

# The Middle East in 2019

DECEMBER 2018



## CONTENTS

2018 FORECAST SCORECARD	1
BICOM PREDICTIONS	2
INTRODUCTION: WHAT THE MIDDLE EAST MEANS FOR BRITAIN IN 2019	3
CHAPTER 1: THE TRUMP ADMINISTRATION VS. IRAN	4
CHAPTER 2: TOWARDS AN END GAME IN SYRIA	5
CHAPTER 3: THE NOT-SO SHADOW WAR BETWEEN ISRAEL AND IRAN	8
CHAPTER 4: SAUDI ARABIA'S ROLE UNDER QUESTION	9
CHAPTER 5: IMPROVING ISRAELI-ARAB RELATIONS	11
CHAPTER 6: ISRAELI ELECTIONS	16
CHAPTER 7: THE STABILITY OF ARAB STATES	17
CONCLUSION	19
APPENDIX   2019 EXPERT PREDICTIONS	20

Cover photo: Iranian President Hasan Rouhani, Russian President Vladimir Putin and Turkish President Recep Tayyip Erdogan at a tripartite summit in Ankara, 4 April 2018.

## 2018 FORECAST SCORECARD

The 2018 BICOM Forecast discussed several predictions for the coming year. Below is a summary of how accurate the forecast was.

### Correct

**The JCPOA Nuclear Deal:** “If the problems of the sunset clause, monitoring sites, and ballistic missile tests are not alleviated by the international community, there is a possibility Trump will announce the US is leaving the deal.” Trump did indeed leave the nuclear deal in May 2018.

**Turkey-Kurdish clash:** “A clash between Turkey and Kurdish forces is a real possibility in 2018. Erdogan remains deeply unhappy about Kurdish control of vast territory in the north-west (Afrin) and north-east (Kobani and Hasakah) of Syria and has vowed to oppose an autonomous and contiguous Kurdish region along Turkey’s border, for which Washington and Moscow are preparing the groundwork.”

**Gaza:** “The humanitarian situation shortens the fuse for a renewed conflict with Israel which is a significant risk for 2018. Hamas’s strategic challenges are exacerbated by new Israeli technology to identify and destroy offensive tunnels leading into Israeli territory.”

### Correct, different to how we thought

**Miscalculation in Syria:** “The sheer number of moving pieces in Syria – the regime heading south, Iran seeking to establish military bases, Israel becoming more active in preventing the establishment of Shi’ite militias, and Russia looking to maintain its dominance – are creating a combustible situation with high potential for miscalculation, error and rapid escalation between Israel, Iran and its allies.”

### What happened

There was indeed a clash between Israel and Iran over the skies of Syria in 2018. In May, a combination of Shia militias and the elite Quds Force of the Iranian Revolutionary Guard fired 20 Fajr-5 and Grad rockets at Israel. In response, Israel carried out what an IDF spokesperson called “the broadest Israeli attack against Iranian targets” including hitting 70 sites connected to the Quds Brigade and nearly all of Iran’s military infrastructure in the country. But the biggest miscalculation occurred in September when Syrian anti-aircraft missiles shot down a Russian surveillance aircraft killing 15 Russian servicemen.

### Wrong

**Israeli elections in 2018:** “Israeli governments rarely see out their full term. Since 1996, the longest time between elections has been 47 months and most governments in this period have fallen some time into their fourth year. As Israel approaches its 70th birthday in May, the potential trigger for an election is the threat of indictment facing Prime Minister Netanyahu.”

### What happened

The Israeli Government enters 2019 with a wafer-thin majority of 61-59 after Defence Minister Avigdor Lieberman resigned and his party left the coalition. Elections have to happen by November 2019 but will most likely take place in May or June.

## BICOM PREDICTIONS

Iran's economy will get weaker under US sanctions, investment and oil sales will plummet and European investment will diminish, but the regime won't negotiate with the US or leave the Joint Comprehensive Plan of Action (JCPOA) nuclear agreement. Instead it will try and wait out President Donald Trump's administration. The regime will respond aggressively to any internal domestic challenges.

Iran won't leave Syria. It currently deploys 3,000 personnel, mainly from the Islamic Revolutionary Guard Corps (IRGC), has established a local Syrian militia – the National Defence Force and Iranian companies have won civilian infrastructure contracts in Syria. The US will keep its forces in Syria to block any further Iranian expansion.

Iran is investing significant resources in a project in Lebanon to equip Hezbollah's arsenal of more than 100,000 missiles with precision guidance systems. This work is reported to be taking place in underground weapons factories. Whereas Israel has been able to counter attempts by Iran to do this in Syria with air strikes, it is significantly harder to do this in Lebanon.

Western Iraq will become a new front in Iran's war against Israel. IRGC commander Qassem Soleimani is overseeing the supply of Iranian ballistic missiles to Shia proxies to strike Israel. If Iran continues to use Iraq as a base for ballistic missiles, there may be Israeli airstrikes there in 2019.

ISIS will re-emerge as an insurgent force in Syria and Iraq in 2019, with nearly 30,000 fighters working to re-establish durable support zones, raising funds and rebuilding command-and-control centres.

The Idlib demilitarised zone faces a high risk of collapsing into conflict. Idlib's population numbers 3.5m (10 times that of east Aleppo) An assault on Idlib could send more than 250,000 Syrians refugees over the Turkish border. Use of chemical weapons by the regime will likely result in targeted airstrikes by the US, France and the UK.

Saudi Crown Prince Mohammad bin Salman's

(MBS) modernisation agenda and his purported role in Israeli-Palestinian peace talks have been severely diminished by the murder of Saudi journalist Jamal Khashoggi. To balance against Western pressure, Saudi Arabia may seek closer ties with Russia.

Israel and Hamas will avoid another war, but further cycles of violence are likely. It will be very hard to implement all the stages of a stabilisation agreement. The three main components of a deal are still on the table: a stable ceasefire, the rehabilitation of the Gaza Strip and the Palestinian Authority's (PA) return to Gaza following Fatah-Hamas reconciliation.

There is a real threat of instability and violence in the West Bank, despite close security coordination between Israel and the PA. In 2018 there was a substantial increase in terrorist attacks and attempted attacks. In 2018, 250 Hamas cells were arrested compared to 148 in 2017. Additionally in 2018, 530 attacks (including kidnappings, suicide bombings, shooting attacks) were prevented, compared to 400 in 2017.

An Israeli senior official – possibly even the Prime Minister – will make a public visit to another Gulf Arab country, perhaps Bahrain. Covert relations between Israel and Saudi Arabia will continue, it may give permission for Israeli airlines to fly over its airspace.

Israeli elections will be brought forward from November to May / June. Current polls put Prime Minister Benjamin Netanyahu's Likud party ahead. But the entry into the race of popular former Israel Defense Forces (IDF) Chief of Staff, Lt.-Gen. (Ret) Benny Gantz, a recommendation by the Attorney General to indict Netanyahu for bribery, or the roll out of the US peace plan, could impair Netanyahu's ability to form a coalition and emerge as Prime Minister after the election. An indictment before the election would shift political alliances and transform Israeli politics.

## INTRODUCTION: WHAT THE MIDDLE EAST MEANS FOR BRITAIN IN 2019

BICOM's fourth annual forecast is a guide to the issues and events that will impact the Middle East in 2019 and their potential strategic consequences.

Britain enters 2019 with a focus on Brexit and questions over its place in the international system. Yet the security and prosperity of all Western states will continue to be influenced by the Middle East which remains unstable and increasingly complex. The UK retains deep and enduring economic and security interests in the region including ensuring energy security, fighting terrorism and expanding trade and investment.

While predicting developments is extremely challenging, some major trends and issues are clear:

- It has been seven years since the so-called Arab Spring and the region continues to suffer from fractured states with long term legitimacy, socio-economic, security and resource challenges.
- Russia has become a major power in the Middle East – with a military presence in Syria, major arms deals with Egypt, Libya, and Turkey and heavy involvement in Middle Eastern energy markets.
- With ISIS more or less territorially defeated in Iraq and Syria, the question is now about where and how it, and other forms of Sunni jihadism may evolve, and who will fill the vacuum it has left.
- Iran continues to extend its political, economic, and militarily influence over a number of countries – from Lebanon to Yemen – although it is now facing pushback by Israel, the US and Gulf States.
- The US administration – which aimed to pivot away from the Middle East under President Barack Obama – is aggressively responding to Iranian nuclear issues and regional activity,



while seemingly torn between withdrawing its troops from Syria or maintaining a presence to frustrate Iranian aspirations to establish a permanent base in Syria.

The large number of overlapping issues that analysts and policy makers should be concerned about can be divided into six baskets:

1. **The Trump administration's policy and aims vs. Iran**, including the consequences of renewed snap back sanctions, British and European attempts to keep the nuclear deal in place, and the potential Iranian response.
2. **The beginning of the end of the civil war in Syria**, including: the sustainability of the Russia-Turkey demilitarisation agreement in Idlib; US strategy in the country; the challenge of international reconstruction; the future of foreign forces; and preventing an ISIS resurgence.
3. **The clash of Israeli and Iranian competing 'strategic logics' in Syria and Lebanon**.
4. **Saudi Arabia's regional policy and relationship with the West** following the murder of journalist Jamal Khashoggi.
5. **The Israeli-Arab and Israeli-Palestinian arena** including: the much-awaited Trump peace plan; the challenge of Gaza; Israeli attempts to normalise relations with Arab and Muslim states; internal Palestinian division and political dysfunction. Israeli elections are also due to take place in 2019.
6. **The stability of strategically important states facing acute governance and economic challenges, including Jordan and Egypt**.

## CHAPTER 1: THE TRUMP ADMINISTRATION VS. IRAN

### US Sanctions

Under renewed US sanctions, the Iranian economy will continue to weaken. Sanctions, renewed in 2018, first targeted automobiles, foreign currency, and gold, and then from November, Iran's oil exports and banks.

The effect on Iran's economy has been significant. In October the International Monetary Fund (IMF) forecast a 1.5 per cent decline in GDP in 2018 and 3.6 per cent in 2019. Oil exports are estimated to have fallen from 2.5m barrels a day before renewed US sanctions to 1-1.5m barrels

a day. The *rial* – which lost half its value against the dollar in the first 6 months of 2018 – is likely to fall further, and sharp inflation, 6.1 per cent in September, will continue.

**The European 'override' to bypass sanctions will fail.** European powers led by Britain, France and Germany have been trying to establish a sanctions bypass route in the form of a "special payments entity" (SPE) that would facilitate payments related to Iran's exports – including oil – and imports, so long as the firms involved were carrying out legitimate business under EU law. However, other than its symbolic value in demonstrating European disquiet with Trump's unilateral withdrawal from the JCPOA, the SPE is unlikely to protect the Iranian economy from sanctions. If forced to choose, Western companies will almost certainly prefer to trade with the US rather than with Iran. Brian Hook, the US special representative for Iran, recently expressed confidence that almost no European firms were willing to risk US sanctions. This choice doesn't just apply to European companies. In December, Russia's largest oil producer Rosneft decided to quit Iran and the possibility of \$30 billion worth of joint Russian-Iranian investments in oil and gas projects. Despite this failure, the EU will try and convince Iran to stay within the JCPOA.

**Iran's response will be key.** A larger question is how will Iran will respond to US sanctions? Iranian policy is determined by the interplay between three forces: Qassem Soleimani, the commander of the IRGC Quds Force, who is pushing for a tougher policy with the US; President Hassan Rouhani, who advocates a more pragmatic approach; and Supreme Leader Sayyid Ali Hosseini Khamenei, who is understood to vacillate between the two.

A tougher response could be leaving the JCPOA, restarting elements of the nuclear programme currently on hold, and aggressively pushing back against US activities in the region.

On the other side of the spectrum, Iran may agree to renegotiate the nuclear agreement if it was the only way to prevent regime collapse. But because Iran's leadership believes the Trump administration's goal is regime change rather than a new agreement, the Islamic Republic is unlikely to go down this route. Therefore, neither

option seem likely at this stage.

**A more likely scenario is Iran will stay in the deal for the time being.** Iran does not want to lose the gains it received from the JCPOA – such as international recognition of its status as a nuclear threshold state once the deal sunsets. Iran values continued European support and, despite its bluster, Iran is also concerned about potential American action if it were to withdraw.

**In this context, Iran will try to muddle through economically and continue to observe JCPOA limits, while hoping for a different US President in January 2021** and trying to drive a wedge between the US and international community. However, while keeping to the terms of the deal, Iran may seek to increase the range of its ballistic missiles, which it capped at 2,000 km during JCPOA negotiations in order to ward off pressure and remove the issue from the nuclear deal.

**There is a significant risk that domestic unrest could spread.** Since a wave of protests against high prices and corruption erupted in dozens of cities in December 2017, women have removed their headscarves, truckers have gone on strike, and in August new anti-government protests began in 10 cities. Protestors have expressed dissatisfaction with the economic situation, Iran's regional adventurism, and sometimes even the regime itself. The Iranian regime's survival is currently not under threat, but will respond aggressively to any perceived domestic challenge.

## CHAPTER 2: TOWARDS AN END GAME IN SYRIA

**Syria remains a complex arena** in which various powers – including America, Russia, Turkey, Israel, and Iran – jostle alongside non-state militias such as Lebanese Hezbollah, Iran-backed Shia militias, Kurdish forces, and various Sunni opposition groups to advance their competing interests. As fighting continues, these forces will face off against one another in a variety of ways. Israel vs. Iran; Syria (and Russia) vs. Turkey in Idlib; Kurds (and the US) vs Turkey; and Russia vs. the US.

With the victory by President Bashar al-Assad and his allies in Aleppo, Eastern Ghouta and

southern Syria, the future of his regime looks secure. Yet tough policy questions will face decision-makers in the coming year.

*“Iran will try to muddle through economically and continue to observe JCPOA limits, while hoping for a different US President in January 2021.”*

### 2.1: The US: between destroying ISIS and blocking Iran

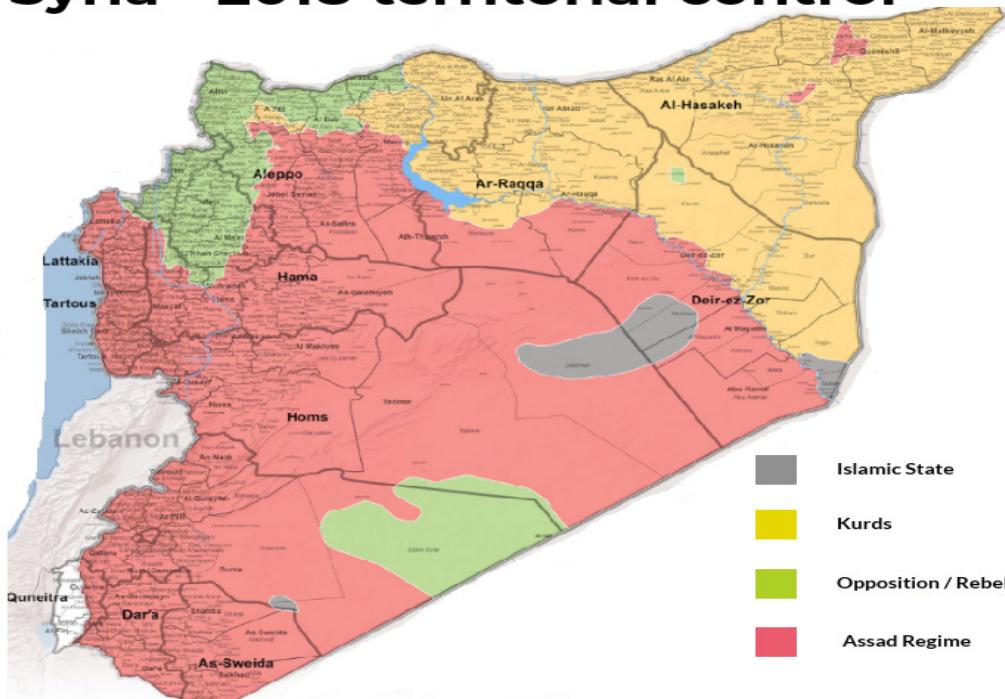
A prompt US withdrawal from Syria – as suggested by President Trump in March 2018 – is highly unlikely in 2019, and clashes between American troops and Iranian sponsored militias in Syria are a possibility. At the core of US Syria policy lies a dilemma in which Trump's “America First” isolationist instincts clash with the advice of his officials. The debate in Washington continues over whether to lead efforts with regional partners against Iran's plans in Syria, or to focus narrowly on defeating ISIS.

The modest US Special Forces presence (numbering 2,000–4,000 troops) in the al-Tanf base in southern Syria – as well as several other US controlled bases and airfields from Manbij to Al-Hasakah – are primarily focused on preventing the reconstitution of ISIS's territorial-base, a policy more or less achieved. In March, Trump announced his intention to pull US forces out of the country “very soon.” In September National Security Advisor John Bolton confirmed that American troops would not withdraw until all Iranian forces and proxies are gone. US Secretary of State Mike Pompeo has listed Iran's withdrawal from Syria as one of 12 preconditions for removing sanctions. Over the last year there have even been isolated incidents of American forces shooting down Iranian drones or bombing Shia militiamen when they felt at risk and this could continue in the coming year.

### 2.2: Russia, Turkey and the demilitarisation agreement in Idlib

The Idlib demilitarized zone, agreed between Russia and Turkey, faces high risk of collapse into conflict in 2019. In September, the two states agreed to create a 15-20 km demilitarised zone between Syrian government forces and rebel fighters in the Idlib province, to prevent a regime assault. However, Western states including the UK have

# Syria - 2018 territorial control



concerns that the agreement may not ultimately prevent conflict, and a disastrous regime assault on Idlib is a distinct possibility. Idlib's population of 3.5m, (10 times that of east Aleppo which fell after a long and bloody battle in December 2016) includes hundreds of thousands of displaced persons from other areas in Syria. Idlib is the last bastion for the rebel opposition, which consists of a plethora of groups backed by the Turkish military, as well as up to 10,000 al-Qaeda-linked fighters. Turkish intelligence estimates than an assault on Idlib could send 250,000 Syrians to the Turkish border, adding to the 3.5m Syrian refugees in Turkey already.

**The demilitarisation agreement is inherently unstable.** While Russia has committed to restrain the Assad regime, it is unclear whether Turkey can force the rebel groups to disarm, let alone leave. Putting aside the arbitrary distinction between 'legitimate' anti-government rebels and jihadi terrorists, none of these groups are willing to entertain a Russian or Assad regime presence in Idlib. In 2019, the sides are moving towards one of two alternatives: negotiated surrender, which is highly unlikely for the more extreme rebel groups who are committed to Assad's overthrow, or military assault and ultimately capitulation.

**Chemical weapons use by the regime could lead to Western bombing of more regime targets.** In September, Foreign Secretary Jeremy Hunt, Defence Secretary Gavin Williamson, and National

Security Advisor Mark Sedwill were reportedly involved in discussions about the appropriate response in the event of another chemical weapons attack in Syria. US National Security Adviser John Bolton said the US, Britain and France had agreed that any further use of chemical weapons by Syria would prompt a "much stronger response" compared to previous air strikes.

**Regardless, the UK and Western states will come under pressure to offer humanitarian relief.** In November, the head of Syria's White Helmet volunteers told Foreign Secretary Jeremy Hunt that the West must do more to protect millions of civilians still in extreme danger and warned that reconstruction should not begin without justice or accountability. But the West has stayed largely on the sidelines in the face of Assad's campaign against (non-ISIS) rebels and it is difficult to imagine the UK and others intervening. However, another huge flight of refugees would lead to demands for humanitarian support on already stretched international donors and aid agencies and could accelerate the flow of refugees into Europe, especially if Turkey refuses to absorb additional numbers.

## 2.3: Reconstruction and Refugees

Last November, UN Special Envoy for Syria Staffan de Mistura said his lower estimate for Syria reconstruction was \$250 billion with other

estimates placing the figure much higher. Yet with Russia, Iran, and China unwilling to pay for rebuilding Syria, the Assad regime and its sponsors are looking ‘Westwards’ for the money. Russia may also push for the return of refugees in Lebanon, Jordan and Turkey into Syria in 2019.

**The US and its European allies have long demanded a political process** leading to an election under the terms of UN Security Council Resolution 2254, adopted in December 2015. Britain supports a faltering UN-led process to establish a constitutional committee as a stage towards elections. The EU says no reconstruction assistance will take place until a credible, genuine and inclusive political process is underway. A process that meets Western aspirations is improbable whilst Assad remains in power, meaning a significant Western commitment to reconstruction is highly unlikely in 2019.

#### 2.4: Turkey and the Kurds

Another major risk in 2019 is that Turkey carries out its threat to launch an all-out war with the Kurdish People’s Protection Units (YPG) in northern Syria. Turkey is determined to prevent the establishment of a Kurdish entity in Syria similar to the one that exists in northern Iraq. In October, Turkey’s President Recep Tayyip Erdogan issued a “final warning” for US-backed Kurdish fighters to retreat from sensitive border areas; and Turkey fired on US-backed Syrian Kurdish operatives in northern Syria and in mid-December said a military operation east of the Euphrates river would start in a “few days”.

**US Secretary of State Mike Pompeo has made it clear that the US does not intend to drop the YPG and Democratic Union Party (PYD)** as its partners in Syria and US Central Command defines everything it does in northeast Syria as Kurdish governance and stabilisation efforts. In fact, the US seems to be strengthening its alliance with the Kurds, who hold almost 30 per cent of Syrian territory.

*“Western Iraq is also becoming a new front in Iran’s war against Israel. IRGC commander Qassem Soleimani is overseeing the supply of Iranian ballistic missiles to Shia proxies to strike Israel.”*

With US forces deployed in the region and controlling the air space, clashes between Turkey and the YPG could increase tension between the US and Turkey, and cause a serious escalation between Erdogan and the Trump administration. Turkey may ultimately seek to capture a couple of towns east of the Euphrates, but a major military operation against the explicit wishes of the US is unlikely.

**The Kurds could even enter dialogue with the Assad regime over autonomy.** As long as the Kurdish parties feel confident in the American commitment and support, they will stand their ground. But if their perception about long term US commitment wanes, the Kurds could continue discussions with the regime over some form of a decentralised autonomy agreement.

#### 2.5: ISIS remains a threat

**ISIS threatens to re-emerge as an insurgent force in Syria and Iraq in 2019**, as highlighted by US Department of Defence assessments. US intelligence officials believe that it is reverting to an atomised, clandestine network of cells with a decentralised chain of command that still attracts about 100 new foreign fighters each month, according to the Chairman of the US Joint Chiefs of Staff Gen. Joseph F. Dunford. The US believes the group retains 30,000 fighters who are working to re-establish durable support zones, while raising funds and rebuilding command-and-control over its remaining forces.

**Beyond Iraq and Syria, ISIS’s global network will remain a significant threat in the coming year** with the movement’s affiliates in Egypt’s Sinai Peninsula, Libya, Yemen, Afghanistan, and western Africa. It also constitutes a direct threat to Europe, as illustrated by a recent revelation that Dutch officials foiled a large, multisite terrorist attack in September. Russell Travers, the acting head of the US National Counterterrorism Center, recently told senators in Washington that ISIS’s “global enterprise of almost two dozen branches and networks, each numbering in the hundreds to thousands of members, remains robust.”

**The terror threat to the UK will remain potent**, including from returning fighters from Syria and those who never made it out in the first place. British Maj-Gen Felix Gedney, deputy commander of allied operations against ISIS, warned that British

citizens are present in Syria “and it is obviously a problem. It is not for me to say how we deal with them, but we do need to deal with them, otherwise they would be after us again and try to carry out terrorist attacks.” The head of national counter-terrorism policing, Metropolitan Police assistant commissioner Neil Basu, has warned that “frustrated” ISIS supporters who are prevented from travelling to the group’s territories abroad may launch terror attacks in Britain instead warning “the threat was already here – and there are still plenty of aspirant or frustrated travellers who now have nowhere to go.” Of an estimated 900 people of “national security concern” who travelled from the UK to Syria, around 20 per cent have been killed and 40 per cent have returned although a significant proportion have been assessed as no longer being of national security concern. Europol’s annual terrorism report in June 2018 said the UK suffered more deaths from terror attacks than any other country in Europe in 2017, and security services thwarted one plot a month.

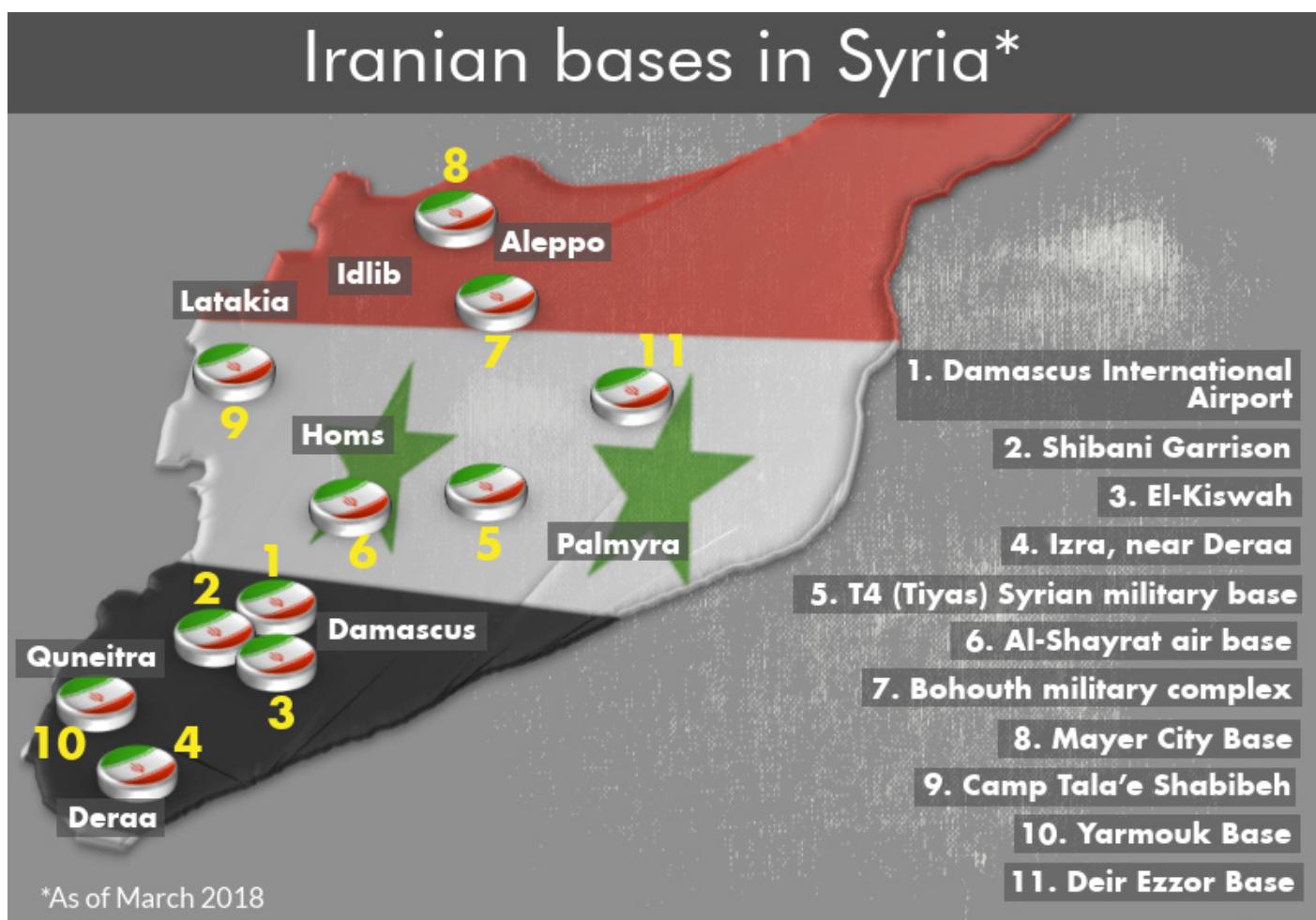
## CHAPTER 3: THE WAR BETWEEN ISRAEL AND IRAN IN SYRIA

### 3.1: Iranian entrenchment in Syria

Iran will continue to pursue its strategy to entrench its position in Syria, triggering further Israeli military responses. Iran seeks to fill the void created by the collapse of ISIS and create a zone of influence through Iraq, Syria and Lebanon up to Israel’s northern border. Yet with Israel committed to preventing this, the risks of escalation remain high.

Israeli intelligence believes Iran’s initial plans were to deploy 100,000 Shia combat troops in Syria by the end of 2018, as well as establish naval and drone bases, and military industries within Syria to equip Hezbollah’s missiles with precision guidance systems.

Israeli operations, including more than 200 air strikes in the last 18 months – have destroyed much of the network of Iranian bases and installations including aerial capabilities at the T4 airbase and Syria’s military industries being used by Iran. Russia has also prevented Iran from building maritime capabilities.



**But Iran cannot be forced to leave Syria.** Despite the setbacks, Iran currently deploys approximately 3,000 military personnel, mainly from the IRGC in Syria. Iran has been able to spread its influence in other ways. It set up the local Syrian – and thus “non-foreign” – National Defence Forces. There is also evidence of Hezbollah personnel and other pro-Iranian Shia militiamen in Syrian Arab Army uniforms among the regime forces returning to the Israeli border area on the Golan Heights. Iranian companies have won civilian infrastructure contracts in Syria, and the Iran-backed Islamic charitable foundation Jihad al-Binaa is working on large projects to rebuild schools, roads, and other infrastructure in Aleppo and other towns, as well as providing aid for the families of deceased Iran-backed Syrian militiamen.

**Russia is the only actor who has potential leverage over Iran, but is unwilling to force it to withdraw.** In July, Russian Foreign Minister Sergey Lavrov called the US and Israeli demands for Iran's full withdrawal from Syria “absolutely unrealistic”, making further Israeli military activity to curb Iranian activities inevitable.

### 3.2: The Russian role

**The de-confliction mechanism between Israel and Russia will be tested further in 2019.** The communications channel which prevented Israeli airstrikes against Iranian forces in Syria from clashing with Russian interests was damaged by an incident in September when Syrian anti-aircraft missiles shot down a Russian plane, whilst targeting Israeli jets and Russia blamed Israeli conduct. Israel has carried out at least three strikes since the plane was shot down. But tension between the sides remains. Israeli security officials believe that the Russians are trying to force Israel to accept new rules of coordination that would impair the effectiveness of Israeli attacks. There are also reports of Russian air defence radars in Syria activated in connection with Israel's air force activity in northern Syria.

**S-300 systems could be a game-changer – but it depends who operates them.** Complicating the situation in Syria further is the expected activation of advanced S-300 anti-aircraft batteries recently delivered by Russia to the Syrian regime, significantly upgrading Syrian anti-aircraft capabilities. Israeli officials have hinted that if the batteries fire at Israeli planes they will be destroyed,

which contains the potential for heightened tension with Russia, especially if there are joint Syrian-Russian teams operating the system.

### 3.3: Iran's Lebanon focus heightens the risk of an Israel-Hezbollah conflict

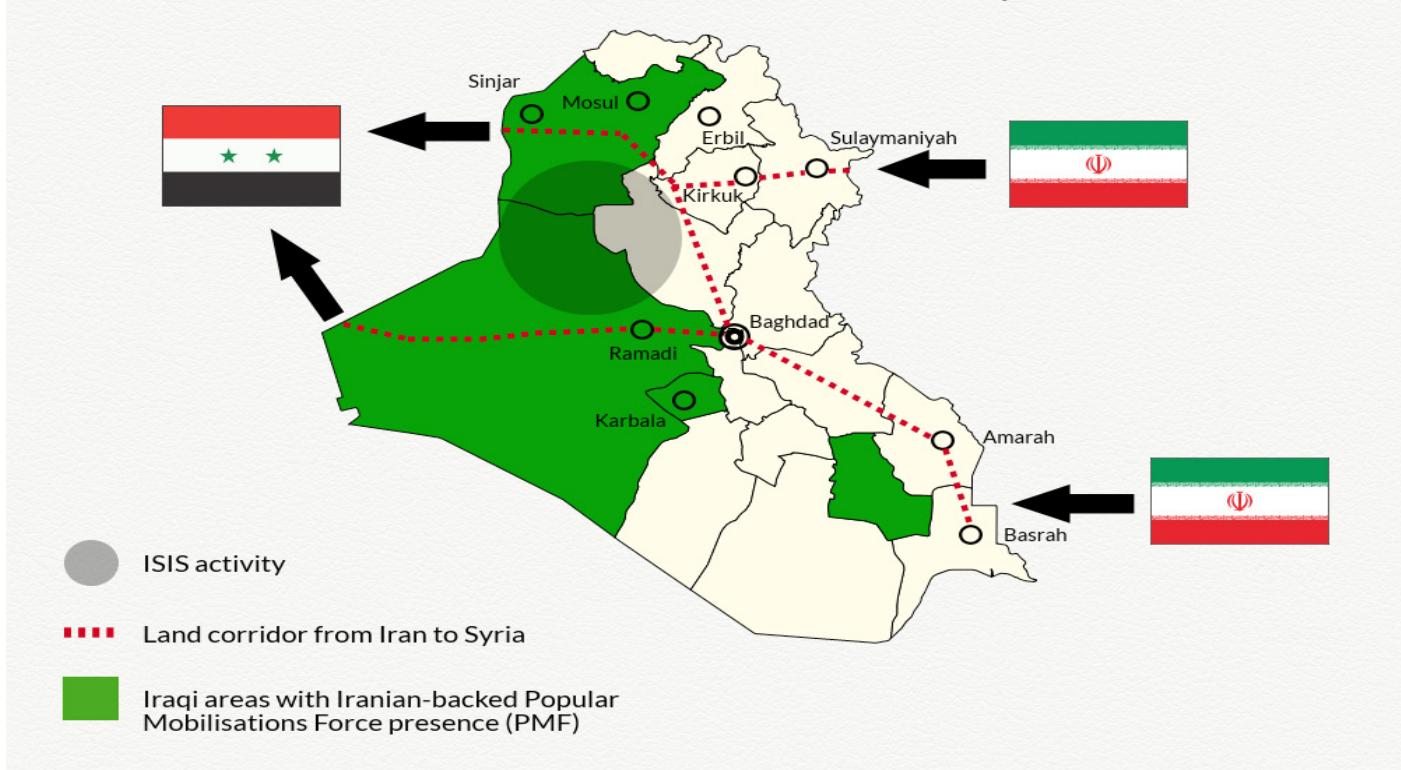
**Iran's focus has moved from Syria to Lebanon.** Iran has found it hard to build up military industries in Syria due to pressure from the Russians and economic difficulties. This has led the Iranians to increase efforts in Lebanon, which carries a significant threat of military escalation in 2019. Most worrying for Israel and Western policy makers are Iranian attempts to build underground facilities, including in Beirut, to convert Hezbollah's arsenal of over 100,000 missiles with precision guidance systems. Whereas Israel has been able to counter Iranian activity in Syria, it is significantly more difficult for it to do so in Lebanon.

**Iran and Hezbollah attach great importance to the ‘precision project’,** viewing it as a means to create a balance of deterrence against Israel. The focus on quality over quantity has changed the scope and severity of the threat against Israel and provides Israeli decision makers with a serious dilemma. Any pre-emptive Israeli strike in Lebanon would almost certainly lead to a wider conflict between Israel and Hezbollah that both sides are loathe to undertake. But the alternative of standing by and allowing Hezbollah to significantly upgrade the quality of its missile arsenal is extremely dangerous for Israel.

**Israel will seek to utilise international pressure on Hezbollah and Lebanon.** In 2019 Israel will issue warnings, similar to those made by Prime Minister Netanyahu at the UN General Assembly in September, to try and push the international community to act against this military build up, which may gain greater traction now that Hezbollah's tunnel project has been exposed. But with limited tools available to the international community to weaken Hezbollah, Israel may feel its range of policy options are limited.

**Hezbollah, reportedly soon to be proscribed in full as a terrorist organisation in the UK, will continue to grow stronger.** Iran provides approximately \$700 million a year in funds, weapons and ammunition and the group is deeply involved in Syria, Iraq and Yemen, while simultaneously consolidating its power within Lebanese state institutions.

## Iranian influence in Iraq



In another move that could cause escalation in 2019, Hezbollah has sought to strengthen its position in southern Syria alongside the border with Israel, contrary to de-escalation agreements. In November, the *Wall Street Journal* reported that Hezbollah was paying former US-backed rebels to switch sides and join a growing force in southern Syria near Israel's border and had recruited close to 2,000 fighters.

**Western Iraq is also becoming a new front in Iran's war against Israel.** International and Iraqi sources report that Quds Force commander Qassem Soleimani is overseeing the supply of Iranian ballistic missiles to Shia proxies that can strike Israel.

In June, Israel reportedly bombed a town on the Syrian-Iraqi border which housed members of an Iraqi Shia militia and Iran's elite IRGC. If Iran continues to use Iraq as a base for ballistic missiles, there may be more Israeli strikes in 2019.

## CHAPTER 4: SAUDI ARABIA'S ROLE UNDER QUESTION

### 4.1: Saudi Arabia after the Khashoggi murder

Saudi Arabia will attempt to restore momentum to its ambitious reform agenda and get out of the shadow cast by the Khashoggi murder. This

will include reaffirming its position as the leader of a more assertive Sunni Arab camp against Iran. The Saudi '2030 project', led by 33 year-old Crown Prince MBS, had created optimism amongst Western policy makers that it would foster a successful model of development for the Middle East, which could counter radical extremism. The first half of 2018 saw Britain, and other Western states, embrace MBS as he pursued a global charm offensive aimed at attracting massive foreign investment for his economic diversification plans.

**The stability of the Kingdom remains an important British interest,** not only because of global oil supplies, but as an economic partner. The country is Britain's largest market in the region, with exports worth nearly £5bn in 2016, and Britain is the second largest investor there. In March, the UK and Saudi Arabia launched the "UK-Saudi Strategic Partnership Council," a new initiative to support Saudi Arabia's economic reforms and boost bilateral cooperation in defence, security, education and culture. The Prime Minister's official spokesman said at the time that the initiative would "usher in a new era of bilateral relations, focused on a partnership that delivers wide-ranging benefits for both of us".

Yet even before the brutal murder of Saudi journalist Jamal Khashoggi, MBS's foreign policy decision making was considered erratic with

serious questions asked over his decision to impulsively impose an embargo on Qatar, recklessly coerce the resignation of Lebanese Prime Minister Saad Hariri (which was later rescinded), disrupt relations with Canada over an innocuous tweet, which criticised Saudi Arabia's human-rights record and prominent involvement in the Arab Coalition in Yemen.

**MBS's personal image has been severely damaged by Khashoggi's murder** with members of the royal family questioning his suitability for the throne. Some of the Kingdom's domestic reforms – spearheaded by MBS – have engendered opposition while the Crown Prince's bold economic, cultural and religious reforms and his anti-corruption drive – which saw the mass incarceration of royals and entrepreneurs last year – alienated important branches of the family, generated domestic resentment, and created uncertainty among the clerical establishment. As the throne is due to pass from father to son (rather than brother to brother) for the first time, this opposition could come to the surface in unpredictable ways.

**The aftermath threatens to undermine the relationship between Saudi Arabia and many in the West.** The condemnation of Khashoggi's murder by Western allies represents a serious threat to Saudi Arabia's foreign relations. Jeremy Hunt initially said that if reports of Khashoggi's death were true, the British Government would treat the situation "seriously," adding that "friendships depend on shared values". Subsequently, the Foreign and Commonwealth Office said that the country was "exploring with EU partners the potential for an EU global human rights sanctions regime, which could address such brutal human rights violations." Most likely the UK, along with its Western allies, will continue treading a line between demanding accountability for the murder, whilst maintaining important strategic and economic relationships.

**The US will seek to draw a line under the Khashoggi murder,** whilst Congress, and especially a new Democrat majority in the House of Representatives, tries to apply pressure. President Trump has repeatedly emphasised the price of harming Saudi investments in the US, particularly in light of Saudi promises to spend \$110 billion on US weapons. Secretary of State Pompeo argued in an op-ed that "degrading

U.S.-Saudi ties would be a grave mistake for the national security of the U.S. and its allies" adding that "The kingdom is a powerful force for stability in the Middle East". Gaps exist between President Trump and leading Republican lawmakers, who are demanding a strong response to Saudi actions. Prominent Republican Lindsay Graham has even threatened to "sanction the hell out of Saudi Arabia" and big players in the high-tech and financial industries may be reconsidering their involvement in the Kingdom, with many cancelling their participation in the Future Investment Initiative conference in Riyadh.

**To balance against Western pressure, Saudi Arabia may seek closer ties with Russia.** Faced with rising tensions with Western powers, and with the Kingdom's influence over the global oil market shrinking, Saudi Arabia could seek closer ties with Moscow. The two countries have explored a potential arms deal, and a December decision to extend their deal to manage the oil market coupled with Putin's embrace of MBS at the November 2018 G20 summit could be a sign of things to come.

**Saudi Arabia's purported image as a moderniser, and its proposed central role in Middle East peace-making, may be over.** The US and Israel had pinned great hopes that MBS would act as an anchor in an alliance against Iran. The Crown Prince was also considered a potential major player in the Middle East peace process. Advocates of the 'outside-in' approach, in which the warming of ties between Israel and the Arab states (the so-called moderate Sunni axis) would facilitate progress on the Israeli-Palestinian track – or even pressure Palestinian Authority (PA) President Mahmoud Abbas to accept a deal approved by the Arab world – have taken a blow with the hit to MBS's reputation. The political capital spent by Riyadh to recover from these crises may come at the cost of other domestic and regional goals it wanted to pursue.

#### **4.2: The continuation of the war in Yemen**

**Despite peace talks, the war in Yemen shows no signs of ending.** The continuing war between the Saudi and Gulf backed Government of Yemen and Iranian supported Ansar Allah (commonly known as the Houthis) is very much a live policy issue in the UK. The war has killed thousands,

displaced more than 500,000, created a cholera epidemic, and approximately 14 million Yemenis are at risk of malnutrition and disease with the country requiring over \$4 bn for basic aid in 2019, an amount even greater than in Syria.

*“Despite close security coordination between Israel and the PA, there is a significant threat of instability in the West Bank.”*

Saudi Arabia is facing increasing international pressure to ease its naval blockade, and British arms exports to the Kingdom and role in training Saudi forces face greater scrutiny, with the Labour Party calling for an arms embargo. In November, Foreign Secretary Jeremy Hunt described the human cost of the war as ‘incalculable’ adding that “with millions displaced, famine and disease rife and years of bloodshed, the only solution is now a political decision to set aside arms and pursue peace.”

Diplomatic attempts, with the active involvement of the UK, have proven unsuccessful and little may change. The UK, which has given almost £500m in aid to help Yemenis since 2015, has proposed a UN Security Council resolution calling for an immediate truce in the Yemeni Red Sea port city of Hodeidah and guarantees of safe delivery of food and medicine, which was opposed by Saudi Arabia (with reports that MBS threw a fit when presented with the resolution). The factions did meet in Sweden in December to discuss a prisoner exchange and a limited ceasefire but it subsequently collapsed. The parties are due to meet again in early 2019 where talks may focus on a political transition. But even with additional pressure on Saudi Arabia in the aftermath of Khashoggi’s murder to help advance a ceasefire, progress is far from certain, with little Western leverage – or in the case of the US ‘will to significantly exert leverage’ – over the relevant stakeholders.

## CHAPTER 5: IMPROVING ISRAELI-ARAB RELATIONS; STUCK ISRAELI-PALESTINIAN TIES

### 5.1: The much delayed ‘Deal of the Century’

The Trump Administration will delay its peace plan until after Israeli elections in May / June. The Trump administration has been working on its so-called ‘Deal of the Century’ for over 18 months and continues to emphasise that it will be released when the US President and administration have “maximised its potential for acceptance, execution and implementation.” In December, presidential advisor Jared Kushner told CNN the plan would be released “in the next couple of months”.

Yet with likely early Israeli elections (potentially May or June) the administration faces a dilemma of whether to wait until after the results before presenting it. Presenting before the elections could turn the plan into a political football. Yet waiting until after a new government is formed could delay publication until August / September at the earliest. And the administration will be loathe to delay it until 2020 which is an election year in the US.

The contents of the plan have remained a deeply guarded secret, although various media reports have claimed it includes a Palestinian state based on land swaps (but not citing the pre-1967 line as the basis), a call for Palestinian sovereignty in East Jerusalem, avoiding evacuating either Jewish or Arab populations, accepting an Israeli demand to retain overriding security responsibility over the West Bank, and offering a future Palestinian state hundreds of millions of dollars of investment and aid, to be provided by Saudi Arabia and other Arab countries.

The US administration is believed to be acting according to three principles: everyone who comes to the negotiating table has to concede something and there are no unilateral concessions; anyone who leaves the negotiating table pays a price; anyone who says no to the plan risks having a worse plan from their standpoint next time.

**Demands for an Israeli concession.** Bearing in mind the administration has already moved its embassy to Jerusalem and cut funding to Unit-

ed Nations Relief and Works Agency (UNRWA) which provides services to Palestinian refugees and their descendants – both steps welcomed by the Israeli government and condemned by the Palestinians and international donors – future steps are likely to include some form of demand for an Israeli concession.

**Ultimately, if and when it is presented, the peace plan is unlikely to provide a basis for negotiations.** Abbas has boycotted the administration since Trump's Jerusalem announcement. The US decision to cut UNRWA funding, as well as closing the Palestine Liberation Organisation's (PLO) office in Washington, has strained relations even further. It is unlikely that any concession the Trump administration persuades Israel to give will be significant enough to tempt Abbas into the process. And a right-wing Israeli government would struggle to accept any American demand for significant territorial concessions. This equation may differ if there is a major change in the Israeli coalition after elections and a new prime minister. Yet even in the event of a new government coming to power, it would likely take some time to formulate its own policy on the Palestinian question.

**One key issue will be the response of the Arab world** with the US hoping to get buy in from Egypt, Jordan, Saudi Arabia and other Gulf states. But the failure of either side to accept the initiative will leave an unstable and uncertain diplomatic vacuum. Various European powers are keen to see progress on the issues, with rumours that French President Emmanuel Macron was considering launching his own initiative. If US diplomacy fails to make headway, the idea of European countries unilaterally recognising a Palestinian state could return.

## 5.2: The challenge of Gaza

**The humanitarian situation in the Gaza Strip remains dire,** with the World Health Organisation recently declaring that consuming contaminated water is liable to cause diseases like jaundice, polio, typhus, cholera and dysentery. Some 95 per cent of the water is undrinkable; unemployment is over 40 per cent and healthcare services are collapsing. Untreated sewage and contaminated water have also precipitated a situation where the outbreak of diseases in Gaza can spread to Israel due to the poor sanitary conditions.

**The international community has shown a willingness to try and ease the situation in Gaza with Egyptian and Qatari involvement.** Egypt has stepped up its efforts to forge a ceasefire agreement, dropping the immediate conditionalities between a Gaza rehabilitation programme and the Strip's takeover by the PA through inter-Palestinian reconciliation. In October, Qatar agreed to spend \$150m over six months in order to fund increased electricity in Gaza, pay the salaries of Gaza's civil servants, and provide aid for poor families for six months, all over the objections of the PA. Israel and Egypt have softened their attitude towards a Qatari role, notwithstanding their reservations regarding Qatari support of the Muslim Brotherhood and Hamas. These funds have alleviated some of the humanitarian issues, with the wastewater treatment plants back online, and the flow of sewage into the riverbeds and into the Mediterranean Sea and the streets in the Gaza Strip decreasing substantially.

**However, fixing Gaza's infrastructure remains hindered by a number of difficulties.** These include the absence of significant international donor funds, the lack of progress in Palestinian reconciliation, which can create an internationally recognised and trusted authority to manage infrastructure investment and operation, and Hamas diverting reconstruction materials to its own governance and military needs. None of the sides have yet discussed what happens when the Qatari six-month commitment ends in the second quarter of 2019.

**Tension between Israel and Hamas** – which escalated in late March during the Hamas organised March of Return which caused protests and rioting at the border fence – has not disappeared. Since March, the sides have alternated between limited escalation and unofficial discussions about some form of limited political agreement or ceasefire.

**The well-used truism that neither Israel nor Hamas want another war remains accurate** even after the conflict in November when 500 missiles were fired into Israel and the Israeli military struck 160 targets in Gaza. Prime Minister Netanyahu paid a considerable domestic political cost for accepting a ceasefire – which effectively gave more room for stabilisation efforts to succeed – with members of the coalition exploiting public frustration and demanding a tougher

response, and then-Defence Minister Avigdor Lieberman resigning and pulling his party out of the coalition. For Netanyahu and the IDF however, Israel's main strategic concerns lie in the north, where Iran is striving to build a formidable

*"Netanyahu's Likud party continues to lead in the polls, but the Israeli electoral system is dynamic, and several wildcards could change the balance."*

anti-Israel military front in Syria and Lebanon, and it has no interest in being dragged into a lengthy war in Gaza while preparing for a potential eruption in the north.

Yet it will remain extremely difficult for the sides to implement all the stages of a suggested stabilisation agreement. The outline of such an agreement – which remains on the table even after the latest round of violence – includes three main components: a stable ceasefire, the rehabilitation of the Gaza Strip, and the PA's return to Gaza following Fatah-Hamas reconciliation.

Each of the relevant players disagree over the definition of the agreement's terms. For Israel, a ceasefire means a complete absence of violence including the cessation of attempts to breach the border fence, flying incendiary kites and balloons and digging cross-border tunnels while Hamas sees it as merely the reduction in the violent demonstrations along the border.

At the same time, Hamas frames its expectations in terms of "lifting the siege" on Gaza, while Israel is focused on facilitating humanitarian and economic solutions without opening Gaza's borders to potential security risks such as smuggling of weapons and weapon-systems. There is also significant disagreement over sequencing, with Israel arguing a ceasefire must be achieved and Hamas prioritising rehabilitation.

Mahmoud Abbas's Palestinian Authority has maintained sanctions on Gaza, arguing that none of these steps can occur without internal Palestinian reconciliation. Yet reconciliation remains stuck on Hamas's demand to maintain a "Hezbollah model", in which it can be both part of the government but maintain its own military wing as well as Abbas's refusal to allow Hamas to join

the PLO. There is a small possibility that some type of agreement might be forged in which the PA relinquishes the principle of Hamas's immediate disarmament and enters the Gaza Strip gradually, where it would first take control of the government ministries and take over responsibility for taxation and only later manage security. But with so many players with differing interests this is unlikely.

The deadlock in Palestinian reconciliation puts the UK and the wider international community in a dilemma. On the one hand, the PA is the internationally recognised ruler in Gaza. On the other hand, with infrastructure crumbling and military escalation a real possibility, resolving the humanitarian situation in the Strip can ill afford to wait for Palestinian reconciliation.

Making any long-term ceasefire agreement even harder to implement is Israel's demand for the return of the bodies of Lt. Hadar Goldin and Staff Sgt. Oron Shaul and Israeli civilians Avram Mengistu and Hisham Al-Sayed being held by Hamas. The current Hamas demand for hundreds of its operatives to be freed in an exchange is considered unacceptable by the Israeli government. But after freeing over 1,000 prisoners in the Shalit deal, Hamas may be unable to accept a deal that is significantly different.

In light of these difficulties, the sides will likely move between limited military exchanges and ceasefire agreements but without managing to implement an agreement that facilitates significant humanitarian relief for Gaza.

### 5.3: Instability in the West Bank

Despite close security coordination between Israel and the PA, there is a significant threat of instability in the West Bank, with severe economic difficulties and ongoing Hamas attempts to carry out terror attacks. In 2018 there has been a substantial increase in the number of terrorist attacks and attempted attacks against Israelis in the West Bank. In 2018, 250 Hamas cells were arrested compared to 148 in 2017. Additionally in 2018, 530 attacks (including kidnappings, suicide bombings, shooting attacks and explosive charges) were prevented compared to 400 in 2017.

The Palestinians are approaching a serious leadership succession crisis with PA President, Chairman of the PLO, Mahmoud Abbas, who will be 84 in March, failing to appoint any successor or deputy. Such a crisis may not take place in 2019. But whoever ultimately assumes the leadership after Abbas (and it could even be a triumvirate of people) will have to contend with a constituency increasingly disillusioned with the peace process and may move toward a more rejectionist platform in order to compensate for any potential legitimacy deficit. The next Palestinian leader might even reject the bilateral negotiation track towards establishing two states, preferring instead to double down on an internationalisation agenda or a sustained campaign of non-violent resistance. Given how unpopular security coordination with Israel is for many Palestinians, those vying to succeed Abbas may feel compelled to suspend it, which in turn would significantly weaken the PA.

#### 5.4: Warming Israel-Gulf relations

This past year marked a significant improvement in public diplomacy between Israel and the Gulf States. In November, Qaboos bin Said welcomed Israeli Prime Minister Netanyahu to Oman, the first time since 1996 that an Israeli Prime Minister visited the country. The Omani Foreign Minister subsequently said: “We should consider giving equal treatment to Israel among the other countries in the Middle East” and that “the existence of the State of Israel is a fact that should not be ignored”. A week later, Israeli Transport Minister, Yisrael Katz, made an official visit to Oman for an international transport convention and Communications Minister, Ayoub Kara, participated in a conference of the International Telecommunications Union in Dubai. Prime Minister Netanyahu reportedly lobbied on behalf of the Saudi Crown Prince with President Trump, arguing that although the Khashoggi’s murder was ‘horrible’, relations with Saudi Arabia were more important. The Emiratis host what is essentially an Israeli diplomatic outpost in Abu Dhabi under the guise of the International Renewable Energy Agency, and rumours abound of regular meetings among Israeli, Egyptian, Jordanian, and Gulf intelligence chiefs. While neither side is emphasising the ties, Israel and Qatar have been quietly cooperating over Gaza. Bahrain’s king, Hamad bin Khalifa, has noted on several occasions that he opposes the anti-Israel boycott and has also allowed his

ministers and other representatives to meet with high-level Israeli officials.

However, as interests between Israel and the Gulf states and Saudi Arabia remain aligned, we should expect to see more symbolic visits. It would be unsurprising if a public ministerial visit between Israel and Bahrain took place in 2019. And while burgeoning Israeli-Saudi ties are unlikely to result in a joint public appearance in 2019 (despite rumours that MBS could help assuage American opposition to him by such a photo-op), the Kingdom could allow Israeli airlines to fly over its airspace which would significantly boost business ties between Israel and Asian countries.

At the same time, there remains a glass ceiling for these relations as long as Israeli-Palestinian peace remains distant and progress towards a two-state solution is stalled.

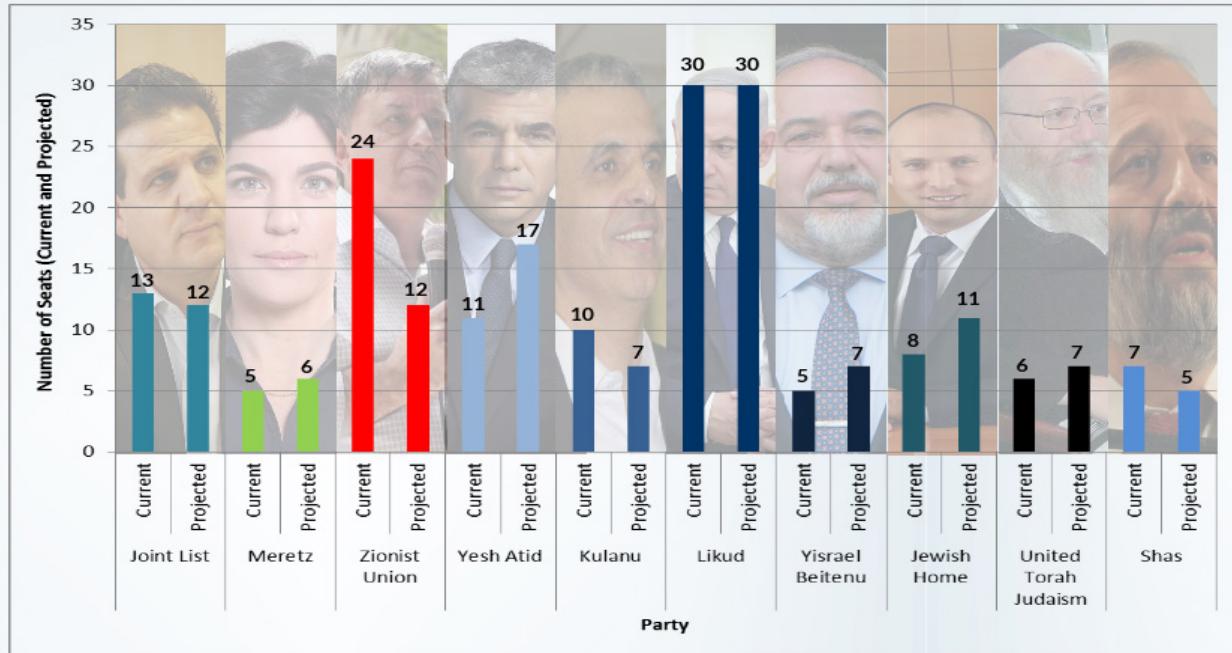
### CHAPTER 6: ISRAELI ELECTIONS

Israeli elections will take place in the first half of 2019, with the government due to enter 2019 with a slim 61-59 majority in the Knesset with weekly – and sometimes daily – crises involving the difficulty of mustering the majority needed to pass bills.

According to law, elections must take place by November 2019 in any event, but given the political instability following the resignation of Defence Minister Avigdor Lieberman they will inevitably be brought forward, most likely to May or June. The election will be followed by a coalition formation process which typically takes another one to two months.

Netanyahu’s Likud party continues to lead in the polls, but the Israeli electoral process is dynamic, and several wildcards could change the balance. The first potential wildcard is whether the Trump peace plan will be published (and whether its contents will be acceptable to the Likud party), although the plan’s roll out will likely be postponed. The second is the security situation and to what extent the public’s displeasure at the government’s handling of Gaza – where Hamas claimed ‘victory’ in the recent flareup – or even a future security crisis could hurt Netanyahu’s Likud party on election day. Polls showed that 70 per cent of the public were unhappy with the government’s handling of the Gaza conflict in November, although a few

# Israeli Elections: Latest Polls



months of quiet could dissipate this dissatisfaction.

A third wildcard would be the entry into the race of a charismatic alternative to Netanyahu, such as former Chief of Staff Benny Gantz, who is widely expected to throw his hat into the ring but whose diplomatic-security views are not clear. Gantz's entry, or even the unification of the so-called centre-left bloc could weaken Netanyahu and his allies, although based on the polls, Gantz also takes votes away from the centre-left Zionist Union and centrist Yesh Atid.

The fourth key issue is whether the Attorney General will indict the Prime Minister on corruption charges. In early December police recommended that Netanyahu be charged with accepting bribes, fraud and breach of trust in his dealings with Bezeq and Walla owner Shaul Elovitch, known as "Case 4,000". The Attorney General must now decide whether or not to indict the Prime Minister with bribery, fraud and breach of trust in three different cases. An initial decision from the Attorney General is expected by the end of March, but Netanyahu is then entitled to a hearing prior to a final decision to indict.

The shadow of investigations or even a potential indictment will undoubtedly influence the electorate, though in complex ways (for example, after the police recommendations were announced against Netanyahu in February, Likud support increased in

the polls). Likud is currently polling at around 30 seats, far higher than any rivals. And even in the lead up to the 2015 election, when Netanyahu's premiership looked under threat, he still managed to salvage victory.

**It is possible that even if Netanyahu manages to win the election, he will find it difficult to form a stable coalition with the threat of indictment hanging over his head.**

## CHAPTER 7: THE STABILITY OF ARAB STATES

The body blow dealt to the Arab state system in 2010 and 2011 means ongoing and in some cases worsening crises for several Arab states. This includes Egypt and Jordan, the two states with which Israel has full diplomatic relations, and which are also important allies to Western interests of promoting stability, avoiding new waves of illegal migration into Europe, and countering radical anti-Western extremism.

### 7.1: Egypt

Egypt is still confronted with significant domestic challenges, including a rapidly increasing population, an economy still in the process of a slow rebound and security challenges in the Sinai Peninsula and Western Desert. Democratic opposition and civil society have been

constrained since Muslim Brotherhood President Morsi was deposed in 2013, and President Abdel Fattah al-Sisi won a second term in office in 2018 with 97 per cent of the vote.

**Terrorism remains a problem.** Egypt has had some success in disrupting the Islamic State in Sinai. A mix of adding troop numbers to the region, convincing Hamas to cut its ties with the group, covertly working with Israel, and co-opting the local Bedouin population has helped the government push back against the terror threat in Sinai. Estimates of jihadi fighters in North Sinai have been relatively stable for a number of years — between several hundred and 1,500 — and if official Egyptian figures are accurate, the Islamic State's Sinai affiliate is growing. This in turn holds back the revival of tourism. Though in early November, Tourism Minister Rania al-Mashat noted that the number of foreigners visiting Egypt had increased by 40 per cent from September 2017 to September 2018, the British Foreign Office is still advising against air travel to Sharm el Sheikh.

**The overall economic outlook for Egypt is more positive.** The IMF has praised the central bank's "prudent monetary policy" and projects economic growth to reach 5.3 per cent this year and 5.5 per cent in 2019. The country also aims to become a regional hub for the trade of liquified natural gas (LNG) after several major discoveries in recent years, including the giant Zohr offshore gas field which holds an estimated 30 trillion cubic feet of gas.

## 7.2: Jordan

**Jordan continues to face political, economic, demographic, security and military challenges.** The Kingdom is paying a heavy financial price for absorbing refugees, who number over a million (primarily from Syria but also from Iraq and Yemen), and on whom the government estimates it has spent \$10.3 billion since 2011 on refugee support. International aid to Jordan, which reached \$1.7 billion in 2017, is not enough to help the Kingdom cope with its refugee population. And there are further concerns that the US ceasing its funding to UNRWA may have destabilising effects on Jordan, where 2.2m of its citizens are registered with the UN organisation.

**Jordan's economy is facing significant challenges**

with official figures showing that the Kingdom's public debt has increased to 96 per cent of the country's GDP and unemployment rose to 18 per cent. Financial support provided by the Gulf states has been drying up; the IMF has demanded fiscal reforms and austerity measures as a condition for another loan. Austerity measures led to widespread protests in June against the king and against then-Prime Minister Hani Mulki who subsequently resigned. With economic reforms still necessary, it remains unclear how the government will be able to square the circle of IMF demands and public opinion.

**Jordan is also dealing with a jihadi threat** and Islamist terror cells have successfully attacked Jordanian security forces and the authorities fear these attacks are gaining public support. In August, an explosive device destroyed a gendarmerie vehicle in Fuheis, killing two officers and injuring several others. The Foreign Office travel advice states that "terrorists are very likely to try to carry out attacks in Jordan".

**Jordanian-Israeli diplomatic relations have been strained in the last few years** (even whilst security cooperation remains important to both). In 2019, Israel and Jordan will mark 25 years since their bilateral peace treaty was signed. The treaty included an Israeli lease of Jordanian land that is due to be renewed and King Abdullah II announced he will cancel it. Normalisation with Israel remains deeply unpopular in Jordan and the King faces domestic pressure – from parliament, trade unions and even the medical and bar associations – pertaining to its relations with the Jewish state. Israel continues to provide Jordan with approximately 50 million cubic meters of water annually and a pipeline to transport \$10 billion worth of natural gas over 15 years from Israel's Leviathan field into Jordan is due to be completed by the end of 2019. Israel also reportedly provides Jordan with helicopters and unmanned aerial vehicles and IDF personnel are part of a group from 21 countries that operate a situation room in Jordan to combat ISIS.

**Abdullah is unlikely to reconsider his decision over ending the Israeli lease of Jordanian land as part of the peace treaty.** Prime Minister Netanyahu asked Abdullah II to re-evaluate his decision and enter into negotiations to extend the agreement. While plans for the so-called 'Red-Dead project' are deemed by Israel to be prohibitively

expensive, the country will likely suggest other comprehensive projects to alleviate Jordan's serious water and energy challenges. Yet despite these gestures, domestic opposition makes any re-evaluation of the decision – which needs to be made by October 2019 – highly unlikely.

## CONCLUSION

**Seven years on from the so-called Arab Spring and with ISIS more or less territorially defeated,** the Middle East continues to suffer from fractured states with long term legitimacy, socio-economic, security and resource challenges. Iran is still seeking to extend its political, economic, and militarily influence and Russia is now a central player in the region. With the US administration aggressively responding to Iran, Israel is taking an active role in the pushback against Iran's regional adventurism.

**These trends will continue to play out and interact with one another in 2019** and will have significant consequences on a variety of arenas. These include the US administration's sanction policy on Iran; the Syrian civil war; the clash between Israel and Iran in Syria and Lebanon; Saudi Arabia's regional policy and relationship with the West; and the Israeli-Arab and Israeli-Palestinian arena.

**Iran is unlikely to break the JCPOA deal,** but nor will it cave and renegotiate it. Rather, it will continue to try and strengthen its regional position and advance long range missile testing while hoping for a different US President in January 2021. Iran will remain in Syria but will focus its efforts on Lebanon – specifically where Israel finds it harder to act. Iran's attempts to upgrade Hezbollah's missile arsenal with precision guidance technology constitutes a significant threat of war in 2019.

**The demilitarisation agreement between Russia and Turkey over Idlib will collapse** and violence will be renewed, with the UN and Western powers largely staying on the sidelines. No progress will be made on the political process, and the West will refuse to be involved in reconstruction efforts. American troops will remain in Syria to block Iranian expansion.

**With the US administration seeking to draw a line under the Khashoggi murder, Congress will**

**seek to apply diplomatic and economic pressure on Saudi Arabia,** especially over the ongoing war in Yemen. Although Western pressure to advance a ceasefire will increase, progress is far from certain.

**The Trump Administration will delay its peace plan until after Israeli elections in May / June** and may even postpone its publication indefinitely. Egypt and Qatar will continue to try and stabilise the situation in Gaza, but even if the first component of a ceasefire agreement is achieved, subsequent stages over a prisoner swap and larger humanitarian relief will fail, intra-Palestinian reconciliation will collapse, and the situation between Israel and Hamas will remain tense. The Palestinians are facing a succession crisis and the West Bank remains unstable.

**While much of the UK's foreign policy focus will be on Brexit, the country has an important role in providing support to its traditional allies Egypt, Israel, Jordan and the Gulf states,** as well as using its relations with Saudi Arabia to push for a ceasefire in Yemen. At the same time, the UK will also be challenged to keep Iran within the JCPOA despite the renewal of US sanctions, while simultaneously supporting the US in blocking Iranian influence in Syria, Lebanon and Yemen.

## APPENDIX | 2019 EXPERT PREDICTIONS

To accompany this 2019 Forecast, BICOM asked three renowned Middle East experts for their three predictions for 2019.

*Dr Michael Koplow – Policy Director, Israel Policy Forum*

1. Terrorism and violence in the West Bank will reach their highest levels since the Second Intifada. Hamas's growing strength in the West Bank, along with its desire to keep Gaza largely quiet and improve economic conditions in the enclave, will make the West Bank the focus of its operations. This will combine with a flailing and distracted Palestinian Authority, where President Abbas is derailed by a focus on Gaza and maintaining sanctions there to squeeze Hamas and potential successors to Abbas are building private militias and preparing for a post-Abbas period. Increased Israeli settlement construction in scattered outposts along with a possible end of US funding and training of PA security forces will also contribute to a newly combustible atmosphere.

2. The Trump peace initiative will die an ignominious and quiet death. Prime Minister Netanyahu's aversion to running for reelection while having to deal with a peace initiative – even one largely favorable to the Israeli side – and President Trump's aversion to angering his evangelical base by asking for even limited concessions from Israel while running for his own reelection will leave only a tiny window for a peace initiative to be released. Even if an initiative is released in that small time frame, the US will find a Palestinian side unwilling to engage in any manner, and a Saudi Arabia that is no longer able or willing to serve as cover for a plan that will be massively unpopular with Arab publics, ensuring that the Trump peace initiative – if released at all – will go out with a whimper rather than a bang.

3. The ceasefire in Idlib will hold, despite widespread expectation that renewed fighting there is only a matter of time. Russia has been trying to limit any outside interference in Syria – including Israel's incursions against Iranian targets – that will destabilize the situation, and a large military operation against rebel groups and their Turkish protectors in Idlib will risk

upending the quiet in regime-controlled territory. Turkey's primary interest is in preventing a Russian incursion into Idlib that will flood its borders with even more refugees, and ratchet up tension with Russia that Turkey can ill afford given its increasing reliance on Russia as an economic lifeline.

*Sir John Jenkins – Executive Director, International Institute for Strategic Studies*

1. Iran will consolidate itself in Syria in spite of Israeli efforts to push them back. We'll see more clearly in 2019 how Iran intends to operationalise its presence as Hezbollah resets itself in Lebanon, Russian inability or unwillingness to manage Iran becomes ever clearer, and US policy becomes more chaotic as domestic politics press in on President Donald Trump. That's a strategic challenge to Israel, which has not been helped by the ineptitude of Saudi actions both inside and outside the Kingdom. The Khashoggi assassination was more than a crime: it was an extraordinary blunder which has made it very difficult for Crown Prince Mohammad bin Salman to mobilise support in Washington for his adventurism and has hit the prospects for sustained domestic reform very hard. This doesn't mean bin Salman is on his way out. He's not. But he needs to rethink his decision-making if he wants to establish the Kingdom as a serious regional actor and deliver on real economic reform and not just superficial social change. That means a proper settlement in Yemen, which keeps the South in, the Iranians out and the Houthis and Al-Qaeda in the Arabian Peninsula (AQAP) down. He needs the US for this - neither Russia nor China are a credible alternative. He also needs to broaden his circle of advisers and share power more widely. Unfortunately, the chances of all this happening next year are low. In such circumstances, the Saudis are not much of an asset against Iran at the moment. But we need to keep trying to make Saudi Arabia a driver for greater Middle East reform and remember that the Kingdom is not one man.

2. Qatar doesn't matter any more now than it did a year ago. Nor does the Gulf Cooperation Council. But Iraq does; and in Iraq the immediate opportunities lie with the Kurds, given that Iran has penetrated Baghdad so effectively. If I had one wish for 2019 it would

be for us - the US, UK, France, Saudi Arabia, the UAE and Israel - to come to a shared understanding of what it's going to take to sustain the Kurdistan Regional Government as a point of pro-Western balance between Iran, Turkey, Russia and jihadi terror. We need to get involved far more and stay engaged. The Syrian Kurds are hedging their bets, but the Iraqi Kurds want to be our friends. I never understand why we want to be friends with our enemies instead.

3. Lastly, Islamism isn't going away. I'm not sure Egyptian President Abdel Fattah Sisi, Crown Prince of Abu Dhabi, Mohammed bin Zayed Al Nahyan, or Crown Prince bin Salman have all the answers. But we need to stop overestimating Islamism's power and start backing people who prefer to keep religion and politics distinct. There are signs in the region - after the horrors of ISIS and Al-Qaeda - that this has more and more appeal. If we want to be a player in the Middle East region post-Brexit we need to boost the Foreign Office's area and subject expertise, which has fallen off dramatically. And we need to support those who want to be normal actors in a global community of states, not those who think revelation is the answer to everything.

*Hanin Ghaddar – Friedmann Visiting Fellow,  
The Washington Institute*

1. 2019 could witness a rise in tension between Israel and Hezbollah in Lebanon, although this will carry more challenges to Hezbollah on the financial and domestic fronts.

Iran seems to have secured most of its war goals in Syria in 2018, mainly saving President Bashar Assad's regime and creating a land corridor that connects Tehran to Beirut. However, one of its military objectives - upgrading Hezbollah's 100,000 rockets to precision missiles - has been thwarted by more than 200 airstrikes by the Israel Defense Forces (IDF) in Syria, which have destroyed a significant number of Iran's military facilities. A few months ago, Tehran began moving some of these activities into Lebanon, believing that Israeli airstrikes would be more complicated there due to the escalation potential.

Despite Israel's warnings, Lebanon will probably ignore Hezbollah's operations. This is because Hezbollah won Lebanon's May parliamentary elections, and together with its allies, are in control of Lebanon's state institutions, including

security and military decisions.

2. However, Hezbollah will also be considered the authority in Lebanon, and will be held responsible by the public for the country's upcoming economic and security problems, which are expected to worsen in 2019. Lebanon is grappling with the world's third highest debt-to-GDP ratio of about 150 per cent, and is struggling to revive economic growth and control over its finances, and hopes that 2019 will bring economic growth are slim. Hezbollah's finances are also suffering. With US sanctions on Iran and the many shifts in its budget because of its involvement in Syria, Hezbollah today is forced to make serious cutbacks in salaries and services. This austerity will probably increase in 2019. The Lebanese – including the Shia community – will start regarding Hezbollah differently in 2019; as services decrease further, and Lebanon's economy and security deteriorates, Hezbollah will face difficult choices in Lebanon and for its support base.

3. In Syria, Iran will continue to entrench itself on three levels: Damascus and its suburbs; the Iraqi-Syria border around Bou-Kamal; and around the Golan Heights. Iran will still need to strengthen its presence in Syria along the land corridor, if it wants to reinforce its military presence on the borders of Israel from southern Syria. In case of a confrontation with Israel in Lebanon, Iran prefers to have a second front against Israel in Syria.

This report has been produced by BICOM's research team in consultation with British and international experts. We are grateful for their help.

Copyright © Britain Israel Communications and Research Centre 2018

For more information please contact:  
James Sorene, CEO  
0207 636 5500

[Jamess@bicom.org.uk](mailto:Jamess@bicom.org.uk)

