle, based on developments in the electoral process as well as on the fact that the leader of the coup, General Nguema, is related to the ruling family. It is said that a part of the ruling family had sided with Nguema at the

expense of another wing, and this move was undertaken in light of anticipated popular protests that could topple the entire ruling family. This was vividly evident in the reactions of regional powers, including regional groupings, as well as Nigeria, which indicates a clear contrast to the Niger coup in which regional powers went as far as to threaten to intervene militarily.

Internationally, although France condemned the coup, it did not demand Bongo's return to power as it did in the Niger coup with Bazoum. France did not oppose this coup as part of its strategy to stop the widening collapse of its influence in West and Central Africa. In other words, what happened was a palace coup, which preserved the privileges of the Bongo family on the one hand, and French influence on the other. It is important to note that the popular protests that accompanied the coup in Gabon did not carry the same amount of hostility toward France as did the ones in Niger. Coup leaders and the media were also less vocal in their criticism of France, the Bongo family's ally, which is why although Paris condemned the coup, it quickly moved to recognize the new setup. Over the past six decades, France has established a strong military presence in Gabon. The European country is a key partner in various Gabonese security and military spheres, including training, munitions, equipment and intelligence. France also has a permanent military base in Gabon. Total Group, a member of the Organization of Petroleum Exporting Countries (OPEC), dominates oil production in Gabon, which produces 200,000 barrels per day, i.e., 80% of the country's exports. The French company Eramet also operates in manganese extraction in Gabon. It is noteworthy to mention that Gabon is considered the second largest producer of manganese in the world, and it is a mineral that is used in the iron and steel industries as well as in producing car batteries. Gabon had also been an exporter of timber, considering 90% of its territory is woodland. President Ali Bongo, however, suspended its

export in 2010 for environmental reasons a year after his inauguration. This move did not serve France's interests, which is considered Gabon's second timber consumer after China. Thus, negative disruptions in the two countries' relationship — including the closure of the French base — would mean Paris losing a key area of its remaining influence in Africa. If this sharp decline in France's influence continues, it will likely turn into, in the words of former Gabonese President Omar Bongo, a “car without fuel.”

Russia does not have significant influence in Gabon, which is free of terror outfits as opposed to Niger, Mali and Burkina Faso. Thus, Gabon does not need the services of the Wagner Group, which is deployed in some Central African countries. China, however, has some influence over Gabon as it is the number one consumer of Gabonese oil, and until recently, it has been the largest importer of the country's timber. China also has investments that compete with French companies. Unlike other Sahel countries, Gabon is considered one of the richest African countries in terms of natural resources, with a crude income per capita of \$8,820 and a total crude output of \$21 billion, according to World Bank data in 2022. Although it has a small population of only 2.3 million, most of its people live in poverty due to corruption and wealth monopolization. Russia has found it difficult to penetrate the country, especially since the Gabonese people do not exhibit hostility toward Paris, demonstrate in front of its embassy or military base, or raise the Russian flag as happened in Niger. The coup in Gabon is closer to the coup in Guinea than it is to the coups in the three Sahelian countries (Niger, Mali and Burkina Faso). Nguema, the Gabonese coup leader, graduated from the military school in the Moroccan city of Meknes and worked as a military attaché in Morocco and Senegal. According to French media, he owns property and real estate in the United States; thus, his orientations pivot around the West, and he is not known to have ties with Russia. China, for example, is

considered to be Gabon's major trade partner, with the volume of trade between the two reaching \$4.5 billion in 2022, a volume which is five times bigger than Gabon's trade with France.

#### Findings and Trends for the Future in 2024

In summary, several key findings can be noted:

- The coups of Niger and Gabon reflect that the region has turned into a hotbed of active coups. They also reflect an expansion of transitional phases, political instability, democratic regress and a rise of insecurity as well as an upsurge in operations carried out by terror outfits. But in fact, these coups do not guarantee that they will achieve their desired aims as a long history of military coups in Africa prove failure than success. Moreover, these coups erupted from the existing regimes and represented only a change of names without a real change of policies. It seems clear that African countries and their regional organizations cannot ensure stability or present tools to limit coups. Thus, these countries have no choice but to deal with these extremist coups as a *fait accompli* instead of exacerbating chaos, hence creating a conducive environment to further coups.

- It is clear that France is facing a dilemma in its relations with the Sahel region, as it is about to complete its military withdrawal from Niger after having previously withdrawn from Mali and Burkina Faso. This is considered to be a great blow to French influence in Africa and carries with it great economic losses, including access to strategic raw materials such as uranium and other strategic minerals. French companies may face difficulties in the future because of anti-France orientations adopted by some of the governments there or because of competing Chinese companies, with their presence strongly linked to Beijing's policy to extend its influence in Africa. The United States and UK offer better economic and security alternatives to Sahel countries, also adversely affecting French influence. This, however, does not mean that France will lose its presence altogether. The coup in

Gabon was not hostile to France like the others in the Sahel. Therefore, France will keep a foothold to secure its interests in the country, hoping to intervene in the Sahel to curb the anti-France sentiments there — as demonstrated by the strategy announced by France to stop the decline of its influence in the region.

- The United States in this region is trying to fill the vacuum left by France, particularly not to leave the door open for China and Russia. Conflicts in the region in the coming period will be limited to these major powers. These conflicts will probably revolve around strategic and geopolitical dimensions as well as economic dimensions — access to raw materials and critical minerals. All these aspects play a prominent role in the current international conflict. The Wagner Group certainly offers Russia an opportunity to strengthen its presence in Africa through its security partnerships with African countries and its expanding role in the continent. The United States, in this respect, does not wish for a military intervention (presence) that might trigger Russia to expand its influence in the region.

It is, therefore, expected that African countries, particularly those in West Africa, will witness one of two scenarios. The first is a widening in the scope of coups along with political instability, especially in light of worsening internal crises and political failure to meet societal aspirations. Not to mention the external pressures of international competition that casts a dark shadow over the continent. The second scenario may be that this wave of coups will stop if colonial powers realize the risks to their interests, hence pivot to understanding the ambitions of young leaders and popular aspirations. It seems that the first scenario is more likely given the structural and complex nature of crises in African countries.

### **The Contagion of Rebellion: Coups by Paramilitary Forces Against Regular Armies: Sudan and Ethiopia as Examples**

The phenomenon of paramilitary forces and armed militias has notably spread both regionally and internationally over the past few years and is proving to be a real challenge facing national armies and a severe threat to national independence and sovereignty. The spread of this phenomenon is a result of the fragility of political systems, civil wars and external interventions.

The phenomenon of paramilitary armies appears to exist in several countries, including Haftar's forces in Libya, the Houthis in Yemen, the Free Army in Syria, Hezbollah in Lebanon, the Popular Mobilization Forces in Iraq and the Wagner group. As for Africa, several parallel armies have emerged, such as the Harakat Shabab Al-Mujahideen Movement known as Al-Shabab in Somalia, the RSF in Sudan and the Special Armies deployed across Ethiopian provinces. The proliferation of parallel armies has imposed many challenges and repercussions on these countries, including political and economic instability, security unrest, internal divisions, weapons proliferation and foreign interventions. Rasanah's 2023 ASR, in this respect, will discuss the phenomenon of parallel armies' coups and rebellion against the regular armies of Sudan and Ethiopia and the risks imposed on the security and stability of these countries.

### **The Conflict Between the Sudanese Army and RSF**

Before officially formalizing into the RSF, it consisted of tribal militias. These militias were actually the Janjaweed militias that were once used by former Sudanese President Omar al-Bashir in 2003 to support the army in confronting rebel movements in Darfur and were accused of committing war crimes in many areas in Sudan, especially in the Darfur region. In 2013, the Bashir government reorganized these forces and

de-tribalized them, thus becoming "semi-regular" forces of the Sudanese National Security Service. At the time, these forces were deployed to help quell the insurgency in Darfur, South Kordofan and Blue Nile State. In 2017, Bashir decided to formally recognize these forces. The Sudanese Parliament passed a law regulating these forces and transferred their subordination from the People's Intelligence Service to the army.<sup>(239)</sup> But when Bashir's government asked the RSF to crack down on protesters during the 2018 popular revolution, its commander Mohamed Dagaló, known as Hemedti, rejected this demand and sided with the protesters. The RSF participated in the overthrow of the Bashir government in April 2019, under pressure from the Sudanese people who held protests in front of the General Command of the Sudanese Army.

After the 2019 revolution that overthrew Bashir and his government, the RSF became a major pillar of the political equation in shaping Sudan's political landscape. Hemedti, despite not being from the military sphere, gradually and swiftly ascended the military ranks, and was appointed as the deputy to General Abdel Fattah al-Burhan in the Transitional Sovereignty Council. Al-Burhan calls the shots when it comes to selecting officials, state governors and determining policies.

The RSF's alignment with the protesters and its participation in overthrowing the Bashir government in 2019 provided it and its leader with popular support, but soon the RSF's stature quickly declined after it was accused of participating in the dispersal of protestors who had held a sit-in outside the General Command Headquarters in Khartoum on June 3, 2019. This dispersal led to a large number of civilian deaths and injuries. The rupture between Hemedti and the Sudanese people grew wider after his forces took part in overthrowing the civilian government of Abdalla Hamdok on October 25, 2021.

The task of the RSF, which expanded its presence across Sudan's provinces, intensified and

it armed itself with all types of heavy weapons, including anti-aircraft guns and anti-aircraft weapons. Over the past two years, the RSF has achieved a huge leap in the number of its forces as a result of opening a large number of training centers, bringing its strength to more than 100,000 fighters.

Misguided and ill-calculated policies on the part of the Sudanese military contributed to the RSF's rapid expansion. On July 30, 2019, less than two months after the overthrow of the Bashir government, General Abdel Fattah al-Burhan, in his capacity as Chairman of the Transitional Military Council, issued a constitutional decree to remove Article 5 of the RSF Law. This article stipulated that the RSF would be subject to the provisions of the Armed Forces Law.<sup>(240)</sup> Al-Burhan had entrusted the RSF with other sensitive tasks such as calling up thousands of RSF fighters from border areas to secure the capital. These forces deployed thousands of heavily armed vehicles at bridges, radio and television stations, the Republican Palace in Khartoum and the General Command of the Armed Forces as well as at several institutions such as ministries, banks and diplomatic missions. This deployment enabled the RSF to get extremely acquainted with the capital and enabled it to easily infiltrate and control a large number of headquarters and institutions.

Hemedti's consolidation of power and the expansion of his forces were accompanied by an expansion of his commercial interests and a rapid accumulation of wealth. This became possible after Hemedti took over the main gold mining areas in the Darfur region. The RSF, aside from its main tasks, also participated in battles taking place in other countries, finding itself a financial stream along with international support. For example, the RSF received European financial support for its cooperation in preventing the flow of refugees to EU countries. To secure his future in Sudan's politics, Hemedti took several steps to this end, including building alliances



with a number of political parties and leaders and warming up to the revolutionary committees that were instrumental in the overthrow of the Bashir government in an attempt to win over all key political forces.

Hemedti's recent moves raised the army's concern about the RSF, especially after he sought to acquire drones and advanced and heavy weapons. Therefore, the army command deemed it necessary to put an end to the RSF's ventures and Hemedti's ambitions by insisting on merging the RSF into the Sudanese military army and forming a unified army.

Since the talks to emerge the RSF into the Sudanese army started, deep differences between the two grew — the former's capabilities and potential have grown immensely in recent years. Following the signing of the Framework Agreement establishing the Transitional Period in December 2022, which confirmed the departure of the army from politics and the handover of power to civilians, as well as the integration of all forces into a unified national army, disagreements between the two parties on the issue of the RSF's integration strongly reemerged. This was evident after the withdrawal of the army representatives from the Security and Military Reform Commission by the end of March 2023 because its recommendations did not include any timetable for the integration process. The Sudanese army was demanding that the merging of the RSF should not exceed two years, which is the transitional period according to the Framework Agreement. The RSF, however, was looking to integrate itself in a period that exceeded 10 years, while international mediators suggested five years.

This disagreement was the main reason behind the postponement of the signing of the final agreement with the political forces, which was scheduled for early April 2023. Then, tensions and reciprocal statements escalated, and the tensions between the two sides grew to advanced stages after the RSF drove dozens of ve-

hicles loaded with soldiers and weapons toward Merowe Airport in northern Sudan without coordinating with the army command in Khartoum. It is noteworthy that Merowe Airport is considered a strategic airport supporting Khartoum Civil Airport in cases of emergencies and includes an air base supporting the first military airport in Khartoum. The RSF also started to deploy and mobilize in Khartoum and other Sudanese cities. On April 15, 2023, armed confrontations erupted between the two sides. The RSF attacked the Sudanese army headquarters and units and gained control over some strategic sites in the capital and other parts of the country. The move resulted in thousands of deaths and injuries, in addition to the displacement of millions of people from the capital, Khartoum, to different Sudanese regions and neighboring countries, amid massive destruction of infrastructure and disruption of services. Despite the two sides engaging in several truces, the mediation of the Kingdom of Saudi Arabia and the United States, holding rounds of discussions in the city of Jeddah, in addition to the mediation of several regional countries, have not succeeded in stopping the warring factions. The Sudanese army, in this regard, insisted on the withdrawal of the RSF from the homes of Sudanese people and government and service institutions as a condition for a ceasefire and negotiations to end the war.

Despite the Sudanese army talking of progress and success in destroying a large number of RSF camps and cutting off supplies from Darfur and other regions, and the decline in the number of RSF fighters in Khartoum, the army has not yet been able to defeat the RSF or take full control of Khartoum. The continued conflict between the army and RSF makes the crisis open to different scenarios in 2024, the most notable are the following:

First scenario: The Sudanese army will win the battle because of its superior capabilities, tactics and long experience in fighting wars.

This will be achievable because of the RSF's withdrawal from Khartoum as a result of the deaths of thousands and fierce disagreements, in addition to the return of thousands of people to participate in the battles taking place in Darfur, and the flight of large numbers of mercenaries to their countries, especially from Chad, Central Africa, Niger and Libya. It is worth mentioning that some RSF fighters have resorted to looting banks, government institutions and citizens' homes, rather than fighting the Sudanese army.

Second scenario: The RSF will withdraw and station itself in Darfur. Actually, the RSF recently moved the conflict to Darfur after taking control over several cities. This may be a prelude to gaining control of all of Darfur and possibly seceding from Sudan unless the army intervenes or works to find a solution to end the crisis.

Third scenario: The war may continue as a result of either side's inability to resolve the battle in its favor. This scenario will prolong the ongoing crisis which might turn into a civil war, especially in Darfur, where the fragile security environment is vulnerable to tribal conflicts. This, in turn, will exacerbate the crisis and increase security, economic and political costs for Sudan, which might necessitate international intervention to address.

Fourth scenario: Both parties will renounce hostilities and start negotiations. This scenario could materialize if one or both parties reach their breaking point and the military does not achieve its desired goals. But realizing this scenario is linked, first, to the success of the efforts of regional and international mediators to persuade the parties of the conflict to stop the war and engage in serious negotiations, and, second, to the willingness of the parties to make concessions, especially concerning the process of integrating the RSF into the Sudanese army.

#### **The Special Forces Crisis in the Ethiopian Provinces and the Fano Militia Movement**

The Ethiopian Constitution gives the country's government the task of overseeing the establish-

ment and management of the army and public security as well as the Federal Police Force. It also gives each of the 11 Ethiopian provinces the power to establish and manage their police force to maintain public order and peace. However, over the past few years, some Ethiopian regions have established their own militias and forces, violating the Ethiopian Constitution. This development has played a major role in fueling internal fighting.

As part of the Ethiopian government's plan to prevent the recurrence of internal wars, end the spread of paramilitary forces and overcome the difficulties Ethiopia is facing after the formation of these militias and forces — high crime rates, illegal checkpoints and smuggling — as well as to strengthen the army and enhance its capacity to maintain peace and security in the country and to end the spread of armaments in the various Ethiopian provinces as a result of the

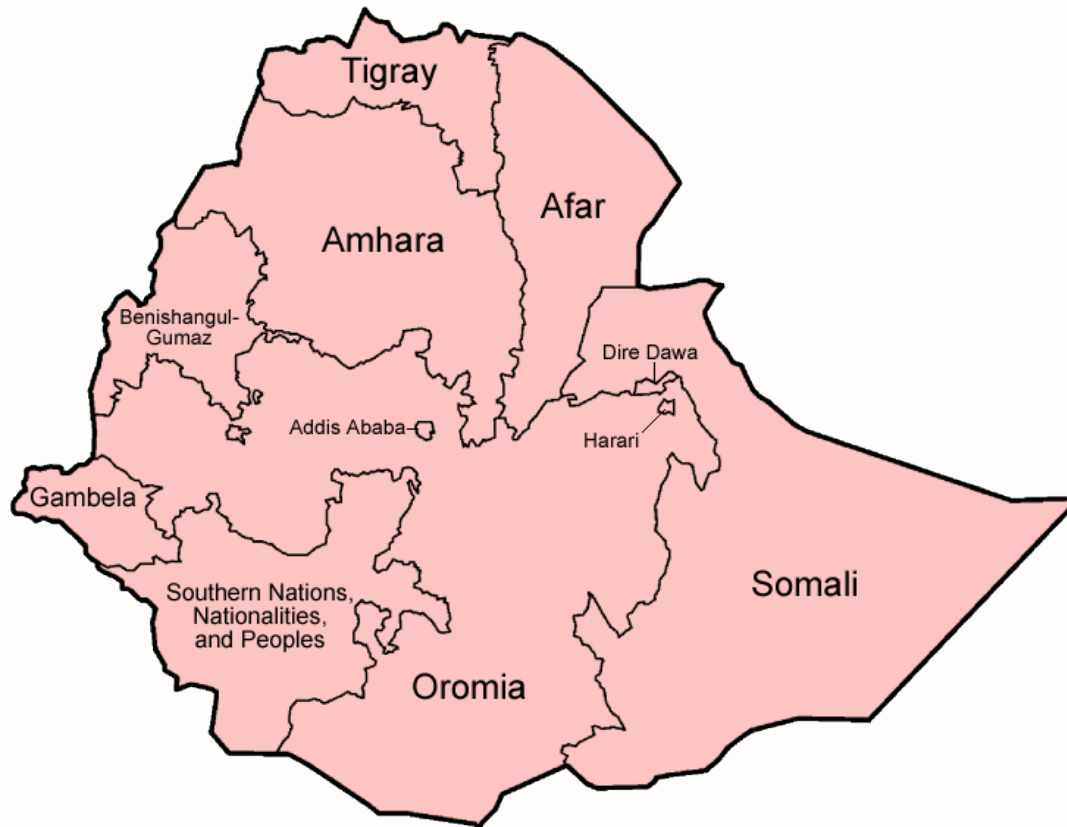
circumstances of the previous war with Tigray, it came up with a plan. On April 9, 2023, the Ethiopian government drafted a plan to dismantle the militias and forces created by some Ethiopian provinces (see Map 2) and integrate them into the army, police and or civilian life. The Ethiopian government, in this regard, warned that it would take legal action against those who opposed or refused to implement the decision.<sup>[241]</sup>

Fano Armed Militia, one of the largest armed groups in the Amhara Region which supported the Ethiopian army in its war against militants in the Tigray Region in a civil war that lasted for nearly two years and ended in November 2022 after the signing of the Pretoria Peace Agreement, refused to integrate its forces into the army or the police and refused to hand over its weapons. Thousands of people went out to the Amhara region to protest the decision. The Ethiopian government tried to calm the crowds through assurances given by the Chief of Defense Staff stating that the step to disband the regional special forces was not to disarm or dismantle the forces. The president of the region also worked to calm the situation by saying that the decision was misunderstood and that it aimed to organize the regional forces under federal security institutions.<sup>[242]</sup>

As a result of this disagreement, the war between the Ethiopian army and the Fano militia broke out in August 2023 in several towns in the Amhara Region. The first spark of the war was ignited at the end of June 2023, when Fano's forces ambushed senior officers of the Ethiopian army's North West Command on their way to a tourist resort, making it Ethiopia's most dangerous war in the last four years after the Tigray War, which ended in November 2022.<sup>[243]</sup>

Events gradually developed until the regional government lost control of the region with the fall of several cities in the Amhara Region. The most famous of these was the historical city of Lalibela and its airport. These events prompted the Ethiopian army to launch a military opera-

Map 2: Regions of Ethiopia



Source: Map of the regions of Ethiopia in English. Made by User: Golbez. Category: Maps of Ethiopia.

tion through which it was able to regain six cities, among them the capital of the region Bahir Dar, Lalibela, and Borana near the border of the Tigray Region. The Ethiopian government, post announcing the liberation of major cities from the Fano militia, declared a state of emergency for six months and imposed a curfew, restricted movement, outlawed carrying arms, banned public gatherings and carried out arrests and searches without judicial orders. It asserted that the state of emergency could be extended to other areas of Ethiopia if the security situation worsened.

After more than three months of law enforcement actions, the Ethiopian government announced in November 2023 that the state of emergency had contributed to thwarting attempts by the Fano militia to dismantle the constitutional order in the Amhara Region and Ethiopia in general. The Fano militia attempted to dismantle the constitution through using armed violence, spreading chaos and imposing the militia's unconstitutional economic and political objectives. This attempt came after the militia had suffered material and human losses and a decline in its strength to the extent that it could not defeat the security forces in the Amhara Region.<sup>(244)</sup>

The Fano militia's refusal to respond to the government's decision to hand over its weapons and integrate its forces into the Ethiopian army stemmed from its belief that the decision to merge targeted it primarily. It also believed that retaining its weapons and troops protected the lands of the Amhara Region from the dangers emanating from the Tigray Region given the historical differences between the two regions. The Fano believes that dismantling its militia will make the population in the Amhara region more vulnerable to attacks. The people of Amhara had accused Abiy Ahmed's government of turning a blind eye to the abuses committed against Amhara citizens in Oromia.<sup>(245)</sup> The Amhara people in this respect maintain fears that Ahmed's gov-

ernment will return the disputed territories with the Tigrayans to the Tigray Region. It is worth stating that the Amhara people have aspirations to return to power once again following the fall of Emperor Haile Selassie in 1974.<sup>(246)</sup>

Similar to the role played by the Chairman of the Sudan Sovereignty Council Abdel Fattah al-Burhan in the rise of the RSF, the Ethiopian government represented by its Prime Minister Abiy Ahmed, played a role in supporting the rise of the Fano militia. At the time, when the Tigray People's Liberation Front was seizing power, many Fano militia leaders were imprisoned, but Abiy Ahmed released them as soon as he took power in 2018 as part of a collective pardon for tens of thousands of political prisoners. Then during the Tigray conflict, the Fano militia exploited its support for the government in fighting Tigray to maximize its power and wealth, for example, it recruited more troops, and retained weapons found during the Tigray conflict.<sup>(247)</sup> Thus, the Amhara region rebellion represents a real predicament and challenge to the government and Abiy Ahmed specifically because the government had a major role in strengthening Fano's forces, and because Amhara Province was Abiy Ahmed's main supporter during his five-year rule.

Although the Federal Army has now regained control of the cities and towns that the Fano's forces once controlled, the militia could resume attacks inside Amhara and resort to guerrilla warfare against government forces. If this scenario materializes, the government may be prompted to engage in negotiations to strike a deal with the Fano militia along the lines of the agreement with the Tigray Front that ended a grinding internal war that nearly divided Ethiopia.

The rebellion in the Amhara Region is no less dangerous to the security and territorial integrity of Ethiopia than the Tigrayan rebellion, considering that Amhara and Tigrayan are the two ethnic groups that ruled Ethiopia for many

years. In this sense, the government's failure to find a radical solution to the crisis could risk the country's unity and potentially disintegrate it in the future.

The rebellion of the Fano militia may also lead other militias in other provinces to refuse to implement the decision to integrate into the army, police or civilian life. This is true in the case of the Oromo Liberation Army (OLA), which controls large swathes of the Oromia Region and possesses weapons and extensive political and military experience. Yet the Oromoes, who make up the largest ethnic group in Ethiopia, still feel marginalized, and although Prime Minister Abiy Ahmed is of this ethnicity, they believe their region is still underdeveloped.

To avoid Ethiopia sliding into a new war, Abiy Ahmed's government might enter into a Tigray-style agreement with Fano forces, but any agreement struck will still not allow the militia to carry on as usual and retain its weapons in Amhara Province, as this will be faced with the disapproval of the rest of the provinces.

### **Conclusion: Africa, a Precarious Future**

One can say that the military coups in West Africa and the internal struggle for power in the East reflect high levels of political instability and reminds one of the instability in the continent after the end of the Cold War. Africa appears to be standing against a storm of change in the world order once again. African countries seem unable to achieve full national sovereignty or achieve national integration, nor do they have an inclusive national project for development. Collective institutions in Africa are also unable to make any breakthroughs or transitions or offer initiatives and compromises necessary to absorb crises. This failure is related to the fact that Africa is still heavily subordinated to external powers. Thus, its future is grim and open to risky scenarios unless African countries take the initiative and create an independent course for themselves amid intense international competition — which has

brought forth the colonial struggle over the continent and its resources. This corrective course of action, however, is unlikely to happen in the coming period.

### **Central Asian States: The Response to International Shifts**

The geopolitical spheres surrounding the Central Asian countries witness many political and economic developments and hotbeds of tension. Therefore, this region was a key arena for geopolitical rivalry between regional and international powers. On the northern borders, the war between Russia and Ukraine is still raging and will not be settled in the near future. Further west, the Azerbaijani-Armenian conflict over the Nagorno-Karabakh region has been ongoing. Southwards, Iran and Afghanistan suffer variant intra-crisis and mutual tensions over the waters of the Helmand River. Eastwards, US-Chinese rivalry is raging, indirectly casting a shadow on the Central Asian countries. Therefore, in this section, the report will monitor the most important challenges to the Central Asian countries resulting from the turbulent international situation, review the approaches pursued by these countries to encounter and mitigate these challenges. It attempts to forecast the scenario during 2024.

### **Challenges Faced by the Central Asian Countries in Light of International Shifts**

The challenges facing the Central Asian countries in the regional environment stem from their geopolitical advantages and ethnic, cultural, political and economic interference with the neighboring countries. This raises the concern of each country that it will be targeted by using the Central Asian countries against them. China is apprehensive about the support to Uighurs who are affiliated geographically and religiously with the Central Asian countries. The same is true for Russia, which has had traditional influence in Central Asia since the Soviet era and seeks to maintain its influence. Both Turkey and

Iran are trying to invest in the Turkish ethnic intersections with the peoples of Central Asia to strengthen their influence and reduce the levels of competitors' influence. The international and regional forces aim to position in the region, such as the United States, European countries, Israel and the Gulf states, to crowd out their geopolitical rivals in the nearby sphere of influence close to them.

The reconciling interests of the rival major powers over Central Asia is the leading challenge to this weighty sphere in the strategies of regional and international powers. The Central Asian countries are struggling to manage their relations with the major powers to use the competition in favor of their interests and development. However, the Central Asian countries are concerned that they will be arenas to settle scores because those countries cannot stand at the same distance from all parties. They work to distance themselves from Russia's war against Ukraine, without cutting ties with Russia. The Central Asian countries also pursue to take advantage of the American and European interest in Central Asia within the framework of competition with Russia and China, but with turning their arenas into tools to deal blow against the latter countries.

China also engaged strongly in infrastructure investment in the Central Asian region within the framework of the Belt and Road Initiative (BRI). As far as the investment entails gains, it raises the concerns of these countries as China presumably dominates them by what the Western countries have called the Chinese debt trap. Although China adopts the principles of non-interference in the internal affairs of states, sovereignty, and territorial integrity, this does not prevent the imposition of a trusteeship form in the major strategic options for international relations of the Central Asian countries to serve China's interests at the expense of the countries of the region in the future.

The financial sectors in Central Asia have experienced turbulence due to the sanctions imposed on Russia. Many international corporations that previously operated in Russia used Central Asian countries to continue their indirect engagement in an attempt to circumvent international sanctions. The governments of these countries did not mind welcome those corporations for economic returns and use them as a rapprochement card with Russia. However, the Western powers were well aware of these violations and dealt with them to emphasize the effectiveness of sanctions against Russia. For example, the international corporations engaging in trade with Russia used Kyrgyzstan as an intermediary to circumvent sanctions. Therefore, in July 2023, many Kyrgyz firms faced US sanctions for their involvement in evading sanctions and facilitating Russian business.<sup>(248)</sup>

Furthermore, the Central Asian countries face challenges to political stability. These stem from the challenge of the internal situations due to the political and social conditions, the subsequent crises, and the inter-problems such as the issue of the border between Tajikistan and Kyrgyzstan. Although these issues are old, the Central Asian countries are concerned that these will be revived by external factors such as the recruitment of extremist or ethnic groups. However, the region did not witness major events in 2023, compared to what happened in 2022, such as the protests in Kazakhstan due to a sharp rise in gas prices, although the government was unable to contain them only with the help of troops of the Collective Security Treaty Organization, and the border skirmishes between Tajikistan and Kyrgyzstan in September 2023. The recurrence of these events in the same or other Central Asian countries remains possible, especially in light of the ongoing Russian-Ukrainian war and the escalation of tensions between China and the United States. This can be accompanied by political and economic problems that can be

indirect reasons for stirring political instability in the region.

### **The Response of Central Asian Countries to Regional and International Challenges**

To encounter the pressing regional and international challenges, the Central Asian countries have forged various approaches. They strategically focused on seizing the opportunities that accompany the efforts of international competition and simultaneously minimizing as much as possible the political, security and economic challenges and the resulting risks. Amid the growing tensions between the United States and Russia as well as the United States and China, the Central Asian countries are seeking to diversify their foreign policy and economic relations. This multifaceted approach is related to its economic and security interests, and the most important features of this approach can be mentioned in the following points:

- **Mitigating the internal effects of the Russia-Ukraine war:** This was realized by preventing their citizens from participating in the war. Several reports in 2013 revealed that Central Asian<sup>(249)</sup> migrants, including from Kyrgyzstan and Kazakhstan, joined the Russian army in the war-torn areas of Ukraine, offering financial incentives and Russian passports. Kyrgyz and Kazakhstan authorities have warned against participating in foreign military activities which is punishable.<sup>(250)</sup> Some mercenaries have been jailed in Kyrgyzstan after fighting in Ukraine. Despite these punitive measures, the Russian authorities have been conducting a campaign to recruit Tajik citizens with dual citizenship, to involve them in the war in Ukraine.<sup>(251)</sup>

- **Enhancing the strategic partnership with Russia and China:** Due to geographical, security, political, and historical considerations, the Central Asian countries remain China and Russia's indispensable strategic partners or pursue policies that are completely against their interests, especially in light of the Ukrainian experi-

ence. In spite of the position of the Central Asia countries on the Russia-Ukraine war, they have been enhancing ties with Moscow necessitating collaboration with neighboring states after the access to Europe was close. This was reflected in the agreements concluded between the two parties within a bilateral or collective framework in 2023 in various fields; in May 2023, President Putin ratified an agreement for a joint regional air defense system between Russia and Kyrgyzstan. On October 11, 2023, the Kyrgyz Parliament ratified this agreement.

In August 2023, Kazakhstan and Uzbekistan signed cooperation agreements with Russia's Gazprom. In September 2023, Russia's Transneft and Kazakhstan signed an agreement to transit Kazakh oil through Russia. The deal allows Kazakh oil to flow through Russia. This development, which appeared against the backdrop of the urgent energy challenges in the region, aims to meet urgent needs while considering the long-term fundamental considerations of both Kazakhstan and Uzbekistan. President of Kazakhstan Kassym-Jomart Tokayev visited Moscow on October 7 on Putin's birthday. Russia also launched gas supplies through Kazakhstan to Uzbekistan as Uzbekistan continues to face growing energy demand.

In the trade field, in June 2023, an agreement on free trade in services and investments was signed between Kyrgyzstan and Russia. In October 2023, several agreements were signed between both countries, deepening cooperation in various sectors, including education, agriculture, and environmental protection. On October 12, Russian President Vladimir Putin visited Kyrgyzstan for a meeting with President Sadyr Japarov ahead of the CIS summit. In April 2023, railway companies of Russia, Kazakhstan and Turkmenistan signed a memorandum to establish a joint venture for a transformation development project. In July 2023, Russian Prime Minister Mikhail Mishustin approved Turkmenistan's accession to the North-South Interna-

tional Transport Corridor, signifying support for the project's expansion.

The declining Russian economy amid sanctions significantly diminishes its capacity to offer steady economic investments required by these countries. As a result, the Central Asian countries have simultaneously turned to other countries like China for investments. The China and Central Asia summit held in Xi'an with Central Asian leaders in May 2023 during which Chinese President Xi Jinping urged parties to accelerate the construction of Line D. The Line D project, estimated to cost \$6.7 billion, would carry 30 billion cubic meters of gas annually.<sup>(252)</sup>

Kazakhstan signed 30 economic cooperation agreements worth \$16.54 during President Kassym-Jomart Tokayev's official visit to China. In the energy field, it was agreed to extend an oil field development contract. These initiatives signify a strategic partnership aimed at enhancing energy infrastructure and economic ties. Kazakhstan state-run companies, KazMunayGaz and Qazaqgaz, signed agreements with China National Petroleum Corporation (NPC) and Sinopec to develop the Trans-Caspian International Transport Route (TITR) and build the Tacheng-Ayagoz railway line, further emphasizing the importance of comprehensive connectivity and trade facilitation.

Uzbekistan continued to explore new partnerships, particularly with China on industrial cooperation, investment, regional development, digital economy, energy and agriculture. In May 2023, during the China Business Forum, both countries also signed several agreements on poverty reduction, economic cooperation, alternative energy and infrastructural development worth \$25 billion.

Turkmenistan and Kyrgyzstan also increased their cooperation with China, especially on the energy front. Turkmenistan is a significant natural gas supplier to China, and China has invested heavily in the country's gas fields and pipeline infrastructure to secure this gas supply. Kyrgyz-

stan signed an agreement with a Chinese consortium to build four hydroelectric power plants in the Kazarman hydropower cascade project. This also reflects the close cooperation between both countries in the renewable energy sector, which aligns with the countries' commitment to a long-term low-emission development strategy until 2050. Similarly, Tajikistan has also diversified its cooperation with China. In May 2023, during Tajik President Emomali Rahmon's meeting with Xi Jinping in China, several agreements were signed to strengthen cooperation between both countries in various domains, including joint counter-terrorism, economy, agriculture, infrastructure development, and technology.

■ The diversification of partnerships with the Gulf region: The openness and diversification of the partnerships of the Central Asian countries were not only limited to the major powers but also included regional powers outside the region. This is significantly reflected in the collective cooperation initiative between the Central Asian countries and the GCC countries. In July 2023, the GCC and Central Asian leaders met in Saudi Arabia to strengthen ties serving both side and their regional and international weight. The summit marks a pivotal moment in the relations between the Gulf and Central Asia due to the economic significance of both regions. The economies of Central Asia and the Gulf are primarily based on natural resources and energy, creating opportunities for robust cooperation across different sectors. As Central Asian and Caucasus nations seek to broaden their connections with the EU and the United States, the Gulf states adopt a distinct approach by refraining from involvement or criticism in these countries' internal affairs. This approach is an advantage for these nations, distinguishing the stance of Gulf States from the West's scrutiny of domestic matters in the region. However, challenges persist, such as the need for a pragmatic approach to establishing close engagement and

interconnectivity and overcoming geographic challenges.<sup>(253)</sup>

■ Strengthening relations with European countries: In 2023, the Central Asian countries increased their political and economic interactions with the United States and EU to seek balance with Russia and China and attract investments to priority sectors of national interests. In June 2023, German President Frank-Walter Steinmeier visited Kazakhstan to strengthen ties with Central Asia and highlight the potential cooperation in various sectors, including education, technology and trade. Germany and Uzbekistan signed a migration agreement to facilitate deportations, in order to reduce irregular migration. In October 2023, DB Engineering & Consulting (DB E&C), a subsidiary of German Rail (DB, Deutsche Bahn), signed a three-year framework agreement with Kazakhstan Railways (KTZ) to provide consulting services for passenger transport and rail freight, aiming to enhance connectivity between Kazakhstan and Central Europe via the Eurasian corridor and integrate Kazakhstan into the European transport system. In September 2023, German Chancellor Olaf Scholz hosted leaders from Central Asian states to discuss strengthening regional and economic cooperation, with a focus on the Middle Corridor route and financing infrastructure projects.<sup>(254)</sup> However, the success of the Middle Corridor hinges on overcoming bureaucratic obstacles and fostering cooperation among countries lacking a unified regulatory framework, insufficient government commitment, and political and logistical complexities leading European companies to favor the maritime corridor over the Central Asian route.

French President Emmanuel Macron toured Central Asia, leading him to Kazakhstan and Uzbekistan. The visit resulted in the signing of trade deals between France and Kazakhstan, including a declaration of intent to partner in rare metals. Kazakhstan is the most important supplier of uranium to France, the main raw mate-

rial of the nuclear industry. Kazakh President Tokayev reminded Macron of the great importance of developing the Trans-Caspian Corridor, connecting Europe with Central Asia, "as it would be an alternative to Chinese and Russian logistics routes."<sup>(255)</sup> The two parties signed contracts on the strategic mineral sectors, including an agreement on cooperation in geology, industry, pharmacy and energy. They also signed deals to build a joint wind energy project with the French company Total Energy and to encourage the French language in Kazakhstan. At the military level, the French presidency announced that Kazakhstan will be provided with military radars of the GM 40, and parts of these radars manufactured by the French company will be assembled in Kazakhstan.<sup>(256)</sup>

### **Conclusion: Scenarios Regarding the Response of Central Asian Countries to Challenges in 2024**

Amid regional and global geopolitical changes, the Central Asian countries face various push and pull factors that would determine the future trajectory of engagement. Push factors include economic challenges, social issues, and conflict/security concerns. Conversely, pull factors involve regional stability, access to affordable labor, and an increase in foreign remittances after a plunge in 2022 amid the Russia-Ukraine war. The likely significant trajectories of the Central Asian countries in 2024 will be as the following:

■ The economies of the Central Asian countries are anticipated to sustain economic growth, with a projected regional GDP growth rate of 5.9%. Kazakhstan anticipates nearly a 5.0% growth, the Kyrgyz Republic expects 7%, Tajikistan projects 7.5%, and Uzbekistan aims for a 6.5% growth fueled by various factors such as regional cooperation, and an increase in energy exports, international trade, and tourism.<sup>(257)</sup>

■ The concerns of the Russian-Ukrainian war did not stop the Central Asian countries from maintaining distinguished relations with Mos-

cow but further strengthened them because they realized the strategic importance of Russia. The Central Asian countries will likely continue to conduct their relationship with Russia in the same manner.

- The Central Asian countries, particularly Uzbekistan and Kazakhstan, are witnessing a rise in gas demand due to economic and population growth, offering new markets for Russian gas supplies which Russia will highly prioritize.

- The current projections and the economic trends in the near future indicate that Central Asia will broaden its engagement with China, especially as China will face more energy demand, which countries like Turkmenistan could address. Central Asia will have interests that seek its orbits with Western Europe, necessitating collaboration with neighboring nations. The

region will likely see more Chinese involvement both bilaterally and multilaterally to safeguard its economic and strategic interests.

- The Central Asian countries will also engage more closely with other economic powers like the Gulf states as well as cooperate on trade and transit with regional powers like India so as to own the region's strategic significance.

- Amid growing demand for rare earth minerals, the Central Asian nations with resources such as lithium and cobalt, which are crucial for electric batteries, are expected to seek new markets and investments for export. This is apparent from discussions and engagements with European nations and other partners like India.

- Reports in 2023 revealed that Uzbekistan and Kazakhstan significantly increased their uranium exports to Europe, as a result of a trend

where European energy companies shifted away from Russian uranium. The EU's role remains crucial for Central Asia's strategic autonomy amid evolving geopolitical challenges and to overcome its dependence on Moscow and Beijing.

Overall, the Central Asian countries will continue to broaden their prospects of engagement aiming to strengthen cooperation in the energy sector and promote diversification of partnerships. This continuity is driven by economic, political and security considerations, not to mention the motives of the changing regional security. However, on the security front, they will continue to rely heavily on Russia which will limit their strategic autonomy.



**STRATEGIC INTERACTIONS  
BETWEEN REGIONS**



# THE MIDDLE EAST CRISES

## 01

### The Implications and Trends of Israel's War on Gaza

**At the Palestinian level:** The eruption of conflict in Gaza initiated a phase of relative calm, shifting Palestinian divisions to the background of the political scene. This occurred amidst growing popular sympathy for the resistance.

**The Palestinian cause and the equations of the conflict:** The conflict's emergence brought the Palestinian issue back to the forefront, reclaiming attention after its status had waned, transitioning into a humanitarian issue. It affirmed the impossibility of liquidating or bypassing it.



**At the Israeli level:** The conflict's outbreak delivered a significant shock to Israeli society and leadership, laying bare the vulnerabilities of the domestic front in Israel.

**At the regional level:** Regionally, tensions resurfaced despite initial indications of entering a phase of calm against the backdrop of the Saudi Arabia-Iran agreement. This comes amid the involvement of Iran-aligned militias on the confrontation line.

**At the international level:**

The conflict triggered international divisions, with one camp, including the United States, the UK, Germany, France and Italy supporting Israel. Another camp, represented by Russia, China, Spain, Norway and the majority of countries worldwide rejected the war.

### Scenarios of the Israeli War on Gaza in 2024

Escalation will likely continue as Israeli forces persist in their retaliatory actions on the Gaza Strip, with an expansion of the ground invasion encompassing the southern region of the strip.

There is a chance that the conflict may reach a stalemate, avoiding expansion into other fronts. This scenario envisions a slowdown in the progress of Israeli forces in the remaining areas of Gaza, coupled with the continuation of genocidal operations and the steadfastness of the resistance.

International pressure, both official and popular, might succeed in de-escalating the conflict. This could lead to the release of the remaining prisoners, accompanied by specific arrangements in the Gaza Strip ensuring Israel's security.

# 02

## The Libyan Crisis: Is There a Roadmap for a Political Settlement?



A persistent governance crisis prevails, fueled by ongoing political divisions, the struggling unification of political institutions, and the inability to conduct elections due to disagreements over organizational frameworks.

Amidst enduring tensions between political parties, the prospect of formulating a clear and actionable roadmap to resolve the crisis and facilitate political transition in the near term appears challenging.

# 03

## The Prospects of the Turkish Government's Success in Addressing the Country's Economic Recession

The Turkish economy faces challenges such as the decline in the value of the lira, the high inflation rate, the increasing volume of foreign debt and the repercussions of the earthquake disaster.

The government implemented reforms to confront the challenges, including reducing the inflation rate, raising the growth rate, reducing the budget deficit rate, reducing the unemployment rate and increasing exports. But its chances of survival were very limited due to the complexity of the challenges.



## Future Scenarios of the Middle East Crisis in 2024



In Palestine, the upcoming phase is poised to witness heightened challenges, intensified by the aftermath of the conflict outbreak, potentially leading to significant shifts in the trajectory of the Palestinian issue.



Israel faces the prospect of increased protests against the Netanyahu government, with a potential shift in the political landscape favoring opposition forces.



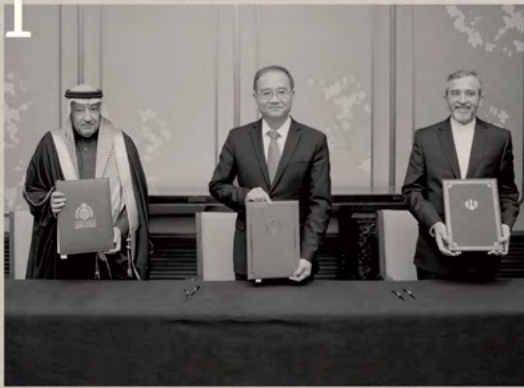
The ongoing political deadlock and tensions among Libyan factions are likely to persist, with little progress toward consensus on a clear and actionable roadmap.



In Turkey, near-term challenges persist, and the success of reforms hinges on the government's ability to address the economy's structural challenges amid favorable regional and international conditions.

# TRENDS IN RELATIONS BETWEEN INTERNATIONAL AND REGIONAL POWERS IN THE MIDDLE EAST

01



## The Saudi-Iran Deal: China's Mediation and Regional Repercussions

China's interest in the Saudi-Iranian agreement is multifaceted, covering economic, political, security and diplomatic aspects.

Regional repercussions are anticipated, positively affecting issues in Iraq, Yemen, Syria, Lebanon, the Israeli-Palestinian conflict and the nuclear file.

02



## Erdogan's Gulf Tour

Erdogan's visit to Saudi Arabia, Qatar and the UAE underscores the Gulf region's ongoing importance for the Middle East and the world.

Turkey aims to strengthen its economic, political, security and strategic ties with Saudi Arabia, Qatar and the UAE.

03



### The End of the Political Stalemate in Egypt-Turkey Relations

The end of the political deadlock between Egypt and Turkey will impact the Libyan crisis and developments in the eastern Mediterranean.

Focus shifts toward common interests and strategic cooperation, influencing regional politics and energy dynamics.

The resumption of relations will effectively impact regional policies and energy dynamics.

04



### The Jeddah Summit and Arab Openness to Syria

The Jeddah Summit marks a significant stride in understanding the complexities of the Syrian crisis on the international and regional levels.

Arab League countries are actively pursuing reconstruction deals, expanding economic exchange with Syria, determining the fate of refugees and combating terrorism and Captagon trafficking.

The dynamics of economic activity to keep Syria within the Arab fold will continue.

## Future Scenarios

- The status quo of the Saudi-Iranian agreement is anticipated to persist into 2024.
- This year marks the end of a negative streak, with Arabs reaching out to Syria, which was achieved at the 2023 Arab League Summit in Jeddah, a move chiefly sponsored by Riyadh.
- Turkish cooperation with Saudi Arabia, Qatar and the UAE signals a recalibration of regional alliances.
- Resolving the Egyptian-Turkish stalemate necessitates increased diplomatic engagement with regional actors.



# SUMMIT DIPLOMACY AND THE GULF'S ASPIRATIONS TO ENHANCE ITS INTERNATIONAL POSTURE



1

**Motives for promoting collective action by the GCC countries:** To enhance cooperation and coordination among the GCC countries in light of international transformations to formulate common and unified positions toward promoting political issues, removing obstacles and maximizing opportunities.

**The challenges posed by regional and international shifts:** Led by security challenges against the backdrop of the military imbalance between the Arab Gulf states and their northern neighbor, Iran, as a result of the latter's efforts to impose militarization and the pursuit of nuclear weapons. International transformations have also imposed economic challenges on the Gulf states.

### Gulf Policies Amid the Current Opportunities and Risks

**Gulf policies amid global transformations:** The collective Gulf desire to diversify economic patterns by moving away from the traditional oil-based model in favor of diversifying sources of income is at the forefront of the chief orientations of the Gulf states toward regional and international spheres.

**The opportunities before the Gulf countries:** The Gulf states have enormous oil potential that has increased in value and come to the fore against the backdrop of international transformations. They also have partnerships with influential regional and international players and a powerful infrastructure that has enhanced their opportunities on the map of global logistics projects.

2

## Collective Efforts to Enhance Regional and International Relations

**The GCC engages in extensive strategic dialogue with countries, regional entities and international organizations. The objective is to enhance relations, explore new opportunities and optimize the interests of the GCC countries collectively. This effort seeks to achieve the following objectives:**

Advancing ties and cooperation with various countries and blocs.

Formulating shared and cohesive positions on political matters.

Emphasizing the GCC countries' involvement in the international agenda of global issues.



## Joint International Engagements of the GCC Countries



**The GCC-Central Asia Summit:** Significance and implications: The Gulf countries aimed to bolster relations with the Central Asian nations through the GCC-Central Asia Summit in July 2023. This initiative aligns with a strategy to diversify external partners and alternatives.



**The GCC-ASEAN Summit:** Access to new markets: The inaugural summit between the Gulf states and the ASEAN countries in Riyadh holds significance due to the escalating influence and weight of both circles in regional and international orders. This is attributed to their economic capabilities, tendencies toward diversifying allies and the search for partners.



**The GCC-China Summit:** Cooperation and development: In 2023, Saudi Arabia hosted the GCC-China summit, recognizing China's status as a global powerhouse and the Gulf states' largest trading partner. Saudi Arabia, in particular, leads the list of China's trade partners among Arab countries.



**The GCC-Russia Summit:** Mutual interests: Strategic dialogue unfolded between the Gulf states and the Russian Federation, reflecting a shared strategic desire to enhance cooperation.



**The GCC-US Meetings:** A fundamental partnership: The Gulf states, especially Saudi Arabia, hosted a series of visits by senior US officials, signaling a renewed US interest in the region following discussions about a decline in US influence.



4

## Scenarios for the Collective Action of the GCC Countries in 2024

### **Elevating collective action**

**momentum:** The Gulf states may intensify their collaborative efforts to secure a notable position amid international competition. Emphasis could shift toward reducing regional tensions.

### **Continuation of traditional working**

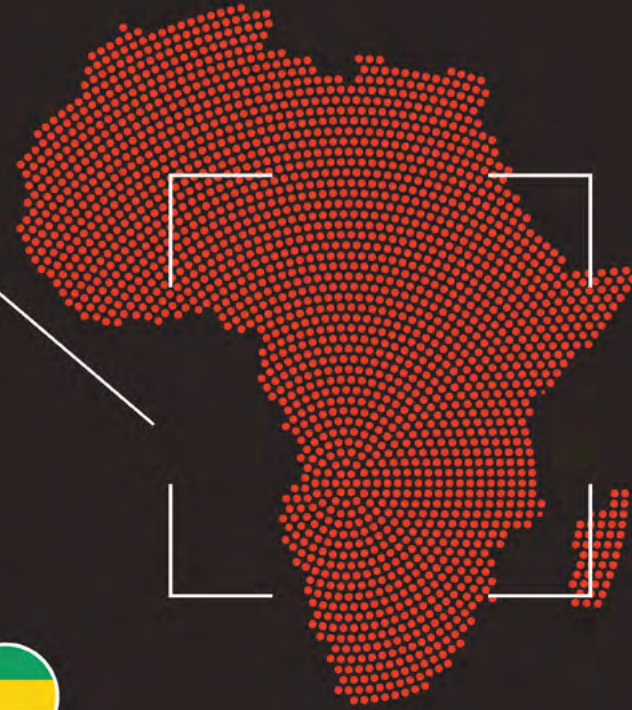
**mechanism:** The Gulf countries will persist in adhering to a traditional working mechanism, striking a balance between collective and individual benefits for each nation.

### **Renewed disagreements within the GCC:**

The potential resurgence of disagreements among the GCC countries could diminish the effectiveness of the GCC's General Secretariat.

# AFRICA AT THE HEART OF INTERNATIONAL COMPETITION

## Military Coups in West Africa: The Rise of Russia and the Decline of France



### The Coup in Niger

This marks the fifth coup in Niger since gaining independence in 1960 and the first since 2010.

The coup is attributed to internal disputes within the ruling elite, particularly between President Mohamed Bazoum and his predecessor Mohamed Issoufou. Additionally, economic challenges and President Bazoum's relations with France and Western powers have contributed to the current political turmoil.



### The Coup in Gabon

- This marks the first successful coup in Gabon since the Bongo family assumed power in 1967. In contrast to Niger's recent coup, the circumstances surrounding Gabon's coup differ significantly.
- The Gabonese coup is driven by economic factors, with 30% of the population living in poverty and almost 40% of young people facing unemployment. The corruption within the Bongo family, coupled with their intricate ties with the West, further exacerbates the country's challenges.

## Findings

The region transformed into a belt of active coups.

The United States endeavored to fill the vacuum created by France.

France experienced diminishing influence in certain countries.

Political instability proliferated, and democratic advancements receded.

Russia, China and Turkey enhanced their presence in the region.

Escalating security volatility and increased activities of terrorist groups further exacerbated the situation

## Future Scenarios

### First Scenario

It envisions a series of coups and a deepening state of political instability. This is particularly prominent amid escalating internal crises, governments struggling to meet the expectations of their populations, and external pressures stemming from global competition that looms over the continent.

### Second Scenario

This one suggests that the wave of coups may cease as colonial powers recognize the threat it poses to their interests and pivot toward accommodating the ambitions of emerging leaders and aligning with popular aspirations.

**The first scenario appears more plausible, given the structural and intricate nature of the continent's challenges—with a convergence of internal and external factors contributing significantly to ongoing crises.**

## **The Contagion of Rebellion: Coups by Paramilitary Forces Against Regular Armies: Sudan and Ethiopia as Examples**

### **The Conflict Between the Sudanese Army and the Rapid Support Forces (RSF)**

The integration of the RSF into the armed forces has triggered the internal crisis in Sudan.

Regional and international negotiation and mediation have failed to settle the dispute.

### **The Special Forces Crisis in the Ethiopian Provinces and the Fano Militia**

In the Ethiopian regions, the emergence of militias and rebellions led by the Fano militia and special forces has violated the Ethiopian Constitution, contributing significantly to internal conflicts.

The rebellion in Ethiopia is chiefly attributed to the dispute among the ethnic groups.

The government's efforts to integrate these auxiliary forces and curb their influence have triggered internal strife.



### Potential Conflict Scenarios for Sudan and Ethiopia During 2024

#### The first trend

Military decisiveness, government forces gain control of the situation, and put an end to the rebellion of militias and paramilitary forces.

#### The second trend

Political settlement of the crisis through negotiations and the intervention of mediators

#### The third trend

Expansion of the scope of the rebellion and a trend toward a scenario of secession and dismantling.

In the context of military coups in the west of the continent and the internal power struggle in the east, the future appears perilous, with numerous potential scenarios, many of which may be challenging. However, there is a possibility to avert the worst outcomes if the countries of the continent proactively take the initiative and carve an independent path for their nations. This is particularly crucial amid the intense international competition that has seen the resurgence of colonial powers vying for influence over the continent and its resources.



# THE CENTRAL ASIAN STATES RESPONSE TO INTERNATIONAL SHIFTS

01

## Challenges Resulting From International Shifts

The Central Asian countries grapple with challenges rooted in their geopolitical characteristics and the intricate web of ethnic, cultural, political and economic interactions with neighboring nations.

A paramount challenge for this region lies in reconciling the interests of major powers engaged in competition over Central Asia, a sphere that holds significance in the strategies of both regional and international players.

China plays a highly influential role in Central Asia by heavily investing in infrastructure through the Belt and Road Initiative. While this brings gains for the countries involved, it concurrently raises concerns about potential Chinese hegemony.

The financial sectors of the Central Asian nations have experienced turbulence due to sanctions imposed on Russia. In response, several international companies previously operating in Russia have shifted their activities to the Central Asian countries, attempting to indirectly navigate around international sanctions.

Beyond the aforementioned challenges, political stability in the Central Asian countries faces threats emanating from internal conditions shaped by political, social and resulting crises.

## 02

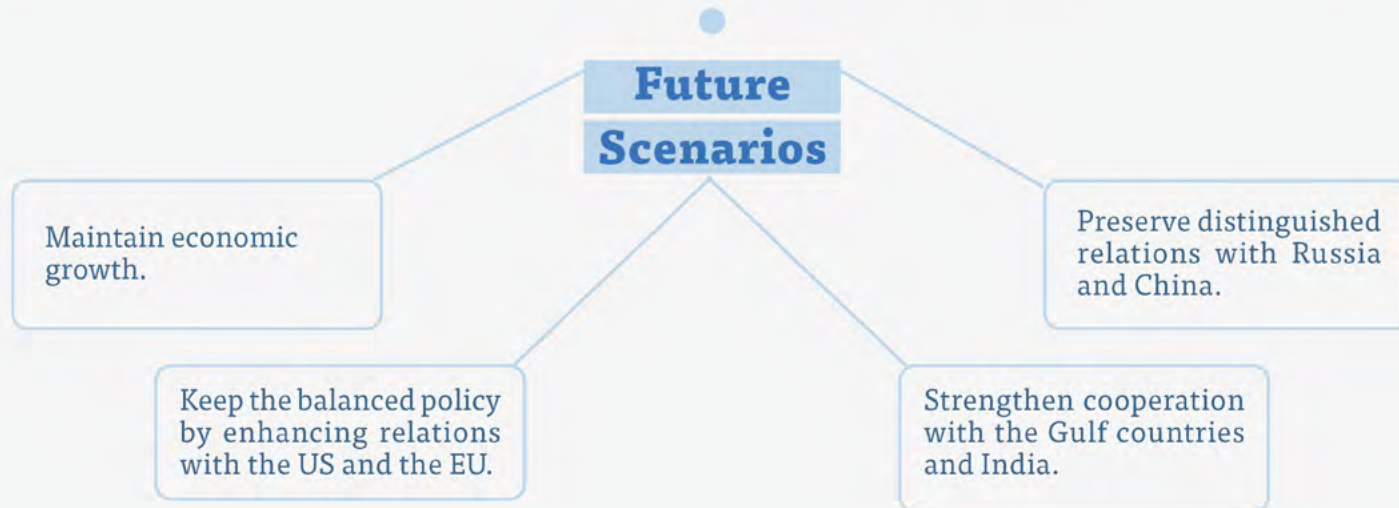
## The Response of Central Asian Countries to Regional and International Challenges

Mitigate the domestic repercussions of the Russia-Ukraine war by actively preventing the involvement of its citizens in the conflict.

Foster diversified partnerships with Gulf countries, as exemplified by the collaborative initiative between Central Asian countries and the GCC.

Enhance strategic cooperation with Russia and China, recognizing them as pivotal partners due to geographical, security, political and historical considerations.

Maintain a delicate balance in relations between the Eastern and Western camps to achieve equilibrium with Russia and China, while also attracting investments to priority sectors aligned with national interests.



## Endnotes

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- (31) \* Semiconductors are elements that conduct electricity, such as gold and copper, while insulators



are elements that are non-conductive, like glass and ceramics. Semiconductors, on the other hand, are extracted from nature and combined with laboratory impurities to bridge conductors and insulators. These include germanium, gallium and silicon, with China being a global leader in their production, and other components like lead and gallium arsenide.

(32)

(33) الحرة، صراع «النفط الجديد».. ما هي أشباه الموصلات ولماذا يتنافس العالم في صناعتها؟، (16 يناير 2023م)، تاريخ الاطلاع: 19 نوفمبر 2023م، [eXmXI/us.cutt//https](https://cutt.us/eXmXI/us)

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(38) Xiao Liang and Dr Nan Tian, The proposed hike in Japan's military expenditure, sipri, Feb 2023, 2, Accessed: Nov 2023, 17, <https://cutt.us/SoZhw>

(39) \* Natural gas prices fell by %50, while oil prices dropped from 120\$ per barrel in early 2022 to an average of about 85\$ per barrel in 2023.

(40) \* In September 2023, an agreement was signed to establish an economic corridor linking Europe, the Middle East and India. The agreement aimed to implement a railway trade link between these countries and to lay pipelines for natural gas and energy. However, the ongoing war in Gaza may potentially affect the implementation of the corridor.

(41) \*Includes the United States, China, Japan, Germany, France, UK and Italy.

(42) "World Economic Outlook Report," IMF, October 2023, <https://cutt.us/8Ddiv>

(43) \*The G7 countries account for roughly %30 of global GDP. On a bigger scale, advanced economies generate more than %60 of global exports, demonstrating the group's importance for the global economy.

(44) البنك الدولي، «أسعار السلع الأولية تسجل أكبر انخفاض منذ جائحة كورونا»، 27 أبريل، 2023، إطلاع: 20 أكتوبر 2023، <https://cutt.us/>

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(45) Because calculating the inflation rate within a country does not solely involve measuring price changes for a specific product or category, such as food and drink. Instead, it encompasses a basket of goods, products and services that consumers typically spend on within the country. This basket includes various categories such as food and drink, housing, education, transportation, medicine, furniture, entertainment and many others. Each category comprises hundreds, if not thousands, of goods and services within the country. This approach differs from focusing solely on a particular category like food and drink, which may often exhibit higher inflation rates compared to other categories where the increase could be less pronounced, such as housing. However, the housing category's higher relative weight in the spending list contributes to mitigating the overall inflation rate in the end.

(46) البنك الدولي، «تحديث الأمن الغذائي استجابة البنك الدولي لتزايد انعدام الأمن الغذائي»، 13 نوفمبر 2023، [XEH3C/us.cutt//https](https://cutt.us/XEH3C/us)

(47) \* The war contributed to the escalation in prices of essential production factors, including energy, raw materials, fertilizer, grains, basic metals and electronic chips. Simultaneously, it led to an increase in shipping and transportation costs. The intervention of European and American forces further exacerbated the issue, resulting in a significant supply shortage in the areas of nutrition and other essential goods. These factors collectively fueled the persistent phenomenon of inflation throughout 2023.

(48) The human toll of the conflict surpassed "22,000 martyrs, with 66,000 individuals wounded as of the end of 2023, and a staggering nearly 2,000,000 people displaced," according to the Palestinian Central Bureau of Statistics. The destruction inflicted upon infrastructure, services and healthcare was widespread, with approximately %60 of residential homes either completely or partially affected. Daily life in the region has come to an almost complete standstill, raising numerous concerns about the uncertain future of Gaza's ravaged economy, escalating poverty and unemployment rates, and the challenges of ensuring food and health security for a population exceeding 2 million people. Learn more: *The Palestinian Central Bureau of Statistics*, <https://www.pcbs.gov.ps/default.aspx>.

(49) The estimated daily cost of the conflict reached 250\$ million, encompassing substantial losses in terms of gross domestic product, heightened rates of

inflation, increased unemployment, budget deficits, and the adverse impact on key sectors like export and tourism. This impact extended to crucial segments of the Israeli economy, including technology and diamond manufacturing companies, capital flight, and disruptions to the workforce across various production and service sectors due to military service.

(50) شيرمان كينيث وآخرون، ترجمة مورييس معريس، «العالم في عام 2040 من منظور وكالة المخابرات الأمريكية، جروس برس ناشرون، 2023، (ص 110-88).

(51) \* An example of the risks embedded in AI and its horrific usage in collective killing and genocides is Israel's airstrikes in Gaza. The Israeli Air Forces (IAF) used an AI system named "the Gospel," which can identify 100 potential targets daily in Gaza — compared to 50,000 annual targets identified by the Israeli army without using this system. The AI system analyzes huge amounts of intelligence data of Gazans so that it can identify daily potential targets for the army's airstrikes, this system has become a tool for arbitrary collective killing.

See "How the Israeli Army Uses AI to Strike Gaza," *Al Jazeera*, September 2023, accessed December 2023, 17, <https://cutt.us/U8i9m>. [Arabic].

(52) فوزية خدا كرم، «التكتلات الاقتصادية العالمية، انعكاساتها على الدول النامية»، جامعة البصرة، مجلة العلوم السياسية، العدد 43، ص 172 وما بعدها، [DOMJs/us.cutt//https](https://cutt.us/DOMJs/us)

(53) "Achievements and Benefits," *Asia-Pacific Economic Corporation*, October 2003, accessed 20 November, 2023. <https://cutt.us/rawyY>

(54) سي ان بي سي عربية، منظمة شنغهاي للتعاون.. هل تسهم في تأسيس مراكز قوى جديدة؟، (5 يوليو 2023)، تاريخ الاطلاع: 3 ديسمبر 2023، [htO33/us.cutt//https](https://cutt.us/htO33/us)

(55) Chris Devonshire-Ellis and Farzad Ramezani Bonesh, "Intra-BRICS Trade and Analysis 2023," *BRICS Information Portal*, September 2023, 4, <https://cutt.us/bLOZ>. 8

(56) "Statistics," *Mercosur*, accessed December 6, <https://cutt.us/RICsQ>

(57) "The Impact of Custom Union on Intra-GCC Trade," *GCC*, accessed December 2023, 10, <https://bit.ly/3Rk4CRL>.

(58) جامعة الدول العربية، منطقة التجارة الحرة العربية الكبرى دليل تعريفي، تاريخ الاطلاع: 3 ديسمبر 2023، [iBdFj/us.cutt//https](https://cutt.us/iBdFj/us)

(59) For economic blocs to achieve their objectives, they need to meet a host of conditions: political and security cohesion between the bloc's member states, in addition to consensus in their economic perspectives and

objectives, relatively slight differences in production structure that do not hinder trade interactions between the member states. This is in addition to efficient human capital to increase production and boost competition of the block on the global stage. It is also significant to have solid infrastructure, legislative and oversight capacities, and suitable drivers to create a conducive, attractive business environment. These factors are crucial to achieving one bloc's objectives: increasing trade volume, boosting international competition, achieving consumer welfare and development as well as economic integration, etc.

Council on, Upamanyu Lahiri, Guest Contributor (60) Foreign Relations, "The Future of Dollar Hegemony," <https://cutt.us/kkRQ9>, 2023 .3 accessed December ,2023 ,22 August

(61) JP Morgan, "De-dollarization: Is the US Dollar Losing Its Dominance?" August 2023 ,31, accessed December 2023 ,3, <https://cutt.us/j0oaV>

(62) "The Future of the US Dollar: Are Its Days as the World's Dominant Currency Numbered?" *Brookings*, June 07, 2022, accessed December 2023 ,3, <https://cutt.us/7p3RE>

(63) "The International Role of the U.S. Dollar" Post-COVID Edition," *The Federal Reserve, The Central Bank of United States*, 23 June, 2023, accessed December 2023 ,3, <https://cutt.us/oBibs>

(64) Kalim Siddiqui, "The US Dollar and the World Economy: A Critical Review," *Athens Journal of Business & Economics* 6, no. 1 (January 43-21 :2020. doi:10.30958/ajbe.2-1-6.

(65) سكاي نيوز نفس السابق، عصر هيمنة الدولار.. هل وصل إلى خريفه؟ (12 أبريل 2023)، تاريخ الاطلاع: 3 ديسمبر 2023، <https://cutt.us/tqyNc>

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(66) "World Economic Outlook: A Rocky Recovery," *IMF*, April 120 ,2023.

(67) Since the Chinese currency attained the status of one of the international reserve currencies in 2015, its utilization has consistently expanded. This growth is attributed to the increasing adoption of the renminbi in global trade. Furthermore, China has actively supported emerging economies, including India and Brazil, and has facilitated the establishment of economic blocs like BRICS and the SCO. These efforts aim to enhance competition with the US economy, while concurrently fostering trade expansion and greater utilization of the renminbi.

(68) Padania Lahiru, "The Future of Dollar Hegemony,"

*Council on Foreign Relations*, August 2023 ,22, accessed December 2023 ,10, <https://cutt.us/JovI2>.

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(70) Anshu Siripurapu and Noah Berman, "The Dollar: The World's Reserve Currency," *Council on Foreign Relations*, July 2023 ,19, accessed December 2023 ,3, <https://cutt.us/2qlVG>

(71) Georgios Georgiadis, Helena Le Mezo, Arnaud Mehl, Working Paper Series, "Fundamentals Vs. Policies: Can the US Dollar's Dominance in Global Trade Be Dented?" *The European Central Bank*, No 2574 / July 2021, accessed December 2023 ,3, <https://cutt.us/UwMW4>

(72) In contrast, the study disclosed that the increasing use of China's currency, the renminbi, in international trade has come at the expense of the euro, rather than diminishing the dollar's role. In other words, it has eroded the global utilization of the euro more than that of the dollar.

(73) "De-Dollarization: Is The US Dollar Losing Its Dominance? *J.P. Morgan*, August 2023 ,31, accessed December 2023 ,3, <https://cutt.us/j0oaV>.

(74) Ibid.

(75) Describing the real estate crisis in China succinctly, it involves a domestic downturn characterized by a decline in real estate prices. This internal crisis holds the potential for external repercussions if it escalates, leading to the insolvency of real estate financing companies. Given China's significant demand for raw materials and financing, the collapse of firms in this sector could extend its impact to global financial markets. This downturn is expected to markedly influence the demand for raw materials tied to the sector, such as iron, steel, cement, etc., considering China's substantial consumption, accounting for approximately %70 of globally transported iron by sea. Furthermore, the real estate sector represents a crucial component of Chinese gross domestic product, exceeding %25 of output. A collapse in this sector would undoubtedly have ripple effects on Chinese growth, consequently impacting global economic growth.

(76) Investment options abound, catering to both seasoned investors and those new to the arena. For the experienced, productive investment assets present themselves, while those less experienced can explore alternatives such as precious metals like unworked gold and silver, real estate and land holdings, currencies

characterized by low volatility, and other options that stand resilient against the erosion of value typical of inflation-prone banknotes. Additionally, investing in education and human capacity development emerges as a strategic avenue for growth and stability.

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A vibrant illustration of a desert scene. In the foreground, three camels with saddles are standing near a small pool of water, their reflections visible. The background features rolling sand dunes, several tall palm trees, and distant blue mountains under a bright blue sky with soft, white clouds. The overall style is painterly and colorful.

# 2024 THE YEAR OF THE CAMEL

*"In 2024, we celebrate the camel as a highly valued cultural symbol, a key pillar of our authentic national identity, and a source of pride in every stage and domain."*

Bader bin Abdullah bin Farhan Al Saud  
Minister of Culture

[#TheYearOfTheCamel2024](#)

## STRATEGIC SHIFTS IN SAUDI POLICY

In 2023, the Kingdom of Saudi Arabia witnessed remarkable progress in implementing the Saudi Vision 2030. The country achieved significant milestones in internal transformation, which is a crucial factor in positioning the kingdom as a regional and global influential power. These achievements have enabled the kingdom to make significant strides in various areas, both domestically and internationally.

This part of Rasanah's 2023 ASR reviews in depth Saudi Arabia's most salient and prominent developments at home and abroad by delving into four main aspects as follows:

- Policies of Modernization and Good Governance as Part of Vision 2030
- Saudi Arabia: A Peacemaker and a Catalyst for Regional Stability
- Economic Diversification in the Post-Oil Era
- Defense Transformation Strategy





The 2022 ASR determined that Saudi Arabia's foreign policy had entered uncharted territory, demonstrating a sustained drive that showed no signs of diminishing. Instead, it is poised to receive fresh programs and initiatives that will produce benefits the kingdom stands to accrue. This aligns with Vision 2030, which has started unpacking the elements of Saudi national power and its civilizational role. It is a vision crafted by an inspiring leadership, which has thrust this vision to the fore, at the apex of the overarching national objectives. Moreover, the Saudi leadership has marshaled the state's resources to achieve this vision.

An overarching analysis of the Saudi landscape in 2023 reveals that the nation has achieved the pinnacle of excellence this year, both internally and externally. Described as the kingdom's year, 2023 showcased Saudi Arabia's refined approach to social, economic and cultural transformations,

solidifying its prominent position within the region. Moreover, the kingdom has evolved into a nexus and a crucial link in international policy, emerging as an indispensable pillar of the global order.

On the global political stage, 2023 witnessed a notable shift for Saudi Arabia. The country transitioned from orchestrating summits that brought the Gulf states together collectively with international powers such as the United States and China, as observed in 2022, to a diplomatic strategy focused on hosting Saudi summits with entire regions and continents. Noteworthy events included the Saudi-Gulf-ASEAN summit in October, the Saudi-Gulf-Central Asia Summit in July, the Saudi-Africa summit in November and the Saudi-Caribbean summit in November. This strategic shift underscores Saudi Arabia's commitment to shaping its diplomacy and policy based on engagement with regions, blocs and continents,



rather than solely with individual countries or through bilateral relations — an approach previously pursued only by major powers.

Throughout 2023, Saudi Arabia played a pivotal role in hosting key summits and conferences. Remarkably, the kingdom hosted the 32nd Arab summit in May. Yet, on November 11, the Joint Arab Islamic Extraordinary Summit convened to address the conflict in Gaza. There have also been many conferences held in the kingdom with the aim to address specific and specialized issues. These could be mentioned as follows:

In February, the second edition of the international tech conference LEAP took place. August witnessed an unprecedented gathering of national security advisors and representatives from approximately 40 countries worldwide. The focus of this assembly was to deliberate on strategies for resolving the Russia-Ukraine war. Subsequent significant events included

the “Communication with the Departments of Religious Affairs, Ifta, and Sheikhdoms in the World” international Islamic conference, held in August, followed by the Riyadh Global Medical Biotechnology Summit (RGMBS) in September. The month of October featured the Cybersecurity Summit, while November hosted the International Conference on Women in Islam, organized by the Organization of Islamic Cooperation (OIC).

In this context, the strategic transformations in Saudi policy in 2023 will be discussed in four main topics:

- Policies of Modernization and Good Governance as Part of Vision 2030
- Saudi Arabia: A Peacemaker and a Catalyst of Regional Stability
- Economic Diversification in the Post-Oil Era
- Defense Transformation Strategy

## Policies of Modernization and Good Governance as Part of Vision

2030



As Saudi Arabia commemorates its 93rd year since its establishment, a stark transformation is evident when compared to a decade ago. This notable evolution is credited to the deliberate measures taken by the astute leadership, aimed at optimizing economic and social potential while steadfastly advancing structural reforms and radical societal changes. Modernization initiatives have spanned across a broad spectrum, encompassing the comprehensive rejuvenation of the state, bolstering national security, empowering local communities and amplifying the role of individuals in education and culture. Additionally, relentless endeavors have been directed toward economic diversification and navigating the transition to a post-oil era. This multifaceted approach extends to elevating Saudi Arabia's presence in sports, literature and arts, enriching entertainment facets, and enhancing overall quality of life.

Furthermore, strategic investments have been made in digital infrastructure and the widespread integration of AI, complemented by a commitment to supporting local endeavors to preserve historic and urban identities. These matters constituted a significant component of the modernization policies implemented by the kingdom throughout 2023. The kingdom has achieved significant milestones in shaping the nation's image, effectively reintroducing itself to both domestic society and the global arena. Through innovative programs and initiatives, the leadership addresses the interests of citizens domestically while exerting an impact on countries and communities regionally and worldwide. In this vein, the file delineates eight key points encapsulating the foremost internal transformations and modernization trajectories within Saudi Arabia. These include policies geared toward enhancing national identity and initiatives addressing the conditions, empowerment and role of women in Saudi society. Additionally, the file explores educational policies, initiatives fostering innovation and scientific research, considerations related to urban identity, national heritage preservation efforts and the integration of AI. The file further delves into digital transformation policies, the role of sports in augmenting soft power, the significations of Saudi Arabia's successful bid to host Expo 2030, and the dimensions of the cultural, literary and artistic activism.

### Enhancing National Identity

The Saudi policy has placed significant emphasis on instilling the principles of citizenship and nurturing a robust national identity, particularly in light of the prevailing trends of openness and globalization driven by the technological revolution, AI, and the challenges posed by natural disasters, human crises and pandemics. Recognizing the evolving landscape of citizenship and the threats to identity and national

belonging, a Royal Decree issued on March 1, 2023,<sup>(1)</sup> designated March 11 of each year as Saudi Flag Day. This decree serves as a testament to the state's commitment to documenting Saudi national identity and fostering awareness of the significance and symbolism encapsulated in the Saudi flag. The flag is not merely a representation of the state but also a symbol of its history and a source of pride. It embodies strength, identity, harmony, cohesion and national unity for all who stand under its folds. This initiative builds upon ongoing efforts from previous years, which have seen National Day and Foundation Day celebrated as occasions to reinforce the principles of loyalty and belonging to the homeland. These events aim to instill a sense of national pride and commitment to preserving the nation's achievements in the hearts of the youth, illustrating the cohesion between the people and the leadership and their connection to their identity and historical heritage.

Given that the Arabic language serves as the primary incubator of the kingdom's Arab and Islamic identity, the Shura Council's approval of the draft law aimed at promoting the use of the Arabic language signifies the state's determination to enhance its presence not only domestically but also on a global scale. This commitment is articulated through the urging of governmental and non-governmental agencies to employ the Arabic language. The endorsement of this draft law is accompanied by the adoption of numerous programs, activities, courses, initiatives and awards, both within and outside Saudi Arabia.<sup>(2)</sup>

Riyadh has proclaimed the year 2023 as the Year of Arabic Poetry, representing an additional initiative to foster a sense of pride among members of Saudi society in their Arabic language. Recognizing that the Arabic language is a foundational element shaping the identity of Saudi society, it serves as a bridge connecting generations to the past, present and future. This commemoration

aims to elevate societal appreciation, instill respect for historical and heritage identity, and encourage a deep connection with the Arabic language, both classical and contemporary. It seeks to inspire new generations to take pride in their original language, recite it and express their emotions and thoughts through it, even amid the assimilation of various global languages. This declaration also serves as a celebration of the cultural significance and pivotal value of Arabic poetry within local Arab and international culture. Simultaneously, it reinforces the role of the Arabian Peninsula and its poets in shaping literary history and contributing to the intellectual heritage of the Arab region.

### **Women, Policies of Empowerment and Role Enhancement**

The empowerment of women and their active involvement in all economic, social, scientific and cultural spheres have emerged as pivotal priorities within the modernization and governance policies of the kingdom. Over recent years, the nation has experienced significant strides in this direction, marked by the implementation of various measures and legislation

aimed at achieving the tangible and effective empowerment of women. These efforts are designed to ensure their comprehensive participation in accordance with Saudi regulations across diverse areas, including education and training programs, health initiatives social support programs, the National Family Safety Program, and their empowerment in the spheres of justice, business, politics, science, research and space. In 2023, a Royal Decree was promulgated, endorsing the modification of Article 8 within the Nationality Law. This amendment empowered the conferment of Saudi citizenship "by order of the Prime Minister," upon the proposal of the minister of interior. The decree stipulates specific conditions that must be met for the granting of citizenship under this provision.<sup>(3)</sup> Aligned with the crown prince's commitment to the well-being of Saudi women, the introduction of the program "SNAD Mohammed bin Salman" brings forth the ambitious "Toward a Stable Family" initiative. This is designed to reach a broad spectrum of beneficiaries, encompassing both men and women. It features a comprehensive and carefully crafted package of products and projects, supporting a diverse array of civil and social non-profit initiatives.





The primary objective is to fortify the Saudi family's stability and enhance community awareness among mothers, children and professionals working within this domain.

The launch of this initiative under the SNAD Mohammed bin Salman program reflects the crown prince's dedication to fostering effective and institutional empowerment for non-profit social initiatives in the realms of childhood, motherhood and family stability. The overarching goal is to contribute to the creation of a vibrant and impactful society, with a strong emphasis on cultivating happy and stable families. The Towards a Stable Family initiative specifically concentrates on bolstering the efforts of six charitable organizations operating across various regions of the kingdom, with a focus on supporting and educating new mothers and would-be mothers.<sup>(4)</sup>

The momentous launch of Saudi women into space signifies a significant milestone aligned with the visionary

leadership's strategy to train Saudi citizens capable of competing in the global arena of space exploration. This move not only asserts Saudi Arabia's presence in the international space race but also underscores the nation's commitment to harnessing its national capabilities in manned spaceflight for the greater benefit of humanity and to take advantage of the promising opportunities created by the space industry. Saudi astronaut Rayyana Barnawi, alongside her colleague Ali al-Qarni and two foreign counterparts, underwent an intensive and specialized training program to prepare for their mission. The training included the execution of 14 groundbreaking experiments in microgravity, marking a historic achievement as the first space mission for a Saudi woman and highlighting the progress of Saudi women in prominent sectors.<sup>(5)</sup> The decision to prepare and launch the first Saudi female astronaut reflects the kingdom's dedication to fostering integration and equality between genders. It is a manifestation of the commitment to realizing the ambitions of Saudi women in space, providing them with a platform to actively participate and contribute

to the nation's progress in line with Vision 2030. The radical changes and modernization policies spearheaded by the Saudi state reflect the confidence that the leadership places in the capabilities and energy of Saudi women to confront and overcome challenges.

Saudi progress in the empowerment of women is not confined to space exploration but encompasses diverse sectors, including the military domain. On March 8, 2023, the Ministry of Defense commemorated "International Women's Day" through a series of events organized by the General Administration for Strategic Communication, aptly titled: "A Promising Present...A Bright Future." As part of this celebration, the Ministry of Defense unveiled a visual presentation highlighting inspiring stories and commendable successes of several female members within the military and civil sectors. This visual work served as a tribute to the remarkable contributions of Saudi women, acknowledging their exceptional dedication and active roles in realizing the objectives outlined in the ministry's vision. The initiative aligns with the keen interest of the wise leadership in promoting the involvement of women and attaining the envisioned goals within the framework of the kingdom's Vision 2030. In recent years, the Ministry of Defense has made significant strides in advancing women's empowerment across various dimensions. The ministry has initiated numerous programs and campaigns designed to invest in human capital and empower Saudi women for employment across all sectors. A key aspect of this progress is the broadening of women's participation in the military domain, facilitated by the opening of the unified admission and recruitment portal. This platform enables applications for military positions at different ranks within the naval, air and land forces, as well as in the air defense and health service branches. Furthermore, the ministry has established a dedicated training center for female members of the armed

forces. This center is instrumental in providing specialized training programs and curricula, aiming to create an optimal educational environment that adheres to international standards. The center's initiatives are designed to meet the specific needs of the armed forces and align with the overarching objectives of the Ministry of Defense.<sup>(6)</sup>

The kingdom's qualitative transformation in empowering women has garnered international acknowledgment and acclaim. The Director of the World Bank in the GCC affirmed that Saudi Arabia stands out in the GCC and the broader Middle East and North Africa region for its rapid increase in women's participation within a relatively short timeframe. This surge in participation spans various age groups and educational levels, significantly contributing to a reduction in overall unemployment rates, particularly among Saudi women. A report released by the World Bank on November 22, 2023, focusing on the economic prospects of the Gulf states, highlighted that the participation of Saudi women in the workforce more than doubled from 17.4% in 2017 to 36% in 2023.<sup>(7)</sup>

### **Education Policy: Supporting Innovation and Scientific Research**

Saudi education is evolving at all levels, driven by strategic decisions and the leadership's keen understanding of the essential foundations for genuine societal and national progress. In the year 2023, there was a noteworthy focus on the development of education and the enhancement of the educational environment. These initiatives are poised to exert a positive impact by fostering the growth of capabilities and talents among Saudi citizens, improving the efficiency of human capital, equipping students with essential skills and knowledge, and preparing them for global competition. These efforts are intricately aligned with national development goals and the Human Capabilities Development Program within the broader framework

of Vision 2030. The significance attached to education is underscored by Crown Prince Mohammed bin Salman's decision to elevate King Saud University into an independent academic institution, a move indicative of its paramount importance. Subsequently, another remarkable development emerged with the unveiling of a new strategy for the King Abdullah University of Science and Technology (KAUST). Within the framework of this strategic initiative, a substantial technical innovation fund, valued at 750 million riyals (\$200 million), is being established. This fund is designed for early investments in both local and international high-tech companies, strategically aligned with national priorities in research, development and innovation. The initiative aims to strengthen valuable partnerships, both internationally and domestically, as well as collaborations with the private sector, contributing significantly to the realization of the goals outlined in Saudi Vision 2030.

The new strategy places a central emphasis on expanding opportunities to translate research efforts into innovations with tangible economic benefits. A pivotal component of this strategy involves the initiation of major initiatives, notably the establishment of the National Transformation Institute for Applied Research. Additionally, there is a comprehensive restructuring of research institutes within the university to align with national priorities in research, development and innovation. Furthermore, the strategy aims to foster the growth of emerging companies specializing in advanced technology. This would enhance the competitiveness of the kingdom's economy and elevate its global standing in the realm of innovation.<sup>(8)</sup>

Saudi Arabia is demonstrating a growing commitment to fostering local talent in the scientific realm. The Research, Development and Innovation Development Authority (RDIA) has embarked on a pioneering initiative aimed at promoting scientific research among young



# RED SEA GLOBAL



**Come and discover the beauty and adventure that awaits you at The Red Sea, a pioneering luxury regenerative tourism destination.**

Nestled along the west coast of Saudi Arabia, this 28,000 square kilometer paradise is home to an archipelago of over 90 untouched islands, stunning beaches, and a range of natural wonders including dormant volcanoes, desert dunes, and mountain canyons. The Red Sea is also home to the world's fourth biggest barrier reef, where marine life and coral thrive like nowhere else.





individuals across diverse tracks. In line with this commitment, the Ministry of Education has incorporated the Financial Knowledge course into the curricula for the first common year of the secondary stage. This inclusion is the result of a comprehensive study of leading international practices, ensuring that academic courses align with the state's efforts to synchronize educational outcomes with the evolving demands of the labor market. The Literature, Publishing & Translation Commission inaugurated the third edition of the 2023 Riyadh International Philosophy Conference, themed: "Trans-Cultural Values and Ethical Challenges in the Communicative Age." The conference witnessed the participation of over 70 guests representing more than 20 countries. These participants specialized in diverse fields, including philosophy, intellectual pursuits, critical studies, natural sciences, literature, language and the arts. During the launch of the conference activities, a significant development occurred as the Saudi Philosophical Association formalized its participation by signing an accession agreement with the International Federation of Philosophical Societies (FISP). This strategic move aimed to bolster the standing of local philosophy within the global philosophical discourse, aligning with the overarching objective of the international organization, which encompasses various specialized societies worldwide.<sup>(9)</sup>

The concerted efforts in the education sector have translated into tangible outcomes, propelling the kingdom to achieve notable advancements in several international indicators in the year 2023. One such benchmark is the Global Innovation Index, where the country secured the 48th position globally among 132 nations in the 2023 report issued by the World Intellectual Property Organization (WIPO). The kingdom has surged 15 places in the Global Innovation Index (GII) issued by the WIPO, securing advanced positions

in numerous sub-indices. Remarkably, it has attained a position among the top 10 countries globally in four key indicators, including the index of venture capital investment in companies within emerging technology, where Saudi Arabia has claimed the seventh spot worldwide, marking a substantial advancement of 73 places.<sup>(10)</sup>

### **Urban Modernization While Entrenching National Identity and Heritage**

The political leadership gives special attention to the preservation of urban identity, actively leveraging the unique characteristics and diversity of Saudi regions and cities. This aims to bestow a distinctive identity upon each city, setting them apart from one another. Aligned with the state's ambitious vision, efforts are directed toward consolidating the historical, heritage and cultural memory of society. This involves documenting the kingdom's architectural identity, ensuring its preservation amidst contemporary construction and engineering systems. The goal is to avoid its assimilation into prevailing trends while incorporating modernity and contemporary tools. A remarkable development in 2023 was highlighted in the IMD Smart City Index by the International Institute for Management Development. The report indicated that Riyadh ascended to the 30th position out of 141 cities. Additionally, Makkah, Medina and Jeddah made their debut in the index, contributing to a total of four smart Saudi cities. Riyadh, the Saudi capital, maintained its standing as the third smartest Arab city.<sup>(11)</sup> This recognition underscores the nation's commitment to considered urban development and its notable progress on the global stage.

In line with the aforesaid, the year 2023 witnessed the initiation of various projects in major cities, their metropolises and surrounding areas. Among them are contemporary ventures inspired by the spirit of the times as evidenced by the activities showcased at the Cityscape Global

exhibition, operating under the theme: "The Future of Living." This event, held in September 2023 at the Riyadh International Convention and Exhibition Center in Malham, north of Riyadh, drew the participation of several ministers and leaders from the real estate and banking sectors. During the exhibition, the minister of municipal, rural affairs and housing unveiled the launch of several projects totaling over 65 billion riyals (\$17.3 billion). Notable among these initiatives is the commencement of a project aimed at developing the city of Banan in the capital Riyadh. The city will adhere to international standards, catering to the aspirations of those seeking distinguished housing options within the city of Riyadh.<sup>(12)</sup>

In pursuit of developing the future of Riyadh, the Saudi crown prince announced the launch of the New Murabba project which aims to build the world's largest modern downtown area in northwest Riyadh by creating a unique living, working and entertainment experience. The project will prioritize sustainability by incorporating green spaces, walking and cycling paths and promoting healthy lifestyles and community activities to enhance the quality of life of its residents. The project will include a museum, a university specializing in technology and design, immersive theater, and more than 80 entertainment and cultural venues.<sup>(13)</sup>

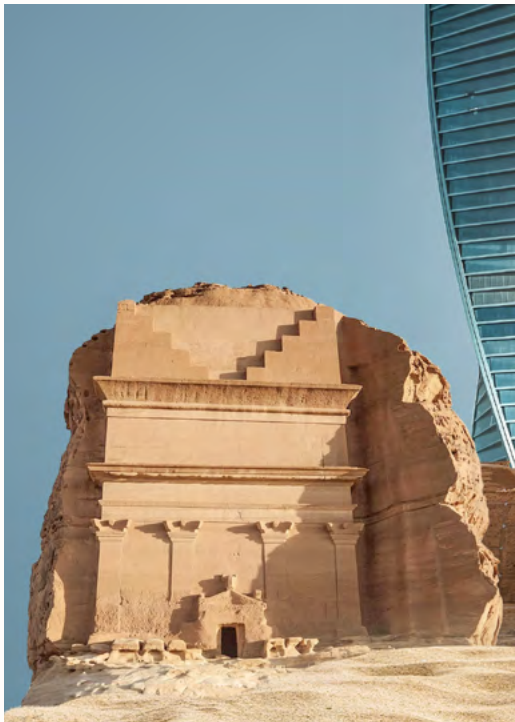
Regarding other urban projects, there is a deliberate nod to the spirit of the past, drawing inspiration from the milestones of Saudi urbanism and its historical and inherited values. One notable project is the Cube Tower within the New Murabba project, introduced by the crown prince. This architectural marvel serves as an exceptional and creative landmark, symbolizing the legacy and historical and cultural values embedded in the urban environment. The project pays homage to the social and economic development of Riyadh during the mid-20th century when the city

underwent a transformative journey from a walled city to one experiencing rapid urban growth and societal and economic evolution. These substantial developments continued, propelling the capital to become one of the fastest-growing cities globally by the year 2023. The geometric design of the cube seamlessly aligns with the urban identity of Riyadh, as there are many buildings in the city that conform to a cubic or semi-cubic structure. Notably, the criminal court in the center of Riyadh, along with the buildings of the Ministry of Municipal, Rural Affairs and Housing, stand out prominently, emphasizing the urban connection between the city's identity and the New Murabba project.

In line with the ongoing efforts of state modernization policies to enrich elements of Saudi national identity, particularly focusing



the Uruq Bani Ma'arid Reserve as the first Saudi natural site on the UNESCO World Heritage List. This reserve holds exceptional value among the world's heritage and natural sites. Situated between the second longest mountain range in the Arabian Peninsula and the Rub' al-Khali desert, which stands as the largest contiguous area of sandy desert on Earth,<sup>(14)</sup> the Uruq Bani Ma'arid Reserve has garnered global recognition for its unique and significant contributions to the world's natural heritage. In another noteworthy Saudi achievement, the Minister of Culture, Prince Badr bin Farhan, made an announcement in May 2023 regarding the registration of Jabal Ikma in Al-'Ula Governorate on the UNESCO Memory of the World Register. This accomplishment was made possible with the support and guidance of Crown Prince Mohammed bin Salman who serves as the prime minister and chairman of



on national and urban heritage, the Modern Urban Heritage Initiative has been launched. As part of this initiative, several development companies, including Al Balad Development Company in Jeddah, have been established. The primary objective is to revitalize and enhance historical areas in Saudi cities, incorporating them into a cohesive system guided by a comprehensive national vision dedicated to modern architectural heritage in the country. Architectural monuments are recognized for their cultural significance, holding a special place as integral components of the national identity and the tangible cultural heritage of the kingdom. These monuments embody a multitude of cultural values, including historical, architectural, social, economic and environmental dimensions. As such, they play a crucial role in fortifying national cohesion and fostering community solidarity.

With regard to Saudi dedication to heritage and architectural authenticity, a significant milestone achieved in 2023 was the inclusion of



the Board of Directors of the Royal Commission for Al-'Ula (RCU). Jabal Ikma stands as one of the most prominent historical sites in Al-'Ula Governorate, earning its classification as the largest open library in the Arabian Peninsula. The inclusion of Jabal Ikma in the Memory of the World Register exemplifies a collaborative effort aimed at developing Al-'Ula into a leading global destination for cultural and natural heritage.<sup>(15)</sup>

Between November 16 and December 2, the annual Old Kingdoms Festival 2023 was held in Al-'Ula Governorate. The festival featured distinctive immersive experiences organized at a number of ancient sites embedded within the historical landscape of Al-'Ula Governorate. This year's focus centered particularly on the cities situated along the Incense Trade Route, including Dadan and Al-Hijr. These sites boast a rich heritage stemming from their role as crossroads along historical routes that interconnected various cultures and civilizations. They served as vital centers along the Incense Trade Route, facilitating the transportation of precious goods such as frankincense, myrrh, spices and jewelry.<sup>(16)</sup>

Continuing its commitment to the preservation of world heritage, the kingdom played host to the 45th session of the World Heritage Committee from September 10 to September 25. This edition was deemed exceptional due to the notable number of sites added to the World Heritage List. The session witnessed the participation of 195 member states, advisory bodies, and pertinent non-profit organizations. The kingdom submitted a draft resolution to the World Heritage Committee, proposing the establishment of an open working group that includes willing countries adhering to the 1972 convention. The resolution seeks to task this group with studying the balance in the World Heritage List, with a focus on countries lacking representation or having fewer sites on the list. The kingdom's proposal

*As Saudi Arabia commemorates its 93rd year since its establishment, a stark transformation is evident when compared to a decade ago. This notable evolution is credited to the deliberate measures taken by the astute leadership, aimed at optimizing economic and social potential while steadfastly advancing structural reforms and radical societal changes.*

received unanimous approval, leading to the recommendation for the formation of an open working group, with Saudi Arabia designated to lead the initiative.<sup>(17)</sup>

### **AI and Digital Transformation Policies**

The Saudi leadership is accelerating its efforts to keep pace with the international competition in non-conventional fields such as AI and technical progress. Recognizing these areas as crucial drivers of global growth and essential pillars for the extensive economic and social transformation programs outlined in Vision 2030, the kingdom is undertaking ambitious initiatives, including infrastructure projects and

forward-looking digital transformation strategies. The decision to formally accredit the Saudi Authority for Data and Artificial Intelligence (SDAIA) in 2019 aligns with the government's commitment to enhancing capabilities and fortifying domestic infrastructure. This strategic move is aimed at empowering both the public and private sectors to maximize the utilization of data and AI technologies, thereby enhancing the quality of services provided to citizens and residents alike.

The kingdom's approach to digital transformation and investment in AI applications is increasingly focused on developing human capital across various sectors. This encompassing strategy extends to fields such as health, education, media, industry, finance and cybersecurity. Throughout the year 2023, diverse initiatives and strategies unfolded within each of these domains.

In the educational sector, collaborative efforts with SDAIA materialized, resulting in the launch of the Future Intelligence Programmer program. This initiative aims to train 5,000 male and female students in its initial phase, with a broader objective to train 30,000 students from intermediate and secondary levels in subsequent stages. The program focuses on instilling the principles of AI technology among students. The National Olympiad for Programming and Artificial Intelligence emerged as one of the largest national events, designed to cultivate a promising generation of proficient programmers in programming and AI techniques from an early age. The initiative seeks to develop capabilities, refine skills and foster a culture of innovation and creativity. A key objective is to address the gap in scientific and technical disparities. Another remarkable policy adopted by the Saudi leadership in 2023 revolves around gender inclusivity. The country introduced the Elevate program in May, marking a pioneering initiative. This program, the first of its kind globally, is dedicated to preparing



women for roles in emerging markets, particularly focusing on new professions within the realm of AI technologies.

The Saudi strategy for AI not only endeavors to facilitate the adoption of new technologies and train local talent to bolster economic opportunities in this emerging sector, but it also aspires to elevate the country's geopolitical standing and amplify its regional and international influence by positioning it as a global hub for cutting-edge technologies. In alignment with this vision, on July 25, 2023, the Council of Ministers gave its approval for the establishment of the International Center for AI Research and Ethics (ICAIRE) in Riyadh. ICAIRE will concentrate its efforts in four key areas. These include providing support for research and development in the realm of AI, fostering awareness and communication regarding the ethical considerations of AI, offering recommendations related to AI policies, capabilities and contributing to global endeavors that serve humanity in the various facets of AI.

The kingdom emerged as one of the early adopters of the AI ethical recommendations put forth by UNESCO in November 2021, with participation from 193 countries. SDAIA played a pivotal role in this by developing the principles of AI ethics during the second edition of the Global AI Summit held in September 2022. These principles were effectively translated into practice during the 2023 Hajj season, where the organization of rituals showcased Saudi Arabia's adeptness in utilizing smart applications and leveraging digital infrastructure and information technologies. This demonstrated capability facilitated crowd management, ensuring the smooth flow of collective movement with notable success — all aligned with the objectives of Vision 2030.

The commitment from senior leadership to modernize and diversify AI strategies and emerging technologies, both on a local and international scale, has propelled the kingdom to achieve advanced rankings in global indexes. Notable early results in the

digital transformation journey include Saudi Arabia securing the top position globally in the Government Strategy Index for Artificial Intelligence in 2023<sup>(18)</sup> and ranking second worldwide in societal awareness of AI in the same year.<sup>(19)</sup>

### **The Role of Sports in Enhancing Soft Power**

The robust engagement in sports development in Saudi Arabia, coupled with an emphasis on enhancing sports infrastructure, establishing modern facilities and fostering the training and development of players and coaches, is a deliberate and integral component of Vision 2030. This ambitious vision seeks to comprehensively elevate various aspects of Saudi society, with a specific focus on sports and entertainment. The strategic rationale behind this concerted effort includes the diversification of the national economy and revenue sources, steering away from heavy reliance on oil. Substantial investments in sports, including the recruitment of prominent international footballers, serve

I am happy here in Saudi Arabia and I will not leave

Cristiano Ronaldo

as catalysts for economic sectors such as tourism and entertainment, contributing to broader economic diversification goals. The development of sports in the kingdom serves multiple objectives, acting as a tool for projecting soft power globally, fostering international goodwill, and forming a crucial part of the overarching initiative to reshape the nation's economy in anticipation of declining oil revenues. Notably, sports hold a pivotal position within Vision 2030, serving as a means to provide entertain-



ment to the Saudi populace, while nurturing local talent to bolster the long-term strength of the Saudi soccer league.<sup>(20)</sup>

In 2023, a significant shift in the sports sector was evident through decisive measures aimed at transforming the landscape. The initiation of the investment and privatization project for sports clubs marked a pivotal step in realizing the objectives outlined in Saudi Arabia's Vision 2030 for the sports sector. This visionary approach seeks to cultivate a dynamic sports industry by empowering the private sector to actively contribute to the sector's development, ultimately fostering excellence across national teams, sports clubs and participants at all levels. This transformative decision came after Crown Prince Mohammed bin Salman launched on June 5, 2023 the Sports Clubs Investment and Privatization Project, which aligns with the Vision 2030 goals to elevate the sporting scene

in the Kingdom. Subsequently, Saudi Sports Minister Prince Abdulaziz bin Turki Al-Faisal disclosed the transfer of ownership for clubs like Al-Hilal, Al-Nasr, Al-Ittihad and Al-Ahly to the Public Investment Fund. Al-Qadisiyah Club, Diriyah Club, AlUla Club and Suqoor Club will be transferred to other investment funds.

In a proactive move to elevate the standards of football, the Saudi Professional League (SPL) unveiled its transformation strategy on July 18, aligning with the objectives of Saudi Vision 2030 for the sports sector. The strategy is underpinned by three key goals: enhancing the league's global competitiveness and stature, fostering sustainable long-term growth, and positioning the SPL among the top 10 strongest leagues globally.<sup>(21)</sup> In August 2023, the official application of the Saudi Tourism Authority, Spirit of Saudi Arabia, entered into a strategic partnership with the Spanish professional

league, La Liga, to serve as the official tourist destination for Spanish football fans worldwide. This collaboration aims to promote awareness of the Spirit of Saudi Arabia, the official identity of Saudi tourism. Additionally, as part of the broader plan to diversify the economy and privatize clubs, the Saudi Public Investment Fund and the state oil company Aramco acquired several local clubs in June 2023.

Saudi Arabia's strategic approach to sport development has garnered global influence, particularly evident in its successful initiative to attract and integrate renowned international football players into Saudi clubs. The impact of these high-profile footballers extends beyond the economic aspects of sports, influencing the value and popularity of the SPL on both regional and global scales. With the inclusion of these prominent figures, the SPL for the current season has emerged as one of the most competitive and interesting leagues globally, solidifying Saudi Arabia's presence in international media.<sup>(22)</sup>

In 2023, Saudi Arabia's commitment to advancing the sports sector extended beyond strategic planning, with significant emphasis placed on executing and hosting major sporting events. The country successfully hosted various events, including car races and the world heavyweight championships and the 2023 FIFA Club World Cup. Furthermore, Saudi Arabia secured the hosting rights for the 2027 Asian Cup and won the bid to host the 2034 FIFA World Cup. Overall, Saudi investments in the sports sector serve as a powerful tool to reflect the significant transformations occurring in the country. The aim is to counteract misleading Western stereotypes about Saudi Arabia and convey a message of peace, progress and openness, with the overarching goal of fostering prosperity and the well-being of all.

### **The Significations of Saudi Arabia's Winning Bid For World Expo 2030**

The Kingdom of Saudi Arabia garnered global attention by successfully securing the bid to host the Expo 2030 international exhibition. Riyadh's triumph came with a resounding 119 votes during the vote held in the French capital on November 28, with the participation of 165 countries.<sup>(23)</sup> The expo, renowned as the oldest,

most prestigious and largest international exhibition, occurs every five years, fostering cultural dialogue and emphasizing collaborative efforts to turn innovative scientific ideas into reality. The Saudi campaign, centered around the theme: The Era of Change: Together for a Foresighted Tomorrow, underscores the kingdom's commitment to addressing humanity's fundamental challenges. The kingdom's decision to



**RIYADH**  
**KINGDOM OF SAUDI ARABIA**  
**EXPO 2030**

host the Expo 2030 is driven by a strategic vision to reap various economic advantages. This includes attracting foreign investment, boosting local trade and industry and enhancing domestic tourism. The expo stands as a pivotal event, positioning Saudi Arabia on the global stage and serving as a major gathering for international media professionals, channels and newspapers. This presents a significant opportunity to enhance international communication, drawing attention to Saudi Arabia and the broader Arab region.

It is likely that the Saudi decision to host Expo 2030 is anticipated to yield substantial benefits, fostering economic, financial and cultural momentum. This initiative is expected to have a positive and direct impact on various sectors and economic activities, including tourism, real estate, hospitality, entertainment, construction, travel and retail trade. Furthermore, it is projected to stimulate electronic payment activity and financial businesses, notably by banks operating in the kingdom. The expo is envisioned as a platform for forging investment and commercial deals, facilitating communication between nations, creating new export markets — thereby boosting commercial activity — and enhancing the kingdom's soft power.

The success of the Saudi leadership in securing the hosting of Expo 2030 represents the culmination of an active and tireless journey that commenced two years ago. The Saudi government, under the guidance of its wise leadership, dedicated efforts to prepare a comprehensive and harmonious policy aligning with external ambitions, internal orientations, and the ambitious Vision 2030. The significance of hosting expo lies not only in the event itself but also in its media importance, providing a platform to highlight the kingdom's transformative journey and unprecedented successes across economic, social, cultural and political domains. This achievement reflects

international recognition of the kingdom's pioneering and pivotal role, underscoring the trust it enjoys on the global stage.

### **Dimensions of Cultural, Literary and Artistic Activism**

In the realm of Saudi Arabia's development and civil transformation, a noteworthy and qualitative shift is observed in its cultural, literary and artistic movement. This shift is considered pivotal in promoting economic growth and is integral to the social fabric of the local community. Moreover, it plays a crucial role in enhancing the kingdom's international standing by investing in its rich history, heritage and diverse cultures.



In the realm of cultural and literary activities, the Ministry of Culture initiated the inaugural edition of the Between Two Cultures exhibition in the historic Diriyah Governorate. This effort aligns with the state's overarching goal, led by its visionary leadership, to spotlight the kingdom's distinctive culture from a unique perspective. The exhibition sought to showcase the cultural depth and uniqueness of various elements, fostering a deeper understanding and appreciation. By highlighting contrasts and bringing Saudi culture closer to that of other nations, the initiative aimed to build civilizational bridges, enhance communication and promote international cultural exchange — a strategic objective integral to the aspirations of Saudi Vision 2030.

The cultural and heritage houses, along with various centers, undertook diverse activities and initiatives. On November 6, 2023, the King Abdulaziz Foundation inaugurated the I Belong program, a cultural initiative aimed at acquainting the youth with the historical and cultural richness of the kingdom. This initiative employs modern digital and entertainment tailored to the preferences of the younger generation, aligning with the objectives of Saudi Vision 2030.<sup>(24)</sup> The kingdom has witnessed a continuous surge in cultural activities, marked by the establishment of institutes and academies dedicated to arts and music.<sup>(25)</sup> Several cultural and literary initiatives have been introduced, including the Culture Gateway<sup>(26)</sup> and the 100 Books Initiative.<sup>(27)</sup> These endeavors, presented by the Ministry of Culture and other state institutions and civil society entities, aim to bolster the cultural sector. They are instrumental in enhancing its vibrancy and impact on intellectual and societal trends, aligning with the cultural objectives of Saudi Vision 2030.

Saudi Minister of Culture Prince Badr bin Abdullah bin Mohammed bin Farhan included literary clubs within the National

Center for Non-Profit Sector. He emphasized the importance of registration on the Center's platform and the activation of initiatives outlined in the Ministry of Culture's strategy for the non-profit sector. This strategy aims to establish a diverse system of non-profit organizations across various cultural sectors, spanning all regions through 16 professional associations in 13 cultural sectors. The strategy focuses on reclassifying non-profit cultural institutions, expanding their areas of competence in line with cultural sectors, enhancing their administrative, marketing and operational capabilities, and harmonizing them with the system of associations and civil institutions. By elevating their capacity, the strategy aims to create new opportunities for attracting support. These organizations will form professional links for Saudi intellectuals and artists and will provide opportunities for professionals in these sectors to develop their skills, build their initiatives, develop awareness, form support mechanisms and create an attractive social model for professionalism in the cultural and artistic space.<sup>(28)</sup>

Concerning regional cultural and literary initiatives, the Literature, Publishing & Translation Commission is set to host the second Writers and Readers Festival from January 4 to January 10, 2024 at the Prince Sultan Cultural Centre in Khamis Mushait, located in the Asir region. This event is designed to commemorate Arab and international culture and literature. The festival's program encompasses heritage performances featuring various traditional arts from the Asir region. Moreover, the event serves as a platform for arts, enabling local artists to showcase their talents by seamlessly integrating art and literature through a diverse array of artistic activities. This festival not only fosters cultural appreciation but also provides a dynamic space for the intersection of artistic expression.<sup>(29)</sup>



With regard to arts, Saudi Arabia made a significant mark on the international stage by participating in major film festivals, showcasing the kingdom's film industry and successful creative endeavors. This initiative aimed to support Saudi talents, increase their visibility on prominent cinematic platforms and foster their development through impactful international collaborations. Simultaneously, the Entertainment Authority diligently continued its efforts to showcase Saudi soft power, featuring Saudi art, Arab masterpieces, concerts and festivals.

A notable highlight in 2023 was the participation of the Saudi Sayala folklore band from Al-Ahsa Governorate in a concert held in front of the Eiffel Tower as part of the Agora Festival in Paris. Another remarkable event was the performance of the Saudi Symphony Orchestra in New York on September 19, 2023. On September 19, 2023, the Saudi National Orchestra and Choir graced New York in a spectacular performance featuring 80

musicians. The concert, held at the Metropolitan Opera House in the Lincoln Center, was organized by the Music Commission as part of the Masterpieces of the Saudi Orchestra initiative. This marked the initiative's third global destination, following performances in Paris and Mexico City. The initiative aims to showcase masterpieces of Saudi music and performing arts, fostering international cultural exchange — a key strategic objective aligned with the Ministry of Culture's Vision 2030.<sup>(30)</sup> In December, the third edition of the Red Sea International Film Festival was held, bringing together a myriad of talented films, directors and actors from across the globe. This event served as a platform for celebrating distinguished artistic works, contributing to the vibrancy and diversity of the global film industry.<sup>(31)</sup>

Overall, Saudi domestic policy in 2023 saw robust and expansive efforts to fortify national identity and strengthen the bonds among various segments of society, fostering a profound connection with the state. These initiatives aimed at diversifying strategies to propel society toward elevated levels of development and cultural advancement. The achievements and successes witnessed in 2023 were not arbitrary; rather, they were the outcomes of deliberate policies and incremental steps within the context of a well-defined strategy. The wise leadership's thoughtful approach facilitated the overcoming of challenges, paving the way for the country to chart a more distinguished future. It is important to note that the initiatives and strategies implemented by the leadership in 2023 were part of a clear strategy, allowing the country to achieve its goals beyond the timelines set. Looking ahead to 2024, it is anticipated that this ambition will persist, driven by the leadership's determination to surpass the objectives of Vision 2030 as the crown prince has articulated a more comprehensive and diverse vision known as Vision 2040.





## **POLICIES OF MODERNIZATION AND GOOD GOVERNANCE AS PART OF VISION 2030**

In its 93rd year, Saudi Arabia has undergone significant transformations by leveraging its economic and social strengths and advancing social reforms.

Issues related to the state's overall renaissance such as bolstering national security, empowering local communities and enhancing its citizens' educational and cultural roles have captured the Saudi leadership's attention.

Strategic investments in sports, particularly football, aim to diversify the economy by attracting renowned players to stimulate sectors like tourism and entertainment.

Notably, March 11th is observed as Saudi Flag Day, symbolizing the state's commitment to preserving its national identity.

The new education strategy prioritizes converting research into economically viable innovations, fostering the growth of emerging companies

The Ministry of Defense commemorated "International Women's Day" through a series of events organized by the General Administration for Strategic Communication, aptly titled: "A Promising Present...A Bright Future."

Saudi Arabia marked 2023 as the Year of Arabic Poetry to instill pride in the Saudi population's Arabic language, a fundamental aspect of the nation's identity.

Hosting Expo 2030 is expected to bring significant economic benefits, positively impacting tourism, real estate and hospitality.

In the Global Innovation Index for 2023, Saudi Arabia secured 48th position among 132 countries.

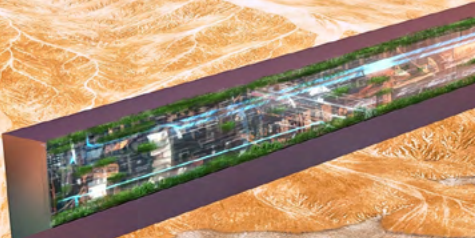
The kingdom's policies strongly emphasize digital transformation and the application of artificial intelligence to develop its human capital in areas such as health, education, finance and cybersecurity.




Riyadh continues to be among the fastest-growing capitals in the world.

In 2023, Saudi Arabia pursued a set of policies moving toward diversification across education, technology and sports. The goal is to reinforce national identity, strengthen social bonds and deepen the connection between society's components and the state.

Looking ahead to 2024, optimistic predictions align with the country's continued efforts, driven by determined leadership. Crown Prince Mohammed bin Salman envisions surpassing Vision 2030 with a more comprehensive and diverse outlook known as Vision 2040.



# THE LINE



**THE LINE is a revolutionary city that puts humans first, providing an unprecedented urban living experience while preserving its surrounding nature.**

Launched in 2021 by His Royal Highness Prince Mohammed bin Salman bin Abdulaziz, Crown Prince and Prime Minister, THE LINE is a revolutionary concept in urban living that prioritizes people and nature, creating a new urban sustainability model based entirely on renewable energy. In line with the Kingdom's sustainability goals, the linear city conserves 95% of its land as a nature reserve.



## Saudi Arabia: A Peacemaker and Catalyst for Regional Stability



In 2023, Saudi Arabia made prominent and notable strides in its foreign policy —according to the standards of regional and international diplomacy. The kingdom reaffirmed its commitment to a vision and political philosophy centered on global stability and the international order. This vision distinctly rejected policies based on alliances and polarization, aiming instead to establish mutually beneficial relations with all global powers. The kingdom’s diplomatic approach throughout the year adhered to this overarching vision and philosophy. Remarkably, Saudi Arabia successfully expanded beyond the constraints of conventional diplomatic paradigms, transitioning from upholding its leadership position in the Islamic world to actively cultivating a global role as a regional power with international ambitions.

In 2023, the kingdom underwent a transformative shift, evolving into a regional powerhouse with global attributes. It transitioned from focusing on leadership in the Islamic world to emerging as a burgeoning regional force with a distinct civilizational identity. The kingdom remarkably assumed a crucial global role, particularly in international mediations and upholding global balances. This marked a significant departure from preceding years when its political role was encumbered by entanglements in regional crises, including the Yemen war. This is evidently embodied in the conferences and summits — both bilateral and collective — the kingdom hosted. These events included countries from the world’s various continents, with official visits and delegations flocking to the kingdom in increased frequency and new ideas and initiatives launched by Saudi Arabia, and statements — both bilateral and collective — released following these summits. All the foregoing made the year 2023 the peak of Saudi diplomatic activity, a trajectory that is expected to intensify in 2024.

The increasing satisfaction with Saudi Arabia’s role, along with the growing demand and regional acceptability of its role, managed by the kingdom with high political, diplomatic and technical readiness, and approached with great confidence, enabled the kingdom to perform this role with distinction. Another factor that contributed to the kingdom’s political momentum was its practice of self-discipline before dealing with others. This was evident in its application of the “zero problems” principle in action, not just in words, particularly in resolving issues with Qatar, Iraq, Iran, the Houthis, Turkey and Syria. To a large extent, the year 2023 highlighted the kingdom’s special capabilities, making it a pivotal hub where many would like to come and accept its mediation to conclude settlement agreements on its soil.

The crucial development affirmed in 2023 was the adoption of this novel diplomatic approach, resulting in the kingdom's transformation into a regional powerhouse with global aspirations. This shift was characterized by the kingdom adopting the practices of global powers, manifested in various aspects, as outlined below:

### **The Saudi Vision for the World, the Middle East and the Gulf**

In 2023, Saudi Arabia resumed conveying its vision for the world and the Middle East, with a significant instance being the crown prince's interview with Fox News, which illuminated this vision. According to the crown prince's vision, the world is an interconnected and mutually supportive structure where none of its foundational elements should be undermined. He rejected the notion that alliances or international blocs are inherently antagonistic, as demonstrated by his response to inquiries about the

kingdom's potential membership in BRICS. The crown prince emphasized that BRICS is not opposed to the United States, given the presence of Washington's allies within it, and clarified that BRICS is not a political alliance. In addressing concerns about China, he stated, "If that country [China] falls, everyone on the planet will fall, even America."<sup>(32)</sup>

This conciliatory and integrative vision of international affairs advocates for a world characterized by peace rather than conflict. It urges opposing forces in the world to recognize the significance of their shared coexistence, emphasizing that each entity is an integral part of the other's existence. The vision underscores that the demise of one entails the potential destruction of the self. Concerning oil policy, "We just watch supply and demand, if there is a shortage, our role as OPEC+ is to fill that shortage, and if there is oversupply, our role is to measure that for the stability of the market," the crown prince said.

"It is purely about demand and supply."<sup>(33)</sup> The crown prince's reconciliatory outlook toward the international system was complemented by a Saudi inclination to confidently foster new international collaborations. This commitment was evident in the sustained effort to enhance relations through strategic coordination councils. The most recent of such initiatives was unveiled during the visit of Brazilian President Lula de Silva to Riyadh in late October. The announcement pertained to the establishment of the Saudi-Brazilian Coordination Council, as outlined in the joint statement issued at the conclusion of the Brazilian president's visit to the kingdom in late November 2023.<sup>(34)</sup>

Concerning the Middle East, Crown Prince Mohammed bin Salman articulated a vision for a stable region that actively competes for progress, prosperity and advancement, free from the dominance of conflicts and ideological disputes that squander its potential.<sup>(35)</sup> The vision pictures a Middle East where peaceful



relations prevail among its influential entities, fostering collective contributions. The crown prince emphasized this outlook at the conclusion of the Arab-China Summit on December 9, 2022, stating, “We assure the whole world that the Arabs will race for progress and renaissance once again. We will prove that every day.”<sup>(36)</sup> This sentiment echoes his earlier assertion during the second edition of the Future Investment Initiative Forum in Riyadh over five years ago, in October 2018, when he declared that “the Middle East region will become the new Europe.”<sup>(37)</sup> This demonstrates the crown prince’s enduring and consistent political vision.

Despite his cognizance of the vital necessity of fostering progress for the kingdom and his recognition of its unique political, historical, economic and religious standing in the region, the crown prince emphasized the significance of the kingdom’s leadership, rejuvenation and growth. In his own words, he stated, “It is not appropriate for this great country to be anything but at the forefront in all fields.”<sup>(38)</sup> He envisions this scenario within the context of a comprehensive and stable Middle East where everyone benefits from stability and prosperity. In his interview with Fox News, he articulated, “To have a stable region and economic growth we don’t need to see any problems in Yemen, we need to see Iraq going forward, we need to need Iran going forward and Lebanon going forward and the rest of the region.”<sup>(39)</sup> This aligns with his earlier statement in 2019 when he declared, “We will not rest until we achieve this goal for our country first and then for our brothers in the region.”<sup>(40)</sup> Based on this perspective, the crown prince firmly believes in the inevitability of Saudi Arabia’s progress and leadership in the region. His conviction in the future of the East extends to envisioning a prosperous Middle East as the new Europe, reaching the point of being a political conviction and doctrine.

The kingdom’s vision for the Middle East extends beyond political and economic considerations; it encompasses tangible actions on the ground, particularly in the field of the environment and initiatives addressing climate change and afforestation. In 2021, the crown prince initiated the Green Middle East Initiative, the first regional alliance dedicated to mitigating the impact of climate change in the Middle East and North Africa. The second edition of the Green Middle East Initiative was introduced on November 7, 2022, in Sharm El Sheikh, coinciding with the United Nations Climate Change Conference (COP27).<sup>(41)</sup>

The Gulf region remains the primary focal point for Saudi diplomatic endeavors and strategic considerations, receiving particular attention from Crown Prince Mohammed bin Salman. Within this context, the kingdom’s overarching objective is to safeguard the unity, solidarity and national security of the GCC countries. This entails a commitment to steering these nations clear of crises and thwarting potential threats, whether originating from the global arena or the region. Saudi Arabia consistently demonstrates its dedication to having GCC countries as partners in every global diplomatic initiative or new diplomatic engagement it undertakes, embodying an enduring approach. In 2022, Saudi Arabia showcased this commitment by hosting both the American and Gulf-Chinese meetings. In 2023, this commitment persisted as the kingdom actively sought the participation of GCC countries in its new diplomatic initiatives. Examples of this collaboration include the GCC-Central Asia Summit in Jeddah in July and the GCC-ASEAN Summit in Riyadh in October. These diplomatic engagements underscored Saudi Arabia’s continuous efforts to foster collaboration and solidarity within the Gulf region and beyond.

Illustrating the kingdom’s tangible commitment to solidarity with its fellow

GCC nations, a notable instance is the strong statement issued by the Saudi Ministry of Foreign Affairs on August 2, 2023, expressing strong support for Kuwait against the Iranian position.<sup>(42)</sup> This declaration came five months after the agreement to normalize relations between Saudi Arabia and Iran under Chinese sponsorship. This underscored the kingdom’s unwavering prioritization of the concerns and interests of the GCC countries. It also highlights that Saudi Arabia’s policy is not influenced by any positions or any other political calculations of other parties when it comes to a valid right for a GCC state.

### **Saudi Arabia’s Rise as an International Mediator**

In 2023, the significant emphasis within Saudi policy circles was the expanding mediation role undertaken by the kingdom, emerging as a pivotal pillar of Saudi foreign policy. A key trend observed was the diversification of diplomatic relations with both international and regional blocs. Notably, the kingdom assumed a leading role in mediation during conflicts and crises throughout the year, with a primary objective of quelling the flames of both regional and international crises. This approach is surely a revival of its historical political role, evidenced by its sponsorship of the Taif Agreement in 1989, more than 30 years ago, which played a pivotal role in establishing stability in Lebanon for decades. The kingdom’s retreat from this historic role created a vacuum filled by regional powers, which used different methods than that of Saudi Arabia’s. Moreover, the kingdom’s renewed engagement in the role of a regional and global peacemaker post-2020 is rooted in the accumulation of its experiences over the past decade.

In 2023, Saudi Arabia presented its credentials and qualifications to play this role, which included the following:

- **Balanced relations with global poles:** Maintaining balanced relations with global



powers was a key feature of Saudi Arabia's diplomatic landscape in 2023. The kingdom successfully adjusted the initial perception held by US President Joe Biden and his administration, with Saudi Arabia serving as a destination for high-profile US officials throughout the year, including the secretary of state, the national security advisor, the director of the CIA and members of Congress. Over the course of 2023, Saudi Arabia adeptly managed its relations with the United States, China and Russia, navigating the international arena without favoring a particular pole. Saudi Arabia continued to enhance its ties with China, participating in an agreement brokered by Beijing between Saudi Arabia and Iran. Simultaneously, the kingdom maintained relations with both Russia and Ukraine,

facilitated through OPEC. Despite differences with the US stance, Saudi Arabia adhered to its oil policy, governed by the principle of supply and demand. Against the backdrop of the Russia-Ukraine war, the kingdom demonstrated adherence to OPEC+ policies that aligned with those of Russia. This strategic alignment was maintained amid a notably polarized international stance on the war — breaking with the US position. While collaborating with Russia within OPEC+, Saudi Arabia also hosted Ukrainian President Volodymyr Zelenskyy during the 32nd Arab League Summit in Jeddah. During this event, an agreement and memorandum of understanding were signed, pledging aid to Ukraine amounting to \$400 million. Throughout the year, the Saudi crown prince adeptly balanced relationships

with Russian President Vladimir Putin and Ukrainian President Zelenskyy, maintaining open communication with both leaders throughout the year.

The official visit by the Russian president to Riyadh on December 7 was a special stop in 2023, especially considering the reduced frequency of his foreign visits due to an arrest warrant issued by the Second Pre-Trial Chamber of the International Criminal Court on March 17, 2023. The visit held particular significance as it occurred amidst an international context marked by the Russian president's absence from the BRICS summit in Johannesburg, reflecting an international siege on Russia. By welcoming the Russian president, Saudi Arabia sought to break this siege, showcasing its ability to manage relations with balance and strength across the global spectrum. This visit is likely to have cultivated a sense of appreciation and gratitude toward the kingdom from Russia and its president. This in turn enhanced Saudi Arabia's diplomatic leverage, especially in potential mediation roles between Russia and Ukraine. Additionally, the strengthened ties will contribute to the kingdom's initiatives in addressing the Palestinian issue, given Russia's influential role in the UN Security Council and on the ground in the Middle East. Discussions during President Putin's visit extended to the roles played by both the kingdom and Russia in the Ukraine and Gaza arenas, underscoring Saudi Arabia's expanding international role as a peacemaker. Crown Prince Mohammed bin Salman's repeated announcements in 2023 regarding the kingdom's readiness to mediate between Moscow and Kyiv further reinforced its commitment to diplomatic initiatives and conflict resolution on the global stage. The crown prince expressed his willingness to mediate in the conflict between Moscow and Kyiv, an initiative that proved successful in the release of 10 prisoners from Morocco, the United States, the UK, Sweden and Croatia in



September 2022. By 2023, there were ongoing considerations about Saudi Arabia hosting a global peace summit on Ukraine.<sup>(43)</sup>

The unprecedented, remarkable gathering hosted by the kingdom in Jeddah on August 5 brought together national security advisors and senior officials from over 40 countries and international organizations, including the United Nations, with the participation of key nations such as the United States, China and India. Crown Prince Mohammed bin Salman extended invitations, and Saudi National Security Advisor Dr. Musaad bin Mohammed al-Aiban chaired the meeting. This unprecedented assembly was a continuation of the kingdom's humanitarian initiatives to address the Russia-Ukraine war, building upon the crown prince's mediation efforts initiated in February 2022, a mediation offer he extended to both sides. The purpose of this meeting was to forge a unified vision toward achieving peace, emphasizing Saudi Arabia's aspiration to serve as the ideal international mediator during this critical period. The kingdom sought to uphold balance in the international system and

contribute to defusing the crisis. The decision to hold the meeting in Saudi Arabia, coupled with the extensive international participation, underscored the influential and effective role played by the kingdom on the global stage. The broad representation further affirmed the kingdom's balanced and distinguished relations with nations worldwide. Therefore, the participants expressed gratitude to the leadership of Saudi Arabia for convening and hosting this significant meeting.<sup>(44)</sup>

Through much of 2023, Saudi Arabia appeared to adopt a foreign policy approach that leaned toward a more "radically" assertive stance, aligning itself with the new blocs and partnerships. A tangible outcome of this shift was the approval by the Saudi Council of Ministers on March 28 for Saudi Arabia to join the SCO as a "partner for dialogue," an organization led by China. Another result of this alignment was the kingdom's invitation, along with a group of countries, to join BRICS during the group's summit in Johannesburg on August 24. The kingdom received an invitation because of its esteemed regional and global position.

Saudi Arabia, as affirmed by its Minister of Foreign Affairs Prince Faisal bin Farhan, conveyed that it would carefully consider the invitation and take "the appropriate decision."<sup>(45)</sup> After becoming a member of BRICS, the kingdom achieved a significant milestone as the first Middle Eastern country to obtain full membership in three major global blocs: the G20, the SCO, and BRICS.<sup>(46)</sup> This follows the kingdom's signing of the instrument of accession to the Treaty of Amity and Cooperation in Southeast Asia (TAC) on July 12, 2023. The aforesaid illustrates Saudi Arabia's adept management of its relations with both the West and the East, showcasing a notable degree of balance. In navigating its foreign relations, the kingdom demonstrated a multifaceted strategy. Saudi Arabia maintained a delicate balance in its relationships with both Western and Eastern powers. While exporting oil to China and forging strategic partnerships with the country, Saudi Arabia concurrently engaged in the Economic Corridor project (IMEC), collaborating with the United States, Europe, India and other regional partners. This is how



the kingdom ran its full foreign policy course in 2023. The kingdom managed to navigate its relationships with the United States adeptly, which is evident in the extensive agreements and bilateral collaborations between Riyadh and Washington, particularly on files such as Sudan and Yemen. The kingdom was positioned prominently before the Hamas movement's Al-Aqsa Flood Operation on October 7. At that time, the Palestinian Authority was on the brink of concluding "the largest historic deal since the end of the Cold War,"<sup>(47)</sup> as described by Crown Prince Mohammed bin Salman in his interview with Fox News. Furthermore, Saudi Arabia was on the verge of finalizing an unprecedented defense agreement with the United States. Taken together, these developments made Saudi Arabia in 2023 a focal point around which regional and international entities, including major powers, converged.

■ **Zero-problem foreign policy:** In recent years, Saudi Arabia found itself entangled in political and military conflicts, prompted by the evolving regional landscape following the Arab uprisings in 2011. The kingdom's primary objective was to counter threats along its borders and within its neighboring regions. During certain clashes, Saudi Arabia adopted approaches distinct from some regional and international political actors in dealing with international and regional political forces, leading to prolonged conflicts. However, this nuanced approach also allowed the kingdom to effectively address instances of nation-state collapse in several Arab countries. Despite the substantial costs and considerable political and economic burdens borne by Saudi Arabia in its involvement in Arab affairs over the past years, this role laid the foundation for the kingdom's refined and experienced display of activity and dynamism in 2023.

Saudi Arabia's experience in navigating regional crises yielded a wealth of insights and proposed solutions. These solutions stem from practical experiences gained through

the kingdom's engagement in regional affairs, both diplomatically and militarily, from 2011 to 2020. Drawing lessons from the nuances of these experiences, Saudi Arabia concluded that political landscapes are inherently complex, and despite differences, common ground can be found through collective structures and shared interests. The kingdom's subsequent strategy involved implementing a policy of resolving problems internally first, before advocating for others to adopt a similar approach. Saudi Arabia's following step was the implementation of the zero-problem foreign policy approach, maintaining a neutral stance and equidistance from all parties. This neutrality positioned the kingdom as a mediator capable of facilitating dialogue and resolution among conflicting parties.

In 2023, Saudi Arabia notably assumed the role of a mediator in the Yemeni crisis, facilitating negotiations between the legitimate government and the Houthis. This effort resulted in a breakthrough, marking a significant development in the Yemeni conflict that had persisted for years. Simultaneously, Saudi Arabia embraced Chinese role as an intermediary in its relations with Iran, culminating in an agreement to restore diplomatic ties and reopen embassies and representations with Iran. The US State Department acknowledged this agreement, describing it as "a very good thing." Another remarkable diplomatic trend was the continued improvement in Saudi-Turkish relations, clearly evident in 2023 and initiated in 2022. This thaw in relations was highlighted by the visit of the Turkish president to the kingdom on July 18, 2023.<sup>(48)</sup> Furthermore, Saudi Arabia's engagement with Syria demonstrated a significant diplomatic shift. The kingdom hosted the first Arab summit attended by Syrian President Bashar al-Assad at the invitation of the Custodian of the Two Holy Mosques King Salman bin Abdulaziz and

Crown Prince Mohammed bin Salman. This event marked Syria's readmission to the Arab League after a 12-year absence. In the course of 2023, the Syrian president made two visits to the kingdom — firstly to participate in the Arab Summit in May, and secondly to attend the joint Arab-Islamic summit in Riyadh in November. A noteworthy aspect of the year was Saudi Arabia's involvement, in collaboration with the United States, in facilitating negotiations between the conflicting parties in Sudan — the military and the RSF. The kingdom played a crucial role as a mediator, hosting several rounds of negotiations that resulted in statements and agreements. These agreements helped alleviate the severity of the Sudanese crisis and established guidelines pertaining to civilians and civilian areas, introducing controls to regulate the conduct of both warring factions.

■ **Diplomacy based on regional and intercontinental summits:** Continuing its established political and diplomatic approach, Saudi Arabia reinforced its role as a host for multifaceted summit conferences in 2023, following a tradition maintained over the years (these summits were at the bilateral, Gulf, Arab and international levels). This approach mirrored previous summits like the Arab-Islamic-American Summit in Riyadh in May 2017, the Jeddah Security and Development Summit in July 2022 and the China-Arab States Summit in Riyadh in December 2022. In 2023, the kingdom reaffirmed its position as the primary venue for Arab and Islamic regional summits, evident in events such as the Arab League Summit in May in Jeddah and the Arab-Islamic Summit in Riyadh in November. A notable development in 2023 was Saudi Arabia's initiative to host a series of regional and continental summits, engaging with different global regions and the continent of Africa. This marked a new stage for Saudi diplomacy, as it reflected a political and diplomatic tradition that is not commonly observed except among

major powers. Great powers typically manage their policies and present their visions at the continental and regional levels, as seen with countries like the United States, China and Russia.

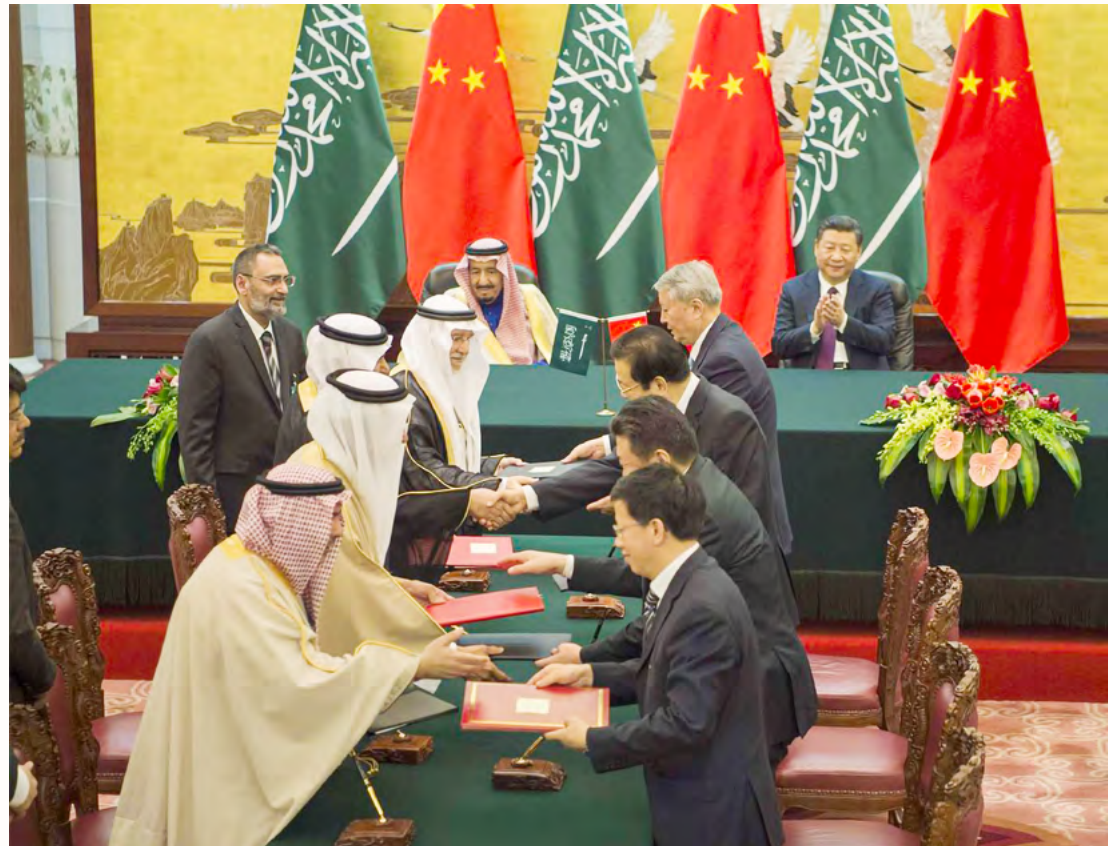
In 2023, Saudi Arabia hosted four continental and regional summits, signifying a new diplomatic approach for the kingdom. These summits included the Gulf-ASEAN summit, the Gulf-Central Asia summit and the Saudi Arabia-CARICOM Summit. These gatherings served as indicators of Saudi Arabia's continental and global ambitions. Beyond strengthening the kingdom's position in these regions and blocs, they aimed to establish a robust regional and continental influence for Saudi Arabia. Hosting these summits not only enhanced Saudi Arabia's standing but also provided an opportunity to forge stable and economically beneficial relations between the kingdom and these regions. The summits contributed to the formulation of practical perceptions and ideas that shaped Saudi Arabia's relations, enabling the kingdom to develop strategies aligned with its national goals and Vision 2030. Consequently, the final statements of these summits consistently reflected an approach and policies in harmony with Saudi national objectives and orientations. Saudi Arabia is moving ahead to be an effective economic and political hub in the world order through hosting such summits and receiving high-level economic, political, cultural and spiritual leaderships.<sup>(49)</sup>

■ A global relief role: In 2023, a defining aspect of the Saudi role as an emerging international mediator was its notable involvement in humanitarian relief efforts, particularly in the face of disasters and crises. The kingdom positioned itself to spearhead initiatives through various internal bodies dedicated to relief and charitable work. Notable organizations in this regard included the King Salman Humanitarian Aid and Relief Center, the

Saudi Development Fund and the Muslim World League.<sup>(50)</sup> Remarkably, Saudi Arabia stood out as a leading donor country, contributing 26.71 billion Saudi riyals (equivalent to \$7.12 billion) in official development aid, encompassing both humanitarian and development assistance to low and middle-income countries. This sum accounted for 1.05% of the kingdom's gross national income, surpassing the target set by the United Nations General Assembly (UNGA) in October 1970, which urges donor countries to allocate 0.7% of their gross national income as official development aid.<sup>(51)</sup> During the opening of the first Saudi-African summit in Riyadh, Crown Prince Mohammed bin Salman

announced that Saudi Arabia had allocated over \$45 billion to support development and humanitarian projects in 54 African countries. This announcement underscored the kingdom's commitment to fostering cooperative and partnership relations with the continent, emphasizing trade development and integration.<sup>(52)</sup>

In 2023, Saudi Arabia extended its aid and relief efforts to various countries, exemplified by a significant initiative in Sudan. On May 8, 2023, King Salman bin Abdulaziz and Crown Prince Mohammed bin Salman directed the King Salman Humanitarian Aid and Relief Center to provide humanitarian assistance



worth \$100 million to Sudan. A popular campaign was also organized through the Sahim platform to alleviate the challenging conditions faced by the Sudanese people. The Saudi Armed Forces played a pivotal role in evacuating foreign nationals from Sudan, executing operations with commendable professionalism. Notably, the appearance of Saudi female soldiers garnered global praise for their compassionate assistance to elderly women and nurturing care for infants, alongside their dedicated military fieldwork. The General Directorate of Passports in Saudi Arabia implemented a crisis management plan during evacuation operations. This plan included the establishment of an operation room to assess and address the conditions of nationals from brotherly and friendly countries, in coordination with their respective representations. The operation room was fortified with robust human and technical support to expedite entry procedures during evacuations.<sup>[53]</sup>

In 2023, Saudi Arabia actively engaged in humanitarian relief efforts across various regions. Following a devastating earthquake that shook Turkey and Syria in February, which resulted in over 10,000 casualties and significant material losses, Saudi Arabia initiated an air bridge utilizing all state medical, ambulance and search and rescue services to provide relief. The kingdom continued its aid to Yemen, extending support to various Yemeni governorates. In response to a violent hurricane and flood in Benghazi, Libya, in September, Saudi Arabia sent relief aid by plane to Benina International Airport. Additionally, the kingdom donated \$100 million to Ukraine and operated an air bridge to provide relief aid to mitigate the effects of an earthquake in Morocco. Saudi Arabia demonstrated its commitment to assisting the Gaza Strip by initiating an air bridge with dozens of aircraft delivering humanitarian and medical aid.

Cooperation agreements were signed with the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the World Health Organization (WHO), the International Committee of the Red Cross (ICRC) and the World Food Programme (WFP), totaling 150 million riyals. Furthermore, a joint support memorandum was signed between the Egyptian Red Crescent and the King Salman Humanitarian Aid and Relief Center to alleviate the human suffering endured by the Gaza Strip's residents.<sup>[54]</sup>

As a foundational principle, the kingdom crafted its foreign policy based on advancing Saudi interests. This involves establishing balanced relations with international power centers, actively engaging in mediating crises, and addressing challenges to fortify the kingdom's position and serve its national objectives. The overarching aim is to harness national capabilities to realize the goals outlined in Vision 2030, spanning economic, social, military and security development domains. This commitment is not only evident in Saudi Arabia's foreign policy initiatives but is also reinforced in public statements during official visits. Throughout the year, Saudi Arabia remained a pivotal destination for leaders from various corners of the world, both in the East and West.

Analysis of the bilateral and collective statements released following the aforesaid visits reflected a consolidation of the Saudi political approach and a reaffirmation of the kingdom's positions on global issues. This observation underscores that Saudi Arabia has successfully established a cohesive trajectory in its foreign policy, aligning its stances on global matters with a broad array of countries worldwide. The impact of Saudi Arabia is evident in the final and joint statements stemming from the foreign tours of Crown Prince Mohammed bin Salman as well as the outcomes of bilateral and collective summits hosted in the kingdom.

These statements reflect the substantial influence wielded by Saudi Arabia in shaping perspectives and decisions among countries and major groupings, particularly on issues of fundamental importance to the kingdom.

The statements issued by Saudi Arabia during bilateral, collective and continental meetings, as well as engagements with international blocs in the aftermath of the Saudi summits with various countries and blocs in 2023, largely centered around collaboration aligned with the objectives of the kingdom's National Vision 2030. These statements underscored the considerable impact of the national vision in guiding the key axes of cooperation. These specifically highlighted areas such as economic prosperity, clean energy initiatives and various international issues, both longstanding and emerging. In the realm of foreign policy, these statements incorporated items, content, sentences and phrases that form an integral part of Saudi diplomacy's historical discourse, policy and approach— which reflect the unique diplomatic features of Saudi Arabia and are deemed an essential aspect of the Saudi state's diplomatic identity.<sup>[55]</sup>

### **The Outside World's Reading of Saudi Arabia's Transformations**

The interpretation of the transformations in the kingdom by the international community differ based on respective positions. However, it is undeniable that the kingdom has made its mark through rapid internal transformations, bold foreign policy directions, and substantial progress in development indicators in a brief period. The primary force behind these transformations is its dynamic leadership, which has swiftly shaped the kingdom's new image within a few years.

In this context, numerous Western publications have delved into and examined the subject from various perspectives. John Alterman, in his piece for the Center for

Strategic and International Studies (CSIS), noted that President Biden spoke harshly regarding the Saudis during his presidential campaign and with many Democratic Party activists. Later, Biden and his team found that the Saudis are actually essential partners on everything from energy pricing to regional security to counterterrorism. Alterman emphasized that substantive strategic dialogue between Saudi Arabia and the United States led to the cessation of any discourse about the United States abandoning the Middle East. He considered “the rapid liberalization of some aspects of Saudi life as a sign that the kingdom is changing.”<sup>(56)</sup>

Regarding the appropriateness of the kingdom's oil policies, particularly the decision to reduce production within OPEC+, Jason Bordoff and Karen E. Young addressed this on the Foreign Policy Magazine website. They argued that the oil cut, which would clearly upset officials in Washington, reinforced the growing recognition that Saudi Arabia is pursuing a nonaligned diplomatic strategy. They also noted that the US-Saudi relationship remained important to each side, for both security and economic reasons. However, Saudi Arabia is hedging its bets by showing greater independence from the United States and deepening its economic and diplomatic ties with China, Russia and its Gulf neighbors. Transitioning from decades of positioning itself as a responsible custodian of global oil markets with considerations for the global economy's health, Riyadh is now adopting a clear stance of “Saudi Arabia first.”

As explained by Bordoff and Young, “This cut strengthens Saudi Arabia's geopolitical hand by increasing its available spare capacity, giving the country a unique ability to temper rising oil prices in the future by turning the spigots on. By cutting production now and drawing down the overhang in oil inventories that exists today, OPEC+ accelerates the timeframe in which the

oil market enters a period of structural deficit when demand exceeds supply.”

Yet, Saudi Arabia's ability to curb prices by putting more supply on the market will enhance its leverage with Washington. Having already used up a significant part of its Strategic Petroleum Reserve (SPR), Washington has few remaining options to tame oil prices other than calling Riyadh.<sup>(57)</sup>

In his commentary for The National News on the crown prince's interview with Fox News, Thomas Watkins highlighted the enduring impact of the crown prince's statements on American viewers. Watkins emphasized that, for decades, Americans' perceptions of the kingdom had been confined to a narrow prism, focusing on a limited set of issues such as arms sales, oil prices and human rights concerns. The interview with the crown prince, however, conveyed a different narrative, affirming that Saudi Arabia is forward-focused. It underscored the crown prince's desire to welcome US tourists, and it reiterated Riyadh's commitment to maintaining the United States as its primary security partner. Jonathan Panikoff, director of the Scowcroft Middle East Security Initiative at the Atlantic Council's Middle East Program, remarked that the crown prince successfully achieved his goal of addressing US and Western audiences more broadly, portraying the kingdom as an emerging, developed and modern nation.<sup>(58)</sup>

Eddie Lush, in her LinkedIn commentary on the development of Saudi soft power, stated that for centuries, the Western world took its ability in soft power for granted. She observed that the kingdom, once was one of the most isolated countries globally, but is now a young nation exploring numerous opportunities to extend its brand beyond the Aramco Oil Company. Lush pointed out that Vision 2030, coupled with support from the Public Investment Fund, has propelled Saudi Arabia to be the fastest-growing country in the world

in 2022, redirecting its trajectory toward global influence beyond oil through investments in its people and companies. Lush highlighted the noteworthy international initiatives of the Public Investment Fund, including investments in soccer players, the merger of the PGA Tour with LIV Golf, and the acquisition of soccer teams. These moves, according to Lush, signify a shift in Western dynamics, suggesting a change in what the West once exclusively enjoyed. She underscored that the ongoing transformations in Saudi Arabia are contributing to expanding its brand globally. Lush also marveled at the rapid pace of transformations within Saudi Arabia, citing statistics such as the increase in female participation in the labor market from 20% in 2018 to 37% in 2022. She noted women's prominent roles, including serving on the Board of Directors of the Central Bank and holding leadership positions at the Stock Exchange and the Public Investment Fund. Lush acknowledged initiatives like the Saudi Premier Women's Football League and the Girls' Schools Football League, which involves nearly 5,000 teams in 2,000 schools, asking “Aren't such changes worth supporting?”<sup>(59)</sup>

In her article on the CSIS website, Gracelin Baskaran discussed Saudi Arabia's strategic advantage in its relations with African countries. She highlighted that these nations perceive the kingdom as a role model they aspire to follow, citing two primary reasons that make Saudi Arabia an appealing partner for African countries. Firstly, Baskaran emphasized the Saudi development narrative, which involves leveraging the extractive sector to achieve inclusive economic growth through the Saudi Fund for Development. This approach resonates with African countries seeking a model for equitable economic development. Secondly, she pointed to the kingdom's performance in the HDI, where it ranked 33rd among 143 countries. In contrast, 74% of African countries find themselves in the bottom quarter of HDI

classifications, despite 73% being labeled as resource-rich nations. Baskaran argued that this discrepancy underscores the failure of these countries to effectively utilize their abundant reserves of minerals, oil, and gas for social and economic advancement. Consequently, the growth narrative of Saudi Arabia is an appealing benchmark that many African countries aspire to replicate.<sup>(60)</sup>

All the foregoing have contributed to Saudi Arabia's rise in several significant international indices. An illustrative example of this progress is the Soft Power Index, where Saudi Arabia ascended five global places in terms of soft power standing. It achieved a significant milestone by entering the list of the top 20 countries among 121 nations worldwide, as per Brand Finance indicators. These indicators encompass various aspects, including global relations, familiarity and fame, reputation, influence, trade and business, governance, heritage and culture, media and communication, people and values, sustainability, and education and science. It is essential to contextualize these achievements within the broader framework of Vision 2030.<sup>(61)</sup>

Princess Reem bint Bandar, the kingdom's ambassador to the United States, aptly encapsulated the transformative journey of Saudi Arabia by remarking, "I am leaving a kingdom where we have witnessed more changes in 5 years than we have seen in 80 years, where women's rights are at the forefront, where female inclusion is at the forefront, and are we done? No. We have set the year 2030 as a point in which we will achieve the maximum possible."<sup>(62)</sup> These remarks underscore the ambitious and ongoing commitment to progress and change within the kingdom.

In describing the profound transformations occurring in the kingdom, a Saudi writer in 2023 expressed admiration for Crown Prince Mohammed bin Salman, stating, "This inspiring leader has become a global icon and a dream that people aspire to. He outlined the



present and future of his country, embodying his vision called the kingdom's Vision 2030 and remarkably achieved it ahead of its scheduled time. It is as if he outpaced time itself, with years and numbers condensed, and achievements soaring. The kingdom's global standing has risen across political, economic, defense and social dimensions. It has captivated the world with the magnitude of its accomplishments, all achieved within a few short years, earning widespread admiration and belief in his grand vision."<sup>(63)</sup>

Indeed, an assessment of the remarkable transformations in the kingdom cannot be complete without acknowledging the visionary leadership of Crown Prince Mohammed bin Salman. Over six years ago, in 2017, the US newspaper paper The Washington Post aptly described him as "re-engineering the Kingdom."<sup>(64)</sup> President Vladimir Putin echoed this sentiment in October 2022, stating that the Saudi crown prince is a "determined young leader who deserves respect." The Russian president went on to commend Crown Prince

Mohammed bin Salman for being "guided by national interests" and achieving a delicate balance between principles and national interests.<sup>(65)</sup>

During this era, according to a thoughtful perspective, the kingdom has reached the pinnacle of regional and global influence, establishing itself as the primary leadership in the Arab and Islamic worlds. This status enhances the likelihood that other parties will pay heed to its peaceful initiatives that prioritize protection over threats and preservation over squandering.<sup>(66)</sup> Another thinker emphasized that the kingdom's success in winning the right to host Expo 2030 was not a random occurrence but rather the outcome of years of diligent work. The successes achieved by the kingdom are attributed to meticulous planning, commitment to implementation mechanisms, adherence to schedules and dates, and the collective effort of an earnest nation where both the government and the people work in unison to achieve progress and renaissance.<sup>(67)</sup>

A photograph of two men in traditional Saudi attire (ghutra and agal) seated at a conference table. The man on the left is leaning forward, looking towards the man on the right. The man on the right is looking directly at the camera. A microphone is visible in front of the man on the right. The background is a blurred indoor setting with gold-colored decorative elements.

## **SAUDI ARABIA: A PEACEMAKER AND A CATALYST FOR REGIONAL STABILITY**

In 2023, the focal point of Saudi Arabia's activities lay in foreign policy, marking a significant shift as the kingdom assumed a central role in leading the region and the Islamic world.

The kingdom deftly managed relationships with major powers, including the United States, China and Russia, establishing a balance without being starkly aligned to any alliance.

Remarkably, the Gulf-Arab-US Summit in Riyadh mirrored the kingdom's growing prominence as the primary hub for global summits, propelling Saudi diplomacy to new heights.

The crown prince's conciliatory vision toward the international system was complemented by Saudi Arabia's assertive approach to fostering international partnerships. Continued strategic coordination councils underscored the kingdom's commitment to strengthening global relations.

The kingdom's adept diplomacy contributed to its elevated stature, positioning it as a regional powerhouse with global ambitions.

In 2023, Saudi Arabia assumed the role of mediator between the legitimate government and the Houthis in Yemen.

The kingdom embraced Chinese mediation to restore diplomatic ties with Iran, culminating in an agreement to reopen embassies and consulates.

Saudi Arabia hosted a series of summits in 2023, spanning bilateral, Gulf, Arab and international forums— as the Arab-US summit held in Riyadh in 2017 (aka the 2017 Riyadh Summit).

Saudi Arabia's vision for the Middle East extended beyond rhetoric, translating into tangible actions on the political and economic fronts and initiatives on the environment, climate and forestation.

Saudi Arabia emerged as a key mediator, garnering increased satisfaction and regional acceptability.

Looking ahead, Saudi Arabia is poised to strengthen its regional leadership and international role by adhering to positive policies that prioritize diversifying partnerships. The nation's increasing importance as a catalyst for regional stability is anticipated, despite the complex backdrop of international and regional crises, which pose challenges for constructing secure and precise strategic visions for the future.





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## Economic Diversification in the Post-Oil Era



The diversification of the economy stands as a fundamental goal outlined in the kingdom's Vision 2030, and the year 2023 witnessed remarkable progress in achieving the vision's objectives. International reports, along with official Saudi statements, attested to the success of economic diversification plans, with notable achievements such as the non-oil economy constituting 59% of the total, a 15% increase in non-oil GDP in 2022,<sup>(68)</sup> and a surge in revenues from non-oil sources from \$163 billion to \$411 billion (1.54 trillion riyals) in the same year.<sup>(69)</sup> The International Monetary Fund (IMF) anticipated a robust growth rate of 4.9% for non-oil economic sectors in Saudi Arabia throughout 2023.<sup>(70)</sup>

Riyad Bank's statement further highlighted a substantial increase in new business for non-oil economy companies.<sup>(71)</sup>

Crown Prince Mohammed bin Salman pointed to the substantial progress of the non-oil sector's contribution to Saudi Arabia's GDP during a September 2023 interview with Fox News. This development contributed to the Saudi economy achieving the highest growth rate among G20 countries in 2022, with the sector maintaining the second-highest growth rate in 2023 within the group. Finance Minister Mohammed al-Jadaan emphasized the impact of structural reforms over the past five years, noting that non-oil revenues, which covered only 10% of spending, increased to cover 40% of spending by the end of 2021.<sup>(72)</sup> Kristalina Georgieva, managing director of the IMF of the IMF, commended the development observed in Saudi Arabia's non-oil sector during her participation in the Future Investment Initiative forum in Riyadh. She praised Saudi Arabia's exceptional performance over the past five years, highlighting that in 2022, it stood as the fastest-growing economy among G20 countries. Georgieva credited the success to the impactful reforms of Vision 2030, which she deemed very successful. An IMF report also lauded the ongoing economic transformation in Saudi Arabia, supported by the commendable reforms under the Vision 2030 program.<sup>(73)</sup>

The necessity of pursuing the economic diversification strategy is underscored by the comprehensive analysis of the Saudi budget for 2024. The kingdom's general budget for the fiscal year gained approval from the Council of Ministers on December 6, with the Saudi Ministry of Finance projecting expenditures for the fiscal year 2023 to reach approximately 1.275 trillion riyals, marking a 9.5% increase over the actual expenditures in 2022. Reflecting the kingdom's commitment to strategic expansion spending in sectors with sustainable economic and social returns, the ministry's statement

affirmed the government's intention in 2024 and the medium term to extend spending primarily toward development programs, projects and regional and sectoral strategies. These initiatives aim to drive sustainable economic growth while enhancing the quality of public services and fostering infrastructure development across various regions of the kingdom. Preliminary estimates anticipate a growth acceleration in the kingdom's economy to 4.4% in 2024.<sup>(74)</sup>

Overall, the economic diversification policy of 2023 was translated into five essential indexes. These included: the shift toward clean energy projects, economic diplomacy and encouragement of investments, food security, optimization of logistics and global supply chain efficiency, the Made in Saudi program, and Saudi Arabia's emergence as a tourist destination.

### Switch to Clean Energy Projects

The kingdom is actively positioning itself as a leader in the production of renewable energy sources, aligning with one of the primary goals outlined in Vision 2030. This vision incorporates a dedicated clause pertaining to the renewable energy market, with the aim of achieving a 50% increase in production by 2030.<sup>(75)</sup> A significant step in this direction was taken on October 23, 2021, when Saudi Arabia declared its commitment to achieving carbon neutrality by the year 2060. This commitment involves adopting a carbon circular economy approach. Crown Prince Mohammed bin Salman further emphasized the kingdom's global environmental stance by announcing its participation in the international pledge on methane reduction, targeting a 30% decrease in global methane emissions.<sup>(76)</sup> In a groundbreaking initiative, Saudi Arabia initiated the construction of Neom, positioning it as the first city in the region to operate entirely on green hydrogen. The ambitious project encompasses The Line city, designed to offer

an innovative and modern lifestyle for over a million residents, free from cars, roads or pollution, relying solely on renewable energy. Additionally, the Oxagon industrial city, integrated with Neom, embraces an advanced and clean industrial system, aligning with environmental preservation principles.<sup>(77)</sup>

In 2023, the kingdom continued its endeavors in the Saudi Green and the Green Middle East initiatives. Since its inception, the Saudi Green Initiative has achieved the successful planting of 43.9 million trees and the reclamation of 94,000 hectares of degraded lands throughout the kingdom. Ongoing efforts include the implementation of over 40 initiatives aligned with the interim objective of planting over 600 million trees and reclaiming 8 million hectares of land by 2030.<sup>(78)</sup> Since 2022, the kingdom has seen the integration

of renewable energy projects, with a total capacity of 2,100 megawatts, into the national electricity grid, contributing to a cumulative renewable energy capacity of 2,800 megawatts (2.8 gigawatts). Additionally, various projects have been launched to reduce reliance on liquid fuels, replacing them with gas for electricity generation. In December 2023, four highly efficient gas-fired plants were commissioned, boasting a total capacity of approximately 5,600 megawatts. Presently, the kingdom is actively engaged in the construction of highly efficient plants equipped with carbon capture and storage technologies, targeting a total capacity of around 8.4 gigawatts.<sup>(79)</sup>

In May 2023, the kingdom declared its commencement of the construction of the world's largest green hydrogen production plant, following the successful financial



closure of the \$8.4 billion project. The plant is projected to generate up to 4 gigawatts of solar and wind energy, facilitating the production of approximately 600 metric tons per day of carbon-free hydrogen by the conclusion of 2026.<sup>(80)</sup>

In 2023, Saudi Arabia achieved financial closure on the Al Shuaibah PV1 and PV2 projects, independent solar photovoltaic energy initiatives in the Shuaiba Center, Makkah region. This venture involves collaboration between Saudi ACWA Power, The Water and Electricity Holding Company (Badeel) and Aramco. Commercial operations for these projects are set to commence in 2025.<sup>(81)</sup> In March 2023, Aramco marked a significant milestone with the groundbreaking Shaheen Project, valued at 26.3 billion riyals. This project aligns with Saudi Aramco's strategy to convert crude oil into chemicals, contributing positively to sustainability and carbon emissions reduction. Additionally, Aramco achieved a milestone by producing the first unconventional trapped gas from its business area south of Ghawar, supporting the company's goal to increase gas production in Saudi Arabia by over half of the 2021 production by 2030.<sup>(82)</sup>

As part of its overarching policy, the kingdom is actively promoting the increased adoption of clean energy, extending even to the realm of transportation. In March, 2023, the Royal Commission for Riyadh City (RCRC) unveiled the inaugural phase of the Riyadh Bus service under the King Abdulaziz Public Transport Project (KAPT) in Riyadh. The RCRC emphasized that the Riyadh Bus service is designed to foster environmental preservation and enhance public health within the city. This is to be achieved by deploying eco-friendly buses powered by low-sulfur fuel, thereby contributing to the reduction of air pollution stemming from carbon dioxide emissions produced by private vehicles. Simultaneously, the service aims to mitigate reliance on



private cars, offering a safe, comfortable and convenient public transportation alternative.<sup>(83)</sup>

A high decree, issued on October 8, 2023, marked the establishment of the Imam Faisal bin Turki Royal Reserve, positioning it as the eighth royal reserve in Saudi Arabia and the third largest within the kingdom. Encompassing a vast area of 30,152.7 km<sup>2</sup>, the reserve spans three administrative regions — Asir, Makkah, and Jazan — along with a segment in the kingdom's territorial waters in the Red Sea. Aligned with the objectives of Saudi Vision 2030 and the broader sustainable vision, the reserve is dedicated to safeguarding the

environment and enhancing natural resources. Its holistic approach encompasses preserving environmental and natural elements, relocating wildlife across regions, ensuring water balance and biodiversity, combating desertification and sustaining wildlife. The establishment of this reserve plays a pivotal role in elevating the percentage of royal reserves in the kingdom from 13.5% to 14.9%, thereby contributing to the realization of the Saudi Green Initiative's goal to protect 30% of land and marine areas by 2030.

Furthermore, the kingdom played a pivotal role in advancing global climate goals by hosting



the Middle East and North Africa Climate Week (MENACW 2023) in Riyadh from October 8 to October 12. During this event, Minister of Energy Prince Abdulaziz bin Salman unveiled three initiatives aimed at addressing climate challenges. These initiatives include a market mechanism designed to offset and balance greenhouse gases, a roadmap linked to the Saudi Green Initiative with a target of planting 10 billion trees, and the Empowering Africa initiative, built on clean cooking solutions to secure food needs.<sup>(84)</sup> The third edition of the Saudi Green Initiative Forum commenced on December 4, coinciding with the 28th session

of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28). This initiative serves as a vital platform, bringing together diverse stakeholders to engage in discussions on optimal strategies to expedite climate action.<sup>(85)</sup>

As regards the global collaboration on clean energy endeavors, Saudi Arabia and Japan jointly declared the creation of the Manar initiative for clean energy cooperation, on July 16. This initiative aims to spearhead projects promoting the shift toward clean energy, with a specific emphasis on areas such as hydrogen, ammonia, synthetic fuels, circular

carbon economy/carbon recycling, and direct air capture (DAC).<sup>(86)</sup> Additionally, one of the remarkable global strategic initiatives the kingdom delved into regarding green energy projects was the economic corridor project connecting India, the Middle East and Europe. Proposed as a component of The Partnership for Global Infrastructure and Investment (PGII), this initiative gained momentum on September 8 when Saudi Arabia and the United States inked a memorandum of understanding. This document delineates the cooperative frameworks to formulate a protocol fostering the establishment of green intercontinental transit corridors. The overarching goal of the project is to streamline the transmission of renewable electricity and clean hydrogen through cables and pipelines, thereby supporting endeavors in clean energy development.<sup>(87)</sup>

Furthermore, the kingdom is actively pursuing the development of peaceful nuclear energy and the construction of nuclear reactors to contribute to meeting the sustainable national development requirements outlined in Vision 2030. A comprehensive approach involves acquiring “the full cycle of nuclear fuel production, encompassing yellowcake and low-enriched uranium, and producing nuclear fuel for both domestic consumption and export.”<sup>(88)</sup> Minister of Energy Prince Abdulaziz bin Salman emphasized at the Future Minerals Forum (FMF) in Riyadh in January 2023 that “recent explorations showed a diverse portfolio of uranium in different geological locations within the Kingdom such as Jabal Saeed, Madinah, and Jabal Qariah in the north.” He added that Saudi Arabia intends to use its domestic uranium for the entire nuclear fuel cycle.<sup>(89)</sup> During the 67th session of the General Conference of the International Atomic Energy Agency in Vienna, the minister reiterated the kingdom’s commitment to its national nuclear energy policy, emphasizing transparency, reliability and adherence to the highest safety

standards. He revealed that Saudi Arabia is actively working on a project to construct its first nuclear power plant.<sup>(90)</sup> Throughout 2023, the kingdom successfully normalized its pursuit of nuclear plant construction for peaceful purposes, asserting its rights and positioning this initiative as a crucial step toward economic and energy source diversification.

Moreover, the kingdom is not solely focused on expanding its reliance on renewable energy sources; it is also dedicated to enhancing the sustainability of traditional energy sources, aligning them with the characteristics of renewable and clean energy. This commitment was reaffirmed by the Minister of Energy Prince Abdulaziz bin Salman during the events of Middle East and North Africa Climate Week (MENACW) for the year 2023. Saudi Arabia demonstrates a strategic and visionary

approach toward embracing renewable energy sources, carefully considering the balance between addressing climate risks and sustaining global economic performance. This strategic outlook underscores the ongoing investment in both conventional and renewable energy sectors.<sup>(91)</sup>

### **Economic Diplomacy and Encouragement of Investments**

In 2023, the kingdom prioritized bolstering investments and fortifying the role of the private sector within the economy, aligning with its commitment to economic diversification and the enhancement of the investment climate. This effort was a manifestation of the National Investment Strategy (NIS) launched by Crown Prince Mohammed bin Salman bin Abdulaziz in October 2021. The strategy's objectives encompass elevating the private sector's contribution to GDP, attracting increased foreign investments, boosting non-oil exports, mitigating unemployment, and elevating the kingdom's standing among the top 10 economies in the Global Competitiveness Report by 2030.<sup>(92)</sup>

The NIS, introduced by Crown Prince Mohammed bin Salman in October 2021, is designed to empower key sectors like industry, renewable energy, transportation, logistics, tourism, digital infrastructure and healthcare. This empowerment involves substantial support for their growth through diverse funding sources, including the Public Investment Fund and Saudi companies. The strategy facilitates major projects via a partner program, augments local and international investments and stimulates government spending. Sectors of special emphasis within the strategy include green energy, technology, healthcare, biotechnology, advanced mobility and logistics as well as other transaction-oriented

economic activities such as innovative startups and entrepreneurship.<sup>(93)</sup> Building upon the NIS launched in 2021, the kingdom expanded its focus to include additional economic sectors that had not previously made significant contributions to GDP. These sectors encompass tourism and entertainment, information technology, biotechnology and healthcare as well as real estate activities. The kingdom's strategy is geared toward channeling investments into pivotal priority economic sectors due to their significant role in accelerating overall economic growth.<sup>(94)</sup>

In recent years, the kingdom has actively worked to bolster its status as a prominent global investment hub. Through introducing a series of reforms and initiatives, it aimed to attract both national and foreign investments, and foster a conducive business environment that fortifies the private sector and broadens income streams. The strategy involved stimulating local investment growth through extensive partnerships with the private sector, spanning diverse regions due to the kingdom's varied investment landscape. Concurrently, legislative and policy improvements contributed to the kingdom's advancement across ease of doing business indicators.<sup>(95)</sup> Yet the kingdom collaborated with the IMF to develop a novel methodology for computing foreign direct investment statistics. This collaborative effort involved the Ministry of Investment, the General Authority for Statistics and the Central Bank of Saudi Arabia. The objective of this new approach is to enhance the accuracy and transparency of foreign direct investment data in the kingdom, aligning with international best practices.<sup>(96)</sup>

In this vein, the Saudi Capital Market Authority's Board took a decisive step by issuing a resolution to publish proposed amendments to the regulations governing foreign investment in securities. To ensure comprehensive feedback, the public was invited to express their





opinions during a 30-day period, concluding on January 9, 2023. According to the authority's statement on December 11, 2022, key aspects of the initiative involved refining the criteria for qualification and streamlining the prerequisites for qualified foreign investors. This included the elimination of application submission requirements and the qualified foreign investor evaluation agreement. Moreover, there was a focus on softening the requirements for opening investment accounts in alignment with the instructions for investment accounts. The proposal also encompassed exemptions for certain categories from the stipulated size of managed assets. In a groundbreaking move, a new avenue for foreign investment in securities listed on the main market was introduced. This entailed allowing foreign individuals and entities to invest in securities listed on the

main market through investment portfolios managed by financial market institutions. Furthermore, enhancements were made to the conditions for non-resident foreigners to engage in investments in listed securities through swap agreements, eliminating the previously imposed duration requirement and the necessity to notify the authority before finalizing the swap agreement.<sup>(97)</sup>

The crown prince unveiled on April 13 the inauguration of four distinct economic zones in Riyadh, Jizan, Ras Al-Khair and King Abdullah Economic City, situated north of Jeddah. Emphasizing the competitive advantages of each region, these specialized zones are envisioned to unlock new avenues for development and bolster vital sectors such as logistics, industry and technology. These zones will benefit from unique legislative systems

and regulations tailored to economic activities, positioning them as the most competitive in the nation and globally. By offering a conducive environment for significant investments, these zones are poised to catalyze local economic growth and play a pivotal role in realizing sector-specific strategies aligned with Saudi Vision 2030. Furthermore, they reinforce the kingdom's status as a pivotal transit gateway to the Middle East and Africa region, acting as a vital link between Eastern and Western markets.<sup>(98)</sup>

Conversely, in November, the RCRC Board of Directors declared the establishment of the Special Economic Zones Center within the city. The aim is to augment the competitiveness of businesses in the capital, elevating it into a major regional hub for international companies and amplifying its economic influence. This center is anticipated to foster a competitive environment that spurs economic growth, draws national and international expertise and enhances the influx of new businesses and companies to the region. Ultimately, it is poised to fortify Riyadh's standing, and by extension, Saudi Arabia's position as a regional hub for international companies.<sup>(99)</sup>

Saudi Crown Prince Mohammed bin Salman announced a significant initiative in February — the creation of the Strategic Office for the Development of the Northern Border region. This initiative is designed to elevate the region's development by investing in its economic, natural and historical elements, leveraging its strategic border location as a gateway to the northern parts of the kingdom. The strategic office is tasked with launching targeted initiatives and projects to foster an appealing investment environment, aligning with the objectives of sustainable development.<sup>(100)</sup>

At the international level, Saudi Aramco successfully finalized an agreement to acquire a 100% equity stake in ESMAX Distribution Company (SBE) from the Southern Cross Group.



Marking Aramco's initial venture into retail and marketing enterprises in South America, this strategic move is poised to strengthen Saudi Aramco's value chain strategy within the refining, chemicals and marketing sector. Another noteworthy development occurred on July 21, 2023, when the company, via its wholly-owned subsidiary Aramco Overseas, concluded the acquisition of a 10% stake in Rongsheng Petrochemicals for a sum of \$3.4 billion.<sup>(101)</sup>

In November, Seven, the entertainment ventures company owned by the Public Investment Fund, unveiled plans for the development of the fifth entertainment destination in Saudi Arabia, marking the first in the Asir region in the southwest of the country. This ambitious project boasts an investment value of 1.3 billion riyals (\$346 million) and is strategically located between the cities of Abha and Khamis Mushait, in close proximity to Abha International Airport. Encompassing a sprawling area of 64,000 square meters, with a built-up area exceeding 79,000 square meters, this entertainment destination is poised to become a distinctive and unparalleled attraction.<sup>(102)</sup>

In March 2023, Crown Prince Mohammed bin Salman unveiled the establishment of Riyadh Air, the new national airline, under the auspices of the Saudi Public Investment Fund. With the robust financial backing of the fund, the airline is poised to significantly enhance the kingdom's aviation sector. The formidable resources of the fund will empower the company to expand its operations, aligning with its strategic objectives. Forecasts anticipate that Riyadh Air will play a pivotal role in attracting a larger influx of visitors and tourists to the kingdom, consequently contributing to the non-oil GDP's growth by an estimated value of up to 75 billion riyals (approximately \$20 billion). Additionally, this initiative is expected to generate over 200,000 direct and indirect job opportunities.<sup>(103)</sup>



On November 28, 2022, Crown Prince Mohammed bin Salman unveiled the comprehensive plan for King Salman International Airport, marking a significant stride in positioning Riyadh as a global gateway. This initiative aligns seamlessly with the Public Investment Fund's strategic vision, emphasizing the unlocking of potential in key sectors, real estate ventures and local infrastructure development. Moreover, it resonates with the National Transport and Logistics Strategy (NTLS) and the Global Supply Chain Resilience Initiative (GSCRI). The anticipated impact of this project extends to an annual contribution of approximately 27 billion riyals (\$7.2 billion) to the non-oil GDP, coupled with the creation of 103,000 direct and indirect job opportunities. This transformative airport is poised to serve as a pivotal global hub for transportation, trade and tourism, bridging the gap between East and West and solidifying Saudi Arabia's status as a prominent global logistics hub.<sup>(104)</sup>

As a part of its commitment to fostering private investment, the National Center for Privatization collaborated with sectors destined for privatization to release a comprehensive list of 200 projects approved for privatization across various sectors earmarked for privatization. This initiative is designed to afford both local and international investors the chance to familiarize themselves with upcoming privatization projects in Saudi Arabia, providing a significant window of time before the official launch of these projects. This proactive approach enhances investors' readiness and preparation, ensuring the effective presentation and successful outcomes of the projects.<sup>(105)</sup>

The kingdom is also actively working to bolster macro and micro-level investments, extending its efforts to regional and municipal spheres. A notable event in this pursuit was the 2023 Municipal Investment Forum (FURAS), hosted in Riyadh in January for its second edition. This forum is a strategic

initiative aimed at identifying investment prospects, particularly focusing on the role of investment in the development of Saudi cities. The municipal sector collaborates with various governmental, private and non-profit entities to revitalize cities, villages and settlements. Importantly, municipal investments are closely linked to five key vision programs, namely privatization, housing, quality of life, serving the guests of God (pilgrims) and financial sustainability.<sup>(106)</sup> The General Entertainment Authority actively participated in FURAS, underscoring the government's cohesive approach to realizing the objectives of Vision 2030 by presenting investment opportunities in the entertainment sector to both local and international investors.<sup>(107)</sup> This collaboration highlights the synchronization in government efforts toward the attainment of Vision 2030.

At the regional level, the Taif Investment Forum kicked off its activities in November under the theme Invest in Taif. This initiative aims to bolster the Saudi Taif Governorate, showcasing its investment prospects and positioning it as a prominent destination on the global investment map.<sup>(108)</sup> Additionally, the Northern Border Investment Forum took place in November, organized by the regional directorate and the Federation for Saudi Chambers of Commerce in Arar. During this forum, over 157 investment opportunities in the Northern Border Region were presented, collectively valued at approximately 22 billion riyals.<sup>(109)</sup> These regional forums exemplify the kingdom's commitment to fostering investment at various geographical levels and underscore its dedication to enhancing economic development across different regions. Equally noteworthy is the disclosure made by the Minister of Commerce Dr. Majid al-Kassabi during the forum, emphasizing the Ministry of Commerce's dedication to preparing and enhancing over 70 aspects of legislation over the past seven years aimed at "facilitating the

investor's journey." This comprehensive effort involved the elimination of 485 conditions and requirements across 18 sectors, the creation of more than 40 economic activities to enhance investment opportunities in promising sectors, and a substantial reduction in container clearance times at ports to just two hours.<sup>(110)</sup>

In the same vein, the Royal Commission for Jubail and Yanbu, through the Jazan City for Basic and Transformative Industries, successfully concluded the allocation of capital projects for the year 2023, known as "RAWAS," in Jazan City, located in southwestern Saudi Arabia. This encompasses a portfolio of 53 projects, spanning diverse objectives and outcomes, encompassing infrastructure, service and residential ventures, with a cumulative investment surpassing 9 billion Saudi riyals (\$2.4 billion). These completed award-winning projects bring forth compelling economic incentives, paving the way for new dimensions in economic development, directly

contributing to an enhanced quality of life in the city. They encompass a spectrum of facilities, including educational institutions, government agency business centers, operational and maintenance hubs, environmental monitoring labs, an industrial zone fire station, and an array of residential and tourism-oriented initiatives.<sup>(111)</sup>

Regarding investment incentives, the Saudi Ministry of Investment, in collaboration with the Ministry of Finance and the Zakat, Tax, and Customs Authority (ZATCA), unveiled a new tax incentive initiative on December 5, 2023. This package, spanning a 30-year duration, aims to bolster the program aimed at attracting regional headquarters of international companies and streamlining processes for establishing global company hubs in the kingdom. The comprehensive tax exemption, valid for three decades, features a 0% rate for income tax on regional headquarters entities and withholding tax for approved activities conducted by regional headquarters. International



companies stand to benefit from these exemptions starting from the issuance date of the regional headquarters license. The Minister of Investment highlighted the kingdom's appeal, driven by its exceptional competencies, strategic location and robust growth prospects, attracting over 200 companies to the program. The minister of finance emphasized that these new tax exemptions would provide regional headquarters of international companies in the kingdom with enhanced clarity of vision and stability, bolstering their capacity for future planning and expansion in the region, commencing from within the kingdom.<sup>(112)</sup>

Concerning investment promotion initiatives, the Saudi Ministry of Foreign Affairs, in collaboration with the Ministry of Investment, initiated the second phase of the electronic issuance service for a business visit visa, known as the "Visiting Investor." This expanded service now encompasses all countries globally, facilitating the application process for foreign investors and employees of foreign firms seeking an electronic visit visa. Launched through a dedicated platform affiliated with the Ministry of Investment, this service is part of a broader initiative within the consular services development projects. Its goal is aligned with the objectives of Saudi Vision 2030, aiming to attract a more diverse range of investors from around the world.<sup>(113)</sup>

Regarding economic diplomacy, the investment agenda took center stage in all the summits hosted by the kingdom and various official visits abroad, particularly in the tours led by Crown Prince Mohammed bin Salman. A notable example is the visit to New Delhi in September, where Saudi Arabia and India emphasized the significance of bolstering economic relations and fostering both direct and indirect investments in all domains.<sup>(114)</sup> Furthermore, the crown prince inaugurated the Custodian of the Two Holy Mosques Development Initiative in Africa. This initiative

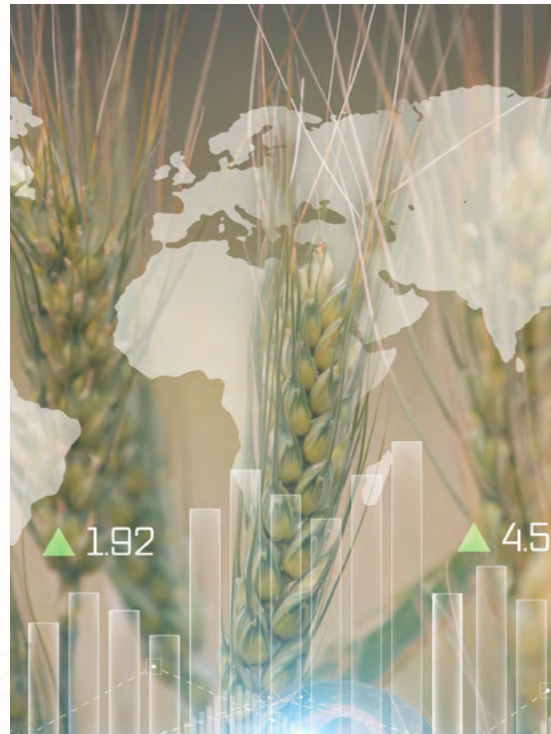
includes development projects and programs in African countries valued at over \$1 billion over a decade. The opening occurred during the inaugural Saudi-African summit held in Riyadh, where the crown prince articulated his vision to channel Saudi investments into diverse sectors, amounting to more than \$25 billion for the African continent.<sup>(115)</sup>

### Food Security

Saudi Vision 2030 enhanced practical measures to achieve food security, ensuring the provision of food to all members of society in both quantity and quality — as required to meet their needs. The Ministry of Environment, Water and Agriculture has devised a comprehensive strategy comprising 59 distinct initiatives dedicated to achieving water and food security. The concerted efforts of the state have propelled the kingdom to a global leadership position in the food standards index and elevated it to the 18th spot worldwide in the crop safety rate index out of 113 countries in 2020.<sup>(116)</sup> By the close of 2022, the kingdom ascended two places in

the international food security index, securing 41st position globally compared to 43rd place in 2021.<sup>(117)</sup> This progress is mirrored in substantial increases in self-sufficiency rates, with red meat witnessing a surge of 60%, table eggs marking a remarkable 117% increase, fish recording a 60% uptick, dairy achieving a significant 118% boost, and poultry meat experiencing a substantial rise of 68%. The Ministry of Environment, Water and Agriculture launched prominent brands such as Fish and Saudi Dates, along with the Saudi GAP certificate. These initiatives aim to enhance the quality of agricultural, fish and animal products in the kingdom. By introducing these brands and certifications, the goal is to elevate the market value of products, empower farmers and investors in marketing and exporting their goods, and expand marketing opportunities in both local and global markets.<sup>(118)</sup>

The food security strategy in the kingdom is directed toward several key objectives. These encompass elevating self-sufficiency rates, establishing a food system grounded in local production that prioritizes sustainability, ensuring the stability and diversification of external sources, while maintaining the highest standards of safe and quality food. The strategy also involves developing clear plans to anticipate and mitigate potential food security risks.<sup>(119)</sup> The strategic focus areas of the food security program, as crafted by the General Authority for Food Security, revolve around five pivotal goals. These include increasing levels of self-sufficiency in goods suited to the Saudi ecosystem, supporting the local development of strategic food product manufacturing sectors, creating mechanisms and frameworks for commercial companies, transforming the kingdom into a regional hub for food trade, and activating cooperation mechanisms in the sphere of regional and international food security. Furthermore, the strategy involves efforts to achieve diversity and stability in external food sources, as well as formulating



suitable mechanisms and policies for operating and managing strategic food stocks in collaboration with private sector entities.<sup>(120)</sup>

In a significant revelation during the budget forum on December 7, Minister of Environment, Water and Agriculture Eng. Abdurrahman bin Abdulmohsen Al-Fadhli disclosed that the kingdom generates approximately 11 million tons of agricultural products. Notably, the kingdom has successfully increased the self-sufficiency of agricultural products without negatively impacting water resources. He highlighted the near self-sufficiency in vegetable products, citing the ministry's strategic reshuffling last year, resulting in the production of 1.5 million tons of wheat, accounting for 50% of the kingdom's needs. In emergency scenarios, this production might even meet 100% of the kingdom's needs,<sup>(121)</sup> underscoring the substantial efforts invested by the kingdom to achieve such commendable levels of productivity.

The initiatives and collaborations between national entities continue unabated in their quest to optimize food resources. For instance, on September 18, SALIC, a company under the Public Investment Fund, increased its stake in the National Agricultural Development Company (NADEC) from 32.46% to 38.65%. Aligned with its strategic objectives to contribute to national goals for food security by empowering the local agricultural food sector, this marks the second increase, following a previous boost when SALIC's share was 20%. NADEC stands as a leading national company in the food and agricultural industries, and its strategy aligns with SALIC's objectives for local investment in food commodities. NADEC aims to strengthen its impactful role in the food security system at both local and regional levels, transitioning into an integrated food company. This transformation contributes to elevating self-sufficiency rates for targeted goods and supporting supply chains within the kingdom.<sup>(122)</sup>

The kingdom's commitment to achieving food security extends beyond domestic efforts, encompassing the establishment of food security alliances globally. Emphasizing the strategic advantage provided by the kingdom's location, the minister of environment, water and agriculture highlighted the potential for forging global alliances with South American and East African countries. These alliances would involve investments in food industries, livestock, agriculture, import and re-export.<sup>(123)</sup> During the 10<sup>th</sup> session of the Arab-Chinese Businessmen Conference, the minister affirmed the potential for the kingdom and China to achieve self-sufficiency and contribute to global food security.<sup>(124)</sup> Through substantial agricultural investments exceeding \$10 billion in countries such as Sudan, Morocco, Ethiopia, Egypt, Argentina, Brazil, India, Australia, Ukraine and Canada over the past decade, the kingdom has successfully bolstered its food security in essential commodities. Additionally, the kingdom launched a financial support package exceeding \$10 billion for Arab Coordination Group institutions to strengthen regional food security.<sup>(125)</sup>

In tandem with its endeavors to attain food security, the kingdom is actively engaged in intensifying awareness campaigns addressing food waste. The Public Authority for Food Security, through the National Program to Reduce Food Loss and Waste, initiated a comprehensive awareness campaign coinciding with the International Day for Awareness of Food Loss and Waste, observed annually on September 29<sup>th</sup>. The campaign aims to heighten awareness regarding the significance of food security, advocate for responsible consumption practices, and foster the adoption of solutions that mitigate food waste. The program's Baseline for the Kingdom study revealed that food loss and waste in the kingdom constitute approximately 33%, equivalent to 4 million tons

annually, with an estimated annual waste value of around 40 billion riyals.<sup>(126)</sup>

In terms of organizational structure, a pivotal development occurred on January 17, 2023. The Council of Ministers, through a decision, transformed the Saudi Grains Organization (SAGO) into a body named the Public Authority for Food Security. This transformation aims to regulate, enhance and develop food security, ensuring the safeguarding of vital state interests and national security, and overseeing compliance with the regulations and plans in this domain. The decision outlined 20 key tasks for the authority, encompassing activities such as reviewing and updating the food security strategy, formulating an implementation plan, fostering an investment-friendly environment for the food sector, establishing an early warning system for food security in collaboration with relevant authorities, and devising plans to manage and recover from emergencies linked to the food security system. The authority is also tasked with developing strategic storage plans, overseeing routine procedures, and creating awareness programs to reduce food loss and waste, with a commitment to following up on their implementation.<sup>(127)</sup>

### **Logistics and Enhancing the Efficiency of Global Supply Chains**

The logistics services sector is a highly promising sector in the kingdom, aligning with the objectives outlined in Vision 2030. This strategic vision emphasizes the need to augment the contribution of the logistics services sector to overall GDP. Recognizing its economic significance, Crown Prince Mohammed bin Salman has dedicated attention to this sector, considering it a crucial and untapped economic opportunity.

Furthermore, Riyadh is actively working toward advancing the logistics services sector, aiming to position it as a pivotal component of economic diversification and development. This involves a strategic collaboration with

the private sector, expanding investment opportunities, and supporting the export strategy. Initiatives launched by the Ministry of Transport and Logistics are geared toward enhancing the sector's efficiency and implementing global best practices. Notably, the introduction of the logistics zone at King Salman International Airport in Riyadh is part of a national strategy with the ambitious goal of propelling the kingdom into the top 10 countries on the Logistics Performance Index (LPI) worldwide by 2030. The kingdom envisions becoming a global hub for logistics services, leveraging its advantageous geographical location at the crossroads of three continents, bordered by the Red Sea and the Arabian Gulf. This strategic positioning places it at the heart of the global trade movement, serving as a natural link between markets inhabited by over 6 billion people.

The kingdom initiated the National Industrial Development and Logistics Services Program in 2019, envisioning a transformation into a prominent industrial force and a global logistics hub. Simultaneously, the National Transport and Logistics Strategy was introduced with the objective of realizing key goals within the logistics sector. This strategy is designed to foster integration and interconnection in the transport and logistics system, aligning with the overarching goals of Vision 2030 for the kingdom.<sup>(128)</sup>

Yet, in mid-2021, the kingdom introduced the NTLs, with the goal of solidifying its status as a global logistics hub connecting three continents. On October 23, 2022, the Saudi crown prince unveiled the GSCRI, aiming to establish the kingdom as an optimal investment environment for all supply chain investors. Leveraging the kingdom's competitive

advantages, the initiative outlines a unified strategy to attract global supply chains, with the target of securing qualitative investments — both industrial and service-related — amounting to 40 billion riyals in the initial two years following its launch. The kingdom seeks to have 65% of its supply chain based domestically.<sup>(129)</sup>

In 2023, there was a significant expansion of the kingdom's logistics initiatives, marked by the launch of the general plan for logistics centers by Crown Prince Mohammed bin Salman, who serves as the chairman of the Supreme Committee for Transport and Logistics Services. The comprehensive plan encompasses 59 centers covering a collective area exceeding 100 million square meters. This includes 12 logistics centers designated for the Riyadh region, another 12 for the Makkah region, 17 for the eastern region, and 18 for the remaining regions of the kingdom.<sup>(130)</sup> These logistics centers serve various purposes, incorporating multimodal air freight facilities, dry ports for inland logistics, railway/dry ports for goods handling and distribution, international logistical distribution centers for transportation, warehousing, and international re-export, industrial cities providing support for industrial economic activities, internal logistical distribution centers for transport, storage, and distribution to national, regional, and semi-urban centers, land border crossings offering facilities for short-term distribution, shipping, and storage, service centers in proximity to land borders, and logistical centers in ports for assembly, sorting operations, and other logistical functions.<sup>(131)</sup>

The kingdom's substantial investments in logistics have yielded rapid and significant results. Minister of Transport and Logistics Saleh bin Nasser Al-Jasser announced during the fifth session of Supply Chain And Logistics Conference 2023, themed Towards Sustainable Supply Chains to Promote the



Circular Economy, that the kingdom had experienced unprecedented advancements in the performance of the transport and logistics sector. Supported by leadership, these achievements are reflected in specialized international indicators. In 2023, the logistics sector witnessed remarkable accomplishments as the kingdom climbed 17 places globally in the performance index of logistics issued by the World Bank. Additionally, it ascended eight places in international rankings for container handling, according to the Lloyd's List global ranking of container handling quantities, focusing on the 100 largest ports worldwide. The ports industry experienced a remarkable surge in both domestic and international investments as major corporations directed their resources toward bolstering the logistics sector. Over the recent period, a series of agreements have been executed for the establishment of 12 private-sector-driven logistics zones within key ports such as the Jeddah Islamic Port, King Abdulaziz Port in Dammam and King Fahd Industrial Port in Yanbu. This strategic investment amounts to approximately 4.2 billion riyals (\$1.11 billion) and is anticipated to generate over 13,000 direct and indirect employment opportunities within the burgeoning logistics field, as reported by the minister of transport and logistics services.<sup>(132)</sup>

### The Made in Saudi Program

The kingdom envisions a transformative industrial journey akin to the remarkable advancement witnessed by South Korea over a quarter-century. This ambitious national objective was expressed by Crown Prince Mohammed bin Salman when he launched the new National Industry Strategy. “We have all the capabilities we need to enable a competitive and sustainable industrial economy, from ambitious young talent, a distinguished geographic location, rich natural resources, and the presence of leading national industrial companies. Through the National Strategy for Industry and in partnership



# SAUDI MADE

with the private sector, the kingdom will become a leading industrial power that contributes to securing global supply chains and exporting high-tech products to the world,” the crown prince said.<sup>(133)</sup>

Vision 2030 has unequivocally expressed its resolve to metamorphose Aramco from a mere oil production entity into a global industrial powerhouse. Emphasizing the imperative of investing in novel industries, Vision 2030 underscores the kingdom’s commitment to localizing new energy sectors and industrial equipment within the manufacturing sector. A dedicated city for the energy industry is slated for development, alongside the allocation of suitable lands for industrial projects. Vision 2030 commits to fortifying the position of major national companies in the food industries and earmarks a specialized segment for the localization of military industries. Additionally, the vision vows unwavering support to national industries, facilitating their foray into international markets and fostering agreements for the export of their products.<sup>(134)</sup>

The kingdom is steadfast on its trajectory to emerge as a formidable industrial force, propelled by the National Industry Strategy

initiated by Crown Prince Mohammed bin Salman in October 2022. Envisaging a significant augmentation, the industrial sector is anticipated to contribute more than two and a half times its current contribution to GDP. With GDP set to ascend from 331 billion riyals in 2020 to a projected 895 billion riyals by 2030, the sector’s employment opportunities are set to double from 0.9 million jobs in 2020 to 2.1 million jobs by 2030. Forecasts predict a doubling of industrial exports, reaching 557 billion riyals by 2030,<sup>(135)</sup> up from the 169 billion riyals recorded in 2020. To achieve these ambitious targets, the strategy aims to nearly quadruple the number of factories from 10,600 in 2022 to 36,000 by 2035,<sup>(136)</sup> attract additional investments totaling 1.3 trillion riyals, and boost exports of advanced technology products by about sixfold.<sup>(137)</sup>

As an integral part of Vision 2030, Saudi Arabia is steadfast in asserting the “Saudi Made” logo. The Made in Saudi Arabia program, initiated in 2021, is a pivotal driver for localizing industry and supply chains. This program is used as a “certification mark” and was launched with the overarching goal of promoting Saudi products on a local, regional and global scale.<sup>(138)</sup> Beyond encouraging domestic consumers to choose local products, the program reinforces the kingdom’s global standing as an industrial hub that attracts investments. Companies participating in the program are granted the right to display the coveted Saudi Made logo, contributing to a positive international image of the kingdom.<sup>(139)</sup> Since its inception, the program has achieved noteworthy milestones, boasting over 20 partners from both the public and private sectors, 1,500 registered companies, and 190 companies proudly displaying the Made in Saudi Arabia label on their products. A total of 7,112 products have been successfully registered under the program, marking its impact and resonance in the market.<sup>(140)</sup>

The Ministry of Industry and Mineral Resources is actively advancing initiatives aligned with the objectives of Vision 2030 through the National Industrial Development and Logistics Program (NIDLP). According to its official website, NIDLP aims to develop industries related to oil and gas, localize promising industries, establish special zones, and rehabilitate economic cities, among other goals. The program also emphasizes maximizing the value derived from the mining sector and increasing the percentage of local content in the oil and gas sector.<sup>(141)</sup> Within the industry and mining sectors, the Ministry is spearheading numerous initiatives, including the Local Industry Stimulation Initiative,<sup>(142)</sup> which aims to bolster domestic industrial activity. Other significant endeavors include the Industrial Business Accelerator and Incubator Initiative<sup>(143)</sup> and Future Factories Program Initiative.<sup>(144)</sup> These initiatives collectively contribute to the realization of Vision 2030's objectives in the industrial and mining domains.

By 2030, the kingdom's industrial sector harbors ambitious goals, including the localization of leading, globally competitive machinery and equipment. The aim is to achieve a 40% localization of the value in the local pharmaceutical industry and elevate the localization percentage of medical devices and supplies to 15%. Another significant objective is for the kingdom to emerge as a regional hub for the food industry, catering to 85% of the local demand for food industries. Additionally, the kingdom aspires to attain a 50% localization in military and security spending.<sup>(145)</sup>

In 2023, the Saudi Authority for Industrial Cities and Technology Zones (MODON) inked two memorandums of understanding with the Local Content and Government Procurement Authority during its participation in the second edition of the "Made in Saudi Arabia" exhibition under the slogan "Our industries

are our successes."<sup>(146)</sup> The Industrial Fund introduced the Tawteen program, focused on facilitating, promoting and financing opportunities for localizing supply chains. The Industrial Fund collaborated with key Saudi companies to support their efforts in replacing imported products and spare parts with domestically manufactured alternatives.<sup>(147)</sup> In a significant development, the Local Content Coordination Council disclosed the localization of 176 industries, totaling over 128 billion riyals (\$34.1 billion).<sup>(148)</sup> Remarkably, the kingdom achieved substantial progress in industry localization, exemplified by the localization of the pharmaceutical sector, including insulin production lines. This move aligns with the national industrial strategy to meet the sector's growing demands for high-tech specialized pharmaceuticals.<sup>(149)</sup> Moreover, the kingdom aspires to achieve an 85% localization rate in the food industries by the year 2030.<sup>(150)</sup>

With regard to the ongoing advancements, the undersecretary of the Ministry of Industry and Mineral Resources for Industrial Development in Saudi Arabia disclosed that all factories in the kingdom are integrated into the Future Factories Program, transitioning from conventional to sophisticated industrial practices.<sup>(151)</sup> The ministry initiated a program, in collaboration with KAFAA Efficiency Excellence Company, the Saudi Industrial Development Fund and MODON, to automate 4,000 factories. The objective is to shift these facilities from a heavy reliance on foreign labor to digital industrial automation. This initiative is undertaken in partnership with the International Centre for Industrial Transformation (INCIT) and is endorsed by NIDLP and the Ministry of Communications and Information Technology.<sup>(152)</sup>

The kingdom stands poised to establish itself as a robust regional and global hub for mineral processing, leveraging its multifaceted strengths. Fortified by amicable and extensive

relations with nations worldwide, particularly those in the pivotal mining regions of Africa and Asia, the kingdom's strategic location bridges the East and West. Further fortifying its position are abundant renewable energy sources, cutting-edge infrastructure, an extensive network of roads and seaports, and sophisticated logistics services. This was underscored by the deputy minister of industry and mineral resources for mining affairs during the announcement of the details of the program for the third edition of the International Mining Conference at King Abdul Aziz International Conference Center in Riyadh.<sup>(153)</sup>

### **Saudi Arabia as an Attractive Tourist Destination**

The tourism sector stands as a crucial cornerstone in realizing Vision 2030, playing a pivotal role in diversifying the national economy and mitigating reliance on oil. Given special priority, Vision 2030 outlines the development of tourist sites to meet the highest global standards, streamlining visa issuance procedures for visitors, and the preparation and enhancement of historical and heritage sites. Recognizing the immense potential<sup>(154)</sup> of the tourism sector, the Saudi tourism strategy aligns with Vision 2030 goals, aiming to elevate the sector's contribution to GDP to over 10%, generate 1 million additional job opportunities, and attract 100 million annual visits by 2030.<sup>(155)</sup>

The tourism industry is overseen by the Ministry of Tourism, the Tourism Development Fund and the Saudi Tourism Authority. Established in adherence to the highest international standards, each entity collaborates to fulfill the ambitions and goals of the crucial tourism sector, providing tailored support for its growth and prosperity, with each playing specific roles.<sup>(156)</sup>

The digital tourism strategy is a pivotal component of the Ministry of Tourism's initiatives to enhance the kingdom's local

tourism sector. Aligned with the objectives of Vision 2030, the strategy aims to contribute to the rebuilding and enrichment of the tourism sector by fostering a seamless experience for both tourists and stakeholders. Emphasizing key aspects such as streamlined travel, business facilitation, innovation, digital engagement, sustainability promotion, informed decision-making, development of a skilled digital workforce and investor attraction, the strategy is designed to fortify the prosperity of the tourism sector.<sup>(157)</sup>

The Saudi Conventions and Exhibitions General Authority (SCEGA) unveiled plans for approximately 43 exhibitions and conferences scheduled across the kingdom in October 2023 alone. Recognized as a vital element of the tourism sector, exhibition and conference tourism in the kingdom is poised for substantial growth. Projections by the World Travel and Tourism Council anticipate an annual 11% expansion in this sector, establishing it as the fastest-growing sector in the Middle East over the forthcoming years. Over time, the issuance of visas has become more streamlined and secure than ever, while allowing electronic visas or on-arrival options for citizens of 59 countries.<sup>(158)</sup>

In accordance with Vision 2030, which prioritizes investments in and the advancement of the tourism sector, Saudi Arabia has revised visit visa regulations for tourism purposes. These adjustments include improved facilities for residents of Gulf states, individuals with visas from the United States, the UK or Schengen Agreement countries, as well as simplified procedures for pilgrims arriving from outside the kingdom. In August 2023, the kingdom expanded electronic visit visa eligibility to eight additional countries: Azerbaijan, Albania, Uzbekistan, South Africa, Georgia, Tajikistan, Kyrgyzstan and the Maldives. This expansion brings the total number of countries covered by the visa program to 57, supporting the









kingdom's tourism strategy and Vision 2030 objectives, which aim to increase the sector's contribution to GDP from 3% to over 10%, while targeting 100 million annual visits.<sup>(159)</sup>

In 2023, the kingdom embarked on a significant strategic initiative in the tourism sector with the announcement by Crown Prince Mohammed bin Salman of the comprehensive plan for the Soudah Peaks project. This visionary project aims to transform Al-Soudah and parts of Rijal Alma' into a luxurious mountainous tourist destination atop the highest peak in Saudi Arabia. Aligned with the Public Investment Fund's commitment to empowering vital sectors and supporting regional development strategies, particularly the Asir region's Qimam and Shem, the crown prince emphasized that the project is poised to contribute significantly to the objectives of Saudi Vision 2030. It is expected to play a pivotal role in advancing the tourism and entertainment sector, fostering economic growth, and making a substantial impact on

the cumulative GDP with an increase exceeding 29 billion riyals, while generating thousands of direct and indirect employment opportunities.<sup>(160)</sup>

The kingdom's dedicated efforts in the tourism sector have yielded rapid and significant results. According to the UNWTO World Tourism Barometer,<sup>(161)</sup> Saudi Arabia secured the second spot globally in the growth rate of incoming tourists during the first seven months of 2023. A recent report highlighted the kingdom as the most booked destination for travel in the Middle East this summer (2023), experiencing a 79% increase compared to the pre-COVID-19 pandemic period.<sup>(162)</sup> It is remarkable that Saudi Arabia elevated its position by 16 places in the international tourism revenue index, reaching the 11th spot in 2022, a formidable climb from 27th place in 2019 on the global scale. The kingdom continued its successful trajectory by welcoming approximately 7.8 million incoming tourists in the first quarter of 2023, marking the highest quarterly performance in history

and achieving a growth of 64% compared to the same period in 2019.<sup>(163)</sup>

In a continuation of positive trends in the tourism sector, the kingdom has revised its tourism target to aim for 150 million annual visits by 2030, up from the initial target of 100 million set more than seven years ago with the launch of kingdom's Vision 2030 by Crown Prince Mohammed bin Salman. Minister of Tourism Ahmed Al-Khatib announced this updated goal in an interview with Fox News, highlighting that the sector's activity had doubled over the past two years, with expectations for another doubling in the next two years, prompting a review of tourism goals to accommodate the increasing number of tourists that the kingdom aspires to attract.<sup>(164)</sup> Additionally, the percentage of Saudization in the tourism sector has risen from 28% to 43%.<sup>(165)</sup>

# ECONOMIC DIVERSIFICATION IN THE POST-OIL ERA

Within the framework of Vision 2030, the Kingdom of Saudi Arabia has prioritized economic diversification as a key objective, and these efforts are yielding positive outcomes. The non-oil economy has already achieved a substantial share of 59%, with non-oil GDP exhibiting growth in 2022.



1

The International Monetary Fund (IMF) anticipates a robust growth rate of 4.9% for Saudi Arabia's non-oil economic sector throughout 2023.

2

Commending the kingdom's accomplishments over the last five years, the director of the IMF praised the exceptional performance of Saudi Arabia's non-oil sector.

3

Continuing its commitment to green initiatives, Saudi Arabia unveiled plans for the construction of the world's largest green hydrogen production plant in May 2023.

4

The kingdom hosted MENA Climate Week 2023, during which the minister of energy announced three initiatives to advance global climate goals.

5

Saudi Arabia secured a leading position with regard to global food standards, advancing two places in the Global Food Security Index by the close of 2022.

6

On April 13, the crown prince inaugurated four special economic zones in Riyadh, Jazan, Ras Al-Khair and King Abdullah Economic City.

7

The Ministry of Commerce has focused on legislative development, preparing over 70 pieces of legislation in the past seven years to facilitate investment processes.

8

With a vision to harness peaceful nuclear energy, Saudi Arabia announced plans to construct nuclear reactors, aligning with the sustainable development requirements outlined in Vision 2030.

9

In a significant move, Crown Prince Mohammed bin Salman unveiled the general plan for logistics centers covering an expansive area exceeding 100 million square meters.

10

The tourism sector has experienced a twofold increase in activity over the past two years, with expectations pointing to a further doubling in the next two years. Saudization in the tourism sector has concurrently risen from 28% to 43%.

According to international reports and official statements from Saudi Arabia, the country's economic diversification plans are advancing consistently. The strategies and directions adopted by Saudi Arabia are proving successful, with achieving goals expected to happen at an accelerated pace. Additionally, there are indications that the goals will be expanded, and certain programs and objectives outlined in the Saudi vision will surpass their intended targets on the economic level. This will lead to changes and alterations of the trajectories, plans and programs to take advantage of existing opportunities.



# GREEN RIYADH

**Welcome to Green Riyadh, a revolutionary project that is set to transform the capital city of Saudi Arabia into a green oasis. Not only will Green Riyadh improve the city's livability, but it will also help protect the environment and enhance the beauty of Riyadh.**

Just 15 minutes northwest of Riyadh, Diriyah is the home of the At-Turaif UNESCO World Heritage Site, a beautifully preserved mud-brick city that was the birthplace of the Kingdom of Saudi Arabia, and the original home of House Al Saud. Combining traditional Najdi architectural styles with modern urbanism, Diriyah is a place that emotionally connects with visitors and celebrates the destination's rich heritage, revealing the origins of modern Saudi Arabia and the spiritual values it is rooted in.



## Defense Transformation Strategy



Throughout 2023, the Saudi Armed Forces continued advancing their defense development initiatives across various domains, encompassing structural and training aspects, military planning, visions, and the indigenization of military industries. Although reports in late 2022 indicated that the kingdom was poised to unveil a national defense strategy in 2023, no official document had been released by the end of the year. As outlined by a Saudi military expert, the kingdom currently maintains a national defense and military strategy, both of which undergo periodic updates within the Ministry of Defense's ongoing development plan initiated in 2015. The new strategies include inventive approaches to construct and deploy military forces in the kingdom. They also provide directives for investing in local human and non-human resources, optimizing procedural governance, diversifying

armaments, and modernizing defense system. These efforts aim to attain operational compatibility and technological localization targets and fulfill the objectives outlined in Vision 2030, particularly the goal of achieving 50% local military spending by 2030 — according to the Saudi Vision 2030.<sup>(166)</sup> Likewise, Commander of the US Central Command General Michael Erik Kurilla affirmed in December 2022 that military officials from the United States were actively engaged in collaborative efforts, operating discreetly to support their counterparts in Saudi Arabia in crafting a comprehensive, long-term vision for the kingdom's national security.<sup>(167)</sup>

### The Armed Forces' Modernization Programs 2023

The Saudi Armed Forces have endeavored to advance multiple aspects within the Ministry of Defense, particularly those pertaining to planning and armaments. This involved internal enhancements within the Ministry of Defense, including agreements with other Saudi ministries and institutions. Furthermore, collaborative efforts extended internationally, encompassing partnerships with friendly countries.

Internally, the Ministry of Defense achieved significant strides in development, including forging agreements with other ministries and institutions. Notably, a pivotal agreement was established between the Ministry of Defense and the Ministry of Education. This accord is designed to bolster cooperation and institutional collaboration between the two ministries, specifically focusing on the equivalency of academic certificates, whether these certificates are issued from the Ministry of Defense colleges or foreign military universities under the ministry's purview. The agreement stands out for its comprehensive approach to academic equivalency. Specifically, it approves the equivalency of bachelor's degree programs in military sciences across all specializations issued by the Ministry of Defense's colleges. These degrees are deemed



equivalent to bachelor's degrees conferred by Saudi universities. Moreover, the agreement extends to the equivalency of master's degrees in military sciences from the Saudi Arabia Command and Staff College (SACSC) with counterparts in the same field. Additionally, the agreement outlines a mechanism for the equivalency of certificates from foreign military universities for scholarship students affiliated with the Ministry of Defense.<sup>(168)</sup>

The memorandum of cooperation signed between the Ministry of Defense — (represented by the Department of Education and Training in the General Administration of Human Resources at the ministry's Directorate of Excellence Services) — and Imam Muhammad Ibn Saud Islamic University in Riyadh is comprehensive. The agreement outlines joint efforts in localizing university programs for military students, establishing bridging programs tailored for military colleges and graduates, and designing master's programs in relevant specializations based on identified needs. Additionally, the cooperation extends to areas such as internal scholarships for postgraduate studies targeting specifically Ministry of Defense personnel. The agreement also facilitates the exchange of expertise in scientific and academic domains, encourages research and studies with subsequent

publications based on scholarly review. Furthermore, the partnership involves the development of training pathways to address both current and future needs of the Ministry of Defense.<sup>(169)</sup>

The memorandum of cooperation signed between the Ministry of Defense and King Abdulaziz University in Riyadh is designed to foster collaboration in education and training, emphasizing the exchange of expertise and the implementation of best practices. The key areas of cooperation outlined in the memorandum include the development of human capital, bridging programs tailored for graduates of military colleges and institutes and internal scholarships for postgraduate studies targeting Ministry of Defense employees. Additionally, the partnership aims to address the evolving needs of the Ministry of Defense by developing training pathways and establishing short-term applied training programs for practicing technicians.<sup>(170)</sup>

The Ministry of Defense introduced the Edamh platform, focused on meeting the armed forces' needs for spare parts and materials from domestic factories. This initiative aligns with several strategic objectives, including enhancing spending efficiency, fostering and indigenizing military industrialization, and elevating the readiness and sustainability

of combat systems. The platform seeks to facilitate digital transformation in the processes related to domesticating the ministry's requests for spare parts, materials and repairs, while concurrently supporting the growth and enhancement of national industries in compliance with international quality standards and specifications.<sup>(171)</sup> The Ministry of Defense unveiled a new host of electronic services as part of its overarching digital transformation strategy. This initiative is part of the ongoing commitment to realize the objectives outlined in its development program and automate the services provided to the ministry's affiliates and those dealing with it, thus streamlining organizational performance and achieving business efficacy. These services were launched on June 1, 2023, at the Armed Forces Officers Club in Riyadh and consist of 15 services. These services include the Edamh platform for manufacturing opportunities, the Sharek platform, the financial data platform, the energy efficiency platform, the Makken platform for managing communication services, the Masar platform, and the social solidarity platform. These new services align with several strategic objectives set by the Ministry of Defense. These objectives include enhancing organizational performance, optimizing spending efficiency, fostering and



localizing military industrialization, improving individual performance and boosting morale. By leading in digital transformation within the kingdom, the Ministry of Defense aims to establish itself as a pioneer in this critical area.<sup>(172)</sup>

The Ministry of Defense established the Center for Defense Strategic Studies and Research which focuses on leading and directing research pertaining to defense policies and strategies. This center is instrumental in managing collaborations with local, regional and international research centers. It forms part of the Ministry of Defense's development program, designed to bolster the core capabilities of the ministry's Directorate for Strategic Affairs, particularly the General Department for Policies and Strategies. Minister of Defense Prince Khalid bin Salman bin Abdulaziz emphasized the ministry's proactive approach in establishing the Center for Defense Strategic Studies and Research. This initiative aligns with ongoing development efforts and aims to improve the crafting of defense policies and strategies.<sup>(173)</sup> Additionally, the first meeting of the Board of Trustees of the Prince Sultan Center for Defense Studies and Research (PSDSARC) was convened. The center's activities are geared toward advancing national priorities in defense development and promoting the indigenization of military industries, thereby contributing to the realization of Vision 2030. It plays a pivotal role in establishing a foundational framework for research and technical development of advanced defense systems.<sup>(174)</sup>

The United Nations Committee of Experts on Geospatial Information Management (UN-GGIM) has granted unanimous approval for the kingdom to host the headquarters of the United Nations Global Geospatial Ecosystem Centre of Excellence. Situated in Riyadh, this decision marks a significant step in enhancing the global collaboration for the future of geospatial information management. The center is

pictured as a crucial platform for envisioning the future of geospatial information management, leveraging qualitative, innovative and advanced approaches to foster growth, innovation and sustainable development.<sup>(175)</sup> The United Nations Global Geospatial Ecosystem Centre of Excellence, based in Riyadh, is the third center under the supervision of the UN-GGIM. It serves as a collaborative platform for the global community to engage in comprehensive and sustainable geospatial systems, leveraging accurate, high-quality, and reliable geographical information.<sup>(176)</sup> Additionally, the Ministry of Defense achieved recognition for King Fahd Air Base in the Western Region and King Khalid Military City in the Northern Region as the first globally classified healthy military communities, meeting the rigorous standards of the Healthy Cities Program in Military Communities set by the Ministry of Health. These standards include 200 activities across nine axes.<sup>(177)</sup>

The Ministry of Defense, specifically the General Administration of Strategic Communication, received the Sharjah Government Communication Award in the category of "Best Communication Strategy for Dealing with a Crisis." The award recognized the success of the General Administration of Strategic Communication in managing and implementing communication strategies during crises. Remarkably, it acknowledged the communication campaign that highlighted the efforts of the Saudi Armed Forces in evacuating citizens and nationals of brotherly and friendly countries such as from Sudan to the kingdom.<sup>(178)</sup>

Tarshid, the National Energy Services Company and the Ministry of Defense initiated a project aimed at enhancing energy efficiency in the ministry's buildings and facilities in Riyadh. The project, conducted in accordance with international standards, focuses on reducing energy consumption in all ministry-affiliated buildings. Tarshid conducted field surveys and

technical studies, identifying 14 main standards to improve energy efficiency. The goal is to achieve higher energy efficiency levels and align with global best practices.<sup>(179)</sup> The Ministry of Defense, as part of its commitment to accountability and internal discipline, upheld the death sentence for two members convicted of treason.<sup>(180)</sup> In May, the Oversight and Anti-Corruption Authority (Nazaha) initiated investigations involving 211 defendants, spanning various government bodies. By September 16, 134 individuals, including those from the defense and interior ministries, were arrested on various charges.<sup>(181)</sup> On November 6, a retired major general from the Ministry of Defense was also apprehended.<sup>(182)</sup> These actions reflect the ministry's dedication to maintaining a high level of internal discipline.

At the level of external interactions, among the major steps taken by the Saudi Ministry of Defense in April 2023 was the evacuation of Saudi citizens, as well as those of brotherly and friendly countries, from Sudan to the kingdom. This evacuation underscored the proficiency of the armed forces, particularly the naval units, in executing humanitarian evacuations and demonstrated their preparedness and adeptness in addressing emergency scenarios as needed. This substantiates that the responsibilities of the armed forces transcend conventional military and defensive duties, encompassing a commitment to serving both citizens and humanity at large.<sup>(183)</sup> This commitment was further underscored in August 2023 when "The Royal Saudi Naval Forces (RSNF) officially took command of Combined Task Force 152 from the Royal Bahrain Naval Force and assumed control of the Coalition Task Force Sentinel from the British Royal Navy. The transition ceremony took place at the US Naval Support Activity headquarters in the US Fifth Fleet in Bahrain," SPA reported.<sup>(184)</sup>

In Riyadh, Saudi Arabia and Chad formalized a memorandum of understanding aimed at

fostering defense cooperation. The agreement covers various defense spheres between the two nations, prominently featuring the enhancement of collaboration in military training and exercises, logistical support, military medical services, cultural and social initiatives, as well as joint efforts in counterterrorism awareness.<sup>(185)</sup>

In a significant development, Prince Khalid bin Salman bin Abdulaziz and the British defense minister formalized a declaration of intent, marking Saudi Arabia's engagement in the Future Combat Air System (FCAS) program. This strategic collaboration involves outlining a comprehensive and mutually shared vision for future cooperation in air combat operations. It also involves cooperation to meet the needed capabilities as well as identifying projects for industrial participation and joint initiatives in research and development. While in South Korea, Prince Khalid bin Salman held discussions with Korean President Yoon Suk Yeol. The talks included deliberations with his South Korean counterpart on fortifying collaborative ties between their respective defense ministries and establishing a robust and strategic defense partnership.<sup>(186)</sup>

In the sphere of military training and maneuvers, the third edition of the Mixed Spears of Victory 2023 Air Maneuver was launched in February 2023. This exercise, conducted by the Royal Saudi Air Force at the Air Warfare Center in the Eastern Region, saw the participation of eight brotherly and friendly countries. The primary objective of this maneuver was to bolster the concept of joint action and foster alliances among various military forces and nations. Subsequently, in March, the Royal Saudi Air Force engaged in the Desert Flag 2023 exercise at Al Dhafra Air Base in the UAE. This exercise, featuring the participation of several brotherly and friendly nations, aimed to enhance the combat readiness of the involved

forces and facilitate the exchange of military expertise.

In June, the Saudi Armed Forces, inclusive of its land, air, sea and air defense branches, joined by forces from the Gulf Cooperation Council countries and the United States, conducted the Eagle Resolve 23 joint exercises across several regions of the kingdom. As part of the key stages of the exercise, the participating forces executed a command center exercise at the Air Warfare Center in Dhahran. Additionally, ground forces, in collaboration with their US counterparts, conducted exercises focused on defense against weapons of mass destruction and mass casualty responses at the King Khalid Military City in the Northern Region.<sup>(187)</sup>

In August, the joint forces' preparedness exercise took place to reach the Initial Operational Capabilities (IOC) stage, aligning with the targets of the accredited operational model for the Ministry of Defense's development. Spanning two weeks, the exercise took place at the Joint Forces Headquarters and the Diriyah Joint Operations Center, engaging the Joint Staff of the Armed Forces and various branches.<sup>(188)</sup>

In September, the Red Sands 2 joint exercise was undertaken, featuring branches of the Saudi Armed Forces and their counterparts from the US Central Command. The primary objectives included bolstering military relations, acquiring experience, honing skills and elevating the armed forces efficiency, capacity and readiness, particularly in addressing emerging threats.<sup>(189)</sup> Additionally, the Saudi Armed Forces actively participated in the Bright Star 2023 exercise at the Mohamed Naguib Military Base in the Egyptian Marsa Matrouh Governorate, collaborating with units from Egypt, the United States and 15 other countries, while 15 others participated as observers.<sup>(190)</sup>

In October, the Chinese navy declared its plan to conduct the Blue Sword 2023 exercises in Guangdong Province, southern China,

collaborating with Saudi Arabia to combat terrorism beyond borders. Subsequently, in November, the Arabian Gulf Shooting 2023 mixed land exercises commenced in the tactical training fields in the northern region of Hafar Al-Batin. These exercises involved units from the Royal Saudi Land Forces, the Kuwaiti Army Ground Force and the US Task Force Spartan.<sup>(191)</sup>

During his visit to Paris on December 20, 2023, the Saudi Minister of Defense, Prince Khalid bin Salman bin Abdulaziz, held discussions with his French counterpart, Sébastien Lecornu. The two officials focused on the strategic relations between their countries, military and defense cooperation, and ways to enhance and develop it. After the talks, the Ministry of Defense of the Kingdom of Saudi Arabia and the Ministry of the Armed Forces of France signed a draft executive plan for cooperation in military industries, research, and development.<sup>(192)</sup>

### **The Indigenization of Military Industries in 2023**

The Saudi vision for military industrialization and the localization of military industries stems from a fundamental paradox, as highlighted by Crown Prince Mohammed bin Salman in May 2017. He emphasized that despite being among the five largest countries in defense spending globally, domestic spending constitutes only 2% of that total. He stressed the imperative to localize 50% of overall military spending in the kingdom by the year 2030.<sup>(193)</sup> Additionally, it is noteworthy that the crown prince disclosed an annual expenditure ranging from \$50 billion to \$70 billion on military manufacturing, with a striking observation that "99% of military spending is outside Saudi Arabia." Responding to this paradox, the Public Investment Fund announced the establishment of Saudi Arabian Military Industries (SAMI) in the first quarter of 2017. Subsequently, on August 14, 2017, the Saudi Council of Ministers made the decision to establish the General Authority for Military Industries. This entity was tasked with organizing, developing and

overseeing the military industries sector, ensuring effective performance.<sup>(194)</sup>

In December 2022, the head of the General Authority for Military Industries affirmed the rapid growth and qualitative progress in the military industries sector within the kingdom. At its inception, the sector comprised only five national establishments, but as of November 2022, the number of establishments surged to over 265 licensed entities. The total stands at 156 establishments with an estimated investment of 40 billion riyals, providing employment to 21,000 personnel. The authority has received over 400 requests and contracts from key ministries and entities like the Ministry of Defense and the Ministry of Interior as well as from the Presidency of State Security, the Saudi Royal Guard Regiment, the Ministry of National Guard and the General Intelligence Presidency. These contracts amount to a total value of 74,065,389,626 riyals. Since its establishment, the authority has processed 318 applications, with a total value of 56,971,162,364 riyals.<sup>(195)</sup>

The CEO of SAMI reported that the localization rate of defense industries in the kingdom has reached 14%, nearing 15%. The strategic goal is for the kingdom to emerge as a regional hub for original equipment manufacturers and a key engineering center for all ground system activities. To achieve this goal, SAMI is building a state-of-the-art land systems facility at Al Kharj — fully owned and operated by SAMI. This facility aims to handle the upgrading, maintenance, design and manufacturing of ground system vehicles. SAMI is in the process of constructing an aerospace hub in Malham, designed to serve as a center of excellence for various space capabilities, encompassing fixed-wing aircraft, rotorcraft and drones. Another significant initiative is the ammunition industrial complex<sup>(196)</sup> located within the kingdom where preliminary construction activities have commenced.

On October 16, 2023, the Saudi General Authority for Military Industries (GAMI) unveiled

10 investment opportunities with both military and civilian aspects, marking the initial phase of the Investor Empowerment Program. These opportunities, accessible through the official website of the GAMI and the Invest Saudi platform, are geared toward offering appealing returns for investors and entities operating within the defense sector, such as manufacturers and service providers. Additionally, they aim to support industries that can contribute to the sector and the nation, aligning with strategic priorities for military readiness.<sup>(197)</sup>

At the international level, a notable achievement in 2023 was the signing on July 18 of the executive plan for defense cooperation between the Saudi Ministry of Defense and its Turkish counterpart, along with two procurement contracts between the kingdom's Ministry of Defense and the Turkish company Baykar Technology. The comprehensive plan encompasses various aspects, including capabilities, defense industries, research and development, as well as the production and enhancement of military defense industries. It also involves the exchange of experiences and the transfer and localization of technologies related to defense and military production. In relation to the two acquisition contracts, the Saudi Ministry of Defense is set to acquire a range of drones. These contracts not only involve the localization of drone manufacturing and its component systems within the kingdom but also include the active participation of national companies specializing in military and defense industries. Additionally, the agreements include training and support services, the development of localization capabilities through the transfer of technology and knowledge, and the training of Saudi personnel.<sup>(198)</sup>

In another development on August 7 in Riyadh, SAMI inked a crucial localization agreement with the Turkish firm Baykar Tech. The agreement focuses on the production of electronic systems, mechanical components and aircraft structures utilizing composite materials. The collaboration extends to manufacturing and conducting final

aviation tests, accompanied by comprehensive training and support services. Simultaneously, the National Company for Mechanical Systems (NCMS) entered into two memorandums of understanding with Turkish companies Aselsan and Roketsan. These agreements target the localization of ammunition manufacturing and optical sensors for drone systems, with the ultimate goal of producing these components within the kingdom.<sup>(199)</sup>

Moreover, the Saudi Zahid Group and Raytheon jointly announced the establishment of a factory in Jeddah, western Saudi Arabia. This factory is dedicated to the local production of the main power units utilized in Raytheon's missile defense radars. The plant is expected to produce approximately four radar energy units annually.<sup>(200)</sup> Additionally, SAMI Navantia Naval Industries, a joint venture between SAMI and the Spanish Navantia, actively participated in the 2023 edition of the International Defense and Security Fair FEINDEF. This event took place from May 17 to May 19, 2023, in Madrid, Spain.<sup>(201)</sup> Furthermore, in June, SAMI entered into an agreement with Airbus to localize the manufacturing of civil and military helicopters within the kingdom.<sup>(202)</sup> On December 4, 2023, the General Authority for Military Industries and the Egyptian Ministry of State for Military Production inked a memorandum of understanding during the first day of the international defense industries exhibition 'EDEX 2023' in Egypt, fostering strategic partnerships between the two entities.<sup>(203)</sup>

Princess Noura bint Abdul Rahman University underscored its commitment to fostering collaboration between the Ministry of Defense and various ministries, agencies and institutions in the kingdom to advance activities that contribute to the localization of military industries. At the World Defense Show in Riyadh, the university formalized a memorandum of understanding with SAMI, aiming to fulfill the envisioned objectives of Saudi Vision 2030. The collaboration seeks to facilitate the transfer and localization of cutting-edge technologies and military industries. Under the memorandum, the two entities will align technical

education and training outcomes with the needs of the military-industrial sector, attract technical expertise, and actively contribute to empowering women, aligning with their capabilities and readiness to drive progress and prosperity, particularly within the aforesaid sector.<sup>(204)</sup>

To boost human capital in the process of military-industrial localization, the GAMI entered into a memorandum of cooperation with the Human Resources Development Fund. The primary objective of this collaboration is to provide support and empowerment to entities operating within the military-industrial sector, with a specific focus on human resource development. The partnership aims to foster cooperation in areas such as localization, training initiatives, talent attraction, and actively contributing to propelling the sector's developmental trajectory. The joint efforts align with the fund's established outputs and programs, demonstrating a shared commitment to enhancing the sector's capabilities and realizing the objectives of military-industrial localization.<sup>(205)</sup>

The scholarship program for the military-industrial sector stands out as a pivotal initiative within the context of improving human capital in this sector. The program is designed to select and send abroad promising young Saudi talents, including high school and higher education graduates, as well as employees from establishments within the military-industrial sector in the kingdom. These selected individuals will pursue higher education in specialized fields such as engineering and defense. Following their graduation, they will seamlessly integrate into the sector, contributing significantly to the ongoing localization efforts within this promising sector.<sup>(206)</sup>

Furthermore, on the military front, the kingdom successfully wrapped up its engagement in the International Defense Exhibition & Conference IDEX 2023, held in Abu Dhabi in February. The Saudi pavilion showcased the capabilities of 14 national companies specializing in defense and security industries. These included prominent entities such as SAMI, Middle East Aircraft Engines

Company Limited (MEPCSA Ltd.), Zamil Marine, Saudi Chemical Company Ltd., Saudi Advanced Technologies Company Wahaj, Saudia Technic, Saudi Airlines, Alkhorayef Group, Equipment Corner Company Industrial (ECCI), Shamal Holding, Al Zahid Group, Scuba Military Industries Co., Life Shield Group and ESNAD Constructions Company. This was in addition to the kingdom's participation in the Global Defense Show.<sup>(207)</sup>

The kingdom also wrapped up its involvement in the International Defense Industry Fair IDEF 2023 held in Istanbul, Turkey. The event served as a platform to showcase the significant advancements made by the military-industrial sector in terms of localizing military industries and technology transfer, featuring the exhibition of eight Saudi-made defense products.<sup>(208)</sup> Looking ahead, the GAMI is set to organize the second edition of the World Defense Show, a premier global event in the spheres of security and defense, scheduled to take place from February 4 to February 8, 2024, in Riyadh.<sup>(209)</sup>

Therefore, the kingdom is swiftly advancing its military-industrial localization, following a meticulously planned model that progresses through various stages, racing against time to attain a 50% localization rate by 2030. This goal is quite challenging to achieve, yet the ambition of private sector firms will help in meeting it. Nevertheless, the kingdom faces numerous challenges when it comes to achieving its perceived goal, encompassing the cultivation of national talent and the identification of military manufacturing domains amidst the substantial and rapidly evolving developments in the global arms industry.<sup>(210)</sup>

In conclusion, the Saudi experience in localizing military industries underscores the significance of viewing military manufacturing localization as a multifaceted endeavor that includes development, investment, economics and security. It emphasizes the necessity of aligning the military industrialization strategy with the broader state industrial strategy, with a focus on diversifying the economy and enhancing



national production. The Saudi approach further affirms the crucial role of constructing a military-industrial sector that is grounded in a meticulous understanding of the network of military threats and challenges critical to national security. This approach enables excellence in manufacturing capabilities aligned with immediate needs. Given the pressing security challenges, the kingdom is compelled to concentrate on advancing defense systems against ballistic missiles and drones. Simultaneously, there is a strategic imperative to establish a military brand specializing in a specific manufacturing domain or a particular offensive or defensive system to enhance deterrence. The emphasis lies in cultivating intelligent and compact military industries, alongside innovative sectors incorporating artificial intelligence. Priorities include the development of drone industries, hypersonic missiles and cutting-edge military technologies, while addressing fundamental requirements of heavy military industries.

# DEFENSE TRANSFORMATION STRATEGY

1

A significant step toward localizing military industries was announced by establishing a factory between the Saudi Zahid Industries and Raytheon Technologies. This facility will produce the main power units used in missile defense radars, aligning with the vision of localizing military industries.

2

Concerning research and scientific development, the Ministry of Defense inaugurated the Center for Defense Strategic Studies and Research. This center is tasked with leading and directing research focused on defense policies and strategies.

3

On the training front, the Chinese navy disclosed plans to conduct the “Blue Sword 2023” exercises in Guangdong Province, southern China, in collaboration with Saudi Arabia. The training focused on overseas maritime counter-terrorism.

6

In April 2023, the Ministry of Defense executed an operation involving the evacuation of Saudi citizens and nationals of brotherly and friendly countries from Sudan to the kingdom.

5

The efforts of the Saudi Armed Forces have been multifaceted, encompassing the developments within the Ministry of Defense.

4

Tarshid, the National Energy Services Company, has collaborated with the Ministry of Defense to enhance energy efficiency in their buildings and facilities located in Riyadh. The objective of this partnership is to reduce energy consumption in the ministry’s facilities, thereby contributing to the nation’s sustainable energy goals.

7

With regard to accountability and internal discipline, the Ministry of Defense announced upholding the death sentence against two of its members convicted of treason on September 14. The National Anti-Corruption Commission, Nazaha, revealed an investigation involving 211 defendants in May, encompassing the Ministry of Interior, the Ministry of Defense and the National Guard.

**Saudi Arabia's emphasis on diversifying armament sources and developing military strategies is part of a comprehensive plan to enhance defense capabilities. Notably, the kingdom has achieved significant successes within its state plans and vision in this domain. These collaborative strategies are anticipated to fortify Saudi defense power, bolster its ability to confront various challenges and threats, enhance deterrence capabilities and broaden decision-makers' options on the external front.**



## Conclusion: The Overall Status of the Saudi Landscape in 2023 and Future Horizons



The Saudi scene in 2023 can be encapsulated through four key observations, reflecting the longstanding factors shaping the kingdom's reality. These observations are poised to influence Saudi Arabia's trajectory in 2024 and beyond, playing a crucial role in sustaining its current spirit marked by extraordinary vitality. The four observations are outlined below:

- **Observation one:** It centers on the remarkable harmony and high-level coordination among diverse aspects, including Saudi politics, economics, and military, as well as social, cultural, art and sports aspects. This synergy is guided by a unified and coordinated institutional system, underpinned by a robust and dynamic doctrine led by a dynamic political leadership. This leadership is propelled by a sense of urgency, racing against time to achieve ambitious goals. Therefore, industry strategies are intertwined with strategies of logistics and supply chains. These strategies, in turn, are connected to the investment strategy, and

the latter aligns with the strategies of logistics and supply chains. This interconnectedness is mirrored in political, military and cultural aspects as well. All these elements are underpinned by the guiding doctrine of the current political leadership, perceiving itself in a race against time. Consequently, Saudi strategies in various sectors emerge as an interlinked network, all underpinned by the strategic framework and goals outlined in Vision 2030.

- **Observation two:** The focal point is Vision 2030, as articulated by Crown Prince Mohammed bin Salman, and aligning efforts with this strategic vision presented more than seven years ago in April 2016. Strategies devised by various ministries, agencies and sectors across the Saudi business landscape, at all decision-making levels in the kingdom, diligently underscore not only their alignment with the major objectives of Vision 2030 but also their commitment to the intricate details it encapsulates. All institutions, ministries and bodies are meticulous about featuring on their websites a clause highlighting the extent to which their work is linked to Vision 2030. This concerted effort propels the Saudi state toward a specific strategic goal and establishes a comprehensive performance metric based on proximity or divergence from the vision's goals. The vision dominates discourse in the Saudi media and the commitment to discussing the vision reflects the sincerity of Saudi officials as well as their responsibility and commitment to scientific planning, proceeding according to established plans and goals. This commitment fosters determination and contributes to an overall positive atmosphere. Adding to

this momentum is the crown prince's direct oversight of the vision's goals with enthusiasm and optimism, making them a yardstick for success. This dynamic creates a sense of urgency to achieve Vision 2030. Crown Prince Mohammed bin Salman asserted, "The pace of our progress will continue at a higher speed; it will not stop or calm down for a day." He further emphasized in his interview with Fox News, "Saudi Arabia is the biggest success story of the 21st century."<sup>(1)</sup>

- **Observation three:** It stems from the development trajectory of Saudi performance, characterized by an unparalleled spirit of optimism. Sometimes, the Saudi government surpasses its set goals and ambitions for Saudi 2030 Vision. This is evident in the economic, military and social indicators. The aforesaid prompted the crown prince to underscore, "Work is underway to accomplish some things that we look forward to completing in the first half of 2024, and then we must move to implementation and preparation for Vision 2040, and announce it in 2027 or 2028. This is the main thing that we focus on."<sup>(2)</sup> This positive spirit is a hallmark of the crown prince's leadership. The drive for Saudi renaissance did not solely emerge from developments in 2023 but predates these, as the crown prince asserted in 2021 that Vision 2030 would achieve many of its goals before 2030. He emphasized the need to develop Vision 2040 to account for the new reality, stating that the vision of "2030 places us in a very advanced position in the world, but 2040 will be a stage of global competition."<sup>(3)</sup> This approach signifies that the leadership perceives the vision as both a goal and an implementation plan, not merely an ambition.

(1) "Mohammed bin Salman."

(2) "Mohammed bin Salman," Fox News.

(3) "Saudi on 93rd National Day: Greatest Success Story of 21st Century," *The Middle East Economy*, September 2023, 25, accessed December 2023, 28, <https://bit.ly/3RZSRRm>.

However, this does not imply that the vision must realize its goals across various aspects within the pre-determined timelines, which were set over seven years ago. Such an achievement is a challenge when taking into consideration capabilities and national calculations. The continuous revisions of strategies and visions undertaken by major countries, including the United States, fully support this point. Established visions and strategies, created by minds aligning with expectations and goals, function as directives and guides for the overarching national goals, without a strict literal adherence to the vision. The extended period for implementing visions and strategies, spanning five, 10 or 20 years, might take alternative routes to achieve goals in faster, more concise ways. It could also lead to more significant objectives, and unforeseen developments may arise, necessitating a shift in priorities and the deferral of certain projects. This dynamic calls for ongoing reviews, adjustments and amendments to the proposed programs and timelines to attain the goals within the context of the same vision. Consequently, some programs and objectives of the Saudi vision may surpass the set targets,<sup>(1)</sup> while others may fall short. Opportunities for success may surface in specific aspects midway through the process, prompting alterations in paths, plans, and programs to seize existing opportunities.

■ **Observation four:** It revolves around prioritizing the Saudi economy and national interests. All plans and strategies in the

kingdom are centered on overarching economic objectives and national interests. These are measured according to profit and loss calculations, in all areas including clean energy, the green economy, tourism, entertainment and sports. The economic returns of these sectors are meticulously calculated, and their implications for the economic diversification strategy are closely monitored. This approach establishes a unified balance and measure of success. The current Saudi strategies are proving fruitful, as highlighted by the crown prince's statement that the kingdom is reaching its goals faster than anticipated. He emphasized the impressive economic growth, noting that in 2022, Saudi Arabia was the fastest-growing among the G20 countries, with the non-oil economy projected to record the second-fastest growth in the G20. New targets have been set with even greater ambitions for Vision 2030, according to the crown prince.<sup>(2)</sup>

The trajectory of Saudi prosperity continues amid ongoing regional and global challenges, presenting surprising developments each day. From the COVID-19 crisis four years ago to the Russia-Ukraine war two years ago, and since October 2023, the conflict in Gaza. While the kingdom maintains a clear vision for national advancement, external setbacks from the region and the world do not always align with the choices made by the Saudi state. Presently, the kingdom finds itself at the center of a diverse array of regional and international events, necessitating adept navigation. The kingdom faces intertwined developments,

positive and negative: the global economic corridor connecting India, the Gulf, and Europe, which pledges to position the kingdom at the heart of the international system (an idea requiring extensive studies) in addition to the repercussions of the Israeli war in Gaza and the geopolitical shifts in the region.

The kingdom aspires to make the Middle East a “new Europe” despite the region's longstanding reality of tensions and instability. The region experienced a brief interval of relative tranquility but the war on Gaza has brought a dramatic change to the region, confirming that nothing can be relied upon. In this unpredictable landscape, the only reliable factors for anticipation are internal decisions, Saudi national will and the continued progress outlined in Vision 2030. The international environment is now fraught with natural and human crises and challenges, making it difficult to form perceptions or draw accurate strategic scenarios about the future. If 2023 marked a pivotal year for Saudi Arabia, characterized by the ongoing successes of Vision 2030, a comprehensive national renaissance and a prominent status on the regional and global stage, 2024 is poised to be another year of national renaissance. The upcoming year holds various developments, some foreseeable given the high level of activism and initiatives demonstrated by the Saudi leadership, which has become accustomed to surprising the world annually.

(1) This may be natural in light of the Saudi Ministry of Finance's preliminary statement on September 2023 ,30, on the budget for fiscal year 2024, which predicted that the kingdom would have a small deficit of roughly %1.9 of GDP. This prompted Finance Minister Mohammed Al-Jadaan to warn that implementing the plans “in a short period of time” would risk triggering inflation and putting pressure on the government to import more from abroad in order to mobilize the necessary resources, emphasizing that “delaying some projects, or rather extending their deadline, will serve the economy,” and that some projects can be extended for three years—until 2033—some will be extended until 2035, and some will be extended even further, while others will be rationalized. Referencing the Ministry of Finance's preliminary statement on the fiscal year 2024 budget, expenditures are projected at 1,251 billion riyals, with revenues estimated at 1,172 billion riyals (SPA, September 2023 ,30: <https://www.spa.gov.sa/50b85425550>). Additionally, Saudi Arabia has opted to postpone certain 2030 projects focused on infrastructure and human resources, as reported on December 2023 ,7 (source: <https://2u.pw/rJQ6D7y>).

(2) “Mohammed bin Salman.”





# NEOM





**Welcome to NEOM, a visionary project that is set to transform the Red Sea coast of northwest Saudi Arabia into a futuristic city unlike any other.**

Launched in 2017 by His Royal Highness Prince Mohammed bin Salman bin Abdulaziz, Crown Prince and Prime Minister, NEOM is a futuristic region in northwest Saudi Arabia powered by 100% renewable energy. Led by the Public Investment Fund, NEOM is a place that prioritizes people and nature, creating a new model for sustainable living, working and prospering. It is a place where humanity can progress without compromising the health of the planet.



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# TOWARDS A NEW STRATEGIC THINKING

*Leading in a Chaotic and Dynamic World*



This rigorously researched publication not only provides a comprehensive account of the essential meaning of strategy but also represents an indispensable tool for decision-makers to successfully forecast and navigate the increasing volatility in today's globalized and rapidly evolving world. As the author so eloquently demonstrates, those who become skilled in the application of strategic thinking can not only mitigate risks and contain crises but can transform them into opportunities.

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framework, this book serves as an essential manual for anticipating and managing crises at the highest level.

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With the help of this masterpiece of research and analysis, we can certainly move from managing the present to shaping the future.

# IRAN OVERVIEW

In 2023, Iran experienced significant developments that overshadowed political, economic, and social issues. Iran implemented several policies and approaches towards its influence on Arab countries such as Iraq and Lebanon. However, Iran encountered many challenges to its influence in Lebanon. In Yemen, Iran took an unclear stance on peace initiatives. Iran's relations with regional and international powers also witnessed many changes that had an impact on its overall affairs. This section of Rasanah's ASR 2023 delves into these topics.

- The Raisi Government's Performance and the Iranian Political Currents' Positions Ahead of the Elections
- Domestic and Foreign Economic Policies and Their Repercussions on Living Conditions
- The Posture of Iran's Internal Forces on Relations With Saudi Arabia Following the Beijing Deal
- The Hijab Crisis and the Legitimacy of Iran's Political System
- Iran's Position on Peace Initiatives in Yemen
- A New Iranian Approach to Enhance Influence in Iraq
- Challenges Facing Iran's Influence in Syria
- Iran's Approach to the Lebanese Crisis
- Iran-US Relations: Between Rapprochement and Restraint
- European Pressure on Iran
- Iranian Responses to the Shifts in Central Asia and the Caucasus
- Iran - Pakistan Relations
- Strained Relations Between Iran and the Taliban
- Iran's Strategic Interests in South America and Africa



## DEVELOPMENTS IN IRAN'S INTERNAL AFFAIRS



Throughout 2023, Iran saw accelerating developments at the political, economic, military and social levels. Politically, Iranian President Ebrahim Raisi faced a host of challenges during the second year of his government's tenure in office. These challenges impacted his performance, which led political rivals to criticize him. This criticism covered areas such as the poor performance of some ministries and the government's failure to make good on promises it made to the Iranian people. In light of the approaching parliamentary and Assembly of Experts elections, the political system's apparatuses also faced stinging criticisms, with the "reformists" accusing them of attempting to exclude them from the political process, especially after the passing of a new parliamentary election law. The government's internal economic policy had a negative impact on living conditions. In the social arena, the wrangling between the Iranian public and government over the controversial hijab issue continued to rage, especially escalating after the ratification of a new hijab law. However, despite these criticisms, the Raisi government received support for its agreement with Saudi Arabia to restore diplomatic ties between the two regional powerhouses. There is an overall consensus among the "reformists" and "hardliners" regarding the importance of restoring ties and their positive impact, especially when it comes to easing tensions in the region.

### The Raisi Government's Performance and the Iranian Political Currents' Positions Ahead of the Elections

Rasanah's research team predicted in the 2023 ASR that the popular anger at the Raisi government's poor performance would be inextricably linked to the president's success in taking tangible steps down the path of restoring the Iranian people's confidence in the Iranian government. This is in addition to making progress on civil liberties, the economic situation and openness to the world. A year after our strategic report and following more than two years of the Raisi government's tenure, the events that have taken place in Iran over the past period indicate that President Ebrahim Raisi has failed to make good on his promises. Moreover, we have seen a major decline in the Iranian street's confidence in the government, as well as an erosion of civil liberties and little hope in seeing an improvement in the economic situation. But the government has continued to pursue its policy of turning eastwards, successfully acceding to the Shanghai Cooperation Organization (SCO) and BRICS, not to mention reaching an agreement with Saudi Arabia whereby both countries restored diplomatic relations.

Accordingly, we will attempt to provide a brief reading of Raisi's performance in terms of his domestic and foreign policies in 2023. This is in addition to the positions of the Iranian political currents ahead of the parliamentary polls scheduled for March 2024. The file's last part will touch on the future of Iran's political situation under the Raisi government.

#### Raisi's Domestic and External Performance

In August 2023, the Raisi government entered its third year in power with a long list of challenges and promises to improve political and economic conditions. These promises were against the backdrop of mounting criticisms by foes of its performance during the second year of its term.

The criticisms directed against Raisi included the continued suppression of civil liberties, arrest of activists and dismissal of professors for political motives. This is in addition to the poor performance of some ministers and officials, and the lack of transparency regarding the statistics released by the government on the economic situation in Iran. Raisi and his cabinet members were also accused by local media outlets and political activists of evading the media and lacking honesty when speaking to the Iranian people about the political and economic conditions in the country.

The “reformists” leveled a series of criticisms at the government, especially noting that the two past years were sufficient if the government truly wanted to initiate changes. These criticisms come in light of the fact that the Raisi government enjoys complete harmony and cohesion with the ruling elite not seen under any previous government since the victory of the Iranian revolution in 1979. The Raisi government is backed by the legislature, judiciary, armed forces, revolutionary institutions, Guardian Council, Expediency Discernment Council, Supreme Council of Cultural Revolution, municipal councils, state-run media, financial and economic firms and organizations and, more importantly, the Iranian leadership. Due to this sufficient term in office and the powerful support from all of the state institutions, the “reformists” rejected any justifications, excuses, or blaming former governments for the current failure.<sup>(1)</sup>

At the economic level, the government has claimed on several occasions that the economic situation has improved, citing what it calls the effective diplomacy it has pursued over the past months. However, an assessment by a host of experts and Iranian media outlets suggests that the government has not made the achievements it boasts of or fulfilled the promises it made. Worse, there has been a decline compared to the previous governments,

particularly in the field of inflation and real income of the Iranian people. The country has also seen a staggering deterioration in health, education and other services. Furthermore, some experts said that the measures taken by the government over the past period have plunged the Iranian economy into deterioration, contradicting completely the statistics announced by Iranian Central Bank Governor Mohammad-Reza Farzin. He added that the past few months saw a dip in the liquidity and inflation growth rate and he vowed to bring inflation down to 30%.<sup>(2)</sup>

Externally, the Raisi government sought to mitigate the impact of the economic pressures and US sanctions — all going side by side with improving its image at home, where there is continued activism against the government and its policies. Iran intensified its diplomatic activities in 2023, making key foreign policy breakthroughs. Iran’s relations with Arab neighbors markedly improved after China’s successful mediation between Iran and Saudi Arabia, with the two regional powerhouses resuming diplomatic ties in March 2023. As a result, Iran’s relations with several Arab nations improved and there is talk about Iran’s desire to restore ties with other countries such as Egypt, Bahrain, Morocco and Sudan.

In April 2023, Iran gained formal membership in the SCO, becoming the ninth participant in this regional alliance, which already includes China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, India and Pakistan.

In pursuit of key objectives centered on leveraging economic diplomacy and executing a comprehensive foreign policy, Iran strategically redirected its focus toward Africa, a move underscored by Raisi’s notable visits to Kenya, Uganda, Zimbabwe and South Africa. Simultaneously, Iran revitalized relations with Latin America, exemplified by Raisi’s tours of Venezuela, Cuba and Nicaragua. Furthermore, Iran endeavored to strengthen ties with

longstanding allies like Russia and China. A significant milestone was reached with Iran’s successful inclusion as a member of BRICS. This multifaceted approach underscored Iran’s commitment to advancing its diplomatic and economic objectives on the global stage.

Despite this openness, Iranian economists feel that economic diplomacy has not heralded significant improvements despite the claims as trade with Iran’s international partners has yet to yield any results or impact positively on the Iranian economy. Yet Iranian officials’ efforts to join BRICS and the SCO have not resulted in improving Iranian economic conditions. In fact, the extent of Iranian economic cooperation with Africa and South America has actually drastically decreased.<sup>(3)</sup>

### **The Iranian Political Forces’ Positions Toward the Coming Parliamentary Elections**

The Guardian Council’s exclusion of candidates ahead of the 2020 parliamentary and 2021 presidential elections resulted in the reluctance of “reformists” and moderates to participate. Consequently, both elections recorded the lowest voter turnouts in the history of Iranian state-organized elections since the 1979 revolution. This situation not only generated widespread discontent among the Iranian public but also fostered a reluctance to engage in future elections conducted by the ruling system (voter apathy). Additionally, the Iranian Parliament’s standing among the population plummeted, with 68% expressing dissatisfaction in a poll conducted by the Iranian news agency IRNA. This widespread dissatisfaction stems from the Parliament’s failure to fulfill its role in serving the Iranian people, its evident bias toward the government over the interests of the electorate, and the notable absence of competitiveness seen in previous parliamentary sessions.

The parliamentary elections set for March 2024 are critical for the government and

Iranian decision-making circles. This is especially true given that these elections are the first since the huge wave of protests that erupted in Iran following the death of a young Kurdish woman, Mahsa Amini, inside one of the morality police's detention centers. Protests that swept through Iranian cities endangered the ruling system's pillars and had terrible consequences. These included, of course, an unparalleled decline in government popularity as well as an increase in rebellion against the hijab, despite the rigorous punitive measures taken by Iran's security apparatuses.

### **Amendments to the Parliamentary Election Law**

The effective participation in the elections is of huge significance for the supreme leader and the rest of the "hardliners." They consider it as actual proof of the Iranian people's backing of and support for the Iranian political system. But instead of looking for solutions to the voter turnout problem, the government has made partial amendments to the election law, which encompasses 57 articles.<sup>(4)</sup>

One of the major differences between the current and former election law is that the new law has taken "prior registration" into account, which will be done within a sufficient period of time ahead of the elections. In the previous election law, candidates' registration for the parliamentary elections necessitated only one step, within a very short period ahead of the elections.

During the prior registration phase, prospective candidates in the parliamentary elections would be asked to submit their documents on a purpose-built website. In case the Ministry of Interior approved the submitted document in coordination with the security and judicial apparatuses, candidates could proceed to registration in the main stage of registration. At this stage, the Guardian Council would examine whether the prospective candidates

qualified or not. Those who had reached this stage would also be given the opportunity to explain themselves and if disqualified, learn why the Guardian Council had decided this. In addition, those disqualified would also receive formal responses explaining their disqualification. Furthermore, the new amendments require the Ministry of Interior to conduct voting and voter counting electronically in at least one-eighth of the constituencies with multiple seats. This amendment tries to assure a significant electoral presence and turnout. These amendments have revived the electoral debate over seven months before the election date. 49,000 candidates have registered their names in the first stage, which precedes the Guardian Council's review of whether those individuals are qualified or not.<sup>(5)</sup>

### **The Reformists' Position on the New Electoral Law Amendments and Participation in the Parliamentary Elections**

According to the "reformist" front, the amendments aim to strengthen and expand the purview of the Guardian Council, boost the role of security institutions and limit the scope of legality in which the Ministry of Interior operates, thus increasing the scope of violations, rigging and the possibility of altering election results through the new amendments.<sup>(6)</sup> It further stated that the amendments will ensure that there will be no equal playing field in the elections for all currents and groups. Furthermore, the "reformists" pointed out that the aim of the new election laws is not to raise voter turnout, but rather to decrease it and create adverse conditions to prevent the "reformists" from participating in the elections.<sup>(7)</sup>

Despite this rejection of the electoral law, the "reformists" were divided, with some believing that the only way to achieve the objectives of reform is to engage with the government through partaking in the elections.

Meanwhile, opponents contend that the government will not agree to make any reformatory changes and will disqualify the powerful candidates on the "reformist" movement's lists. The government will only keep some lesser-known candidates to ensure a landslide victory in the elections for the "hardliners." As a result of this division, the Iranian Election Commission announced that nearly 800 "reformists" had enrolled themselves in the prior registration stage,<sup>(8)</sup> including major "reformist" figures.<sup>(9)</sup> It appears that this division characterizing the "reformists'" position is deliberate and essentially aims to keep the door ajar, stopping short of announcing whether or not they will participate in the parliamentary elections. Then the "reformists" will embark on enrolling their candidates in the registration phase in the hope that Supreme Leader Ali Khamenei's desire to see the biggest possible voter turnout will lead to qualifying as many "reformist" candidates as possible for the coming elections.

### **Conclusion: The Future of Iran's Political Arena in Light of Raisi Government**

The continued widespread outrage at the deteriorating economic conditions, suppression of civil liberties and poor government performance foretells that the popular protests could be rekindled in 2024. The government's efforts and moves will not affect the Iranian economic reality as long as US sanctions on Tehran remain in place.

Regarding the March 2024 parliamentary elections, there appears to be a considerable desire for the "reformists" to return to Iranian political life. However, their fear of repeating the scenario of mass exclusion from the elections may lead them to employ different tactics and divide roles among the various factions of this movement, such as calling for regime change and supporting protests against the ruling elite, as well as threats to boycott the

elections. There may also be calls for the “reformists” not to vote to force the “hardliners” to reverse their policy of monopolizing power.

The supreme leader’s and the “conservative” movement’s aim to re-energize popular support for the next elections and make them more inclusive may compel the Guardian Council to allow the candidacy of some “reformists.” However, the supreme leader will not allow them to gain a majority at the expense of the “hardliners.”

**Domestic and Foreign Economic Policies and Their Repercussions on Living Conditions**

Rasanah’s ASR in 2022 anticipated a set of future expectations related to Iran’s economy such as the government’s failure in the short term to control the rise in prices and liquidity rates for technical reasons or control the decline of the local currency, and the continued increase in oil exports despite the sanctions, but struggle to achieve tangible economic growth, improve living standards despite the slogans raised, and the continued financial tightening while sanctions remain.

To understand the Iranian economy’s performance in 2023, it is crucial to consider its pillars, factors that influence it, and the overall economic philosophy of the Iranian government. Iran’s financial condition, economic growth and exchange rate stability are based on export revenues from the oil and gas sector, mainly petrochemical exports. The services and industrial sectors are the biggest contributors to Iran’s economy. The services sector employs a large workforce, while the industrial sector includes important industries such as automobiles, steel and petrochemicals. The agricultural sector, on the other hand, has a diverse production geography and competitive advantages.

US oil, banking and trade sanctions imposed on Iran since 2018 have had a significant negative impact on Iran’s financial condition, the stability of the local currency, investments, local

production, foreign trade and economic growth,<sup>[10]</sup> while the government’s approach since the revolution has been based on the state’s prominent vital role in the economy, especially in times of foreign sanctions under the “resistance economy” ideology. Therefore, Iran has a large informal (parallel) economy managed by influential parties in the state.<sup>[11]</sup> The upcoming part will analyze the performance of the Iranian economy during 2023 and address its most significant developments and their repercussions on the Iranian public.

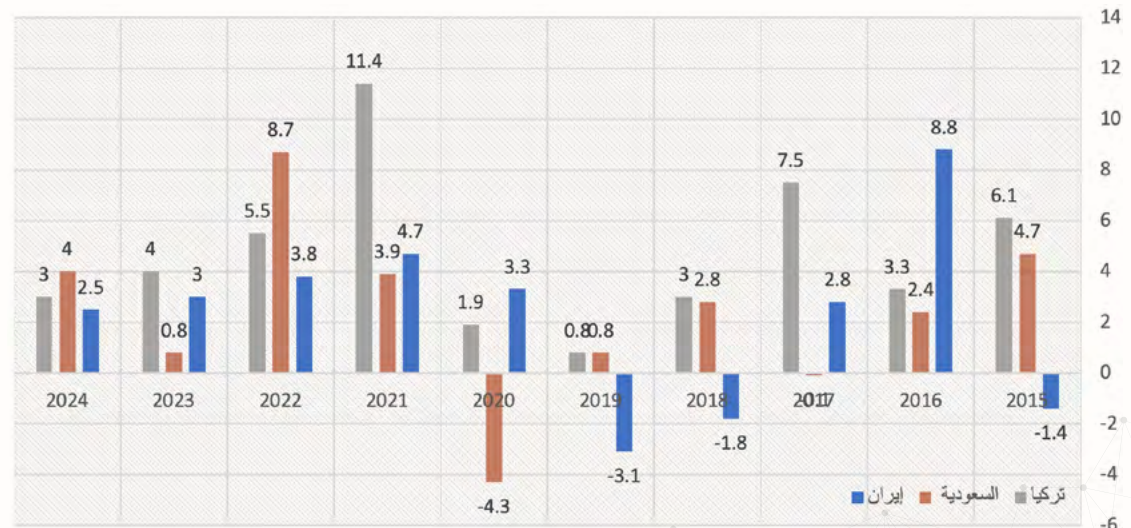
**Growth of Real Products and Standards of Living**

Real Iranian GDP achieved limited growth during 2023, estimated at 3%, down from 3.8% in 2022 (see Figure 1), mainly under the influence of sanctions. According to this limited growth, Iran needs approximately 23 years to double its GDP. The Seventh National Development Plan (2023-2027) aims to achieve a growth rate of 8% annu-

ally to double real GDP in less than nine years,<sup>[12]</sup> which is hard to implement. The real growth achieved during the year did not have a tangible positive impact on improving Iranian living standards, employment and unemployment rates or reducing inflation rates. However, what happened was the opposite as the following parts will explain.

US sanctions on trade and financial transfers are considered one of the most significant restrictions currently on Iranian economic growth,<sup>[13]</sup> and these will impose restrictions on economic growth in the future, with a long-term impact on productivity if these continue. Economic growth in Iran is usually driven by exports from the oil sector, which is less labor intensive compared to other sectors such as industry and agriculture. Estimates indicate that drivers of economic growth, such as investments, net exports, and public and private spending, grew weakly during the year (see Table 1).

Figure 1: Actual GDP Growth (%) 2015-2024



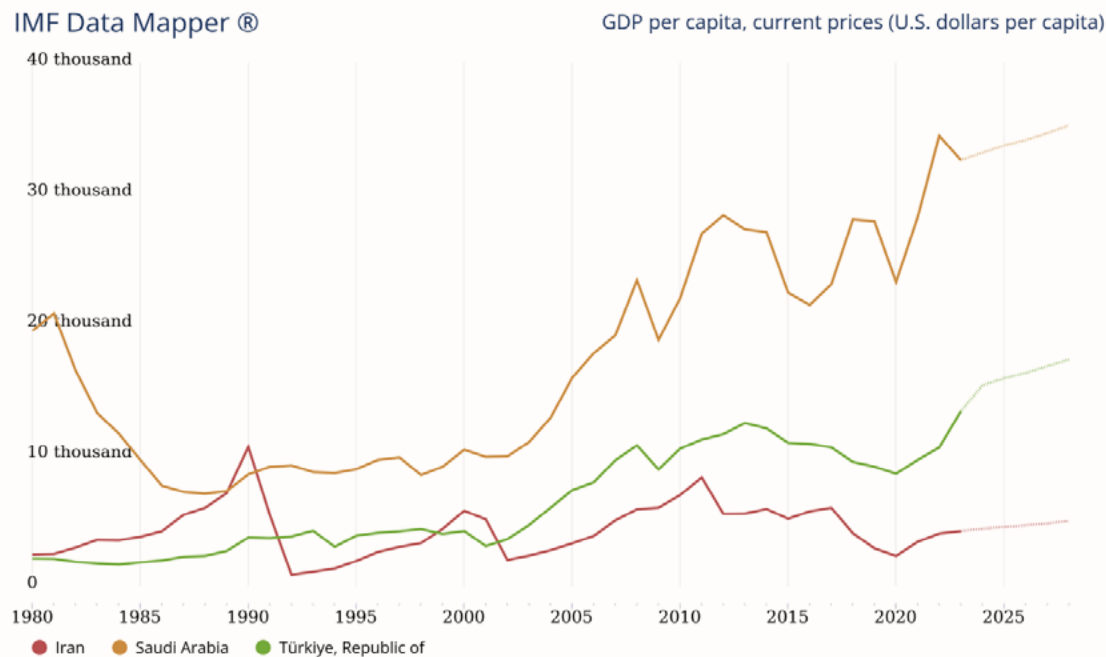
Source: IMF, World Economic Outlook, October 2023.

**Table 1: Estimates of Various Growth Rates and Drivers in 2023, and in the Long Term**

Real GDP growth 2023	3.2%
Population growth rate 2023	0.7%
Gross fixed capital formation (GFCF) 2023	2%
Private consumption growth 2023	1.9%
General spending growth in 2023	6%
Domestic demand growth 2023	2%
Growth of exports of goods and services 2023	10%
Growth of imports of goods and services 2023	9%
Average GDP growth rate (2023-2030)	1.9% Annually
Average GDP per capita 2023-2030	1.3% Annually
Average labor productivity growth 2023-2030	-0.3%

Source: "Iran Economic Outlook Report," Economist Intelligence Unit, November 2023.

**Figure 2: GDP Per Capita, Current Price (1980-2023)**



©IMF, 2023, Source: World Economic Outlook (October 2023)

The Iranian real GDP per capita shows a declining trend in the standard of living of Iranians from \$8,300 per Iranian person in 2011 to only \$4,200 in 2023, which are rates among the lowest recorded in 2018 and 1999 (see Figure 2), which demonstrates a decline in the standard of living over 12 years approximated to the tangible improvement of standards of living within the economies of neighboring countries.<sup>[14]</sup> Iran's ranking in the United Nations Human Development Index (HDI) for 2021/2022 also declined for the fourth year since 2018, ranking 76th out of 192 countries. However, the value of the Iranian index remains relatively high compared to the global average,<sup>[15]</sup> and the 2023 report has not yet

appeared, which will likely register a further decline.

According to official Iranian statistics, unemployment conditions in Iran were recorded at 9.7% at the end of the fiscal year 2022/2023, down from 10.6% at the end of 2019,<sup>[16]</sup> knowing that unofficial unemployment rates in Iran are much higher. However, according to the Iranian Statistical Center, about 42.8% of the total unemployed in Iran were graduates of higher education in the summer of 2023.<sup>[17]</sup> It is a high rate and a threat to internal stability.

### Monetary and Fiscal Issues

The Iranian budget faces a growing financial deficit due to insufficient budget resources from oil and tax revenues, and the Iranian gov-

Table 2: Financial and Monetary Variables in 2023

(Budget deficit (% of GDP 2023	5.5%
(Increasing the monetary base (June 2023 on an annual basis	42%
(Government debt (until March 2023	of GDP 30%
(External debt (2023	bn \$10.8

Source: Iranian Planning and Budgeting Organization, IMF, Economist.

ernment resorts to financing it through local borrowing and usually increasing liquidity — recently lifting subsidies — and this leads to high inflation, an increase in debt, and the carryover of the deficit to the coming years and does not provide radical solutions to confront the financial deficit.

The IMF estimated the budget deficit at 5.5% of GDP in 2023, up from 4.2% last year. According to Iran’s Planning and Budget Organization (PBO), the budget achieved only 70% of revenues during the first seven months of the current fiscal year (March 21-October 21, 2023),<sup>(18)</sup> meaning there is a 30% deficit in the budget and simultaneously there was an increase in the monetary base/liquidity by 42% in June 2023, compared to last year (see Table 2),<sup>(19)</sup> meaning the government borrows from local banks and prints money and this is of course at the expense of debt growth and inflation.

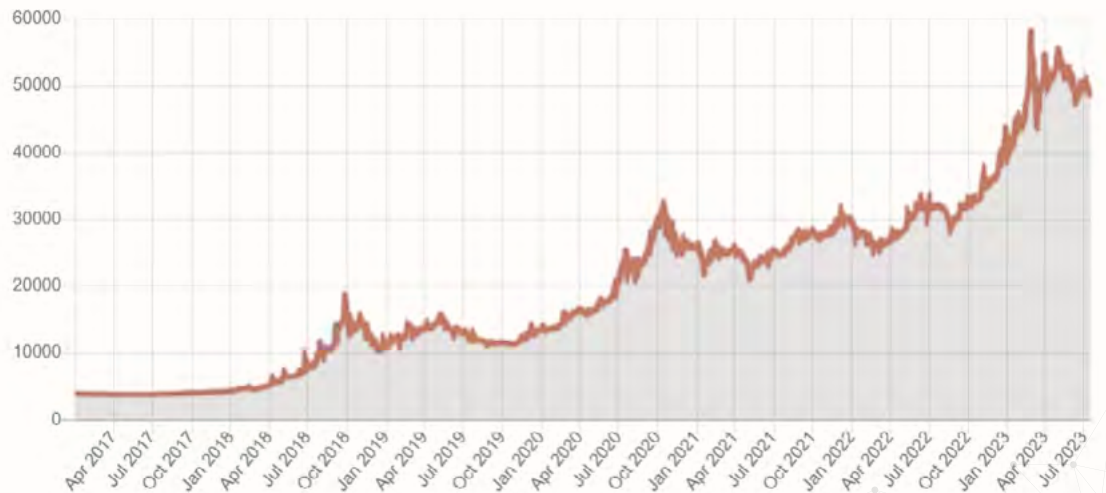
In 2023, exchange rates saw a sharp decline in the value of the Iranian toman against foreign currencies, despite the government’s attempts to control the situation.<sup>(20)</sup> The exchange rate of the dollar in the free market rose from 40,000 tomans at the beginning of the year to 60,000 tomans in March before it fell to under 50,000 tomans with the influence of Omani mediation to reach a nuclear agreement with the United States, then it

rose again to 52,000 tomans in November. The rate was also affected by the Gaza war. In general, 2023 represents a part of a series of sharp declines in Iranian currency against the dollar since 2018 — by more than 15 times — (see Figure 3) and a continuous decline since 1992.<sup>(21)</sup> Exchange rates are affected by restrictions on access to frozen reserves abroad, which exceed \$100 billion.

**Inflation and Price Levels**

Today’s younger generation of Iranians are experiencing price rises that they have never seen before, with the Iranian government unable to control them. According to World Bank estimates, Iran was one of the few countries, along with Venezuela, Lebanon, Zimbabwe and Argentina, that achieved the highest global increase in food prices at 78%. The nature of the

Figure 3: Exchange Rates of the US Dollar Against the Toman (2017-2023) in the Free Market

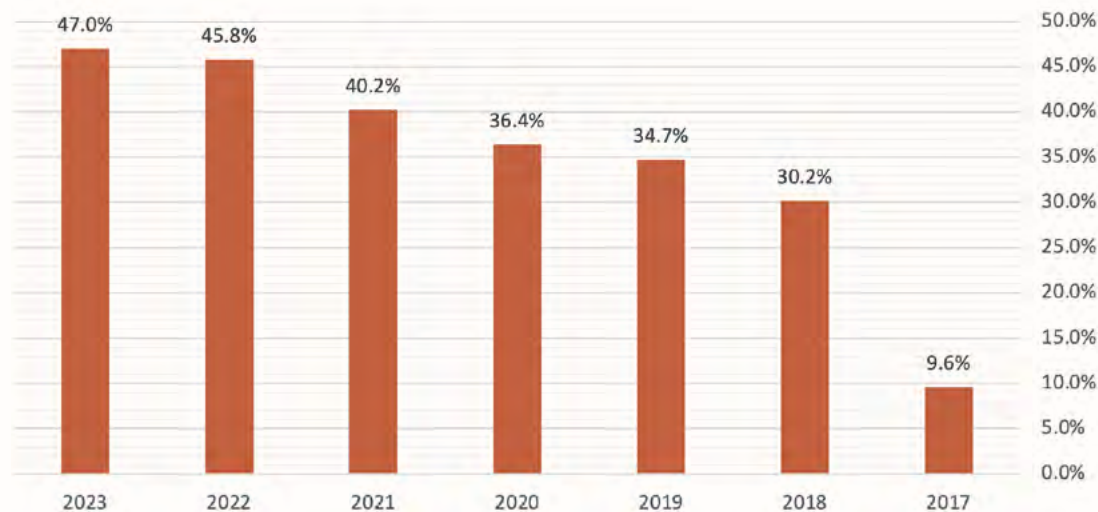


Source: Bonbast.com

government's financial and monetary policies had a prominent role in the matter, as we mentioned above, in addition to the impact of the decline in the exchange rate, purchasing power and other causes.<sup>(22)</sup>

To measure the rate of change in prices within a year, the Iranian Statistical Center announced an increase in the consumer price index of 45.5% for October 2023, compared to the same month last year. Although it was a high inflation rate, it was the lowest monthly inflation (on an annual basis) since the beginning of the year, as shown in Table 3. On a broader timescale, the IMF reveals the continuation of the upward trend in annual inflation in Iran since 2018 (the beginning of the implementation of US sanctions), rising from 30%, reaching approximately 46% last year, with an expected record of 47% in 2023 (see Figure 4).

Figure 4: Annual Inflation Rate in Iran (2017-2023)



Data source: "World Economic Outlook" IMF, October 2023. Designed: Rasanah IIIS 2023.

Table 3: Consumer Price Change Index January - October 2023 Compared to the Same Period of the Previous Year

January	51.3%
February	53.4%
March	63.9%
May	54.6%
July	47.5%
August	46.7%
September	46.1%
October	45.5%

Source: "Iran Economic Outlook Report," Economist Intelligence Unit, November 2023.

If we want to track direct price changes on a smaller scale, such as in food prices — as it is an essential component for all families, particularly those facing financial difficulties — we will find a high increase. For example, red and chicken meat prices recorded a rise of 87.1% during one year, from September 2022 to September 2023, according to what the Iranian Statistical Center showed in its report for September 2023. The center also informed that cumulative food price inflation in Iran during a decade and a half (from 2007 to 2022) increased by 5,200%, i.e., a 52-fold increase, or an average of approximately 3.5 times per year.

Table 4 gives a clearer image of the massive price changes for some basic foodstuffs during the 10 years from 2012 to 2022. These were not matched by similar changes in incomes, which led to a decline in purchasing power. This was reflected in malnutrition and an increase in poverty rates as well.

**Table 4: Changes in Prices of Some Food Items During 10 Years in Iran 2012-2022**

Type	2012	2022	Aspect Ratio
Beef/1 kg	tomans 13,000	tomans 170,000	(price multiplied approximately 13 times) 1,207%
Chicken/1 kg	tomans 4,600	tomans 49,000	965%
Pasta/700 gm	tomans 950	tomans 14,000	1,370%
Iranian rice/1 kg	tomans 4,400	tomans 98,000	2,127%
Eggs/1 pc	tomans 165	tomans 2,500	1,415%
Oil /5 kg	tomans 14,700	tomans 406,000	2,662%
Milk/1 L	tomans 1,400	tomans 29,000	1,971%
Cheese / 400 gm	tomans 1,750	tomans 40,000	2,185%
Tea / 500 gm	Tomans 6,500	tomans 120,000	1,746%

Source: Sadaye Bourse, <https://cutt.us/c3NPY>

### The Repercussions of the Economic Situation on Life Quality In Iran

There were repercussions of the previous performance of the economy on society, represented by poverty, misery, emigration and deteriorating health and food security.

During March-June 2023, the poverty line reached 30 million tomans for a family of about three individuals living in Tehran, which is the minimum cost necessary for the family to live for a month in the capital.<sup>(23)</sup> The poverty line (the number of people who cannot secure this number) reached more than 30% of Iranians, or nearly 10 million families, who live in extreme poverty, according to the official

statistics of the Iranian Parliament Research Center. Unofficial statistics indicate higher rates against prevailing wages and living costs (see Table 5).<sup>(24)</sup> Of course, high levels of poverty have negative repercussions on the level of health, nutrition, education and thus human capital, productivity and economic growth, not to mention societal and security unrest.

There is the Misery Index, which consists of calculating the degrees of both the prevailing rates of inflation and unemployment together within society. An official census conducted recently by the Iranian Statistical Center revealed that the misery index rose from 19.3% in 2016, to 49.4% in 2021.<sup>(25)</sup> It did not include

2022. The year 2023 showed unprecedented inflation rates in Iran, while good rates are between 6% to 7%. Therefore, it is no wonder that Iran ranks highly among the countries in the world that loses talent (brain drain) such as doctors, technicians and others. The number of emigrants is estimated at between 6-million-10 million Iranians.<sup>(26)</sup>

As for nutritional conditions, official statistics published by the Ministry of Health show that about 16% of children under the age of six in Iran currently suffer from malnutrition, and malnutrition affects about 57% of the total population of Iran, according to estimates by the Ministry of Cooperatives, Labor and Social



**Table 5: Poverty and Its Impact on Iranian Society**

Poverty Line for a Family of About 3 Members	Million Tomans/Month in the Capital 30
Minimum wage for a worker in Iran	million tomans/month 9
Cost of renting a small house	million tomans/month 15
(Misery Index (2021	49.4%
Affected by malnutrition	of Iranians 57%
Emigration	About 65,000 Iranians/year

Source: Bahar News, <https://cutt.us/WZn2u>

Welfare. High food inflation played a role in the situation, along with increasing drought, groundwater shortages and the random construction of dams.<sup>(27)</sup>

### Foreign Trade

Iran's foreign trade consists of crude oil and gas exports and non-oil trade. It also includes merchandise exports (of which petrochemicals alone account for nearly a third) and merchandise imports.

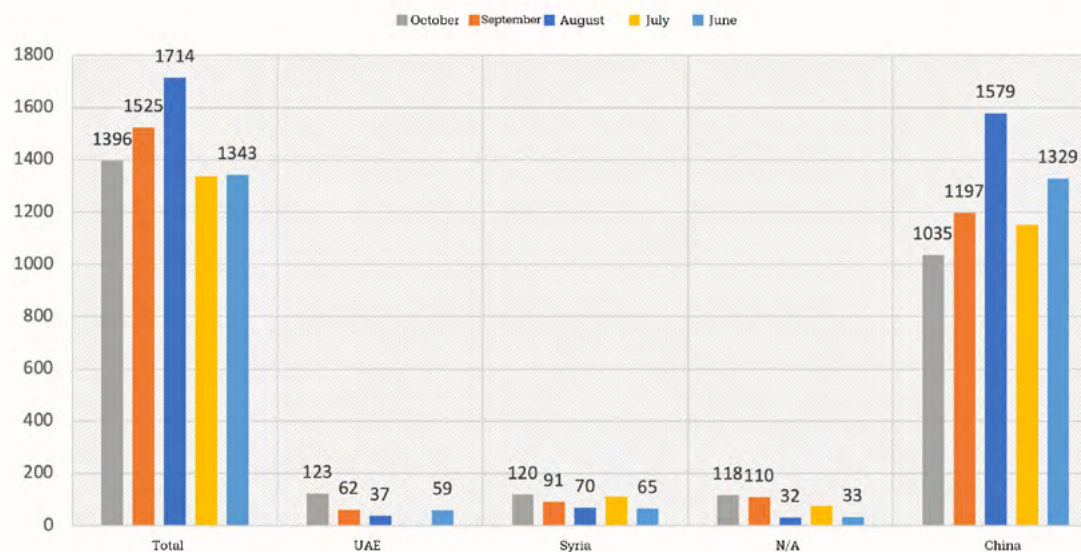
Oil exports achieved significant increases during 2023 compared to previous years — although these have not yet returned to pre-sanctions levels — and the average oil production reaches approximately 3 million barrels/day in 2023, compared to 2.55 million barrels/day in 2022, representing an annual growth of 18%.

Oil and gas exports condensates recorded about 1.4 million barrels/day in October 2023, compared to nearly 1.24 million barrels/day for the same month last year, the majority of which goes to China (75%–90%), (see Figure 5). The Economist estimates that oil exports

will generate \$70 billion for Iran during 2023<sup>(28)</sup> and support the achievement of a surplus in the current balance estimated at \$24 billion by the end of the year.

On the other hand, the non-oil trade balance experienced an increasing deficit because of the rapid growth of imports to meet domestic demand (grains, spare parts and others) and increasing consumption while Iran suffered from a lack of domestic production. Therefore, the deficit was approximately \$8 billion during March-October 2023 (see Table 6). Iranian foreign trade is limited to a group of partners due to US sanctions, which scared off many partners in Europe and Asia (see Table 7).

Iran's formal accession to the Shanghai Cooperation Organization (SCO) has not been reflected in an increase in its foreign trade

**Figure 5: Estimates of Iran's Exports of Oil and Gas Condensates June - October 2023 in Thousand Barrels/Day**

Source: United Against Nuclear Iran, Iran Tanker Tracking.

**Table 6: Iran's Non-Oil Trade During March - October 2023 in Billion Dollars**

Goods exports	28
Imports of goods	36
External debt	10.3
Revenues from crude oil exports	70

Source: Iranian Customs, Economist.

**Table 7: The Value of Iran's Exports and Imports With Its Largest Trade Partners During March 21 - October 20, 2023**

Exports		Imports	
China	bn \$8	UAE	bn \$11
Iraq	bn \$5.4	China	bn \$10.4
UAE	bn \$3.7	Turkey	bn \$3.8
Türkiye	bn \$2.7	Germany	bn \$1.2
India	bn \$1.3	India	million \$1.1

Source:: Iranian Customs.

with member countries, and the recent Iranian-Russian pledges of economic cooperation are not expected to significantly enhance trade between the two countries, given the competitive rather than complementary nature of the two countries. As for China, it has been Iran's largest trading partner for at least a decade before Iran acceded to the SCO, and trade between them has increased since the reimposition of US sanctions in 2018.

However, in light of the sanctions, transfers, and settlement of financial payments between the two countries remain a significant obstacle to maximizing Iran's trade partnerships with members of organizations such as the SCO, BRICS and others.<sup>(29)</sup>

### **Conclusion: A Future Vision for the Iranian Economy In 2024**

The year 2023 was marked by a lacklustre economic performance, except for a significant up-

tick in Iranian oil exports and the country's bid to broaden its commercial horizons by joining economic blocs. However, there was no tangible impact of the limited economic growth achieved on the living standards of Iranians. On the contrary, there was a sharp collapse in the value of the local currency, with record inflation rates that the younger generation had never witnessed before, especially in food and house prices, which was reflected in a decline in societal well-being, an increasing rate of misery and deteriorating health and food security. The government's financial and monetary decisions and policies also played a decisive role in these results, in conjunction with the existing restrictions due to the continuing consequences of US sanctions on the Iranian economy.

It is not envisaged that the accumulated economic and financial challenges will be addressed quickly and with a tangible impact on livelihoods during the coming year, even with the increase in oil exports. The fiscal deficit is increasing, and the demand for foreign exchange is high for the sake of trade and hedging for inflation. US sanctions will create restrictions on overall economic performance. The government may be forced to make more austere decisions regarding investment and development spending and support allocations despite the scarcity of revenues and financial flows and the difficulty of collecting oil revenues. It may resort to increasing domestic borrowing and pumping liquidity without discipline, which will impose more inflationary and livelihood pressures again.

Despite achieving relative progress in the nuclear negotiations with the United States, mediated by Oman, which resulted in a limited release of part of Iran's frozen reserves abroad, Iran's position on the Gaza war may affect the progress of negotiations or bring them to a complete halt if the armed conflict expands in the region. Accordingly, there will be repercussions that will prolong Iran's economic crises.

Perhaps finding renewed ways to circumvent the oil and banking embargo, in cooperation with China, Russia and others, is a priority for the Iranian system to sustain the policy of economic resistance at home to the maximum possible extent.

### The Posture of Iran's Internal Forces on Relations With Saudi Arabia Following the Beijing Deal

Saudi Arabia and Iran resumed diplomatic ties after the China-brokered deal in Beijing in March 2023. The resumption of relations between the two major regional powers received significant support in Iran. The “conservatives” and “reformists” agreed on strengthening Riyadh-Tehran ties to defuse tensions over regional files. The positions of Iran's domestic currents on the resumption of Saudi Arabia-Iran ties were visible in the context of several issues such as the following:

#### The Road to Hajj

Riyadh and Tehran exchanged delegations to defuse tensions on the Hajj pilgrimage before the resumption of diplomatic relations in 2023. This reflected the importance of the Hajj for both countries. Iran's currents expressed a strong consensus at that time on the need to ensure that the Hajj route remained open. In this context, the “conservatives,” with all of their sub-factions in Iran, urged the Raisi government to contain Iranian-backed Shiite groups and networks in the Middle East.<sup>(30)</sup> They referred here to pro-Iran armed groups; the main pillars of Iran's regional influence, and the most significant mutually contentious issue between Tehran and Riyadh, impacting the other thorny issues between the two sides. Pro-Iran groups pose a challenge to Saudi regional interests and deepen differences — placing obstacles before Iranian citizens to perform the Hajj. It is apparent that the biggest thorny issue between the two countries is Iran's armed militias deployed across its spheres of influence. Iran's decreasing



militarization will help tensions de-escalate in the rest of the contentious issues between Riyadh and Tehran.

#### Good Neighborliness Policy and Regional Security

Iran's “conservatives” believe that Raisi's policy of establishing communication channels with Iran's neighbors, especially the Arab and Gulf states, during 2023 effectively mitigated tensions with Saudi Arabia. This led to the signing of the agreement to resume diplomatic relations, followed by a rapid exchange of diplomatic delegations and defusing tensions in Yemen, Iraq and Syria. This agreement helped in undermining US policy to isolate Iran in the

region.<sup>(31)</sup> The Saudi-Iran agreement can defuse tensions further in several ways, including people-to-people contact and the promotion of trade and investment.<sup>(32)</sup>

On regional security, the “conservatives” believe that relations with the Kingdom can help achieve regional security and stability. They are the major influential forces in the trajectory of Iranian regional affairs, and according to them, if Saudi Arabia changes its media discourse against Iran, it can contribute to helping to achieve the aforesaid aim. They think peace and stability can be realized if Riyadh demonstrates goodwill as a neighbor to Tehran by making decisions to end tensions in Lebanon and Yemen and resolve the issue of

Palestine.<sup>(33)</sup> The “conservatives” believe that a settlement would prepare the ground for the Egypt-Iran rapprochement and facilitate the settlement of Saudi-Houthi differences. This would lead to reconciliation among the Yemeni parties, a decline in military operations and the Houthis’ targeting of Saudi oil facilities.<sup>(34)</sup>

Iran’s internal positions have overlooked that regional tensions are directly associated with its geopolitical expansionist project, which has contributed to nation-states collapsing, fueling conflicts, and continuous threats to international trade and maritime security at the strategic Straits of Hormuz and Bab al-Mandab. They also neglect that the solution begins with Iran changing its behavior in the region rather than Saudi Arabia’s chaining its media discourse, which actually unveiled Iran’s nefarious plan to risk regional and global security. Saudi Arabia has adhered to its commitments, unlike Iran. At present, it is premature to discuss the regional arrangement as both parties have not reached confidence in each other, despite the significant improvements in their bilateral relations. It is important to note that Yemen is an issue that should be resolved by the Yemeni parties, and not as perceived by Iranian political elites as a Saudi-Yemeni dialogue. Saudi Arabia’s role in this matter is a mediator and supporter of the peace process.

### Israel and the Abraham Accords

The “conservatives” hoped that stopping Arab-Israeli normalization could be realized by the return of Saudi-Iranian diplomatic relations and that the resumption of diplomatic ties may at least isolate Israel.<sup>(35)</sup> According to them, normalization with Israel would be costly for Saudi Arabia as it enjoys religious significance because of its custodianship of the Two Holy Mosques in Mecca and Medina. Hence, from their perspective, Saudi Arabia is entirely

different from the rest of the normalizing countries such as Bahrain, the UAE or Morocco. They warned that Saudi Arabia’s demand to start its own nuclear fuel production cycle and enhance its missile and drone programs in exchange for normalization with Israel would adversely affect its relations with Iran.

The “conservatives” believe that the eruption of the conflict since October 7, 2023, between Israel and Hamas due to Al-Aqsa Flood halted the normalization process between Saudi Arabia and Israel. Riyadh will unlikely depend on Israel as a guarantor of regional stability as it is aware that Hamas could attack Israeli targets at any time despite Israeli military force.<sup>(36)</sup> Therefore, they believe that Arab leaders will not depend on Israel’s promises of protection from Iran, instead, they might have to respond to Iran’s warnings that Israel is doomed to collapse.<sup>(37)</sup>

Many observers believe that Iran benefited from Al-Aqsa Flood. It actually engaged in this conflict because its objective behind settling differences with Saudi Arabia was in fact to thwart the Saudi-Israel normalization— which Iran fears. The pace of statements about the prospects of signing a normalization deal between Riyadh and Tel Aviv — according to Saudi conditions — increased before Al-Aqsa Flood. Tehran wanted to flip the card again in the Middle East to prevent the creation of new equations that could siege and isolate it.

### Iran’s Nuclear Program

Raisi’s government held talks with the International Atomic Energy Agency (IAEA) in September 2023, which according to “hardline” factions, led to positive outcomes and an IAEA Board of Governors Resolution on which Saudi Arabia did not take sides, showing Tehran’s ability to leverage regional powers.<sup>(38)</sup>

The “conservatives” warned Riyadh’s ability to acquire advanced nuclear technology could

herald a period of rivalry with Iran and push Tehran into being mindful of Riyadh’s interests because Crown Prince Mohammed bin Salman would then be in a better position to advance Saudi interests. Furthermore, Saudi Arabia could seek a strong security pact with the United States, and if Israel were to attack Iranian nuclear facilities, such a pact could seriously endanger Iranian interests.<sup>(39)</sup>

Iran is concerned about Saudi Arabia’s use of regional and international shifts to access nuclear technology that would make it lose much of its regional leverage; specifically its nuclear program. The Kingdom enjoys strong regional and international ties, capabilities, cards and multiple tools of influence that make major global players strengthen Riyadh’s comprehensive power.

### Asian Cooperation

The “conservatives” are optimistic that serious security files between Iran and Saudi Arabia could soon be resolved, based on China’s soft power influence on the two Gulf countries. The negotiations carried out by China to help Iran and Saudi Arabia resume relations prove that the Asian countries themselves will contribute to realizing Asia’s standing.<sup>(40)</sup>

According to the “conservatives,” Raisi held constructive talks with China to advance wider Asian policies for economic cooperation, stability and brotherly ties and to build security from within the region, which should be credited in any discussion about the prospect of ties between Iran and Saudi Arabia.<sup>(41)</sup> The two countries are of great significance in the Chinese strategy due to their capabilities, strategic goods, geopolitical positions and location inside China’s global road: the Belt and Road Initiative. On the other hand, China is an international balancer seeking a multipolar international system, which expands the maneuvering room available to regional powers.

## The Prospect of Relations With the United States

The “conservatives” believe that the prospects of Iran’s relations with the United States are blurry due to pivotal thorny issues between the two parties. Hence, the Iranians do not talk about the Saudi role in prospective talks with Washington. However, the “reformists” believe that Iran must engage the Kingdom to reach an agreement with the United States, which has adopted a dynamic and diverse foreign policy toward many regional and international actors. It maintains balanced relations with Washington. In addition, the active policy of the Saudi crown prince urges Iran to appreciate the significance of its vital ties with the Kingdom.<sup>(42)</sup> The “reformists” are aware that Saudi Arabia has cards and influence tools with far more significant impact than in the past. They can influence many trajectories of international affairs.

### Conclusion: Trends of the Relationship Between the Two Countries in 2024

Following restoring diplomatic relations with Iran, Saudi Arabia has demonstrated sincere intentions to establish normal relations with Tehran and mitigate regional tensions. Iranian officials expressed their willingness and desire to break with the past. The two countries’ progress in this direction could deepen their ties in various fields during 2024.

The discussion inside Iran after restoring diplomatic relations has been positive. However, achieving a real breakthrough in relations and reaching cooperation in various fields requires further practical measures to rebuild trust, such as resolving outstanding contentious issues between the two countries, such as the Yemeni crisis and Iran’s non-interference in regional states, which constitutes the core of the dispute between Riyadh and Tehran.

Saudi Arabia’s leading role in resolving many regional crises, such as settling the

Palestinian issue, resolving the Yemeni problem, and playing influential roles that are not in Iran’s interests, especially in Syria, Iraq and Lebanon, will make Iran lose its thread of influence in these three countries, which it attempts to control unilaterally. Saudi Arabia is at the heart of the events, making it an important regional and international center. Therefore, Iran may resort from time to time to fabricate some crises to keep the conflict and fighting as the prevailing case, taking the two countries’ tensions back to square one.

In the wake of US attempts to start a peace process between the Kingdom and Israel and the Kingdom’s set of essential conditions, namely a solution to the Palestinian issue, Iran’s concerns about normalization were renewed. The Iranian media began to address the peace risks and increased the criticism and incitement against the Kingdom. Although Saudi Arabia has frozen peace talks due to the Israeli escalation against the Palestinians, the return of negotiations or reaching an agreement between Israel and Saudi Arabia may restore tensions between the two countries.

### The Hijab Crisis and the Legitimacy of Iran’s Political System

The ASR in 2022 addressed the hijab crisis in Iran, the resulting public reactions after the killing of Mahsa Amini by the morality police, and the discussions that took place between political and religious currents about the issue. Despite the Iranian system containing the protests, the hijab remained part of the debate between Iranian society and the authorities, especially after the issuance of a new hijab law in 2023.

In September 2022, Iran witnessed a widespread protest movement following the killing of Mahsa Amini. The Iranian system was forced to make concessions by dismantling the morality police to overcome the crisis that

threatened it despite the strict security measures it had taken against the protestors.

After the protests, the government opposed public opinion by issuing a new hijab law, which kept in place its previous vision of the hijab representing a symbol of religious identity and a source of legitimacy. This heralded the continuation of the struggle for freedom in Iran, which remains difficult to overcome. The political system’s legitimacy is based on ideology, necessitating adherence to all the manifestations of religiosity in the public sphere.

### Protests and the Weakness of the Iranian System

The Iranian system sensed the erosion of its legitimacy due to increased protests in recent years. Given its complex failures at various levels, especially about economic issues, which were directly reflected in the deterioration of socioeconomic conditions, the Iranian system become much more sensitive toward the decline of its legitimacy. Therefore, it utilized the security option to deal with various crises, as it knows how to impose its authority through the employment of repression and violence. Hence, because of the Iranian system’s brutality, it appears that its legitimacy has reached an advanced stage of collapse, which makes its restoration an extremely difficult process.

According to the political and economic performance, the country is still exposed to demanding protest movements that might develop into popular uprisings, especially against political corruption, which has deepened the rift and expanded the circle of widespread rejection. The changes happening in society, both internally and externally, are adding new challenges to the younger generation’s ability to adapt. As a result, many young people feel disconnected and alienated, which can push them to seek solutions through emigration or protest.

### The New Draft Law on Hijab and Chastity

On September 20, 2023, the Iranian system published the final draft of the Chastity and Hijab Law, with amendments implemented by the Judicial and Legal Committee of the Islamic Shura Council and called it “The Family Support Law Project by Promoting the Culture of Chastity and Hijab.” They set the duration of the experimental implementation as three years.<sup>(43)</sup> The law seeks to prevent the spread of “nudity, obscenity, and inappropriate hijab.” The Ministry of Economic Affairs is obligated to consider this in the design and import of clothing, and combat behavior that violates standards in the streets, places, trade unions, vehicles and cyberspace using modern and smart technologies and systems. It stipulates 71 articles, represented by penalties ranging from fines, which may amount to 500,000 tomans, or about \$10, a ban on leaving the country from (six months to two years), confiscation of passports, deprivation of civil rights and social services, detention for violators of the hijab law and their supporters, and imprisonment from 5 years -10 years, gender segregation in universities, hospitals, health and administrative centers, parks and tourist sites. Programs have also been established obliging cultural institutions and organizations to promote the hijab. It has also been emphasized that the police force will undertake this task, which in turn expresses their intention to create reliable special forces and train them for field confrontations with violators.<sup>(44)</sup>

### Hijab — the Last Resort for Legitimacy

The Iranian system is trying to cling to the ideological symbol as the last stronghold of its continuity. It believes that if it retreats from the hijab issue by yielding to demands for leniency in removing it, it will lose part of its legitimacy, which it derives from the religious circles of Iranian society, which justified the new hijab law as a response to popular demands. These circles consider that abandoning the hijab will destroy

an essential pillar of the system that represents Islam and its teachings, and it must be imposed on society.

On the other hand, the political system believes that it will allow opponents to demand more reforms and changes at the levels of politics and society if it yields to the demands of the protesters and the secular forces. This may explain its fear of opposition forces, which demand political and civil freedoms. In contrast to the general societal context, which demands more of it, the “conservative movement,” which has taken control of all the state’s legislative, executive, and judicial institutions, is pushing to enact strict and deterrent laws for opponents, tighten penalties and attempt to restrict them, especially on symbolic occasions such as the first anniversary of Amini’s death, where the Iranian authorities took prior measures to prevent the eruption of public demonstrations. The renewed protests constitute a very serious concern for the political system, as it is aware that there is a significant bloc of Iranian people who oppose it, including a strong base working to overthrow it. It seeks to contain the scale of the protests and prevent their transition to the stage of revolution by targeting the system’s political and cultural symbols, and perhaps this explains the campaign of arrests, executions and dismissals of university professors under the pretext of their support for the protests. Iranian universities witnessed the “purge wave” led by Raisi, with the expulsion of dozens of academic professors.<sup>(45)</sup>

### Conclusion: The Future of the Hijab Crisis — Popular Rejection and the Intransigence of the Iranian System

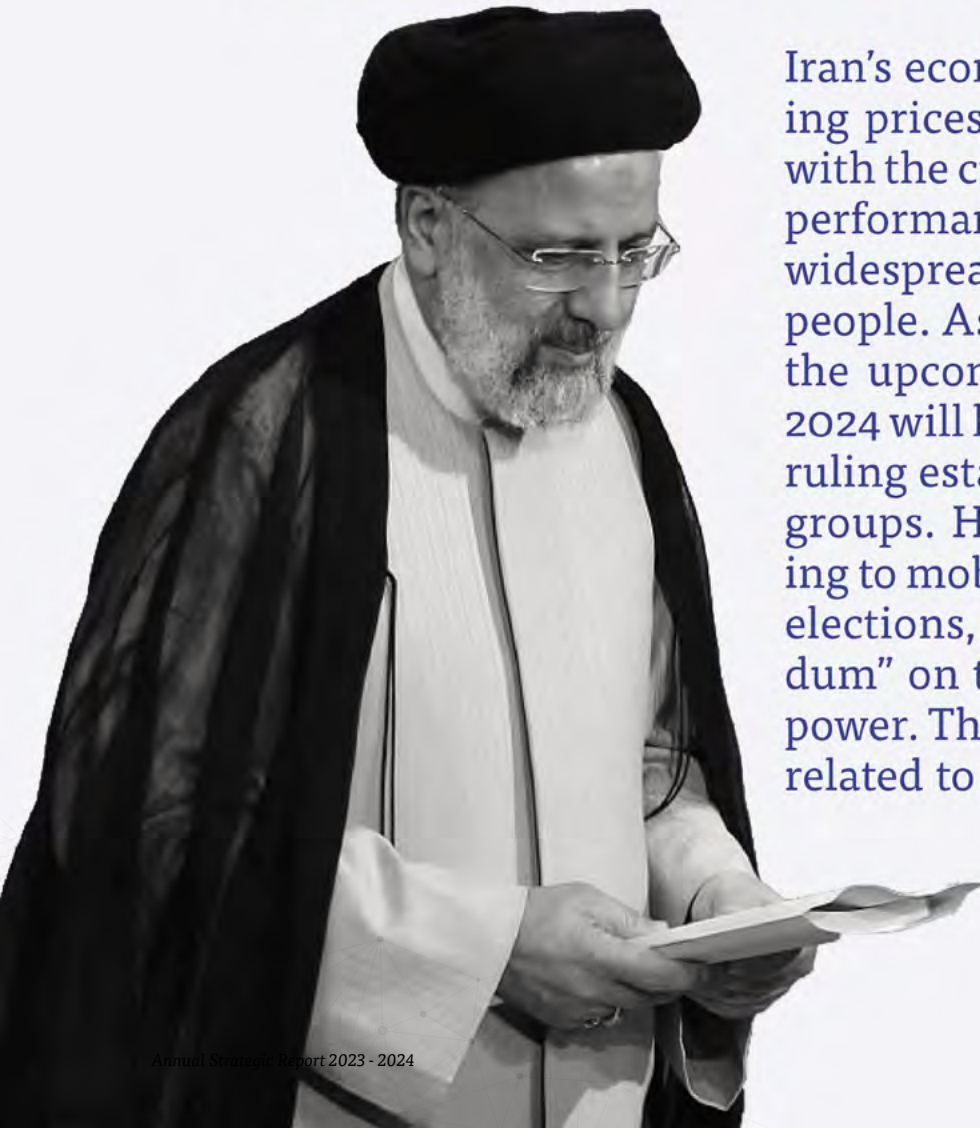
In light of the above, it becomes clear how much the Iranian system adheres to its religious ideological system in dealing with the hijab issue, its disregard for the deteriorating social, economic and political conditions, and its indifference

to societal transformations and the demands of the people. It combines enacting strict laws with harnessing all the state’s political and security institutions to implement them, despite its awareness that this approach will lead to public tensions as a result of continuous repression, violence and intimidation, which may result in a new popular uprising, given the presence of a willingness on the part of women to rebel and a willingness to confront.

There are no guarantees that the government will win the battle of the compulsory hijab through the new law, and the fragility and the weakness of the ruling establishment against the backdrop of ongoing waves of protests will further erode its legitimacy and force it to depend further on security services to suppress the protests.

It is unlikely that the government will allow women to choose whether or not to wear the hijab, because it constitutes one of the most important foundations of the Iranian system, especially after the Parliament approved the so-called law supporting the culture of hijab and chastity, but it may tighten punitive measures such as imposing fines, gender segregation in universities and hospitals, and closing public places and companies. Moreover, tourist and historical sites do not impose the hijab on women.

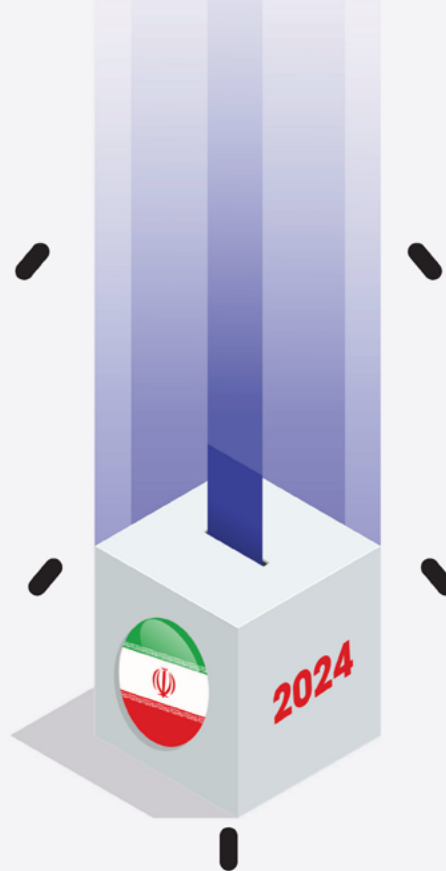
# THE RAISI GOVERNMENT'S PERFORMANCE AND THE IRANIAN POLITICAL CURRENTS' POSITIONS AHEAD OF THE ELECTIONS



Iran's economy has been declining, leading to rising prices and poor living standards. This, along with the curtailment of civil liberties and the weak performance of the Raisi government, has caused widespread dissatisfaction among the Iranian people. As a result, political observers expect that the upcoming parliamentary elections in March 2024 will have a low voter turnout, especially if the ruling establishment continues to exclude certain groups. However, the Iranian government is trying to mobilize the population to participate in the elections, as it believes that this will be a “referendum” on the legitimacy of the ruling elite and its power. The most significant developments in Iran, related to the upcoming elections, are as follows:

The “reformists” have an overwhelming desire to return to political life in Iran. However, their concerns over the possible recurrence of the mass exclusion scenario from the elections may lead them to employ different tactics and divide roles among their adherents.

According to the new amendments, the Ministry of Interior is required to conduct a voting and counting process for at least one-eighth of the multi-seat constituencies using an electronic system. The aim of this change is to ensure that there is wide participation of voters in the elections.



The supreme leader’s and “conservative” current’s desire to restore popular confidence in the upcoming elections and make them more inclusive may force the Guardian Council to accept the candidacy of some “reformists.” However, it will not allow them to obtain a majority at the expense of the “conservatives.”

These amendments triggered an early electoral battle, about seven months ahead of the elections. The names of more than 49,000 candidates were registered at the first stage, which is prior to the stage of reviewing the eligibility of the candidates by the Guardian Council.

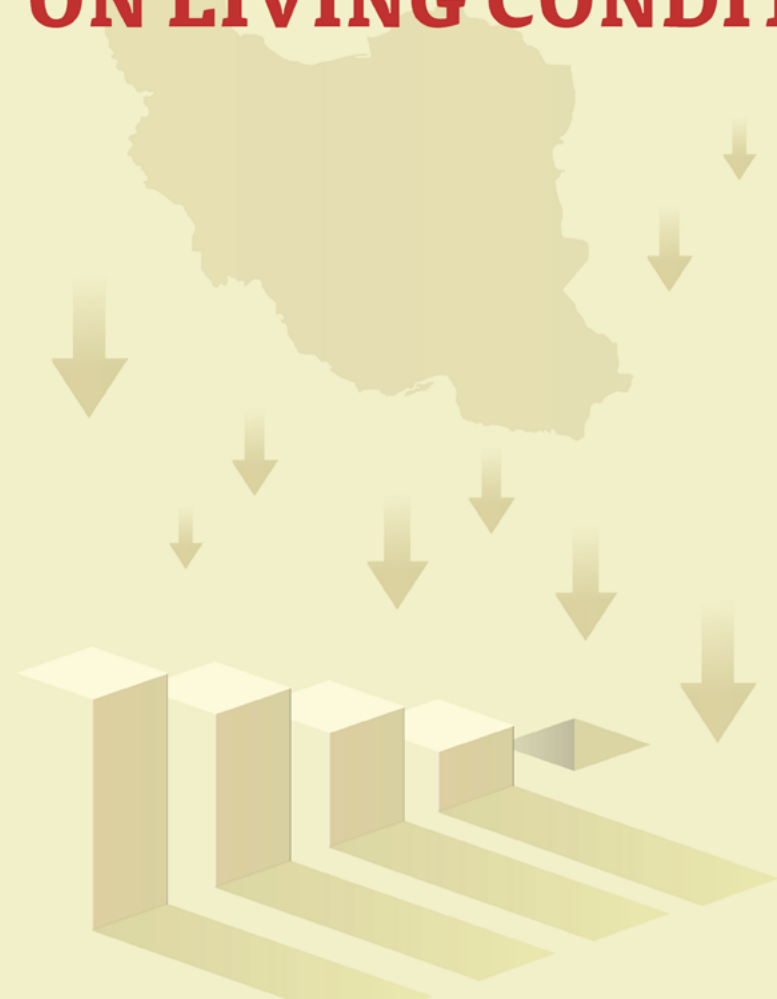
Those wishing to run for the parliamentary elections must submit their documents via a specially designed website.

The parliamentary elections scheduled in March 2024 are a real test of the ruling establishment’s desire to restore popular confidence in the electoral process. If the Guardian Council decides to qualify the largest number of “reformists” to run in the elections, it will succeed in enhancing public turnout, thereby mitigating tensions in the arena and making room for wider participation in the upcoming presidential elections. However, if it plans to maintain its previous approach to disqualify “reformist” candidates, this will contribute to a significant drop in voter turnout, inevitably impacting the future of the Iranian political system.

Amendments to the parliamentary elections law and the “conservatives”’ desire to maintain their absolute control over all the institutions of the state suggest that they are more likely to retain their total domination rather than make room for the “reformists” to return to political life.



# DOMESTIC AND FOREIGN ECONOMIC POLICIES AND THEIR REPERCUSSIONS ON LIVING CONDITIONS



Amid escalating economic challenges, including the depreciation of the local currency, surging exchange rates and worsening living conditions in Iran, the Iranian budget grapples with a growing financial deficit. Insufficient resources from oil and tax revenues prompted the government to resort to financing through local borrowing, often coupled with increased liquidity and recently elevated subsidies. This approach, however, resulted in heightened inflation, mounting debt and the transfer of the deficit burden to future years without offering fundamental solutions to address the financial shortfall.

## Key Factors Contributing to the Financial Deficit in Iran



The IMF projected a budget deficit of **5.5%** of GDP for 2023.



In 2023, the Iranian toman experienced a notable depreciation against foreign currencies despite government efforts to manage the situation.



A significant **42%** increase in the monetary/liquidity base, attributed to government borrowing from local banks and increased banknote printing.



The misery index rose from **19.3%** in 2016 to **49.4%** in 2021, excluding 2022 and 2023, marked by unprecedented inflation in Iran.



The younger generations in Iran are grappling with unprecedented price hikes, reflecting the government's struggle to curb them



Iran ranks high globally in emigration as domestic circumstances compel talented people to leave (brain drain) like doctors and technicians, with an estimated **6-10 million** Iranian immigrants abroad.



Declining purchasing power is evident as well as rising malnutrition and increased poverty rates.



“Red meat and chicken meat” prices surged by **87.1%** within a year, from September 2022 to September 2023.



Approximately **16%** of children under six in Iran currently suffer from malnutrition, affecting around **57%** of the total population, according to estimates by the Iranian Ministry of Cooperation, Labor and Social Welfare.



## THE POSTURE OF IRAN'S INTERNAL FORCES ON RELATIONS WITH SAUDI ARABIA FOLLOWING THE BEIJING DEAL

The resumption of diplomatic relations between Saudi Arabia and Iran follows a rapprochement deal between the two nations in the Chinese capital, Beijing, in 2023, sponsored by China. The move asserted the kingdom's sincere and faithful intention to bury the hatchet and turn the page of old differences, thus ushering in a new era wherein the two countries established cooperative relations as two regional neighbors and Islamic powers.

The resumption of relations between the two regional powerhouses received broad support in Iran. The two chief political movements (the "hardliners" and "reformists") agreed on the necessity of enhanced relations between Riyadh and Tehran, given the positive impact on easing tensions in the context of regional issues. The positions of the domestic political forces in Iran on the resumption of relations between Iran and Saudi Arabia are elucidated as follows:

- In 2023, Riyadh and Tehran exchanged delegations, focusing on easing tensions related to the Hajj issue and showcasing the significance of the pilgrimage to both nations.
- During this period, Iran's two major political factions, the "hardliners" and "reformists," expressed a united stance on keeping the Hajj route accessible.
- The "hardliner" faction in Iran, encompassing all spectrums, urged President Ebrahim Raisi to contain Shiite paramilitaries supported by Tehran in the Middle East.
- The "hardliners" in Iran believe that Raisi's policy of the necessity of finding channels of communication with Tehran's neighboring countries, especially the Arab and Gulf countries, during 2023, has been effective.
- Undermining US policy aimed to isolate Iran in the region
- The approach aims to bridge differences between Saudi Arabia and Iran, potentially achieved through people-to-people and elite-level communication, as well as bolstering trade and investments.
- The "hardliners" argue that ties with the kingdom contribute to regional security and stability, given its influence in shaping regional affairs.
- Facilitating rapprochement between Iran and Egypt and a resolution of conflicts between the kingdom and the Houthis.
- The "hardliners" assert that the re-establishment of Saudi-Iran diplomatic ties will halt the trend of Arab-Israeli normalization.
- Raisi's constructive talks with China are viewed by the "hardliners" as a step toward advancing broader Asian policies, encompassing economic cooperation, regional stability and security enhancement in the region.

## Future Scenarios

During the period that followed the resumption of diplomatic relations with Iran, Saudi Arabia has proved the sincerity of its intentions in establishing normal relations with Iran and easing regional tensions. Moreover, Iranian officials have expressed their desire to bury the hatchet and turn a new page. If the two nations move forward down this path, this could lead to deepening relations between both sides in various fields in 2024 and off-ramp solutions for the outstanding issues, including the Yemeni crisis and Iran's regional interventions. The kingdom is playing a leading role in attempting to settle the Palestinian issue and has an influential regional role that does not serve Iranian interests in Syria, Iraq, and Lebanon, hence depriving Iran of the levers it has been attempting to control exclusively. This role also places Saudi Arabia at the heart of events, making it an important regional and international hub.

### 1

Iran could, from time to time, create crises to keep the disputes and infighting prevalent, thus bringing tensions between the two nations back to square one.

### 2

The renewal of Iranian concerns about the issue of normalization, following US attempts to initiate a peace process between the kingdom and Israel and Riyadh setting specific conditions for its success, namely, the resolution of the Palestinian cause

### 3

The resumption of deliberations or reaching an agreement between Saudi Arabia and Israel could reignite tensions between Riyadh and Tehran.

# THE HIJAB CRISIS AND THE LEGITIMACY OF IRAN'S POLITICAL SYSTEM

Iran managed to overcome a large-scale protest movement in the wake of the death of Mahsa Amini while detained by the morality police, through concessions and crackdowns.

In the aftermath of the protests, the government pursued a completely opposite trajectory to the trends of public opinion by passing a new hijab bill which is consistent with the religious identity of the political system from which its legitimacy is derived.



## The Most Important Steps Taken by the Government to Emphasize Its Approaches and Contain Future Crises

The government prioritized security options in dealing with the various crises. It proved capable of imposing its authority through repression and violence. This trend demonstrates that the legitimacy of the Iranian ruling system is on the verge of collapse, making its restoration an extremely difficult process.

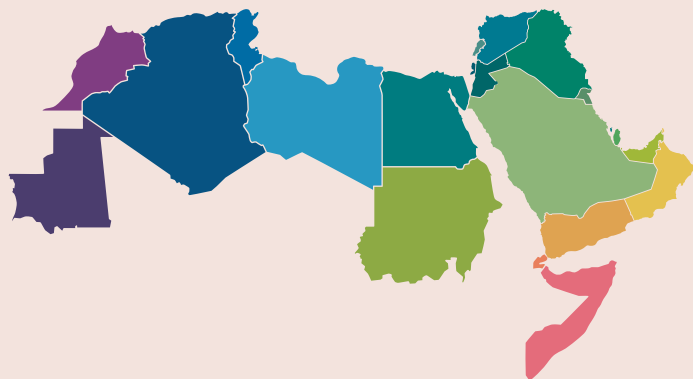
According to the political and economic performance, the country is still facing protest movements that may escalate into popular uprisings, especially given that political corruption is deepening divisions and increasing popular discontent.

On September 2023, 20, the Iranian government passed the chastity and hijab law, with the parliamentary judicial and legal committee introducing amendments. It is known as the bill to “Support the Family by Promoting the Culture of Chastity and Hijab.”

The Iranian ruling system attempted to hold on to the ideological framework as it represents the foundation of its continuity. It believes that if it concedes on the hijab issues by yielding to public demands to be lenient on the wearing of the hijab, it will lose an important source of legitimacy as well as distancing itself from the religious segments of Iranian society that hold this issue dearly.

**The “individual” skirmishes over the hijab between Iranians and the political authority will continue. In light of factional protests, the government is working to suppress the protests to prevent their expansion.**

## IRAN'S POLICY TOWARD THE ARAB WORLD



A state of tension and instability prevailed throughout the Arab countries where Iran succeeded in establishing substantial clout (Iraq, Syria, Yemen and Lebanon). The internal crises endured by these nations negatively impacted Iran-aligned forces and, by extension, Tehran's clout. The scope and impact of these crises varied according to the local dynamics in each of the aforesaid nations. Therefore, Iran adopted various approximations through which it attempted to contain the internal challenges posed to its clout, recalibrating its role through the understandings arising from the agreement reached with Saudi Arabia. The agreement had an impact on Arab nations, whether bilaterally or collectively, under the Arab League's umbrella.

### Iran's Position on Peace Initiatives in Yemen

In our 2022 ASR, Rasanah's research team predicted a precarious political settlement for the Yemeni crisis in 2023. This forecast assumed that the Houthis would escalate their demands to coerce the legitimate government led by the Presidential Leadership Council (PLC) into granting them more advantages, thus avoiding the peace obligations in Yemen. This forecast was indeed accurate. The Houthis insisted on receiving their members' salaries as a prerequisite for participating in the political process despite having huge resources from oil derivatives, taxes and other sources.

The Yemeni political landscape witnessed significant changes compared to the previous years. This is mainly due to the peace-building efforts and the international and regional initiatives that have been led by Saudi Arabia and Oman. These efforts aimed to turn the military ceasefire into a shared platform for Yemeni-Yemeni dialogue, thus creating new prospects for finding a sustainable political solution that fulfils the hopes and aspirations of the Yemeni people.

A significant development to be highlighted in this part is the Houthi attacks on commercial ships with missiles and drones — which were in solidarity with Hamas against the backdrop of the Gaza conflict. These attacks are deemed a desperate attempt to gain some legitimacy and popularity for the Houthis amongst the Yemeni people. The following parts will examine the main aspects of the UN peace initiatives in 2023, Iran's position and the impact of Houthi attacks—which came in response to the war in Gaza—on the Yemeni peace process trajectory in 2024.

### Initiatives to Bring Peace to Yemen

The Yemeni issue received attention from many international actors in 2023, starting with the active involvement of the United Nations. The

UN envoy to Yemen Hans Grundberg made meaningful diplomatic efforts through his various international and regional visits and continuous briefings to the UN Security Council. The US administration also engaged through its Special Envoy to Yemen, Tim Lenderking, along with the EU and other international and regional stakeholders that backed the Saudi-led peace efforts.

Saudi Arabia has been a vital actor in the efforts to resolve the Yemeni conflict, striving for a lasting political settlement and the establishment of a unified and comprehensive Yemeni government. This, along with Oman's role, helped ease tensions among Yemeni parties and components and created opportunities for addressing urgent humanitarian issues related to the lack of food, medicine, fuel, electricity and water.

These efforts were evident in the visit of a Saudi delegation led by the Ambassador of the Custodian of the Two Holy Mosques Mohammed al-Jaber to Sana'a in April 2023 to seek a

comprehensive and sustainable political solution in Yemen. In return, a Houthi delegation headed by Mohammed Abdulsalam and accompanied by a delegation from Oman visited Riyadh in mid-September, upon an invitation from Saudi Arabia.

According to a statement from the Saudi Ministry of Foreign Affairs, "In continuation of the efforts of Saudi Arabia and Oman to reach a permanent ceasefire in Yemen for a sustainable & acceptable political solution from all Yemeni parties, the Kingdom invited a delegation from Sana'a to visit the Kingdom to complete these meetings and discussions."<sup>(46)</sup>

Abdulsalam expressed hope that these talks would culminate in progress in all humanitarian, political and military aspects, bringing peace and stability to Yemen.<sup>(47)</sup> The legitimate Yemeni government, represented by the PLC, also welcomed all efforts aimed at persuading the Houthis to seriously engage in the peace talks and end the suffering of the Yemeni people.<sup>(48)</sup>

### Iran's Position on the Peace Process in Yemen

The Yemeni peace talks in 2023 were marked by a steady advancement and a relative lull in the armed conflict. However, some analysts doubt the possibility of achieving a durable and comprehensive peace agreement with the Houthis. They cite several reasons that mainly stem from the Houthis' rigid stance on coexisting peacefully with other Yemeni factions, along with the internal divisions between the Houthis. This has been evident in the Houthis' escalations which came immediately after the Riyadh talks, clearly indicating their desire to prolong the Yemeni crisis.

These escalations resulted in the deaths of four Bahraini soldiers affiliated with the Coalition Forces on the Saudi border. The soldiers were targeted by drones. Some analysts, however, believe that the attacks were an attempt by the Houthis to pressure for greater political leverage in the event of continued negotiations.

The war in Gaza provided an opportunity for the Houthi militia to advance its political objectives by entering the frontline with Israel, garnering support in the Arab and Islamic spheres, and solidifying its backing within controlled areas in Yemen. Observers suggest that Houthi attacks, seemingly related to altering the dynamics of the Palestinian conflict, are strategically aligned with broader political motives. This move is perceived as an effort to alleviate pressure from the so-called "Axis of Resistance" and the Iranian position. The latter seeks to convey a message to the international community, showcasing its capability to disrupt global trade in the Straits of Hormuz and Bab al-Mandab. Therefore, the United States initiated Operation "Prosperity Guardian," forming a maritime alliance with the stated objective of securing the Red Sea from Houthi threats. Observers note undisclosed goals within this alliance, potentially involving the





establishment of international maritime blocs akin to other alliances associated with global powers. Importantly, certain European countries withdrew from this alliance citing differing pretexts. It is imperative to recognize that the influence of this coalition on Yemen's political landscape is often underestimated by observers. A crucial element in the potential political resolution in Yemen hinges on the Houthis' abandonment of the Iranian regional agenda, prioritizing the interests of Yemen and its people.

As for Iran, its regional strategy is based on the expansion of clout and the consolidation of its spheres of influence. This makes it very doubtful that Iran would play a constructive or even neutral role in the peace process in Yemen. However, it is possible that Iran's support for the Houthis takes a different form to maintain its influence over the proxy group. In this regard, US Envoy to Yemen Tim Lenderking called on Iran to work positively to end the suffering of the Yemeni people and confirmed that his country had not seen any signs of Iran's support for peace efforts in Yemen. He added that the United States and its partners want Iran to show flexibility in Yemen, and linked addressing the Iranian challenge with making progress in the Yemeni crisis, stressing keenness to prevent waterways in the region falling under Iran's control.<sup>(49)</sup>

Therefore, the success of the political endeavours in Yemen is based on the genuine willingness of the Yemenis to resolve the conflict away from Iran's agendas and to put the national interest and the welfare of the Yemeni people above any sectarian, regional or foreign affiliations. This is because there is no way to achieve a lasting peace in Yemen except for direct talks among the Yemeni parties and the internationally recognized government that has shown compromise to advance the peace process. This was confirmed by the UN envoy to Yemen who stated that a sustainable

solution to the crisis can only be achieved by the Yemenis themselves. He also called on all Yemeni parties to come together to build a shared peaceful future.<sup>(50)</sup>

### **Conclusion: Prospects for the Yemeni Crisis in 2024**

The improved political situation in Yemen in 2023 resulted from the de-escalation and peace-building efforts by regional and international actors. Based on this calm landscape, the prospects for political progress in 2024 are more favorable provided that these actors continue to press the Houthis to prioritize the interests of Yemen and its people over their relationship with Iran. However, this may require both time and strong pressure tactics to pressure the Houthis to make significant concessions for the sake of a political settlement.

Iran is not expected to persuade the Houthis to make compromises; rather, it could change its approach to the Yemeni crisis. The country's policy toward Yemen may undergo a gradual or relative shift to consolidate the benefits of the recent rapprochement deal with Saudi Arabia. This analysis is supported by the fact that China — the mediator of the deal — is seen as a reliable guarantor of Iran's compliance. Iran may contribute to the political process in Yemen, but the importance of the Houthis for Tehran suggests that its efforts would not be genuine. It is also not unlikely that the Houthis would continue to maneuver, politically evade and escalate limited military action to gain further political leverage.

### **A New Iranian Approach to Enhance Influence in Iraq**

Rasanah's research team in 2023 predicted that the stagnation in the Iraqi political arena would cause Iran's influence to decrease despite the cards it possesses: the control of the Coordination Framework (CF) — Iraq's most significant political coalition for Iran-backed militias — over the government's presidency, the parlia-

mentary majority and uncontrolled weapons proliferation. This scenario materialized in 2023. Iran forges a new approach promoting the pragmatic tools to implement its expansionist policy in Iraq. This came amid the complexity of Iraq's internal crises, the emergence of Shi'ite political forces that reject Iran's growing influence, the demands of the Iraqi street rejecting quotas and adhering to the path toward state-building, and regional and international criticism and pressures on Iran's militarization within its spheres of influence. This file is divided into three parts: the features and pillars of Iran's new approach toward Iraq, the motives for Iran's new approach, the future of this approach, and the indications on whether it reflects an Iranian strategic or tactical shift in the context of internal and external considerations.

### **The Pillars of Iran's New Approach Toward Iraq**

To implement its geopolitical project in Iraq for almost more than two decades, Iran has depended on military, political, cultural and economic tools. It uses all of these simultaneously. However, Iran prioritized an approach that promoted militarization to maximize its pressure on Iraqi decision-makers at home and abroad to enhance its influence. However, militarization became complicated and exacerbated the challenges of the Iranian political system. As a result, in 2023 Iran adopted a new approach in Iraq based on pragmatic tools to enhance its influence in the Iraqi arena.

The new approach was based on launching parallel Iraqi economic companies of the pro-Iran Popular Mobilization Forces (PMF). Iran played a role in establishing the Muhandis Company, the Iraqi version of the Iranian company Khatam al-Anbiya.<sup>(51)</sup> This company would be the PMF's economic arm. It provides the PMF a cover to play a more significant role within the Iraqi economy and integrate further into the Iranian economy. This approach

replicates the experience of the IRGC and its economic arms that integrated into the Iranian economy and dominated it.

Iran opted to implement trade projects and corridors with Iraq to restore its significance on the global trade and logistical hubs and corridors map. It rushed into implementing the Shalamcheh-Basra Railway project to pave the way to connect Basra port with the Latakia port on the Mediterranean Sea via the Abu Kamal border crossing between Iraq and Syria. It also worked to promote Iraq's proposal to establish the Development Road, which includes 10 countries, including Saudi Arabia, Turkey, Iran and Iraq. Iran promoted this project because it will be among the first countries to benefit from it — given the fact that Iran is mainly an industrial country. As a result, this will help market its products in a way that will grant it enormous financial returns to help in alleviating the negative effects of the sanctions. Iran's accession to these projects strengthens its standing on the Silk Road. This project will help Iran smuggle weapons to pro-Iran militias in Iraq, Syria and Lebanon and even implement Iran's corridor linking Tehran to the Mediterranean Sea via Iraq and Syria.

Compared to the visits of military officers, Iranian officials significantly intensified their visits to Iraq during 2023, emphasizing Iran's pragmatic approach. During the visit of Iraqi President Abdul Latif Rashid to Tehran in April 2023, he asked his Iranian counterpart to raise the ceiling of trade relations from \$10 billion to higher levels,<sup>(52)</sup> especially as both countries desire to raise it to \$20 billion annually. Iraq is Iran's second trading partner after China. It holds importance in Iran's foreign trade due to its geographical proximity, and it is the most critical economic port to circumvent the sanctions.

One cannot overlook the fact that Iran's halting of military operations in northern Iraq is linked to its move toward pragmatism. Iran



signed a security agreement with the Iraqi government to stop military strikes in northern Iraq against the armed Kurdish-Iranian opposition in Iraqi Kurdistan in exchange for the Baghdad government enhancing its influence in northern Iraq along the borders with Iran and Turkey and preventing the Kurdish opposition's strikes against Iran from Iraqi territory. This will impose a new security situation on the Kurdish opposition to have no excuse to continue their attacks on Iranian territories.

#### **Motivations Underlying the New Approach**

Many motives have driven Iran to choose pragmatic tools over militarization while retaining the possibility of resorting to military options when needed. Primarily, Iran has reached a strategic conviction that it has a solid military arm capable of realizing the goals entrusted to it. Further militarization is not urgently needed, especially given the broader regional and inter-

national criticism of militarization in Iranian spheres of influence. Iran is held responsible for various conflicts that have exhausted countries, wasted their wealth, turned them into failed states and created fertile ground for terrorism. These conflicts have also threatened the movement of international trade and the transit of strategic goods from international corridors many times. These disruptions created global pressure to tighten the noose around Iran to dissuade it from militarizing its foreign policy.

Iran may also come to the conviction that the door to improving its relations with Arab and Gulf countries, especially Saudi Arabia, to contribute to ending its isolation and blockade and alleviating the burden of sanctions is linked to Iraqi pragmatism to open up to national forces and elites seeking to establish a sovereign, independent and Arab state in line with the Gulf's desire. This helps explain the invitation of former Iraqi Prime Minister

Mustafa al-Kadhimi to visit Iran, as he was strongly supportive of the path toward establishing Iraqi statehood and he could help in curbing the widespread Iraqi protests against Iranian influence. The aforesaid aims cannot be realized under militarization. Therefore, the Iranian pragmatic approach prioritized relations with Saudi Arabia, which were revitalized through the China-brokered deal.

The domestic motivation must also be noted due to the increased tension of widespread criticism of the political system by its focus on militarization, which has caused nothing but isolation for the country. The Iranian government failed to transform the state's comparative advantages into a global competitive advantage that brings in revenue; however, Saudi Arabia succeeded in highlighting its competitive advantages and linking them with the worldwide economy.<sup>(53)</sup> The exclusion of Iran from the logistical and trade interactions is a big blow to its economy and security.<sup>(54)</sup> This means that foreign military adventures contributed to Iran's failure to qualify for infrastructure projects despite its location, ports and enormous resources. Therefore, Iran's priority given to the International North-South Transport Corridor and the Chinese route declined. Tehran was excluded from the Zangezur corridor and the India-Middle East-Europe Economic Corridor.

Due to its pragmatic approach, Tehran may create a new Iraqi economic system similar to Iran's, which can be easily used to integrate investment and trade in Iraq with the Iranian economy. The aim will be to block foreign and Gulf investments and their implications for the Iranian economic presence in Iraq and Iran's utilization of Iraq as a significant economic access point to overcome the sanctions and alleviate their impact on the domestic front. The ultimate aim is to tie Iraq down within Iran's spheres of influence.

### **Conclusion: Trends of Iranian Policy Toward Iraq in 2024**

The previous findings show that the Iranian pragmatic approach to strengthening its influence in Iraq in 2023 was related to internal, regional, and international factors that pressured and severely suffocated the Iranian political system. However, when considering the pillars of the Iranian ruling system, the centrality of ideology in its structure, and the solidity of launching military fronts that advocate the Iranian geopolitical project, we realize that switching tools from military to pragmatism does not reflect a strategic shift but a tactical one in line with the nature of internal, regional and international circumstances. The pragmatic approach in the Iranian mentality does not mean establishing bilateral relations of mutual benefit, as is the practice in international relations. Iran is also expected to adopt pragmatic dimensions to serve its doctrinal and expansionist purposes.

However, this tactical shift does not mean Iran has actually given up on its military tool to maintain its influence. This is evident in the pro-Iran Ashab al-Kahf in June 2023 promoting three new groups against the US presence in Iraq: the Saifullah Brigades, Karbala Brigades and Sabrin Brigades. The Iranian aim is to integrate them directly into the IRGC — unlike the old pro-Iran groups that prioritized their interests over Iran's but at the same time ensured the implementation of Tehran's tasks without leaving any fingerprints referring to its involvement. Its proxy armed militias bombed US targets in Iraq and Syria due to the Israeli assault on Gaza since the October 7 attacks.

Accordingly, with the developments in the regional and international arena amid the Israeli war on Gaza and the possibility that Hezbollah will change the rules of engagement with Israel to expand the war into a regional war, Iran in 2024 will likely reactivate its

military tools firmly to maintain its influence and confront the escalating threats to what it calls the "Axis of Resistance." The scale of the escalation and activation of the military tool is strongly related to assessments of the magnitude of challenges to its project spearheaded by what it called the "Axis of Resistance."

### **Challenges Facing Iran's Influence in Syria**

According to our 2022 ASR, the complex interplay of interests and competition resulting from the Russia-Ukraine war and the intricacies of US-Iran relations would significantly impact the relationships between the key players in Syria. The report predicted that these factors would contribute to Iran maintaining its role in Syria without any significant increase or decline. The events in Syria during 2023 validated this forecast, with Iran facing diverse US pressure in Syria including the mobilization of US military forces on the ground and attacks in its spheres of influence. Moreover, Iran-backed militias in Syria were targeted by Israeli attacks, which further escalated the exchange of attacks between Iran and Israel. The start of a new phase in the Palestinian-Israeli conflict after the outbreak of Operation Al-Aqsa Flood also profoundly affected regional dynamics, especially in terms of Iran's role in Syria.

### **US Military Mobilization and Escalation Against Iran's Presence in Syria**

The US military reinforced its readiness along the border triangle of Iraq, Syria and Jordan. One notable development was the military build-up and equipping of US troops at the Al-Qaim border crossing with Syria. This included deploying military vehicles and equipment to strengthen the US presence in the Syrian regions that share borders with Iraq. Moreover, US forces conducted military exercises, aerial reconnaissance missions and other military operations to reinforce the US-led Global Coalition forces stationed in their military bases in eastern Syria.

Moreover, the region witnessed a series of high-level visits from US military officials. These visits and the increased US military presence underscored the strategic importance of this triangular region for Washington. They also sent US messages to Iran that Washington was using coercive deterrence to ensure Tehran's serious diplomatic engagement in the context of the nuclear talks. To achieve its goals, the United States employed a tactical approach by organizing the borders of the triangle region. This US move limited the opportunities for Iran and its affiliated militias in Syria to carry out potential threats and maneuvers.

The resurgence of US momentum in the region raised Iran's apprehension. Iranian concerns grew over the possibility of Washington initiating military operations along the border triangle, which could put at risk Iran's strategic project.<sup>(55)</sup> This project is to secure a land route that stretches from Tehran to the Mediterranean Sea, passing through Iraq, Syria and Lebanon.

Nevertheless, Iran identified an opportunity in the escalating public discontent toward Washington over its supportive stance of the Israeli attacks on Gaza. Iran seized the escalation in Gaza to exert carefully calculated field pressure on the United States through its proxy militias in Syria and Iraq. This aimed at undermining US interests until Iran accomplished an essential aspect of its regional strategy: pressuring Washington into dismantling its bases and withdrawing from the region.

### **Iran's Measures to Mitigate the Impact of the Gaza Conflict on Its Interests in Syria**

The current conflict between Hamas and Israel, which erupted on October 7, represented a severe embarrassment for Iran. Iranian leaders were forced to tread carefully to reconcile their ideological narrative of "liberating al Quds" — which the Iranian government flagged as a key goal and for which it mobilized its allies and



proxies — with the practical considerations of the potential risks and costs that any escalation in the region could bring about.

This delicate balance necessitated the Iranian government to adopt subtle rhetoric expressing threats and diplomacy. It threatened that its proxies in the region would not remain mere spectators in the war in Gaza. And it directed its proxies in Syria to carry out attacks on US bases in Syria and northern Israel — which were described as limited and subject to Iranian considerations.<sup>(56)</sup> However, Iran's Foreign Minister Hossein Amir-Abdollahian denied his country's responsibility for the attacks

on US bases in Syria and Iraq.<sup>(57)</sup> He stated that the armed groups launching the attacks were independently responsible for their actions.

This approach to the emerging conflict in Gaza is part of Iran's broader strategy that aims to assert its presence amid the political and military upheavals and transformations in the region. Iran expressed its ability to control the responses/operations of its proxy militias in Syria and Iraq as usual while using them as a bargaining chip to bolster its diplomatic approach — Tehran repeatedly expressed its capacity to be an integral actor in resolving clashes, which it creates covertly. Iran's denial of orchestrating the attacks in Syria aimed to place further pressure on the US administration, especially to force US troops to withdraw from Syria and Iraq. This Iranian goal aligns with the interests of Damascus and Moscow.<sup>(58)</sup> In this pursuit, Iran incited clashes between the Syrian Democratic Forces (SDF) and armed Arab tribes in August and September 2023.<sup>(59)</sup> This is in addition to the repeated operations that followed the US military mobilization along the Syria-Iraq border, as previously explained.

These Iranian efforts intensified in the aftermath of the Gaza events to increase pressure on the United States, thus indirectly urging Israel to stop its attacks on Gaza. This tactic allowed Iran to avoid being drawn into a major confrontation with Washington or Tel Aviv, which could put at risk the deterrent force that Tehran has established through its regional alliances and networks of proxies in Syria and other parts of the region. It also safeguards the relatively calm relations between the Assad government and Israel, which have been maintained since 1973. This is regardless of occasional and limited Israeli attacks on Syria and verbal responses from the Syrian government. Therefore, any significant escalation from Syria or Iran against Israel could lead to undermining Iran's proxies and militias.

### The Sweida Protests and Escalation Against Iran's Behavior in Southern Syria

In August 2023, the governorate of Sweida, also known as As-Suwayda in southwest Syria, witnessed its largest protests since 2011. The demonstrators were dissatisfied with the deteriorating living and economic conditions as well as the decline in the quality of services offered by the Assad government. However, the nature of the protests took on a political dimension as the protesters criticized the agreements signed by the Syrian government with Russia and Iran over the past few years. They demanded an end to the investment agreements in Syrian ports and airports, real estate purchases, the spread of Shiism and the naturalization of Iranians — all of which has been extensively funded by Iran in southern Syria.

Some analysts believe that the genesis of these protests can be traced back to Iran's actions in Syria. They argue that Iran has been sowing chaos and disputing the relative security by establishing criminal gangs and promoting the spread of drugs, particularly in southern Syria. This perspective was echoed in remarks made by Hikmat al-Hijri, the leader of the Druze community in Syria. He identified Iran as an occupying force in Syria from the moment it set foot in the country following the onset of the 2011 revolution. He emphasized the need for waging jihad against Iranian militias in Syria.<sup>(60)</sup>

This strong anti-Iran stance, expressed by the Sweida protests, caused concern for Iran. The Assad government's survival is strategically important for Iran. Similarly, the stability of southern Syria and its loyalty to the Assad government are equally crucial for Iran. This is particularly true given that the Golan Heights is a critical military point for Iran's agenda in navigating the conflict of interests with regional and international actors. This is along with the pivotal tool of investment in multinational loyalist militias in Syria to either

escalate or de-escalate conflicts based on Iran's strategic interests.

Considering these factors, any challenge that could lead to the Syrian government losing control of this region would simultaneously represent a significant setback for Iran. This would imply a loss of Iran's ability to influence decisions of war or peace, which is essential for Iran at the strategic, political and military levels in the long term.

### Conclusion: Iran's Challenges in Syria and Scenarios for 2024

In 2023, it became evident that Iran faced several challenges in its efforts to exert influence in Syria. A crucial aspect of Iran's strategy in Syria involved maintaining control over the eastern and southern regions. Still, the United States and Israel increased their military scrutiny of these areas. Moreover, the Assad government, which is pro-Iran, attempted to deal with mounting public pressure due to objections directed at its policies and the interventions of its allies in southern Syria.

The conflict in Gaza and its subsequent military and political escalation accelerated the challenges Iran faced. Iran adopted a prudent strategy in dealing with the Gaza conflict so that it does not enter into a direct confrontation with US forces in the region. This thoughtful approach by Iran is due to its realization that such a conflict could potentially risk the strategic advantages it has carefully accumulated over the past years.

In light of the challenges listed above faced by Iran, it can be anticipated that Iran's calculated escalation through its proxy groups in Syria will continue in 2024. This will likely be met with corresponding reactions from the United States and Israel. This is the most likely scenario.

Given the critical internal issues affecting Iran's foreign policy, it is unlikely that the country will engage in significant military

escalation in Syria. Iran's government faces deep dissatisfaction and growing internal opposition to its regional actions, which must be considered when crafting foreign and security policies. Political and social unrest may complicate Iran's decisiveness in Syria and other regional conflicts.

Iran's behavior in the region and its ability to mitigate the challenges to its influence in Syria are linked to its foreign policy objectives. Thus, any escalation of the conflict in Syria could hinder Iran's efforts to establish new regional arrangements, which are crucial to Saudi-Iran rapprochement and Gulf security interests. Furthermore, to facilitate Arab reconciliation with Syria, the situation in southern Syria needs to remain calm, and Iranian militias need to limit their activities. In addition, a cautious approach should be taken toward the West to preserve the possibility of returning to the nuclear deal.

The Russia-Ukraine war significantly impacted Moscow's political priorities in the region, leading to an increasingly wider gap between Russia and the United States. As a result, Russia formed a closer relationship with Iran on several issues, including the Syrian conflict. This shift in alliances may prompt Moscow to indirectly support Iranian militias in Syria to alleviate pressure on them. However, any such support is likely to be limited by Russia's interests with Tel Aviv, as well as its desire to avoid provoking the United States into taking substantial military action in the region and potentially harming its allies, namely Syria and Iran.

### Iran's Approach to Lebanese Crises

Rasanah's research team anticipated that Iranian influence would decrease in Lebanon due to two key factors. Firstly, the loss of Hezbollah's majority in the Parliament and its inability to impose its policies on other political factions. This weakened the position of Hezbollah and,

consequently, Iran's role in the country. Secondly, US-Iranian understandings and their implications for the Lebanese file.

The Lebanese landscape in 2023 matched Rasanah's forecast. Lebanon's political deadlock remained unbroken due to the deep polarization between Hezbollah and its opponents. Neither the pro-Iran bloc nor the anti-Iran one was able to impose their agenda. Hezbollah, however, adopted a more rigid approach that aimed at pressuring the public to either accept its candidate or endure a longer vacuum. The Iran-backed proxy group also made several attempts to escalate and disrupt the security situation in Lebanon during 2023.

This file is divided into two main parts — Iran and the political stalemate in Lebanon and the Gaza war and Iran's use of the Lebanese front.

### **Iran and the Power Vacuum in Lebanon: How Hezbollah Obstructed the Political Solution**

Since the end of the tenure of the former President Michel Aoun in late 2022, the electoral process in Lebanon entered a new phase of political fragmentation and polarization. None of the presidential candidates secured enough votes from the Parliament despite several rounds of voting. While major parties and blocs opposing Hezbollah were able to consent on a candidate, Hezbollah remained steadfast in its support for its ally, the head of the Marada Movement Suleiman Frangieh, as its preferred candidate. The group stayed inflexible toward political settlements whether those proposed by internal or international actors. This is despite the hopes that followed the Saudi-Iran detente agreement and the change in the Lebanese group's rhetoric, as Secretary-General Hassan Nasrallah praised the agreement as "a good development"<sup>(61)</sup> in the relations between the two countries.

Iran tactfully approached the tussle over state power in Lebanon — it announced its

support for any agreement reached by the Lebanese parties regarding the presidential election. Moreover, Iranian Foreign Minister Hossein Amir-Abdollahian spoke about the issue of the presidential void in Lebanon with a great deal of diplomacy and optimism. However, Iran chose not to urge its key ally, Hezbollah, to lower its demands to allow for a solution to the presidential vacancy by reaching an agreement with the other parties. Instead, Iran worked to exhaust the other political forces and openly and covertly obstructed the efforts of the Quintet Committee. This was compounded by Hezbollah's attempts to ignite the flames of violence, thus making Lebanon a source of concern for the international community. This was achieved by destabilizing the security situation in the Palestinian camps and using humanitarian crises to blackmail the international community and obtain political leverage.

These moves reflected Iran's desire to keep its staunch ally, Hezbollah, dominating the Lebanese political scene and securing a significant advantage in the presidential election. Iran will not easily give up its influence in Lebanon, given the negotiating leverage Lebanon grants to Tehran amid the recent regional developments, including the rapprochement with Saudi Arabia. While some predicted that the Saudi-Iran diplomatic agreement would have a positive impact on Lebanon's situation and presidential void. However, Iran insists on separating its agreements, policies and strategic interests in the region while maintaining its influence Lebanon, which is crucial in its regional stratagem, and no concessions are to be made regarding Lebanon.<sup>(62)</sup>

Lebanon's significance for Iran has become even more pronounced amid the international and regional focus on the country. This is also in light of the potential breakthrough in the presidential elections, which the Lebanese are expect-

ing from the efforts of the Quintet Committee and the simultaneous French and Qatari initiatives. It is also worth noting that the political impasse in Lebanon is also largely linked to the outcome of the US-Iran negotiations on the nuclear issue, along with the regional dynamics and the reports of Washington's pursuit of normalization between Saudi Arabia and Israel.

The impasse that gripped the nomination of Lebanon's president had significant implications on the strategic roles of the country's state institutions, particularly of the security and military apparatuses. Head of General Security Directorate Abbas Ibrahim left his post and Commander of the Lebanese Armed Forces Major General Joseph Aoun's term is set to end on January 10, 2024, creating a leadership



vacuum in the army. This is due to the ongoing presidential vacancy. The political landscape within the country is divided, with some factions advocating for a term extension, contingent upon a set of agreements regarding new military appointments. Conversely, there are factions opposing this extension claim, calling for the appointment of an acting deputy chief of staff instead.

In this context, Hezbollah finds itself in a state of indecision. On the one hand, it contemplates extending Aoun's term, given the critical security conditions Lebanon is currently facing. These include the clashes at the Ain al-Hilweh camp, the Kahale incident, and the internal resentment and anger directed toward Hezbollah's role in these events, as well as the escalating tensions in southern Lebanon with Israel. On the other hand, Hezbollah is considering supporting its ally Gebran Bassil's decision not to extend Aoun's term. This move would not only obstruct Aoun's presidential aspirations<sup>(63)</sup> but also create a vacuum in the Christian-held positions within the state. These positions include the Lebanese presidency, the leadership of the army and the leadership of the Lebanese Central Bank. Such a disruption could potentially upset the existing sectarian balances within Lebanon.

### **The Gaza War and Iran's Calculations in Mobilizing the Lebanese Front**

Hamas's Operation Al-Aqsa Flood launched on October 7 drew Arab and international attention. A portion of this attention shifted to southern Lebanon to observe the position of Iran and its proxy group, Hezbollah, on the attacks in Palestine. This is because the reaction of the Lebanese groups across the southern borders is a real test for Iran's "unification of the arenas."

There have been various analyses and conclusions regarding the assessment of the position of Iran and Hezbollah. However, a notable characteristic of Tehran's position has been its duality — it has emphasized its non-involvement in

the October attack on Israel, despite its known support for Hamas. This stance was consistent with the Western position, as US President Joe Biden confirmed that there was no clear evidence of Iranian involvement in the attacks.

Nevertheless, Iran has consistently been involved in the Hamas-Israel conflict at the political level and has been leaving the door open for potential military action by its militias and proxy groups, should Israel's attacks on Gaza persist.<sup>(64)</sup> Iran demonstrates control over Hezbollah and the groups in the Palestinian camps in southern Lebanon, notably the Ain al-Hilweh camp.<sup>(65)</sup>

Iranian leaders have always balanced between aligning with the Western stance and maintaining control over its allied groups from behind the scenes. With careful calculations, Tehran has consciously refrained from direct involvement in the attacks as such a move would put it in confrontation with the United States. Another motive for Iran's non-involvement is that the protracted conflict between Hamas and Israel serves its strategic interests through obstructing the US-Saudi talks and undermining the India-Middle East-Europe corridor project.

Based on these calculations, Iran-backed Hezbollah only opted for skirmishes with Israel during the first days of the war, particularly at the Shebaa Farms which has become a frequent location of attacks between the group and Israel since 2006. This strategy was adopted to prevent the conflict with Israel from escalating beyond fixed positions to a more comprehensive war or carrying out operations inside Israel. Besides keeping the situation under control, the strategy serves to maintain Hezbollah's popular and political standing in Lebanon. This is particularly important given the widespread rejection faced by the group from the majority of Lebanon, including in its own popular incubators.

However, Iran's current calculations could change, especially if the Hamas-Israel conflict

escalates further. This scenario would weaken Iran's principal proxy group in the region, Hezbollah, and diminish its narrative and slogans of liberating Jerusalem — on the pretext of which it expanded its militia groups throughout the region. Therefore, considerations of interest will always direct Iran's approach to the evolving dynamics in the region and the world.

### **Conclusion: Iran's Approach to the Presidential Vacancy Crisis and Southern Border Tensions in Lebanon**

Amid the presidential vacancy, which has lasted over a year, and the looming crisis on the southern border in Lebanon, predicting Lebanon's future has become challenging. The political scene is witnessing a clear disparity among the Lebanese parties regarding the nomination of a presidential candidate. Hezbollah's insistence on either accepting its candidate or continuing the presidential vacuum reinforces the position of Tehran. The latter has also been backing Hezbollah's position by disrupting the efforts of the Quintet Committee to nominate a consensus candidate. Therefore, the Lebanese crisis is likely to continue unless Tehran and Hezbollah retreat on their position and take a direction that intersects with the international position by accepting a "third choice." This scenario, however, seems unlikely, especially with the rapidly unfolding events since the Gaza conflict. These developments have exacerbated fears of Lebanon sliding into a more complex situation. They, nonetheless, granted Iran negotiating leverage by suggesting its possession of the war and peace card in Lebanon. Tehran is likely to capitalize on this card in the future with the aim of imposing a new reality — a further tightened grip on Lebanon. In this scenario, Tehran's dominance over Lebanon would mean that all strategic political and security issues in the country will only be resolved through talks with Iran rather than Lebanon.



# **PARTNERSHIPS** OF THE INTERNATIONAL INSTITUTE FOR IRANIAN STUDIES **(RASANAH)**

Rasanah has been able to make much headway in forming partnerships with a number of think tanks, universities, and governmental parties in Saudi Arabia and abroad. These partnerships have allowed Rasanah to benefit from the cross-exchange of researchers, publications and the joint organization of events. With regard to building and enhancing relationships as well as offering its specialized consultation in the Kingdom, Rasanah is proud to have extended its relationship with a number of governmental parties with the prospect of signing MoUs in the near future.





# IRAN'S POSITION ON PEACE INITIATIVES IN YEMEN

In 2023, Yemen received attention from various international arenas. It included visits and continuous briefings to the UN Envoy for Yemen Hans Grundberg. This was also reflected through the visit of the US Special Envoy for Yemen Tim Lenderking and EU officials as well as those representing many other international and regional powers as well as representatives of international organizations. These visits supported the Saudi-led efforts and initiatives to establish peace in Yemen.

Some observers anticipate challenges in achieving a comprehensive and lasting peace with the Houthis due to their inflexible position on coexisting peacefully with other Yemeni components.

A sustainable solution in Yemen requires direct talks between the internationally recognized Yemeni government and all Yemeni parties.

The success of the political process in Yemen largely depends on how committed the Yemeni parties are to ending the conflict in a manner that is not influenced by Iran and prioritizes the interests of Yemen and its people.

Iran aims to expand its influence and safeguard its interests, so it is unlikely to play a positive or neutral role in the Yemeni political process.



The Kingdom of Saudi Arabia has been working to find a political solution in Yemen and to build a national government involving all Yemeni political components.

In April 2023, a Saudi delegation headed by the Saudi Ambassador to Yemen, Mohammed bin Saeed al-Jaber, visited Sana'a as part of the Saudi government's ongoing efforts to seek a comprehensive and sustainable political resolution in Yemen.

The efforts made by Saudi Arabia and the Sultanate of Oman have established a positive political atmosphere that has helped to reduce internal tensions between Yemeni parties. This has paved the way for finding solutions to pressing humanitarian issues such as food, medicine, fuel, electricity and water shortages.

The Yemeni government, represented by the Presidential Leadership Council, welcomed Saudi and UN efforts aimed at urging the Houthis to seriously consider the proposal for peace and end the suffering of the Yemeni people.

In mid-September 2023, a delegation led by Mohammed Abdulsalam from the Houthi group, accompanied by an Omani delegation, visited Riyadh at the Saudi government's invitation.

### Prospects for the Yemeni Crisis in 2024

According to the relatively positive signs that prevailed on the Yemeni scene in 2023, there is likely to be more positivity in 2024 in the context of the political process and military calm.

This could result in positive developments that pave the way for a political resolution, provided that the Houthis are pressured by the UN, international and regional actors to prioritize the Yemeni people and their interests.

Iran may gradually or relatively change its policy toward Yemen in order to enhance the benefits of reconciliation with Saudi Arabia.

## A NEW IRANIAN APPROACH TO ENHANCE INFLUENCE IN IRAQ

For almost more than two decades, Iran has relied on military, political, cultural and economic tools to implement its geopolitical project in Iraq and often uses all these tools simultaneously. However, Iran prioritized an approach that promotes militarization to maximize its pressure on Iraqi decision-makers at home and abroad. The militarization became complicated, exacerbating the challenges faced by the Iranian establishment. Therefore, in 2023, Iran adopted a new approach in Iraq based on pragmatic tools to enhance its influence in the Iraqi arena.

## Iran's New Approach Toward Iraq

- 1 Iran established parallel Iraqi economic companies for the pro-Iran Popular Mobilization Forces (PMF).
- 2 Iran focused on implementing trade projects and corridors with Iraq to restore its significance on the map of global trade and logistics hubs and corridors.
- 3 Tehran also promoted Iraq's proposal to establish the Development Road project, linking Saudi Arabia, Turkey, Iraq and Iran. It is one of the first countries to benefit from these projects.
- 4 Iranian trade officials significantly intensified their visits to Iraq during 2023 compared to military officers, emphasizing Tehran's pragmatic approach.
- 5 During the visit of Iraqi President Abdul Latif Rashid to Tehran in April 2023, his first request to his Iraqi counterpart Ebrahim Raisi was to raise the level of trade from the current \$10 billion.
- 6 Iran signed a security deal with the Iraqi government to stop military strikes on northern Iraq against the armed Kurdish-Iranian opposition in Iraqi Kurdistan in exchange for the Baghdad government enhancing influence in northern Iraq along the border.

Iran probably has realized that further militarization is no longer needed, especially in light of the implications of the widespread regional and international criticism of militarization. It has also realized that the way to improve its relations with Arab and Gulf countries, especially Saudi Arabia, is to adopt pragmatic policies and open up to national forces and elites that seek to establish a sovereign and independent Iraqi state belonging to the Arab world.

Tehran's pragmatic orientation likely seeks to create a new Iraqi economic system similar to its own that can be easily dealt with to link Iraq's future investment and trade with the Iranian economy.

With the outbreak of Israel's war on Gaza and a possible change in the rules of engagement between Iranian proxies and Israel, it is expected during 2024 that tools to maintain influence and confront the rising threats to what Iran calls the "Axis of Resistance" will be reactivated.

## CHALLENGES FACING IRAN'S INFLUENCE IN SYRIA

In parallel with the recent political and military developments in the region, especially after Operation Al-Aqsa Storm, the military map in the region has probably changed. The US moves along the Iraqi-Syrian-Jordanian border triangle have led to military mobilization. US forces were dispatched to the al-Qaim border crossing with Syria. Military mechanisms and equipment have been deployed to enhance the military presence in Syrian areas near the Iraqi border, where military exercises and aerial reconnaissance have been conducted. The international coalition forces have received military reinforcements at the military bases in eastern Syria. In addition to previous armament issues, the visits of high-level US military leaders to this border triangle confirmed the importance of the region in the US military strategy and its aim to send messages to Tehran by establishing deterrence patterns.

Tehran is uncomfortable with the return of US moves to the region. Iran's concerns arise over Washington's potential military operations on the tri-border line, harming its strategic project.

By denying responsibility for its militias' moves in Syria and managing these secretly, Tehran aims to double the pressure on the US administration across many files.



## The Most Prominent Developments

Iran used the growing anger against Washington after it supported the Israeli attacks as an opportunity to exert precisely calculated pressure on the ground by ordering its allies and proxies in Syria and Iraq to slowly target US interests.

The Iranian government has adopted embellished rhetoric ranging from the threat that Tehran and its tools will not remain as mere observers of events, to the denial that it never attacked US interests in Syria and Iraq.

The conflict that broke out between Hamas and Israel in Gaza embarrassed Iran greatly and forced Iranian officials to walk a tightrope between their commitment to Iran's ideological narrative, which presents Jerusalem as a central issue, and its practical calculations of the risks and costs in the event of escalation.

## Scenarios

### Likely

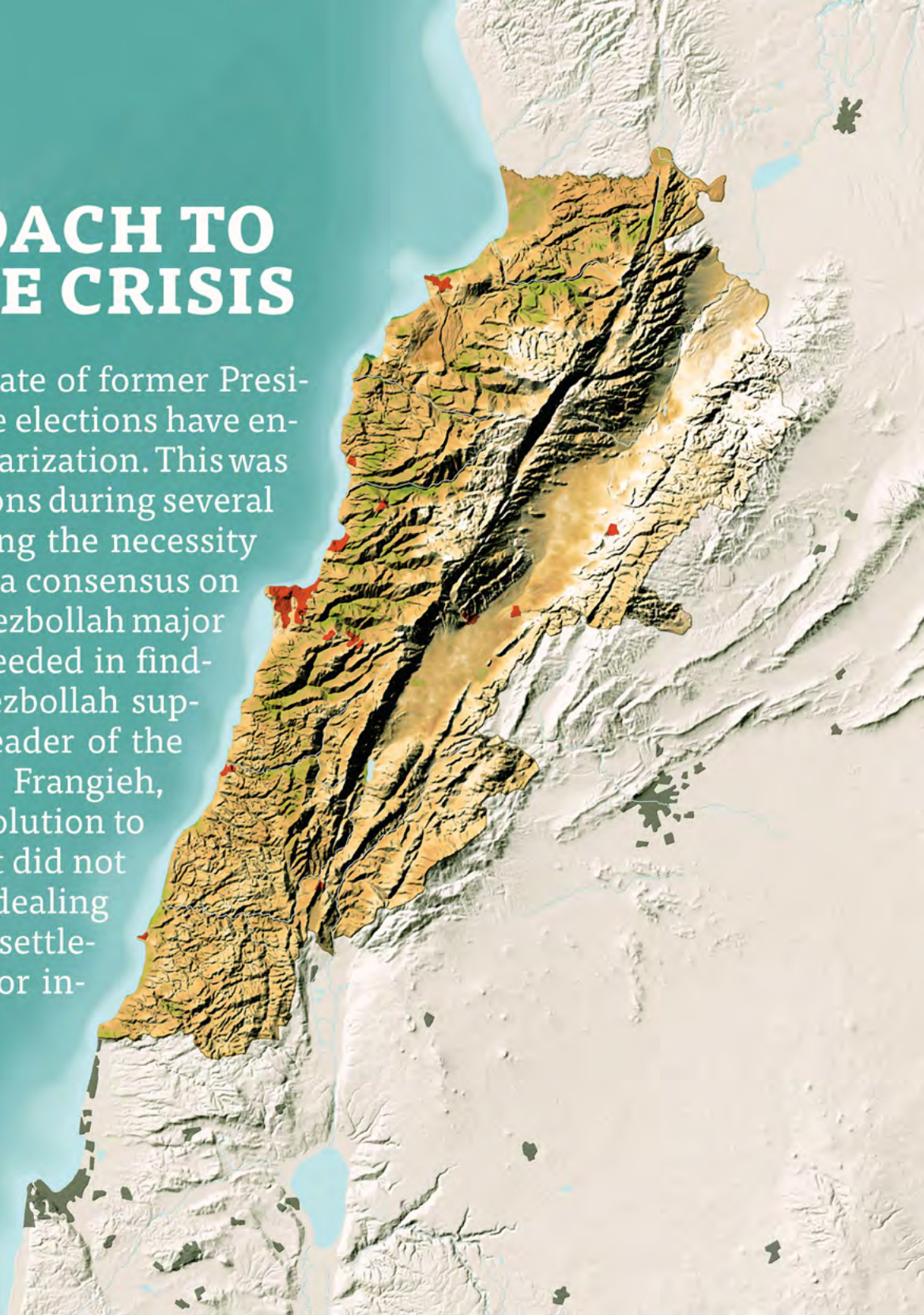
Iran will likely maintain its disciplined escalation on the ground in Syria through its militias during 2024. Conversely, the United States and Israel will respond appropriately.

### Unlikely

Iran will unlikely escalate militarily in Syria, because its behavior is related to important internal issues, such as the growing Iranian opposition to external interventions and issues related to Saudi-Iran reconciliation and the improvement in ties with Arab neighbors, which is premised on Iran ending its interferences in Arab countries.

# IRAN'S APPROACH TO THE LEBANESE CRISIS

Ever since the end of the mandate of former President Michel Aoun, the Lebanese elections have entered a new phase of political polarization. This was evident in the ongoing discussions during several parliamentary sessions regarding the necessity for Lebanese parties to come to a consensus on a candidate. While other anti-Hezbollah major political parties and blocs succeeded in finding a consensual candidate, Hezbollah supported the bid of its ally, the leader of the Marada Movement, Suleiman Frangieh, for the presidency as the only solution to end the institutional vacuum. It did not demonstrate any flexibility in dealing with the proposed presidential settlements, whether from external or internal parties.



Since Operation Al-Aqsa Flood, Arab and international focus has been on the crisis in the Middle East. All eyes shifted from Gaza and to southern Lebanon to monitor the position of Iran, Hezbollah and its future role across the southern border.

Speculation and expectations about the Saudi-Iran relationship suggest that it would have a positive impact on the situation in Lebanon.

Tehran worked to exhaust other political forces and targeted the work of the five-party committee by openly disrupting its attempts and covertly undermining its proposals. Hezbollah attempted to fuel cycles of violence to turn Lebanon into a source of concern for the international community.

The Lebanese expect the moves of the five-party committee and the simultaneous French and Qatari initiatives to achieve a breakthrough in the presidential file.



Iran publicly announced its approach to support any deal between the Lebanese parties on electing a head of state.

The stalemate over the presidential election is also largely related to the bet on developments in the Iranian nuclear talks between the United States and Iran, including regional developments and US efforts to push forward Saudi-Israel normalization.

Iran insisted on the principle of separating its regional agreements from its regional policies and strategic interests.

**In light of the obvious differences between the Lebanese parties over the nomination of a presidential candidate, Hezbollah and its backer Iran are expected to hold onto the option to accept their candidate or continue with the presidential vacuum.**

**The Gaza events may drive Lebanon into an even more fragile situation than before, especially if Hezbollah enters the war next to Hamas. However, any Hezbollah decision to enter the Israel-Palestine war will be related to Iranian interests and concerns that involvement could lead to painful blows to both Lebanon and Hezbollah.**



## IRAN'S RELATIONS WITH REGIONAL AND INTERNATIONAL POWERS



In 2023, US-Iran relations experienced ups and downs — with thaws as well as complications in the context of the outstanding issues. Though the prisoner swap deals between the two sides were successful, these understandings fell short of reaching a groundbreaking breakthrough on the nuclear issue. Iran's relations with Europe were not better off compared to Tehran's relations with the United States. Iran continued to detain some European nationals to swap them with Iranian prisoners. Yet Europe continued to express rage over Iran's support for Russia in its war on Ukraine. The intensified regional and international competition for clout in Central Asia and the Caucasus concerned Iran. Therefore, it strengthened its standing in the region, considered by Tehran as its backyard. Pakistan is also of special significance in the Iranian strategy. However, the two nations' relations during the tenure of former Prime Minister Imran Khan appeared a far cry from their relations under the Pakistani government headed by Shehbaz Sharif. The security files dominated relations between the two countries during Khan's tenure. Meanwhile, Shehbaz Sharif opened a new chapter in cooperation with Iran as part of the Pakistani policy of striking balances. Regarding relations with Afghanistan, tensions peaked but did not escalate into a full-blown war between the two countries. With regard to Iran's relations with Latin America and Africa, President Raisi paid special attention to the two continents. He visited three Latin American nations and three African nations over a few months during 2023.

### Iran-US Relations: Between Rapprochement and Restraint

Our Annual Strategic Report for 2022 concluded that the lost trust between the United States and Iran would remain critical in shaping their relations even if their diplomatic efforts resulted in a successful nuclear deal. This is because of the two countries' divergent interests in the region and the world. The trajectory of bilateral relations in 2023 revealed their geostrategic interests took precedence over their turbulent relationship. While bilateral diplomacy succeeded in concluding a deal to exchange prisoners, it failed to alter the fundamental disagreements between the two countries on the nuclear issue and other matters. Moreover, regional events, primarily Operation Al-Aqsa Flood, put the two countries close to a confrontation, probably not witnessed in 40 years.

### The Prisoner Exchange Deal and an Implicit Understanding Related to the Nuclear Program

In February 2023, negotiations were initiated between the United States and Iran, which Qatar and Oman mediated. The negotiations resulted in a prisoner exchange agreement between the two countries. As per the agreement, Iran released five American prisoners, and in return, the United States released some Iranian prisoners. Additionally, the United States allowed the transfer of \$6 billion worth of Iranian assets held in South Korea to Qatar.<sup>(66)</sup>

The deal sparked mixed reactions in both countries. The Iranian government promoted the agreement as a victory in which Iran made no concessions and claimed it would contribute to enhancing domestic production. On the other hand, the Biden administration was subjected to intense criticism for the deal, with opponents considering it to have made unjust concessions. Critics argued that the deal would incentivize Iran to further use detainees

Table 1: JCPOA Sunset Dates

Date	Regulation to Be Removed
October 2020	UN embargo on Iranian conventional weapons exports and imports
October 2020	UN visa ban on Iranian citizens involved in nuclear, ballistic missile, and defense industry research
October 2023	UN limits on Iranian ballistic missile research and development
October 2023	UN ban on Iranian missile and drone imports and exports for systems with a 300 kilometer plus range
October 2023	US sanctions on individuals linked to Iran's nuclear program
October 2023	EU sanctions on Iran's nuclear program
July 2024	Sanctions on Iran's advanced IR6 and IR8 centrifuge testing and production
January 2026/ October 2025	JCPOA "snapback" process, which when triggered can reimpose sanctions

Date	Regulation to Be Removed
January 2026	The majority of sanctions on Iranian centrifuge import, production, and development, along with JCPOA oversight of Iran's nuclear imports
January 2031	enrichment cap on Iranian uranium, uranium stockpile limits, 3.67% nuclear facility construction, and aspects of IAEA monitoring
January 2036	All IAEA monitoring of Iranian centrifuges
January 2041	All IAEA monitoring of the Iranian nuclear program

Source: John Jenkins, "The Iran Question and British Strategy," Policy Exchange, July 17, 2023, 36. <https://policyexchange.org.uk/publication/the-iran-question-and-british-strategy/>

as bargaining chips for the sake of gains that would also in turn enhance Tehran's hostile activities.

While the Qatari and Omani mediation yielded a successful prisoner swap deal, it did not contribute to bridging the divergent views of the United States and Iran on the nuclear issue. This is primarily due to Iran's enhanced nuclear capabilities, which have resulted in an enriched uranium stockpile of 4.7 tons, which is 23 times the allowable amount under the 2015 nuclear deal. Thus, Iran has become closer than ever to crossing the nuclear threshold, rendering a return to the original deal meaningless, especially with the end of UN restrictions imposed on the Iranian ballistic missile program on October 18, 2023.<sup>(67)</sup>

Moreover, Iran's growing involvement with Russia in the Russia-Ukraine war has affected

the nuclear talks, leading to a diminished eagerness from Europe to return to the nuclear deal. Moreover, the United States has used the domestic unrest in Iran and the US and Western sanctions over protest repression to put more pressure on Iran, which has influenced the diplomatic process.<sup>(68)</sup> Besides, both the US and Iranian governments have been affected by the internal political dynamics marked by disputes among the competing political factions within their countries. The revival of the nuclear agreement has become partisan, as both governments approach significant elections in 2024. This has created a climate of suspicion and has prevented any progress, even on a provisional deal as it would also inevitably involve minor concessions from both sides.<sup>(69)</sup>

Despite the stumbling progress of the nuclear negotiations, neither country escalated

the situation. Instead, both sides strategically managed the issue to avoid reaching an irreversible point. Iran has somewhat retreated on reducing its nuclear commitments yet puts pressure by obstructing the IAEA's efforts whenever possible. This approach is primarily driven by fears of the United States losing patience and urging its European partners to invoke the snapback mechanism. Nevertheless, Iran is benefiting from the US laxity in applying sanctions, particularly on oil sales, which have reached levels comparable to those before the US withdrawal from the 2015 nuclear deal.

### US Sanctions

In the absence of a nuclear agreement with Iran, the United States continued its policy of deterrence. This policy involved the ongoing implementation of sanctions (see Table 2) while supporting the internal protests to place

**Table 2: A Timeline of the Most Significant US Sanctions on Iran During 2023**

Date	Measure
January 6	The United States sanctioned six executives and board members of Iranian drone manufacturer Quds Aviation Industries for supplying Russia with drones. The United States also designated the director of Iran's Aerospace Industries Organization (AIO), the main organization responsible for overseeing Iran's ballistic missile programs.
January 23	Concurrently with the UK and the European Union, the United States sanctioned 10 additional Iranian individuals and one additional Iranian entity. This was the ninth round of designations targeting actors responsible for the crackdown on peaceful demonstrators since the nationwide protests began in 2022.
January 24	The United States sanctioned a financial network managed by Lebanese money exchanger Hassan Moukalled for facilitating financial activities for Hezbollah.
January 25	The US House of Representatives overwhelmingly approved a resolution expressing solidarity with the Iranian people risked imprisonment and even death to protest against the country's theocracy.
January	The United States brought to the attention of the UN Security Council Iran's export of weapons to Syria, citing it as a breach of Resolution 2231.
January	The United States exerted pressure on China to halt its oil imports from Iran. This came in light of the fact that Iran's exports to China reached 1.3 million barrels per day in November 2022.
January 31	The United States put new trade restrictions on seven Iranian entities for producing drones that Russia deployed to attack Ukraine.
February 2	US undersecretary of the Treasury for Terrorism and Financial Intelligence traveled to the UAE, Oman and Turkey from January 30–February 1 to continue coordination on rooting out the evasion of US sanctions, particularly on Russia and Iran. Washington imposed a series of sanctions on UAE -based companies over Iran-related sanctions evasion.
February 2	The United States restricted the flow of dollars to Iran through the Iraqi banking system in an effort to curb rampant money laundering. As part of these restrictions, the Central Bank of Iraq started using an electronic system for transfers that required entering detailed information on the intended end-recipient of the requested dollars.
February 3	The United States designated eight Iranian individuals in leadership roles at Paravar Pars, an Iranian firm that produces unmanned aerial vehicles (UAVs) for the IRGC Aerospace Force.

Date	Measure
February 4	The United States considered new sanctions on Chinese surveillance companies over sales to Iran's security forces. This came as Iranian authorities increasingly depended on the technology to detect and punish women who did not wear the hijab and to crack down on protests.
February 9	The United States designated nine entities involved in the Iranian petrochemical and petroleum products trade in Iran, Singapore and Malaysia.
February 11	A bipartisan group of more than 160 members of the US Congress introduced a resolution expressing support for Iran's opposition abroad.
February 14	The FBI accused three Iranian businessmen in Canada of helping to conceal hundreds of millions of dollars on Iran's behalf to evade US sanctions.
February 24	The United States imposed export controls on Russia and related measures that targeted Belarus and Iran to counter the use of Iranian drones in the ongoing Russia- Ukraine war.
March 8	Marking International Women's Day, the US Treasury Department, in coordination with the European Union, the UK and Australia sanctioned two senior Iranian officials in Iran's prison system, Ali Charmahali and Dariush Bakhshi, who bore responsibility for raping and torturing women in their custody.
March 9	The US Treasury Department sanctioned 39 entities constituting a significant "shadow banking" network, operating as front companies abroad to enable trade on behalf of their Iranian clients.
March 9	The US Treasury Department sanctioned a China-based network for supporting Iran's drone procurement efforts.
March 21	The US Treasury Department designated four entities and three individuals in Iran and Turkey for their involvement in the procurement of equipment, including European-origin drone engines in support of Iran's drone program. This procurement network operated on behalf of Iran's Ministry of Defense and Armed Forces Logistics which oversees several firms involved in UAV and ballistic missile development.
April 18	According to the US Department of Justice, a Colombian court convicted two international trading companies guilty of breaking US export regulations and shipping forbidden items to Iran and condemned their activities.

Date	Measure
April 18	The US State Department offered a reward of up to \$7 million for information leading to the identification of key Hezbollah leader Ibrahim Aqil.
April 18	The US Treasury Department targeted an international network that facilitated the payment, shipping and delivery of cash, artwork and luxury goods for the benefit of Hezbollah financier and specially designated global terrorist Nazem Saeed Ahmed. It also offered a reward of up to \$10 million for information on Hezbollah's financial mechanisms. These measures implemented were in coordination with the UK.
April 20	The United States imposed sanctions on an Iranian network that operated in Iran, China and Malaysia and included one individual and six businesses that supported the procurement activities of an Iranian company subject to US sanctions, Pardazan System Namad Arman (PSANA). This network has allowed PASNA to purchase electronic components, such as those used in UAVs, from overseas suppliers, primarily from China.
April 24	The US State Department imposed visa restrictions on 11 Iranian government officials who were accused of abusing, detaining or killing peaceful protesters, or of impeding their right to free expression or peaceful assembly. The US Treasury Department also imposed sanctions on four individuals who are closely linked to military and IRGC units involved in the brutal suppression of protesters in Iran. The department also sanctioned the secretary of Iran's Supreme Cyberspace Council; an entity designated by the United States.
April 27	The United States sanctioned the IRGC Intelligence Unit for its role in the illegal detention of US citizens. In addition, the US Treasury Department imposed sanctions on four senior IRGC officials.
April 27	US senators from both the Democratic and Republican parties called on President Joe Biden to enable a federal government agency to seize Iranian oil and gas shipments.
May 1	A bipartisan group from the US House of Representatives introduced legislation to permanently authorize a law allowing the US president to implement punitive sanctions on Iran's economy.
May 19	The US Treasury Department sanctioned two Iranian companies, Nasim Bahr Kish and Khazar Sea Shipping Lines, as part of the sanctions on Russia, which include 300 entities and individuals.

Date	Measure
May 4	Three bills opposing Iran were under consideration in Congress. The first was to expand and strengthen sanctions on the IRGC. The second was to prohibit the US president from using licenses to lift sanctions on terrorists in Iran unless those terrorists stopped engaging in terrorism. The third was to designate any agreement with Iran as a formal treaty, hence requiring congressional approval.
May 30	The United States designated, under the Caesar Act, two Syrian money service businesses and three individuals that provided financial support to the Assad regime. US-designated Hezbollah also used these exchange companies to transfer money from other regional countries to Syria. These actions built on the broader efforts to deny Hezbollah and Iran the financial resources to sustain their malign activities in the region.
June 1	The United States sanctioned five individuals associated with the IRGC and a subsidiary organization of the Quds Force. These sanctions were a response to their alleged participation in a series of “terrorist” plots. These plots reportedly included the targeted assassination of former US government officials, dual US and Iranian nationals and Iranian dissidents.
June 2	The United States imposed sanctions on Iranian technology company Arvan Cloud, two employees and an affiliated Emirati firm for their roles in facilitating the Iranian government’s censorship of the internet in Iran, a measure to quell local protests.
June 6	The United States imposed sanctions on a network of individuals and entities in Iran, China and Hong Kong because of their connection to Iran’s ballistic missile program.
June 8	The US Treasury Department included 15 oil tankers associated with Iran under secondary sanctions in an update to the counter-terrorism list.
June 9	The Departments of Justice, Commerce, State and Treasury issued an advisory to alert the international community, private sector and public to the threat posed by Iran’s procurement, development and proliferation of UAVs.
June 23	The United States, France, the United Kingdom, Albania and Ukraine delivered a joint statement on the growing military cooperation between Russia and Iran, which continues to enable Russia in its brutal war against Ukraine.
July 9	In the case of Masih Alinejad’s complaint against Iran, a court in the District of Columbia in the United States levied a \$3 million punishment on the Iranian government. This sum, however, can only be paid from Iranian funds that have been frozen in the United States or Europe.

Date	Measure
July 19	The United States barred 14 Iraqi banks from conducting transactions in US dollars. The move came as part of a comprehensive campaign targeting the transfer of US dollars to Iran.
July 21	The International Maritime Organization's executive body voted to reject Iran's proposal to hold an international maritime event in October 2023. This came as Washington stated that Iran had no right to hold any official international maritime gathering since it consistently demonstrated its contempt for the rules, standards and safety of international navigation. It should be noted that Iran's request was approved in 2015.
July 26	Behrouz Mokhtari, an Iranian-American, was sentenced to 41 months in jail and ordered to forfeit approximately \$2.8 million in criminal gains and more than \$1.5 million in California property for conspiracy to violate the sanctions.
July 28	Republican Senator Marco Rubio and Democratic Senator Alex Padilla introduced "The Mahsa Amini Human Rights and Security Accountability Act" bill in the US Senate, with the goal of strengthening sanctions against the Iranian leadership for severe violations of human rights in Iran.
September 7	A Greek shipping company was fined \$2.4 million after admitting guilt to smuggling Iranian crude oil, according to unsealed US court documents.
September 12	The United States designated key Hezbollah operatives and financiers operating a network in South America and Lebanon that generated revenue for Hezbollah's "terrorist" activities and provided cover for its presence in Latin America.
September 14	The US Congress approved "The Mahsa Amini Human Rights and Security Accountability Act." This act will oblige the US government to impose sanctions on senior Iranian officials, including the supreme leader, over the crackdown on the nationwide protests and human rights violations.
September 15	The United States placed 25 individuals, three Iran-sponsored media outlets and an Iranian company concerned with internet research on its sanctions list. The measure was taken in coordination with the UK, Canada, Australia and other partners as these persons and entities were linked to the violent crackdown launched by the Iranian government against the popular protests that broke out across the country following the death of Mahsa Amini.
September 18	The US Treasury Department included former Iranian President Mahmoud Ahmadinejad on its list of sanctions over his involvement in enabling the arbitrary arrest of US citizens during his tenure. It also included the Iranian Ministry of Foreign Affairs and the Ministry of Intelligence and National Security, imposing restrictions on entry visas for three Iranian government officials because of their human rights abuses during hostage-taking operations.



Date	Measure
September 19	A network consisting of 11 individuals and entities, scattered across four countries, was placed on the list of US sanctions for cooperation with Iran on the procurement of drones and military planes. The list included three individuals located in Iran, an entity based in China, three entities in Russia and two individuals in Turkey.
September 27	A network linked to the IRGC was placed on the sanctions list. This network, consisted of five entities and two individuals located in Iran, China, Hong Kong, Turkey and the UAE, involved in the purchase of sensitive parts for the Iranian one-way drones that Tehran sells to Russia.
October 18	The United States enacted sanctions on additional individuals and firms affiliated with Iran ballistic missile and drone programs.
October	The Treasury Department pledged to trace, freeze, and confiscate assets associated with Hamas to diminish its fundraising capabilities. According to US government estimates, Iran contributes up to \$100 million annually to support Hamas and other Palestinian groups. The recent round of sanctions also targeted Hamas's envoy to Tehran and members of the Iran's Revolutionary Guard Corps involved in training Hamas and Hezbollah. Additionally, Congress is considering new legislation to aid the federal government in disrupting illicit shipments of Iranian crude oil, as these shipments contribute to Iran's regional activities, including support for Palestinian resistance factions.
November 17	Two men were convicted in the United States of attempting to sell sanctioned Iranian oil.
November 17	"The Department of State designated Kata'ib Sayyid al-Shuhada (KSS) and its Secretary General Hashim Finyan Rahim al-Saraji as Specially Designated Global Terrorists. Concurrently, the Department of the Treasury designated six individuals affiliated with Iran-aligned militia group Kata'ib Hizballah (KH)."
November 29	The United States imposed sanctions on over twenty individuals and entities involved in a financial facilitation network that benefits Iran's Ministry of Defense and Armed Forces Logistics, the Iranian Armed Forces General Staff, and Iran's Revolutionary Guard Corps-Quds Force.
December 7	The Department of the Treasury's Office of Foreign Assets Control (OFAC) designated 13 individuals and entities on sanctions lists for their responsibility in providing funds generated from the sale and shipment of Iranian commodities to the Houthis in Yemen.
December 19	"The United States imposed sanctions on a network of 10 entities and four individuals based in Iran, Malaysia, Hong Kong (PRC), and Indonesia, led by Iran-based Hossein Hatefi Ardakani, for facilitating Iran's procurement of sensitive goods, including US-origin electronic components, for one-way attack UAVs produced by the Islamic Revolutionary Guard Corps Aerospace Force Self Sufficiency Jihad Organization."

pressure on the Iranian government to relinquish some of its demands and to target drone manufacturers and exporters to deprive Russia of a crucial source of military aid in its conflict with Ukraine. This was further compounded by targeting the oil industry and exports, which is Iran’s financial lifeline to limit its options and intensify regional pressure. The latter included cooperation with allies such as the military exercises conducted with Israel and the discussions around military alignment between Israel and the Gulf states to counter Iran and its partners.

This is in addition to the United States reinforcing its military presence in the Middle East with weapons and more personnel.<sup>(70)</sup> US forces have been strategically redeployed along the Syria-Iraq border, blocking off the road between Iran and its militias operating in Syria and Lebanon. These US efforts have been stepped up following the normalization of Saudi-Iran relations in March 2023. The aim was to manage the strategic shifts unfolding in the region, including the growing influence of China and the end of Iran’s regional isolation.<sup>(71)</sup> The United States also coordinated with the E3 countries — Britain, France and Germany — on Iran to foster an international anti-Iran position.

**Iran’s Policy of “Resistance” and Maneuvers to Evade Pressure**

Iran has broadened its relations and partnerships beyond the West in response to the aforementioned pressures. It strengthened its ties with Russia, China and some Latin American and African countries. The impact of this was evident in Iran’s official entry into the Shanghai Cooperation Organization and its invitation to join the BRICS organization. Iran also solidified and expanded its cooperation with Russia, including financial cooperation to circumvent sanctions as well as drone development. In turn for this, Iran acquired military equipment from

Russia, including attack helicopters, radar and YAK-130 combat trainer aircraft.<sup>(72)</sup> Some reports also noted that Iran has finalized arrangements to deliver Russian-made Sukhoi Su-35.<sup>(73)</sup>

Iran worked on enhancing its defensive capabilities and continued efforts to curb the US presence in the region by attacking US bases in Syria and Iraq, as well as initiating maritime assaults on tankers. The latter made headlines throughout 2023 as these attacks raised US fears over their impact on oil prices and international trade movement.<sup>(74)</sup> Iran’s naval movements were not limited to the Gulf region; the country deployed its warships in the Panama Canal for the first time, signaling its operational presence in what is traditionally considered

the US maritime sphere of influence.<sup>(75)</sup> Table 3 illustrates the most notable of Iran’s maritime attacks during 2023.

**Operation Al-Aqsa Flood and the Shifts in Conflict Rules**

The events of Operation Al-Aqsa Flood, a surprise attack by Hamas on Israel on October 7, 2023, put both Tehran and Washington on the brink of a potential conflict that they had attempted to avoid for decades. The United States indirectly accused Iran of being behind the attack that caused Israel human and material losses unseen for a long time. This attack shook the carefully crafted image of “invincibility” that Israel tried to promote over the years.

*Table 3: Major Iranian Maritime Attacks in 2023*

Date	Event
April 26	Iran’s navy seized a Marshall Islands-flagged oil tanker in the Gulf of Oman while heading to the United States.
May 3	The IRGC seized a Panama-flagged oil tanker in the Strait of Hormuz between Iran and Oman.
June 5	The US Navy and the UK Royal Navy came to the aid of a merchant ship in the Strait of Hormuz after Iran’s IRGC harassed it. The threat was posed by three fast-attack IRGC vessels carrying armed troops, which had approached the ship at a close distance.
July 5	The US Navy intervened to thwart an Iranian attempt to seize an oil tanker in the Gulf of Oman.

Date	Event
July 6	Iran's IRGC seized the Bahamas-flagged oil tanker Richmond Voyager.
July 7	The IRGC attacked an oil tanker in Gulf waters under the pretext of smuggling oil. Despite attempts by US aircraft to prevent the seizure of the ship, it was ultimately detained and brought to the port of Bushehr.
August 20	The IRGC Navy issued a warning to a US warship in the Strait of Hormuz.
September 14	The IRGC Navy seized two Panama-flagged ships which were smuggling 1.5 million liters of fuel in Gulf waters.

Prepared by Prepared by Unit of Regional and International Studies, Rasanah IIS.

The United States believes that Iran orchestrated the October attack to disrupt the US-led regional arrangements, which threatened Iran's influence. Israel's military response to attacking Gaza has, undoubtedly, put Iran's interests and influence at risk. Hence, the United States has assumed the responsibility of providing unwavering protection to Israel. This includes providing a regional deterrent force by flying aircraft carriers in the Mediterranean Sea and the Arabian Gulf and deploying defensive forces and systems.

The Hamas attack, although viewed as favorable for Iran, has increased pressure on Iran's influence and its ideology of "resistance." In response, Iran's proxy militias in Iraq, Syria, Lebanon and Yemen unified their rhetoric and threats against the United States. They have also sided, either directly or

indirectly, with Hamas in its ongoing conflict with Israel. Following the Hamas-launched attack on Israel, some Iran-backed militias initiated dozens of attacks on US bases in Iraq and Syria. Hezbollah launched attacks on Israel's northern borders to ease the pressure placed on the Gaza front. Moreover, the pro-Iran Houthis in Yemen fired missiles and drones toward Israel, some of which were intercepted by US air defenses. This is in addition to the Houthis launching attacks on ships bound for Israel through the Red Sea or the Indian Ocean, alongside assaults on the US naval vessels in the region. Therefore, the United States worked to establish an international coalition to safeguard freedom of navigation in the Red Sea and the broader area. However, this coalition encountered challenges due to the reluctance of several US allies to join under the US

leadership. Tensions escalated to the extent of directing attacks on ships affiliated with Israel near the borders of India. In response to this attack, the Pentagon pointed fingers at Iran, alleging responsibility. Tehran, however, refuted these claims, emphasizing that the Houthi attacks were independent decisions, with no involvement from Iran. These positions highlight Iran's reluctance to escalate and engage in a direct confrontation with the United States. Simultaneously, it appears that the United States struggles to outline a cohesive strategy to address this challenge impacting the global trade movement. This challenge is compounded by the United States' controversial biased stance of aligning with Israel in its conflict with the Palestinian people, a position that has deterred regional countries from joining the US-led maritime alliance. Undoubtedly, this development amplifies the Houthis' maritime activities and operations. Israel, in response, executed a specific operation in Syria, resulting in the death of Reza Mousavi, a prominent commander of the Quds Force. This operation was strategically aimed at ratcheting up the exchange of violent messages between Iran and Israel in the aftermath of the heightened Houthi attacks on Israeli ships.

Nonetheless, the US moves have so far deterred — to a certain extent — Iran's proxies from moving forward with its strategy of unifying all arenas against Israel. This strategy, which has emerged in recent years, has helped prevent a large-scale conflict between Palestinian factions and Israel over the past two years. Iran and the United States do not want the current conflict to expand into a regional war between the Iran-led "Axis of Resistance" and US-backed Israel. This is because such a scenario would plunge the region into a cycle of violence and conflict with no foreseeable end. Instead, Iran is after a series of conflicts, not a direct confrontation with the United States, as

its sole priority at the current stage is preserving its ruling system.

### **Conclusion: The Outcomes of US-Iran Interactions and the Future of Relations**

US-Iran relations in 2023 were marked by confrontation and mutual escalation — a pattern defining their relations for years. Despite the diplomatic approach in dealing with the developments in 2023, it only allowed for a prisoner swap deal, leaving the nuclear issue unaddressed. The failure to revive the nuclear deal can be attributed to the deep-rooted lack of trust, the prevailing geopolitical circumstances and the internal considerations of the two governments. The nuclear agreement remains in a rigid situation. While its provisions regarding the oversight of Iran's nuclear facilities are ineffective, Tehran is nearing the nuclear threshold, benefiting from the Sunset Clauses guaranteed by the agreement and approved by the UN Security Council under Resolution 2231. The United States, for its part, seems satisfied with implementing alternative measures and sanctions, either unilaterally or in conjunction with the EU. In response, Iran will strengthen its posture to pursue more hostile policies. This US approach also enables Iran to move forward with its policy of nuclear ambiguity, its naval attacks, and its attacks on US bases in the region. It also helps Iran strengthen its relations with the so-called “Axis of Resistance” and the international bloc that opposes US dominance.

Iran's defiance toward the United States increased because of the diminishing impact of sanctions, its increasing openness to regional countries, including its traditional rival Saudi Arabia and the lack of strong coordination between the United States and its regional allies.

Although the current Hamas-Israel conflict has been managed to a certain extent by Iran and the United States, the ongoing conflict could lead to more turbulence in their relations. The Hamas-Israel conflict does not only

put US-Iran ties to a new test but could also steer the entire Middle East toward a new reality. In such an escalation scenario between Tehran and Washington, each side would strive to enhance its gains or, at the very least, protect its influence and vital interests. Iran could invest in any potential escalation through fully activating its proxy militias across the region or even go further and push its nuclear program quicker toward weaponization. However, if Iran chooses this path, it will have to withstand a US operation similar to Desert Storm that toppled Saddam Hussein's regime in Iraq. This is especially true as Tehran is now increasingly seen as a disruptive force to the new Middle East project through which Washington wishes to regain its regional and perhaps global influence amid its strategic battle with China and Russia.

### **European Pressure on Iran**

Iran was battered by protests triggered by the death of Kurdish woman Mahsa Amini in morality police custody; rage spiralled into a global outcry over human rights, especially women's rights and freedom. When the EU, as a bloc as well as its member-states, individually pressed Tehran to comply with human rights obligations as per the UN declaration, the Raisi government interpreted it as an intervention in internal affairs. Rasanah's 2022 Annual Strategic Report predicted an escalation in tensions between Iran and the Europeans in 2023. This forecast proved true; Iran escalated its blackmailing of various European states by detaining their nationals on frivolous charges. Europe was agitated further by Iran's nuclear activities, supply of suicide drones to Russia for its war in Ukraine and obstruction to the IAEA monitoring and inspection mandate. In this file, we will review the prisoners' dilemma, the complexities of Iran's nuclear files, and finally the prospects for Iran-Europe relations.

### **The Prisoners' Dilemma**

In April, Iran won a major victory with the exchange of its convicted diplomat in Belgium for releasing four foreign nationals. Assadollah Assadi, who was convicted for a planned terror plot, was transferred to Oman on May 26 as part of “Operation Blackstone” in exchange for Belgian aid worker Olivier Vandecasteele, an unnamed Danish national, Massud Mosaheb and Kamran Ghaderi, both possess dual Austrian-Iranian nationality.<sup>(76)</sup>

Vandecasteele was arrested in Iran in 2022 on charges of espionage and sentenced to 40 years in prison in 2023. Iranian diplomat Assadi was sentenced to 20 years for planning to blow up a gathering of Iranian dissidents in France in 2018. Both trials were incomparable from the prism of transparency and fairness. None of the prisoners exchanged as part of the deal have spoken publicly yet. Amidst the saga, the fate of Ahmad Reza Djalali, a professor at the Flemish Free University in Brussels and of a Swedish-Iranian doctor arrested by Iran in 2018 hang in the balance.

After 500 muted days, the EU finally lost patience in August over the detention of its diplomat and Swedish citizen Johan Floderus after “consistently negotiating” his release during 500 days of custody. The New York Times broke the story of the Swedish citizen who was stopped on April 17, 2022, from boarding his flight after a vacation trip in the country with his compatriots. Brussels chose against going public with the news and his family complied with the suggestion in the hope for his release. Floderus is reportedly being held in Tehran's Evin prison on espionage charges.<sup>(77)</sup>

Floderus' arrest in April 2022 appears linked to the judicial trial of Hamid Nouri in a Swedish court. The Iranian national was apprehended in 2019 while traveling to Sweden. He was charged and found guilty of “intentionally taking the lives of a large number of prisoners who sympathised with the Mujahedin-e-Khalq



and, additionally, of subjecting prisoners to severe suffering which is deemed torture and inhuman treatment.”<sup>(78)</sup> Nouri is currently appealing his sentence. If Iran’s hostage diplomacy resulting from arbitrary detentions of foreigners and dual nationals can be any guide, it hopes to swap Nouri for Floderus with Stockholm.

Nouri’s conviction sets a rare precedent of universal jurisdiction, allowing countries to arrest foreign nationals on their soil and prosecute them for atrocities committed elsewhere.<sup>(79)</sup> Tehran’s many operatives involved in similar crimes can fall under the universal jurisdiction in Europe or elsewhere lest they avoid travelling to countries where they could be tried. The example poses a dilemma for Iran as well as other countries with revenge killings including Syria, to put it simply.

While Nouri’s trial was underway, Iran put two Swedes on death row in May 2022 on

murky charges of espionage. While Djalali still awaits execution, Habib Chaab – an Iranian-Swede who was kidnapped from Turkey in 2020 – was hanged in May 2023.

#### **Tehran’s Tactical Victory in Albania**

Albania handed Iran a massive victory by not just raiding the dissident outfit MEK’s camp on June 20 but also by handing over hard drives from 213 computers seized from its Ashraf-3 camp located in a small hill town some 30 kilometers west of the capital Tirana.<sup>(80)</sup> In September 2022, Albania expelled Iran’s ambassador and the embassy staff after discovering hackers linked to the IRGC spying on the government network from within for 14 months.<sup>(81)</sup> The incursion that crippled Albania’s government functions was to forbid Tirana from supporting the MEK, whose 3,000 members reside there.<sup>(82)</sup>

Iran, meanwhile, won its legal battle against MEK activities in Albania. Complying with a Special Court order, issued after a probe

by the Special Anti-Corruption Structure, against dissident group MEK’s “illegal activities,” the official investigation concluded that the group was violating its 2014 agreement of refuge which was granted “on humanitarian grounds.” The exiles turned violent during the police raid, leading to the use of force, pepper spray and tear gas, resulting in one fatality. Albania’s Prime Minister Edi Rama believes, “Albania has no intention of being at war with the Iranian regime. Albania does not accept anyone who has abused our hospitality.”<sup>(83)</sup>

#### **The Complexities of Iran’s Nuclear File**

As Tehran’s JCPOA violations continued without any progress on its revival, 10 European states dissolved the Instrument in Support of Trade Exchanges (INSTEX) devised for trade with Iran in 2019. Belgium, Germany, Finland, Denmark, France, the Netherlands, Norway, Spain, Sweden and the UK unanimously agreed to undo the facility. Meanwhile, France, Germany and the UK – the E3 – continued to press Iran and the United States for compliance with the nuclear deal. The European parties to the JCPOA supported the agency’s determinations regarding the “assessment of the activities undertaken by Iran in the other location at Marivan remains as set out previously: that Iran conducted explosive experiments in preparation for the use of neutron detectors.”<sup>(84)</sup> The E3 also sought early provision of technically credible information on the whereabouts of nuclear material and contaminated equipment in relation to Turqubabad and Varamin.

The European trio remain vocal over the discrepancy, detected more than a year ago, between the amount of natural uranium from Jaber Ibn Hayan Laboratory, Lavisian-Shian, declared by Iran and the amount verified by the IAEA. The agency found the substance’s amount “not to be based on scientific grounds, and therefore, not acceptable.”<sup>(85)</sup> Tehran has yet to give technically credible responses to the

IAEA, which would help in allaying the concerns of the E3.

By the end of 2023, the IAEA determines that Tehran retains the ability, using 40 kilograms (kg) of 60 percent highly enriched uranium (HEU) and three or four advanced centrifuge cascades, “to break out and produce enough weapon-grade enriched uranium for a nuclear weapon in 12 days.” Currently, Iran would only need one-third of its existing stock of 60 percent enriched uranium, but “this breakout could be difficult for the IAEA to detect promptly if Iran delayed inspectors’ access.”<sup>(86)</sup>

Nonetheless, the UN arms embargo against Iran expired in October under the terms of the deal. Tehran is now set to acquire 24 Russia-made nuclear-capable Su-35S fighter jets along with its latest gunship helicopters and missile defense systems, which is in anticipation of the E3 invoking the snapback clause of the nuclear deal as well as a pre-emptive attack on its facilities by a hostile country.

### **Conclusion: The Prospects for Iran-Europe Relations in 2024**

Iran never ceased detaining visiting foreign nationals, including an EU employee and dual citizens, for blackmail, alongside curbing the basic rights of its people and using excessive force to silence them. Despite attempts to appease Iran in various ways during 2023, these proved fruitless, with Iran-Europe ties reaching their lowest ebb.

If Iran continues its belligerent nuclear policy, the E3 will likely resort to invoking the snapback clause of the nuclear deal. Tehran’s return to the pre-JCPOA era and the threat of quitting the NPT to realize the long-suspected breakout scenario can elicit a pre-emptive attack on its nuclear and military assets by a hostile country.

Iran-Europe relations will remain frosty in 2024, especially if Iran’s supply chain of

weapons for Moscow remains uninterrupted. It is quite likely that Iran will continue supplying Moscow with needed weapons, given the fact that Tehran materializes — in return — its weapons deal with Moscow: 24 Russia-made nuclear-capable Su-35S fighter jets along with its latest gunship helicopters and missile defense systems.

### **Iranian Responses to the Shifts in Central Asia and the Caucasus**

Central Asia and the Caucasus have become among the spheres experiencing cutthroat competition between the traditional and rising powers seeking to make more inroads into their geographical neighborhoods. This comes against the backdrop of the Russians, Americans and Europeans having their hands full in the Russia-Ukraine war. These powers aim to change the balance of power to create a new international equation in the post Russia-Ukraine war era. There is fierce competition between the United States and China for clout and hegemony in the region as part of the mutual containment policies amid an international battle for the global order’s future. This also comes amid the emergence of growing cooperation between the Arabian Gulf region and Central Asia, with the Turkish and Israeli roles in the region also growing. On the other hand, Iran has not stood still in the face of international competition in an arena it considers its backyard. Therefore, Iran has sought to enhance its role, reap benefits and curb the implications of the regional and international moves in the region on its ambitions there.

### **International and Regional Focus on Central Asia**

As part of its efforts to counter the US policy of containment, China has sought to maximize its role in Central Asia. In May 2023, Beijing hosted the region’s leaders in a first-of-its-kind summit. Chinese President Xi Jinping expressed his country’s support for the stability and sov-

ereignty of the region’s countries in the face of external challenges. He also reiterated China’s desire to enhance security relations with the region and participate in resolving the current border disputes between their countries and expressed willingness to help the region build defense capabilities. The Chinese president<sup>(87)</sup> declared that Beijing would offer the region approximately \$3.7 billion in financial assistance to combat poverty in 2023.<sup>(88)</sup>

In order not to vacate the arena for the Chinese to fill the void in light of the Russians having their hands full in Ukraine, and to send messages to China that the US involvement in global affairs would not undermine Washington’s presence in this strategic region, Biden held a summit with the region’s leaders on the sidelines of the session of the UN General Assembly in September 2023. During the meeting, he expressed a desire to strengthen cooperation with the region’s countries and support their sovereignty, not to mention cooperation in the field of minerals, especially those necessary for the high-tech chip industry over which the United States is engaged in competition with China. During the summit, Biden also announced the allocation of an additional \$20 million in 2023.<sup>(89)</sup> The landmark point of the summit was the agreement to expand security cooperation between the two sides.

Despite the challenges posed by the Russia-Ukraine war, the Kremlin did not stand by as a passive actor, it actively responded to both Chinese and American endeavors to establish a robust presence in the region, a key area of its strategic influence. Throughout 2023, Russia took proactive measures to bolster security cooperation with regional countries by entering security and military agreements. Notably, Russia engaged in such agreements with the five Central Asian countries, focusing on fortifying security within the military bases located in Tajikistan and Kyrgyzstan. Russian authorities consider their regional security interests

as integral to national security. Consequently, Russian Defense Minister Sergei Shoigu, in April 2023, declared the enhancement of combat readiness at military bases in the area. This move aimed to strengthen the Russian military presence and counteract regional and international initiatives to augment regional influence.<sup>(90)</sup>

Russia wields significant influence in Central Asia through the Collective Security Treaty Organization, an alliance that it leads. During the 2023 summit of the Commonwealth of Independent States, which unites Russia and the regional countries, a consensus was reached to establish a Russian air defense system stationed in Kyrgyzstan. Subsequently, in October 2023, the Kyrgyz Parliament formally ratified an agreement with Russia to create a joint regional air defense initiative. This agreement, initially valid for five years and subject to extension, encompasses multiple military facilities within Kyrgyzstan. Additionally, Russia serves as a crucial supplier of affordable arms to the countries in the region, further solidifying its strategic presence.<sup>(91)</sup>

In 2023, the Gulf states, Turkey and Israel all focused on the region, driven by considerations related to power, interests and influence, albeit with distinctions in their respective motivations. Ankara, in particular, embarked on a strategic initiative to bolster its presence, adding complexity to Iran's geopolitical landscape. As part of this effort, Turkey collaborated with Azerbaijan to establish the Zangezur corridor, designed to connect Ankara with other countries and regions. This corridor, which is crucial for Ankara as it serves as a direct route to Europe, creates a direct link between Azerbaijan and Turkey. However, this development raised concerns for Tehran as the corridor traverses the Syunik region in Armenia, posing a perceived threat to Iranian interests. The establishment of the corridor has potential repercussions on Iran's relations with

its Armenian ally, given that it isolates Iran geographically from Armenia. Additionally, Iran faces the prospect of losing customs revenues generated from Turkish exports to the region and transit fees for Azerbaijani trucks passing through. Consequently, Iran may no longer serve as a transit route, while also incurring fees for the passage of its trucks, either to Azerbaijan or through the newly established corridor.

Similarly, Israel employed various strategies to pivot its focus toward the region, aiming to elevate existing relations to a comprehensive strategic partnership throughout 2023. Iran alleged that Israel is providing military support to Azerbaijan in its conflict with Armenia. According to Iranian perspectives, this support is perceived as part of Israel's ongoing efforts to sustain attacks on Armenian territories and enhance its influence in Azerbaijan. Iran contends that such actions align with an Israeli-American policy aimed at constructing a ring of crises and an American-Israeli presence encircling Iran.

In the context of the region's strategic significance, a strategic dialogue with the Gulf states was launched, marked by the inaugural summit held in 2023 between the Gulf states and the region. This initiative aligns with broader Gulf endeavors, especially those led by Saudi Arabia, aimed at diversifying foreign policy alternatives and reducing dependence on a single option. The summit reiterated the imperative to invigorate political and security dialogue, bolster economic and investment cooperation, and foster partnerships between business sectors in both regions. These objectives are encapsulated within a joint action plan spanning from 2023 to 2027. This implies a concerted commitment from the leaders of both regions toward comprehensive development across various sectors. Broadly speaking, the engagements of international and regional powers in the region during 2023 assumed

strategic significance, considering their nature, the influence wielded by regional and global powers and their overarching objectives. These dynamics are poised to impact the geostrategic balance, potentially influencing Iran's presence within this geopolitical sphere. The region's significance has risen in prominence on the agendas of international and regional actors given their accelerated efforts to cement their presence and influence in a vital strategic region. This trend is a component of the escalating international geopolitical competition between Washington and Beijing, a dynamic that gained momentum with the onset of the Russia-Ukraine war. Nevertheless, each party is driven by specific considerations — geopolitical, economic, and security-related — that motivate them to solidify their positions in Central Asia and counteract the roles played by rival actors.

### **Iranian Efforts to Counter International Moves in Central Asia**

An analysis of the official Iranian position toward the regional and international movements directed toward Central Asia in 2023 indicates that these efforts are a rising source of threat to Iran, particularly those exerted by Israel and Turkey in the region inhabited by Persian-speaking peoples and falling within the lebensraum of Iran's geopolitical project. This has made it imperative for Iranian decision-makers to pivot toward Central Asia, which has become a priority for the United States, China, Russia, Turkey and Israel.

Iran's first step toward enhancing its clout in Central Asia and the Caucasus and crowding out the rising regional and global roles to strengthen its influence was forging closer ties with Azerbaijan. The two countries were on the verge of armed confrontations due to differences related to the Armenian issue, the Israeli support for Baku and the establishment of threatening economic corridors. In July 2023,

Iranian Foreign Minister Hossein Amir-Abdollahian paid a visit to Azerbaijan, during which he conveyed his country's eagerness to collaborate on regional projects. The Iranian foreign minister also discussed the "Aras corridor" proposal, an initiative that seeks to link Azerbaijan to the Nakhchivan enclave by traversing Iranian territory.<sup>(92)</sup>

In July 2023, the official Iranian news agency IRNA inaugurated an office in Baku and launched an Azerbaijani website. Reciprocally, the Azerbaijani AZERTAC News Agency is set to establish an office in Tehran. Additionally, both nations inked an agreement to resume the construction of a road bridge spanning the Astrakhan River. This project had been halted two years earlier amid heightened tensions over the Armenian issue. Toward the end of August 2023, Azerbaijani Prosecutor General Kamran Aliyev visited Tehran at the invitation of his Iranian counterpart Mohammad Jafar Montazeri. The two officials concurred on the imperative to alleviate tensions surrounding contentious matters and fortify bilateral relations. Despite existing disparities, Iran's overtures toward Azerbaijan could augment the presently restricted Iranian influence in the South Caucasus.

Turkmenistan is strategically important for Iran, driven by geographical, border-related, security, cultural and sectarian considerations. The two neighboring countries entered into agreements in the fields of transport and shipping on the sidelines of the Caspian Sea Conference, conducted in Ashgabat in August 2023. Subsequently, the two nations signed a gas export agreement in Tehran, outlining the import of 10 million cubic meters of gas from Turkmenistan to Iran daily. This agreed upon quantity can be doubled as stipulated in the terms of the agreement. Furthermore, Uzbek President Shavkat Mirziyoyev's visit to Tehran in October 2023 resulted in the signing of various economic and trade accords encompassing

areas such as transport, transit, preferential business, joint free zones, agriculture and industry.

In April 2023, Iran invited the Prime Minister of Kazakhstan, Alikhan Smailov, to visit Tehran. During this visit, crucial documents were signed between the two parties, particularly in vital economic sectors such as transportation, transit and tourism. The Kazakh prime minister conveyed his country's willingness to expand exports to Iran, presenting 75 export items. Additionally, there was a commitment to augment the transit of Kazakh goods through Tehran, utilizing the railway corridor connecting Kazakhstan, Turkmenistan and Iran.<sup>(93)</sup> On the sidelines of the SCO summit in October 2023 in which the prime ministers of the member countries convened, Iran and Tajikistan reached an agreement to employ their respective local currencies in commercial transactions and exchanges. The accord also involved implementing the set-off method and the provision of Iranian expertise to Tajikistan in various industrial fields. Simultaneously, the President of the Union of Artisans and Businessmen in Kyrgyzstan expressed his nation's readiness to welcome Iranian investors and business people. He emphasized the need for enhanced collaboration between the two countries.

### **Conclusion: Iranian Outcomes and Options for Strengthening Its Clout In Central Asia**

Though Iran has taken several steps to strengthen its clout in the region, these efforts were confined to the economic and trade domains, stopping short of enhancing relations at the security and strategic levels. These domains are not sufficient for enhancing Iran's clout in the region and countering the efforts of its rivals in Central Asia, a region of massive significance on the agenda of international and regional actors as mentioned earlier. China has significantly strengthened its ties with the region recently,

marking a notable breakthrough in its relations with the regional countries. Through extensive support, aid initiatives and substantial investments, China has aimed to broaden its strategic and economic influence in Central Asia. The overarching goal is to consolidate its position as the foremost partner in the region, enticing countries with promises of prosperity and stability. Russia is actively working to sustain its influence in the region amidst growing economic competition from China and heightened geopolitical interest from the West. Concurrently, the United States is also making efforts to enhance economic ties with the countries in the region, further contributing to the complex dynamics of global engagement in this strategic area. Given the substantial endeavors undertaken by various international and regional powers in the region, Iranian efforts are perceived as insufficient. Ultimately, these endeavors are unlikely to bring about significant alterations in the prevailing trends within the region. Iran's capacity to exert influence on the regional landscape is notably constrained. Countries in the region have undergone transformative shifts in their self-perception, no longer envisioning themselves as living in an isolated, landlocked area dependent solely on Russia or Iran. The expanding presence of the United States, China, Turkey and Arab nations in the region has fostered a heightened sense of self-importance among the countries there. This awareness provides them with a more extensive array of potential partners and opportunities. Iran does not necessarily emerge as a more appealing option in this diverse landscape.

Hence, Iran will persist in adhering to its gradual and pragmatic approach, concentrating on two primary objectives. First, it aims to prevent other international powers from capitalizing on political vacuums and seeks to bolster its influence in a region deemed strategically vital for Iran. Second, Iran endeavors to mitigate security risks arising from the



interventions of international powers, including the United States, Russia, China and other regional players such as Turkey, the Gulf states and Israel.

### Iran-Pakistan Relations

Pakistan is of enormous significance to the Iranian strategy due to religious-sectarian reasons, with some exploiting the Shiite population. Economic reasons are also important for Iran, including cooperation in the fields of oil, gas and electricity. Additionally, some reasons pertain chiefly to Pakistan's significant position within the lebensraum of the Iranian geopolitical project. Iran shares a long border with Pakistan, which separates Iran from India and China overland. Islamabad is also located at the heart of the map of global trade and logistics corridors and projects.

Conversely, there are also outstanding issues that could be analyzed to gauge whether Iran-Pakistan relations differed under Imran Khan from those witnessed during the tenure of Shehbaz Sharif. These issues include Iran's recruitment of Pakistani Shiites to join the Zainabiyoun Brigade to fight in Tehran's spheres of influence in the Middle East and Iran's exploitation of the border areas for smuggling petrol and goods to and from Pakistan to reap financial benefits. In addition to Iran's accusation of Pakistan backing Balochi militants against Iran's security forces in the Sistan-Baluchistan region, other factors created tensions between the two sides including the consequences of not establishing the gas pipeline between the two sides on Pakistani energy security, Iran's efforts to enhance ties with India, (Pakistan's arch foe with which it is engaged in a dispute over the Kashmir region) and Pakistan's accusation that Iran is paying no heed to an Indian espionage network that trains and finances fighters against Pakistani forces on Iran's Makran coast.

### Shehbaz Sharif's Different Orientations Compared to Imran Khan

Iran's approach to Pakistan follows well-established and consistent principles that are expected to persist as long as the Iranian government remains in power. Nevertheless, alterations in the dynamics of their relationship, while not holding strategic implications, often coincide with shifts in Pakistan's leadership. This is because changes in the Pakistani leadership bring about adjustments in the country's foreign policy alliances and orientations, subsequently influencing the nature of its relations with Iran. Under the leadership of Imran Khan, Pakistan's policy shifted toward the East, departing from the alliance with the West that was established during the tenure of his predecessor, Nawaz Sharif. This has always led to a convergence in Pakistan's viewpoints with Iran, a foe of the West, stopping short of seeing developments that lead to strategic dimensions in the relations that have historically experienced ebbs and flows due to the centrality of the aforesaid outstanding issues. But Pakistan being plunged into a phase of political instability against the backdrop of the withdrawal of confidence in the Khan government and Shehbaz Sharif taking over marked a new chapter in bilateral relations.

Shehbaz Sharif reset Pakistan's foreign policy, restored orientations toward Western Europe and the United States. He believed that improving relations with the West would mitigate the regional pressures and the worsening economic conditions in Pakistan, all of which, according to him, were linked to Khan's policy of turning to the China-led Eastern camp and his support for Russia in its war on Ukraine. This led to the United States suspending assistance and some Arab states allying with Washington against Pakistan. Sharif adopted a balanced approach to Pakistan's foreign relations and this approach was enhanced by the continued cooperation with Russia through the arrival of discounted Russian crude oil, which

arrived at Karachi port in June 2023.<sup>(94)</sup> On the other side, Pakistan and the United States enhanced their partnership, concluding the Green Alliance in June 2023, which happened against the backdrop of economic challenges and led to agreements to improve agriculture and the use of renewable energy.

### Relations Between Tehran and Islamabad During Shehbaz Sharif's Tenure

Sharif initiated a new phase in Pakistan's interactions with Iran as part of the well-calibrated approach he embraced for fostering foreign relations. The objective was to contribute toward addressing economic challenges and leveraging all regional and international partnerships to this end. Consequently, this balanced policy played a pivotal role in ensuring that Iran-Pakistan relations remained unaffected by Khan's departure. Instead, both sides witnessed progress, with Iran fulfilling Pakistan's immediate energy requirements and transforming the border area into a secure economic zone via border markets. They also revitalized the free trade agreement provisions, operationalized the barter agreement,<sup>(95)</sup> and established a border market in the Balochistan region in May 2023. This is in addition to approving the Polan-Gabd power transmission line at a capacity of 100 megawatts.<sup>(96)</sup> Bilateral trade increased in August 2023, reaching \$2 billion.<sup>(97)</sup>

The Chinese sponsored Saudi-Iran rapprochement in March 2023 played a positive role in favor of Pakistan and Sharif struck a balance in Pakistan's relations with Saudi Arabia and Iran. Pakistani calculations sought to enhance relations with both sides even before the China-brokered rapprochement. Pakistan succeeded in restoring ties with Saudi Arabia out of Islamabad's desire to address its economic problems and stabilize the turbulent Pakistani markets. Improvement in Saudi-Iran ties also gave Pakistan room to establish more balanced relations with Iran.

The new realities — Pakistan's balanced policy and the Saudi-Iran deal — created new opportunities for Pakistan and Iran to enhance cooperation at all levels. Primarily, cooperation has focused on dealing with thorny security issues that have impacted the trajectory of bilateral relations, especially in light of the continued terror attacks in the border regions. Both countries, Pakistan and Iran, bolstered their military approaches while Tehran's relations with the Taliban were deteriorating due to the latter's lack of resoluteness in taking steps against the armed groups mounting attacks on Iran from Afghan territories. This is added to the mounting threats of war against Kabul in early 2023 against the backdrop of the Taliban giving sanctuary to fighters posing threats to Pakistan's security. The Chinese initiative to hold a dialogue between Iran and Pakistan in the Chinese capital, Beijing, in June 2023<sup>(98)</sup> reflected a host of Chinese objectives, including entrenching its presence in the region, not only economically but also militarily through working to achieve regional security and stability and combating the acts of terror carried out by extremist groups, particularly in the border area of Balochistan. China seeks to achieve security in this region due to its massive investments in Gwadar port. Yet China's policy in southern and southwestern Asia reflects its vision of protecting its vital interests as part of the Belt and Road Initiative. On June 19, 2023, Iran and Pakistan signed a pact for maritime cooperation to strengthen counter-terrorism efforts.<sup>(99)</sup>

### **Conclusion: Outcomes and Future Prospects**

Security matters and regional developments characterized Iran-Pakistan relations during the tenure of Khan, especially after the IRGC suffered blows from Balochi separatists in south-eastern Iran. The attacks preceded a security agreement with Islamabad to strengthen control over the borders — however, no economic

developments were achieved. Despite Pakistan turning eastwards during the tenure of Khan, no fundamental changes at the strategic level had been made to Iran-Pakistan relations. Despite Pakistan's alignment with the West during Sharif's leadership, the balanced approach and diplomatic agreement between Riyadh and Tehran strengthened Iran-Pakistan relations. Throughout Sharif's tenure and that of his successor, caretaker Prime Minister Anwar-ul-Haq Kakar, bilateral ties between the two nations continued to be shaped by the overarching framework established to address issues of mutual interest and contention. Substantial improvement in relations, whether Pakistan shifts to the East or West, appears unlikely as long as Iran maintains its current foreign policy toward Pakistan. This policy involves a focus on smuggling for the sake of revenues, recruiting Pakistani Shiites and border security issues. Reciprocal visits will focus on advancing shared interests, resolving contentious matters and identifying common ground to safeguard mutual interests and concerns, thereby sustaining a baseline of amicable relations. However, their security and foreign policies are currently distant from achieving a consensus that could pave the way for future strategic dimensions in their relationship.

### **Strained Relations Between Iran and the Taliban**

Afghanistan is of great importance to Iran's policy in general and Raisi's policy, especially in terms of his economic diplomacy and the strengthening of trade relations with neighboring countries. Iran has a long border with Afghanistan, sharing some of the Helmand River. Afghanistan shares the Iran-India-Afghanistan Chabahar port project, and it is one of the importers of Iranian oil. Its demographic components include Shiite Hazaras.

Although Afghanistan is of great significance to Iran, ties in general and trade relations in particular between the two neighbors were

very limited in 2023 and have not yet reached what Raisi aspires to; he pursued strengthening trade relations with neighboring countries to render the sanctions card useless. Some significant challenges hinder the relationship from being developed. These include the Taliban's hidden apprehension regarding the Iranian Shiite project, the use of Shiite Hazaras in the project, the recruitment of Afghan migrants to join Iranian militias as part of Iran's expansion strategy, the border crises due to Tehran's concerns that the Taliban could use the joint borders for drug trafficking in light of the international blockade imposed on it since its recapture of Kabul, and the worsening of the Afghan refugee crisis for Iran in the wake of the Taliban's seizure of power. However, the escalation of disputes over the Helmand River was the most crucial conflict during 2023.

### **Iran-Afghanistan Conflict Over the Helmand River**

The Helmand River is the longest in Afghanistan, with a length of up to 1,150 kilometers. It emerges in the Hindu Kush mountains west of Afghanistan and flows into Lake Hamoun in Iran's Sistan-Balochistan Province. It is a significant source for the irrigation of lands along the Iran-Afghan border. Sharing river water between the two countries has been contentious for up to half a century. Iran has been working to prove its right to the river. However, Kabul does not recognize this right and deems the river a zone of exclusive influence.

The Helmand River was the most highlighted tension between the two neighbors during 2023. Iran resolved to ensure water flows to its territory because it was concerned about its water shortage problem. The water shortage will trigger instability within Iran's Sistan and Balochistan Province, predominantly populated by Sunnis and Balochis. The Helmand River is crucial for being a significant artery on which the lives of residents of the river delta

on both sides of the Afghan-Iranian border depend. The river's water resources are an essential source of livelihood for these residents.

The issue remained tense without an appropriate deal over the river, and clashes between both parties broke out intermittently in 2023. Since the Taliban came to power, many conflicts have taken place in the Helmand region because both parties have insistently demanded the largest share of the river's water. In May 2023, Tehran called on the Taliban to recognize its right to the river's water and to feed the border Lake Hamoun, into which flows the river's water. It was hit by drought due to the shortage of water flow from the river. Tehran called on the Taliban to allow its experts to visit the riverbed and assess the water level in the reservoirs, but the Taliban refused this request.<sup>(100)</sup>

Iran responded to the Taliban's refusal of its right to the river by discussing the rejection to recognize the Taliban government. This came in a statement by Iran's Foreign Minister Hossein Amir-Abdollahian in May 2023 that his country does not recognize the Taliban as the government of Afghanistan. In this context, Iran demanded the government of Afghanistan to include pro-Iran figures from Shiite Hazaras, thus ensuring its influence within the Afghani government, which the Taliban rejected.<sup>(101)</sup> This set the ground for armed clashes between both parties in May 2023 in the border area between the Kang district in Nimroz Province and Zabul Province and Iran's Sistan and Balochistan Province, resulting in deaths and injuries on both sides.<sup>(102)</sup> The Taliban threatened to destroy 18 Iranian border facilities. One of the leaders of the movement threatened to seize Tehran. In this regard, Tehran threatened to expel Afghan refugees, numbering about 5 million, close the Afghan embassy in Tehran, and cut off the cargo route to Afghanistan if the Taliban insisted on escalating tensions. In this context, during his participation in the Fourth

Meeting of Foreign Ministers of Afghanistan's Neighboring States in Samarkand, Uzbekistan on April 13, 2023, Abdollahian called for the formation of an inclusive government, indicating that Tehran is linking the recognition of the Afghan government to this demand.<sup>(103)</sup>

### **Features of Iran's Policy to Contain Escalation**

In September 2023, despite mounting tensions between Iran and the Taliban, Iran's Ambassador to Afghanistan Hassan Kazemi was dispatched to meet Acting Taliban Foreign Minister Amir Khan Muttaqi to explore diplomatic channels and avoid further escalation between the two parties. During this meeting, they stressed the need to open safe dialogue venues to resolve this crisis. This confirms Iran's attempt to contain the water crisis with Afghanistan through diplomatic means, most notably, the Iranian government handing over the Afghan embassy to the Taliban in Tehran in February 2023. This indicated Iran's desire to maintain diplomatic channels of communication with the Taliban, although Iran did not recognize it.

Iran attempted to contain this crisis and avoid the escalation of tensions with the Taliban. It described their recent clashes as limited, and it negotiated with the Taliban and reached a quick solution. Tehran accused a third party of driving a wedge between both sides. These parties are hostile to both Iran and the Taliban. They plot to spark a war between Iran and the Taliban. Iran also opened border crossings, such as the Milak border crossing, closed due to the escalation. Iran intended to send a message that it did not want to escalate tensions with the Taliban.

### **Conclusion: Future Trends of Iran's Relations With the Taliban**

Despite the high-level escalation between the two sides during 2023, some restrictions prevent the conflict conflating into a war: Iran is aware that the cost of tensions escalating with

the Taliban is high. Therefore, it has historically worked to avoid escalation with the Taliban because it is skilled in waging insurgency wars. Thus, Iran is unwilling to enter into a battle with the Taliban which would deplete its military capabilities as Tehran works to focus on the conflict with the United States and Israel and the priority of the gains in its influence arenas in the Middle East. With the emergence of a new development in the Middle East related to the Israel-Hamas war, which Iran deems as part of the "Axis of Resistance," Tehran focuses increasingly on regional developments, especially the clashes between its proxies with Israel because of the war in Gaza. Although they are limited, the conflicts may develop at any time. Therefore, although Tehran has started to interact with the Taliban, it is still concerned about the movement's intentions. Cautious anticipation will prevail in their relations and will depend on the Taliban's actions, especially the interaction with the Afghan Shiite minority.

### **Iran's Strategic Interests in South America and Africa**

For the first time in more than 11 years, on June 11, 2023, Iranian President Ebrahim Raisi visited three Latin American countries: Venezuela, Cuba and Nicaragua, or the so-called states of the Bolivarian Alliance. On July 13, 2023, Raisi visited three African countries, namely Kenya, Uganda and Zimbabwe. These visits reflected the Raisi government's interest in the Latin and African circles after a long break. This file will examine the following questions: what are the motives and indicators of this Iranian interest? And what are the effects of this interest on Iranian relations with these two regions and their future trends?

### **Motives and Contexts**

Raisi's visit to some Latin American and African countries came within a foreign policy framework based on non-reliance on the relationship with the West to resolve crises and de-link the

country's fate from the nuclear negotiations. The nuclear talks are longstanding, and Iran's internal problems have been exacerbated because of the sanctions and international isolation. The Raisi government focused on these regions to help advance its non-Western foreign policy, break the country's isolation, find new partners, penetrate alternative markets, and prepare the ground to weaken the impact of US sanctions. The visits bring to mind those made by former Iranian President Mahmoud Ahmadinejad to Africa before Iran concluded the nuclear deal with the P5+1 countries.

Within the framework of this trend, the states of the Bolivarian Alliance, Venezuela, Cuba and Nicaragua, were a logical destination for Raisi. The ruling systems of these countries have a history of struggle and revolution similar to the ideological line that Iran has adopted. These countries are hostile to the United States, are subject to US sanctions like Iran and suffer economic and political crises. To expand ties with these countries due to their location in a vital region close to the United States, Iran will obtain strategic advantages in the indirect confrontation adopted by Tehran toward Washington. Iran has attempted to be present in Washington's backyard. It has reached with its fleet to the shores of those aforesaid Latin American countries in a symbolic response to the US presence in the Arabian Gulf. Iran also believes that cooperation with countries such as Cuba and Venezuela will lead them to support it in international forums such as the United Nations, especially with regard to attempts to isolate Iran or impose more sanctions or when Tehran faces economic problems. Furthermore, Iran needs Cuba and Venezuela to help it address the food security dilemma, support intelligence services and overcome the oil sanctions — given the fact that oil is a vital source of income for Iran and Venezuela. In addition, these countries need to

cooperate with Iran, especially at the economic and political levels.

Africa is of great significance in the context of Iranian foreign policy trends. This is due to Africa's strategic location offering Iran a foothold, serving its geopolitical influence and giving it a pressure card in the face of rival powers. Africa is also a critical voting bloc in international organizations, with a quarter of the world's countries. In addition, Africa constitutes almost half of the Non-Aligned Movement members and half of the Organization of Islamic Cooperation members. Iran has also gained influence on the African continent through the deployment of Shiites and the IRGC in recent years. Raisi's government wants to strengthen this presence. Africa is set to become the world's largest growth market for consumer goods and services due to its young population and GDP, which was about \$2.96 trillion in 2022. It also witnessed a rapid evolution of communications technology and has abundant and diverse natural resources and agricultural land that can be used to produce food items. Therefore, Africa is an important economic partner that can help Iran overcome sanctions and isolation.<sup>(104)</sup>

The international atmosphere has undoubtedly created favorable conditions for Iran's actions. Tehran believes that the global system is transitioning from unilateralism to multilateralism, US influence is declining, and that it must align with anti-US states. China and Russia back this alignment as their ambitions conform with those of Iran and many Global South countries to build a front to mitigate US hegemonic influence and alter the power dynamics of the international system. Therefore, Raisi's visits to Latin America, where leftist governments have returned to power, and Africa need to be understood within the context above.<sup>(105)</sup>

## Tools and Interactions

Previously, Iran bolstered its influence in Latin America by using traditional tools such as diplomatic missions, Lebanese expatriates and religious centers. This gave Iran a particular leverage model. However, due to the priority of the economy in the foreign policy of the Raisi government at the current stage and to implement its policies toward some Latin American countries, Iran has depended on economic and power diplomacy. With Raisi taking office, this trend has been increasing. Raisi's tour came after Iranian Foreign Minister Hossein Amir-Abdollahian visited the three Latin American countries in February 2023. This prepared Raisi to sign 35 memorandums of understanding during his visit: 25 with Venezuela, four with Nicaragua and six with Cuba. These memorandums included cooperation in energy, industry, mining, power plants, biotechnology, the export of technical engineering services and knowledge-based products, the supply of raw materials and creation of new markets, the manufacture of tractors and cars, cognitive science and other vital areas.<sup>(106)</sup>

Venezuela is the most important country in Latin America to Iran. Tehran looks to increase trade with Venezuela to \$20 billion instead of the present \$3 billion. Iran signed a strategic cooperation agreement with Venezuela in 2022 and relations have progressed remarkably, especially on the economic front, particularly power cooperation. Iran helped Venezuela repair oil refineries that broke down due to US sanctions and supplied it with gasoline. Iran received gold in return to avoid US sanctions. A regular shipping line was launched between Iran and Venezuela. This allowed Iranian companies to transport their commodities to Latin American states, including Venezuela, Cuba and Brazil. Despite US threats, both countries' military cooperation has also increased significantly. Despite the memoranda

of cooperation signed with Nicaragua and Cuba, Raisi focused on providing political support to these regimes, collaboration in the face of US hegemony, and the lifting of the siege and isolation imposed on these countries. Iran may aspire to establish a strategic relationship with Venezuela as a model that can be a guide for Nicaragua, Cuba and other Latin American countries.<sup>(107)</sup>

On the African continent, since taking charge, the Raisi government has stepped up its actions toward the continent's states over the past two years. Iranian Foreign Minister Hossein Amir-Abdollahian and his team visited various African countries such as Mali, Tanzania, South Africa and Niger. Iran received the heads of several African countries in a bid to expand its political and economic relations. The first Iran-West Africa Economic Cooperation summit was also held in March 2023. During the meeting, President Raisi stressed Iran's desire and commitment to significantly expand cooperation with African countries in various sectors. These efforts have likely increased trade relations. Iranian exports to Africa reached \$1.28 billion in 2022 compared to \$79 million in 2020. The growth in some target areas was more significant. Iran's technical and engineering services exports to Africa increased by 700% in 2022.

Iran aims to achieve a tenfold increase in trade with African states, reaching approximately \$12 billion, with an initial target of \$5 billion within two years. This has been translated by signing five significant memorandums of understanding with Kenya, four with Uganda and 12 with Zimbabwe and inaugurating the Iran Innovation and Technology Bureau; these constitute a total of 21 agreements in various sectors including oil, energy, telecommunications, information technology, agriculture, medicine, industry, mining, agriculture,

agricultural machinery export, social security and insurance services, customs affairs, judicial and legal affairs, extradition, information technology, investment promotion and fish farming.

Raisi demonstrated particular interest in the three visited countries because of their anti-US stances; Zimbabwe, for example, is subject to US and Western pressures and sanctions similar to what Iran faces. Therefore, the two countries are eager to cooperate. In this context, the ninth meeting of the Joint Economic Committee of Zimbabwe and Iran was held in January 2023 in Tehran in the presence of three ministers from Zimbabwe. The 10th meeting is scheduled for this year in the Zimbabwean capital Harare. Moreover, the volume of trade between Iran and Zimbabwe reached 13 million euros and 900,000 euros respectively. This includes 3 million euros and 900,000 euros of Iran's exports to Zimbabwe.<sup>(108)</sup> Iran has attempted to benefit from Uganda's chairmanship of the Non-Aligned Movement since the beginning of 2024. Therefore, Iran can coordinate positions due to the independent policies Uganda adopts at the regional and international levels. During his visit to Uganda, Raisi expressed Iran's readiness to share his country's expertise with Uganda to establish an oil refinery, provide technical and engineering services after new oil discoveries, and develop trade relations. The value of trade between Iran and Uganda amounted to \$2.2 million. This includes \$1.6 million of Iran's exports to Uganda and \$600,000 of Uganda's exports to Iran, and it also tends to be independent of Western powers, bringing it closer to Iran.<sup>(109)</sup>

### **Conclusion: Outcomes and Future Prospects**

Iran's relations with Latin American countries offers sufficient pressure cards to manage its

relationship with the United States. However, this does not significantly change the reality. Iran's relationship with these countries is only a powerless alliance. This relationship is temporary since Iran will abandon it once its differences with the West are settled, as happened in the wake of the 2015 nuclear agreement. The reliance on cooperation to address economic crises or overcome sanctions is questionable. This path has already been tested during the Ahmadinejad era, but its economic outcomes were limited.

Moreover, Iran's crises are not only related to sanctions and isolation but also to its ideological approach, mismanagement, structural problems and the nature of economic management. Trade is imbalanced in favor of Iran. These countries are not genuinely interested in activating trade relations with Iran due to their futility, and there are several structural, geographic and logistical obstacles between the two sides. In addition, close and less expensive alternatives exist.

Despite the challenges, the Raisi government will be keen to deepen its relations with Latin American and African countries that serve Iran's aspirations and are consistent with its external approach, including the priority of economic development. The Raisi government will benefit from the dominance of the "hardliners" in power, the unity of state institutions and their support of these trends as well as the international reality and geopolitical competition. This is because the diplomatic trajectory with the United States is hampered, and the revival of the nuclear agreement is still outstanding. This trend gives momentum to the Biden administration to implement sanctions. It offers Tehran space to expand its relations with non-Western countries in response to its inherent ideological approach and external aspirations based on resistance to US hegemony.

# IRAN-US RELATIONS BETWEEN RAPPROCHEMENT AND RESTRAINT

During 2023, US-Iran relations were characterized by confrontation and mutual escalation. This has been the prevailing pattern governing relations for more than four decades. Indirect diplomacy only led to a prisoner swap deal, while the nuclear file is still outstanding.

## Diplomatic Impasse

- Inherent distrust and geopolitical conditions imposed on US-Iran relations.
- Internal calculations of the two governments, and the preparation for the upcoming elections during the year 2024.

## Reciprocal Policies of Hostility Continue

### The United States

- Imposes further sanctions and supports the opposition.
- Coordinates positions with European countries to further pressure Iran.
- Works on coordination with regional forces to weaken and besiege Iran.
- Enhances regional deterrence to counter Iran's maritime threats and its leverage in the intersecting areas of influence.
- Blocks the normalization of its relations with regional forces.

### Iran

- Works on the enhancement of "Axis of Resistance" and deterrence tools.
- Coordinates with Russia, China and anti-US forces within the framework of looking toward the East.
- Carries out maritime attacks in the Arabian Gulf and the Gulf of Aden.
- Blocks the US regional project of the Indo-European trade route that runs across the region.

**The two parties have so far successfully managed their conflict in spite of the differences. In light of the current deterioration in relations, their dynamic may acquire greater levels of complexity. This scenario can be observed through:**

Uncertainty over the nuclear file and Iran's nuclear threshold

The expiration of some sunset clauses and the removal of restrictions and sanctions on Iran.

Russian and Chinese support to Iran amidst the current international competition between regional powers.

The limited impact of US coordination with regional alliances.

The openness to regional states including Saudi Arabia and China's entry as a prominent regional player.

The ineffectiveness of US sanctions to change Iran's positions and hostile approaches.

The current regional confrontation between Iran and the United States triggered by Israel's war against Gaza.

**Given their desire to avoid a direct confrontation, the likely scenario will be based on confrontation and escalation, while maintaining successes. This can be gaged through the following:**

Tehran's and Washington's restraint in the context of the biggest test facing their relations in decades: the Israeli war on Gaza.

Iran's calculated escalation through its proxies and the evasion of direct responsibility for the attack on US forces, bases and assets in the region.

The Iranian ruling elite's priority of preserving the "Islamic" governance model.

US threats and deterrence messages that obliged Iran to move cautiously.

The most likely scenario in the near term is conflict management and calculated escalation while keeping the door open to diplomacy. However, if the United States decides to proceed with any regional project at the expense of Iranian interests and influence, escalation and confrontation will become increasingly likely.

# EUROPEAN PRESSURE ON IRAN



Iran-Europe relations in 2023 were affected by the hijab protests that continued for months in the second half of 2022 after the death of the young Kurdish woman Mahsa Amini, the Russia-Ukraine war and the developments in the context of the Iranian nuclear program. Iran managed to achieve some successes by employing the card of detained European citizens and putting pressure on the countries that host Iranian opposition elements.

I'm with  
my sister  
in Iran





Iran stepped up the blackmailing, targeting several European countries by detaining their nationals on frivolous charges, which were denied by the concerned European countries.



The E3: France, Germany and the UK kept up their pressure on Iran and the United States to comply with the nuclear deal.



In April 2023, Iran won a resounding victory by swapping its convicted diplomat in Belgium with four foreign citizens who had been held in jail for years.



European outrage continued over Iran's nuclear activities — which violated the nuclear deal — and over the disruption of IAEA monitoring and inspection.

## The Most Important Developments in Europe-Iran Relations



In May 2023, the Albanian authorities raided an apartment of the Mujahedin-e-Khalq and handed over to Iran 213 hard drives seized from Ashraf 3 camp.



Iran has been supplying Russia with weapons and drones for their deployment in Ukraine.

Europe-Iran relations will continuously be affected by both sanctions and cooperation. In addition, Iran's involvement in the Russia-Ukraine war and the Palestine-Israel conflict, as well as its nuclear program and human rights record will affect its relations with the Europeans.

R U S S I A

# IRANIAN RESPONSES TO THE SHIFTS IN CENTRAL ASIA AND THE CAUCASUS

In 2023, there was an increase in regional and international movements in Central Asia and the Caucasus. Iran responded by taking measures to strengthen its influence in this region to counteract the growing roles of Israel and Turkey there — given the fact that this region is located in vital areas that are important to Iran's geopolitical project.

GEORGIA

ARMENIA

AZERBAIJAN

S T A N

KYRGYZSTAN

TAJIKISTAN

C H

I R A N

AFGHANISTAN

PAKISTAN

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INDIA

## Iran's Most Prominent Steps

The rapprochement with Azerbaijan after being on the verge of an armed confrontation due to the differences over the Armenian file, Israeli support for Baku and economic corridors.

Iran's IRNA news agency opened an office and launched an Azerbaijani website in Baku. Azertac, Azerbaijan's news agency, plans to open an office in Tehran in response.

The two countries signed an agreement to finish building a bridge over the Astarachay River, which separates them.

By the end of August 2023, Azerbaijan's Prosecutor General Kamran Aliyev visited Tehran at the invitation of his Iranian counterpart Mohammad Jafar Montazeri.

Iran signed a deal with Turkmenistan for transport and shipping on the sidelines of the Caspian Sea conference held in Ashgabat in August 2023.

Iran signed a gas import deal with Turkmenistan. Under the agreement, Iran will import 10 million cubic meters of gas per day.

In October 2023, the President of Uzbekistan paid a visit to Tehran and signed multiple economic and trade agreements.

Iran invited Kazakhstan's prime minister to visit Tehran in April 2023. During the visit, the parties signed documents in vital economic fields

Iran and Tajikistan agreed to settle their trade in recognized currencies as well as their official currencies.

Kazakhstan's prime minister expressed his country's readiness to increase exports to Iran with a list of 75 commodity items and to increase the transit of Kazakh goods across Tehran via the Kazakhstan-Turkmenistan-Iran railway corridor.

**Iran may pursue a pragmatic approach toward its interactions with Central Asia and the Caucasus. This can be achieved by forging economic and security partnerships and undertaking reciprocal official visits to strengthen its influence in a region that it considers vital and to reduce the security risks posed to it in light of the strong breakthroughs of some international and regional powers such as the United States, Turkey and Israel in the region.**



## IRAN-PAKISTAN RELATIONS

Iran-Pakistan relations have passed through various stages over the past decades. The ruling political systems may be the main reason behind the changing nature of relations. However, respective interests are ultimately the significant and overarching reason. For the two neighboring countries, security and regional developments dominated their relations during the tenure of Imran Khan. This came after IRGC received blows from the Baloch opposition in southeastern Iran before Tehran concluded a security deal to control the border between the two countries without achieving any economic breakthrough. Although relations were directed toward the East during the rule of Khan, they failed to achieve large-scale drastic strategic changes in Pakistan-Iran relations. Pakistan was looking toward the West during the tenure of Shehbaz Sharif. However, the balance policy and the rapprochement deal between Riyadh and Tehran played a role in strengthening Pakistan-Iran relations.

## Key Developments in Iran-Pakistan Relations

During the tenure of Shehbaz Sharif and his successor, Anwar-ul-Haq Kakar, relations were governed by the general pattern of bilateral relations framed by cooperative and contentious issues.

China's initiative for the Iran-Pakistan dialogue in Beijing in June 2023 came to the forefront.

To enhance the means of combating terrorism, Iran and Pakistan signed a maritime security memorandum on June 19, 2023.

Ties are unlikely to improve significantly, whether the Pakistani leadership is directed toward the West or East until Iran addresses thorny issues such as smuggling to circumvent sanctions, border security and the use of Shiites inside Pakistan.

Mutual visits at all levels will continue to serve only common interests, neutralize contentious issues and find common ground for the protection of mutual interests to maintain minimum friendly relations.

# STRAINED RELATIONS BETWEEN IRAN AND THE TALIBAN

As Iranian President Ebrahim Raisi came to power in Iran, he pursued a good neighbor policy, in a bid to gain the trust of Iran's neighboring countries. It aimed to lift the international sanctions. At the heart of neighboring states, Afghanistan is of great importance to the policies of Iran in general and Raisi in particular. Iran has a long border with Afghanistan, sharing some of the Helmand River. Afghanistan is also involved in the Indo-Iranian-Afghan Chabahar port project and is one of the importers of Iranian oil. Its population includes Hazara Shiites.

## The Most Prominent Developments in 2023

The Helmand River is the longest river in Afghanistan and flows into Hamun Lake in Iran's Sistan-Balochistan Province.

Iran has been asserting its right to the river's water. However, Kabul does not recognize this right and deems the river a zone of exclusive influence.

Tehran handed over to the Taliban the Afghan embassy in Tehran in February 2023.

Tehran called on the Taliban to allow its experts to visit the riverbed and assess the water level in the reservoirs, but it also rejected this call.

Iran responded to the Taliban's rejection of its right to the river by not recognizing its government (the Taliban government).

Iran called on the Afghanistan government to include individuals from the Shiite Hazara community.

Armed clashes erupted between the two parties in May 2023.

Iran worked to avoid escalation by keeping diplomatic channels open.

In May 2023, Tehran called on the Taliban to recognize its country's rights to the river's water. However, this call was dismissed by the Taliban on the basis of the alleged lack of water in the reservoirs.

Tehran described the recent clashes as limited and accused "third parties."

**In spite of tense bilateral relations during 2023, some restrictions prevented Tehran from escalating the conflict. Iran was aware of the high cost of a war with the Taliban and the potential depletion of its military capabilities against the backdrop of its economic crisis, US and European pressure —because of its support to Moscow in the Russo-Ukraine war — and the stalled nuclear deal. Given these considerations, cautious anticipation will be the hallmark of bilateral relations in 2024, unless the Taliban escalates tensions against Iran.**

# IRAN'S STRATEGIC INTERESTS IN SOUTH AMERICA AND AFRICA

## Key Features of the Raisi Government's Renewed Interest in South American and African States

Form an alliance with anti-US forces.

Resolve internal problems away from the nuclear deal.

Form a club with the US-sanctioned countries.

Secure a foothold in the US backyard and Africa; the current arena of competition.

Lift sanctions and look for alternative partners and markets.

Pursue a confrontation policy and move away from the West.



### South America

The states of the Bolivarian Republic, Venezuela, Cuba and Nicaragua were the logical destinations for Raisi. The regimes of these countries have a history of struggle and revolution similar to the ideological line Iran adopts. Iran also believes that cooperation with countries such as Cuba and Venezuela will support it in international forums such as the United Nations and when it comes to issues like its human rights record.

## Raisi's Dual Foreign Policy Axis



### Africa

The anti-US policies of some African countries, Kenya, Zimbabwe and Uganda, present an avenue to restore Iran's influence in Africa. This continent is of great significance in the Iranian strategy due to the strategic geographical location of Africa, which provides Iran a foothold in expanding its regional influence.



The ties with Latin American countries grant Iran a pressure card in managing relations with the United States. However, this does not significantly change the reality. The scenarios of relations will be open to two possibilities:

**First Scenario: Maintaining the Current Level of Relations**

The nuclear deal's stalemate.

The continued polarization and tensions with the United States.

Further US sanctions on Latin American countries.

**Second Scenario: A Decline in Relations**

This relationship seems temporary and has been tested before, and Iran will give it up once its differences with the West are settled, as happened in the wake of the 2015 nuclear deal.

These countries have nothing to offer each other but mutual ineffective political support and limited economic relations that run in one direction.

Iran's relationship with Latin American countries is just a powerless alliance.

The basis of relations is not strategic but related to the third party's position: the United States.



**The Most Likely Scenario in the Near Term**

These countries will maintain the current relationship levels, and perhaps work to strengthen them. This is due to their continued strained relations with the United States and the growing differences with it. But in the long run, any change in relations with Washington will have adverse effects on Iran's bilateral relations with Latin American and African countries.

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- (10) Sanctions led the Iranian government to take exceptional decisions that were unusual in the country since the 1979 revolution such as cancelling subsidies and reducing government spending, which had a profound impact on prices and living standards.
- (11) Such as the IRGC through companies in various fields, and Bonyad cooperative societies affiliated with the religious establishment that rules Iran. They do not pay taxes and are not included in the calculation of the country's GDP, but they provide some of the country's basic needs during sieges and help in circumventing Western sanctions through a network of collaborators in neighbouring countries and around the world.
- (12) A plan that sets targets in all fields for the next five years, including economic targets, lowering the unemployment rate of 9.5% by the end of the plan, the creation of 1 million jobs annually, and many other targets. However, it faces many obstacles, the most important of which are the lack of funding, foreign policy fluctuations, oil prices and Western sanctions. The previous development plan achieved only less than 40% of its target.
- (13) US oil, banking and trade sanctions have resulted in many successive and overlapping crises for the Iranian economy: a sharp decline in Iranian budget revenues since their imposition in 2018, a decline in general government and investment spending, removal of foreign investment, domestic investment panic and the smuggling of money abroad, thus, a GDP decline, a lack of domestic production, an increase in unemployment rates, a scarcity of foreign currencies and an increase in their prices to unprecedented rates, a deterioration in the value of the local currency, a historic rise in inflation rates and thus a decline in the purchasing power of Iranians while consumer spending is one of the primary economic growth engines.
- (14) Such as the Kingdom of Saudi Arabia during the same period (\$27,000 in 2011 to \$32,600 in 2023), as well as Turkey (from \$11,200 to \$13,400), after the per capita share in both Saudi Arabia and Turkey was less than its Iranian counterpart in 1990 during the Second Gulf War.
- (15) The value of the Human Development Index for Iran was 0.774. The index considers four indicators: life expectancy at birth as a criterion for health, average years of schooling for education and accessibility, and change in per capita gross national income as an indicator of the standard of living. For more, see: <https://hdr.undp.org/data-center/specific-country-data#/countries/IRN>
- (16) "Iran Economic Outlook Report," Economist Intelligence Unit, November 2023.
- (17) میدل ایست نیوز، حصة المعلمين «العاطلين» في إيران تصل الي 42.8%، (31 أكتوبر 2023 م)، تاريخ الاطّلاع: 20 نوفمبر 2023 م. <https://www.cutt.us/1IUNG>
- (18) Among the reasons for the financial deficit is the overestimation of oil exports and the price in the budget (assuming the sale of 1.5 million barrels / day at \$80 per barrel), in addition to the possibility of spending outside the budget. As a result of the increase in internal borrowing, Iran's public debt increased from \$49 billion to \$120 billion during the previous two years.
- (19) میدل ایست نیوز، المركزي الإيراني: ارتفاع القاعدة النقدية بنسبة 41.8% في يونيو 2023 م. (31 أكتوبر 2023 م)، تاريخ الاطّلاع: 20 نوفمبر 2023 م. <https://www.cutt.us/zpJL>
- (20) Such as the dismissal of the Central Bank's governor, the appointment of a new one, and the establishment of the Foreign Currency and Gold Exchange Center in February 2023 to provide an exchange rate for foreign currencies close to the market price. Despite this, it remains a managed market and has not succeeded in controlling prices in the free market or reducing the gap between the two prices, the free price of the dollar above 50,000 tomans / dollar, and the currency exchange center price of about 43,000 tomans / dollar.
- (21) It is worth noting that the dollar exchange rate was equivalent to only seven tomans in 1979 and remained at this value until 1992.
- (22) The reasons for recording these unusual rates of inflation are due in part to the impact and repercussions of US sanctions on foreign currency prices and the deterioration of local currency value, and also as a direct result of aforementioned financial and monetary policies and decisions pursued by the Iranian government, the most important of which is the high uncontrolled growth in liquidity and lifting of subsidies on the currency allocated for importing essential goods and medicine in 2022, in addition to the impact of imported global inflation. The result is inflation rates that are among the highest in the world and a deterioration in the purchasing power of Iranians. Housing and food prices are among the most fueling components of inflation in Iran.
- (23) While the poverty line in the rest of the cities other than the capital, Tehran, is 24 million tomans, the poverty line rose from 19% to more than 30% within a decade.
- (24) The minimum wage for a worker in Iran in 2023 with all benefits will reach 9 million tomans / month while renting a small home in central Tehran (60 square meters) costs 15 million tomans / month. With a poverty line of 30 million tomans / month for a family, achieving an income higher than the poverty line for a simple family whose breadwinner receives the minimum wage is not possible.
- (25) اقتصاد 24، "شاخص فلاکت مردم ایران، به بالای 60 درصد رسید / افزایش بی‌کاری و تورم، مردم را به فلاکت رساند"، (02 فروردین 1402 ه.ش)، تاریخ الاطّلاع: 20 نوامبر 2023 م. <https://www.bit.ly/3TH8jkl>
- (26) Nearly 2 million are in the United States alone. The number of emigrants reached a high record last year, reaching 65,000 during the past year alone. Opinion polls revealed that 24% of senior managers and senior leaders in Iran are inclined and planning to emigrate, plus 22% of employees.
- اندنندنندت فارسی، «مهاجرت ایرانیان رکورد زد؛ هر سال 65 هزار نفر ایران را برای همیشه ترک می‌کنند»، 21 دسامبر 2023: تاریخ الاطّلاع: 21 نوامبر 2023 م. <https://www.cutt.us/2nLI/us>
- (27) جواد عباسی تولی، «بحران غذا در ایران؛ فاجعه کشاورزی و غارت سیستماتیک منابع آب»، دوتش فیله فارسی (23 مهر 1402 ه.ش)، تاریخ الاطّلاع: 20 نوامبر 2023 م. <https://www.cwtwWa/us.cutt/>
- (28) Due to sanctions, Iran cannot collect its oil revenues directly. Thus, it resorts to barter a huge amount of its revenues with its trade major partner such as China, the UAE and Turkey.
- (29) Iran strives to find alternative ways to settle financial payments away from the dollar. Under sanctions, Iran will continue to struggle to find external outlets for its exports and attempt to penetrate the markets of neighboring countries in various ways, primarily to relieve pressure on its local currency.
- (30) "Reconciliation Between Iran and Saudi Arabia," Sharq Daily, Farvardeen 14, 1402 / April 3, 2023, accessed November 20, 2023, <https://www.2u.pw/zjyq9iy>. [Persian].
- (31) Mohammad Mehdi Mazaheri, "Regional and International Consequences of Reconciliation Between Iran and Saudi Arabia," Khabar Online, Tir 18, 1402 / July 9, 2023, accessed November 20, 2023, <https://www.2u.pw/2cy60lw>. [Persian].
- (32) "Reconciliation Between Iran and Saudi Arabia."
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- "Reconciliation Between Iran and Saudi Arabia."
- (34) Ibid.
- (35) Ibid. "Kayhan's Renewed Circling, Shariatmadari Threatened Saudi Arabia," Gooya News, October 4, 2023, accessed November 20, 2023, <https://www.news.gooya.com/2023/10/post-79959.php>.
- (36) "Al-Aqsa Storm and Future of Normalization of Relations with Zionist Regime," Fars News Agency, Mehr 22, 1402, accessed November 20, 2023, <https://www.2u.pw/E1sXKvP>.
- (37) Ibid.
- (38) Mazaheri.
- (39) Ibid.
- (40) Ibid.
- (41) Ibid.
- (42) "Agreement with West Through Saudi Gate," Khabar Online, Ordibehesht 18, 1402 / May 8, 2023, accessed November 20, 2023, <https://www.2u.pw/1f1KBUZ>. [Persian].
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- (48) Ibid.
- (49) الشرق الأوسط، توقعات محلية ودولية بصعوبة الوصول إلى سلام حقيقي في اليمن، (11 أكتوبر 2023 م)، تاریخ الاطّلاع: 30 أكتوبر 2023 م. <https://www.eQ3CR/us.cutt/>
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## CONCLUSION AND TAKEAWAYS

The prevailing uncertainty in the global order continued to impact the interactions among international and regional powers throughout 2023. Geopolitical competition emerged as a prominent factor, reflecting a shared desire to alter the longstanding stability under the umbrella of a unipolar world order. In response, the United States actively resisted this momentum for change, leveraging its influence to uphold the established international system and its rules. Despite these efforts, the dynamics of change appeared to be influencing a system experiencing a decline in prestige, legitimacy, and collective acknowledgment of its suitability and efficiency.

Until the last quarter of 2023, prevailing expectations were that the most intense conflict and significant changes would unfold on the African stage, given the surge in coups, internal political unrest, wars, and conflicts across the continent. Additionally, international powers actively launched efforts to secure their influence and interests in Africa. However, a surprising turn occurred with the dramatic transformations witnessed in the Middle East during the year. This shift positioned the Middle East at the epicenter of global events, reflecting its crucial standing in the international system and its impact on regional and global interactions.

The onset of 2023 marked the initiation of a promising initiative for regional stability and prosperity spearheaded by the Kingdom of Saudi Arabia. The project aimed to quell chaos, address issues and differences, and establish cooperation and conflict resolution frameworks. In the first quarter of the year, this effort culminated in the Saudi-Iranian rapprochement deal endorsed by China. Several interactions during this period contributed to resolving some disputes and normalizing relations among regional powers. The Saudi-Iranian agreement, in particular, underscored the evolving dynamics in the relationship between regional powers and the two global poles, the United States and China. It highlighted Beijing's aspiration to fill the void left by the United States in the region. This deal remains a crucial foundation for managing regional competition and promoting stability in the West Asia region.

However, this transformation provoked the United States, prompting a restoration of its relations with countries in the region to prevent China from expanding its strategic cooperation with them. In response, the United States embraced a new strategy focused on reinforcing alliances and establishing a regional security mechanism. This initiative aimed to facilitate

the integration of Israel while promoting an economic project that countered the Chinese Belt and Road Initiative in the Middle East. The alternative project, the India-Middle East-Europe Economic Corridor, reflected a reconfiguration of US influence in the Middle East.

As expected, Washington's strategy stirred discontent among certain regional powers, notably the Palestinian resistance factions and Iran. The outbreak of Operation Al-Aqsa Flood was a direct response to counter this project, causing a seismic shift in the entire region. The operation thrust the region back into the spotlight, garnering widespread attention, and resulted in reconfiguring the regional map. This development shed light on the rifts and differences between regional powers, offering insights into the nature of competition among major powers in the region.

While the Middle East experienced significant strategic changes, influencing the prominence of international interactions in various regions, the repercussions are still evident across diverse regional landscapes. In Europe, Russia remains committed to securing its borders against NATO, led by the United States. The United States seeks to curtail Russia's global geopolitical ambitions, a move that has also impacted the Central Asian region. In response to the absence of Russia and the heightened disputes among international powers, the Central Asian countries are positioning themselves strategically, capitalizing on the current vacuum and taking advantage of their possession of abundant energy and natural resources. In addition, they are leveraging their geography, which positions them at the heart of global trade routes and major strategic corridors. Change is also observable in East Asia, where a significant conflict unfolded between the two most influential global powers, the United States and China. Both nations are strategically asserting themselves in this region, with the United States aiming to encircle China

within its regional sphere and curb its inclination to challenge the established order. China aspires to challenge the existing international system, seeking a larger share of international resources and power. The dynamics in East Asia reflect a geopolitical tug-of-war between the two major players on the global stage.

The strategic report comprehensively addresses the strategic developments in relations among major international and regional actors. It delves into various regions and influential issues, aiming to provide a broad analysis of the international landscape. Through this extensive examination of the global scene and regional contexts, the report particularly focuses on strategic transformations within the kingdom and evolving developments in the Iranian situation. The goal was to generate concise conclusions and forecasts for the near and medium terms based on in-depth assessments.

Regarding global developments, the anticipation is that the Russia-Ukraine war will continue as the involved parties remain steadfast in their positions. Russia may enhance its capability to circumvent imposed sanctions and repel Ukrainian counterattacks. Meanwhile, Western support for Ukraine is expected to continue despite challenges on the ground. The equation suggests that a clear-cut victory for either side is unlikely. Thus, the potential for diplomatic negotiations depends on the extent of exhaustion experienced by the warring parties, prompting them, or one of them, to submit and make concessions either voluntarily or due to pressure from international powers. Until a resolution is reached, the trend toward militarization is projected to rise on the European continent, whether through NATO, the EU, or individual nations, as exemplified by Germany in the year 2023.

Furthermore, the competition between the United States and China is expected to remain highly intense, reflecting a clash over central

rather than peripheral issues, according to the theories and concepts of international relations. This rivalry extends to conflicts over the nature of the international system and global leadership. The United States aims to establish a balance equation, particularly in East Asia, challenging China's regional dominance to hinder its pursuit of international objectives. Conversely, China seeks to achieve an international balance equation, challenging the United States' sole hegemony in the international system. This dynamic anticipates a shift from the current unipolar system toward an alternative international order where China's influence aligns with its power in global affairs.

Additionally, global economic trends indicate that growth will remain restrained, primarily attributed to major economies' contractionary fiscal and monetary policies. A notable concern is the substantial increase in interest rates. The persistent hike in food and raw materials prices is expected to remain a global issue amid a scarcity of global investment and escalating geopolitical tensions, particularly in the Middle East. To counteract these challenges, central banks are likely to frequently reduce interest rates to stimulate global investment and foster growth. This, in turn, may lead to a global increase in government debt levels, potentially contributing to financial crises and heightened societal challenges.

Conflicts and political crises have significant implications for the global economy. Following the Russia-Ukraine war in 2022, Operation Al-Aqsa Flood in 2023-2024 intensified concerns, particularly impacting global trade and energy supplies. The economic outlook is expected to deteriorate if the conflict in the Middle East persists or expands. On a different note, the expanding use of AI applications is poised to bring about positive effects, particularly those related to enhancing productivity and well-being. However, there are apprehensions about potential security risks associat-

ed with the increasing prevalence of AI. The heightened international competition is driving an increased inclination toward establishing and expanding economic blocs worldwide. However, despite proposed ideas and plans, only a few of these blocs are proving effective. One noteworthy initiative involves the search for an alternative to the dollar despite the numerous strengths and factors for the continued dominance of the US currency. Nevertheless, the dollar is not immune to decline, facing real threats growing both in the short and long term. To gauge the global economic climate in 2024, four influential factors can be identified, each with the potential to either contribute to stability or disrupt the status quo: the resolution of geopolitical tensions surrounding energy, metals and food prices; the trajectory of global interest rates; effective management of government debt; and successful containment of China's real estate crisis.

As international relations become increasingly complex, with countries resorting to force for conflict resolution as the international system grapples with a state of weakness marked by the absence or disregard of standards and rules, global insecurity is poised to intensify. This escalation will manifest in heightened competition over non-traditional elements of power, prompting nations to bolster their military capabilities with the latest weapons and technologies. Modern advancements such as drones, hypersonic missiles and asymmetric warfare capabilities will come to the forefront. The resulting competition and tensions will extend across various domains, including AI and the race for cutting-edge technology, electronic chips and critical metals. Against the backdrop of global economic and political rivalries, countries, and even major private entities, will race to conquer space and other non-conventional security areas. This trend will further manifest in clashes in new security and geo-strategic environments,

such as the Arctic region, as these areas become pivotal tools for securing power and control in the future.

The current regional and global cultural and intellectual landscape and religious scene throughout the Islamic world appears poised to experience wrangling, rivalry and revisions. It is expected that the Saudi religious establishment will continue on its path of embracing moderation via the media, striking a balance between the traditional religious heritage and the era of openness. The establishment will give precedence to the jurisprudential opinions that focus on the core objectives of Islamic law enshrined in its overall purpose or intent (*maslaha*). It will draw a separating line between essence and attributes and between specific and conjectural ordinances. Yet, it is likely that Al-Azhar, under its current grand imam, will maintain a distance between the establishment and the executive branch of power, with the influence of Dar Al-Ifra increasing. However, significant changes could be seen in the entire religious landscape if the grand imam is replaced or its constitutional status changed. As regards the Islamist groups, the fragmentations within the MB wings in Egypt and Turkey are expected to persist, with the Tunisia offshoot continuing to be marginalized.

With regard to ISIS and al-Qaeda, they will likely continue to decline following the killing of their influential founding commanders. Still, there could be some lone wolf attacks, which are usually difficult to curb or control. Lone wolf attacks do not actually reflect the actual effectiveness or capability of the organization, so one cannot rely on these to assess the actual capabilities of ISIS or al-Qaeda.

Differences remain unresolved between the Qom and Najaf seminaries — cutting through the Shiite religious hierarchies. There are also rifts between the Iranian religious factions and their Sunni rivals, represented by heavy-weight Sunni scholar Molavi Abdulhamid. On

the other hand, there are Western pressures on nations to embrace homosexuality, approve homosexual slogans and end impediments to their propagation. The West is attempting to include homosexuality within the framework of human and minority rights, regardless of the religious and local sensitivities of each society — with the overarching objective of imposing this practice on all societies. Regarding the rise of the far-right, its prominence will continue in certain countries more than others. We find some governments employ the far-right politically, leveraging it to legitimize their existence, such as in India and Israel. Yet it may die down in some European nations, some of whom have started to come up with mechanisms to criminalize the burning of holy books and the defiling of religious symbols.

In the context of regional developments, the question of Palestine has reemerged as a central and primary concern for both regional and international actors. This resurgence is attributed to the conflict sparked by Operation Al-Aqsa Flood and the subsequent extensive Israeli war, which exposed a clear Israeli inclination toward plans for the forced displacement of Palestinians in Gaza. The intention appeared to extend to the West Bank, aligning with Israel's ultimate goal of “torpedoing” the Palestinian issue. However, Palestinian and Arab awareness thwarted Israeli ambitions, with the Arab-Islamic summit in Riyadh playing a crucial role in resisting Israeli encroachment. The Israeli war in Gaza has contributed to renewed regional tensions, prompting various regional entities to enter the fray, each with specific calculations and projects in the Middle East. The conflict has also left a lasting impact on Israel, the Palestinians and regional security. The Houthi escalation against international trade ships further complicates regional dynamics, influencing the direction of regional reconciliations and their implications for various files, including normalization

and the resolution of the Palestinian issue. The strong US support for Israel in the all-out war in Gaza has added another layer of complexity, affecting the regional and international stance toward the Western camp.

Furthermore, several regional actors have realized that addressing internal crises and resolving outstanding issues can alleviate the burden and external pressures exerted by international actors. Recognizing that international powers may exploit regional differences to advance their interests, regional powers have actively pursued reconciliations and settlements to bolster their interests and influence in both regional and international systems. This collective effort aims to establish a new geopolitical reality in the Middle East that safeguards the interests of all parties, leveraging their respective capabilities and regional and international dynamics. The enduring Saudi-Iran reconciliation amid regional tensions is a testament to the region's conviction in this approach. This is further underscored by Turkey's collaboration with Saudi Arabia, Qatar and the UAE, indicating a shared understanding of the value of regional alliances and partnerships. Turkey, acknowledging the importance of intra-regional relations, particularly with the Gulf states, aims to strengthen these ties. This collaboration becomes particularly evident in the united stance of the Gulf states and Turkey concerning the war in Gaza, advocating for an end to the conflict, endorsing the two-state solution, and supporting the establishment of a Palestinian state based on the borders of June 1967.

This trend of reconciliation prompted Iran to foster ties with Egypt, yielding results that, although currently modest, suggest the potential for deeper cooperation. For these two regional nations to forge comprehensive relations in 2024, concerted efforts will be required. However, the Egyptian government appears to be cautiously navigating these po-

tential relations, considering its interests tied to the Gulf states and international actors. Additionally, the reconciliatory atmosphere has facilitated Arab openness toward Syria. This newfound approach provides Damascus with the opportunity to participate in Arab affairs and contribute to resolving critical issues such as the return of Syrian refugees, the reconstruction of the war-torn country and the delivery of humanitarian aid.

In the Gulf states, there is a noticeable surge in awareness regarding the strategic imperative of collective action and the need to diversify external alternatives. This strategic shift aims to bolster domestic security and stability while maximizing gains and advancing interests on the global stage. The goal is to neutralize the impacts of international transformations by forging partnerships with political and economic blocs and strengthening international relations through a more effective collective approach. The Gulf states are actively seeking to diversify their economies to mitigate the risk of economic crises linked to fluctuations in energy prices. They aim to capitalize on local and global opportunities to invest their financial capabilities, with a particular emphasis on developing renewable energy projects and investing in technology and AI. This strategy aligns with the broader objective of reducing dependence on oil and gas sources and achieving long-term sustainability. Analyzing the Gulf states' movements, directions and policies in 2023 reveals a pronounced shift toward joint collective action and diversification of alternatives, signifying a strategic repositioning.

Consequently, there is an anticipation that the momentum behind collective action among the Gulf states will intensify, positioning them competitively in the international system. The focus is also expected to increase on reducing regional tensions, capitalizing on the surge in oil prices for further growth

in the GCC countries, and diversifying income sources through strategic investments in clean energy, modern technologies and industries. This approach aligns with the ambitious development visions embraced by many Gulf states.

Regarding the African continent, its strategic and economic significance, coupled with prevailing international circumstances, drew world powers, including Russia, China, France and the United States, into this competitive arena to secure their interests. A consequence of this competition was the military coups in West Africa's Niger and Gabon. In East Africa, Sudan and Ethiopia experienced internal power struggles between national armies and parallel forces. The challenges presented by these developments cast a shadow over the continent's future, rendering it susceptible to risks and various scenarios. The trajectory ahead appears precarious unless the continent's countries proactively take the initiative to forge an independent path, thereby mitigating the risks associated with intense international competition in Africa.

Central Asian countries are contending with internal and external pressures spurred by international transformations, particularly in the aftermath of the Russia-Ukraine war. In response, they actively diversify their partners and foreign policy alternatives as a strategic imperative to navigate these pressures, alleviate the associated burdens, and safeguard their domestic security and stability. This collective movement mirrors the strategic shifts observed in the Gulf region. With a keen interest in expanding energy exports and international trade, the Central Asian countries are expected to witness growth in their international engagements with various actors, leading to a multiplication of foreign policy alternatives in 2024. Despite diversifying their partnerships, their relationship with Russia is anticipated to persist due to its strategic significance. Notably, countries like Uzbekistan and Kazakhstan

are experiencing an increased demand for gas, driven by economic and population growth, presenting new opportunities for Russian gas exports. Moreover, the Central Asian countries are poised to strengthen their ties with China, a nation with a robust economy reliant on continuous energy security. These countries fall within the ambit of the Chinese BRI. Given the escalating demand for rare earth elements, the Central Asian nations, possessing resources like lithium and cobalt crucial for electric batteries, are expected to explore new export markets and attract investments in 2024.

This trend is evident in the ongoing discussions and contracts with European countries and other partners, including India, and is anticipated to persist for the foreseeable future.

In terms of strategic developments in the Kingdom of Saudi Arabia, the year 2023 witnessed a significant translation of Vision 2030 into reality, marking a period where the implementation of the vision reached tangible milestones on the ground. As the year concluded, Saudi Arabia showcased remarkable efforts and substantial momentum, placing a strong emphasis on prioritizing its internal affairs. This was evident in the widespread and sector-specific deployment of development activities across the kingdom, with numerous initiatives reaching their targets ahead of schedule. The prevailing sentiment is one of optimism regarding the Saudi economy and internal modernization policies for 2024. These optimistic expectations are rooted in various factors, including the events and developments of 2023, the proactive approach of Saudi domestic policy, and the overarching goals of Vision 2030. Saudi Arabia will introduce several changes and reforms across various sectors, encompassing the economic, entertainment, social and military spheres. Additionally, the kingdom is expected to launch numerous projects tied to its commitments in 2024 and subsequent significant obligations, such as

hosting Expo 2030 and the 2034 World Cup. These endeavors aim to ensure a distinguished hosting experience, elevating Saudi Arabia's standing in alignment with its regional and international ambitions.

The internal policy of Saudi Arabia aligns seamlessly with its foreign policy, both geared toward realizing its aspirations and strategic vision. In 2023, Saudi Arabia embarked on a more defined trajectory in its geopolitical vision, actively engaging in external contexts and interactions. This approach aimed at fostering consensus, building bridges and contributing to global crisis mitigation. The continuation of this approach into 2024 is anticipated, given the escalating political and economic challenges amid the ongoing global chaos. Saudi Arabia aims to navigate these challenges strategically, safeguarding its economic and strategic interests. The kingdom seeks to leverage the strength of its economy and foster collaborative relationships with other nations to reach solutions that foster prosperity, peaceful coexistence, and positive interactions for both Saudi Arabia and its regional and global counterparts.

Concerning the Iranian landscape, persistent popular discontent arose because of economic deterioration, suppression of civil liberties and the government's inadequate performance in service areas. These factors portend a resurgence of popular protests in Iran throughout 2024. The upcoming parliamentary elections in March 2024 serve as a critical test for the ruling establishment, which aims to rejuvenate popular engagement. The Guardian Council's decision regarding the eligibility of "reformist" candidates will be pivotal. If a significant number of "reformists" are allowed to participate, it could reinvigorate citizen participation in the elections, reducing tensions and setting the stage for broader involvement in the subsequent presidential elections. However, if the Guardian Council continues its



previous practice of disqualifying “reformist” candidates, election turnout may further decline, potentially casting a negative light on the political system’s future stability. Amendments to parliamentary election laws and the “hardliners”’ determination to maintain absolute control over all state institutions suggest a preference for continued “hardliner” control rather than facilitating the return of the “reformists” to the political arena.

Throughout 2023, economic and living conditions in Iran grew increasingly challenging, marked by modest economic growth, diminishing per capita income, and a precarious financial and monetary situation. Despite improved oil exports and elevated price levels, these economic struggles translated into heightened levels of poverty, youth unemployment and malnutrition within Iranian society. The accumulated economic and financial challenges are unlikely to be swiftly addressed, with limited prospects for tangible improvements in living conditions anticipated in 2024. Even with the rise in oil exports, the Iranian government would likely be compelled to make stringent budgetary decisions, potentially curbing investment, development spending and financial support due to revenue scarcity. The government might resort to increased domestic borrowing and injecting liquidity without proper discipline, further exacerbating inflationary pressures and placing additional strain on the cost of living.

The demand for foreign exchange for trade, inflation hedging and local currency depreciation are expected to persist in Iran. US sanctions will pose ongoing challenges to the overall stability of Iran’s economy. The Iranian government will continue to find ways to navigate these sanctions, collaborating with China, Russia and certain neighboring countries to mitigate the economic repercussions. There is a possibility that Iran’s stance on the Gaza war and tensions in the Red Sea may

lead to the imposition of strict international resolutions against Iran, further prolonging domestic economic crises if implemented. The escalation of regional conflict could also pose global economic challenges. Despite Iran’s recent inclusion in BRICS, its economic conditions and sanctions are likely to limit its dealings with member countries and impede tangible benefits from its membership. After quelling the hijab protests, the Iranian government enacted a new hijab law aligning with its religious identity that acts as a source of its legitimacy. This move reflected the government’s effort to maintain its ideological reference, a crucial pillar for its survival. The ruling establishment fears that concessions on the hijab could undermine its legitimacy within the religious segments of Iranian society. Consequently, clashes over the hijab between the Iranian people and the political authority are anticipated to persist, alongside efforts by the government to suppress sectarian protests and prevent their escalation into a broader protest movement.

The Kingdom of Saudi Arabia and the Sultanate of Oman played instrumental roles in fostering a positive atmosphere and advancing the Yemeni political process. However, assessments based on indicators and data pertaining to Iran’s stance on the Yemeni crisis in 2023 suggest an unlikely positive role for Iran in the Yemeni political landscape. Additionally, Houthi attacks on Israel and maritime piracy seem more geared toward leveraging the conflict to boost their popularity in the Arab and Islamic worlds and enhancing their domestic influence rather than altering the dynamics of the Palestinian war. Consequently, the repercussions of events in Gaza may delay the signing of the UN envoy’s announced roadmap agreement in Yemen.

The Iranian strategy to enhance influence in Iraq appears more as a tactical shift than a reflection of strategic transformations. This

adjustment aligns with the prevailing internal, regional and international conditions affecting the Iranian establishment. It does not necessarily imply a departure from military approaches when deemed necessary, as demonstrated by the use of its paramilitaries against US targets, ostensibly as a means of pressuring Washington to cease its support for Israel in the Gaza war.

Iranian influence in Syria is poised to confront ongoing challenges, periodic escalations, and persistent targeting from both Israel and the United States. Iran will likely tread carefully, refraining from a robust response to safeguard its existing gains in Syria. Several factors will influence this approach, including internal opposition advocating de-escalation with Washington and Tel Aviv to prevent undermining national security. Additionally, the stance of the United States and Israel, developments in the Palestinian crisis and the Russian factor, alongside interactions with various actors in the Syrian file, will play a pivotal role.

With the onset of the new year 2024, Lebanon continues to grapple with the effects of the presidential vacuum crisis, political and economic turmoil, and security challenges along the Lebanese-Israeli border. Tehran, and by extension Hezbollah, are poised to persist in their strategy of exerting pressure on both internal and external actors involved in Lebanese affairs. This involves leveraging the specter of war and peace in Lebanon to secure additional gains and assert strategic preferences, capitalizing on anticipated shifts in regional and international dynamics.

Regarding Iran’s interactions with international powers, the year 2023 witnessed an unprecedented escalation in the conflict between Iran and the United States, closing the door to diplomacy. This trajectory points toward an intensification of indirect confrontations, fueled by a substantial clash of interests that are evident during the Israeli war on Gaza. The

possibility of a regional or even direct conflict looms, particularly given the electoral considerations influencing the dynamics of US-Iran relations. Prospects for a convergence of views on the nuclear issue between Iran and the United States appear remote, with Iran fortifying its nuclear capabilities and approaching the nuclear threshold. The accumulation of enriched uranium raises significant concerns and renders a return to the original nuclear agreement unlikely. Iran-Europe relations are contingent upon a delicate balance between sanctions and cooperation, influenced by Iran's involvement in conflicts such as the Russia-Ukraine and Palestine-Israel conflicts, alongside considerations such as the Iranian nuclear file and human rights.

Anticipated in 2024, Iran is likely to pursue a pragmatic approach in its interactions with Asian, Central Asian and Caucasus nations. This will involve fostering economic and security partnerships, facilitating high-level visits, and bolstering influence in a region deemed vital to Iran. Such efforts aim to enhance regional standing and mitigate security risks posed by the impactful advancements of certain global and regional players like the United States, Turkey and Israel.

Expected in the upcoming period, no substantial improvement is foreseen in Iranian-Pakistani relations. Regardless of Pakistan's geopolitical orientation, be it toward the West or East; progress hinges on Iran ceasing practices perceived negatively by Pakistan, including smuggling to evade sanctions. In addition, it must address border security concerns and stop the employment of Pakistani Shiites in its regional projects. Diplomatic efforts through reciprocal visits are expected to persist, seeking to mitigate contentious issues and establish common ground to sustain a basic level of amicable relations.

Despite the tension that characterized the relationship between Iran and Afghanistan

in 2023, Tehran is limited in moving toward a full-blown conflict. This is due to an Iranian understanding of the significant costs associated with engaging in a full-blown war against the Taliban, potentially depleting both military and financial resources, especially amid Iran's exposure to economic challenges. Moreover, American and European pressures, stemming from Iran's support for Russia in its conflict with Ukraine and uncertainties surrounding its nuclear program agreement, are further considerations in its calculation toward Afghanistan. Consequently, a cautious and anticipatory approach is expected to persist in their relations throughout 2024 unless the Taliban takes actions that escalate tensions with Iran.

Similarly, the visit of the Iranian president to certain Latin American and African countries reignited Iran's inclination to distance itself from the West and align with an international framework that opposes US hegemony. These visits represented an effort to break the isolation imposed on Iran and address its challenges independently from the West, including collaboration to mitigate the effects of ongoing sanctions. These trends are expected to evolve, with Iran further integrating into alliances that express opposition to the United States, particularly in the aftermath of the Israeli war on Gaza and the escalating tensions with the United States.

Overall, the international system is at a critical juncture, marked by the proliferation of competing alliances, with powers continuing to bolster their spheres of influence and engage in conflicting geopolitical and economic interests. The aforesaid are evident along global trade corridors that fall within geopolitical fault lines. Without major powers acknowledging the severity of this competition, which has escalated into conflicts in various regional spheres, the global stage is susceptible to further upheaval and an expansion of conflicts and wars. Such developments risk diverting

attention from addressing pressing global challenges, including climate change, the proliferation of unconventional weapons, the rise of terrorism and extremism, and waves of displacement and asylum. The Middle East stands out as a region particularly affected by the aforesaid factors. Given the region's rich history, diverse geography, abundant resources and cultural intersections, it will always be susceptible to becoming a major arena for chaos and instability. Relying on the current international system, with its fractured rules and mechanisms, for controlling conflicts and managing international crises has become challenging. This is evident in the international response to the Israeli war on Gaza, revealing a complete inability and disagreement over axiomatic rules of international justice.

# CONCLUSION AND TAKEAWAYS

Throughout 2023, the international order's persistent ambiguity influenced the dynamics between global and regional powers across various levels and geographical areas. The onset of 2023 marked the initiation of a hopeful initiative by the Kingdom of Saudi Arabia that aimed to foster regional stability and prosperity through addressing and resolving conflicts, disputes and challenges while exploring avenues for cooperation and conflict resolution. This promising Saudi endeavor culminated in the first quarter of 2023 with the China-brokered Saudi-Iran rapprochement deal.

The current global order is navigating a critical phase marked by the emergence of competing alliances and characterized by continual efforts to assert influence and conflicting interests, both geopolitical and economic. The aforesaid have been visible in the establishment of competing global trade corridors that are situated on political fault lines. Without major powers recognizing the seriousness of this competition, which has transformed into conflicts in various regional contexts, the entire global scene remains

**Ethiopia and Sudan:** Both East African countries are grappling with internal power struggles between their national regular armies and paramilitary forces.

**Gabon:** Amid the international competition over Africa, Gabon in West Africa experienced a military coup.

**Niger:** This West African country witnessed a military coup amid intense global power competition on the African continent.

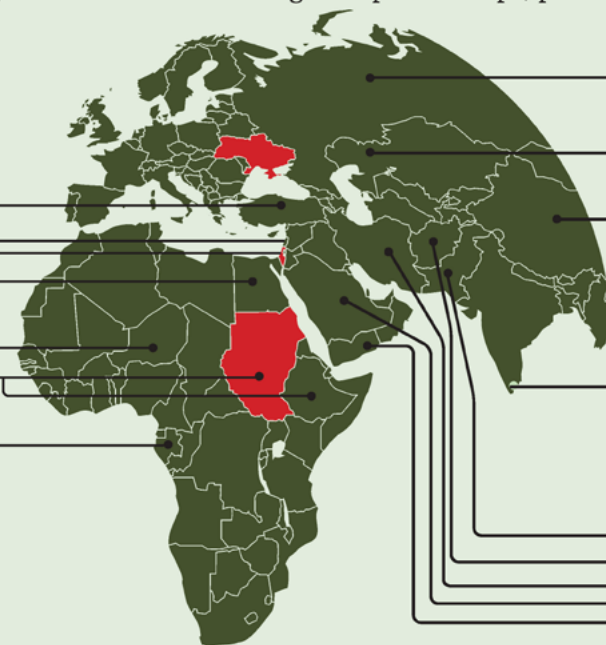
**Egypt:** The Egyptian government is strategically calculating its approach to establishing comprehensive relations with Iran, a calculus closely tied to its interests with the Gulf and global states.

**Palestine:** The eruption of the Gaza war and Israel's disproportionate use of force have once again brought the Palestinian question into global focus. This war is not only reminiscent of the violent origins of the Palestine-Israel conflict but has also ended the prospect of any Arab peace initiative.

**Israel:** Tel Aviv's full-scale war in response to Operation Al-Aqsa Flood reflected its intentions to implement plans for the forced displacement of Palestinians.

**Lebanon:** As Lebanon steps into 2024, it grapples with a presidential vacuum crisis, economic turmoil and heightened security tensions along its border with Israel.

**Turkey:** The Turkish government's collaboration with Saudi Arabia, Qatar and the UAE underscores its recognition of the value of regional partnerships, particularly with the Gulf states.



**Russia:** Russia remains adamant about securing its borders in light of NATO advances to counter any geopolitical ambitions that may challenge its sovereignty.

**The Caucasus:** The Caucasus and Central Asian nations hold crucial significance for Iran, and Tehran is expected to engage with them further to pursue its economic and security interests.

**China:** Beijing endeavors to establish an international balance, seeking to diminish the United States' unilateral hegemony and initiate changes in the prevailing unipolar world order.

**India:** The United States supports the India-Middle East-Europe Corridor project to counter China's Belt and Road Initiative that passes through the Middle East.

**Pakistan:** The improvement in Pakistan's relations with Iran is contingent upon Iran addressing security-threatening practices like smuggling and settling border security crises.

**Afghanistan:** Despite tensions between Iran and Afghanistan, certain deterrents prevent both countries from escalating the situation into a full-blown conflict. Moreover, Iran is well aware of the potential cost of this scenario.

**Iran:** The Iranian government's position on the Gaza war and tensions in the Red Sea may prompt stringent measures against Iran, potentially exacerbating its existing crises.

**Saudi Arabia:** Saudi Vision 2030 was translated into reality in 2023, contributing to positive outlooks for the Saudi economy in 2024.

**Yemen:** Saudi Arabia and Oman played important roles in facilitating the trajectory of the Yemeni political process, however, the unfolding events in Gaza brought confusion to the Yemeni scene, casting the country into a state of uncertainty.

— **The world powers:** US-China competition will continue to intensify, especially over economic interests and the nature of the international system.

— **Africa:** The strategic and economic significance of the continent has compelled global powers, including Russia, China, France and the United States, to compete for its land and wealth.

— **The Middle East:** The global landscape remains susceptible to further explosions and conflicts, with the region likely to bear the brunt of this unfortunate reality.

— **The GCC:** The Gulf states are increasingly realizing the necessity of collective action to ensure their security and stability vis a vis other political and economic blocs.

— **Central Asian nations:** Against the backdrop of the Russia-Ukraine war and the international competition over this issue, Central Asian countries are diversifying their partners and pursuing policy alternatives, similar to the collective action undertaken by the Gulf states.



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