

ENERGY POLITICS IN THE MENA REGION FROM HYDROCARBONS TO RENEWABLES?

edited by **Valeria Talbot**

introduction by **Paolo Magri**



ISPI

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Introduction

2022 has been a rough year for European energy markets. And it has been a bumper year for energy exporters all over the world.

Even before Russia invaded Ukraine, oil prices had been on a recovering trajectory (almost doubling in 2021, from 50 to 80 dollars per barrel) and natural gas prices in Europe were going through the roof (from 20 to 120 €/MWh). After the invasion, this trend consolidated: today, oil trades between 80 and 90 dollars, having touched a 130-dollar maximum in March. Natural gas in Europe trades at 110 €/MWh, having reached 350 €/MWh this August, and is set to rise again as a mild autumn leaves place to winter temperatures on the Continent.

Losing progressively more than 85% of Russia's gas flows has thrown Europe into crisis and deprived the whole world of 15% of its pre-invasion natural gas supply. For comparison, the 1973 oil shock generated by OPEC's embargo removed 'just' 7% of global oil supplies at the height of the crisis. The swift disappearance of Russian gas has brought back energy security as one of the top priorities in Europe, after a few decades of relative complacency, due to very low natural gas prices. At least in the short-term, it has also put the green transition at stake, with more coal burnt in Europe and in Asia – the latter a result of Europe 'stealing' LNG cargoes from the Asian continent.

On the other hand, oil and gas producers in the Middle East and North Africa (MENA) region are enjoying a bumper year. When the International Monetary Fund published its latest economic projections in October 2022, the expected

economic growth for the European continent had been revised downwards by 2%. On the contrary, Saudi Arabia's economic growth had been revised up by close to 3%, Algeria's by 2.5%, and the UAE's by 2%.

As energy exporters enjoy a bonanza period in economic terms, they are also becoming strategically more important for Europe. The EU needs to rapidly adapt to a 'N-1' world that was its worst-case scenario: that of moving from a time when Russian gas represented 45% of all natural gas imports to the European continent, to one in which Russian gas completely disappears. This makes all other natural gas suppliers to Europe become even more critical. Throughout this winter – and, even more importantly, the 2023-2024 winter – non-Russian supplies will be of crucial importance to secure Europe's gas needs in the absence of rapidly developed supplies from elsewhere (not supposed to be available before Summer 2024).

In the MENA region, these suppliers are the 'usual suspects': Algeria (exporting to Europe around 30-35 bcm per year, or 8% of total consumption in the EU), Qatar (23 bcm last year) and, marginally, Libya (5 bcm). Meanwhile, as the EU's oil embargo is set to enter into force in early December, Middle Eastern oil exporters acquire a significance of their own.

This is why this Report comes at a perfect time. As Europeans are scrambling for alternatives, the Report sets out to analyse the different implications for a number of Middle Eastern exporters of fossil fuels. As these countries have become even more central to Europe's energy security, it is of paramount importance to assess their prospects, including not only their short-term role as suppliers of fossil fuels, but also their possibility to accelerate along the path of the green transition. Their stability, and their future, will directly affect Europe's own capacity to withstand the gravest energy crisis in fifty years.

In the first chapter, Manfred Hafner looks into the energy crisis that the European Union (EU) is currently experiencing. After years dominated by sustainability concerns, EU countries have made energy security and affordability a top priority. In

the wake of the Ukraine war, European governments have tried to further diversify their energy supplies, in an attempt to diminish their dependence on imports from Russia. In this context, MENA countries have assumed an even more important role in the European energy market. Still, in the medium to long term, decarbonisation remains a priority for the EU, as reaffirmed by the REPowerEU plan proposed by the European Commission in May 2022. In turn, the MENA region may still maintain its pivotal role in European markets even in the long run, by investing in its enormous potential for clean energy production.

Moving to the first of our case studies, Michael Hochberg and Samy Boukaila analyse Algeria's current energy policies and the country's potential as a renewable powerhouse. Energy exports have historically constituted the backbone of Algeria's financial stability. For this reason, the rise in global oil and gas prices over the past few months has been a shot in the arm for Algeri, especially after the dire economic consequences of the Covid-19 pandemic. Yet, oil and gas cannot serve as the country's financial foundation forever. As the EU slowly moves towards decarbonisation, Algeria will need to tap into its striking potential for renewable energy production to maintain the key role it plays in the European market. At the moment, high energy prices might make investments in renewables less appealing for Algerian authorities, but this shift seems inevitable. For the authors, the EU and the US can play a pivotal role in assisting this North African country in the long path towards energy transition and economic diversification.

Michaël Tanchum's chapter shifts our attention to the Eastern Mediterranean. Starting from the consequences of the Ukraine invasion, Tanchum reflects on the potential of this region for European energy security. For long, Eastern Mediterranean gas has been seen as a commercially uncompetitive alternative to cheap Russian supplies, while geopolitical rivalries have contributed to making these resources less appealing to European countries. However, much has changed since February 24, and

in the new international environment, Mediterranean gas fields may assume greater importance for European energy security. In the past few months, the EU has taken steps to increment its energy imports from the Eastern Mediterranean. Even if the region is still characterised by geopolitical tensions, win-win solutions based on commercial pragmatism might bring further stability and development to this part of the Mediterranean.

In her contribution, Noura Y. Mansouri unravels Saudi Arabia's complex role in the current energy crisis. In the past year, Riyadh has benefited from the rise in global oil prices, enjoying record revenues and high GDP growth rates. Being one of few countries worldwide with spare capacity, Saudi Arabia could potentially boost production to lower prices whilst stabilising the oil market. However, so far, the country has been keen on preserving its working relations with Russia and the rest of OPEC plus, refusing to increase its oil output. In a global arena that is becoming increasingly multipolar, strengthening partnerships with other global and regional powers and keeping oil prices as high and stable as possible are at the core of Riyadh's strategy.

Two other key players, the United Arab Emirates (UAE) and Qatar, are the focus of Naser Al-Tamimi's chapter. Looking into the consequences of the Ukraine war, Al-Tamimi argues that the current energy crisis has strengthened the role of the two countries in the global energy landscape, but also in the international arena. For instance, the EU has made it clear that it is serious about revising its energy strategy whilst reshaping its relations with the Gulf Cooperation Council (GCC). This intention opens up new avenues of cooperation with Qatar and the UAE, with mutual benefits both in the short- and long-term. Since the financial revenues the two countries are currently reaping will not last forever, Abu Dhabi and Doha should seize this opportunity to accelerate their energy transition and economic diversification plans.

Valeria Talbot's conclusions focus on the double challenge the EU has to face to both secure its energy security and to reach its decarbonisation targets. While the MENA region may play a prominent role in Europe's current energy crisis, it is still unclear to what extent MENA energy producers will be able to meet Europe's energy requirements in the short- and long-term. At the same time, the EU should also engage to avoid that its energy need may divert investment and attention from the green transition in the MENA countries.

Paolo Magri
ISPI Executive Vice President

1. EU Energy Policy and the MENA Region in the Wake of Russia's Invasion of Ukraine*

Manfred Hafner

The European Union is facing the most serious energy crisis since 1973. Following years of low energy prices, especially between 2014 and 2020, the EU has been experiencing skyrocketing energy prices since mid-2021, which are jeopardising economic recovery, stoking inflation and potentially destabilising European unity and derailing its green transition. The current energy crisis has made energy security and affordability a top political priority after years dominated by climate policies and sustainability concerns. Since the beginning of the Russian invasion of Ukraine on 24 February 2022, European governments have been looking for ways to diversify their energy supply away from Russia. Meanwhile, governments have reinforced and reaffirmed their climate ambitions. Renewable energy and energy efficiency are relevant not only from a climate perspective. They also increase European energy security by reducing dependency on Russian imports. In this scenario, the Middle East and North Africa (MENA) region is expected to become more relevant to European energy policy both in the short-term (security of oil and gas) and in the longer-term (energy transition through sustainable energy trade).

* The author wishes to thank Pier Paolo Raimondi (Istituto Affari Internazionali) for his substantial contributions to this chapter.

The Evolving Energy Paradigm

For European policymakers, the energy system entered a new phase in 2021, mainly driven by market fundamentals. After 2020, the *annus horribilis* for energy, where lockdowns and restrictions aimed at limiting the Covid-19 pandemic dramatically and artificially reduced energy demand, energy demand rose very strongly in 2021. Economies started to rebound dramatically, partly as a result of massive recovery plans launched by governments in the aftermath of the pandemic. Energy supply, however, was unable to keep pace with this strong demand growth, resulting in the energy price spike of 2021. A combination of causes, such as a longer winter, technical issues and lower wind and hydro generation across the world, incentivised higher global gas demand. The 2021 rise in energy prices was therefore initially motivated by market fundamentals.¹ Geopolitics then kicked in and the rise in energy prices, especially for natural gas, has been inexorably exacerbated in Europe by political and military tensions linked with the Russia-Ukraine conflict. Already in 2021, Russia decided to only comply with its contractual terms avoiding selling above contract gas on the spot market,² as it had done in previous years, despite high prices. Also, unlike in previous years, Russia did not fill its European storage capacity in 2021. All these factors drove energy prices higher. In addition, high gas prices discouraged European gas companies from filling their storage capacity during the 2021 summer months, leaving the EU vulnerable in the winter months as Russian troops were being amassed along the Russian-Ukrainian border ready to wage the war that started in February 2022 and to which the West responded with the strongest economic sanctions

¹ ACER, “High Energy Prices, European Union Agency for the Cooperation of Energy Regulators”, October 2021.

² “IEA chief accuses Russia of worsening Europe’s gas crisis”, *Financial Times*, 12 January 2022; International Energy Agency (IEA), “IEA closely monitoring Russia situation and its implications for energy markets”, 22 February 2022.

(including on energy) on Russia in order to weaken Russia's economy and its capacity to wage the war, while Russia reacted using energy (in particular gas) as a weapon against Europe.

These dramatic events have abruptly reversed the paradigm that has ruled energy and political relations between Europe and Russia for over five decades. Russia had behaved as a reliable supplier ever since hydrocarbon imports from Russia started and both Russia and Europe have built a long-lasting energy relationship based on the belief that such a relationship would enjoy the positive benefits of interdependence. This energy relationship has overcome previous crises from the Cold War to the two gas crises in 2006 and 2009.³ Nonetheless, while the Russian war in Ukraine calls the previous EU liberal mantra ("change through trade") into question, it has certainly put European overdependence on Russian energy imports in the spotlight.

EU Energy Policy in the Wake of the Invasion of Ukraine

Following Russia's invasion of Ukraine in February 2022, European policymakers outlined new strategies and plans to address the evolving energy and political landscape. The EU responded in March 2022 with the REPowerEU plan,⁴ outlining a strong political commitment to reducing Europe's overdependence on Russian energy imports through diversification of supply, energy efficiency and boosting renewables and other low-carbon solutions (i.e. hydrogen and biomethane). The REPowerEU plan consists of two pillars: *i*) the complete phase-out of Russian energy imports by 2027, under which pipeline gas imports from Russia are supposed to be reduced by two-thirds by the end of 2022; and *ii*) drastically

³ T. Gustafson, *The Bridge. Natural Gas in a Redivided Europe*, Harvard University Press, 2020.

⁴ European Commission, [REPowerEU Plan](#), COM(2022) 230 final, 18 May 2022.

accelerating the energy transition in order to meet higher renewables targets by 2030. The first task is extremely ambitious because of European overdependence on Russian energy imports. In 2021, Russia accounted for about 30% of the EU's total oil imports and 45% of its total gas imports, corresponding to a total of 155 bcm.⁵ The challenge facing the EU is to wean itself off all Russian energy imports simultaneously, in a very short timeframe, and at a time of tight markets. Indeed, Russia plays a pivotal role in the current global energy system, accounting for 12.7% of world oil production (12.3% of world exports), 17.4% of gas production (19.8% of world exports) and 5.3% of coal production (17.9% of world exports) as well as being a critical supplier of several other commodities⁶ in 2021.

The first and foremost objective is to diversify gas supply and ensure enough supply for the upcoming months and years, as Moscow has inexorably weaponised its gas supply by fully halting and tightening supplies to several European countries. On this issue, the European Commission (EC) has assigned a key, short-term role to liquefied natural gas (LNG), which could replace up to a third (50 bcm) of Russian gas by the end of 2022. A more limited contribution is expected to come from non-Russian pipelines (10 bcm). Countries have been working to expand and install their LNG import capacity. Germany, which until today has no LNG capacity, has managed to secure 10-year time charters for four Floating-Storage-Regasification-Units (FSRUs), despite the constraints in the global supply of them, with a combined capacity of around 20 bcm (maximum 29 bcm).⁷ In the summer of 2022, Italy bought two FSRUs with 5 bcm/yr capacity each, in order to increase its LNG import capacity.⁸ The European thirst for LNG has transformed the

⁵ Around 140 bcm of gas by pipeline and around 15 bcm of liquefied natural gas, LNG.

⁶ BP, *Statistical Review of World Energy*, 2022.

⁷ "Will Germany have to cut nat gas consumption beyond 15%?", KPLER Blog, 29 July 2022.

⁸ SNAM, "SNAM purchases 5 bcm floating LNG regasification terminal from

global gas markets, making the continent the hottest gas market in the world and no longer the market of last resort. The EU has been able to attract increasing LNG volumes due to its high gas prices and premium compared to other regions (i.e. Asia).

The second pillar of REPowerEU aims to boost renewable energy. To do so, the Commission proposed to increase the target share of renewable energy in the overall energy mix of the Renewable Energy Directive to 45% by 2030, up from 40% in the “Fit for 55” package proposed in 2021. The 45% share would bring the total renewable energy generation capacity to 1,236 GW by 2030 (compared to 1,067 GW by 2030 envisaged under Fit for 55). Solar PV is considered one of the fastest technologies to roll out. For this reason, REPowerEU envisages a target of over 320 GW newly installed by 2025 – over twice today’s level – and almost 600 GW by 2030. Meanwhile, REPowerEU has also increased its Fit for 55 targets for hydrogen and biomethane, which are expected to play a pivotal role in the decarbonisation of those sectors where electricity is not a feasible option – known as “hard-to-abate” sectors.⁹ It set a target of 10 million tonnes (Mt) of domestically produced renewable-based hydrogen and an increase in sustainable biomethane production to 35 bcm by 2030. The role of decarbonised gases is set to be particularly relevant for decarbonisation given the challenges that electricity faces in “hard-to-abate” sectors.

Furthermore, the EU has addressed the issue of gas storage, which is vital for seasonal gas balancing as gas storage can supply 25-30% of the gas consumed in the winter in the EU.¹⁰ In the early phase of the energy crisis, the EU found itself unprepared

Golar LNG for US\$ 350 million”, Press Release, 1 June 2022; and SNAM, “SNAM purchases new floating regasification unit from BW LNG to contribute to Italy’s energy security and diversification”, Press Release, 6 July 2022.

⁹ Heavy industry (e.g. steel, cement, glass) and long-distance transport (e.g. heavy trucks and maritime).

¹⁰ European Parliament, “New EU Regulation on gas storage”, BRIEFING EU Legislation in Progress, June 2022.

for the upcoming challenges, having filled only 70% of its storage capacity in October 2021 and drawn them down to 25% by the end of winter in March 2022. Bearing in mind the challenges of the past winter and forecasting growing constraints on the supply side, the EC drafted a regulation, adopted by the Council in July 2022, stipulating that underground gas storage must be filled to at least 80% of its capacity by early November 2022 and to 90% in subsequent years.¹¹ For 2022, the EU will collectively attempt to fill 85% of the total underground gas storage capacity in the EU.

To reach these targets, governments have provided financial support to the operating companies and encouraged some fuel switching in order to save gas volumes for storage. Moreover, fuel switching is set to become instrumental to offset potential supply disruptions. Some governments have reconsidered their previous energy plans by delaying the phase-out of coal and nuclear plants (e.g. Italy with coal and Belgium with nuclear). The EU sees gas-to-coal switching as only a necessary and temporary solution in line with its climate ambitions.

Until recently, the majority of efforts have focused on the supply side. But the demand side is crucial in facing the current energy crisis and high energy prices. In order to avert a dramatic supply shortage, the EU is increasingly turning to demand-side measures. The most relevant is the decision to curtail gas demand, initially proposed by the European Commission and then revised by national governments. Member States have reached an agreement on a voluntary reduction of natural gas demand by 15% this winter compared to their average consumption in the past five years, with measures of their own choice to make savings ahead of winter.¹²

To fully achieve the REPowerEU objectives, Europeans could face higher prices for longer and competition with other major

¹¹ European Council, “[Council adopts regulation on gas storage](#)”, Press Release, 27 June 2022.

¹² European Council, “[Council adopts regulation on reducing gas demand by 15% this winter](#)”, Press Release, 5 August 2022.

energy importers (i.e. Asian countries) in the medium-term. Nonetheless, Europe will need to enhance and build energy relations with alternative suppliers in order to secure new stable and affordable energy supplies, while putting in place social measures to reduce the high price-burden to the most vulnerable groups (citizens and companies) through targeted subsidies. Furthermore, European governments will need to find a balance between the three components of energy policy and governance (i.e. security, affordability and sustainability).

Lastly, the European Union has also updated its external energy strategy, which aims to strengthen its energy security, resilience and open strategic autonomy by diversifying the EU's energy supply and boosting energy savings and efficiency; accelerate the global green and just energy transition and build long-lasting international partnerships.¹³

In the Short-Term, Security Triumphs: MENA Hydrocarbons for Europe

In this scenario, the Middle East and North Africa could play a key role in assisting Europe's quest for non-Russian energy, given the MENA region's vast hydrocarbon reserves, existing export infrastructure and energy relations, as well as its proximity to European energy markets. The region has always been a cornerstone of the existing European energy system, but now it has gained a newfound strategic value for Europe as it is one of the few world regions capable of filling the energy vacuum caused by Russia's war.

The new energy order may result in a redrawing of global energy flows, with more US and MENA energy volumes coming to Europe compared to the past and Russian energy volumes moving towards Asian markets. North African countries have

¹³ European Commission and High Representative of the Union for Foreign Affairs and Security Policy, "EU external energy engagement in a changing world", JOIN(2022) 23 final, 18 May 2022.

always exported most of their hydrocarbons to Europe (about 58% for oil and 78% for gas in 2019), while the Gulf countries normally export mainly to Asia (about 76% for oil and 82% for gas in 2019).¹⁴ The new energy and political relevance of MENA countries for the EU could also spur opportunities for these countries in the long-term as Brussels has reiterated its commitment to decarbonisation.

The new energy order is also expected to result in a reconfiguration of energy flows to and within Europe – even though some minor Russian energy imports could remain in place in the long run. Southern and Western supplies (i.e. MENA, North America) are expected to become more and more relevant in comparison to the previous flow map dominated by eastern supply (i.e. Russia).

In the short-term, European countries will need to find enough alternative supplies to replace Russia's energy to avoid and prevent any energy disruption. So far, the European response has been characterised by autonomous actions, given the fact that energy is a shared competence between national governments and European institutions under the Article 194 of the Treaty on the Functioning of the European Union (TFUE). European countries have moved autonomously, preferring to increase their energy ties with existing or promising energy partners. In the short-term, some MENA countries are set to be instrumental for European energy security. Particularly, Southern Mediterranean countries (i.e. Algeria, Libya, Egypt and Israel) have emerged as valuable options for EU gas diversification plans thanks to their geographical vicinity, vast resources and existing infrastructure. Naturally, Italy has been at the frontline of European efforts to increase energy cooperation with Southern Mediterranean countries.

¹⁴ Authors' calculation on BP, *Statistical Review of World Energy*, 2020.

Algeria

Italy has focused on the area as it can benefit from good relationships, existing infrastructure and a historical presence of its energy companies. It has particularly prioritised its effort on Algeria as the North African country presents many favourable factors: geographical proximity to European markets, existing infrastructure (the 34 bcm Transmed Enrico Mattei pipeline via Tunisia¹⁵) and vast gas reserves (4.5 tcm in 2021, corresponding to 2.3% of the world's proven gas reserves). Already in 2021, Italy increased its gas imports from Algeria to 21.2 bcm, up from almost 9.7 bcm in 2019. The increase in imports was attributable to political and market reasons: Italy had expressed a growing political commitment to reducing its dependence on Russian gas and oil-indexation of Algerian gas became cheaper than high spot gas prices (reversing Algeria's competitive weakness experienced in previous low gas price periods).

Despite rising gas imports, the existing pipeline still has a significant amount of spare capacity (almost 13 bcm in 2021). This has led the Italian government to identify Algeria as a key pillar of its diversification strategy. In April 2022, ENI and Sonatrach signed an agreement to increase gas volumes imported through the TransMed pipeline. Under the agreement, Algeria would use its spare TransMed pipeline capacity to gradually increase the volume of gas its supplies, with effect from 2022, to as much as 9 bcm/yr by 2023/24,¹⁶ thus becoming the first gas supplier to Italy.

As well as benefiting from spare capacity, Italy enjoys more positive political relations with Algeria than Spain. Indeed, Spain and Algeria have seen a degradation in their bilateral relations due to the shift of Spain's position on Morocco and

¹⁵ Algeria exports to Spain through the Gazoduc-Maghreb-Europe (GME) pipeline (12 bcm) via Morocco and directly through the MedGaz pipeline (8 bcm).

¹⁶ Eni, "Eni and Sonatrach agree to increase gas supplies from Algeria through Transmed", Press Release, 11 April 2022.

Western Sahara. In late 2021, Algeria halted its gas exports through the Maghreb-Europe Gas pipeline (GME) that connects Algeria with Spain via Morocco as the multiannual contract between Algeria and Morocco expired and the two countries failed to renew it due to political disagreements. Spain still imports Algerian gas through the MedGaz pipeline, as well as substantial quantities of LNG thanks to its vast LNG import capacity. European countries could also coordinate and divert some Algerian gas from Spain to Italy via pipeline using the spare capacity of TransMed: since Spain has no dependency on Russian gas but has a large LNG receiving capacity, it could maximise LNG imports and thus leave additional Algerian pipeline gas for the Italian market, which needs to reduce its Russian gas dependency. Coordinated action could position Italy as a bridge for continental countries, since Spain is poorly interconnected with France, while Italy is well connected to Northern and Central Europe thanks to the Transitgas pipeline across Switzerland and to the Trans Austria Gas pipeline (TAG) across Austria, which traditionally pumped gas from North to South, but which can also function in reverse flow. In addition, Algeria can increase its exports to European markets through its two LNG terminals (Skikda and Arzew), which have a combined capacity of 34 bcm/yr. Algeria has 17.9 bcm of spare capacity in these plants, as it exported 16.1 bcm in 2021. However, Algeria's export capacity bottleneck is not its export infrastructure capacity but rather its gas production capacity, combined with strongly increasing domestic demand. Algeria, therefore, urgently needs to attract investments that could increase domestic output. A promising sign occurred in July 2022, when Sonatrach signed a new contract with Occidental, Eni and TotalEnergies for Blocks 404 and 208 in Berkine under the new hydrocarbon law. The companies envisage a \$4 billion plan for the implementation and will ultimately add more than 1 billion barrels of oil equivalent of hydrocarbons.¹⁷

¹⁷ Sonatrach, *Signature d'un nouveau contrat entre SONATRACH et Occidental*,

Eastern Mediterranean

Another promising area for the EU's gas diversification plan is the Eastern Mediterranean, given its significant gas reserves. Some European countries have close political and energy ties with the area.¹⁸ The area has become a gas hotspot since 2009, with several countries in the region aiming at becoming gas export hubs, considering several export options both via pipeline and via LNG. However, the area has not managed to fully achieve this goal for various economic, energy and political reasons.¹⁹ The quest for non-Russian gas inevitably puts the area under the spotlight once again. Europe's effort has focused mainly on Egypt and Israel, which are the two biggest gas exporters in the area. In April 2022, ENI signed a deal with the Egyptian EGAS that will provide LNG cargoes for up to 3 bcm in 2022 to Europe and Italy. Indeed, Egypt is already exporting LNG to Europe from its two LNG terminals (Idku and Damietta, with a combined capacity of 17 bcm/yr). As gas prices have soared, Egypt has tried to maximise its LNG exports, especially to Europe.²⁰ In 2021, Egypt exported 9 bcm of LNG, a 10-year high, resulting in having about 8 bcm of unutilised LNG capacity to boost exports. However, Egypt faces domestic challenges that could hinder its efforts to boost LNG exports, such as rising energy demand and gas production challenges. For this reason, Israel has become a crucial component for Egypt's gas exports to Europe. Israel has already been exporting gas to Egypt since 2020.²¹ In June

Eni et TotalEnergies sur le périmètre de Berkine, 19 July 2022.

¹⁸ For example, Italy's Eni is a leading player in the gas E&P activities in the area and Italy is member of the East Mediterranean Gas Forum (EMGF).

¹⁹ P.P. Raimondi, *Eastern Mediterranean Energy Resources between Energy Security and Energy Transition: A Regional Perspective*, Istituto Affari Internazionali, IAI Paper 22, 11 May 2022.

²⁰ "Israel, Egypt Agree Future Gas Exports Deal With EU", *Energy Intelligence*, 15 June 2022.

²¹ Following the 2016 agreement for the sale of 45 bcm of gas over a period of 15 years.

2022, the European Commission tried to promote a triangular arrangement of this type by signing, alongside Israel and Egypt, a trilateral memorandum of understanding on the supply of Israeli gas via Egypt's LNG export infrastructure to Europe.²² This solution represents the least costly solution, given the spare capacity of Egypt's LNG terminals. Nonetheless, Israel is working on expanding its production in key gas fields, such as the Leviathan field (potentially from 12 to 21 bcm) as well as from the Karish and Tanin fields. If successful, Israel's export potential could exceed Egypt's available LNG capacity, which means that other solutions will need to be considered. One of the options is the 10 bcm/yr EastMed pipeline, which would connect the Leviathan basin directly to Europe (through Cyprus, Greece and Italy). Potentially the project could be operative by around 2026. The pipeline has some merits as it could protect the EU from rising LNG competition with other regions. The main doubts relate to Europe's future gas demand and the risk of potential carbon lock-in. To overcome this obstacle, the pipeline would be built hydrogen-ready in compliance with European decarbonisation plans. That is why the Commission added the project to the EU Project of Common Interest (PCI) list in 2013 and reconfirmed it in the fifth EU PCI list at the end of 2021.

Libya

By contrast, Libya has been on the sidelines because of its political instability and lack of security, despite its otherwise favourable conditions, including substantial gas reserves (1.4 tcm in 2021, Africa's fifth largest) and existing infrastructure (the 11 bcm/yr Greenstream pipeline) that connects it directly to Italy. Italy has not explicitly considered Libya as a key pillar for its further diversification plans due to the profound instability that the country faces. The Greenstream pipeline was commenced in

²² "EC inks trilateral MoU for supply of Israeli gas to Europe via Egypt", *S&P Global Platts*, 15 June 2022.

2004 and it was instrumental for the development of Libya's gas resources. Over the years, Italy's gas imports rose from 0 in 2003 to 9.4 bcm in 2010, just before the revolution.²³ Following the onset of instability, gas imports fell to around 6.5-7 bcm and since 2015, gas imports have declined to around 4.5 bcm and even dropped to 3.2 bcm in 2021 – the lowest level in a decade. Rising domestic consumption has eroded export volumes, which may even decline further given the limited investment in the upstream sector due to instability. The Libyan National Oil Company has announced its intention to help Europe by increasing its exports, but political uncertainty poses a serious challenge in the short-term.

Gulf Cooperation Council

Meanwhile, the current crisis has also reinvigorated the potential energy cooperation between the EU and the Gulf Cooperation Countries (GCC). The new emphasis on the GCC has been illustrated by the newly adopted European communication on “A Strategic Partnership with the Gulf”.²⁴ The Communication, combined with REPowerEU, aims at forming a renewed partnership based on sustainable energy security. Compared to North African producers, these countries have traditionally been more focused on Asian rather than European markets.

However, since the beginning of the energy crisis, the main producing countries in the Gulf – Saudi Arabia, United Arab Emirates (UAE) and Qatar – have shown different degrees of political readiness to satisfy the wishes of Western countries. This development shows a divergence between the Gulf countries, but also reveals how these countries are increasingly pursuing their own national interests.²⁵ While there has been

²³ BP, *Statistical Review of World Energy*, 2021.

²⁴ European Commission and High Representative of the Union for Foreign Affairs and Security Policy, “A Strategic Partnership with the Gulf, Joint Communication to the European Parliament and the Council”, JOIN(2022) 13 final, 18 May 2022.

²⁵ P.P. Raimondi, “Crisis Resistance”, *World Energy*, no. 53, July 2022.

a certain reluctance on the part of Saudi Arabia and the UAE to increase oil production, despite holding most of the spare capacity, Qatar has expressed its political readiness to help Europe diversify its gas supplies.

Numerous European officials have asked Saudi Arabia and UAE to increase their production in order to calm oil prices and offset negative consequences of international sanctions on the Russian oil output. As Russia seeks to redirect its volumes to Asia, the Gulf's importance in the European market is expected to rise. Notwithstanding these opportunities, OPEC countries have opted to preserve the unity of the OPEC Plus deal with Russia and other non-OPEC countries. The Saudis and Emiratis have strengthened their relationship with Russia, especially since 2020, because of its significance for the management of energy supply. Moreover, the Gulf countries have increasingly preferred to prioritise their national interests over those of their traditional allies (US and EU).

Regarding gas supplies, while the UAE can contribute only very modestly to the EU's gas diversification in the short-term because it exports all of its LNG to Asia, Saudi Arabia has neither the infrastructure nor the capacity to export since it consumes its entire limited output domestically for power generation. Both countries have announced ambitious gas expansion plans by 2030 but seems unlikely to be able to significantly contribute to the EU's diversification plan in the medium term. By contrast, the state of Qatar has expressed its willingness to contribute to improve European energy security on several occasions. It could emerge as a favourable partner of the EU's diversification strategy, which emphasises the role of LNG. The small emirate is one of the world's largest LNG exporters, with a highly centralised industry – unlike those of other major LNG exporting countries, such as the US and Australia – which implies that the government enjoys greater control over the sector and its export policies. Nonetheless, the possibility of Europe receiving additional Qatari LNG volumes

in the short-term remains remote²⁶ as Qatar lacks spare LNG export capacity. Exporting mainly to Asian buyers (over 70% of its LNG exports) through long-term contracts (LTCs), in the short-term, the EU's ability to import additional LNG volumes from Qatar depends thus on the willingness of Asian buyers to divert part of their imports. However, Qatari oil-indexed contracts are currently more favourable than gas spot prices, which are soaring. For this reason, Qatar's LNG exports to the EU have not significantly increased compared to other LNG suppliers, in particular the US.

The real contribution could be made in the longer-term as Qatar is massively expanding its LNG export capacity, a decision taken well before the present gas crisis. In fact, Qatar is working on the expansion of its North Field, which will expand its export capacity from 77 million tonnes per annum (Mtpa) to 110 Mtpa in 2026 and ultimately to 126 Mtpa by 2027. The first new volumes are expected to be available by late 2025. The decision to further develop its gas resources, lifting its 2005 self-imposed moratorium, was taken in 2017, despite low oil and gas prices, driven by the ambition to harness its numerous competitive advantages to respond to mounting competition from other LNG export countries. Furthermore, Qatar has also invested in the Golden Pass LNG project in Texas in collaboration with ExxonMobil, which has a capacity of around 16 Mtpa of LNG and exports are expected to commence in 2024, although it is unclear whether these will be destined for Europe. The EU will need to ensure some of these additional volumes through commercial agreements and by putting in place the required infrastructure to receive and distribute any additional imports throughout the continent.

For Qatar, securing gas deals with Europe is a strategic move as it could increase the European share of its total exports (today around 25%), thus balancing its current LNG export

²⁶ P.P. Raimondi, *A Scramble for Gas: Qatari LNG and EU Diversification Plans*, Istituto Affari Internazionali, IAI Commentary 22, 18, April 2022.

portfolio. Since it exports most of its LNG to Asia, Qatar is vulnerable to higher competition from other LNG exporters, which is expected to rise. Notwithstanding the potential value of European markets for Qatar and its willingness to cooperate, Doha expects to sign new contracts under commercially attractive terms for the country and not motivated by political reasons. Doha has requested a number of conditions for its exports to the EU: avoiding the resale of its LNG outside the EU, the closure of an EU probe into Qatar's market behaviour²⁷ and the preference for LTCs over spot trading. Qatar has already achieved the expected result insofar as the European Commission has halted its probe (which began in 2018) into LTCs signed with QatarEnergy in March 2022.²⁸ The current tight gas market has shifted market power to the suppliers after a period of low prices and a buyer-dominated energy market. This shift is illustrated by Qatar's current negotiations for gas deals with European countries, notably Germany. Since Germany, in order to get rid of its overdependence on Russian gas, is poised to become a large LNG importer, it has approached Qatar. The two countries have established an Energy Partnership Roadmap composed of two working groups (one on LNG and hydrogen, and the other on renewables, energy efficiency and demand-side management). However, despite a general agreement over future gas supply from the Golden Pass LNG project from 2024, the two countries have not yet agreed on the length of the gas contract; while Qatar seeks to have 20-year LTC, Germany would prefer a shorter contract since a 20-year contract would extend into the 2040s beyond Germany's net-zero target by 2045. Qatar has signed contracts of 10 years or less, meaning that this should not represent a deal-breaker. However, it highlights once again the market power that producers have gained in today's crisis.

²⁷ "EU Regulators close antitrust investigation into Qatenergy", *Reuters*, 31 March 2022.

²⁸ P.P. Raimondi, *A Scramble for Gas: Qatari LNG and EU Diversification Plans...*, cit.

Reconciling Energy Security with Climate Objectives: MENA Renewables and Hydrogen

European countries have looked to MENA countries as valuable partners for enhancing their energy security. Nonetheless, the EU has also reiterated its commitment to preserving and enhancing its climate ambitions as outlined in REPowerEU. Thus, the EU needs to reconcile energy security with its climate objectives.

Reconciling energy security with climate objectives can be achieved both in the short-term (oil and gas) and long-term (decarbonisation). Regarding fossil fuel supply, one solution should be to encourage gas producers to address venting and flaring, thereby creating additional liquidity on global markets, while ensuring significant climate benefits as stated in the EU external energy strategy.²⁹ The EU is willing to provide technical assistance to partners to set up such mutually beneficial “you collect/we buy” schemes. On this issue, the EU-MENA cooperation is particularly promising, as some of MENA countries are among the top flaring countries in the world. For example, in 2021 Iran flared 18.5 bcm and Iraq 17.7 bcm, while Algeria flared 8.1 bcm, Libya 5.9 bcm and Egypt 2.3 bcm.³⁰

Regarding decarbonisation, MENA countries could become particularly valuable as clean energy providers through renewable electricity and decarbonised gases. The MENA region holds one of the highest renewable energy potentials worldwide thanks to its high solar irradiation rates as well as wind potential in selected areas. The EU acknowledges this potential in its new agenda for the Mediterranean: “Renewed partnership with the Southern Neighbourhood”, adopted in 2021, stating that it can present unparalleled opportunities for clean energy cooperation.³¹

²⁹ European Commission and High Representative of the Union for Foreign Affairs and Security Policy, “[EU external energy engagement in a changing world...](#)”, cit.

³⁰ BP (2022).

³¹ European Commission and High Representative of the Union for Foreign

MENA countries have themselves set several renewable energy targets for their domestic power sectors. These are also instrumental in meeting rising domestic power demand, freeing up additional oil and gas volumes for export, and improving climate and environmental conditions. Furthermore, MENA countries could also export clean electricity, thus gaining a major role in a low-carbon future, as Europe faces several issues on renewable deployment, though it must be said that dependence on electricity – which cannot be stored – presents much higher security-of-supply risks than dependence on molecule-based energy, which can be stored.

The idea of clean electricity trade between MENA and the EU also needs to take account of other challenges. First and foremost, MENA countries have generally lagged behind on renewable deployment despite the great potential. Renewables currently produce less than 3% of total electricity generation in 9 of the region's 10 hydrocarbon-producing economies, except for Egypt where renewables account for around 10% of electricity generation³². This is due to fossil fuels subsidies, combined with political, regulatory and infrastructural constraints, which ultimately undermine investment attractiveness. While Gulf countries could potentially finance their renewable projects by themselves, North African countries face more financial constraints. In this sense, European countries could play a significant role in mobilising capital and investment, for example through the EU's Global Gateway initiative. The Initiative will be delivered through a Team Europe approach, bringing together the EU in its Member States with their financial and development institutions, including the European Investment Bank (EIB) and the European Bank for Reconstruction and

Affairs and Security Policy, “[Renewed partnership with the Southern Neighbourhood A new Agenda for the Mediterranean](#)”, JOIN(2021) 2 final, 9 February 2021.

³² International Energy Agency (IEA), “[How producers in the Middle East and North Africa can free up more natural gas for exports](#)”, Commentary, 25 May 2022.

Development (EBRD) in order to leverage up to €300 billion of investment in 2021-27.

There are also external challenges for rising EU-MENA power trade, notably the lack of interconnectivity. Indeed, the EU is poorly interconnected with the MENA region at present in terms of electricity interconnections. Currently, the electricity interconnection between Spain and Morocco (1,400 MW capacity) is the only electricity link between North Africa and the EU. To partially overcome this obstacle, the EU has added the 600 MW submarine interconnector between Italy and Tunisia to its EU projects of common interest (PCI) list. In May 2022, Italy also revived discussions with Algeria on the possibility of building an electricity interconnection through a 1-2GW submarine cable between Algeria and Italy's Sardinia.³³

Nonetheless, electricity trade faces challenges from the efficiency standpoint. In terms of large-scale energy transport, molecules can be transported more easily and cost-efficiently than electrons. This is one of the reasons why a new EU-MENA energy cooperation could emerge based on hydrogen as it can be transported by existing pipelines with some infrastructural adjustment (i.e. coating). Furthermore, new momentum to a renewed cooperation based on hydrogen is driven by the fact that Europe will not experience self-sufficiency in hydrogen even though it has updated its targets for domestic hydrogen and biomethane production. REPowerEU has therefore also set a target of 10 Mt of renewable hydrogen imports by 2030. Of these imports, 6 Mt are envisaged to be imported by pipeline as hydrogen, while the rest in the form of ammonia or other hydrogen derivatives, which can be imported by ship.³⁴ The EU is certainly considering importing from regions with the lowest production costs, such as North Africa, by supporting major hydrogen import corridors. This, combined with some MENA countries' aspirations to become leading exporters, will open

³³ "Submarine cable to link Algeria, Italy", *ArabNews*, 24 May 2022.

³⁴ M. Lambert, *REPowerEU: Can Renewable Gas help reduce Russian gas imports by 2030?*, The Oxford Institute for Energy Studies (OIES), Comment, July 2022.

up new avenues for EU-MENA cooperation. For these reasons, the EC is working on a Mediterranean Green Hydrogen Partnership (MGHP) and will explore with Gulf countries opportunities for concluding Green Hydrogen Partnerships in order to create win-win solutions and establish new sustainable energy cooperation. The MGHP will start with the EU-Egypt Hydrogen Partnership.

Both oil-rich and oil-poor MENA countries, in particular Morocco, Saudi Arabia, the UAE and Oman, have been working on their hydrogen ambitions, considering both blue and green hydrogen projects. Morocco, an importing country, is among the leading hydrogen players in the region as it aims to use its great solar and wind potential to develop hydrogen for export. The country has set an ambitious renewable target of 52% of installed electricity capacity by 2030 and has attempted to forge partnerships with European countries, notably Germany, for the development of hydrogen projects.³⁵ The Gulf countries are committed to exploiting both their hydrocarbon and renewable resources to develop hydrogen.³⁶ Compared to their peers in North Africa, Gulf countries have more domestic financial capabilities to invest in the development of a hydrogen economy.

Conclusion

The MENA region is emerging as one of the most important areas for the EU's diversification strategy, because of its vast hydrocarbon and renewable resources, existing infrastructure and geographical location.

The region has attracted particular attention in relation to energy security, as European countries are struggling to substitute Russian gas. The great political commitment to

³⁵ P.P. Raimondi, *The Scramble for Mediterranean Hydrogen: Energy or Geopolitics?*, ISPI, Commentary, 21 May 2021.

³⁶ D. Ansari, *The Hydrogen Ambitions of the Gulf States*, Stiftung Wissenschaft und Politik (SWP), Comment no. 44, July 2022.

increase the use of non-Russian energy will drive the EU closer to the MENA region. MENA countries are expected to become more significant in the European energy markets, as Russia is expected to be driven out. Thus, MENA countries could benefit from the reconfiguration of global energy flows. However, MENA countries have expressed different degrees of willingness and capability to contribute to the EU's diversification strategy.

Meanwhile, the EU has also reiterated its commitment to decarbonisation, which requires it to reconcile its security goals with its climate targets. Through renewables, especially hydrogen, the EU could pursue both goals by proposing long-term contracts for increased imports with investments in additional import capacities that are also hydrogen-compatible. For example, Italy has signed an agreement with Algeria for additional gas imports, while also expressing its intention to work on hydrogen and renewables in Algeria.

This would also represent an alternative for MENA countries to secure income streams as decarbonisation progresses. On the other hand, the EU could also incentivise these countries to pursue decarbonisation while enhancing its geopolitical projection to a key neighbouring region, which is witnessing growing influence from other countries (e.g. China and Russia).

2. Algeria's Potential as an Integrated Energy Nation

Michael Hochberg, Samy Boukaila

Historically, Algeria has been an oil and gas nation. The path to a hydrocarbon-dominated economy began nearly 70 years ago when the first commercially viable oil fields were discovered in 1956, six years prior to Algeria's achieving independence from France in 1962.¹ Hydrocarbons have persisted as the mainstay of the Algerian economy ever since, accounting for about 20% of GDP, 40% of the national budget and more than 90% of export revenues from 2015 to 2020² and similar proportions today.

Yet Algeria's potential in renewable energy is at least commensurate to its hydrocarbon prowess. The current high oil price environment furnishes near-term fiscal relief to the Algerian government, which is particularly welcome following the pandemic-induced oil price collapse and economic shutdowns. Even so, the nation's long-term incentive to maximise its renewable energy resources and to begin its transition to an integrated energy nation has never been greater.

Beyond its oil and gas foundations, some of the world's greatest renewable energy resources have existed in a state of prolonged dormancy in Algeria. The nation enjoys more than

¹ Organization of Petroleum Exporting Countries (OPEC), *Algeria facts and figures*, 2022.

² World Bank, *Algeria*, 2021.

3,000 hours of sunlight per year in many regions,³ facilitating favourable conditions for large-scale and low-cost solar power projects. With almost 8,000 gigawatts of estimated wind generation capability, Algeria's wind power potential is one of the greatest on the continent.⁴ There is also significant opportunity associated with battery storage, hydrogen production, tidal energy, shale gas, and mining to support the battery industry and clean energy supply chains.

Given the nation's proximity to Europe, renewable energy presents a massive avenue from which Europeans and Algerians could collaborate on investment, technology, knowledge sharing and emissions reduction initiatives. The United States, with its own renewable energy and shale gas expertise and aim to maintain regional influence, is also well-suited to implement its know-how via US-Algerian partnerships. Yet both the deployment of renewable energy and that of unconventional gas resources in Algeria to date have been miniscule relative to the country's potential.

Algeria's Place in the World

Despite the nation's reclusive disposition since emerging from a violent civil war in the 1990s, what happens in Algeria does not stay in Algeria. The country is the second largest gas supplier to Europe (after Russia) and the third largest to the European Union (after Russia and Norway).⁵ Algeria is also Africa's biggest producer and exporter of natural gas.⁶ The largest country on

³ MDPI, "Measures to Promote Renewable Energy for Electricity Generation in Algeria", 2020.

⁴ International Finance Corporation, "New Analysis Shows Onshore Wind Potential Across Africa Enough to Power the Continent Many Times Over", 2020.

⁵ "As Europe seeks alternatives to Russian gas, Algeria has pipeline capacity to spare", *S&P Global Platts*, 28 January 2022.

⁶ C. Nakhle, "North Africa's natural gas: No panacea for the EU", Geopolitical Intelligence Services AG (GIS), 19 July 2022.

the continent by land area and the tenth largest in the world,⁷ Algeria enjoys 1,600 kilometres of coastline,⁸ part of which sits just a few hundred kilometres south of Spain and Italy across the Mediterranean. Algeria borders Mauritania, Niger, and Mali to the south, Morocco to the northwest, and Libya and Tunisia to the east, linking the MENA-region with both Southern Europe and Sub-Saharan Africa. The country is also Africa's third largest emitter of CO₂,⁹ and the third most populous MENA-nation, after Egypt and Iran.¹⁰ The development of Algeria's energy sector therefore has global implications for energy security, power politics, and climate change.

The geopolitical tectonic shifts rooted in growing tensions between east and west triggered by the rise of the Chinese economy and Russia's perverse ambition to advance its influence through violent conquest have put Algeria in a new spotlight as a viable and reliable energy partner. The perception of an Algerian moment in geopolitics is evidenced by the uptick in recent visits to Algeria from senior diplomats and politicians, including US Secretary of State Anthony Blinken (the first visit by a US Secretary of State since 2014),¹¹ European Union Council President Charles Michel,¹² Russian Foreign Minister Sergey Lavrov, French President Emmanuel Macron, French Prime Minister Elisabeth Borne,¹³ and former Prime Minister of Italy Mario Draghi.¹⁴

⁷ World Bank, [Land area](#), 2022.

⁸ A.G. Farrand, *Against the Flow: Europe's role in kickstarting Algeria's green transition*, European Council on Foreign Relations (ECFR), 2022.

⁹ MDPI (2020).

¹⁰ World Bank, [Population total](#), 2022.

¹¹ A.G. Farrand, *Algeria has been isolated for years. Now it's making a shaky return to the world stage*, Atlantic Council, 2022.

¹² Council of the European Union, [Press statement by President Charles Michel](#), 2022.

¹³ "French Prime Minister Elisabeth Borne Leads Delegation to Algeria", *France24*, 9 October 2022.

¹⁴ Farrand (2022).

Recent visitors have also included the foreign ministers from France, Italy and Portugal, and Venezuelan President Nicolas Maduro.¹⁵ The nature of some of these visits could be characterised as energy diplomacy; former Prime Minister Draghi's visit facilitated the announcement of a \$4 billion deal to export additional natural gas from Algeria to Italy. As Algeria wrestles with its own path into the future in a world emerging from the pandemic amid new international alliances and geopolitical realities, global powers are paying attention.

Electricity Sector Dynamics

Gas is the source of more than 96% of Algeria's power generation, with the remainder produced by a combination of oil and renewable energy, including hydro, wind and solar.¹⁶ Solar and wind are now the cheapest sources of electricity generation globally. Yet until recently, Algerian leadership was unhurried in its attitude toward taking advantage of these cost declines.

Institutional inertia combined with complacency around hydrocarbon revenues have contributed to lack of progress on renewable energy development. Following the painful history of French colonisation, which culminated in the Algerian War of Independence, wariness of perceived foreign-led interventions helps preclude progress on new technology development. Reluctance to accept and accelerate new energy technologies could also be tacitly supported by the notion of the eventual phasing out of fossil fuels and the prospect of stranded assets. Yet Algeria's incentive to develop renewable resources has never been greater.

Growing at an average rate of 7% annually over the last six decades, electricity demand continues to rise rapidly, and

¹⁵ Ibid.

¹⁶ M. Hochberg, *Algeria charts a path for renewable energy sector development*, Middle East Institute, 20 October 2020.

is projected to increase by 8.5% annually through 2025. To support demand growth through 2030, up to 7,000 megawatts (MW) of additional electric generation capacity will be required in Algeria,¹⁷ representing more than 25% of the present installed capacity of roughly 25,000 MW.¹⁸ Demand has been driven by industrial, commercial, and residential segments, and buoyed by demographics. The nation's population has increased by about 18% over the last decade.¹⁹ In the absence of substantial energy efficiency measures, Algeria's demographic evolution coupled with a rising standard of living will continue to apply upward pressure on electricity demand.

Renewable Energy Development

While power demand is increasing, so too is Algeria's need to diversify its electric generation fleet. Advancement of energy transition measures has shifted from an environmental imperative to a broader issue, impacting geoeconomics and international energy security. In Algeria, augmenting renewable deployment to meet domestic power demand would be a boon for the nation in terms of fiscal account balances, geopolitical influence, economic development, and long-term reliability of the electric grid.

As a result, Algeria has launched Solar1000, its flagship national renewable energy scheme to competitively award 1,000 MW of solar capacity to private sector bidders each year for the next 15 years.²⁰ If successful, the tender programme would result in an additional 15,000 MW of solar capacity addition, sufficient to make a dent in the levels of gas currently utilised

¹⁷ United States International Trade Administration, [Algeria – Country Commercial Guide](#), 2021.

¹⁸ International Renewable Energy Agency (IRENA), “[Algeria Country Indicators and SDGs](#)”, 2022.

¹⁹ World Bank, [Population total](#), 2022.

²⁰ Government of Algeria, Terms of Reference, Solar1000 Tender.

for domestic power generation. Discussions are underway to augment the programme to offer additional solar capacity, and the Ministry of Energy also has a target to deploy between 5,000 and 7,000 MW of wind.²¹ Bids for the Solar1000 programme were initially due in Spring of 2022 but have been delayed without an official announcement of an updated tender deadline.

Algeria's first renewable energy tender, which was not part of the abovementioned Solar1000 initiative, took place in 2019. Calling for 150 MW of solar capacity, the tender was ultimately undersubscribed, receiving only 90 MW worth of offers.²² This underwhelming result was partially due to the novelty of the process in Algeria and the nascent state of the renewable energy industry in general. Yet the result also reflected investor interpretation of tender stipulations and rules.²³

The process in 2019 required participants to be at least 51% Algerian. This 51/49 rule presents a significant constraint for new entrants and international investors, considering the incipient nature of the renewable energy ecosystem in Algeria.²⁴ Local content rules and local financing requirements further increased the barrier for investors given the limited local manufacturing capacity for renewable energy equipment and the limited experience of Algeria's lenders and financing parties in the renewable energy space.

In the updated tender, several key provisions have been amended to help increase the scheme's attractiveness. The 51/49 rule has been eliminated, and local financing stipulations along with local content rules are likely to be less stringent. This reduces friction for investors, thereby increasing the potential investor pool, which should lead to a more competitive process and better pricing outcomes. Additionally, the increase in the

²¹ Ministère de l'Énergie et des Mines, *Energies Nouvelles, Renouvelables, et Matrise de l'Énergie*, 2022.

²² Hochberg (2020).

²³ Ministère de l'Énergie et des Mines (2022).

²⁴ Hochberg (2020).

overall capacity offered from 150 MW total to 1,000 MW annually sends a signal that Algeria is a place for investors who hope to achieve scale within a single market.

Yet, uncertainty around the tender remains. The submission deadline has been delayed several times, creating a moving target for businesses seeking to participate in the tender. This creeping notion of a false start situation is unhelpful to organisations hoping to orchestrate cross-sectoral expertise to submit a successful bid.

Beyond the submission deadline, one key item that will require further definition is the power purchase agreement (PPA). The PPA is the document that governs the terms and conditions around the purchase and sale of electricity from the bidders, to Sonelgaz, the power purchaser. The terms and conditions within the PPA, which will likely be released upon announcement of an updated tender submission deadline, will be a critical in determining the investor pool and competitiveness of the process.

Another critical item is the partnership between the private sector bidder and Shaems, the joint-venture company formed by Sonatrach and Sonelgaz, the nation's two state-owned energy companies. Under the tender, Shaems has the right to an ownership stake of up to 34% in the tendered projects. Direct Algerian participation in the projects presents an opportunity for expanded collaboration, incentive alignment and knowledge transfer between Algerian entities and international stakeholders. Yet international joint-ventures are involved and complex in nature, and even more so under this unique arrangement, in which Sonelgaz acts as the power purchaser (through a subsidiary called SADEG) and a part-owner of the project (via Shaems). Terms that avoid conflict of interest and meet an international market standard will help facilitate competition by encouraging diverse bidder participation.

Europe's Energy Crisis

Meanwhile, Europe must cope with a gas dynamic that was unthinkable before Russia's invasion of Ukraine. In 2021, prior to the invasion, Europe received about 45% of its total gas imports from Russia (155 billion cubic meters), representing 40% of total European gas demand.²⁵ Since the beginning of 2022, Russia has reduced its gas exports to Europe by around 50% of normal levels.²⁶ The significance of this shift cannot be overstated.

Europe had come to depend on the supply of relatively inexpensive Russian gas at the residential, commercial, and industrial levels for power consumption. European industries had learned to become competitive on the back of low-cost gas from Russia. Some of these industries are now curtailing production in response to the crisis, which helped lead to a 10% decline in European gas consumption over the first eight months of 2022, relative to the same timeframe in 2021.²⁷ During the same period, liquefied natural gas (LNG) imports increased by 65%, helping to compensate for the shortfall of Russian gas.

The liberalisation of the European gas market introduced a highly competitive and well-functioning market for the procurement and delivery of natural gas. Price discovery through a competitive marketplace often elicits the best price for consumers, yet it disregards fundamental questions around security of supply, diversification of energy resources, and overall energy security. The reality of war in Europe and Russia's role as an aggressor has caused a rethink of competitive markets and economic efficiency, with a broad understanding that

²⁵ International Energy Agency (IEA), "[How Europe can cut natural gas imports from Russia significantly within a year](#)", 3 March 2022.

²⁶ "Europe is growing complacent about its energy crisis", *The Economist*, 13 October 2022.

²⁷ International Energy Agency (IEA), "[Natural gas markets expected to remain tight into 2023 as Russia further reduces supply to Europe](#)", 3 October 2022.

non-economic factors around energy security hold far greater importance than previously considered.

In response to reduced gas imports from Russia, Europe has been stockpiling gas in an attempt to fill the continent's gas storage capacity prior to winter of 2022. As of October 2022, the EU's gas storage facilities had reached more than 90% of capacity,²⁸ largely as a result of LNG imports.²⁹ With storage nearing full capacity, gas forward prices in Europe for December delivery have halved relative to summer pricing. Yet even if the continent manages to avoid worst-case outcomes in the winter of 2022, Europe's precarious position is likely to persist.

While the gas supply flexibility afforded by the LNG market has helped Europe manage the crisis, the gas reserves that Europe expends in the winter of 2022 will need to be replaced for 2023, and perhaps without the benefit of any pipelined gas from Russia. The continent must be assertive and enterprising in its efforts to procure ample gas to ensure the security and stability of its electric power sector. Algeria already plays a role in Europe's energy security, with scope to expand this role further.

Increasing Gas Availability to Europe

Algeria consumes approximately half of the gas it produces.³⁰ Algerian gas represented about 10% of the European Union's total imported gas from 2020 to 2021.³¹ More than 80% of the country's gas exports are delivered to Europe. Yet there is still scope for expansion. The availability of additional Algerian gas for export depends on both demand reduction and supply augmentation.

²⁸ Council of the European Union, [Infographic – How much gas have the EU countries stored?](#), 2022.

²⁹ International Energy Agency (IEA), “Natural gas markets expected to remain tight into 2023 as Russia further reduces supply to Europe”..., cit.

³⁰ R. Mills, “Why can't Algeria solve Europe's gas woes?”, *Euractiv*, 18 August 2022.

³¹ *Ibid.*

One key measure for gas demand reduction is the installation of efficient combined-cycle gas power stations, to replace older inefficient ones that use up to 50% more fuel to produce the same amount of electricity. Algeria is in the process of installing higher efficiency plants, which are estimated to make up 55% of installed electric generation capacity by 2028, representing an increase of 37% since 2018.³² Another critical component to reduce gas demand within Algeria is renewable energy deployment. Each megawatt hour of electricity that Algeria produces from renewable sources represents incremental natural gas for export. Algeria is pursuing an ambitious renewable energy programme in the form of Solar1000 (as described above).

In terms of increasing gas supply, primary levers include full utilisation of existing LNG and pipeline capacity, new export capacity rollout, and upstream (exploration and production) activities with the aim of discovering more gas within Algerian territory. To this end, Sonatrach announced the discovery of LD2 in June of 2022. The discovery may be the largest in the nation in the last two decades. LD2 production is slated to be fast tracked, with gas potentially delivered to market as early as year's end 2022.³³

There is also potential to expand upstream activities, with as much as two thirds of Algerian territory currently unexplored or underexplored for hydrocarbons.³⁴ As for existing gas fields, utilizing best practices and new technologies to ensure that these fields are fully exploited creates opportunity for supply increases. An additional key lever for increasing supply is the development of Algeria's shale resources, which represent a massive opportunity to expand the nation's domestic gas production. Largely untapped, Algeria's shale resources are the third largest globally, and are a major strategic opportunity.

³² “Middle Eastern countries are sitting on an ocean of natural gas”, *The Economist*, 13 October 2022.

³³ International Energy Agency (IEA), “Gas Market Report Q-4-2022”, 2022.

³⁴ United States Energy Information Administration, *Background reference: Algeria*, 2019.

Maintaining Momentum for Renewables

While hydrocarbon initiatives enjoy widespread support in Algeria, renewable energy runs the greatest risk of losing momentum. The current high oil and gas price environment is a threat to renewable energy deployment in Algeria. Elevated hydrocarbon prices diminish the imperative of the Algerian authorities to act quickly and decisively to deploy renewable energy resources. Sonatrach expects to earn record revenues of \$50 billion this year, up 30% from 2021.³⁵ The price of Algeria's Sahara Blend was over \$100 per barrel in early 2022,³⁶ allowing the Algerian state to earn high revenues without increasing expenditure or deploying resources for new energy infrastructure.

Conversely, renewable energy investment is often viewed with a degree of skepticism in Algeria and requires a high upfront investment cost (albeit with zero fuel cost and low operation and maintenance costs), with benefits that are perceived as uncertain. This dynamic, coupled with Europe's urgent need to import more gas, collective anxiety regarding an accelerated energy transition and the concern of future stranded hydrocarbon assets, helps shift attention away from renewable energy deployment toward further expansion of hydrocarbons.

Roles of Europe and the United States

Europe is party to Algeria's inaction in accelerating its green energy rollout. As the importer of more than 80% of Algerian gas, with significant domestic renewable energy deployment and host of energy and environmental targets, Europe has a role to play in the future of Algeria's green economy. Since the Russian invasion, in addition to the effort that European powers have made to secure new supplies of Algerian gas,

³⁵ "Middle Eastern countries are sitting on an ocean of natural gas"..., cit.

³⁶ A.G. Farrand, *Against the Flow: Europe's role in kickstarting Algeria's green transition*, European Council on Foreign Relations (ECFR), 2022.

Europe's leadership should concurrently champion initiatives that encourage Algeria to maximise its vast renewable resource potential.

Milestone announcements within the hydrocarbon space, such as the \$4 billion gas deal announced in summer 2022 between Italy's Eni and Algeria's Sonatrach, should be accompanied by equal or greater efforts for renewable energy. Significant shifts and transitions in infrastructure often begin with concessional financing measures. Concessional financing in the form of low-cost debt, grants and equity investments from Europe's development banks should be deployed. To be effective, Europe's effort also should consider the perception of renewable energy within Algeria. European banks, engineering firms and construction companies experienced in renewables should work with educational organisations to offer technical assistance on the viability and benefits of renewable power.

The EU should also act as a unified force, defining and communicating its own energy plans and demand projections in the context of Algerian participation in the EU's energy future. Algeria's perception of EU-wide alignment would be a strong signal to drive action and help reduce the role of geopolitics in negotiations between Algeria and EU member states. Demand aggregation within the EU could also serve to mobilize investment more efficiently within Algeria. The EU and individual member states have established targets around renewable energy, specific technologies, green hydrogen imports, and other climate technology initiatives. Ensuring adequate communication around these targets and how they relate to Algeria in particular may help inspire action.

The United States, while less directly intertwined than Europe in Algeria's energy future, should also work with the Algerians to drive energy transition initiatives. The United States enjoys the second most renewable energy installed capacity and generation globally,³⁷ in addition to what is likely the world's

³⁷ International Renewable Energy Agency (IRENA), "[Country Rankings](#)", 2022.

greatest expertise in the development of shale gas resources. Algeria's vast development prospects in renewable energy and shale gas represent an opportunity for US firms seeking to internationalize. Such efforts could be coupled with support from the US government in the form of low-cost debt, equity investments, risk insurance, and capacity training related to the regulatory and commercial frameworks for renewables and shale gas. These and similar initiatives would help the United States to gain a stronger foothold in a region of vital importance to American interests.

Both the EU and the US now recognize the perils associated with both Russia as a primary gas supplier, and China as primary clean energy supply chain manufacturer. Reassessment and reordering of the natural gas and clean energy supply chains are now top priority. With the appropriate measures, Algeria could play an important role in this shift. Both European-Algerian and US-Algerian collaboration on climate infrastructure could include initiatives such as:

1. Collaboration to deploy new renewable energy capacity, through Algeria's Solar1000 programme and additional opportunities for wind and other renewable technologies.
2. Joint-proposal development for subsea cable deployment to export renewable energy produced in Algeria directly to Europe.
3. Development of business clusters around the renewable energy and shale gas industries, including mining, manufacturing, carbon capture and hydrogen.
4. Partnerships to capture and utilize flared gas, which is currently burned off as a result of limited or non-existent gas gathering and transport infrastructure.
5. Technology sharing and investment to increase the deployment of efficient natural gas technology, through the refurbishment of older plants or their replacement with new ones.

6. Investment to expand existing pipeline capacity from Algeria to Europe, and to build new LNG export facilities on Algerian territory or expand capacity at Algeria's two existing LNG facilities.
7. Co-investment opportunities in Algeria's hydrocarbon sector, to engage in new exploration and production, exploit the nation's shale potential, and to ensure that production from existing gas fields is maximised.

Each of the above-mentioned initiatives are multi-value in nature, representing opportunities for Algeria, Europe and the United States in terms of energy security, revenue, economic development, human capital development and technology sharing, grid reliability, and geopolitics. Initiatives that boost well-being for citizens and international energy security should be pursued in parallel to maximise synergies and opportunities for interrelated business clusters. Yet any such list of potential opportunities should be carefully evaluated on the basis of a future scenario analysis to understand the costs, risks and benefits of proposed solutions under a range of sensitivities, to ensure that optimal solutions are pursued.

The Road Ahead

The world's energy order is reshaping more rapidly than ever, leaving sun-drenched Algeria at a crossroads. Algeria can maximise the opportunity of the moment to begin transitioning towards an integrated energy powerhouse with a diversity of energy resources, or it can proceed on a path dominated almost exclusively by hydrocarbons. While the energy sector cannot resolve the myriad social and economic issues facing the country, it can provide an impetus for material change. Capitalising on the nation's potential as a renewable energy power would engender economic diversification and development, improve the nation's fiscal health, and afford newfound geopolitical power to the Mediterranean nation of 45 million inhabitants.

The occasion presents a tremendous opportunity for collaboration between Algeria and Europe, as well as between Algeria and the United States. At a minimum, Algeria should move forward expeditiously with the Solar1000 tender, to inspire confidence that the country is open for business and climate infrastructure investment. More broadly, the country should develop an integrated clean energy plan. This plan should outline the different technologies it aspires to deploy, the sectors that stand to benefit, and the proposed frameworks that would facilitate investment. The plan should also focus on improving the broader business climate, beginning with the new investment law that the Algerian government passed in July of 2022.³⁸ At the same time, European and American leaders should work with Algeria on energy diversification while maintaining pragmatic expectations regarding the pace and depth of change.

³⁸ International Trade Administration, *Algerian Investment Law*, 2022.

3. An Eastern Mediterranean Poised between Escalation and Cooperation*

Michaël Tanchum

Europe's urgent interest in Eastern Mediterranean natural gas resulting from its conflict with Russia presents an unprecedented opportunity for a comprehensive transformation of the Eastern Mediterranean's energy geopolitics from conflict to cooperation. Failure to do so could mean that the territorial sovereignty disputes between Greece, Cyprus, and Turkey – now bound up with the production and marketing of Eastern Mediterranean natural gas – could escalate and erupt into an armed confrontation much more severe than the 2020 naval stand-off between Greece and Turkey. The 2018-20 escalation cycle in the region arose out of the prior ruptures in Turkey's respective relations with Egypt and Israel and the resulting exclusion of Turkey from the marketing of Eastern Mediterranean natural gas. As the Eastern Mediterranean's two current natural gas producers, Egypt and Israel will play a pivotal role in whether the region moves closer to escalation or cooperation. How the triangle of energy relationships among Egypt, Israel, and Turkey is managed will set the broad geopolitical contours for the region. While renewable energy presents new opportunities for cooperation across political fault lines, current major projects in the Eastern Mediterranean follow the pattern of natural gas cooperation, in which engagement with Turkey is absent.

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The future course of the Eastern Mediterranean's transition to green energy will also be influenced by the triangle of energy relationships between Egypt, Israel, and Turkey. This will impact the degree to which regional cooperation in renewable energy will overcome old political divides or simply reinforce them.

An Energy Turning Point: The Rise in European Demand Resulting from the Russia-Ukraine War

The economic war of attrition between the Russian Federation and the European Union following Moscow's 24 February 2022 invasion of Ukraine has altered the commercial outlook for Eastern Mediterranean natural gas. Prior to the invasion, the EU relied on Russian imports for about 40% of its natural gas supply. Russia's stopping of natural gas flows to several EU member states starting in late April 2022 has prompted the Union to turn to Egypt and Israel to help fill the supply gap. On 15 June 2022, European Commission President Ursula von der Leyen signed a memorandum of understanding (MoU) with the energy ministers of Egypt and Israel that created a five-year framework for expanded Eastern Mediterranean gas exports to the EU in exchange for the EU facilitating European firms to invest in exploration and production in Egypt and Israel.¹

The EU agreement with Egypt and Israel constitutes an extraordinary commercial turnaround for the marketing of Eastern Mediterranean natural gas. Prior to the Covid-19 pandemic, Eastern Mediterranean gas was deemed commercially uncompetitive in the EU market compared to the significantly cheaper supplies from Russia, casting doubt on whether Eastern Mediterranean natural gas actually had a market that would warrant further investment in exploration and production. Needing to replace 155 billion cubic meters (bcm) of Russian

¹ D. Zaken, "Israel, Egypt sign gas supply pact with EU", *Globes*, 15 June 2022.

natural gas, the EU theoretically could consume all of the Eastern Mediterranean's surplus production, including the output of the Republic of Cyprus, which holds the region's third-largest known recoverable reserves. Ankara is unwilling to tolerate the prospect of Cyprus joining the EU-Egypt-Israel agreement and receiving significant foreign investments while the grievances of Turkey and Turkish Cypriots remain unaddressed and Turkey continues to be excluded from the marketing of Eastern Mediterranean gas.

In contrast to the escalation cycle of 2018-20, Turkey's 2021 rapprochement initiatives towards Egypt and Israel, especially Turkey's restoration of full diplomatic relations with Israel, give Turkey an opportunity to exploit Europe's eagerness to purchase Eastern Mediterranean gas to boost its role in distributing this resource to Europe. Giving Ankara stakeholder interest in the marketing of Eastern Mediterranean gas would then have positive spill-over effects for resolving the Cyprus problem and Greek-Turkish maritime boundary dispute. The continued exclusion of Turkey in the face of unprecedented market demand from Europe will only provoke Turkey to use all means at its disposal to preclude further natural gas exploration and production, affecting its disputes with Greece and Cyprus. Turkey's development of deeper economic ties solely with Egypt and Israel could possibly constrain their strong support for Greece and Cyprus in the event of a future confrontation with Turkey, creating an incentive for a new cycle of escalation in the Eastern Mediterranean.

To the Brink and Back: Eastern Mediterranean Energy Geopolitics 2010-21

The discovery and development of offshore natural gas deposits in the Eastern Mediterranean occurred in tandem with the emergence of interlocking security relationships between Egypt, Israel, Greece, and the Republic of Cyprus. The evolution of this alignment began with the 2010 rupture in

security relations between Turkey and Israel, compounded by new shared interests between Israel and Cyprus arising from the first discoveries of Eastern Mediterranean offshore natural gas in Israeli and Cypriot waters in 2010 and 2011, respectively. Sharing a heightened threat perception of Turkey's regional intentions, Israel developed strong tripartite security relations with Greece and Cyprus, featuring regular joint military exercises. By 2015, Israel and Greece had signed a status of forces agreement (SOFA), the first such agreement Israel signed with any nation other than the United States. Israel subsequently signed a SOFA with Cyprus in 2016.

Egypt concurrently developed a strong tripartite security relationship with Greece and Cyprus, starting in 2014 after the 2013 rupture in relations between Cairo and Ankara. Since 2014, Egypt has held over nine tripartite summits with Greece and Cyprus and also conducts regular joint military exercises with each. Within the same timeframe, the Turkish-Egyptian rift also brought Paris and Cairo into a close partnership to oppose the expansion of Turkish influence in Libya, the rest of the Middle East and North Africa, and Sub-Saharan Africa. The Franco-Egyptian partnership also served as a platform for the UAE in its systemic competition with Turkey and Qatar, giving rise to a Franco-Egyptian-Emirati entente whose activities expanded from Africa into the Eastern Mediterranean.²

Against the backdrop of this emerging alignment, it was the marketing of the Eastern Mediterranean's offshore natural gas resources that transformed the territorial sovereignty disputes between Greece, Cyprus, and Turkey from a primarily local issue to a major fault line in the strategic conflict between Turkey on the one side and Egypt and Israel on the other. Although Turkey's relations with Israel and Egypt became strained in 2011 and 2013, respectively, the transformation of Eastern Mediterranean energy geopolitics started with the game-changing discovery of

² M. Tanchum, "Turkey Advances in Africa against Franco-Emirati-Egyptian Entente", *The Turkey Analyst*, 24 August 2020.

the Zohr natural gas field off the coast of Egypt in August 2015, the Eastern Mediterranean's largest natural gas find to date. Italian energy major Eni, which discovered the Zohr field, is also the lead operator in Cyprus' natural gas development and the lead stakeholder in one of Egypt's two liquefaction plants. Following the Zohr find, Eni began promoting a plan to pool Egyptian, Israeli, and Cypriot gas and use Egypt's liquefaction facilities to cost-effectively market the region's gas to Europe as liquefied natural gas (LNG).³

The Egypt-based LNG marketing plan ran afoul of Turkey's plan to use the Trans-Anatolian Natural Gas Pipeline (TANAP) to transport Eastern Mediterranean gas to the EU. TANAP runs across the length of Turkey and is the main pipeline of the Southern Gas Corridor, which transports natural gas from Azerbaijan's offshore Shah Deniz field to Turkey's domestic gas market and the EU. For Turkey, TANAP, as the transit route for new sources of natural gas for the EU, forms the foundation of Ankara's strategic policy to become an international energy transportation hub. Thus, Ankara had been in discussions with Israel to construct an undersea pipeline from Israel's offshore Leviathan gas field to Turkey's coast where it could theoretically feed into the TANAP pipeline via reverse flow. By excluding Turkey and its pipeline infrastructure from the marketing of Eastern Mediterranean gas, thwarting Ankara's own ambition to become an energy hub for Middle Eastern and Caspian basin natural gas to reach Europe, the Egypt-based LNG plan was tantamount to a geopolitical timebomb.

From Turkey's viewpoint, Eastern Mediterranean's *de facto* maritime boundaries unjustly and illegally deny Turkey part of its rightful maritime territory. As such, the region's arrangements for offshore natural gas development that depend on these *de facto* boundaries, particularly as regards Cyprus, are equally illegitimate. The dispute goes back to the so-called

³ S. Stefanini, "Eni chief: Egypt's gas gain won't harm Israel", *Politico EU*, 16 September 2016.

Seville map, upon which are based the region's commonly accepted maritime boundaries. The EU-commissioned map study prepared by the University of Seville made the arbitrary decision to define maximal boundaries for Greece and Cyprus at Turkey's expense.

The Seville Map, following a very strict interpretation of the United Nations Convention on the Law of the Sea (UNCLOS), used the coast of every inhabited Greek island, no matter how small and no matter how close to Turkey's shores. Turkey's Mediterranean coastline is longer than the driving distance between Paris and Moscow. Yet, some of the nearby small Greek islands – most notably the 9.3 sq. km island of Kastellorizo lying less than two kilometers from Turkey's coast – unfairly diminish Turkey's maritime zone. Under the UNCLOS principle of equity and the international case law based upon it, Turkey is likely entitled to a larger maritime zone on account of its extensive coastline. However, Turkey refuses to become an UNCLOS signatory, closing off an avenue of legal recourse. Ankara also objects to the ongoing exclusion of Turkish Cypriots living in the northern half of the ethnically divided island from the development of Cyprus's offshore natural gas, despite their being the legal co-owners of Cyprus's natural resources. Moreover, Turkey does not recognise the legitimacy of the government of the Republic of Cyprus.

Finding no diplomatic recourse on these issues after Eni's subsequent 2018 find in Cyprus' waters – the Calypso field – gave further impetus for the implementation of the Egypt-based LNG marketing scheme, Turkey opted for gunboat diplomacy to express its displeasure. In February 2018, Turkish naval vessels blocked an Eni drill ship from reaching its intended drill site in Cypriot waters, forcing the company to withdraw it.⁴ Contrary to Ankara's desired outcome, the actions served to push Egypt and Israel into closer cooperation with Greece and Cyprus. To mitigate its risks, Eni partnered with

⁴ “ENI Ship blocked off Cyprus leaves”, *ANSA*, 23 February 2018.

France's energy giant TOTAL (now TotalEnergies) in all of its operations in Cyprus, providing Paris an economic perch to more deeply entrench its opposition to Ankara in the region. Feeling even more severely constrained in its ability to defend its interests, Turkey doubled-down on its gunboat diplomacy in the disputed waters around Cyprus throughout 2018 and 2019. France consequently deepened its military cooperation with Cyprus and Greece, as did Egypt and the UAE. A third gas find in the waters off Cyprus, the Glaucus-1 field, by ExxonMobil in February 2019 confirmed Cyprus's role in the export of Eastern Mediterranean natural gas.

Multilateral energy cooperation between Turkey's regional antagonists was formalised with the 2020 inauguration of the Eastern Mediterranean Gas Forum (EMGF), an international organisation for developing the region's natural gas founded by Italy, Egypt, Greece, Cyprus, Israel, the Palestinian Authority, and Jordan. France was subsequently admitted as a member in the Cairo-headquartered EMGF in March 2021, and the US was granted permanent observer member status. To this day, Turkey remains excluded from the so-called OPEC of Eastern Mediterranean natural gas.

At the same time, Turkey sought to break its isolation by concluding a maritime boundary agreement in late 2019 with divided Libya's then-Government of National Accord based in Tripoli. Turkey intervened militarily on behalf of the embattled Tripoli government, successfully reversing the course of the Libyan civil war by June 2020. Despite Turkey's specious method for drawing the Ankara-Tripoli maritime boundary map, Greece decided to answer Turkey in kind on 6 August 2020, by signing a maritime delimitation agreement with Egypt.⁵

⁵ N. ElHennawy, "Egypt, Greece sign maritime deal to counter Libya-Turkey one", *AP News*, 6 August 2020.

After two years of unsuccessful gunboat diplomacy around Cyprus' waters and buoyed by its success in Libya, Turkey pushed the envelope in early August 2020 and responded to the Greece-Egypt agreement by extending its maritime tactics against fellow NATO member Greece. Ankara sent an oil and gas exploration vessel, escorted by a group of five naval warships, to the contested waters near the Greek island of Kastellorizo, despite the fact that Kastellorizo itself was not directly impacted by the Athens-Cairo accord. Turkey's action led to a full-blown stand-off between the Hellenic and Turkish navies and resulted in the collision between a Turkish and a Greek warship on 12 August 2020. In support of Greece, France dispatched warships to the contested waters, eventually sending its *Charles de Gaulle* nuclear aircraft carrier. Subsequently, Egypt conducted joint naval exercises with France and Greece while the UAE sent its F-16 fighter jets to conduct joint air force exercises with Greece and France in the air space over the conflict zone.

The striking demonstration of Middle Eastern solidarity with Greece during the August 2020 naval confrontation caught Ankara off guard and was soon followed by the additional factor of the signing of the "Abraham Accords" on 15 September normalising relations between the UAE and Israel. The Accords profoundly reshaped the Eastern Mediterranean-Middle Eastern strategic architecture by closing a circle of strategic partnerships broadly aligned to offset the expansion of Turkey's "coercive diplomacy" in the region. That circle was further tightened on 18 November 2020, when Greece and the UAE signed a security pact that included an Article V-type mutual defence clause.⁶ In January 2021, Israel signed a \$1.68 billion 20-year agreement with Greece – the largest defense deal between the two countries – under which the Israeli defense company Elbit Systems is establishing and operating an air combat training facility in Greece, helping to narrow the gap

⁶ "Security, investments on the agenda as Mitsotakis visits UAE", *Kathimerini*, 18 November 2020.

between the Hellenic Air Force and its Turkish counterpart.⁷ In September 2021, Greece inaugurated the Hercules multilateral joint military exercise conducted with Egypt, the United Arab Emirates, and Saudi Arabia.

In light of these developments, Turkey realised the ineluctable need to recalibrate its policy toward its Eastern Mediterranean and Gulf state neighbors to ease its isolation.⁸ After eight years of fierce antagonism toward Egypt, Turkey engaged in a diplomatic outreach effort during spring 2021 that resulted in landmark rapprochement talks in Cairo on 5 and 6 May 2021, the first visit to Egypt by senior Turkish government officials since 2013.⁹ While the final outcome of discussions between Turkey and Egypt remains unclear, the acrimonious tone of the rivalry between the two major Mediterranean powers has been muted. Moreover, Egypt became one of Turkey's principal LNG suppliers beginning the fourth quarter of 2021.¹⁰ Coming on the heels of the 5 January 2021 resolution to the Qatar blockade, Turkey's spring 2021 outreach to Egypt was soon followed by a parallel effort¹¹ to the UAE in late summer 2021 that has resulted in a comprehensive rapprochement that has seen multibillion dollar Emirati investments in Turkey and Turkish drone sales to the UAE.

Concurrent with Turkey's outreach to Egypt and the UAE, Ankara engaged in a similar rapprochement process with Israel, and the two nations restored full diplomatic relations on 17

⁷ S.J. Frantzman, "Israel, Greece sign \$1.7 billion deal for Air Force training", *Defense News*, 5 January 2021.

⁸ M. Tanchum, "The Logic Beyond Lausanne: A Geopolitical Perspective on the Congruence between Turkey's New Hard Power and its Strategic Reorientation", *Insight Turkey*, vol. 22, no. 3, Summer 2020, pp. 41-55

⁹ "Turkey-Egypt talks 'frank and in-depth': Turkish Foreign Ministry", *Daily Sabah*, 6 May 2021.

¹⁰ S. Elliot and D. O'Byrne, "Egypt Emerges as Key LNG Supplier in Q4", *S&P Global Platts*, 9 December 2021.

¹¹ "UAE, Turkey intensify quest for new chapter in relations as leaders talk", *The Arab Weekly*, 1 September 2021.

August 2022.¹² The prospect that Israel's natural gas could be sold to Turkey and exported to Europe via Turkey's pipelines was mentioned repeatedly during the rapprochement process, including by Turkey's President Recep Tayyip Erdoğan. On 4 February 2022, when he made the landmark announcement that Israel's president would soon be visiting Turkey, Erdoğan reaffirmed Turkey's desire for natural gas cooperation with Israel saying "We can use Israeli natural gas in our country, and beyond using it, we can also engage in a joint effort on its passage to Europe".¹³

The Outlook for Eastern Mediterranean Natural Gas Exports: Egypt, Israel, and Cyprus

When European Commission President von der Leyen signed the 15 June 2022 MoU on expanded EU natural gas cooperation with Egypt and Israel at EMGF headquarters in Cairo, she called the agreement "a big step forward in the energy supply to Europe".¹⁴ For Egypt and Israel, the agreement is potentially transformative. The two countries depend upon each other for their exports of natural gas to Europe. Without an undersea Eastern Mediterranean pipeline that can reach European markets, Israel relies on Egypt's liquefaction facilities to reach those markets. Egypt, in turn, is concerned with meeting its own domestic demand and relies on Israeli gas imports provide a sufficient surplus for export.

In 2019, Egypt's LNG exports totaled 4.8 bcm equivalent, representing a 151% increase over the previous year.¹⁵ Amidst

¹² A. Obel, "Israel and Turkey to restore ambassadors in full renewal of diplomatic ties", *Times of Israel*, 17 August 2022.

¹³ "Erdogan Says Turkey, Israel Can Cooperate on Bringing Gas to Europe", *Haaretz*, 4 February 2022.

¹⁴ S. El Safety and A. Rabinovitch, "EU, Israel and Egypt sign deal to boost East Med gas exports to Europe", *Reuters*, 15 June 2022.

¹⁵ S. Elliott, "Egyptian LNG exports more than double in 2019 to 4.8 Bcm despite autumn lull", *S&P Global Platts*, 14 January 2020.

the post-Covid-19 supply shocks in 2021, Egypt exports reached 8.9 bcm.¹⁶ In the first five months of 2022, which includes the first three months of the Russia-Ukraine war, Egypt's LNG exports amounted to 4.7 bcm.¹⁷ Egypt can increase its export volume to 15-20 bcm, depending on supplies from neighbouring Eastern Mediterranean countries, and is likely to do so by 2025 or 2030 at the latest. At present, Egyptian domestic demand consumes over 90% the country's domestic production,¹⁸ and over the next ten years Egypt will be reliant on Israel and possibly Cyprus to create larger exportable surpluses.

Israel's Leviathan field, the Eastern Mediterranean's second largest offshore gas field, started supplying Egypt in 2020 at a rate of total 2.1 bcm annually, increasing to an annual rate of 4.7 bcm in 2022.¹⁹ Expanding Leviathan's annual output from 12 bcm to 24 bcm annually would produce more gas for export via Egypt. Additionally, Israel's Tamar field started to supply Egypt in July 2020 at an annual rate of 1 bcm, which doubled to 2 bcm annually in 2022.²⁰

Israel's Karish and Tanin fields could also supply more gas to Europe. The Karish field, located within Israel's EEZ but subsequently claimed by Lebanon as part of its maximalist boundary demarcation, contains 40 bcm. Energean, which operates the Karish field, plans to produce 8 bcm per year, 2 bcm of which is slated for export.²¹ Energean has positioned a Floating Production Storage Offloading (FPSO) unit at the Karish field, in anticipation of the successful conclusion of negotiations between Israel and Lebanon on an agreement

¹⁶ A. Kandil, "East Mediterranean Gas Forum can play pivotal role in resolving global energy crisis: Sisi", *Al-Abram*, 15 June 2022.

¹⁷ Ibid.

¹⁸ S. Tarek, "Egypt: Cairo's ambitions to become a major gas exporter", *The Africa Report*, 18 January 2022.

¹⁹ M. Iden, "Israel Begins Shipping Gas to Egypt via a Subsea Pipeline", *Pipeline Technology Journal*, 11 May 2020.

²⁰ S. Elliott, "Israel's Delek sees Egypt gas supply at minimum take-or-pay level through 2021", *S&P Global Platts*, 23 July 2020.

²¹ "Karish", *Energean*, n.d.

resolving their maritime boundary dispute. The agreement, signed at the end of October, draws the demarcation line on a pragmatic win-win basis that allows Israel to operate the Karish field while enabling Lebanon to solely manage exploration and production in the Qana prospect, which extends into Israeli territorial waters.²² Karish went into production immediately,²³ and Energean plans then to develop the Tanin field, which holds 27 bcm.²⁴

Cyprus' Aphrodite field, the country's first gas find, which contains an estimated 124 bcm, also extends into Israel's EEZ. In September 2022, Cyprus' Energy Minister Natasa Pilides hosted her Israeli counterpart for talks, which concluded with a joint pledge to quickly arrive at a unitisation agreement that would clear the way for production.²⁵ Concurrently, Aphrodite partners Chevron (35%) and Israel's NewMedEnergy (30%) agreed to invest \$192 million in drilling and other development costs to pave the way for production to begin in 2023.²⁶

On 22 August 2022, Eni and TotalEnergies announced Cyprus' fourth significant gas discovery in the Cronos-1 field. Estimated to hold about 71 bcm, the Cronos field combined with the three previous finds gives Cyprus about 391 bcm of in-place reserves. This total volume accords Cyprus a significant position in its energy partnerships with Egypt and Israel and accordingly greater geopolitical importance for the EU. Despite its increased reserves, Cypriot Energy Minister Pilides affirmed Cyprus' intention to export to the European Union via the Egypt-based LNG marketing plan. Stating that "for the time being, transporting natural gas to Egypt is the most prevalent

²² D. Zaken, "US hands Lebanon draft maritime border agreement with Israel", *Globes*, 2 October 2022.

²³ "Karish Start-Up. Increases Israel Gas Competition", *MEEES*, 28 October 2022.

²⁴ "Tanin", *Energean*, n.d.

²⁵ M. Hadjicostis, "Cyprus, Israel pledge quick deal in gas field dispute, after progress in talks", *Times of Israel*, 19 September 2022.

²⁶ "Partners in Cyprus' Aphrodite gas field approve \$192 mln investment", *Reuters*, 18 September 2022.

scenario and even following the recent discoveries, no changes to the plans are in sight” Pilides added “given the current situation and the EU’s need to stop relying on Russian gas, the new discoveries allow us to move more freely and join the bloc’s new programming”.²⁷

With the addition of natural gas supplies from Cyprus, Eastern Mediterranean surplus supply for export could total 40 bcm by 2030, or even earlier with expedited completion of the required infrastructure.²⁸ Without any significant new discoveries, the Eastern Mediterranean’s surplus supply could increase slightly but would not exceed 50 bcm. Thus, Eastern Mediterranean natural gas exports to the European Union could theoretically replace 26% to 32% of the natural gas supplies the EU received from Russia prior to its war against Ukraine.

Turkey’s Natural Gas Outlook: Prospects for Eastern Mediterranean Cooperation

Turkey is the largest natural gas importer in the Eastern Mediterranean and a natural market for exports from its neighbors. Without any current domestic production, Turkey ranks as the world’s 6th largest natural gas importer. Purchasing 58.5 bcm in 2021, Turkey’s natural gas imports are the largest contributor to the country’s ballooning current account deficit.²⁹ In August 2020, Turkey announced the discovery of offshore natural gas in its Sakarya field in the Black Sea. Current estimates now place Turkey’s known Black Sea gas reserves at 540 bcm.³⁰ In June 2022, Turkey’s Energy Minister Dönmez

²⁷ J. Shkurko, “‘Significant’ gas discovery in Cyprus’ block 6 (Updated)”, *Cyprus Mail*, 22 August 2022.

²⁸ D. Butter, “Egypt’s Energy Ambitions and its Eastern Mediterranean Policy”, in M. Tanchum (Ed.), *Eastern Mediterranean in Uncharted Waters: Perspectives on Emerging Geo-Political Realities*, Konrad Adenauer Stiftung, 2020.

²⁹ “Natural gas balance of trade”, *Enerdata*, 2021.

³⁰ M. Temizer, “Bakan Dönmez: Karadeniz’deki gaz rezervi, konutların 30 yıl ihtiyacını karşılayacak büyüklükte”, *Anadolu Ajansı*, 8 March 2022.

announced that the Sakarya field will begin annual production of about 3.7 bcm in 2023 and reach about 14.6 bcm by 2026.³¹ Thus, Ankara is expecting to meet about 25% of its domestic gas consumption through its Black Sea production. However, even with new domestic production coming online, Turkey still faces the twin challenges of ensuring the security of an affordable supply natural gas for domestic consumption and increasing the volume of natural gas for export to the EU through the TANAP pipeline.

Despite its substantial network of inter-regional pipelines, Turkey started turning to LNG in 2019 to diversify its sources of supply to ensure its domestic energy security.³² By the end of 2021, Turkey ranked as the fourth largest importer of LNG in Europe, with an increasing amount of LNG coming from Egypt following the spring 2021 rapprochement between the two countries.³³ By Q1 2022, Turkey had become the largest purchaser of Egyptian LNG.³⁴ The increase in LNG sales to Turkey demonstrates that Turkey could also potentially be included in LNG marketing to Europe. While Egypt has two major liquefaction plants, it lacks adequate storage facilities, whereas Turkey traditionally has underutilised gas storage capacity. By incorporating Turkey into the regional marketing and delivery mechanisms, the marketing of Eastern Mediterranean gas could function more efficiently and replace geo-political antagonisms with stakeholder cooperation.

Of even greater impact would be the construction of an undersea Israel-Turkey gas pipeline that would supply Turkey's domestic market and TANAP. While the TANAP pipeline

³¹ “Enerji Bakanı Dönmez: 2026’da ülkede kullanacağımız gazın yüzde 25-30’unu Karadeniz’deki sahadan karşılayacağız”, *BBC Türkiye*, 14 June 2022.

³² N.E. Kaya, “Turkey’s gas imports from Russia and Iran fall sharply”, *Anadolu Agency*, 24 August 2020.

³³ “Turkey 4th biggest LNG importer in Europe as global trade jumps”, *Daily Sabah*, 6 May 2022.

³⁴ “Turkey top importer of natural gas from Egypt in Q1-2022: CAPMAS”, *Egypt Independent*, 19 July 2022.

began transmission with an initial annual capacity of 16 bcm – with 6 bcm slated for Turkey’s domestic market and 10 bcm for exports to Europe – the pipeline can ultimately accommodate up to 60 bcm annually with capacity expansion. However, Azerbaijan alone does not have sufficient reserves to utilise this potential and TANAP will require gas from additional suppliers to significantly boost gas exports to Europe.³⁵

With Russia likely to continue to block the construction of the Trans-Caspian Pipeline project to connect Turkmenistan’s vast natural gas reserves to TANAP, and the Iraqi government in Baghdad likely to block gas exports by the Kurdish Regional Government in northern Iraq, obtaining Eastern Mediterranean gas imports via an undersea pipeline from Israel’s offshore fields is presently the most attractive and viable option for boosting export volumes and a strategic desideratum for Turkey. The Israeli gas may not even need to reach Europe directly via TANAP. By using a swap mechanism in which Israeli gas is distributed in south-eastern Turkey near its landfall, an equivalent amount Azerbaijani gas used for Turkish domestic consumption can be freed up for export to Europe.

An undersea natural gas pipeline from Israel’s Leviathan field to Turkey would span 500-550 km depending on the landfall on Turkey’s coast and would cost approximately \$1.5 billion to construct.³⁶ According to Gökhan Yardım, the former general manager of Turkey’s state-owned transmissions operator BOTAŞ who was involved in prior negotiations with Israel, an Israel-Turkey pipeline would require at least 8-10 bcm per year to be transported in order to be commercially viable.³⁷ A pipeline with this initial capacity formed the basis of negotiations

³⁵ M. Tanchum, *A Post-Sanctions Iran and the Eurasian Energy Architecture: Challenges and Opportunities for the Euro-Atlantic Community*, The Atlantic Council, 25 September 2015.

³⁶ O. Coskun and A. Rabinovitch, “Israel-Turkey gas pipeline discussed as European alternative to Russian energy”, *Reuters*, 29 March 2022.

³⁷ “Eski BOTAŞ yöneticisi: İsrail-Türkiye boru hattının en az beş yılı var”, *Diken*, 21 March 2022.

in 2016. Since BOTAŞ is Turkey's largest gas purchaser, the transport of such volumes of Israeli gas would require a purchase agreement with a consortium that includes the state transmissions operator. Aside from renewed political tensions, the 2016 negotiations between Turkey and Israel stumbled on BOTAŞ's demand for a price lower than Israeli producers could offer. However, market conditions based on the accessibility of inexpensive Russian gas have fundamentally changed. On 19 September 2022, President Erdoğan announced that he plans to visit Israel after its 1 November national elections.³⁸ The visit by Erdoğan would greatly advance the necessary political confidence required for the construction of an undersea gas pipeline.

Eastern Mediterranean Renewables

The Eastern Mediterranean possesses abundant renewable energy resources, with solar energy resources being the most prevalent. Parts of Egypt, Israel, and Jordan form a continuum with the Sahara Desert and possess some of the world's largest solar resources, with direct normal irradiation levels reaching or exceeding 2,300 kWh/m².³⁹ Egypt's massive Benban solar park outside of Aswan is one the world's largest, with an installed capacity of 1.8 GW, preventing the annual emission of two million tonnes of carbon dioxide.⁴⁰ Combined with the 262.5 MW Ras Ghareb wind farm near the Gulf of Suez⁴¹ and the addition of cleaner cogeneration gas-fired power generation

³⁸ R. Kampeas, "Turkey's Erdogan tells US Jewish leaders he plans to visit Israel", *Times of Israel*, 20 September 2022.

³⁹ World Bank, "Middle East and North Africa", *Global Solar Atlas*, 23 October 2019.

⁴⁰ "Strategic Environmental and Social Assessment – Final Report Benban 1.8GW PV Solar Park", The New and Renewable Energy Authority (NREA), February 2016.

⁴¹ N. Nhede, "Egypt's largest wind energy farm is now operational", *Smart Energy International*, 5 November 2019.

capacity, Egypt successfully reversed its deficit in electricity production into a surplus capacity that now reaches 15 GW.⁴² Although much smaller than Egypt, Israel is a global leader in the development of solar technology and ranks seventh in the world for the use of solar power, with 11% of its electricity generated from solar resources.⁴³

Egypt and Israel are each in the process of building 2 GW undersea electricity interconnectors to sell surplus power to Europe. The power initially transmitted via these interconnections will be derived from electricity generated from natural gas, known as gas-by-wire, as well as from renewable energy sources. Important for green energy transition, this infrastructure for the export surplus electricity commercially provides an offtake mechanism to European electricity markets, incentivising further investment in the development of new Egyptian and Israeli renewable energy power production capacity. However, the pattern of interconnection mirrors the configuration of the Egypt-based LNG marketing scheme. The Egypt-based Euro-Africa Interconnector and the Israel-base Euro-Asia Interconnector will each transmit electricity via undersea cables to Cyprus, Crete, and then mainland Greece, from where it can be traded in the European system but cutting Turkey and North Cyprus out from participating in the architecture.

The problem is more egregious on Greece's small and more distant islands, which are not connected to the Greek national electricity grid. To ensure the security of their supplies, these islands have prioritised developing their renewable energy resources. The two leading Greek island projects are the EU-financed Tilos Project,⁴⁴ which seeks to power the island

⁴² M. Farag, "Could Egypt make Use of Its Energy Surplus?", *Daily News Egypt*, 27 July 2022.

⁴³ N. Ferris, "The world's top ten solar superpowers", *Energy Monitor*, 22 September 2022.

⁴⁴ European Commission, *Technology Innovation for the Local Scale, Optimum Integration of Battery Energy Storage*, n.d.

entirely with utility-scale batteries recharged by wind and solar power,⁴⁵ and the Volkswagen-financed project to similarly transition the island of Astypalaia entirely to renewable power generation integrated with the widespread adoption of electric vehicles.⁴⁶ While these projects are serving as proof of concept, the investment costs for most of the islands close to Turkey's coast are formidable given the small size of the local markets.

A way to overcome this problem for Greece's remote islands is to build electricity interconnections across the short distances to neighboring Turkey. A win-win solution, such electricity interconnectors to Turkey would create an offtake mechanism for the Greek islands' exportable surpluses and thereby incentivise investment in the development of their renewable energy power generation capacity, while Turks on the coast would have access to more power, reducing electricity costs. Similar forms of cooperation on renewable energy power production, electricity interconnection, and power trading can be conducted between North and South Cyprus even prior to the resolution of the Cyprus problem,⁴⁷ creating greater confidence in cooperation and stakeholder interest in an equitable settlement.

Egypt and the Future of Green Hydrogen

As an alternative to electricity interconnection and batteries, green hydrogen holds great promise as both a carrier and storage system for renewable energy. Green hydrogen is produced by using electricity generated from renewable energy to split water into its hydrogen and oxygen components. Green hydrogen is therefore carbon-free, in contrast to conventional hydrogen,

⁴⁵ I. Mier, "A small Greek island will become the first in the Mediterranean to run solely on wind and solar power after its businesses have been hindered by blackouts", *Business Insider*, 19 August 2018.

⁴⁶ Volkswagen, "Volkswagen Group and Greece to create model island for climate-neutral mobility", 4 November 2020.

⁴⁷ "Two practical proposals to solve eastern Mediterranean energy and boundary disputes", Heinrich Böll Stiftung (HBS – Istanbul), 10 October 2020.

referred to as “grey” hydrogen because it is produced from natural gas in a process that releases a considerable amount of carbon dioxide into the atmosphere. Green hydrogen can be converted back into electricity using a fuel cell, making green hydrogen a medium for the storage and transport of energy generated from renewable sources. The least expensive way to store green hydrogen is in the form of its derivative green ammonia. Green hydrogen’s analogue to LNG, green ammonia can be transported for export by ship instead of undersea natural gas pipelines that require expensive adaptation to make them suitable for hydrogen gas transmission.

Egypt is the engine of the Eastern Mediterranean’s green hydrogen development, being the only country currently with utility-scale green hydrogen production capacity under construction. Egypt is the world’s seventh largest ammonia producer,⁴⁸ and the country’s embryonic green hydrogen industry is primarily oriented around the production of green ammonia. While grey ammonia is used in several manufacturing processes, its primary use is as a basic constituent in the production of fertilisers. Egypt’s leading green hydrogen project is a plant being constructed by the consortium of Norwegian renewable energy company Scatec, the Dutch-Emirati Fertigllobe producer of fertilisers and the Sovereign Fund of Egypt. The plant is slated to use a 100-MW polymer electrolyte membrane electrolyser for the production of green hydrogen.⁴⁹ Located in Ain Sokhna near Fertigllobe’s subsidiary Egypt Basic Industries Corporation (EBIC),⁵⁰ the Scatec operated plant will supply green hydrogen to EBIC for its green ammonia production.⁵¹

⁴⁸ “Ammonia production worldwide in 2021, by country”, *Statista*, January 2022.

⁴⁹ *Ibid.*

⁵⁰ Scatec, “Scatec’s Green Hydrogen Consortium in Egypt selects Plug Power for delivery of 100 MW Electrolyser”, Press Release, 24 November 2021.

⁵¹ Scatec, “Scatec partners with Fertigllobe and the Sovereign Fund of Egypt to develop green hydrogen as feedstock for ammonia production in Egypt”, Press Release, 14 October 2021.

Egypt has also engaged the German conglomerate Siemens to construct another green hydrogen plant with a similar electrolysing capacity.⁵² Under a broader mandate to help Cairo develop an export hydrogen industry, Siemens' plant is also intended to help developing Egypt's partner landscape – establishing off-take relationships and logistics.⁵³ As a major grey ammonia producer, Egypt can utilise part of its existing ammonia storage and transportation infrastructure for green ammonia. The question arises as to the geography of Egypt's green ammonia exports and whether the Eastern Mediterranean's green hydrogen connectivity will reflect the configuration of the Egypt-based LNG marketing scheme, which currently reinforces the region's political fault lines through the exclusion of Turkey. In 2021, Israel was the world's twelfth largest exporter of fertilisers exporter, closely followed by Egypt.⁵⁴ In addition to Europe, Egypt could export its green ammonia to Israel. For Greece's islands seeking to rely on green energy, Egyptian green hydrogen imports could be potentially used as an alternative energy storage mechanism instead of developing energy cooperation with the nearby coastal areas of Turkey.

In the short-term, it will be a formidable task for Egypt to construct sufficient green hydrogen production infrastructure to entirely replace natural gas in its ammonia industry. To do so, Egypt would need an electrolyser capacity about 100 times the combined capacity of Scatec and Siemens projects,⁵⁵ along with the required additional renewable energy power generation capacity. While expanding its green hydrogen capacity, Cairo will likely develop its "blue" hydrogen capacity – i.e. producing hydrogen from natural gas through a carbon

⁵² Siemes Energy, "[Siemens Energy supports Egypt to develop Green Hydrogen Industry](#)", Press Release, 24 August 2021.

⁵³ Ibid

⁵⁴ D. Workman, "[To Fertilizers Exports by Country](#)", *Worlds Top Exports*, 2022.

⁵⁵ A. Habib and M. Ouki, "[Egypt's Low Carbon Hydrogen Development Prospects](#)", Oxford Institute for Energy Studies, November 2021.

capture process minimising the amount of carbon dioxide released. In July 2021, Eni and Egypt signed an agreement to assess the feasibility to produce both green hydrogen and blue hydrogen.⁵⁶ The latter is likely to be the higher priority, as Eni could potentially use Egypt's depleted natural gas fields for the storage of carbon dioxide produced by carbon capture. Egypt is currently the world's sixth largest producer of urea, also used in nitrogen-based fertilisers, and could relatively easily use the captured carbon dioxide for urea manufacture.⁵⁷ Blue hydrogen is also attractive to Eni, as carbon dioxide can be used for enhanced oil extraction in aging fields, which Eni manages throughout North Africa and in nearby regions.

The pace and extent of Egypt's development of green hydrogen will ultimately depend on foreign investment partnerships and on the robustness of export markets. The economic viability of blue hydrogen in Egypt for ammonia and urea production means that natural gas will continue to be a prominent factor in the energy geopolitics of the Eastern Mediterranean during this decade.

Conclusion: Charting a New Course for Eastern Mediterranean Energy

The Eastern Mediterranean is precariously poised between escalation and cooperation over the region's natural gas resources, as new demand from EU markets is likely to attract foreign investment in further exploration and development. Cyprus has been attempting to build its own LNG terminal at its Vasilikos port with EU financing,⁵⁸ and under the present

⁵⁶ "Eni signs an agreement to produce hydrogen in Egypt", *Eni*, Press Release, 8 July 2021.

⁵⁷ "Egypt 6th in world in urea production, produces 7.8M tons of nitrogen fertilizers", *Egypt Today*, 28 December 2021.

⁵⁸ E. Hazou, "LNG project: Problems from the outset", *Cyprus Mail*, 7 February 2022.

circumstances may receive an FSRU in 2023 with European Union assistance.⁵⁹ Aside from expanded exploration and the start of natural gas production, Cyprus' development of its own liquefaction facility in Vasilikos to manufacture LNG from Cypriot and Israeli gas supplies would fundamentally change Cyprus' status and be viewed as provocative by Turkey. In April 2022, Energean and the oil and natural gas trading giant Vitol proposed to bring an FLNG unit to be moored at Vasilikos for the annual production of LNG from 4 bcm of Israeli and Cypriot gas.⁶⁰

In August 2022, Turkey inaugurated a new drill ship to operate in the Eastern Mediterranean, expanding its fleet in the region to four drill ships and two seismic exploration ships, each accompanied by naval escorts.⁶¹ Initially avoiding provocation, Turkey's new state-of-the-art drill ship began operations 55 km off the coast of Gazipaşa in Turkey's southwestern Antalya province.⁶² Nonetheless, Turkey has resumed an increasingly strident and antagonistic posture toward both Greece and Cyprus, which is likely to intensify throughout 2022 and into 2023, in the absence of new measures to include Turkey in the marketing of Eastern Mediterranean energy.

The renewed prospect of the construction of an Israel-Turkey undersea natural gas pipeline offers a unique opportunity for the transformation the Eastern Mediterranean's energy geopolitics. When approached in a comprehensive regional manner, the arrangements for an Israel-Turkey natural gas pipeline could offer transit revenue to Cyprus – which could be apportioned to both North and South Cyprus – while a specifically designated

⁵⁹ G. Kakouris, "Nicosia in waiting game for LNG supply and distribution", *Kathimerini Cyprus*, 31 May 2022.

⁶⁰ P. Stevenson, "Energean & Vitol Eye Israel-Cyprus FLNG Tie-Up", *MEEES*, 6 May 2022.

⁶¹ "We have an offshore drilling fleet that is rare in the world", Directorate of Communications, 9 August 2022.

⁶² A. Kehale, "Yörükler-1 kuyusu kavga çıkarmayacak", *Cumhuriyet Gazetesi*, 10 August 2022.

quantity of gas could be diverted through an auxiliary pipeline to a liquefaction facility in Vasilikos involving revenue-sharing for Turkey and North Cyprus as well. Under such an agreement, Turkey could become part of the Eastern Mediterranean Gas Forum. Egypt and Israel could be the driving forces behind an initiative that could be incentivised by the European Union, which both needs the natural gas and is keen to find new approaches toward a solution to the Cyprus problem and the Greece-Turkey maritime boundary dispute.

Until Turkey is admitted into the EMGF, a parallel platform for the promotion of win-win regional renewable energy cooperation should be established with Turkey as a founding member. An Eastern Mediterranean Renewable Energy Forum could facilitate the cross-boundary cooperation in renewable power production and electricity interconnection, bridging political fault lines and potentially creating a new map for Eastern Mediterranean energy cooperation. Turkey's private sector energy industry owns significant minority shares in three Israeli power plants.⁶³ An all-weather relationship based on commercial pragmatism, Israeli-Turkish private sector energy cooperation could potentially be leveraged to facilitate greater regional electricity interconnection cooperation between Turkey and Greece as well as North and South Cyprus. The advance of the Israel-Lebanon maritime boundary negotiations has shown that win-win solutions based on commercial pragmatism and flexibility offer the best possibility for the Eastern Mediterranean to chart a new course toward region-wide cooperation. Without such an approach, the conditions for a new cycle of escalation remain.

⁶³ Zorlu Enerji owns a 42% stake in Ashdod's power plant, a 25% stake in the 840 MW Dorad power plant in Ashkelon and a 42% stake in the 120MW Ramat Negev cogeneration plant; N.A. "[Energy](#)", *Zorlu Holding*, n.d.

4. The Emerging Saudi Power Momentum: How the Conflict in Ukraine Shapes Saudi Energy Policy*

Noura Y. Mansouri

Saudi Arabia continues to play its role as a global oil supply “safety valve” among other OPEC (Organization of the Petroleum Exporting Countries) Plus members. Historically, Saudi Arabia’s oil production has played a critical role in balancing global energy markets. It is the world’s swing producer, acting primarily to balance oil markets and meet oil demand. It can scale up oil output, thanks to its agile infrastructure, bolstered by continued upstream investments, some of the lowest costs per barrel and its spare capacity. Furthermore, it does so in a relatively environmentally friendly way, as the country has one of the lowest carbon intensities per barrel globally.

Through OPEC and OPEC Plus, Saudi Arabia and its partners managed to cushion supply disruptions in the post-Covid-19 period. It is also likely to continue to play an important role in the period to come. Against this backdrop, the conflict between Russia, a major gas exporter and the world’s third-largest oil producer and grain exporter, and Ukraine, an important grain exporter, has given rise to global energy and food crises, and one of the worst security crises in modern Europe. Disrupted energy supplies, which caused energy and food prices to rise further,

* The views expressed are those of the author and do not necessarily reflect the views of KAPSARC or Saudi Arabia.

coupled with monetary easing during the pandemic, have led to rising inflation, and will eventually lead to “stagflation” across the globe.

However, even before the outbreak of the conflict, the global order was shifting. Russia was actively increasing its footprint in the Middle East and North Africa region, and China’s growing economy and rising importance and influence appear to have prompted the MENA to pivot eastward. The United States’ increased energy independence due to the shale revolution, as well as its weakening presence in the MENA region, had created a vacuum that other players quickly attempted to fill. This has perhaps diminished the historic relationship between the US and its Gulf allies. The resulting multipolar global order is diluting the US dominance, thus impacting, expanding and reshuffling alliance strategies in the MENA region.

The world is relying on Saudi Arabia and its ability to alleviate the worsening energy crisis by pumping more oil to cushion supply shortages. However, Saudi Arabia continues to focus on ensuring the international oil market is kept out of international politics and remains adequately supplied. Saudi Arabia’s ongoing upstream investments have made it one of the last reliable sources of spare capacity, but its capacity is a precious resource to be used in case of extreme events.

Given this context, energy security has risen to the top of the global agenda. In particular, European countries, suffering from their dependence on Russian oil and gas, are now reverting to consuming more coal to replace Russian imports. This is in strict opposition to the COP26 pledge to “phase down unabated coal”. The Russia-Ukraine conflict is a grave reminder of the reality of our world today, where climate change concerns lose their salience when countries are faced with a growing need for energy security. Although attaining energy security may speed up the long-term global energy transition and Europe’s transition away from Russian hydrocarbons, energy transitions do not happen overnight. Investments in all forms of energy (coal, oil, gas, renewables and nuclear), as well as critical

minerals for renewables and electric vehicles, must keep up with global demand growth to ensure an orderly and smooth energy transition.

The conflict in Ukraine has highlighted Saudi Arabia's position at the centre of global affairs, owing to its energy-superpower status as the world seeks relief during the energy crisis. Saudi Arabia can help ease the international oil market disruptions causing Europe's energy crisis, and thus any direct spillovers to the world economy. Today, Saudi Arabia enjoys unprecedented geopolitical power and has well-diversified multi-vector strategic partnerships that have been made more robust due to current affairs.

Global Impacts of the Conflict in Ukraine

In an already fragile world recovering from Covid-19 and its implications, the outbreak of the Russia-Ukraine conflict on 24 February 2022, amplified the adverse consequences of the pandemic. The outbreak instigated a series of multifaceted disruptions across different sectors globally, as both warring countries are leading exporters of energy, food and fertilisers. These disruptions have caused a global economic slowdown, energy and food crises, inflation and “stagflation” – all of which continue to unfold.

Since the onset of Covid-19, the global economy has been grappling with the effects of the pandemic, which restricted travel, closed businesses, and enforced lockdowns on populations. With the slowdown in global economic growth, energy demand fell rapidly, causing an oil glut and an unprecedented collapse in oil prices. Before the outbreak of the conflict, many of these pandemic-induced impacts were dissipating, and global economic growth was set to recover in 2023, returning to pre-pandemic levels. In fact, many economies have rebounded and demand for energy, food and fertilisers picked up pace and, in some cases, exceeded supply, driving prices upward.

However, the outbreak of the conflict appears to have set back the global recovery, with global growth projected to slow once again from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023.¹ Some economists have even warned that such a “negative dynamic could trigger a new global financial crisis”.² Global geopolitical risks have soared,³ inflation rates are skyrocketing, reaching around 9%, a 40-year high in the United Kingdom and the US,⁴ and economic recessions are already hitting major regions, including Europe, the US and China. The rest of the world, especially vulnerable regions, is at risk from economic spillovers caused by soaring living costs. The United Nations Conference on Trade and Development’s Commodity Price Index has recorded massive increases globally since January 2020: a 37% rise in food prices, a 22% rise in crude oil prices and a 17% rise in shipping prices.⁵ These hikes are expected to push the most vulnerable into food insecurity and extreme poverty by the end of 2022.

Russia and Ukraine are among the top five producers and exporters of wheat and other grains globally, accounting for 29% of wheat exports. In addition, the global agriculture industry is greatly dependent on fertilisers, 20% of which are supplied by Russia. Another 20% is blocked by sanctioned Belarus, putting the world at risk of a prolonged food crisis.⁶ The unfolding crisis is particularly alarming for the MENA region, which is home to over 20% of the world’s acutely food-insecure people, despite

¹ International Monetary Fund (IMF), *World Economic Outlook April 2022. War Sets Back the Global Recovery*, Washington, DC, April 2022.

² K. Rogoff, “Growing Threat of Global Recession”, *Project Syndicate*, 26 April 2022.

³ D. Caldara, S. Conlisk, and M. Iacoviello, “The Effect of the War in Ukraine on Global Activity and Inflation”, Federal Reserve, Notes, 27 March 2022.

⁴ “UK inflation hits 40-year high amid Russia’s war in Ukraine”, *AP News*, 18 May 2022; A. Phillips, “Ukraine war: US inflation reaches highest rate since 1981 as conflict pushes up energy prices”, *Sky News*, 12 April 2022.

⁵ UNCTAD, *Global impact of war in Ukraine: Energy crisis*, Geneva, 2022.

⁶ J.K. Bourne, “Global food crisis looms as fertilizer supplies dwindle”, *National Geographic*, 23 May 2022.

accounting for only 6% of the world's population. For example, in Yemen alone, the number of people experiencing acute food insecurity rose from 15 million to over 16 million in just three months.⁷ About 70% of Russian and 40% of Ukrainian exports of wheat, maize and sunflower oil go to the MENA. Lebanon imports 95% of its wheat, maize and sunflower oil, Sudan 90%, Egypt 85%, Tunisia 50%, Yemen 40% and Jordan and Morocco 25%.⁸

Food insecurity can trigger political instability and social unrest and was one of the major underlying factors that sparked the “Arab Spring” revolts in 2011. Today, Egypt battles record high grain prices to feed its population of 100 million. In March 2022 Saudi Arabia pledged \$15 billion in economic assistance to Egypt to ease some of the price pressures it is experiencing. Along with contributions from Qatar and the United Arab Emirates (UAE), a total of \$22 billion was offered to Egypt,⁹ mitigating the potential for disruptive social unrest and instability in the country. Nonetheless, the MENA region is prone to compounding negative effects of food security and commodity prices. Such shock-waves will thus have dire socio-economic impacts on people, reducing the appetite for investment inflows and tourism. This may hamper investment and economic growth in the region.

As crude oil prices were pushed to over \$130 per barrel following the start of the conflict in Ukraine, threats to energy security have prompted actions by many countries. On 1 April 2022, International Energy Agency (IEA) countries collectively released 120 million barrels, 60 million of which were released by the United States. This action was the second coordinated release of emergency oil since the conflict began,

⁷ F. Belhaj, “[Compounded stress: The impact of the war in Ukraine on the Middle East and North Africa](#)”, World Bank Blogs, 7 March 2022.

⁸ *The impact of the Ukraine war on the Arab region: Food insecurity in an already vulnerable context*, The Arab Reform Initiative (ARI), 11 March 2022.

⁹ N. El Sawy, “[Gulf countries pledge \\$22bn to help Egypt avoid economic crisis amid Russia-Ukraine war](#)”, *The National News*, 5 April 2022.

and the fifth and largest stock release in history.¹⁰ As a result, the IEA confirmed that over the next six months, around 240 million barrels of emergency oil stocks (1 million barrels per day [MMb/d]) will be made available to the global market.¹¹ Despite this temporary supply boost, increased sanctions on Russia and undersupply from some OPEC Plus members indicate a persistent upside risk to oil prices.

In another action triggered by the conflict's global economic impact, the US recently enacted the \$750 billion Inflation Reduction Act (IRA), a scaled-down version of the Build Back Better Act. In the IRA, \$369 billion is dedicated to energy and climate policies. This includes a bundle of incentives for the fossil fuel industry and low-carbon technologies, including carbon capture, utilisation and storage (CCUS), hydrogen development, renewable energy, nuclear energy, sustainable fuels and energy efficient home insulation. The IRA is thus addressing both energy security and climate change. This puts the US on a path towards reducing greenhouse gas emissions (GHG) by 40%, lowering households' energy costs by 10% and creating 1.5 million new jobs by 2030.¹²

While the impacts of the Russia-Ukraine conflict have affected the global economy adversely, oil exporting countries have enjoyed surging profits owing to record oil prices. In Q1 of 2022, Saudi Arabia recorded year-on-year real gross domestic product (GDP) growth of 7.6%. This increase was the world's highest recorded growth and more than double the global average.¹³ Saudi Aramco has also become the world's most valuable company and is worth \$2.43 trillion.¹⁴

¹⁰ B. Cronin, "31 countries plan a big release of emergency oil to ease gasoline prices at the pump", NPR, 6 April 2022.

¹¹ "IEA confirms 'unprecedented' 120 million barrel stock release", *S&P Global Platts*, 7 April 2022.

¹² *Summary: The Inflation Reduction Act of 2022*, 11 August 2022, retrieved from Senate.

¹³ International Monetary Fund (IMF), "GDP per capita", Washington, DC, 27 July 2022.

¹⁴ M. Toh, "Saudi Aramco eclipses Apple to once again become the world's most

Indeed, Saudi Arabia has reaffirmed its oil dominance in the region and in OPEC Plus, enjoying all-time high oil revenues and a greater global market share. Saudi Aramco made a record \$48.4 billion profit in Q2,¹⁵ after revenues rose 80% to 562 billion Saudi riyals (approximately \$150 billion). Hence, the Ukraine-Russia conflict has highlighted Saudi Arabia's role in energy markets and global politics.

Global Power Shifts and Middle East Allies

The shift in the global power balance has affected alliances in the Middle East, and prompted MENA countries to pivot towards the East,¹⁶ signalling a post-Western world.¹⁷ The US has partially retreated from the global stage,¹⁸ beginning with the Obama administration's military withdrawal from the region. This foreign policy has continued under the Trump and Biden administrations. For example, the US has withdrawn from Iraq, Afghanistan, and partly from Syria, and has reduced its involvement in the Palestinian-Israeli conflict. Several rising powers have attempted to fill this vacuum on the global stage, including Russia and China. Other global actors, such as Japan, South Korea and India, albeit with lesser powers, are also gaining a foothold.

The US role as the long-time security guarantor of the Gulf Cooperation Council has declined considerably over time. Many believe that "oil-for-security is now in the past".¹⁹

valuable company", *CNN Business*, 12 May 2022.

¹⁵ "Oil behemoth Aramco beats forecasts with record Q2 profit of \$48.4bn", *Arab News*, 14 August 2022.

¹⁶ C. Layne, "The Global Power Shift from West to East", *The National Interest*, 2012, pp. 21-31.

¹⁷ L. Sanders IV, "A post-Western age?: Munich Security Report details fragile world order", *DIW*, 13 February 2017.

¹⁸ T. Piccone, "Opinion: 5 Ways The U.S. Retreated From The World Stage Under Trump This Year", *NPR*, 26 December 2018.

¹⁹ R.B. Alsaud, "New Shape for US-Saudi Relations", *Politico*, 14 July 2022.

Although the US and Saudi Arabia still enjoy a strategic alliance, it is not as robust as it once was. The US does not need as much Middle East oil as it did previously, partly because of its growing energy independence, powered by its revolutionary use of hydraulic fracturing technology to reach and unleash its non-conventional hydrocarbon sources. The US now diversifies its oil imports from countries in South and North America, Europe, and the Middle East. Clearly, the bilateral relationship between Saudi Arabia and the US was built on trade in oil and arms, but that portfolio has diversified significantly.

Diminishing US unipolarity implies the rise of multipolarity. The rise of China and the Shanghai Cooperation Organization (SCO) in recent decades, plus the Belt and Road Initiative, have rendered China's infrastructure projects purely transactional. For example, while China has grown its partnerships and infrastructure projects in the MENA region, yet it does not intervene in countries where it does business based on their political or humanitarian record, unlike other Western powers in the region. As a result, Middle Eastern countries have an attractive alternative to the Western powers' approach of long-term infrastructure projects and security deals that often come with pre-conditions, political interventions and humanitarian interference.²⁰ China has become Saudi Arabia's largest oil consumer and their bilateral relations are warming. This is in part owing to the former's increasingly significant infrastructure projects in the region.

As relations between Riyadh and Washington reached their nadir, it was reported that the Kingdom was even considering selling crude oil in Chinese yuan.²¹ Later, the Saudi Aramco Chief Executive Officer described the reports as "speculation".²²

²⁰ Y. Liu, "On the Great Power Intervention in the Middle East Upheaval and Political Trend in the Middle East", *Journal of Middle Eastern and Islamic Studies*, 2013, pp. 1-34.

²¹ S. Said and S. Kalin, "Saudi Arabia Considers Accepting Yuan Instead of Dollars for Chinese Oil Sales", *Wall Street Journal*, 15 March 2022.

²² "Aramco CEO says news on Saudi oil sale in Yuan is speculation as Capital

Economist Jason Tuvey of Capital Economics also noted that “the dollar peg has been the fundamental anchor of macroeconomic stability in Saudi Arabia for decades,” and that even if Saudi Arabia received Chinese currency for its oil sales to China, it would still need to trade in US dollars.²³ Kuwait was the first Gulf country to de-peg from the US dollar in favour of a currency basket in 2007, in reaction to a decline in the US currency.²⁴

Saudi Arabia has recently shifted toward multi-vector partnerships with global powers, partly driven by the main importers of its oil, which are now mainly in the East – China (\$24.7 billion), Japan (\$15.1 billion), South Korea (\$12.8 billion), and India (\$11.1 billion). They are followed by the US as the fifth-largest consumer (\$6.59 billion).²⁵

Moscow is aiming to capitalise on the friction in the US-Saudi relationship and pursue Riyadh more actively. The creation of OPEC Plus in 2016 has cemented the budding Saudi-Russian bilateral relationship, arguably creating a new oil order.²⁶ Created in response to the adverse market conditions through the Declaration of Cooperation in December 2016 (Algiers Agreement), OPEC Plus brought together OPEC members and 10 non-OPEC oil-producing countries to rebalance and stabilise the market. OPEC’s original 14 members controlled 35% of global oil supplies and 82% of proven reserves. With OPEC Plus, those proportions have increased to 55% and 90% respectively.²⁷ This has provided OPEC Plus with a greater

Economics rules it out”, *Arab News*, 20 March 2022.

²³ “Economist rules out complete Saudi shift to yuan in oil deals”, *Arab News*, 20 March 2022.

²⁴ N. Ismail and F. MacDonald, “Kuwait Currency Peg in Spotlight With State Unable to Borrow”, Bloomberg, 11 February 2021.

²⁵ “Crude Petroleum in Flag Saudi Arabia”, Observatory of Economic Complexity (OEC), 11 August 2022.

²⁶ Bradshaw, T. Van de Graaf, and R. Connolly, “Preparing for the new oil order? Saudi Arabia and Russia”, *Energy Strategy Reviews*, 2019.

²⁷ Organization of the Petroleum Exporting Countries (OPEC), “OPEC Share of World Crude Oil Reserves”, 26 August 2022.

influence over world oil markets and the global economy, and is credited as Saudi Arabia's signature foreign policy achievement.

Russia is actively increasing its political, diplomatic, military and economic footprint in the MENA region. Its annual trade with the GCC has now reached \$5 billion,²⁸ owing to steadily increasing arms sales and infrastructure and nuclear energy projects. Russia's Rosatom is building nuclear power plants in Turkey and Egypt, which portend the creation of long-lasting institutional relations between the three countries for at least another century and firmly secure Russia's foothold in the region. Russia's establishment of military bases in Syria is also worth noting. Saudi Arabia and Russia do not agree on the conflict in Syria, but unlike the US, Russia is aligned with Saudi Arabia on the conflict in Yemen.

Since the start of the Russia-Ukraine conflict, OPEC Plus has maintained a unified position on the conflict and adhered to the fundamentals of the 2016 Algiers Agreement. Saudi Arabia has maintained a neutral stance towards the conflict; it has focused on oil market mechanisms and refused to politicise oil markets to maintain their reliability and stability. At the United Nations Security Council, the UAE (joined by China and India) abstained from voting on a resolution condemning Russia's aggression in Ukraine. The Arab League also called for diplomacy, consideration of the humanitarian situation and avoidance of escalation, without necessarily condemning Russia's actions.²⁹

Saudi Arabia has focused on oil market mechanisms through OPEC and OPEC Plus and reiterated that "the oil market should not be politicised".³⁰ UAE Energy Minister Al Mazrouei also reiterated that "We need to decouple politics from

²⁸ M. Alami, "Political concerns shape Russia's economic relations with the GCC amid the Ukraine crisis", *Arab News*, 21 March 2022.

²⁹ E. Salah, "Arab League urges 'diplomatic' resolution to 'crisis in Ukraine' without mention of Russia", *Mada Masr*, 28 February 2022.

³⁰ M. El Dahan, R. Alkousaa, and Y. Saba, "UAE, Saudi say OPEC+ should not play politics", *Reuters*, 29 March 2022.

energy availability or else the result is poverty and economic stagnation”.³¹ When asked about Saudi-Russian relations during the St. Petersburg International Economic Forum in mid-June, the Saudi energy minister replied that they were “as warm as the weather in Riyadh”.³²

Hard geopolitics, however, often tests the strength of discourse. Both Saudi Arabia and the UAE voted on the United Nations General Assembly resolution against the use of force in Ukraine. They have demanded an “immediate halt to Moscow’s attack on Ukraine and the withdrawal of all Russian troops”, reaffirming their respect for the sovereignty of nations.³³ Saudi Arabia has clarified that it respects countries’ sovereignty and the sanctity of international borders, urging Russia and Ukraine to reach a ceasefire settlement peacefully.

Regionally, Saudi Arabia has focused on strengthening governance and alliances. At the Al Ula 41st Gulf Summit (GCC Summit 41 2021) in January 2021, it re-emphasised GCC unity, which effectively ended the Gulf crisis, namely the three-year Qatar blockade. Saudi Arabia is broadening its focus to its regional neighbours, including Egypt, Jordan and Iraq, who are all being connected to the Gulf Cooperation Council Interconnection Authority (GCCIA) electricity grid. This will create a pan-Arab market that will eventually connect to Europe.³⁴ Egypt has started an interconnection project with Saudi Arabia to exchange 3,000 megawatts (MW) of electricity. Jordan has signed a memorandum of understanding with the GCCIA to connect to the GCC-Egypt grid for a 2,000 MW electricity exchange. Finally, Iraq recently signed a deal

³¹ R. Husari, “Gulf oil producers feel vindicated, but don’t expect them to turn on Russia”, Middle East Institute (MEI), 31 March 2022.

³² “Russia-Saudi relations ‘as warm as the weather in Riyadh’, Prince Abdulaziz says”, *Arab News*, 17 June 2022.

³³ “MENA majority votes for UN resolution to end war in Ukraine”, *The Arab Weekly*, 3 March 2022.

³⁴ F. Abujadayel and N. Narayanan, “GCC grids aim to connect with Europe once Egypt, Jordan, and Iraq interlinked”, *Arab News*, 27 June 2022.

to connect to the GCCIA electricity grid (total transmission capacity of 1,800 MW), with construction expected to take about two years.³⁵

Moreover, at the Jeddah Security and Development Summit on 16 July 2022, the assembled leaders from the GCC, the US, Iraq, Jordan and Egypt declared a joint vision for regional peace and prosperity, marking a solid alliance in the region during these uncertain times.

The visit of US President Joe Biden to Saudi Arabia aimed to re-strengthen and reaffirm US-Saudi bilateral relations. Although the historical “oil for security” era may have ended, their partnership can continue in areas such as security, energy, climate, space and investment, as announced in the Jeddah Communiqué.³⁶ However, even after President Biden’s visit, Saudi Arabia’s position on increasing oil supplies remains the same (i.e., allowing market dynamics to determine output). The only concession was that OPEC Plus, at its first meeting after Biden’s visit to Saudi Arabia, committed to producing an additional 100,000 barrels a day in September.³⁷

The US has therefore revived its efforts to proceed with Iran’s Joint Comprehensive Plan of Action (nuclear deal) and revisited the possibility of lifting economic sanctions against Iran to increase its oil supply. The nuclear deal was not welcomed by Saudi Arabia and others in the region, as it is perceived as ineffective, “kicking the can down the road” instead of restricting Iran’s enrichment plans post-2026. It is also suggested that the deal does not tackle Iran’s ballistic missiles and proxy support in the region. Therefore, the US must not rush the deal’s negotiations and sign a bad deal solely to secure more oil in the market.

³⁵ “Saudi Arabia, Iraq sign electricity interconnection agreement”, *Saudi Gazette*, 16 July 2022.

³⁶ The White House, *The Jeddah Communiqué: A Joint Statement Between the United States of America and the Kingdom of Saudi Arabia*, 15 July 2022.

³⁷ J. Gross, “OPEC Plus members agree to a small increase in oil production”, *The New York Times*, 3 August 2022.

Saudi Arabia as a Global Oil Supply Safety Valve

Saudi Arabia's oil production and spare capacity play an important role in global energy security. The Kingdom is the world's third-largest oil producer and second-largest holder of proven crude oil reserves, which amount to 267,192 million barrels or 17% of the world total.³⁸ Saudi Aramco's continued upstream investment – even when oil prices plunged to \$30 per barrel in 2016 – has supported building oil production capacity to meet demand. According to Saudi Aramco's President and CEO Amin Nasser, “While global market volatility and economic uncertainty remain, events during the first half of this year support our view that ongoing investment in our industry is essential – both to help ensure markets remain well supplied and to facilitate an orderly energy transition”.³⁹

Investments in the oil and gas industry are constantly facing challenges. Oil investments have fallen considerably, particularly during the last eight years. Four key challenges to the industry's investment attractiveness were identified by Arboleda Larrea and Al Sadoon (2022):⁴⁰ first, price volatility; second, uncertainties around significantly divergent long-term forecasts; third, increasing climate change concerns; and fourth, the lack of regulation on environmental, social and governance (ESG) frameworks, making them unclear. Moreover, Julio Arboleda Larrea, a fellow at KAPSARC, noted that “despite higher oil prices, shale production has not bloomed as before due to financial discipline, i.e., the prudent financial behaviour of shale oil producers, which aims to recover investment or to pay loans as soon as possible, rather than increase production and borrow beyond the producer's payment capacity”.

³⁸ OPEC (2022).

³⁹ *Saudi Aramco CEO says record Q2 results reflect higher demand for products*, Argaam, 14 August 2022.

⁴⁰ J.M. Arboleda Larrea and H. Al Sadoon, “[Investment Challenges Affecting the Oil and Gas Industry](#)”, KAPSARC Commentary, 22 August 2022.

Further, the secretary general of the International Energy Forum warned that new factors triggered by the Russia-Ukraine conflict “are all holding back new investment in upstream oil and gas at a time when the world needs it most”.⁴¹ The future of investment in the hydrocarbons industry is therefore troubling, as markets were already tight before the conflict, due to the investment crisis and rising energy demand post-Covid-19. To ensure market balance, upstream oil and gas investment would have to increase to and be sustained at pre-Covid levels (\$525 billion) until 2030.⁴² Saudi Aramco plans to spend \$300 billion singlehandedly in upstream investments over the next decade.⁴³

Saudi Arabia and the UAE have the lion’s share of OPEC’s readily available spare capacity, and virtually all the world’s remaining spare capacity,⁴⁴ at roughly 2.5 MMb/d. This capacity could stabilise the oil market by increasing the available supply. The two could replace part of Russia’s oil in the European market by increasing production relatively quickly due to their low production costs. However, they have publicly committed to retaining the previous oil targets of OPEC Plus. Moreover, when the European Union’s ban on Russian oil becomes effective,⁴⁵ this could lead to a shortfall of 2.2 MMb/d of crude oil and 1.2 MMb/d of petroleum products, according to the IEA.

Other MENA producers could help cushion supply disruptions in Europe. For example, Qatar is sitting on the world’s third-largest natural gas reserves, although it has agreed long-term liquefied natural gas (LNG) contracts with India and South Korea. Nonetheless, with billions invested in expanding

⁴¹ International Energy Forum (IEF), “New Factors Hold Back Energy Investment When World Needs It Most, Warns IEF”, 21 June 2022.

⁴² *The IEF Oil and Gas Investment Outlook*, A report by the International Energy Forum (IEF) and IHS Markit, Riyadh, 2021.

⁴³ “Aramco plans to spend \$300 billion over 10 years in upstream oil and gas: CEO”, *Reuters*, 13 November 2017.

⁴⁴ J. Gnana, “Saudi Aramco to raise output capacity to 12.3 million b/d by 2025”, *S&P Global Platts*, 14 August 2022.

⁴⁵ European Council, “EU sanctions against Russia explained”, 16 August 2022.

production, more gas can be expected to flow into Europe in the coming years. Algeria is already a major natural gas supplier to Europe and has been increasing its upstream investments. Even Iran could contribute up to 1.2 MMb/d if US sanctions were lifted.

Saudi Arabia and MENA producers must consider a number of factors before increasing the supply of oil to the market. First, stepping up production capacity requires time (up to two years, but even three to five years for new conventional developments) and investment. Second, long-term contracts with Asian partners and others will have to be honoured. Third, OPEC Plus agreements and their respective ceilings must be accounted for. Fourth, international relations with multi-vector partnerships, including with Russia and China, must be maintained. Therefore, increasing oil production is a complex situation.

During the US-Arab Summit in Jeddah, the Kingdom's Crown Prince HRH Prince Mohammed bin Salman bin Abdulaziz Al Saud reiterated that after increasing its oil production capacity to 13 MMb/d by 2027, Saudi Arabia "will not have any additional capacity to increase production". The same statement was given in May by Saudi Energy Minister HRH Prince Abdulaziz bin Salman bin Abdulaziz Al Saud. Hence, the message was not influenced by President Biden's visit. In its first meeting after Biden's visit to Saudi Arabia, OPEC Plus said it would produce an additional 100,000 barrels a day in September.⁴⁶ However, this was reversed a month later when OPEC Plus decided to cut production by 100,000 barrels a day.⁴⁷

Most recently, OPEC Plus in their early October meeting, decided to cut oil production by 2 mbpd starting from November.⁴⁸ Some commentators explained the decision as

⁴⁶ "OPEC+ Answers Biden's Diplomacy With 'Minuscule' Output Hike", *Bloomberg*, 3 August 2022.

⁴⁷ S. Reed, "OPEC Plus Agrees to Cut Production by 100,000 Barrels a Day", *The New York Times*, 5 September 2022.

⁴⁸ S. Meredith, "OPEC+ to cut oil production by 2 million barrels per day to shore up prices, defying U.S. pressure", *CNBC*, 6 October 2022.

a pre-emptive measure for maintaining stability of global oil markets, avoiding a collapse of oil prices, reversing a deepening recession and changing market sentiment. This was re-emphasised by the Saudi foreign minister, who said Saudi Arabia's ties with the US are strategic and have advanced security and stability in the region, and that the oil cut was made purely for economic reasons and was taken unanimously by OPEC Plus members.⁴⁹ Some have credited the US with playing the role of a new swing producer,⁵⁰ though others believe this role is short-lived and that shale oil will, in fact, contribute to future price instability.⁵¹ The dominance of OPEC has faded with the growth of non-OPEC producers, particularly shale producers. Many commentators have asserted that Saudi Arabia remains an important swing produce.⁵² This has remained especially true since the creation of OPEC Plus in 2016.

Saudi Efforts Towards Energy Diversification

The Kingdom has been using its oil revenues to maintain the strength and excellence of its oil industry to ensure the reliability and stability of the international oil market. However, Saudi Arabia has also used its oil revenues to diversify its energy mix and economic base, as well as to meet its climate targets. Among several important initiatives, it has ushered in a new era of meeting net-zero emissions by 2060.

⁴⁹ "Saudi FM defends OPEC+ decision, says ties with US are strategic", *Al Arabiya English*, 11 October 2022.

⁵⁰ R.G. Newell and B.C. Prest, *Is the US the New Swing Producer? The Price-Responsiveness of Tight Oil*, Washington, DC, Resources for the Future, 2017.

⁵¹ McNally, "US output is too small, too slow, and too competitive to play swing producer", *Financial Times*, 20 February 2018.

⁵² "Saudi Arabia remains the world's swing producer despite higher US oil exports: ClipperData", *CNBC*, 15 January 2020; M.A. El-Erian, "Saudi Arabia Is Swinging Again – But for How Long?", *Project Syndicate*, 7 June 2022; F. Faeq, "Saudi Arabia: The world's swing producer and most reliable oil supplier", *Arab News*, 10 August 2022.

The Kingdom has formulated the circular carbon economy framework, launched during the Riyadh G20 Summit and endorsed by all G20 countries. It offers a new way of approaching climate targets that utilises all energy technologies for carbon circularity and neutrality. Technologies such as CCUS and hydrogen offer cleaner uses of hydrocarbons and allow the participation of hard-to-abate sectors in energy transition.

In addition, it has put in place plans to diversify its electric power mix to include 50% renewables and 50% gas by 2030. The Kingdom plans to gradually develop over 35 parks across the Kingdom using solar photovoltaic, concentrated solar power and wind power. Last year, the Kingdom launched the first ever utility-scale solar and wind energy projects, namely, the 300 megawatt (MW) Skaka plant and the 400 MW Dumat Al-Jandal plant respectively. Today, 700 MW of renewables are connected to the grid, and 3 gigawatts are under construction. Saudi Arabia also recently launched the Saudi Green Initiative and Middle East Green Initiative to plant 10 billion trees in the Kingdom and 40 billion across the region. The country has also launched several giga projects, including NEOM, Red Sea Global, Amaala and Qiddiya, to further diversify its economy. Further, Saudi Arabia has sought cooperation on clean energy projects with partners in the East and West.

In addition, Neom has made notable progress toward its green hydrogen plans, which will produce 1.2 million tonnes of green-hydrogen-based ammonia per year. Saudi Aramco is also investing in blue and green hydrogen, exporting the world's first shipment of blue ammonia to Japan in 2020. The Kingdom has also established the Saudi Nuclear Energy Holding Company, aimed at developing nuclear power plants to produce electricity, desalinate seawater, and power thermal energy applications.

Finally, Saudi Aramco has announced its decarbonisation targets to reach net-zero by 2050 as well as plans to invest heavily in hydrogen, renewables and CCUS projects. Aramco's inaugural Sustainability Report set interim targets for the company, alongside detailing its plans to achieve net-zero

Scope 1 and Scope 2 GHG emissions by 2050 across its wholly owned operated assets. The targets presented in the report include capturing, utilising or storing 11 million metric tonnes of carbon dioxide-equivalent annually by 2035, and investing in renewables with an aim to generate 12 gigawatts of solar and wind power by 2030.⁵³

Conclusion

Current events are a grave reminder of the costs of an abrupt and disorderly energy transition. In the words of the Saudi energy minister “the current crisis should be a reality check”⁵⁴ for countries that have not paid enough attention to energy security. Europe’s energy dilemma raises energy security to the top of the agenda. However, this must be balanced against such short-term goals, such as weaning itself off Russian hydrocarbons, securing energy supplies before the winter and taking sufficient steps to meet its long-term net-zero targets under the Green Deal.

Saudi Arabia has reaffirmed its position as the world’s *de facto* leader of the oil industry and its role as the global oil supply “safety valve”, ensuring the international oil market is adequately supplied. It is also enjoying all-time high oil revenues and a greater global market share. Through its regional efforts and multi-vector partnerships strategy, the Kingdom has built strong relationships with regional and global partners. The current climate has created unprecedented momentum behind the Kingdom’s increasing geopolitical power.

⁵³ Saudi Aramco, “Saudi Aramco Sustainability Report 2021: Energy security for a sustainable world”, Dhahran, 2021.

⁵⁴ H. Wang and R. Perkins, “Europe rankles Gulf countries with energy transition push, while seeking oil, gas supplies”, *S&P Global Platts*, 18 May 2022.

5. UAE and Qatar: A New Road to the EU Energy Market

Naser Al-Tamimi

The European Commission and the European Council recently published two significant documents. The first was the REPowerEU plan to reduce the bloc's dependence on Russian gas, envisaging a phaseout by 2027, if not before.¹ The second was the Joint Communication on a “Strategic Partnership with the Gulf” aimed at broadening and deepening the European Union's collaboration with the Gulf Cooperation Council (GCC) and its member countries.² These two documents confirm that the European Union is seeking to eliminate its dependence on energy imports from Russia once and for all. If this scenario plays out, it will have profound repercussions on the global energy map.

In this context, an EU-wide end to most fossil fuel imports from Russia brings opportunities and challenges for the United Arab Emirates (UAE) and Qatar. Short-term policies in the EU to subsidise fossil fuel consumption could ultimately help both states to reap geopolitical benefits and significant financial gains due to rising global energy prices. Yet the Ukraine war has shown how energy security and climate mitigation are intertwined. This concern, high-energy prices, and Europe's

¹ European Commission, “REPowerEU: A plan to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition”, 18 May 2022.

² European Commission, “GCC: EU unveils Strategic Partnership with the Gulf”, 18 May 2022.

quest to reduce its reliance on Russian energy could accelerate the EU's energy transition in the medium to longer term.

This chapter argues that, on the one hand, the Russian invasion of Ukraine has placed many Arab energy-exporting countries (including the UAE and Qatar) in an unenviable political position. On the other hand, it has also strengthened their centrality in the global energy landscape. This may eventually lead to geopolitical and economic gains in their relations with European countries and the West in general.

Fossil Fuels: Emerging Opportunities

The war in Ukraine has fundamentally altered the outlook for the gas market, compelling the EU to try to shift away from Russian pipeline gas towards liquefied natural gas (LNG). EU Member States imported about 344 billion cubic metres (bcm) of natural gas in 2021, 155 bcm of which came from Russia (mainly by pipeline, but also including LNG), accounting for about 40% of the continent's total gas demand.³

Qatar was the world's largest LNG exporter in 2021, supplying 77 million tonnes (mt) and accounting for almost 21% of global LNG supply.⁴ In 2021, global LNG imports reached 372.3 mt or approximately (-) 495.2 bcm,⁵ increasing by 16.2 mt (~21.5 bcm) over the previous year.⁶ Replacing Russian gas (155 bcm) with LNG from other countries would therefore raise Europe's LNG demand by less than a third of the global LNG market for 2021.

Should Europe's gas imports from Russia be cut off (due either to new EU sanctions or Russian retaliation), Qatar's ability to

³ "Global LNG supply crunch will last for years", Economist Intelligence Unit (EIU), 24 May 2022.

⁴ "GIIGNL Annual Report 2022", International Group of Liquefied Natural Gas Importers (GIIGNL), 5 May 2022.

⁵ One million tons of LNG = 1.33 billion cubic meters (BP calculations)

⁶ GIIGNL (2022).

supply Europe soon is limited due to contractual commitments. Qatar's LNG industry predominantly targets the Asian market, which imported 55.8 mt (-74.2 bcm) from the Gulf state in 2021. In comparison, only 16 mt (-21.3 bcm) of LNG went to Europe.⁷ Last August, Qatar sent Europe only 2 mt of LNG. This was only a fifth of the total it shipped that month. Qatar's energy minister, Saad al-Kaabi, said in a recent interview that this was "as much as could be managed ... because the rest is tied into long-term contracts, mostly with Asia".⁸

Qatar typically exports over 70% of its LNG to Asia under long-term oil-linked contracts. Last year, Qatar sold only 11% of its exports on a spot basis, according to the International Group of Liquefied Natural Gas Importers (GIIGNL), and that volume is liable to fall further.⁹ Qatari officials ultimately estimate that only 10-15% of its LNG exports could be made available for Europe. This percentage implies less than 12 mt (-15.5 bcm) in extra supply or about 10% of what EU needs to replace Russian gas imports.¹⁰

Over the next few years, Europe's demand for natural gas may fall, but demand for LNG is likely to rise. This projected decline in Europe's gas demand is due to a significant decrease in Russian gas imports through pipeline, demand destruction (i.e. reductions in energy use), rationalisation of consumption and rising efficiency, in addition to the expected higher usage of renewable and nuclear energies over time. A recent International Energy Agency (IEA) report noted that EU's LNG imports may hover at around 120 bcm/year between 2022 and 2025, 55% higher than their 2021 levels.¹¹

⁷ "Can the Middle East and Africa meet Europe's energy needs?", Economist Intelligence Unit (EIU), 17 May 2022.

⁸ "The war in Ukraine has reshaped the world's fuel markets: The Gulf will be a big winner", *The Economist*, 24 September 2022.

⁹ "Qatar & Germany Sign Energy Partnership Roadmap", *MEEES*, 27 May 2022; GIIGNL (2022).

¹⁰ "Can the Middle East and Africa meet Europe's energy needs?...", cit.

¹¹ International Energy Agency (IEA), "Gas Market Report, Q3-2022", July 2022.

In contrast, Russian gas supplies to the EU could fall by over 120 bcm/year from their 2021 levels to just 30 bcm by 2025. This situation would effectively reduce Russia's share of total EU gas demand to below 10%, putting it on a pathway to zero by 2027.¹² Eventually, Europe's demand for LNG (without Russian pipeline gas) is projected to increase by 150% over the period 2021-2040, and LNG to meet approximately 50% of Europe's natural gas demand through 2030, before growing to 75% of demand by 2040.¹³

TAB. 5.1 - NATURAL GAS DEMAND BY REGION (2021-2025)

Region	2021 demand in billion cubic metres (bcm)	2022 P* (bcm)	2025 P (bcm)
Africa	169	172	188
Asia Pacific	895	907	990
Central and South America	153	147	153
Eurasia	634	619	632
Europe	604	549	536
Middle East	564	582	627
North America	1,084	1,108	1,116
World	4,103	4,083	4,243

Source: International Energy Agency

*P= Projection

¹² Ibid.

¹³ American Petroleum Institute (API), "New Study: U.S. LNG to Meet Europe's Energy Needs in Short- & Long-Term", 26 September 2022.

Qatar stands out as one of the few suppliers able to make a real difference for Europe in the medium and long-term. Qatar is also one of the world's largest gas producers and has plans to massively expand its LNG export capacity from 2025 through its North Field Expansion (NFE). Indeed, the majority of capital expenditure (capex), projected by QatarEnergy at around \$59 billion over the next five years, will be used to raise gas production and increase LNG export capacity.¹⁴

The NFE project is an expansion of the North Field, the world's biggest single non-associated natural gas field, offshore the north-east Qatar peninsula, covering an area of more than 6,000 square kilometres. The expansion will increase Qatar's liquefaction capacity by 49 mt or more than 65 bcm by 2027-28, (see Figure 5.1). It could also boost Qatar's position as the world's top LNG exporter and help to guarantee long-term gas security to the EU as it seeks alternatives to Russian supplies.¹⁵

QatarEnergy is spearheading the launch, between 2024 and 2027, of 67 mt/yr of LNG capacity. There will be 33 mt/yr from Phase 1 of the NFE, known as North Field East, and another 16 mt/yr from Phase 2, or North Field South.¹⁶ QatarEnergy (70%) and ExxonMobil (30%) are also developing the 16 mt/yr (~21 bcm) Golden Pass LNG export facility in the US, with an anticipated start-up in 2024-25.¹⁷

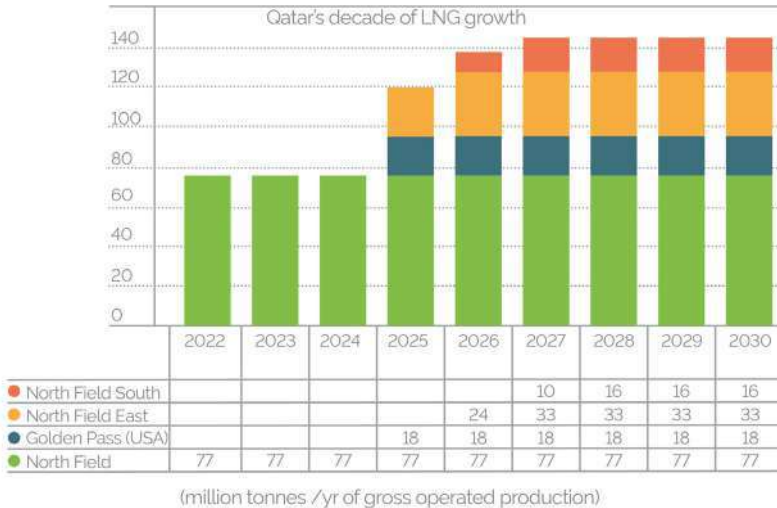
¹⁴ "GCC Players Get A Head Start In The Race To Decarbonise", Fitch Solutions Group, London, 30 March 2022.

¹⁵ "QatarEnergy signs deal with TotalEnergies for North Field South expansion", *Reuters*, 24 September 2022.

¹⁶ "QatarEnergy Rewrites the Rule Book", *Energy Intelligence*, 23 September 2022.

¹⁷ See: Golden Pass LNG website, <https://www.goldenpasslng.com/newsroom/fact-sheets>

FIG. 5.1 - QATAR'S NORTH FIELD EXPANSION (NFE)



Source: Energy Intelligence

If Europe can increase its capacity to import LNG by then, Qatar will be able to materially reduce European dependence on Russian gas. Total LNG import capacity in EU member states is currently just over 170 bcm/year, meaning that there is room to boost imports significantly.¹⁸ Germany plans to build five new floating storage regasification units (FSRUs) with up to 30 bcm annual capacity, the first of which is expected to be operational by the fourth quarter of this year.¹⁹

Germany also plans to start importing LNG by early 2023 and to stop all Russian gas imports (which totalled 46 bcm in 2021) by the end of 2024.²⁰ Other European countries

¹⁸ “Global LNG supply crunch will last for years”, Economist Intelligence Unit (EIU), 24 May 2022.

¹⁹ “German government announces fifth floating LNG terminal”, *Enractive*, 2 September 2022.

²⁰ “Qatar Energy seeks to benefit from dearth of LNG in Europe”, Economist Intelligence Unit (EIU), 18 May 2022.

(including France and Italy) are likewise aiming to curb such dependence. Qatar has also invested in terminals to receive LNG in Belgium, Britain, and France.²¹ In this regard, Doha has suggested that volumes from its US Golden Pass liquefied natural gas plant in Texas in the US could supply Germany (or other EU countries) following its 2024 startup.²²

This situation could increase Europe's share of Qatar's LNG supplies over the coming years, though Europe's low-carbon energy ambitions will keep a lid on growth in regional LNG demand over the long-term²³. That said, Europe's share of Qatar's LNG supplies has been dwindling over recent years. Europe accounted for 20.7% of Qatar's LNG exports in 2021, with the UK and Italy ranking among the continent's top importers. This is a much lower share than in previous years: 28.4% and 30.2% of Qatar's LNG exports went to Europe in 2020 and 2019, respectively.²⁴ European imports from Qatar have also stayed more or less flat over the first half of 2022 (around 11 bcm) compared to the same period last year.²⁵

Against this backdrop, most European countries have ongoing ambitions to reduce their dependence on fossil fuels and transition to renewable energies. Thus, the extent of this anticipated increase will depend on the willingness of European governments to cede to Qatar's penchant for long-term supply contracts, which can last for as long as 20 years or more, should they be demanded.

Securing contracts with Qatar could prove challenging for those wary of committing to long-term LNG supply agreements in light of growing climate change concerns. Certainly, Germany and other European countries worry that 20-year

²¹ "The West's Scramble for Gas Could Enrich and Empower Tiny Qatar", *The New York Times*, 16 May 2022.

²² "Qatar & Germany Sign Energy Partnership Roadmap"..., cit.

²³ "Gas Diplomacy To Remain Prominent Within Qatar's LNG Trade", Fitch Solutions Group, London, 26 May 2022.

²⁴ Ibid.

²⁵ "Europe's Gas Crisis: No Help Coming", *MEEES*, 29 July 2022.

contracts would prove incompatible with their ambitious decarbonisation targets and desire for flexibility in meeting future energy demand.²⁶ In addition to contract duration, Qatar's insistence on destination clauses prohibiting resale and its demand for the price to be indexed to crude oil rather than a European gas benchmark are other sticking points.²⁷

However, there is no reason to believe a compromise is not achievable, given that Qatar has entered into contracts of ten years and Germany has recently signed a 20-year US LNG supply agreement.²⁸ Qatar may also be more willing to accept shorter and more flexible contracts if they are linked to attractive investment opportunities for its sovereign wealth fund and more European investments inside Qatar itself. That said, Asia will remain at the heart of Qatar's LNG trade policy over the long-term, as most future projected growth is expected to be in the region. Indeed, Qatari Energy Minister Saad al-Kaabi recently told *Energy Intelligence*, "10-to-15-year deals are probably what are most acceptable to both sides. But for us, the long-term deal, it is not just about duration, it is about price".²⁹

Opportunities for the UAE

The current crisis is dramatically changing the behaviour of European oil consumers, who are trying to reduce their dependence on Russia at any cost. The European Union has confirmed its intention to ban the import of Russian crude oil from 5 December 2022 and refined products from 5 February

²⁶ "Qatar & Germany Sign Energy Partnership Roadmap" ..., cit.; "Qatar Energy seeks to benefit from dearth of LNG in Europe", Economist Intelligence Unit (EIU), 18 May 2022.

²⁷ Ibid.

²⁸ "Qatar to Demand EU Sign Long-Term LNG Deals If It Wants More Gas", *Bloomberg*, 23 June 2022.

²⁹ "Qatari Minister: No 'Quick Fix' to EU Gas Crisis", *Energy Intelligence*, 22 September 2022.

2023.³⁰ If this embargo goes ahead, it could leave the EU seeking alternatives for almost 1.3 million barrels per day (mb/d) of Russian crude and 900,000 b/d of products.³¹

Such a situation may provide the UAE with the option of gradually increasing its presence in European energy markets while avoiding tensions with Russia. Indeed, energy investments could put the UAE in an even stronger position as a big supplier: its low-cost, low-carbon output gives the country a competitive advantage over most rivals in the medium and long-term.

Sanctions on Russian energy create opportunities for the UAE to secure market access and political goodwill in European capitals. As Opec's third largest producer with the second largest spare capacity behind Saudi Arabia, the UAE is in a fortunate position to expand its energy ties with the EU.³² Speaking ahead of the visit of Sheikh Muhammad (president of the UAE) to France last July, Anwar Gargash, a key advisor to the presidency, highlighted this new dynamic: "We have sold our oil to the Far East for 40 years, and now we are directing it toward Europe in this time of crisis".³³

Within this context, Abu Dhabi National Oil Co. (ADNOC) is leveraging elevated oil revenue to invest heavily in its \$127 billion 2022-26 plan (covering oil and gas and upstream and downstream investments). The drive to increase gas supplies has become the UAE's top priority for increasing its export potential, restoring domestic self-sufficiency amid growing global concerns about energy security, and feeding local industrial expansion.³⁴

Abu Dhabi had shipped no crude to Europe this year until May, and volumes in June were just 31,000 b/d. July's exports

³⁰ "Traders See Only Supply Risk from Price Cap", *Energy Intelligence*, 7 September 2022.

³¹ Ibid.

³² "UAE & France in New Energy Entente", *MEEES*, 22 July 2022.

³³ Ibid.

³⁴ "UAE's ADNOC will continue to invest heavily in gas", Economist Intelligence Unit (EIU), 2 August 2022.

to Europe remain just a tiny portion of total crude exports of nearly 2.9 mb/d, but volumes of more than 211,000 b/d are certainly considerable.³⁵ Looking forward, ADNOC has accelerated its efforts to expand its oil production capacity from around 4 mb/d to 5 mb/d within the next five years.³⁶ The UAE's actual oil output now stands close to 3.2 mb/d, in line with quotas set by the Opec Plus agreement.³⁷

ADNOC is also moving swiftly forward with plans to build new gas liquefaction capacity in the emirate of Fujairah as it seeks to bolster its position as LNG exporter at a time when European Union countries are looking to reduce their dependence on Russian gas and import large quantities of LNG. The 9.6 million tonnes per annum (mtpa) Fujairah project benefits from an advantageous position on the Gulf of Oman, outside the Strait of Hormuz, and has the potential to be among the world's lowest-carbon LNG export facilities.³⁸

The UAE was the world's 12th largest LNG producer in 2021 and currently has three liquefaction trains with a combined capacity of 5.8 mtpa at Das Island in the Gulf.³⁹ The Fujairah expansion would boost ADNOC's LNG capacity to 15.4 mtpa, likely by around 2026.⁴⁰ That would see the UAE move ahead of neighbouring Oman, which has around 11 mtpa, to become the second largest LNG producer in the Gulf region. It will nevertheless remain well below Qatar's liquefaction capacity of about 77 mtpa.⁴¹

³⁵ "Mideast Crude Oil Pivot To Europe Advances Gradually", *MEEES*, 5 August 2022.

³⁶ "Abu Dhabi's Adnoc Eyes Faster Capacity Expansion", *Energy Intelligence*, 6 September 2022.

³⁷ *Ibid.*

³⁸ "Adnoc Readies for LNG Era in Fujairah", *Energy Intelligence*, 21 June 2022.

³⁹ "UAE to More Than Double LNG Export Capacity with Fujairah Plant", *Bloomberg*, 17 May 2022.

⁴⁰ "Adnoc Readies for LNG Era in Fujairah"..., *cit.*

⁴¹ *Ibid.*

Renewable Transition: Potential Complementarity

Despite this optimistic view of increasing fossil fuel production in the UAE and Qatar, the World Bank warned recently that Gulf states face twin challenges: on one side, moving to a more sustainable growth model that is less dependent on hydrocarbons and able to provide valuable jobs for their citizens; on the other, managing the transition to a global low-carbon economic environment that could significantly reduce energy revenues in the long-term.⁴²

The GCC states are committed to a future of cleaner energy, with ambitious new climate targets announced recently by several Gulf countries, including pledges by the UAE to achieve net-zero carbon emissions by 2050, and by Saudi Arabia and Bahrain to achieve the same by 2060.⁴³

TAB. 5.2 - UAE CLIMATE CHANGE COMMITMENTS

●	Commitment to reducing GHG emissions by 31% by 2030 compared to a business-as-usual (BAU) scenario of about 310 million tonnes of emissions
●	Net zero pledge: 2050
●	Carbon neutral goal by 2060
●	Development of a green growth strategy
●	Target of 50% renewables by 2050
●	Formation of a hydrogen alliance
●	Submission of a bid to host COP28 in 2023

Source: The World Bank

⁴² World Bank, “Gulf Economic Update May 2022”, 23 May 2022.

⁴³ “Meeting the climate crisis: The GCC can be a global leader in the decarbonization of power”, *Utilities Middle East*, 7 November 2021.

TAB. 5.3 - QATAR CLIMATE CHANGE COMMITMENTS

●	Update to Nationally Determined Contributions (NDC), 28/8/2021
●	Commitment to reducing GHG emissions by 25% by 2030 compared to BAU.
●	Introduction of a rapid mass transit system and airport upgrade to level 3.
●	Introduction of electric vehicle charging infrastructure and gradual adoption of Euro 6 emissions standards for regular vehicles
●	Carbon capture and storage of 11 million tonnes/yr by 2035
●	5 GW solar power by 2035
●	25% reduction in carbon intensity (LNG) by 2030
●	15% reduction in carbon intensity (upstream) by 2030
●	0.2 wt% methane emissions by 2025

Source: The World Bank & QatarEnergy 2020 Sustainability Report

Meanwhile, as the EU revises its energy strategy, it also aims to reshape relations with GCC states. The EU sees Arab Gulf countries as offering solutions to the twin issues of energy security and energy transition.⁴⁴ In this context, last May, the European Commission unveiled a “Strategic Partnership with the Gulf” which seeks to broaden and deepen EU ties with the GCC. This announcement came on the same day the European Commission unveiled its REPowerEU plan “to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition”.⁴⁵

A central premise of this proposed partnership with the Gulf is the strengthening of energy ties: the two documents point toward the potential for a renewed partnership based

⁴⁴ “EU Sees Middle East as Key Partner For Sustainable Energy Security”, *MEEJ*, 27 May 2022; “GCC: EU unveils Strategic Partnership with the Gulf”..., *cit.*

⁴⁵ “REPowerEU: A plan to rapidly reduce dependence on Russian fossil fuels and fast forward the green transition”..., *cit.*

on sustainable energy security. This includes essential topics such as increasing LNG supplies, measures to stabilise oil markets, cooperation on hydrogen, energy efficiency, and faster deployment of renewable energy.⁴⁶

One of the promising areas in energy cooperation between the EU and GCC states, especially the UAE, is green hydrogen production. The EU notes that “the Gulf partners’ aspirations to become lead exporters, will bring new avenues for EU-GCC cooperation ... An integrated gas and hydrogen infrastructure, hydrogen storage facilities and port infrastructure are necessary in both the EU and the Gulf countries”.⁴⁷

Currently, European firms fill 60% of roles in hydrogen projects globally, including sponsors, financiers, operators, manufacturers, constructors, and consultants, highlighting the existing expertise of these firms in the sector.⁴⁸ Demand for hydrogen in Europe alone is projected to double to 30 million tonnes yearly (mt/y) by 2030 and 95 mt/y by 2050.⁴⁹ There are currently at least 46 known green hydrogen and ammonia projects across the Middle East and Africa, worth an estimated \$92 billion, almost all of which are export oriented.⁵⁰

European firms have the technology and expertise to help Arab Gulf countries achieve their low-emissions goals and develop hydrogen infrastructure. At the same time, the Gulf region has some of the world’s lowest solar tariffs and enjoys access to supportive local and international financial institutions as a result of preferential government policies as well as strong credit ratings that facilitate access to competitive financing and loans. The GCC states are also well positioned to supply

⁴⁶ “EU Sees Middle East as Key Partner For Sustainable Energy Security”, *MEES*, 27 May 2022; “GCC: EU unveils Strategic Partnership with the Gulf”..., *cit.*

⁴⁷ *Ibid.*

⁴⁸ “Europe And Asia Edging Ahead In Global Race To Green Hydrogen Technology Supremacy”, Fitch Solutions Group, London, 16 February 2022.

⁴⁹ “Solving Europe’s energy challenge”, *MEED*, 13 September 2022.

⁵⁰ *Ibid.*

Europe, which will be a crucial market for green hydrogen. By the mid-2030s, green hydrogen could compete globally with fossil-fuel hydrogen.⁵¹

Yet, there are doubts that hydrogen will play a significant role in the GCC's energy mix over the long-term. Its production and export projects will likely cost billions of dollars, requiring substantial commitment from investors. In addition to logistic obstacles and complexity of transport, hydrogen must be stored and transferred to the consumer cost efficiently. The cheapest way to transport green hydrogen from MENA to Europe is by subsea pipeline, meaning that GCC producers will be in a less competitive position than North African countries such as Algeria and Libya or even Egypt.

TAB. 5.4 - INSTALLED RENEWABLE ENERGY CAPACITY, 2021-2030 (MW)

Country	2021			2030		
	Installed renewable capacity	Total installed capacity	% of total	Installed renewable capacity	Total installed capacity	% of total
Bahrain	61	8,824	0.7	475	10,713	4.4
Kuwait	106	20,247	0.5	2,123	26,344	8.1
Oman	186	12,505	1.5	2,592	15,287	17.0
Qatar	55	12,716	0.4	1,901	19,762	9.6
Saudi Arabia	608	94,905	0.6	31,364	129,947	24.1
UAE	3,228	45,189	7.1	14,598	68,223	21.4

Source: MEED

Note: Installed renewable capacity values excluding small hydro power

⁵¹ "Driving economic diversification in the GCC with sustainable infrastructure and a digital future", Standard Chartered, 6 June 2022.

UAE and Renewables

The UAE is positioning itself as a global clean energy leader despite actively increasing hydrocarbon production capacity. The UAE was the first country in the Middle East to sign and ratify the Paris Agreement and was also selected to host COP28 in November 2023⁵². Abdullah bin Zayed, Minister of Foreign Affairs and International Co-operation said not long ago the UAE would lead “an ambitious, inclusive and solutions-oriented approach” to hosting the COP28 climate conference next year⁵³.

The United Arab Emirates announced the UAE Net Zero by 2050 Strategic Initiative in October 2021. This commitment makes the UAE the first country in the Middle East and North Africa (MENA) region to announce the intention to achieve net-zero emissions by 2050.⁵⁴ The plan involves an investment of over \$163 billion in clean energy. The Ministry of Climate Change and Environment (MOCCA) will lead efforts to execute the initiative and ensure collaboration at a national level⁵⁵.

Suhail bin Mohammed Al Mazrouei, the UAE’s Minister of Energy and Infrastructure recently outlined the country’s strategy to accelerate the adoption of renewable energy: “We need to move in a multifaceted [way]. One is reducing our consumption as a country and as individuals. Second, we need to diversify our energy mix and diversify quickly towards cleaner forms of energy. We need to invest in technology and create a business case for hydrogen at a scale that allows transformation to happen”.⁵⁶

⁵² “UAE to lead ‘ambitious, inclusive and solutions-oriented approach’ to Cop28”, *The National*, 13 September 2022; “Gulf Economic Update May 2022”..., cit.

⁵³ Ibid.

⁵⁴ General Electric, “White paper: Pathways to faster decarbonization in the GCC’s power sector”, October 2021.

⁵⁵ Ibid.

⁵⁶ A.R. Cabral, “Multifaceted approach needed for smooth energy transition,

Renewable energy, mainly solar, accounted for 7.4% of the UAE's total installed electricity capacity in 2021. Full clean energy capacity, including the 1,400MW capacity from the first reactor of the Barakah nuclear energy plant, takes this to 11.2%.⁵⁷ The UAE aims to generate 21% of power from renewables by 2030.⁵⁸ In the longer term, it targets 50% of electricity generated from carbon-free sources (44% from renewables) by 2050 compared to about 10% last year.⁵⁹

The UAE will also increase renewable energy investment abroad as part of the broader use of its financial weight to build international influence and cement relations with key strategic partners. The country has invested in green infrastructure and clean energy projects worldwide worth of almost \$17 billion in 70 countries, including European states.⁶⁰

The UAE renewables sector is the largest in the Middle East, with roughly 3.7 GW online in 2021, generating nearly 8.6 TWh of renewable electricity. These factors, along with robust growth forecasts and greater market renewables penetration, make the UAE the most capable market in the region for developing its green hydrogen industry.⁶¹ In this context, it intends to build its renewables company Masdar into one of the world's largest clean energy firms.⁶² In November 2021, at COP26, the UAE set a target to supply 25% of the global low-carbon hydrogen demand by 2030, estimated to reach between 50 and 75 million tonnes.⁶³

UAE minister says", *The National*, 27 June 2022.

⁵⁷ "Energy transition ramps up with \$220bn of projects", *MEED*, 25 May 2022.

⁵⁸ "UAE will continue renewables expansion despite rising costs", Economist Intelligence Unit (EIU), 19 May 2022.

⁵⁹ UAE set to continue renewables drive at home and abroad", Economist Intelligence Unit (EIU), 20 July 2022.

⁶⁰ "Gulf Economic Update May 2022"..., cit.

⁶¹ "Low Carbon Hydrogen: Global Pathways to Multi Sector Opportunities", Fitch Solutions Group, London, 2021, p. 42.

⁶² C. Ellinas, "Saudi Arabia, UAE and Egypt pivot towards hydrogen export", *Natural Gas World*, 20 June 2022.

⁶³ "MENA Power Regional Overview: Green Hydrogen Poses Upside Risk to

The UAE has announced its Hydrogen Leadership Roadmap, mapping out its ambition for green hydrogen and ammonia production and exports. Last year, the UAE Ministry of Energy and Infrastructure launched a new Hydrogen Alliance with three of the country's biggest government-backed firms (Abu Dhabi National Oil, Mubadala Investment Company, and ADQ) to produce blue and green hydrogen.⁶⁴ Since the UAE's Hydrogen Alliance was formed, several partnerships have been established between UAE-based companies and international companies, including TotalEnergies, Siemens Energy, and, more recently, BP.⁶⁵

The UAE commissioned its first green hydrogen plant at the Mohammed bin Rashid Al Maktoum Solar Park earlier last year.⁶⁶ In December 2021, Engie and Masdar signed an agreement to "explore the co-development of a UAE-based green hydrogen hub" with an electrolyser capacity of 2,000 MW, backed up by a \$5 billion investment.⁶⁷ Fertigllobe, a joint venture between Abu Dhabi National Oil Company and OCI, signed an agreement with Masdar and Engie to co-develop a 200.0 MW green hydrogen facility for the production of ammonia in the UAE.⁶⁸ The UAE's Khalifa Industrial Zone Abu Dhabi has announced plans to build a green ammonia production facility powered by 800 MW of solar power.⁶⁹ ADNOC is also designing a one million tonnes a year (mt/y) ammonia plant in Ruwais powered by blue hydrogen, with a target start-up date of 2025. It is already producing over 0.3

Long-Term MENA Renewables Growth", Fitch Solutions Group, London, 8 July 2022.

⁶⁴ "Low Carbon Hydrogen: Global Pathways to Multi Sector Opportunities"..., cit., p. 98.

⁶⁵ "Could the Mideast Gulf Become a Clean Energy Powerhouse?", *Energy Intelligence*, 28 June 2022.

⁶⁶ "United Arab Emirates Power Report Q3 2022", Fitch Solutions Group, London, 2022, p. 12.

⁶⁷ "Saudi Arabia, UAE and Egypt pivot towards hydrogen export"..., cit.

⁶⁸ "United Arab Emirates Power Report Q3 2022"..., cit.

⁶⁹ Ibid.

mt/y of hydrogen and plans to increase this to 0.5 mt/y. As a result of these deals, ADNOC announced in September 2022 that its first shipment of low-carbon ammonia has left the UAE bound for Hamburg, Germany. This is the first ever cargo of low-carbon ammonia to be shipped to Germany.⁷⁰

However, global supply chain problems stemming from the pandemic, lockdowns in China (the main supplier of panels) and the war in Ukraine are driving up input costs at a time of rising demand, particularly for photovoltaic (PV) modules. That has interrupted a long downward trend in solar and wind pricing.⁷¹ Additionally, despite economic diversification efforts and substantial reserves, the UAE remains vulnerable to oil price fluctuations given that mineral products accounted for nearly 60% of total goods exports in 2021.⁷² Importantly, a consistent push for nuclear and high efficiency coal will curb the scope for a renewables-driven power mix diversification away from natural gas.⁷³

Qatar and Renewables

Qatar has the world's third largest reserves of natural gas. It has invested heavily in the industry, becoming the world's largest LNG exporter. The country's oil and gas sector accounts for more than 80% of total goods exports and 50% of GDP.⁷⁴ This dependence on fossil fuel resources makes the country highly vulnerable to price fluctuations in global energy markets.

As per its latest communication to the United Nations

⁷⁰ "ADNOC sends first low-carbon ammonia shipment from UAE to Germany", *WAM*, 1 September 2022.

⁷¹ "UAE will continue renewables expansion despite rising costs"..., cit.

⁷² "PEST Analysis: The United Arab Emirates Country Report", Euromonitor International, 5 July 2022.

⁷³ "United Arab Emirates Renewables Report Q3 2022", Fitch Solutions Group, London, p. 6, 2022.

⁷⁴ "PEST Analysis: Qatar Country Report", *Euromonitor International*, 21 June 2022.

Framework Convention on Climate Change (UNFCCC), Qatar's Nationally Determined Contributions plan (NDC12) aims at a 25% reduction in greenhouse gas (GHG) emissions by 2030 compared to the baseline scenario of 2019.⁷⁵ Qatar's NDC will focus on the energy industry including transport & downstream sectors, building & construction, water management, waste and infrastructure as modalities to achieve its declared NDCs.⁷⁶

Renewable energy is still in the early stages of development in Qatar, accounting for less than one percent of the country's total capacity in 2021.⁷⁷ The government is almost entirely focused on solar power and plans to increase this to 20% of the energy mix (10 GW) by 2030. There have been significant developments in the last two years.⁷⁸ One of Qatar's significant solar investments, the "Siraj Solar Energy" project, which has a 700 MW capacity, is scheduled to become fully operational in 2022.⁷⁹

In January 2020, a consortium formed by France-based Total and Japan-based Marubeni won the bid to build an 800 MW solar plant in the Al-Kharsaah area of Doha.⁸⁰ Last August, QatarEnergy awarded an engineering, procurement, and construction contract (EPC) to Samsung C&T to build two solar plants with the capacity to generate 875 MW of electricity. This solar project, along with the Al-Kharsaah PV plant now under construction, will scale Qatar's renewable energy generation capacity up to 1.675 GW by 2024.⁸¹

QatarEnergy has also signed a contract for a 1.2 million tonnes a year plant, with the aim of starting operations early

⁷⁵ "White paper: Pathways to faster decarbonization in the GCC's power sector"..., cit.

⁷⁶ Ibid.

⁷⁷ "Energy transition ramps up with \$220bn of projects"..., cit.

⁷⁸ "Qatar Power Report Q3 2022", Fitch Solutions Group, London, 2022, p. 8.

⁷⁹ Ibid, p. 5.

⁸⁰ Ibid.

⁸¹ "QatarEnergy picks Samsung C&T to build solar plants to power its LNG expansion", *S&P Global Platts*, 23 August 2022.

in 2026. The contract for the one-billion-dollar plant to make blue ammonia for conversion into hydrogen, the largest of its type in the world, was awarded to a consortium of Germany's Thyssenkrupp and construction firm Consolidated Contractors Company.⁸²

Nevertheless, Qatar faces several challenges in the development of solar power. They include the following: lack of price competitiveness with natural gas, lack of renewable energy policy framework, and solar power projects requiring vast land areas.⁸³ Most importantly, the availability of gas resources in large quantities and the need for significant investments in renewable energy represent an obstacle to rapid growth.

Energy Geopolitics: A Complex Environment

The Ukraine war and the consequent oil and gas price shock may accelerate some global energy transition initiatives and could eventually lead to the erosion of the shares of oil and gas in the worldwide energy mix. However, short-term policies in the West to subsidise fossil fuel consumption or support its production, combined with the damage that the conflict in Ukraine and tensions over Taiwan could cause to collaboration between the United States and China, could ultimately undermine the international response to climate change.⁸⁴ We witnessed this when China suspended cooperation with the United States on climate change and drug trafficking after Nancy Pelosi visited Taiwan last August.⁸⁵

⁸² "Qatar to build world's largest blue ammonia project", *The Petroleum Economist*, 31 August 2022.

⁸³ "Qatar Power Report Q3 2022"... cit., p. 24.

⁸⁴ "How the Ukraine Crisis Will Impact Global Climate and Clean Energy", *Stratfor*, 22 April 2022.

⁸⁵ E. Xie, "China's decision to halt climate change cooperation with US over Taiwan row sparks questions over how low relations can fall", *South China Morning Post*, 6 August 2022.

The UAE and Qatar may reap geopolitical benefits and significant financial gains from rising global energy prices. The UAE's Industry and Technology Minister, Sultan al-Jaber, warned recently that the world must include oil and gas in its energy transition planning or risk eroding energy security and economic stability.⁸⁶

In this context, Doha seeks to deepen its energy partnership with European states following Russia's invasion of Ukraine. By providing energy security to Europe, Qatar will benefit from increased gas export revenues and stronger defence cooperation with the West, notably the United States. Indeed, President Biden designated Qatar last March as a major non-NATO ally – a status that includes military and financial benefits.⁸⁷ The fact that big western energy companies were so keen to join Qatar's LNG expansion project is a testament to Qatar's growing importance as a gas superpower (see the deals with the UK's Shell, ExxonMobil, the US's ConocoPhillips, France's TotalEnergies, and Italy's Eni).⁸⁸

However, the current situation also carries a few risks for Qatar. The sharp decline in Russian gas exports to Europe through pipelines is keeping LNG prices in Asia at historical record highs. Soaring prices and tight supply also contribute to shortage fears across Asia, as hard-hit and import-dependent markets in South and Southeast Asia face the worst backlash, prompting their governments to reconsider LNG imports.

With continued price hikes and volatility over the next few years, downward pressures on Asian LNG demand may accelerate, permanently dampening long-term growth in regional demand and prompting countries to search for cheaper

⁸⁶ "UAE's Al-Jaber: Drop Self-Defeating Energy Policies", *Energy Intelligence*, 19 August 2022.

⁸⁷ "Risks to Global Gas Supply Will Boost Qatar's Foreign Policy Efforts", Fitch Solutions Group, London, 18 May 2022; "Gas Diplomacy To Remain Prominent Within Qatar's LNG Trade"... , cit.

⁸⁸ "Russia's war helps Qatar boost its influence over global energy flows", *Financial Times*, 6 July 2022.

alternatives like coal. Such a scenario is unwelcome news for all LNG exporters, including Qatar, particularly in light of expectations that ample new supplies of LNG will flood the market in the next five years.

Meanwhile, the UAE's position as a major oil producer (with additional capacity coming on stream) will continue to play a significant role not only in funding domestic economic diversification but also in building diplomatic ties and commercial partnerships, advancing the country's economic interests and boosting its reputation as a business, logistics, and tourism hub. The UAE will also continue to prioritise expanding its footprint as a commercial partner across the world by ensuring freedom of navigation through the region's leading maritime routes and by expanding its port infrastructure. This will allow the UAE to expand its political influence abroad, limit vulnerability to supply chain disruption and attract more foreign direct investments.⁸⁹

Despite its close ties to the US and many European countries, the UAE has been cautious in its criticism of Russia's actions. Abu Dhabi said that its position is neutral in the conflict between the West and Russia, as demonstrated by recent visits of UAE's President to Europe and Moscow. There is the hard-won Opec Plus oil production agreement to consider and various long-term implications of any deterioration in ties with Russia, including concerns over Russian armed engagement in conflicts in Syria, Libya, and Yemen.

Economically, the UAE has not joined the sanctions imposed by the West as the country still sees economic benefits from maintaining ties to Russia. The UAE remains a notable trading partner and investor for Russia; the country is also proving a vital travel hub and Russia is one of the top sources of visitors to Dubai this year. Given the country's strategic location, established financial and investment institutions, and relatively

⁸⁹ "UAE: Sheikh Khalifa Passing Will Not Pose Risks To Policy Continuity", *Middle East Monitor*, July 2022, vol. 32, no. 7, p. 4.

liberal social life, more than 4,000 Russian investors and companies have registered in the UAE this year.⁹⁰

Importantly, with oil markets facing a supply crunch and the long-term health of Russia's oil sector increasingly in doubt, upstream and downstream investments could put the UAE in an even stronger position as a long-term supplier, thanks to its low-cost, low-carbon production. This gives the UAE a competitive advantage over most rivals in the long-term, even in a world where the energy transition increasingly constrains demand.⁹¹ Certainly, the market share of Opec Plus Russia is forecasted to rise from 45% to 57% by 2040, giving the nations involved (including the UAE) greater influence.⁹²

Yet, in the medium to longer-term, high energy prices, and Europe's quest to reduce its reliance on Russian energy will accelerate the energy transition. The European Union, the United States, and other OECD countries are calling for an accelerated energy transition in response to the Ukraine war and the resultant energy shock.⁹³

Conclusion

The repercussions of the Ukrainian crisis continue to cloud the global economy, including the economies of the Gulf region. Of course, it is currently difficult to predict the full scale of the effects of the crisis as this depends on the length of the war, the direction that sanctions against Russia will take, and the relations between China and the West.

The UAE and Qatar could reap significant financial revenues from higher energy prices and increased exports. Nevertheless,

⁹⁰ "UAE sees economic benefits from maintaining links to Russia", Economist Intelligence Unit (EIU), 4 May 2022.

⁹¹ "Mideast Gulf NOCs Striking Tricky Balance"..., cit.

⁹² "Why energy insecurity is here to stay", *The Economist*, 26 March 2022.

⁹³ "How the Ukraine Crisis Will Impact Global Climate and Clean Energy"..., cit.

the situation may be unsustainable in the medium and long run. This should motivate Abu Dhabi and Doha to accelerate their economic diversification plans, reduce their dependence on fossil fuels to finance the economy, diversify their energy mix and support the revival of GCC integration plans.

Conclusions

Valeria Talbot

Russia's invasion of Ukraine has highlighted Europe's urgency to diversify its energy supply and reduce its overdependence on Russia energy imports. In such context, energy security has become a top political priority for European countries that have been striving to obtain alternative energy supply since the outbreak of the conflict. In their search, European states have acted almost entirely bilaterally, both strengthening existing ties and/or making efforts to establish new relations with energy producers.

For its part, the EU launched in March the REPowerEU plan, its new, ambitious energy strategy relying on the diversification of energy supply, on the one hand, and an acceleration of the green transition on the other hand. While the phase out of energy imports from Russia is expected to be completed by 2027, the horizon for accelerating a transition to renewables, energy efficiency, and energy savings is fixed by 2030. Although today the focus on securing additional and alternative energy supplies prevails on energy transition concerns, the EU's energy security mainly depends on its ability to address these two closely intertwined challenges at once in the next few years. Yet, much also depends on the willingness and capacity of energy producing countries to satisfy Europe's energy needs, to compensate declining Russian oil and gas exports.

Against this backdrop, the vast hydrocarbon resources of the Middle East and North Africa have drawn European countries' renewed attention. With 52% of the world's proven oil reserves

and 43% of proven gas resources,¹ mostly located in the Gulf, the MENA region will likely play a prominent role in Europe's current energy crisis. However, replacing lost Russian gas flows – around 155bcm in 2021² – is an enormous challenge for Europe. To what extent MENA energy producers will be able to meet Europe's requirements remains to be seen. In fact, in the short-term, the ability of MENA exporters to increase supply is limited, as they are currently producing at, or close to, maximum capacity. While in some countries new investments would be required, both to upgrade the existing infrastructure and develop new projects, other producers are stuck in long-term contracts that do not allow to divert energy flows to Europe. This is, for instance, the case of Qatar, the world's top LNG exporter, which is locked into long-term contracts, mainly with Asian countries, and has recently signed a 27-year gas deal with China.³ Not only is Qatar unlikely to divert gas from Asia to Europe in the short-run,⁴ but it will probably not even have surplus gas to export before 2024. In fact, the country is planning to increase its LNG export capacity through the expansion of the North Field, which will raise its liquefaction capacity by 2027-28.

Looking for alternative energy supplies, European states have firstly turned to North African countries, longstanding suppliers of Europe thanks to their geographic proximity and the existing infrastructure. In this context, Italy's intense diplomatic activity to secure additional provisions from energy producers, especially Algeria, is noteworthy. After the signature of several energy agreements between April and July, Italy has turned into Algeria's top customer of gas. At the same time, Algeria has replaced Russia as Rome's main gas supplier.

¹ BP, *Statistical Review of World Energy*, 2021.

² "Algeria Gas Exports Fall Short Amid Europe's Supply Crunch", *Mees*, 14 October 2022.

³ "Gas deal strengthens Qatar-China ties", *Al-Monitor*, 21 November 2022.

⁴ "Qatar will not divert gas from Asia to Europe this winter, QatarEnergy CEO says", *Reuters*, 18 October 2022.

However, although Algeria has reserves and infrastructure to significantly boost exports, increasing its production capacity will require time. Actually, exports from Algeria, connected to Italy and Spain through subsea gas pipelines, fell 12% year on year to 36 bcm in the first nine months of 2022, according to MEEs calculations.⁵ This means that, in the past months, extra gas supply to Italy was not the result of additional domestic production, but rather of the interruption of gas flows to Spain since October 2021. The start of production from Eni's South Berkine oil and gas project to increase gas supply to Italy via the Trans-Mediterranean pipeline and LNG shipments is a first, although narrow, step forward.

Beyond North Africa, Eastern Mediterranean's energy reserves have attracted Europe's growing interest, as they could offer options both in the short and long term. Looking at Egypt and Israel's gas resources in particular, the EU signed in mid-June a Memorandum of Understanding for a stable delivery of natural gas to Europe from these two countries. This year, Europe has already become the top destination of Egyptian LNG,⁶ which – albeit small – may make a crucial contribution to compensate for the additional losses of Russian gas in 2023. European energy companies, already among the main operators in the Eastern Mediterranean, have been encouraged to invest in gas exploration and production projects. Concurrently, an ambitious infrastructure project has come again to the EU's fore: the EastMed Pipeline. The almost 2,000-km gas pipeline project, linking Israel and Cyprus gas discoveries to Greece and the rest of Europe, has got renewed support in the EU official discourse after suffering a blow in early 2022, when the United States questioned the project's economic and environmental viability. As dependent on technical aspects and economic sustainability, as well as regional geopolitical tensions, the realisation of the project (which will take at least four years

⁵ Ibid.

⁶ "East Med Power Politics. As US & EU Officials Fly In", *Mees*, 17 June 2022.

and could not start operating before 2027-28)⁷ has raised questions about the need for a new natural gas pipeline to Europe, considering the decarbonisation goal and a declining gas consumption over the longer term. Nevertheless, the transition from natural gas to hydrogen transport makes this pipeline project more attractive, and also more aligned with EU green transition policy. In this way, it may convey Eastern Mediterranean countries' hydrogen production – with Egypt at the forefront in the development of green hydrogen in the area – and, in prospect, hydrogen production from the Gulf countries as well, once the interconnection projects are implemented.

Gulf's energy resources are particularly attractive to European countries. Yet, in recent years, Gulf's energy production has been mainly exported to Asian markets, hence the amount of hydrocarbons that can be redirected to Europe is limited. While in the short run European countries will hardly obtain extra supply, Gulf-Europe energy cooperation offers a great potential in the long-term. Not surprisingly, the EU presented in May its first "Strategic Partnership with the Gulf", in order to widen and deepen bilateral cooperation with the GCC member states, including cooperation in traditional fossil fuels and renewables sectors. Gulf monarchies – Saudi Arabia, Bahrain, UAE, Oman, Kuwait, but not Qatar – are the only MENA countries (along with Israel and Turkey) to have fixed their carbon neutrality targets between 2050 and 2060. Here, more than in other parts of the region, governments have invested in renewables and low-carbon gases, such as green and blue hydrogen, mainly to satisfy increasing domestic power demand and to make more fossil fuels available for exports.

In prospect, Europe's energy needs might contribute to redefining world energy flows from the MENA region in the future. MENA countries' renewed centrality in energy dynamics may also lead to geopolitical and economic gains in their relations with European countries.

⁷ <https://www.edison.it/it/il-progetto-eastmed-poseidon>

The challenge for the EU will be to pursue energy security in the wider framework of its carbon neutrality targets. At the same time, the EU should also engage to prevent its energy need from diverting investment and attention from the green transition in the MENA countries. As a matter of fact, the transition from hydrocarbons to renewables is crucial for a region among the most affected by climate change, global warming and water scarcity. However, the way ahead is still not clearly traced. Instead, what appears clearer is that geopolitical, economic and energy dynamics in the MENA region can directly affect Europe. Also, the EU, along with its member states, should be aware that investing in the MENA region's stability and prosperity is an investment for the future of Europe.

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ARMED GROUPS AND POWER TRAJECTORIES IN LIBYA AND YEMEN

edited by Eleonora Ardemagni and Federica Saini Fasanotti

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Introduction

For more than 10 years, Libya has been mired by political instability. Gaddafi's demise left the country in a limbo that, despite several attempts to generate a meaningful political process, has been continuing until today. Yet, European countries found themselves forced to cooperate with this wavering partner to protect their own interests, ranging from energy supplies to migration and regular economic activities. Not only. Following the Russian invasion of Ukraine, Libya's current and potential role as energy supplier (for oil and gas) becomes even more pivotal, as Europe tries to wean itself off Russia's fossil fuels.

In light of growing energy insecurity, some observers started raising concerns about the external impact of Yemen's protracted conflict. Despite being geographically remote from the European continent, the proximity to global maritime energy routes (the Red Sea and the Bab el-Mandeb) poses a threat to the stability of global energy markets, as the Houthis are increasingly targeting energy infrastructures in Yemen and in the neighbourhood. The growing importance of Libya and Yemen, to both Europe and Russia, has bolstered the warlords' powerful bargaining position as local proxies to foreign patrons. From such broader perspective, these two countries share a few common characteristics: practically non-existent state institutions and unaccountable self-governance at local level making them increasingly pivotal to Western stakeholders.

This Report investigates how Libyan and Yemeni warlords became state lords, by analysing economic relations, hence power balances, in times of institutional fragmentation and collapse. In contexts of fragile ceasefire (Libya) and unstable truce (Yemen), the absence of State institutions paved the way for the creation of political realities on the ground led by traditional militias. Over time, armed leaders have found fertile grounds, becoming more and more entrenched to local communities, permeating the fabric of civil society while governing under the state umbrella, exploiting the weakness of contested institutions.

Currently, two intertwined dynamics matter in how political and economic balances are being reshaped in Libya and Yemen. First, energy revenues, critical infrastructures and illicit trafficking are financing sources for many armed groups in both countries. This occurs against a background of collapsed national economies and declining international assistance. Second, many armed group leaders – often interlocutors at the diplomatic table – play a multifaceted role: they are not only military commanders, but also tribal chiefs, politicians – and, most of all, businessmen.

As a result, armed groups tend to reproduce predatory mechanisms within state institutions, instead of adapting to institutional standards and rules. Regardless of formal settlements, this variable erodes further prospects to shift from conflict economies to post-conflict economies, with implications for civilians and policy-makers.

In the opening chapter, Eleonora Ardemagni analyses how neopatrimonial dynamics, present in central state institutions (neopatrimonial states) from the 1960/70s, are still seen in the contemporary ‘microstates’ locally built upon the power of armed groups (armed neopatrimonialism), and how they adapted over time. As Ardemagni explains, state resources such as energy revenues, critical infrastructures and illicit trafficking played a crucial role in this process: not only by generating revenues, which are key to secure their clients and the entire

population's loyalty (for instance, by providing financial, humanitarian and development aid to local authorities), but also allowing them to sit at official tables securing institutional legitimacy. Consequently, under this social hierarchy system, it is simply unrealistic to imagine an effective transformation to a post-conflict economy, at least as long as armed leaders monopolise economic relations.

In the second chapter, Vanda Felbab-Brown focuses on the role of the changing landscape of global efforts against nonstate armed actors, and how it intertwines with the stories of five warlords in the Libyan and Yemeni conflicts. By the end of the post-9/11 era and the United States no longer motivated to engage in protracted, large-scale military deployments à la Iraq and Afghanistan, many nonstate armed actors remain powerful. Accordingly, current geopolitical trends, characterised by regional competition and fragmentation, as well as by the decline of American interest in the Middle Eastern region and the eclipse of counterterrorism, have left room for new types of warlords.

The following chapters examine the way in which state resources – namely, energy revenues, critical infrastructures and maritime boundaries, as well as illicit trafficking, – are exploited by warlords to generate revenues. In Libya, says Anas El-Gomati, the disruption of energy fields and infrastructure has turned into the main armed groups' tool of blackmail vis-à-vis institutions, internal rivals and external stakeholders, as well as a bargaining chip to gain political access to the state. In such fragile context, the chaos of war allows for the looting of state institutions by armed groups under a political imperative of survival at all costs, whilst the conditions of peace have become even more lucrative, as foreign actors and armed actors exploit the peacebuilding process to negotiate their discrete influence into the state.

Conversely, in Yemen, both formal and informal economies heavily depend on the export of crude oil, with the conflict shifting its focus from places of political importance to areas of economic relevance. As explained by Mareike Transfeld and Ahmed al-Shargabi, local authorities and armed groups are in an

internal race to secure the control of oil reserves, fundamental to not only fund their operations, but also to sustain governance structures, while preventing others from doing so.

Also, the white washing of illicit money through the smuggling of consumer goods is a significant source of revenue. In Libya, says Amanda B. Kadlec, armed leaders start licit business activities, and even philanthropic, non-governmental organisations, thus further blurring the boundaries between legal/illegal economy. More than that, armed groups often perform 'anti-smuggling' operations, in order to gain legitimacy for their own activities, or to seek dominance with respect to rival armed groups with economic interests.

In Yemen, on the other hand, the militarisation of borderlands has even strengthened smuggling networks, especially after regional actors began planting several armed groups throughout these areas. As explained by Ahmed Nagi, the Saudi-led Coalition intervention, since 2015, also aims to control the land and maritime borders of the country, thus preventing rival forces to reach, seize and profit from these strategic areas.

Tarek Megerisi then moves further, exploring the process of 'mafiasation' and the way it destabilised Libya's economy. Despite the role of political and business élites in continuously setting ever worse examples of malpractice, it is Libya's militias which have truly become the biggest beneficiary of the state of Libya's dissolution. Savvily leveraging politicians' need for protection, armed groups have evolved from opportunistic young men and petty criminals to largely white-collar criminals. This process has had a deep impact on many core areas of European interests, from protecting energy supplies to migration and regular economic activities.

In Yemen, the governance of maritime boundaries is multi-governed: armed groups – with varying degrees of opposition to, or alliance with, the internationally recognised government – control most of the country's coastline, profiting from fees, customs duties, and smuggling networks. Eleonora Ardemagni analyses the role of these 'coastal lords' in disempowering the (re)

building of an effective and de-politicised Yemen Coast Guard (YCG). The author also notices how externally driven projects for the YCG are likely to prioritise foreign powers' interests, while neglecting local development and security concerns. Such an approach would pave the way for the strengthening of warlords' economies, rather than containing them.

Finally, Federica Saini Fasanotti analyses the historical path that led armed groups to acquire an increasingly prominent political role. She then outlines the socio-economic reforms needed to contain the militia's proliferation. Given that any electoral process requires stability, and elections cannot *per se* kick off the democratisation path, stability can only be pursued through territorial control. To be effective at stabilising the country, such territorial control needs to be exercised by state institutions through a credible, legitimate monopoly of force. Something that will have to come about, one way or another, before instability in Libya and Yemen can be put to an end.

Paolo Magri
ISPI Executive Vice President

1. Libya and Yemen's Warlords: Neopatrimonialism Under a New Guise

Eleonora Ardemagni

This chapter investigates how Libyan and Yemeni *warlords* are becoming *statelords*, by analysing evolving economic relations, and hence power balances, in times of institutional fragmentation and collapse. It also reflects upon warlordism and its implications, and attempts to identify a new vocabulary for framing dynamics and actors in hybrid security orders. As this framing¹ suggests, neopatrimonialism has demonstrated great persistence and adaptability in both countries: neopatrimonial dynamics were present in central state institutions (*neopatrimonial states*) from the 1960/70s, and are still seen in the contemporary “microstates” locally built upon the power of armed groups (*armed neopatrimonialism*) after 2011. In fact, in both Libya and Yemen, most armed group leaders, like the authoritarian state leaders before them, arbitrarily control energy fields, revenues and/or infrastructures, as well as smuggling and trafficking routes, while also playing a prominent role in local governance. Libya's and Yemen's conflict-rooted economies also present a significant maritime dimension: the armed groups, and intermittently jihadi formations too, control much of the coastline, including commercial ports and energy waterways. Since the 2010s, a variety of armed groups, once insurgents and rebels, now hybrid actors, have entered Libya's and Yemen's

¹ I am grateful to Federica Saini Fasanotti and Frederic Wehrey for their valuable comments on an earlier version of this chapter.

dysfunctional state institutions, often merging with them. In this way, their leaders have brought their personal networks of survival, profit and governance under the umbrella of the state, exploiting the weakness of contested institutions. “Black markets” have broadly turned into “grey markets” in which the boundaries between “illicit” and “informal” are extremely vague. By leveraging institutional, economic, social and religious factors, warlords and their webs often manage to gain some sort of political legitimacy.

Comparing Libya and Yemen: Structural and Current Analogies

Since the 2010s, Libya and Yemen have been two flashpoints in the turbulent Middle East and North Africa region (MENA). Both are characterised by the presence of energy interests and regional spoilers, and these dynamics make a comparison very apt in 2022, as the Ukraine crisis focuses attention on global interdependence. Given their geographic location, Libya and Yemen are “geopolitical gateways”: the coast of Libya connects Africa to Europe across the Mediterranean; that of Yemen links the Gulf with Africa across the Western Indian Ocean, and the Arabian Peninsula with Europe across the Red Sea. For European stakeholders, Libya is pivotal for energy production, diversified supply and infrastructure. Although Yemen is declining as an energy exporter, it lies close to global maritime energy routes (the Bab el-Mandeb strait), and attacks from its territory can threaten energy market stability.

At first sight, post-2011 Libya and Yemen resemble political twins.² At the time of writing, both Tripoli and Sanaa have two governments, two central banks and two national oil companies: this institutional duplication is the common outcome of political

² For an outstanding comparison between Libya and Yemen’s security sectors, refer to Y. Sayigh, “[Crumbling States. Security Sector Reform in Libya and Yemen](#)”, Carnegie Middle East Center, June 2015.

trajectories that, though different, reveal interesting analogies. In the 2010s, the Libyan and the Yemeni popular uprisings turned into civil wars. These gradually acquired a regional connotation – enhanced by external military interventions – and eventually became proxy confrontations. Their national trajectories are mirrored by the evolution of the armed groups involved. In Libya and Yemen, formations that first emerged as military players, against or in support of the state, have gradually morphed into economic actors and then political entities. As these boundaries are increasingly blurred, armed groups manage to combine wartime and peacetime functioning modes. They survive “sous forme souterraine”³ through the conversion of criminal activities and smuggling, as in the case of the Libyan National Army (LNA) in Benghazi. The logics of power have now been reversed: armed groups no longer aim to dismantle the state, since what remains of its institutions and, to a lesser extent, international organisations and capitals, often directly acknowledge them, and offer their leaders a seat at table. This trend is underlined by the composition of the Presidential Leadership Council in Yemen and the rise of “political militias” in Libya.⁴

Most Libyan and Yemeni armed groups exhibit three features: tribal linkages, connections to a specific territory, and pragmatically “mercurial” alliance-making.⁵ This landscape is the outcome of late, weak and contested statehood experiences. Tribal structures and local powers have often replaced the state or filled its vacuums, providing alternative models of governance whose fortune stands in the armed groups’ ability to

³ M.E. Lazib, “Construction inachevée d’une monopolisation de pouvoir, l’ascension de Khalifa Haftar en Libye”, in *Libye, Géopolitique d’un chaos*, Hérodote, 2021, 3, no. 182, pp. 63-74, cit. p.73.

⁴ E. Badi, “[Armed Groups No Longer: Libya’s Competitive Political Militias](#)”, Italian Institute for International Political Studies, ISPI Commentary, 8 July 2022.

⁵ J. Harchaoui and M.E. Lazib, *Proxy War Dynamics in Libya*, The Proxy Wars Project (PWP), Virginia Tech-Brookings Doha Center-Carnegie Corporation, 2019, p. 4.

influence and negotiate with formal institutions. Warlords and conflict economies develop within this framework. Libya and Yemen are, respectively, rentier and semi-rentier states: energy is the backbone of their economy, or a key source of income alongside international development aid. However, failed social contracts have transformed this revenue into an opportunity for oligopolies and corruption, and for the mushrooming of social inequalities. Both in Libya and Yemen, the majority of the oil and gas fields are located in Eastern and Southern regions (for instance, Cyrenaica and Fezzan in Libya; Marib, Shabwa and Hadhramawt in Yemen), but the capitals and their political-military circles monopolised the income from energy before 2011. Nowadays, despite energy revenues, the remaining state institutions are not even able to pay fair salaries on a regular basis or to provide basic services. In this context, popular protests against fuel and electricity shortages have erupted again, since 2021, in Libya and Yemen. On the other hand, energy has been traditionally used as a “bargaining chip” by tribal militias and armed groups *vis-à-vis* governments: blockades and sabotage of pipelines testify to the politicisation and weaponisation of oil. In a context of high energy prices, oil revenues are both an “incentive for peace” and potentially a “battle intensifier” for the armed groups. While they provide resources for the implementation of possible power sharing agreements, at the same time, higher energy profits are also likely to trigger further competitive violence for the control of energy assets.

Armed Leaders Are the New Businessmen

Currently, two intertwined dynamics are prevalent in reshaping political-economic balances in Libya and Yemen. First, energy revenues, critical infrastructures and illicit trafficking are sources of finance for many armed groups. This combines with their infiltration and capture of the state economy, capitalising on collapsed national economies and declining international

assistance. In Libya, for instance, the “Tripoli cartel”⁶ has switched from the control of banks to “protection rackets” (taxes for security) and the black market. On the other side, units of the Petroleum Facilities Guards affiliated to Khalifa Haftar’s LNA control most of the main oil fields and export terminals in Cyrenaica. In Yemen, the Houthis collect illegal fees and levies especially from oil and communications, also confiscating the assets and funds of individuals and entities. In 2020-21 however, most of the Houthis’ fuel income “likely came from their control of the supply chain and sales via the Yemen Petroleum Corporation and the parallel market”.⁷

Second, the leaders of many armed groups – often also interlocutors at the diplomatic table – play a multifaceted role: they are not only military commanders, but also tribal chiefs, politicians and, most of all, businessmen. In Libya in 2016, the LNA established the Military Authority for Investment and Public Works (MAIPW) to gain full control of the economy in controlled areas, including the production sector and infrastructures. In Yemen, the Houthis target revenue flows of the central government by controlling the management of companies and institutions; they have also established a parallel, extra-government agency (the Supreme Council for the Management and Coordination of Humanitarian Affairs) to directly handle foreign aid grants and assistance.⁸ Armed groups therefore stand at the core of economic relations and reproduce predatory mechanisms in what remains of state institutions. These are the same, dysfunctional institutions that, before 2011, were hostage to oligopolies and corruption during

⁶ The four militias of the “cartel” are the Special Deterrence Force, the Tripoli Revolutionaries Battalion, the Nawasi Battalion and the Abu Slim unit of the Central Security Apparatus. Refer to W. Lacher and A. al-Idrissi, *Capital of Militias. Tripoli's Armed Groups Capture the Libyan State*, Small Arms Survey, Briefing Paper, June 2018.

⁷ “UNSC Panel of Experts on Yemen”, Final Report 2022, S/2022/50, p. 3; International Crisis Group, *Brokering a Ceasefire in Yemen's Economic Conflict*, Report 231, January 2022, p. 31.

⁸ “UNSC, “Panel of Experts on Yemen”, Final Report 2021, S/2021/79, p. 34.

the extended authoritarian rule of Muammar Ghaddafi and Ali Abdullah Saleh.

Introducing *Armed Neopatrimonialism*

Against this backdrop, what shape do economic relations assume as *warlords* become *statelords*, not only by ruling specific territories (*de facto* “microstates” or “militiadoms”),⁹ but also directly participating to state institutions and companies? What prospects are there for stabilisation when conflict economies become an enduring scenario because of fragile ceasefires (Libya) and unstable truces (Yemen)? In an attempt to provide answers, this framing chapter of the report starts by identifying neopatrimonialism as the analytical key and continuity element needed to make sense of the trajectory of power relations in both countries. Power combines coercive and economic elements. Since the 2011 uprisings, Libya and Yemen have gradually shifted from *neopatrimonial states*, in which revenue was arbitrarily distributed by rulers in exchange of loyalty, both through formal institutions and personal informal networks,¹⁰ to *armed neopatrimonialism*, in which leaders of armed groups re-produce neopatrimonial mechanisms (“revenue for loyalty”), interacting with formal institutions and ruling *de facto* microstates. The relationship between leader and community – the very essence of power – therefore remains unvaried despite a change in players: yesterday the State and its rulers, today the *de facto* microstate and its warlords. Neopatrimonialism has plagued post-colonial Arab states and their unequal

⁹ E. Ardemagni, *Beyond Yemen's Militiadoms. Restarting from local agency*, The European Union Institute for Security Studies, EUISS Conflict Brief Series 8, April 2020.

¹⁰ This definition of neopatrimonialism builds upon Eisenstadt (1973) and Ayubi (1995). The Weberian notion of patrimonialism (*Herrschaft*) describes a family based and vertically oriented power structure, in which economic and military relations depend arbitrarily on the ruler. According to Eisenstadt, neopatrimonialism defines a patrimonialist system of power which, however, accepts the shapes and institutions of the modern state.

modernisation paths since the 1960/70s, leading to the fall of many regimes in 2011, including those of Libya and Yemen.¹¹ It has re-appeared today under a new guise and through new actors, given the neopatrimonialist orientation of the warlords.¹²

Power Relations: From Neopatrimonial States to Armed Neopatrimonialism

Following 2011, the state institutions of Libya and Yemen were shattered by processes of contestation, erosion, collapse and duplication. In this way, their territorial presence and control have been dramatically reduced, leaving room for the rise of parallel “governments” and *de facto* authorities led by armed groups (bottom-up level). At the same time, weakened state institutions have relied on purpose-built armed groups to counter rebels and support the surviving segments of the security sector (top-down level). As a result, power balances in Libya and Yemen have changed radically due to the reshaping of military, political and economic relations. However, the neopatrimonial feature of power relations has remained a constant, though adapted to new actors and networks. For this reason, it is possible to argue that Libya and Yemen have merely assumed a new, transformed neopatrimonial regime, which I define here as “armed neopatrimonialism”: this is driven by, and centred on, the warlords who rule territories through personal, informal and lucrative logics of power – the same logics previously applied by authoritarian state leaderships through formal institutions.

¹¹ A. Nehme, *The Neopatrimonial State and the Arab Spring*, Issam Fares Institute for Public Policy and International Affairs, American University of Beirut, 2016.

¹² A. Giustozzi, *The Debate on Warlordism: The Importance of Military Legitimacy*, Crisis States Research Centre, London School of Economics and Social Sciences, LSE Discussion Paper no. 13, September 2005.

Before 2011: Neopatrimonial States

In Libya and Yemen too, the neopatrimonial state was based on centralisation and large-scale patronage: armed groups tended to infiltrate and dominate institutions in order to maximise power. Ruling families (Ghaddafi and his sons, Saleh and his sons and nephews) played a central role in economic relations and related patronage politics, thus quietly transforming these countries, in popular perception, into “hereditary republics”. In Yemen, the military had a central role in the national economy, dominating *de facto* the import and distribution of petroleum products. In the 1980s, a “tribal-commercial-military complex”¹³ monopolised the energy industry and revenues: officers in the armed forces formed a ring linking tribes, merchant families and the Sanaa-based political power. In the 2000s, this evolved into a narrowed patronage system, centred on Saleh’s family members and selected tribal chiefs. Formal and informal economy intersected. Formally, the Military Economic Corporation (MECO) controlled import licenses, real estate and industry; at an informal level, it also monopolised the smuggling of subsidised diesel. In the 1990s, the MECO was transformed into the Yemeni Economic Corporation (YECO), also working in construction, pharmaceuticals, transport and agriculture. In this phase, the military dominated post-unification privatisations, for instance claiming land for military use and absorbing the companies that were part of the former People’s Democratic Republic of Yemen (PDRY).¹⁴ Major General Ali Mohsin Al Ahmar, for a long time the number

¹³ P. Dresch, *A History of Modern Yemen*, Cambridge, Cambridge University Press, 2000.

¹⁴ See A. C. Seitz, “Patronage Politics in Transition: Political and Economic Interests of the Yemeni Armed Forces”, in E. Grawert and Z. Abul-Magd (eds.), *Businessmen in Arms. How the Military and Other Armed Groups Profit in the MENA Region*, Lanham, MA, Rowman & Littlefield, 2016, pp. 157-73; G. Hill, P. Salisbury, L. Northedge, and J. Kinninmont, *Yemen: Corruption, Capital Flight and Global Drivers of Conflict*, Chatham House Report, 2013.

two in the Yemeni government, epitomises this military-tribal-economic nexus. In fact, Ali Mohsin is a member of the Sanhan tribe like Saleh, the commander of the First armoured division of the army (disbanded in 2012), a man very close to the Islah party and its Muslim Brotherhood component as well as to the Salafi and jihadi *milieu*. Most of all, Ali Mohsin owns the oil firm Dhakwan Petroleum and Mineral Services,¹⁵ maintains – as does Saleh and his family – extensive patronage networks inside MECO/YECO, and is allegedly involved in fuel and arms smuggling. Unlike Yemen, Libya did not experience a real “military economy”. In fact, Ghaddafi kept the military small and divided as a coup-proofing strategy. However, patronage networks shaped the political relationship between military actors and the economy to strengthen regime security. These networks, made up of family members, tribal consociates and allied tribes, preserved the political order through privileges and corruption, as emphasised by Ghaddafi’s patronage-oriented reshaping of the Jaysh Bubakar after the failed coup in 1993.¹⁶

After 2011: Armed Neopatrimonialism

In the *de facto* microstates or “militiadoms” they control in Libya and Yemen, armed groups today replicate the neopatrimonial practices that previously characterised dysfunctional central institutions.¹⁷ However, unlike neopatrimonial states, armed-group-led microstates focus on territorial client networks rather than nationally structured patronage. In fact, the warlords’ approach is decentralised, tending to control economic routes and webs rather than institutions, and widely relies on

¹⁵ G. Hill et al., *Yemen: Corruption, Capital Flight and Global Drivers of Conflict*, p. 21.

¹⁶ Jaysh Bubakar identifies the lower tier army headed by the former Libyan Defense Minister Bubakar Younes Jaber (also known as Abu Bakr Yunis Jabr). See A. El-Gomati, *Libya's Political Culture Wars*, Konrad Adenauer Stiftung (KAS), Libya Brief no. 9, October 2020.

¹⁷ On Yemen, see E. Ardemagni, “Yemen’s Defense Structure: Hybridity and Patronage after the State”, *Journal of Arabian Studies*, vol. 10, no. 1, 2020, pp.72-89.

middlemen and intermediaries. Given the reality of microstates, current research opts to investigate “conflict sub-economies” rather than “conflict economies”, and to frame distinct location-based patterns of resource production, mobilisation and allocation, showing how these sustain competitive and embedded violence.¹⁸ Currently, the relationship between the state and the armed groups has been reversed: the latter are no longer dependent on the state for economic power. Conversely, the further this hybridisation process progresses, the more the fractured state becomes dependent on the military, economic and ultimately political support of selected armed groups in order to survive and counter other armed groups. According to Springborg, post-2011 Libya and Yemen are “residual states” in which institutions serve the interests of armed groups by “channelling resources to them”.¹⁹ Armed neopatrimonialism develops on the ground as a network of military, economic, and in some cases social loyalties centred on a specific and multifaceted armed group. In the latest phase of the neopatrimonial state in the 2000s, family ties were still the backbone of economic relations in microstates; this created local interests and identities that were stronger than ever. In Libya, Haftar and his sons, Saddam and Khaled, respectively the informal commanders of the Tariq bin Ziyad Battalion and of the 106th LNA Battalion, have shaped a “tribal patrimonial network” in Cyrenaica that resembles the old experience of the Jaysh Bubakar, whose structure was shaped by Ghaddafi, after the failed 1993 coup, as an “inward-looking patronage system” to maximise tribal loyalty and accommodate power.²⁰ In Yemen, the governorate officials of Marib, Hadhramawt and Mahra – all quite autonomous from the recognised government

¹⁸ See T. Eaton, R. Mansour, L. Khatib, C. Cheng, J. Yazigi, and P. Salisbury, *Conflict Economies in the Middle East and North Africa*, Chatham House Report, June 2019.

¹⁹ R. Springborg, “Forward”, in *Businessmen in Arms*, pp. xi-xv, cit. p. xiii.

²⁰ A. El-Gomati, “A Tale of Two Armies” in Y. Sayigh and N. Toronto (Eds.), *Politics of Military Authoritarianism in North Africa*, Malcolm H. Kerr Carnegie Middle East Center, CMRAS, March 2021.

and relying on local armed groups – are reportedly enriching themselves through the appropriation of revenues, respectively from energy (Marib and Hadhramawt) and customs duties at ports and crossing points (Mahra), without any effective control by the Central Bank in Aden.²¹ The governorate of Marib has also developed an autonomous energy supply chain (extraction, refinery and distribution) since the war broke out in 2015, allowing Marib to directly monetise its oil and gas wealth.

Against this backdrop, Libya's and Yemen's contemporary warlords assume the roles of "patrons" and "clients" simultaneously. They are patrons with respect to the locals who inhabit the controlled territory, arbitrarily allocating revenues, licenses and jobs. However, they are also clients of external state powers on whom they depend, to different degrees and in different ways, for financial, military and training support. This dynamic creates landscapes in which security and military actors receive funding and equipment from different, and often competing, foreign sources, to the detriment of cohesive national Security Sector Reform/Governance (SSR/G) efforts.

The Outlook: The Rising Political Legitimacy of the Warlords Means Enduring Conflict Economies

The armed groups of Libya and Yemen have entered and merged with fractured state institutions: in other words, the warlords have become the new statelords. This adaptation is favoured by the enduring neopatrimonial nature that long characterised central state dynamics and is now reproduced in the locally held microstates by the armed groups. What is most striking when we look at today's warlords in Libya and Yemen is their growing political role. According to Giustozzi, "the warlord is a neopatrimonialist": he is "a non-state political-military actor who has military legitimacy but little or no political legitimacy

²¹ "Panel of Experts on Yemen", Final Report 2020, S/2020/70, p. 28.

and therefore “lacks interest in changing the nature of the state”. However, in post-2011 Libya and Yemen, warlords are not only driven by profit, but are involved in local governance, thus gradually gaining some sort of political legitimacy. This process of evolution presents many dimensions. At a strictly institutional level, recognised institutions and/or international stakeholders are giving top-down recognition to certain armed groups, inviting selected leaders to sit at official tables. This indirectly provides institutional legitimacy to groups with “ground legitimacy”, i.e. those who have acquired territorial power on the battlefield. For instance, Yemen’s Presidential Leadership Council – to whom the interim president transferred his powers – has appointed three prominent armed group leaders among its eight-members: Aydarous Al Zubaidi of the Southern Transitional Council (STC, whose affiliated armed groups control many Southern governorates), Tareq Saleh of the National Resistance Forces, and Abdulrahman Abu Zaara Al Muharrami of the Giants Brigades. In Libya, the Presidential Council of the Tripoli-based Government of National Accord (GNA) appointed Abdel Ghani Al Kikli (also known as Gheniwa), leader of the armed group Abu Salim Central Security Force, as head of the new Stability Support Authority which refers directly to the presidency. The armed groups are also capitalising on a growing social role at community level, for instance providing financial, humanitarian and development assistance to local authorities (Tareq Saleh’s National Resistance Forces in Khawkha, Mokha and Dhuhab on the Yemeni West coast), or tackling the spread of drugs, alcohol and criminality through patrolling and raids (Abdelrauf Kara’s Special Deterrence Force-SDF/Rada in Tripoli, Libya). In Libya and Yemen, the armed groups are also gaining leverage in religious bureaucracies. In fact, Islamic ministries and schools, charities and endowments²² mirror the collapse and fragmentation of state institutions; competing authorities have

²² Endowments (*awqaf*) deal with financial and property assets and exercise power on mosques’ appointments.

established parallel and rival religious bodies whose ultimate goals are indoctrination and recruitment. For instance, in Libya, Madkhali Salafis, Muslim Brothers and Sufis are in dispute over the orientation of endowments and appointments, with religious figures backed by the armed groups.²³ In Yemen, the Houthis closed Zaydi Shia study centres to sideline traditional religious authorities while organising summer camps for youth indoctrination and cultural courses (the latter mandatory for imams, public sector workers and conscripts for the front line) in which participants listen at Al Houthi family speeches.²⁴ From an economic perspective, the warlord exploits and capitalises on state institutions and their existing networks to pursue profit and to manage logistics and supply operations.²⁵ For this reason, in contexts of state fracturing, armed groups do not seek to further destroy the state as they gain legitimacy from its remnants and, despite looting and smuggling, represent a form of “social embeddedness”.²⁶ Therefore, as long as armed leaders monopolise economic relations in Libya and Yemen, it is simply not realistic to imagine an effective transformation from a conflict to a post-conflict economy. This is especially true now that warlords are gradually becoming statelords, building neopatrimonial mechanisms and leveraging on multidimensional political legitimacy. This process should push analysts and policy-makers to rethink how to frame the Libyan and Yemeni landscapes, and how to approach them.

²³ See F. Wehrey, “[Libya’s Factional Struggle for the Authority of the Islamic Endowments](#)”, in F. Wehrey (Ed.), *Islamic Institutions in Arab States: Mapping Dynamics of Control, Cooptation and Contention*, Carnegie Endowment for International Peace, June 2021, pp.73-90.

²⁴ M. Shuja Al-Deen, “[Yemen’s War Torn Rivalries for Religious Education](#)”, in F. Wehrey (Ed.), *Islamic Institutions in Arab States: Mapping Dynamics of Control, Cooptation and Contention*, pp. 33-52.

²⁵ A. Giustozzi, *The Debate on Warlordism: The Importance of Military Legitimacy*, Crisis State. Development Research Centre, LSE, October 2005.

²⁶ P. Droz-Vincent, “Libya’s Tentative State-Rebuilding: Militias’ ‘Moral Economy’, Violence, and Financing (In)Security”, in *Businessmen in Arms*, pp. 175-196, cit. p. 183.

2. The Lords of War in the Changing Geopolitical System

Vanda Felbab-Brown

For over ten years, Libya and Yemen have been stuck in protracted and devastating civil wars. Beyond a changing array of impactful external powers, the two wars have featured a panoply of nonstate armed actors. My portraits of five warlords in the Libyan and Yemeni conflicts tell the story of how global responses to nonstate armed actors have evolved over the past two decades, how the post-9/11 era ended, and how the new geopolitics, featuring regional competition and fragmentation, has eclipsed counterterrorism and ushered in new types of warlords.

The five profiled warlords epitomise different facets and dimensions of changing geopolitics and international responses to internal conflicts, and of the calamities and warped governance protracted civil wars bring about:

The story of the *Old Time Spoiler* captures the bitter reality of the lack of alignment between external sponsors and local allies and the speed with which one-time proxies become dangerous sources of instability and readily switch sides, becoming one's enemies.

The story of the *Jihadist with the Khalifa's Blessing* reveals how a decade and a half after 9/11, the rise of regional rivalries in the Middle East led regional powers to downgrade preoccupations with counterterrorism and, despite US preferences, embrace Salafi jihadists as proxies.

The story of the “*Kid Mafioso*” encapsulates the human insecurity dimensions of the brutal internal conflict, featuring the intermingling of criminality with political and religious violence, child soldiers, and the ability of even mafia thugs to develop political capital.

The story of the *Preacher in the Shadows* focuses on the limitations of a favoured counterterrorism tool – high-value targeting and decapitation of the leaders of nonstate armed actors.

And the story of the *Chef of Great Power Competition* highlights the arrival of Russia – and China – to global counterterrorism and (de)stabilisation efforts at a time when the United States has sought to extricate itself from the post-9/11 Global War on Terror and refocus instead on the Asia-Pacific region to counter the rise of China and the renewed global anti-American thrust and aggression of Russia.

Yet even as the United States and the West seek to look away, the power of nonstate armed actors remains undiminished, and in some parts of the world has increased. Some nonstate armed actors, like the Taliban in Afghanistan, have come to power. Many governments around the world have become weaker, with Covid-19 further strengthening the power of nonstate armed actors *vis-à-vis* governments,¹ while the counterterrorism and stabilisation responses of the past two decades have all too often proven inadequate.²

At time of writing, the Houthis – the nonstate armed actor in Yemen whom the remnants of the Yemeni government, Saudi Arabia, the United Arab Emirates (UAE), and the United States at one time battled – have essentially won, even as a panoply of other nonstate armed actors and warlords persists in the country. And unable to escape parochial politics and perpetual crisis-making, Libya once again teeters on the edge of a new phase of civil war.

¹ V. Felbab-Brown, “[The Key Trends to Watch this Year on Nonstate Armed Actors](#)”, The Brookings Institution, 15 January 2021.

² V. Felbab-Brown, “[Nonstate Armed Actors in 2022: Alive and Powerful in the New Geopolitics](#)”, The Brookings Institution, 1 February 2022.

The strategically-located and oil-rich Libya has been in turmoil and conflict since 2011 when the Arab Spring and a NATO air campaign toppled the decades-long terrorism-sponsoring dictatorship of Muammar Gaddafi. Since then, efforts to build a democratic state have struggled and repeatedly dissolved into civil war. Its undulating phases have caused great suffering: more than 20,000 people have died, 200,000 have been internally displaced in Libya, and over 1.3 million have needed humanitarian assistance, while the economy has tanked.³ The country has also become a major route for migrants and refugees primarily from sub-Saharan Africa trying to reach better lives in Europe. But as European countries have shown little willingness to accept these migrants, over 600,000 of them are stuck in Libya,⁴ often in brutal detention centres featuring rape, extortion, and torture and run by Libya's varied warlords.⁵

The civil war has pitted two principal centres of power against each other in a political and violent struggle for Libya's various resources, such as oil: the country's eastern side centred in Tobruk, the western side in Tripoli. Overlaying and intersecting these two broad coalitions are tribal loyalties and conflicts; jihadi terrorism, particularly the expansion and deflation of the Islamic State in the Levant (ISIL), al Nusra and various al Qaeda affiliates; and internal and external warlords and militias, such as from Chad and Sudan. At odds with each other, various regional powers have become critically intermeshed in the conflict.

³ M.A. Daw, Ab. El-Bouzedi, and A.A. Dau, "Libyan armed conflict 2011: Mortality, injury and population displacement", *African Journal of Emergency Medicine*, vol. 5, no. 3), September 2015, pp. 101-07; and B. McKernan, "War in Libya: How Did It Start, Who Is Involved, and What Happens Next?", *The Guardian*, 18 May 2020.

⁴ "IOM Libya Migration Report: Round 38", International Organization for Migration (IOM), July-September 2021.

⁵ I. Urbina, "The Secretive Prisons that Keep Migrants Out of Europe", *The New Yorker*, 28 November 2021.

Even though the United Nations has officially recognised the Tripoli-based Government of National Accord (GNA) of 2015 and the subsequent Government of National Unity (GNU) of March 2021, its Tobruk rivals, under the umbrella of the House of Representatives, have repeatedly rejected the GNA's legitimacy. Supported by Egypt, the UAE, Saudi Arabia, and Russia, and flirted with by France, the House of Representatives and its Libyan National Army (LNA) have repeatedly sought to seize the country's oil reserves and overthrow the GNA in Tripoli. But with the support of Turkey, Qatar, and Italy and the endorsement of Western countries,⁶ the Tripoli government has managed to hold onto power, though its survival has looked bleak at various times.

Ongoing since 2004 and intensely since 2014, the civil war in Yemen has unleashed even more devastating suffering. According to the United Nations, over 150,000 people have been killed in Yemen, while over 227,000 have died from ongoing famine and the collapse of healthcare amidst the war. 4.3 million people have been internally displaced, often repeatedly.⁷

Since 2004, a Zaydi Shia movement known formally as Ansar Allah and more commonly as the Houthis have been fighting Yemen's Sunni-majority government. The rebellion has been fuelled by a sense of long-term economic and political marginalisation of the Zaydi Shias who represent 35 per cent of Yemen's population and by the memories of a Zaydi imamate that ruled Yemen for a thousand years until its overthrow in 1962. In 2009, as part of their rebellion, the Houthis crossed into Sunni Saudi Arabia and the Saudi Army bombed the Houthi forces in retaliation. In 2014, the Houthis seized Yemen's capital Sana and by 2016, much of the country's north.

⁶ For deeper background and the US role in Libya, see J.R. Allen et al., "Empowered Decentralization: A City-Based Strategy for Rebuilding Libya", The Brookings Institution, 11 February 2019.

⁷ "Internal Displacement – A Silent Dilemma on World Refugee Day", *Care*, 20 June 2022.

In addition to the Yemeni government-Houthi fighting, Yemen's civil war has featured a wide plethora of armed actors, militias, and warlords, including Islah, a Sunni party with links to the Muslim Brotherhood, against whom the Houthis have periodically fought, and ISIL affiliates. Alliances and affinities have fluctuated widely, reconstituting themselves along tribal and sectarian cleavages and local economic, criminal, and political interests, and changing external sponsors.

As the civil war intensified after 2014, so did the internationalisation of the conflict. In 2015, a Saudi-UAE-led Sunni coalition organised military intervention against the Houthis. Though embracing a different sect of Shi'ism, Iran and its Lebanese proxy Hezbollah upped the provision of military and financial support to the Houthis, supplementing the Houthis' income from illegal trade and charity donations. During the Trump administration, the United States supported the Saudi-led coalition and its indiscriminate air strikes that were causing high civilian casualties with intelligence, logistical support, and the sale of billions of dollars worth of arms and equipment. In late 2019, without accomplishing its purpose of defeating the Houthis, which by 2022 were stronger than ever, the UAE withdrew its military forces from Yemen, but continued to support anti-Houthi militias through local Yemeni proxies. But the Houthis themselves kept the war internationalised: in September 2019 and again in March 2022, claiming credit for drone attacks against oil installations in Saudi Arabia and in January 2022 attacking the UAE with drones and ballistic missiles likely provided by Iran.

The United Nations has repeatedly tried to negotiate a ceasefire in Yemen. In April 2022, the Yemeni government (and by extension Saudi Arabia) and the Houthis finally agreed on a two-month-long ceasefire, then extending through the end of August 2022. However, other fighting persisted in the country, such as between the Saudi-supported Islah Party and UAE-backed militias known as Giants Brigades and Shabwa Defence Forces.

The Old Time Spoiler

Often leading Tobruk's military efforts to topple the Tripoli governments and heading the LNA is General Khalifa Haftar, the first warlord in this profile. A Cold War old-timer, Haftar epitomises the flimsiness of allegiances in internal conflicts, the unreliability of local proxies, and the risks for long-term stabilisation of empowering the unaccountable enemies of one's enemy.⁸

In the first part of his career, Haftar was Muammar Gaddafi's man, joining Gaddafi's 1969 coup d'état against the Libyan king. Over the following decade, Haftar became a key Gaddafi operative, and in 1980, Gaddafi promoted him to colonel and sent him to clandestinely fight in Chad. After war toils in the sand dunes, Haftar and his 300 men were captured by the Chadians in 1987 while Gaddafi washed his hands of him, eager to deny any Libyan role in the Chadian war. When finally released, the infuriated Haftar dedicated himself to overthrowing the Gaddafi regime and set up a military wing of the National Front for the Salvation of Libya. With the Reagan administration obsessed with getting rid of Gaddafi, Haftar received support from the CIA.⁹

In 2014, after the fall of the Gaddafi regime, Haftar returned from the United States and declared a campaign against "terrorists" in Tripoli and Benghazi. Obtaining backing from the UAE and Egypt and two years later in 2016 from Russia, Haftar set out to fight the ISIL branch in Libya, al Nusra, and Ansar al-Sharia, a Libyan al Qaeda affiliate, all of whom mounted assassinations across Libya, terrorised local populations, and seized various parts of Libya's territory. Haftar's success in driving ISIL, Ansar al-Sharia, and al Nusra from Benghazi created important popular

⁸ See V. Felbab-Brown, "The Dubious Joys of Standing Up Militias and Building Partner Capacity: Lessons from Afghanistan and Mexico for Prosecuting Security Policy Through Proxies", The Brookings Institution, 21 July 2015.

⁹ "Profile: Khalifa Haftar", *Al Jazeera*, 19 April 2018.

support for him in the city, augmenting his Tobruk powerbase.¹⁰

But Haftar included in the category of “terrorists” a wide set of personal political and business rivals and local armed groups affiliated with different political and tribal centres of power, using the counterterrorism cover to attempt to eliminate them and violently alter Libya’s internal power distribution.

Since 2016, Haftar and the Tobruk House of Representatives have rejected multiple iterations of the UN-sponsored GNA in Tripoli and repeatedly launched military offensives against it, eager to accumulate the spoils of war, the country’s resources, and exclusionary political power. One of the bloodiest of such campaigns was launched by Haftar in 2019 when he almost captured Tripoli, an endeavour in which he would have likely succeeded had Turkey not sent troops to Libya to support the GNA.¹¹

In July 2022, a US federal court in eastern Virginia found Haftar guilty of war crimes.¹²

In late August 2022, however, Haftar seemed to play both sides against the middle and mostly stayed out of the fray when Fathi Bashagha, a Misrata-based politician supported by Tobruk’s House of Representatives, launched yet another attack against Tripoli to overthrow the existing Prime Minister and install himself in that role. The August military push set off the worse fighting in Libya since 2019. Once again, the military offensive threatened to tip Libya into another intense phase of the civil war while a prolonged political crisis around delayed elections and deeper unresolved conflicts drags on.¹³

¹⁰ “Khalifa Haftar: The Libyan General with Big Ambitions”, *BBC*, 8 April 2019.

¹¹ C. Gall, “Turkey, Flexing Its Muscles, Will Send Troops to Libya”, *The New York Times*, 2 January 2020; “Timeline: Haftar’s Month-Long Offensive to Seize Tripoli”, *Al Jazeera*, 19 February 2020; and “Turkey Again Extends Mandate for Troop Deployment to Libya”, *The Associated Press*, 21 June 2022.

¹² For details, see H. Pamuk, “Libyan Families File U.S. Lawsuit Accusing LNA Leader Haftar of War Crimes,” *Reuters*; and “US Courts Convicts Khalifa Haftar As War Criminal”, *Middle East Monitor*, 30 July 2022.

¹³ For background, see S.T. Williams and J. Feltman, “Can a Political Breakthrough Mend a Broken Libya?”, *The Brookings Institution*, 17 February 2021.

Since 2014, Haftar, the former anti-Gaddafi Western ally, has become a key spoiler of stability as well as a perpetrator of serious human rights abuses. In a geopolitical switch, he has also become a key platform for Russia to attempt to establish access to Libya's energy reserves and strategic ports, and thus develop a threatening anti-Western presence in the Mediterranean.

The Jihadist with the Khalifa's Blessing

Few Yemeni warlords embody the region's subordination of US-promoted counterterrorism objectives to regional rivalries and local expediencies as well as Abu al-Abbas, the nom de guerre of Adil Abduh Fari Uthman al-Dhubhani. In 2017, the Trump administration accused him of being a prominent al Qaeda fundraiser and military instructor as well as fundraiser for ISIL.¹⁴ Yet despite this history and ongoing terrorist activities, al-Abbas had for years been a lynchpin proxy of the UAE in Yemen in the fight against the Houthis. For the UAE, his anti-Houthi battlefield usefulness far eclipsed his Salafi terrorism baggage. Thus, despite the US terrorism designation and the closeness of the United States and the UAE, the Emirates continued to supply Abu al-Abbas with millions of dollars and weapons while at the same time paying other Yemeni Sunni tribes to defect from al Qaeda.¹⁵ Other al Qaeda-linked Sunni tribes battling the Houthis received support from the UAE-Saudi coalition.

There was no reason to be surprised by al-Abbas's al Qaeda proclivities. Growing up in humble conditions, he was brought up in Salafi madrasas in Taiz and the northern Yemeni city of Dammaj, a key hub of Salafi teaching, from an early age.

When in 2011, the Houthis moved to take northern Yemen, including Dammaj, and repeatedly laid siege to the city, al-Abbas

¹⁴ S. Raghavan, "The U.S. Put a Yemeni Warlord on a Terrorist List. One of Its Close Allies Is Still Arming Him", *Washington Post*, 29 December 2018.

¹⁵ *Ibid.*

became a leader of a Salafi militia in Dammaj to combat the Houthis.¹⁶ He also became the key point of contact for Saudi Arabia in Dammaj and soon the key channel for distributing Saudi and Emirati money for various anti-Houthi groups in northern Yemen.¹⁷ This role also became critical for his ability to become a key powerbroker across the country, in Taiz.

And for a period, Abu al-Abbas continued to pay off the Saudi and UAE investment in him as a key anti-Houthi proxy. With his militia Kata'ib Abu al-Abbas relocated to south-central Yemen. Equipped with heavy arms, deploying between 300 and 2,000 men,¹⁸ and mobilising local tribes, al-Abbas successfully drove the Houthis out of most of Taiz after the Shia rebels seized the city, the cultural capital of Yemen, in 2015. The Salafi coalition he built up in Taiz rapidly developed into a broad network powerbase in the city and surrounding areas. Through access to local legal and illegal economies, such as antiquities looting and smuggling,¹⁹ and various socio-economic handouts, the Abu al-Abbas military-political organisation saw its political capital in the destroyed city grow while the Yemeni government remained absent from the metropolis.

But after pushing the Houthis to the city's outskirts – including (problematically, for the anti-Houthi coalition) the industrial zones on the key outskirts and key road chokepoints where the Houthis have been economically and strategically very comfortable²⁰ – the anti-Houthi forces turned on each other. Despite the close strategic alliance between Saudi Arabia and the UAE, their local proxies began battling each other. The UAE continued supporting al-Abbas, but in yet another bizarre

¹⁶ N.A. Heras, “Securing Southern Yemen for the UAE: Abu Al-Abbas and the Battle of Taiz”, *Militant Leadership Monitor*, vol. 9, no. 5, The Jamestown Foundation, 6 June 2018.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ A. Ashour, “Yemen's Parties to the Conflict Compete to Loot Taiz Antiquities”, *The Middle East Monitor*, 29 September 2021.

²⁰ M. al-Madhaji, “Taiz at the Intersection of the Yemen War”, Sa'ana Center for Strategic Studies, 26 March 2020.

twist, Saudi Arabia embraced its principal Taiz rival – the Islah Party, drawing its origins and affinities from the Muslim Brotherhood which Saudi Arabia had fiercely opposed in Egypt. Qatar’s support for the Muslim Brotherhood had also caused a major regional rift between Saudi Arabia and UAE, on the one hand, and Qatar on the other. Yet in the strategic south-west corner of Yemen, Saudi Arabia was supporting a Muslim Brotherhood affiliate against a pro-al Qaeda Salafist UAE proxy. Local politics eclipsed even regional strategic coalitions and deep-seated ideological resentments.

For a while the most powerful local actor, al-Abbas, continued paying off the UAE’s support with advocacy for the UAE’s role in the Yemen war and was expected to become a lynchpin of the UAE’s security belt in southern Yemen.²¹ But his fortunes withered, especially after the UAE withdrew its forces from Yemen. Continuing to build up his rival al-Islah, Saudi Arabia was also rumoured to have nudged the United States to designate al-Abbas as a terrorist to advance the interests of its local allies.²² By December 2019, the Saudi-aligned Islah defeated the Abbas Brigades in Taiz and pushed them and their leader out of the city, relegating them to a minor position in the western side of the Taiz Governorate.

The “Kid Mafioso”

But the Islah Party military coalition in Taiz has itself been far from unified, and its various factions have triggered conflict with other political and militia actors in Taiz. Even as its military wings have fought over the city’s legal and illegal economic turfs, Islah has at the same time played a mediating role between the city’s militias and crime gangs.

Among the most notorious of these gangs is the militia group of Ghawan al-Mekhlafi. Al-Mekhlafi rose to its leadership,

²¹ Heras (2018).

²² Ibid.

commanding hundreds of men, and becoming one of the most powerful men in the city before he was 18.

Humanitarian actors in Yemen have documented at least 3,500 child soldiers, recruited by all sides of the conflict.²³ With famine and disease ravaging the country for several years and a shredded economy that was already among the poorest in the world before the civil war, desperate families in Yemen increasingly resorted to allowing their pre-teen sons to head for the battlefield frontlines – one of the many devastating elements of the civil war brutalities. But unlike Ghawan al-Mekhlafi, few rose to the ranks of military commanders and crime bosses. They did not have Ghawan's lineage or ruthlessness.

Al-Mekhlafi grew up in a military family and, allegedly, since the age of ten exhibited little interest in school or lawful work, drawn instead to weapons and chewing qat.²⁴ In 2015, when less than 15, al-Mekhlafi began fighting with the anti-Houthi forces of his uncle Sadeq Sarhan, a prominent Islah commander in Taiz. Within less than two years and with the hereditary title of a sheikh from one of the most powerful clans in Taiz, the Mekhlafs, al-Mekhlafi came to lead his own militia group and one of the most notorious crime gangs in Taiz, involved in widespread extortion, antiquities looting, as well as other illegal economies. Travelling in the city with convoys of armed fighters, he did not run his extortion rackets with a gentle hand, often demanding "taxes" as high as fifty per cent even from street sellers earning \$3 or less a day. And he was willing to undergird his extortion demands with savagery.

Of slight build, often shorter than the adults around him, al-Mekhlafi also managed to build authority based on more

²³ "New Action Plan to Strengthen the Protection of Children Affected by Armed Conflict in Yemen Signed with the Houthis", The United Nations Office of the Special Representatives of the Secretary-General for Children and Armed Conflict, 18 April 2022; and "Yemen Houthis Will Stop Using Child Soldiers, the U.N. Says", *The Associated Press*, 19 April 2022.

²⁴ "The Teen Warlord Who Runs Yemen's Second City with Fear", *The Middle East Eye*, 27 November 2018.

than violence and fear, arbitrating disputes among some of the armed factions in the city and dispensing conflict resolution and justice, however rough and unaccountable, to the city's residents. A kid mafia thug, he also built up political capital.

Both his street power and familial connections also cloaked him in a mantle of protection from the vestiges of formal authority in the city, such as the police. Mostly, the police did not dare interfere with him, and when occasionally they would arrest him when he turned the city into a particularly intense shooting gallery, they would rapidly release him afterwards. Abu al-Abbas also tried to capture him before being booted out of the city – the result being several months-long fighting between al-Mekhlafi's and al-Abbas's forces and dozens dead and hundreds injured, including many civilians.

As the Salafist al-Abbas beat it out of town, al-Mekhlafi's beardless kid face came to represent one of the many brutalities and complexities of human insecurity in civil wars like Yemen.

The Preacher in the Shadows

Unlike many of the flashy anti-Houthis militia commanders and powerbrokers, the leader of Ansar Allah and the Houthi religious leader, Abdul-Malik Badreddin al-Houthi, kept himself to the shadows, even as he built up and ran a highly successful rebellion.

It is astounding how little is known about his life, despite the efforts of Middle Eastern and Western intelligence agencies and journalists to uncover more about him. The lack of insights into Abdul-Malik is also emblematic of the Houthis' tight operational security and the fact that their decision-making still remains a blackbox for regional and outside intelligence agencies. He is the youngest of eight sons of Badreddin al-Houthi, a prominent religious Zaydi scholar. His brother Hussein founded the al-Houthi movement to promote Zaydi thought and revivalism, deliver services to the Zaydi minority, and resist the oppression of Yemen's Sunni political class. Even

while serving in the Yemeni parliament before the war, Hussein became a prominent critic of President Ali Abdullah Saleh. In 2004, the Yemeni police first arrested hundreds of Hussein's followers and then after months of violent clashes with the movement, announced that Hussein al-Houthi had been killed. But instead of quelling the rebellion, the death of the leader only spurred far more organised and violent rebellion against the Yemeni government.

In 2005 Abdul-Malik became the Houthis top leader, while his brother-in-law Youssef al-Midani became his deputy and his brothers Yahia and Abdul-Karim senior leaders.²⁵

In April 2015, the US Treasury imposed sanctions on Abdul-Malik al-Houthi for engaging in acts that “threaten the peace, security, or stability of Yemen”,²⁶ while the United Nations Security Council imposed an arms embargo against the Houthis and blacklisted Abdul-Malik. On 10 January 2021, the Trump administration designated the Houthis as a terrorist group, a move that would have critically jeopardised the delivery of humanitarian aid to the country in famine, but a month later, the Biden administration removed that designation while the 2015 sanction on Abdul-Malik and a Trump terrorist designation of Abdul-Malik remained in place.

The temptation to decapitate the movement's leadership has remained since the onset of the war. Abdul-Malik had been subjected to repeated efforts to assassinate him, a reason he has kept himself in the shadows: in December 2009, he was alleged to have been severely injured and killed in heavy Saudi air strikes in Yemen, though his subsequent TV interviews refuted the claim.²⁷ In January 2022, rumours again surfaced that he had been killed, but once again, subsequent videos, including

²⁵ M. Almeida, “Profile: Who Are Yemen's Houthis?”, *Al-Arabiya News*, 8 October 2014.

²⁶ U.S. Department of Treasury, “Press Release: Treasury Sanctions Instigators of the Violent Takeover of Yemen”, 14 April 2015.

²⁷ J. Levs, N.P. Walsh, and L. Smith-Spark, “Yemen's President 'Has No Control' as Houthi Revels Storm Palace”, *CNN.com*, 20 January 2015.

from 1 September 2022, suggest that he is still alive and in command of Ansar Allah.²⁸

The story of Abdul-Malik and Hussein al-Houthi well embodies the preoccupation with and limitations and problems of one of the key counterterrorism techniques: high-value targeting. Built around the notion that decapitating the leaders of terrorist, militia, and criminal groups will defang a group's operational capacity and make it easier to defeat, high-value targeting has been applied across the wars in Iraq, Afghanistan, Somalia, Lebanon, Syria, Colombia, Nigeria and beyond and areas of intense and war-like violent criminality, such as Mexico.

There are often basic moral reasons to eliminate the leaders of terrorist groups who cannot be brought to justice at a trial – such as killing al Qaeda's leaders Osama bin Laden and Ayman al-Zawahiri.²⁹ Such kills may also sometimes succeed as deterrent shots across the bow of a nonstate armed actor whose behaviour the international community seeks to shape and deter from the most dangerous acts.

Yet the other promises of high-value targeting, namely sapping the potency of armed nonstate actors, have rarely panned out.

The Chef of Great Power Competition

A commitment to avoiding civilian casualties and complying with other rules of war or paying even mere lip service to such considerations have been altogether absent from the repertoire of the last warlord profiled in this chapter, Yevgeny Prigozhin, the funder of a Russian private security company and a

²⁸ A. Hamad, “Houthi TV Uses Misleading Old Interview of Abdul-Malik al-Houthi amid Death Rumors”, *Al Arabiya English*, 26 January 2022; and “Military Parade Boost Morale, Send Message to Enemies: Al-Houthi”, *Al Mayadeen English*, 1 September 2022.

²⁹ V. Felbab-Brown, “What Ayman al-Zawahiri's Death Says about Terrorism in Taliban-Run Afghanistan”, The Brookings Institution, 2 August 2022.

clandestine Moscow proxy – the notorious Wagner Group. In fact, the Wagner Group’s sales pitch in the wars in Libya, Mali, Central African Republic, Syria, and Mozambique³⁰ is that its counterterrorism and counterinsurgency services come without the Western constraints of legal and human rights compliance. Nor are they saddled with promoting political and economic pluralism and inclusion. The Wagner Group’s anti-militant strategy is one of brutality à la the 1990s Chechnya wars. This attrition, maintained over many years if necessary, seeks to grind down the will and capacity of the opponent and separate the militants from community support, by intimidating, brutalising and displacing local populations.³¹ For its systematic human rights abuses, the European Union imposed sanctions on the Wagner Group in December 2021.³² The Wagner Group has also been selling its praetorian guard services and willingness to suppress any political opposition to thuggish leaders from the Malian and Sudanese juntas to warlords such as Haftar and conducting disinformation campaigns to prop up problematic regimes throughout the Sahel, Africa, Venezuela and beyond.³³

In exchange, the Wagner Group seeks not just financial payments, but also access for the Russians to strategic locations and valuable resources.³⁴ In fact, those imperatives, such as

³⁰ For details on the Wagner Group’s activities in those countries, see C. Faulkner, “Undermining Democracy and Exploiting Clients: The Wagner Group’s Nefarious Activities in Africa”, *CTC Sentinel*, vol. 15, no. 6, June 2022, pp. 28-37.

³¹ For the abuses of the Wagner Group, see, for example, Human Rights Watch, “Central African Republic: Abuses by Russia-Linked Forces – Killings, Torture of Civilians”, 3 May 2022; and C. Doxee and J. Thompson, “Massacres, Executions, and Falsified Graves: The Wagner Group’s Mounting Humanitarian Cost in Mali”, Center for Strategic and International Studies, 11 May 2022.

³² Council of the European Union, “Press Release -EU imposes restrictive measures against the Wagner Group”, 13 December 2021.

³³ F. Saini Fasanotti, “Russia’s Wagner Group in Africa: Influence, Commercial Concessions, Rights Violations, and Counterinsurgency Failure”, The Brookings Institution, 8 February 2022.

³⁴ K. Marten, “The GRU, Yevgeny Prigozhin, and Russia’s Wagner Group: Malign Russian Actors and Possible U.S. Responses”, Testimony before the Committee on Foreign Affairs Subcommittee on Europe, Eurasia, Energy, and

inserting itself into local gold extraction and international smuggling to generate income for and prop up the sanctions-saddled Russian regime, have often eclipsed the Wagner Group's counterterrorism activities – as is visible in Mali and Sudan.³⁵ In the spring and summer of 2022, Brazilian and Colombian law enforcement officials also alleged in conversations with me that the Wagner Group is participating in gold and drug trafficking in Venezuela.

Libyan security and government officials too, in conversations with me in February 2022, claimed that the Wagner Group was deeply involved in antiquities smuggling in Libya.³⁶ Meanwhile, some of the Wagner Group's counterterrorism missions have already ended up as inglorious failures, such as its efforts in Mozambique to weaken al-Shabab jihadists there.³⁷ Hundreds of Russian mercenaries, including from the Wagner Group, were killed in 2018 in Syria in clashes with the US military in a failed effort to seize an oil refinery.³⁸

In Libya, Russia and its Wagner Group proxy have thrown their support behind Haftar to secure for Russia access to the Mediterranean out of Haftar's controlled eastern territories. In turn, during one of the bloodiest battles of the Libyan war in 2019, several hundred Wagner Group mercenaries joined Haftar in the effort to seize Tripoli.

the Environment United States House, 7 July 2020; and K. Marten, "Russia's Use of Semi-State Security Forces: The Case of the Wagner Group", *Post-Soviet Affairs*, vol. 35, no. 3, 2019.

³⁵ N. Elbagir et al., "Russia Is Plundering Gold in Sudan to Boost Putin's War Effort in Ukraine", *CNN.com*, 29 July 2022.

³⁶ For background on the Wagner Group in Venezuela, see M. Tsvetkova and A. Zverev, "Exclusive: Kremlin-linked Contractors Help Guard Venezuela's Maduro – Sources", *Reuters*, 25 January 2019.

³⁷ For details on Mozambique, see "Stemming the Insurrection in Mozambique's Cabo Delgado", International Crisis Group (ICG), Africa Report no. 303, 11 June 2021.

³⁸ T. Gibbons-Neff, "How a 4-Hour Battle Between Russian Mercenaries and U.S. Commandos Unfolded in Syria", *The New York Times*, 24 May 2018.

So, what man is Yevgeny Prigozhin, the new face of warlordism from Ukraine and Mali to Sudan and Venezuela, in the midst of the new Great Power Competition between the United States and Russia and China?

Prigozhin has been nicknamed “Putin’s chef” not only because, with less than plausible deniability, he has been cooking up Russia’s nefarious activities around the world, but also because he actually started his career in the catering business. That is after serving nine years in prison in the Soviet Union in the 1980s for robbery and fraud.³⁹

After release, Prigozhin began selling hotdogs at a street stand. But soon, his criminal background gave him an edge in the Wild East of Russian business in the 1990s. Mafia tactics and skills, such as the capacity to aggressively intimidate and fend off competition, often underpinned the success of Russian businessmen at that time. Prigozhin’s hotdog stands grew into a large catering business, of which his Concord Catering is one facet. His big breakthrough came when he managed to land the contracts to provide food for the Russian military and school cafeterias.⁴⁰ As the money began rolling in, Prigozhin opened not only luxury eateries, such as the floating restaurant in St. Petersburg where he famously served Vladimir Putin and earned himself the nickname Putin’s chef, but branched out into various other businesses and established shadowy companies around the world – meanwhile developing a taste for riches and opulence.

After 2010, Prigozhin turned his catering and other business profits into funding Russian private security groups, most notoriously the Wagner Group which made its first appearance in 2014 when it assisted Russia in annexing Crimea before spreading across Africa. Western analysts rapidly saw links between the Wagner Group and the Russian intelligence

³⁹ “Powerful ‘Putin’s Chef’ Prigozhin Cooks Up Murky Deals”, *BBC.com*, 4 November 2019.

⁴⁰ L. Harding, “Yevgeny Prigozhin: Who Is the Man Leading Russia’s Push into Africa?”, *The Guardian*, 11 June 2019.

services, such as the Chief Intelligence Office (GRU), and special operations forces, such as Spetsnaz, although both the Kremlin and Prigozhin have long denied any such links and Prigozhin has often denied even the existence of the Wagner Group.⁴¹

With Putin's nod, explicitly and publicly delivered by the Russian President even as the Kremlin has officially denied any connections to the Wagner Group, Prigozhin was able to get away with funding the Wagner Group despite the fact that Russian laws ban private security companies.⁴²

Prigozhin's pro-Kremlin anti-Western efforts did not just include the Wagner Group. He also started the Internet Research Agency (IRA), whose disinformation campaigns have spread propaganda, meddled in elections, including in 2016 and 2018 in the United States, and exacerbated political polarisation and violence around the world. For these roles, the US Treasury has imposed sanctions on Prigozhin's Concord Catering (which he used to fund both IRA and the Wagner Group) and on his IRA associates and indicted him on a variety of criminal charges in 2018.

Prigozhin has other extensive dealings with the Kremlin and the Russian defence ministry, such as operating a pro-Kremlin media group, the Patriot.⁴³

And the Kremlin connection has been vital for Prigozhin's career as a global lord of war.

In that way, Prigozhin represents the evolution of Russian oligarchs: many rose to economic power in the 1990s as thieves and mafia gangsters, their exploits undermining the Russian state. But during the 2000s, the oligarchs that remained successful were the ones who allowed themselves to be tamed by Putin. They transformed themselves not just into polished

⁴¹ M. Ilyushina, "In Ukraine, A Russian Mercenary Group Steps out of the Shadows", *Washington Post*, 18 August 2022.

⁴² Z. Perovic, "What Laws Constrain This Russian Private Military Company?" *Lamfare*, 23 March 2021.

⁴³ "Powerful 'Putin's Chef' Prigozhin Cooks Up Murky Deals"... cit.

businessmen-thugs, but into polished businessmen staunchly subservient to Putin and promoting the Kremlin's authoritarian and anti-Western agendas. And it was that connection that allowed them to continue getting away with violating laws.

Russia's struggles in its invasion of Ukraine have pushed the Wagner Group out of the shadows. The Wagner Group has set up headquarters in the occupied Luhansk district to provide a variety of military services to Russia in its effort to seize Ukraine, including apparently flying air strikes against Ukraine.⁴⁴ In spring and summer 2022, the paramilitary group embarked on a glitzy public recruitment campaign, with Prigozhin himself touring Russian prisons for recruits and offering convicts presidential pardons if they signed up to fight in Ukraine, no doubt with vivid memories of his own past.⁴⁵ Allegedly though, he has at least publicly disavowed hiring for the Wagner Group those sentenced on terrorism, rape, or drug smuggling charges.⁴⁶ Any such recruits are liable to further compound the Wagner Group's egregious human rights violations, while also likely to reduce the fighting capacities of the group whose original fighters and leaders often had backgrounds in Russia's elite military units.

Conclusion

This portrayal of the five warlords from Libya and Yemen captures the changing landscape of global efforts against nonstate armed actors and the various challenges and complexities these efforts have encountered. The portrayal also highlights the suffering and threats to human security that lengthy internal militancy brings.

Although the United States, especially after the Russian invasion of Ukraine, wants to focus on other issues and no

⁴⁴ Ilyushina (2022).

⁴⁵ Ibid.

⁴⁶ Ibid.

longer has the motivation to engage in protracted large-scale military deployments *à la* Iraq and Afghanistan, many nonstate armed actors remain powerful. Yes, the core al Qaeda of the 1990s and ISIL of the 2010s are both severely weakened. But local nonstate armed actors remain powerfully entrenched and some are more powerful than a decade ago – be they the Islamic State’s West Africa Province in Nigeria and the Lake Chad area, al-Shabaab in Somalia, or the Houthis in Yemen. Meanwhile the Taliban has also returned to power.

Amidst this landscape, the increasingly necessary thrust of international policies for dealing with nonstate armed actors ought not to be geared solely to their elusive suppression, but rather toward shaping them to cause less threat and harm. And this shaping also needs to be applied to the nominally “partner” governments and militias that are principally supposed to be countering them, while often hosting lords of war in their ranks.

3. Armed Groups, Oil Revenue and Energy Infrastructure

3.1. Libya's Shadow Statelords: War, Peace and the Predation of the Oil Sector

Anas El-Gomati

Over a decade has passed since the 17 February Libyan revolution, and the disintegration of the Gaddafi regime's centralised state into a fractured post-revolution state characterised by political divisions, repeated civil wars, and an economy of predation.

Much of the commentary over the past decade has focussed on the role of armed groups in Libya's collapse and its consequence: the division of the country and the repeated failure to build a unified state in Libya. It has led to an oversimplification of the relationship between the State and armed groups in Libya, and the belief that rival factions could either enjoy the loyalty of a "military" or the disloyalty of a "militia". This transformed the collective understanding of armed groups in Libya into a rigid binary of subservience or rejection of the state. The reality is that since 2011, many of the major armed groups have demonstrated an entirely different behaviour across the political divide, viewing the state not as a set of institutions to be served or disobeyed, but as a prize to be won. For many armed groups – though not all – this has rendered affiliation and loyalty to the

rival factions and their political objectives as a fluid means to a defined end: discrete control over institutions and infrastructure irrespective of the political order to extract astronomical rents and wealth. The battle over Libya's infrastructure took place against a backdrop of widespread political, social and economic marginalisation, offering armed groups the opportunity to exploit socio-political grievances for economic greed. Libya's repeated conflicts and interim governments have given armed groups the opportunity to enter the state through the backdoor. Foreign actors and political factions alike tend to employ unusual tactics to take strategic control of the state and its resources. From Benghazi in the east to Tripoli, the capital in the west, foreign actors and rival governments engaged in bitter conflict and competition have not only divided the country's sovereign political and financial institutions, but also created an environment conducive to warlords and armed groups to take control of the state and its vast resources. The battle today in Libya is on multiple fronts: critical infrastructure to exploit, sovereign institutions to extort and diplomatic initiatives to subvert. Libya's oil infrastructure and supply routes remain the key prize on the ground for armed groups and political factions to project their power and blackmail the state so as to extract its wealth legally or through illicit means. Libya's institutions that dispense with oil receipts have become eroded and extorted by shadow groups who have traditionally used the urgency of conflict as a smoke screen to bend and break their financial integrity. However, none of this would be possible without external sponsors. Foreign actors have played a critical role in propping up warlords behind the scenes in a battle for their own geostrategic influence and dominance in the short term, whilst transforming warlords into state lords through diplomacy in the long term. For many armed groups, the notions of war and peace are little more than opportunities for a new cadre of warlords to exploit the chaos and conditions to strengthen their hold on the state, its infrastructure and institutions. The fog of war allows for the looting of state institutions by armed groups

under a political imperative of survival at all costs, whilst the conditions of peace have become even more lucrative, as foreign and armed actors exploit the peacebuilding process to negotiate their discrete influence into the state.

2011-2014: From Revolutionaries to Rogues

The slow transformation of Libya's revolutionary armed groups from external non state actors challenging the state to rogue state sanctioned forces that internally drained it began in the time between Libya's first democratically elected government in July 2012 until the beginning of the first post-Gaddafi civil war in May 2014. The National Transitional Council (NTC), Libya's revolutionary authorities in 2011 that sought to bring down the Gaddafi regime, had been faced with the challenge of how to deal with the very armed groups they had backed with weapons following the demise of Gaddafi. A process began to take control of revolutionary armed groups and bring them under the nominal legitimacy of the NTC and later the General National Congress (GNC), Libya's first democratically elected parliament and government in July 2012. The NTC established the Warriors Affairs Commission in the hope of eventually disarming revolutionaries and integrating them into the state. However, the NTC decided to put the revolutionaries on the state's payroll; as a consequence, their numbers mushroomed from around 25,000 fighters estimated to have fought during the revolution to an outlandish 200,000 or more registered fighters a year later.¹ The NTC's decision created a new dynamic and set a dangerous policy precedent, as the State became a pull factor for the mushrooming of armed groups. Despite hopes that an elected government in 2012 would fare better, the GNC was chronically divided between rival political factions. The nascent political leadership, inexperienced and facing a huge learning curve, attempted

¹ Y. Sayigh, "[Crumbling States: Security Sector Reform in Libya and Yemen](#)", Carnegie Middle East Center, 2015.

to bring the groups under the nominal control of the nascent ministries of Defence and Interior, creating the Libyan Shield as a parallel military and the Supreme Security Committee (SSC) as a parallel police force.² The programme was given little time to be implemented, and the government became little more than a cash dispenser to warlords who had used the opportunity to draw in unemployed youth to form their own new and powerful post-revolutionary armed groups, whilst having the luxury of the Libyan state to pay for their creation. These armed groups began to compete with each other over control of critical infrastructure and public institutions, where they began to interact with regular citizens in their day-to-day lives. Armed groups took over banks, airports and even hospitals – claiming to provide public security to improve their image, whilst extracting further kickbacks from the bodies they were tasked with securing. At times these groups would engage in fighting or kidnap civilians, earning a reputation for unruly behaviour. Where there was pushback by ordinary civilians, the armed groups would claim revolutionary legitimacy. This would sow the seeds of public discontent against armed groups, which reached fever pitch following several clashes at protests against the presence of militias in the capital and the assassination of activists in Benghazi in late 2013 and early 2014. This paved the way for Khalifa Haftar to launch a failed coup he rebranded as “Operation Dignity” in the hope of capturing popular dissatisfaction as a pretext for a power grab. “Dignity” established the Libyan Arab Armed Forces (LAAF), rebranding many of the same unruly armed groups into a self-styled army that declared a war on terror against a minority of al Qaeda affiliated groups, but also revolutionary armed groups *en masse* operating under the SSC and Libya Shield, in addition to civilians who opposed them. In the process, the country was plunged into a brutal civil war that took armed groups from social pariahs to the most in demand political commodity.

² F. Wehrey and P. Cole, “[Building Libya’s Security Sector](#)”, Carnegie Endowment for International Peace, 6 August 2013.

The Fog of War: Survival and Subversion

The 2014 civil war divided Libyan political, economic and security institutions between pro-Haftar ‘Dignity’ forces under the emblem of the LAAF in the East and a fractured coalition of anti-Haftar forces – labelled “Operation Dawn” in the West. It was the first chapter in Libya’s formal institutional fragmentation, carving a division in the country between rival parliaments, governments, and branches of the Central Bank in Tripoli in the west, and Al Bayda in the east. The narrative and conditions of Libya’s first “civil war on terror” were zero-sum and advantageous to armed groups: you’re either with us, or against us. Haftar labelled his opponents terrorists, refusing dialogue or ceasefires, whilst his opponents labelled him a putschist, ensuring no option but war was on the table and elevating the status of armed groups. These conditions transformed the relationship between political factions and even the most predatory armed groups into a relationship of convenience at best and a necessary evil at worst; for the rival political factions, this meant surviving at any institutional or financial cost. Behind the divisions separating the two rival factions, a new war had begun, not between the rival political factions, but for a race to control the financial institutions within each coalition. Against the backdrop of war and contested legitimacy, armed groups became indispensable tools for political institutions in a battle of survival, exploiting their weakness at their time of need, and removing the option for a Disarmament, Demobilisation and Reintegration (DDR) process. As the war dragged on and the institutional divisions became more pronounced, a powerful sense of political urgency to finance armed groups by all formal or informal means necessary began to take root. The Libyan central bank was forced to pay for all of the rival political, economic and military factions that had registered their fighters. As public spending ballooned, the black market value of the Libyan dinar began to tank, and the realities of war set in as the central bank froze

development and infrastructure projects, and limited spending to salaries, petrol and essential food items, which it subsidised through letters of credit to import businesses.³ Letters of credit became lucrative as they offered to exchange Libyan dinars for US dollars at the official rate of 1 US dollar for 1.3 dinars rather than 1 to nearly 11 at the black market rate at the peak of the conflict. Armed groups in Tripoli, who had exploited the conditions of war, exploited the economic arbitrage. Haithem Tajouri, a leader of the Tripoli Revolutionaries Brigade that was established in 2011, outmanoeuvred rival armed groups and successive governments in the capital to position himself as a key figure within the State. Tajouri controlled a vast territory from eastern to downtown Tripoli, but was also able to provide security to public institutions, including a number of banks. Tajouri was able to befriend, bribe or extort employees of commercial banks, leveraging his military strength to apply for letters of credit from a number of Tripoli banks.⁴ Tajouri propped up businessmen behind shell companies lacking proper documentation for plausible deniability and is believed to have extorted millions of US dollars through fraudulent acquisition of letters of credit as a result. Whilst fraud remains one way of accessing the central bank, more direct approaches exist. In 2017, following the end of the Benghazi war, the LAAF was unchallenged. Khalifa Haftar's son Saddam, who established the 106 brigade as a praetorian guard to protect his father and keep the smaller tribal armed groups of the LAAF under control, entered the eastern branch of the Central Bank and walked out with over half a billion US dollars in multiple currencies and silver coins, one of the largest bank heists in history.⁵ In both cases, armed groups were able to discretely

³ U. Laessing, "Libya Edges Closer to Economic Collapse as Currency Dives", *Reuters*, 1 June 2015.

⁴ "Haithem Tajouri Named in UN Report for Financial Fraud and Human Rights Infringements", *Libya Herald*, 17 March 2016.

⁵ "Haftar's Son Moves Millions from Central Bank of Libya", *Middle East Monitor*, 14 September 2018.

leverage their military strength as the civil war shifted priorities to either subvert state institutions or simply loot them.

Shadow Statelords: Infrastructure and Influence

Libya's economy is heavily dependent on the oil sector. Oil receipts account for nearly 95% of the country's budget, with between 60-80% of the country's workforce on the public payroll: oil remains the backbone of the economy, whilst paradoxically fuelling the conflict that brought it to its knees.

The country's nascent private sector exists in theory behind a facade of small and medium retail and commercial enterprises, but in practice Libya's most lucrative industry is the illicit smuggling of commodities by a network of warlords and armed groups. Subsidised commodities and goods available in Libya, particularly refined fuel imported and paid for by the Libyan state ostensibly for the benefit of its citizens, are smuggled by a complex network of traders and traffickers into neighbouring countries to be sold for a profit, at the cost of Libya's ordinary citizens who wait from hours to weeks in queues for fuel. Uninhabitable areas across the Sahara hosting Libya's critical infrastructure of pipelines and remote crossing points quickly became enviable pockets of territory following the fall of the Gaddafi regime, as revolutionary armed groups staked their claim to exploit the early disorder. Libya's National Oil Corporation estimated that 30-40% of Libya's imported fuel is stolen and sold on the black market or smuggled out of the country at an estimated cost of USD 750 million,⁶ much of which makes it back into the hands of the very armed groups tasked with the security of Libya's critical infrastructure. Whilst this smuggling remains an important aspect of wealth extraction by armed groups, it is also a means of influence. The bulk of Libya's socio-economic infrastructure has long been fought over

⁶ "Fuel Smuggling Costing Libya \$750 Million a Year- Oil Chief", *Africanews*, 19 April 2018.

by a variety of armed groups, social, and ethnic constituents eager to acquire leverage over the government.

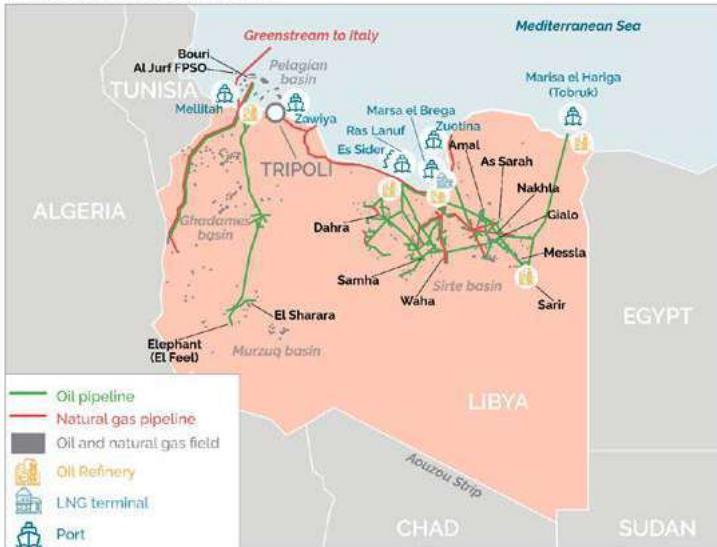
Disruption to Libya's oil and gas production had become the norm in the early post revolution years, but was not limited to the energy infrastructure. Bolstered by widespread socio-economic grievances across the country and a prevailing narrative of political marginalisation by the centralised authority in Tripoli, protestors would often turn to disrupt Libya's infrastructure and secure concessions from Tripoli. In 2013, vulnerable ethnic groups, for instance the Tebu, disrupted operations at the Sarir power station, turning the lights off in much of eastern Libya to secure their activists an audience with the Tripoli administration to request that their town, Rubyana, be linked to the national electricity grid.⁷ The Megarha tribe in the south blockaded Libya's water supply for 72 hours to secure the release of the daughter of Libya's former intelligence chief Abdullah Senussi after her abduction in Tripoli.⁸ Protests were not limited to tribes or ethnic groups. Even a group of striking teachers disrupted one of Libya's refineries in Zawia in order to secure long-delayed payments to the education sector. This evidences a widespread tendency to rely on this technique to accelerate the demands of any social, ethnic or professional group to the top of the Government's agenda. However, it was not until the summer of 2013 that a new pattern of behaviour became the new normal. Ibrahim Jadhran's Petroleum Facilities Guard, (PFG) a militia group tasked with protecting Libya's oil terminals, sustained a blockade of the terminals and transformed Libya's infrastructure into a political bargaining chip to gain political access to the state.

⁷ "Sarir Power Station Protestors Meet with Zeidan", *Libya Herald*, 17 December 2013.

⁸ "Man-Made River 'Cut'; Western Libya Could Face Water Shortage", *Libya Herald*, 3 September 2013.

Libya's oil and gas

Fields and infrastructure



Source:
U.S. Energy Information Administration

ISPI

Foreign Support: From Warcraft to Statecraft

Jadhran's blockade would cost the Libyan government and NOC billions of dollars in losses, but the Skhirat process, brokered by the United Nations in 2015 under their former envoy to Libya Bernardino Leon, would end up costing more. In December 2015, Leon established a Presidential Council (PC), an executive nine-member body to lead the Government of National Accord, whose composition was selected on the basis of inclusivity and representation of Libya's warring rival parties. Leon appointed Fathi Al Majbari, an associate of Ibrahim Jadhran, as one of PC's deputy Presidents, in order to secure his buy-in to the GNA in

the process, setting a precedent to accommodate warlords. Leon's decision formally crossed a political threshold: spoil a little and you will secure political concessions, spoil a lot and you will secure a portion of the state. Jadhran's transition to a shadow state lord would be short-lived as he lost control of the PFG and the oil crescent following their negotiated defection to Khalifa Haftar in 2016, who would go on to win control of much of Libya's oil infrastructure between 2016 and 2018. Haftar, like Jadhran, was also given a deputy presidency post in the GNA's PC through Ali Qatrani in 2015 but was not satisfied with the inclusion of Qatrani to access the state indirectly. Haftar instead used his foreign sponsors for military and diplomatic support to wrestle control of Libya's oil and its state. In 2017 and 2018, the United Arab Emirates (UAE) offered diplomatic and military support via the private military contractor Erik Prince, formerly of Blackwater, to assist Haftar's takeover of Eastern Libya including the oil crescent.⁹ Prince's men established the UAE's airbase Al Khadim in eastern Libya, and are alleged to have used Chinese drones and converted air tractors to assist in Haftar's takeover of the oil crescent and his expansion and encroachment into the GNA's territory. At the same time, the UAE convened bilateral negotiations between Haftar and the President of the GNA Faiez Serraj in Abu Dhabi.¹⁰ As the UAE assisted Haftar in increasing his military grip over Libya's territory, he would negotiate an attempt to institutionalise the LAAF and form a new interim government to become Libya's joint President, completing his transition from warlord to statelord. Negotiations would drag on, and Haftar would launch a power grab on the GNA in Tripoli on 4 April, 2019, supported militarily by the Wagner Group a militia used by the Kremlin to protect its own interests all over the world. The takeover effort was thus paid for by the UAE but discreetly controlled by the

⁹ A. Delalande, "Erik Prince's Mercenaries Are Bombing Libya", *War Is Boring*, 14 January 2017.

¹⁰ "Ghassan Salame Hosts a Meeting between PC President Fayeze Serraj and LNA Chief Khalifa Haftar", UNSMIL, 28 February 2019.

Kremlin.¹¹ Haftar's offensive capitulated following Turkey's last-minute drone offensive against the Wagner group to prop up the GNA in May 2020. However, the Wagner group withdrew from the suburbs of Tripoli to occupy Libya's oil facilities in order to later use them as a bargaining chip in negotiations.¹² Despite President Vladimir Putin claiming the Wagner Group did not represent the state,¹³ the GNA's Deputy Prime Minister Ahmed Mitig travelled to Moscow to begin negotiating an end to the blockade by Moscow's mercenaries in exchange for a "committee to establish fair distribution of oil revenues".¹⁴ Russia's use of a mercenary group to blockade Libya's oil illustrates the great lengths external actors are willing to go to prop up warlords in their quest to access the Libyan state. However, it is not the only way, and certainly not the most audacious. Russia was able to finance much of Libya's civil war at almost no cost. Despite Russia's official recognition of the former GNA in 2015, Moscow quietly violated the GNA's financial sovereignty, illegally manufacturing counterfeit Libyan dinars through the Kremlin-owned company Goznak. Moscow went on to deliver over USD 10 billion US worth of counterfeit dinars to eastern Libya against the wishes of the internationally-recognised central bank in Tripoli, who print their money through the De La Rue company in the United Kingdom. Much of these counterfeit dinars have gone on to replenish Haftar's cash-strapped LAAF, sustain repeated oil blockades against the GNA and improve his bargaining position in diplomatic negotiations. Russia essentially invented a priceless way of funding wars, costing nothing more than the paper it is printed on. The move

¹¹ A. Mackinnon and J. Detsch, "Pentagon Says UAE Possibly Funding Russia's Shadowy Mercenaries in Libya", *Foreign Policy*, 30 November 2020.

¹² "Intel: Russian Mercenaries Enter Key Oil Field, Libya Oil Company Says", *Al-Monitor*, 26 June 2020. Accessed October 3, 2022.

¹³ "Russia's Putin: Russians Fighting in Libya Do Not Represent the State", *Reuters*, 11 January 2020.

¹⁴ W. Abdullah, "Libyan commander rejects Haftar deal on oil production", *Anadolu*, 19 September 2020.

is the first of its kind, and marks a significant departure from the international norms of monetary sovereignty and the way in which wars have been traditionally funded. This technique was only made possible through the combination of Russia's intimidating military weight and its powerful position in the UN Security Council that makes it immune from sanctions and gives it the power to break even the most basic rules without fear of repercussion. However, its lethality and efficacy is in the way Russia created a new way of financing Haftar's war to take power from the GNA, whilst making the Libyan state pay for it. The Libyan central bank was forced to make the difficult decision of whether to honour the Russian rival currency, and eventually incur the Russian dinars as a debt upon the unification of the rival bank, or accept the de-facto division of Libya into two separate financial zones and potentially a separate state entirely.

Conclusion: Libya's Armed Groups in the Global Competition

Libya's shadow state lords are a growing phenomenon that is unlikely to subside in an era of growing global competition and conflict that transformed the country into a disorderly theatre of great power competition. Libya has experienced dramatic divisions and change over the last eleven years, witnessing five interim governments, three civil wars, two coup d'états and two UN peace processes. All have come and gone, yet armed groups remain, demonstrating their savviness in navigating these extraordinary societal and political changes and emerging stronger than before. Libya remains in a deep political crisis, and desperately needs a new peace process, but against a new and complex global context. A global energy crisis sparked by Russia's invasion of Ukraine has renewed interest in saving Libya, and its oil sector is now seen as lifeline to the Mediterranean that will only grow in importance to both Europe and Russia. The intractable nature of the war in Ukraine is likely to nurture more global power competition in Libya, producing the same conditions that

led to the rise of armed groups in the past to shadow state lords of today. Libya's warlords will again find themselves in a strong bargaining position as powerful local proxies to desperate foreign patrons, who will empower them to defeat their rivals in the short term at any cost, neglecting the long term debt to stability this policy produced over a decade ago.

3.2. Old Elites and New Armed Groups: The Scramble Over Yemen's Oil Reserves Continues

Ahmed al-Shargabi, Mareike Transfeld

Yemen's formal and informal economy depends heavily on the export of crude oil. Yemen's old elites, *de facto* authorities and rogue armed groups are now scrambling to control the country's oil reserves while seeking to dominate the import of oil derivatives. In its initial phase, the 2015 war concentrated on places of political importance, with the various groups, such as the Houthis or the Southern Transitional Council (STC) taking control of state institutions in Sanaa and Aden, respectively the capital and interim capital where national-level state institutions are located. Conversely, in the last few years, the conflict has increasingly shifted its focus on areas of economic importance, including al-Hodeidah, Marib, Shabwa and more recently Hadramawt, which are all relevant for the country's export of crude oil and import of oil products. Together with the import of oil derivatives, the export of crude oil represents the largest source of potential revenue for armed groups in Yemen. There is much ambiguity surrounding Yemen's oil sector, with political, tribal, and military elites profiting directly from the export, import and smuggling of oil. Evidence suggests that the oil sector has not only drifted to a large extent into the country's informal economy but has also localised. Since the 2015 onwards, state institutions have been largely cut out of

the energy deals. Historically, it has always been elites that used state institutions for personal gain: with the Gulf States poised to shape political dynamics in the country according to their interests, the old elites, many of whom are associated with *Islah* and have influence over *Islah* militias and tribal fighters, as well as armed forces that came to be dominated by *Islah*-stand to lose their privileged access to the country's oil reserves. On the other hand, new armed groups have emerged (such as the Houthis or armed groups associated with the STC) and are seeking to expand their access to revenues from the oil business, which are nominally reserved for the state. The boundaries between state and non-state actors have always been blurry in Yemen, but the scramble over oil reserves during the current war demonstrates that these boundaries have completely collapsed.

Yemen's Oil Sector Before and After the 2015 War

Since the beginning of the country's oil production in the 1990s, Yemen's political, tribal and military elites have played a substantial role in the oil sector. Under the presidency of Ali Abdullah Saleh, certain elites deemed relevant for regime survival not only received a direct cut of every barrel exported, but also obtained exploitation and export licenses as a means to secure their loyalty.¹⁵ This includes most notoriously General Ali Mohsin Al Ahmar, the longtime confidant of President Saleh who later defected and became Vice President under President Abdu Rabbu Mansour Hadi, as well as the Ahmar family (not related to General Ali Mohsin), which since the 18th century has stood at the helm of Yemen's historically strongest tribal federation (the Hashid); with the republican revolution of 1962, the Ahmar family became politically influential and began shaping regime politics.¹⁶ This elite amassed a fortune,

¹⁵ A.A. Longley. "The Rules of the Game: Unpacking Patronage Politics in Yemen", *The Middle East Journal*, vol. 64, no. 3, 2010, pp. 385-409.

¹⁶ P. Dresch, *A History of Modern Yemen*, Cambridge, Cambridge University Press,

which allowed them to build business empires, including the establishment of numerous companies for the sake of obtaining exploration licenses, such as al-Ahmar's Griffin Energy Company or Dhakwan Petroleum and Mineral Services, as well as buying stakes in foreign companies, such as Ali Mohsin's stake in Welltech.¹⁷

Yemen's oil reserves are relatively small, being only the 35th largest oil exporter. At its peak production in 2001, Yemen exported 457 000 barrels/day.¹⁸ According to Organisation of the Petroleum Exporting Countries (OPEC) data, the volume of crude oil exports decreased steadily since then. Yemen has only two oil refineries, one in Marib, and another one in Aden, which stopped operation in 2014: this meant that the country imported oil products to cover its domestic needs (until 2010, 20% of the country's needs were covered by imports).¹⁹ While state subsidies represented a heavy burden on the state budget, regime elites enriched themselves through the smuggling and re-selling of subsidised fuel at the international market price to countries in the Horn of Africa. Between 2000 and 2007, diesel imports tripled, suggesting that smuggled amounts increased. Various studies attest that between 2005 and 2008, 30 to 50% of the diesel consumption was smuggled by elites.²⁰

The oil sector changed dramatically after the Houthis took control of the capital Sanaa in September 2014, leading to

2000.

¹⁷ "Fake Company Belonging to Al-Ahmar Acquires Jannah Hunt Oil Fields in Shabwa", South 24 website, 30 May 2022; "Al Janoob Al Youm Reveals Mysteries of Conflict and Control Over Jannah Hunt Sector in Shabwa", Al Janoob Al Youm, 14 August 2022; G. Hill et al., *Yemen: Corruption, Capital Flight and Global Drivers of Conflict*, Report, Chatham House, 1 September 2013, p. 21.

¹⁸ "Yemen Crude Oil: Production", Yemen Crude Oil: Production, 1960-2022 | CEIC Data. CEIC.

¹⁹ P. Salisbury, "Yemen's Economy: Oil, Imports and Elites", Chatham House, October 2011.

²⁰ A. Al-Weshali, "Diesel Subsidies and Yemen Politics: Post-2011 Crises and their Impact on Groundwater Use and Agriculture", *Water Alternatives*, vol. 8, no. 2, 2015, pp. 215-237, cit. p. 223.

the military intervention of the Saudi-led coalition in early 2015. In the initial years of the war, the export of oil nearly collapsed, dropping as low as 24 000 barrels/day in 2016.²¹ This was the result of the disruption of commercial and governance activities, the fragmentation of the state and continued violence, including attacks on pipelines. As part of their bid to take over state institutions, the Houthis took control of governance institutions vital for the oil sector, including the Yemen Petroleum Company and the Ministry of Minerals and Oil. The internationally recognised government formally re-established these institutions in the interim capital of Aden in November 2015. But according to Yemen Petroleum Company officials in Aden, the Ministry still lacks the capacity to enforce its authority even seven years after it was moved.²² By 2015 major foreign oil companies had left the country, including Canadian Nexen, Hunt Oil and Total.²³ Instead of handing oil fields back to the state, energy companies declared *force majeure*, which allows them to pause production indefinitely in case of a natural disaster or war. In these circumstances, transparency was further eroded, while corruption increased as exploration rights were leased or sold to new operators, both local and international, while circumventing the Houthi-held institutions and the Yemeni government.

²¹ “[Yemen Crude Oil: Production](#)”, Yemen Crude Oil: Production, 1960 – 2022 | CEIC Data. CEIC.

²² Interviews with officials at the Aden branch of the Yemen Petroleum Company, Aden.

²³ *Reuters*, 14 April 2015; S. Ewart, “[As Yemen Descends into Chaos, Nexen Quietly Leaves Arabian Peninsula](#)”, *Calgary Herald*, 18 February 2015.

Yemen's oil and gas

Fields and infrastructure



Source: S&P Global Platts, European Council on Foreign Relations

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Saleh Pushed Out of the Oil Sector; Houthis Take Control of Oil Imports Into Yemeni Northern Regions

Although the Houthis took control of the capital and national-level institutions, the group could not achieve sustained access to the country's oil resources and gain a stake in the oil export business. With former President Saleh having entered an alliance with the Houthis in 2014, the Saleh family lost its privileged access to oil production. The Houthis came into control of state institutions relevant for the oil sector, and even seized public and private assets belonging to the Ahmar and Saleh families,

including companies that were active in the oil sector. Yet, the Houthis' institutions were cut off from oil fields. Since the summer of 2015, when internationally recognised government (IRG) troops and local resistance forces later affiliated with the STC pushed the Houthis out of southern Yemen, the Houthis lost control over the oil fields they had temporarily seized, cutting state institutions and commercial companies in Sanaa completely off the country's oil reserves. Today, the Houthis control only Ras Issa on the Red Sea coast; Ras Issa is the export terminal for Marib oil, being connected by pipeline. The Marib pipeline has been regularly targeted by local armed groups since 2011, leading to frequent interruptions in operations. Once the Houthis assumed control over Ras Issa, exports through the Marib-Hodeidah pipeline were halted completely, with Marib exports being rerouted through Shabwa.²⁴

The Houthis view Saudi Arabia and the United Arab Emirates (UAE) as occupiers that are looting Yemen's oil reserves and preventing Yemen from taking advantage of its own resources.²⁵ In fact, on 2 October 2022, a few hours before the UN-mediated national truce was set to expire, the Houthis announced that they would target Yemen's oil infrastructure if the looting of the country's oil reserves by the regional states did not stop. On 18-19 October, Houthi drones targeted several oil sites in southern Yemen.²⁶ From a Houthi perspective, their control over Marib and Shabwa would return the country's oil reserves into "legitimate" hands. Some in Sanaa believe that the Houthis' control over Marib would allow the group to export Marib's oil via Ras Isa port.²⁷ The Houthis have tried

²⁴ "Yemeni tribesmen blow up Marib oil pipeline, stop crude flows", *Reuters*, 22 March 2014.

²⁵ "Al-Houthi: All Oil and Gas Revenues are Now Looted by Coalition of Aggression", *Russia Today*, 24 August 2022; "Officials: Tribesmen Blow Up Yemen's Main Oil Export Pipeline" 23 August 2022.

²⁶ M. Alghobari, "Yemeni government forces intercept Houthi drones attacking southern oil terminal", *Reuters*, 21 October 2022.

²⁷ P. Salisbury, "Brokering a Ceasefire and Yemen's Economic Conflict", International Crisis Group, Report no. 321, 2022.

in the past years to advance into Marib and Shabwa, where heavy fighting frequently erupts between the conflict parties. In 2020, the Houthis launched their campaign to take control of Marib, having closed in on the oil-rich governorate from the northern al-Jawf governorate, and eventually making significant gains in southern Marib in late 2021, putting a near siege on the provincial capital. In 2021, the Houthis retook the northern districts of Ain, Bayhan and Usailan in Shabwa governorate, in the latter of which some oil fields are located. In what has been referred to as the decisive battle for the future of Yemen, forces associated with Islah and the IRG have been able to maintain control over Marib city and the governorate's oil reserves. But it was not without the support of the UAE-backed Giants Brigades that northern Shabwa was retaken from Houthi control in January 2022.

Although the Houthis do not have access to Yemen's oil reserves, the import and distribution of oil constitutes one of the Houthis' main sources of revenue, as the country continues to depend on the import of oil products. According to the United Nations Security Council Panel of Experts report, between May 2016 and July 2017, the Houthis had a revenue of USD 1.27 billion from the sale of oil products on the black market. In 2015, the Houthis abolished the Yemen Petroleum Company's monopoly over the distribution of oil products: thanks to a private bidding competition, the Houthis came to control the sector through their monopoly of black market distributors.²⁸ Although Al-Hodeidah has traditionally been an important port for bringing oil products into the country, the IRG ceased imports once the port fell to the Houthis, with ships only permitted to dock once approved through the United Nations Verification and Inspection Mechanism for Yemen (UNVIM). In Al-Hodeida, royalties and taxes for the import are now collected by the Houthis, either at the port

²⁸ UN Panel of Experts Report S/2018/594, p. 38.

or for fuel imported by land at checkpoints.²⁹ According to information obtained by the UN Panel of Experts as well as Yemeni investigative journalists, since the Houthis came into control in Sanaa, companies associated with the armed group have come to dominate the import of oil through al-Hodeidah port. This includes the companies Yemen Life, Oil Premier and Black Gold. These companies are, according to the investigative journalist Muhammed al-Absi, who was killed in Sanaa after breaking the story in October 2016, owned by Houthi elites, such as the brother of Houthi Chief Negotiator Mohammed Abdulsalam. Conversely, companies that were involved previously – many of which were associated with President Saleh, such as the Falak Shipping company – have ceased operations.³⁰ In the 2021 UN Panel of Experts Report, the experts attest that the Houthis create fuel scarcity deliberately to force traders to sell fuel on the Houthi-managed black market in order to collect fees. Although the amount of fuel imports has increased over the last years, according to the report, fuel crises remain a recurrent problem in northern Yemen.³¹

Islah and IRG Elites Increase Their Influence in the Oil Business

Although production and export of oil set in slowly since 2016 in Hadhramawt and since 2018 in Shabwa, it has recovered only slightly, with exports being reported at 45 000 barrels/day in December 2021. Overall production and export levels have remained low during the war. Yet, elites associated with Islah and the IRG maintained and even expanded their control over crude oil exports in this time. These elites benefit directly from

²⁹ ACAPS Analysis Hub, “Al Hodeidah fuel import and fuel price modelling”, Thematic Report, April 2022. Also See the United Nations Verification and Inspection Mechanism for Yemen (UNVIM) at <https://www.vimye.org>.

³⁰ UN Panel of Experts Report S/2018/594, p. 39.

³¹ UN Panel of Experts Report (S/2021/79), p. 39.

the oil sector through their control of military forces and tribal militias protecting the oil fields, their stakes in drilling and shipping companies, as well as informally through the smuggling of oil abroad. After the Houthis had been pushed out of the southern governorates, forces affiliated with Ali Mohsin and Islah stood unchallenged in the oil-rich governorates of Marib, Hadhramawt and Shabwa. In the initial stages of the war, local resistance forces and informal armed groups that could have challenged the position of the Islah forces were rather weak in the areas where oil reserves are located. This allowed the old elites around the Islah party and the IRG to continue profiting unabridged from the country's oil sector.

In Marib, the main oil company producing and exporting crude oil is the national Safer Exploration and Production Operations Company (SEPOC), which has taken over exploration rights for sector 18 from the US company Hunt Oil in November 2005.³² The military commander Sultan Ali al-Arada, a member of Saleh's General People's Congress (GPC) party, was appointed by former President Abdu Rabbu Mansour Hadi as governor of Marib in 2012. Over the course of the war, Marib became the new stronghold for the IRG and the Islah party, with Ali Mohsin and the Minister of Defence frequently visiting the city from their homes in Riyadh, while Ali Mohsin's troops received fees for securing oil fields in Marib.³³ Al-Arada appointed relatives and loyalists to vital positions in Safer, indicating his close relationship with and his influence over the company.³⁴ Although along with Shabwa

³² "Hunt Oil & ExxonMobil File for Arbitration on Yemen Field", *Rigzone*, 21 November 2005.

³³ According to Yemeni media reports, Ali Mohsin and Sultan al-Arada common business interests in Turkey and Oman, which is an indicator for their cooperation in Yemen's oil sector. See "Cabinet offers the largest oil sector in Marib for sale", *Al-Mabrah Post*, 23 April 2020.

³⁴ See for instance the appointment of Brigadier General Awad bin Hussein Al Arada, a member of the governor's family, as Director of political security at Safer Company. See "Kuwait Al-Ahly Bank Account Exposes corruption of Muslim Brotherhood in Yemen", *al-Omana Newspaper*, 13 June 2020.

and Hadhramawt, Marib was legally permitted to keep only 20% of its oil revenues, since 2020 Safer has not sent revenues from Marib oil exports to the Yemeni Central Bank in Aden, arguing that the bank is under the influence of the STC. Al-Arada, through his position as governor, thus has complete control over the officially reported revenues from Marib's oil exports.³⁵

In Hadhramawt, the Ahmar family, Ali Mohsin and other leaders close to former President Hadi have a stake in the revenues of the national Petromasila company,³⁶ which was established in 2011 to take over operations of the production sharing agreement previously owned by Canadian Nexen of the Masila basin in Hadhramawt.³⁷ When in 2015 Canadian Nexen exited the country, it left its remaining operations in Hadhramawt to Petromasila through leasing contracts. According to employees in the oil service sector, all subcontractors are likewise local, owned by Hadhrami businessmen who have relations with the local authority.³⁸ The former Governor of Hadhramawt, Salmeem al-Bahsani (removed as governor in July 2022), controls the official revenues of the Hadhrami oil exports, with 20% being transferred directly to the local authority in Mukalla. While these revenues are meant to be invested in services and infrastructure, local protest movements accuse al-Bahsani of large-scale corruption.³⁹

³⁵ See “Marib Rebelled Against a Yemeni Cabinet Refused to Supply Gas Revenues to CBY in Aden”, *al Marsd*, 4 March 2020.

³⁶ “Southern Politician reveals Al-Ahmar’s Acquisition of Petromasila Oil Revenues”, *South Al Mukawama*, 4 March 2020.

³⁷ “UPDATE 2-Canada’s Nexen to exit Yemen Masila oilfield”, *Reuters*, 23 November 2011.

³⁸ Interview with employee of Petromasila subcontractor.

³⁹ S. Bin Othman, “Corruption and Instability are fueling protest and fragmentation in Hadhramawt”, Yemen Policy Center, November 2021.

UAE-Supported Troops Seek Control Over Yemen's Oil Resources

Since summer 2022, it has become apparent that UAE-supported forces are seeking to control areas where Yemen's oil reserves are located. A possible interpretation of the strategy is that the UAE is seeking to rid the Islah party in particular of its economic basis and ability to fund its armed forces. The UAE considers the Muslim Brotherhood a terrorist organisation; the Islah party being composed partially of the Muslim Brotherhood turned the party into an Emirati opponent. Starting in 2016, the UAE began building, training and equipping armed forces in Aden, Hadhramawt, Shabwa and al-Khocka at the Red Sea Coast, while at the same time supporting non-state armed groups in Taiz and al-Hodeidah as alternatives to the IRG armed forces which are dominated by the Islah party. By 2018, these forces developed the strength to challenge security forces and army brigades that are part of the state official hierarchy. For instance, the Aden Security Belt and Backup and Support Brigades, which are both supported by the UAE and affiliated with the STC, challenged the position of the IRG in the city starting in January 2018. The Southern Transitional Council was formed in 2017, after members of the southern independence movement rose up in the military and political hierarchy of the Yemeni state.⁴⁰ In the summer of 2019, forces loyal to the STC pushed IRG forces out of Aden and have since assumed control over or at least extended their influence into all security and governance institutions.⁴¹ This also includes the Aden branch of the Yemen Petroleum Company, as well as the port. The STC does not dominate the import of oil into IRG territory, which is still in the hands of former President Hadi's

⁴⁰ M. Transfeld and A. Al-Sharjabi. "Competition in Al-Dhali: The STC Takes the Upper Hand", Yemen Policy Center, 2020.

⁴¹ M. Al-Iriani and M. Transfeld. "The Security Committee in Aden", in M. Transfeld et al. (Eds.), *Local Security Governance in Times of War*, Yemen Policy Center and CARPO, 2020, pp. 53-67.

affiliate, Ahmed al-Eisi.⁴² However, taxes and royalties collected at the ports constitute an important source of revenues for the STC. In 2020, the STC closed the customs office at the port and ordered tax revenues to be redirected to its bank accounts rather than to the Aden central bank.⁴³

Since January 2022, UAE-supported forces have become more assertive across southern Yemen. This appears to be part of a wider dynamic which is empowering UAE-supported forces and officials, while officials and forces associated with the Islah party and Hadi are being marginalised. In December 2021, the Islah Governor of Shabwa Mohammed Bin Aydeo was replaced by the GPC member Awad al-Awlaki: six months later, an escalation of violence led the UAE-supported forces to expel security forces loyal to Islah from the governorate, allowing the UAE-backed forces to assume control over oil fields there. The Shabwa oil fields stopped producing in 2015 and struggled to restart production in 2018, when the Austrian oil company OMV returned, with - according to a Yemeni investigative report - numerous unknown companies stepping in trying to reactive oil production.⁴⁴ In 2018, UAE-supported forces were already involved in securing oil fields. However, in 2022, these forces have increased their control on the oil fields, which could

⁴² Ahmed al-Eisi receives procurement contracts through opaque bidding processes that ensure he wins the tender. The Sanaa Center for Strategic Studies writes that through Al-Eisi's company's monopoly over the Aden Refinery, which is the sole entity authorised to import fuel into the port of Aden, Al-Eisi gained a monopoly over fuel imports. See "[Corruption In Yemen's War Economy](#)", The Sanaa Center for Strategic Studies, Policy Brief, 2018.

⁴³ Sanaa Center's Economic Unit, "[Yemen Economic Bulletin: "STC's Aden Takeover Cripples Central Bank and Fragments Public Finances"](#)", Sanaa Center for Strategic Studies, Analysis, 2020; according to other reports, the tax office remains open, while the STC earns USD 17 million per month from revenues from importing oil derivatives, and 21 billion YER per month from levies, see "[Report Reveals what STC loots Monthly through levies](#)", al-Janoob al-Youm website, 12 July 2022; "[Yemeni Customs Head: More than 476 Billion Riyals Revenues During January - August 2022](#)", Aden Hura, 11 September 2022.

⁴⁴ "[Oil Areas are hotbeds of Yemen conflict... Shabwa is Just a Beginning](#)", *Alaraby Aljadeed*, 14 August 2022.

allow UAE-supported officials and forces to profit directly from oil exports. In May 2022, the Giants Brigade expelled the IRG's associated 107th Brigade thus taking control over the oil field in Usailan, which was operated by Jennah Hunt Oil associated with Ali Mohsin. In addition, when UAE-supported forces and Islah forces clashed in the governorate in August 2022, the UAE-supported Giants Brigades and the Shabwani Defence Forces took control of the oil fields in al-Uqla and Ayyad in Shabwa. The UAE-supported Governor Awad al-Awlaki is currently cracking down on the numerous companies associated with Ali Mohsin and former President Hadi that were not licensed to drill or export from the Shabwa oil fields since OMV's renewed exit in June 2020.⁴⁵ This could open the door for new oil companies to become active in Shabwa. After the balance shifted in Shabwa, since August 2022, attention has shifted to Hadhramawt, where pressure is increasing on Islah forces controlling oil fields in Wadi Hadhramawt (the northern part of the governorate) to withdraw to the Marib front: this would enable UAE-supported forces to assume control over the oil reserves. These dynamics coincide with talks between the UAE and European countries scrambling to find new sources for gas in the context of the Ukraine war and mounting sanctions on Russia. This has raised questions about whether the UAE's intentions are to facilitate the export of Yemeni gas for the European market.⁴⁶

⁴⁵ "OMV: Shabwa Governor's Arrival to Oqula Oil Field, a Sign to Restore Oil Production and Export", *Al-Ayyam*, 22 August 2022. Al-Ayyam. "OMV: Shabwa Governor's Arrival to Oqula Oil Field, a Sign to Restore Oil Production and Export" 22 August 2022. <https://www.alayyam.info/news/9472UE10-GJ936E-1F10>. Accessed 15 September 2022.

⁴⁶ "German Announcement to Supply Gas from Emirates Raises Controversy in Yemen", *Alakbbar al-Yemeni*, 21 September 2022.

Networks of Loyalties Cut Across the State and Non-State

As the discussion above demonstrated, the concept of the state, which is conventionally understood as a sovereign territory, governed by an authority holding the monopoly over the legitimate use of force and the allocation of revenues, is not useful as a lens to understand actors and structures, as well as the distribution of power in Yemen. For *de facto* authorities, specifically the Houthis and the STC, the import of oil has become a lucrative source of revenue to fund political and military operations. All the while, the elites associated with the IRG have profited personally and directly from the country's crude oil exports while excluding state institutions. This is possible through networks of state institutions, the military, and non-state institutions, such as tribes, armed groups, or political parties. The focus of the conflict is now on creating an economic basis for armed groups to not only fund their operations but also sustain governance structures, while preventing others from doing so. This will continue to weaken state structures, while new quasi-state structures built around the networks of the various groups are strengthened. These efforts will shape conflict dynamics in Yemen over the next several years. Now that UAE-supported forces have taken control over Shabwa and its oil serves, tension is currently increasing in Hadramawt. These developments foreshadow further conflict in Marib, as well as other economic and commercial hot spots, such as al-Hodeidah and Taiz.

4. Armed Groups, Smuggling and Illicit Trafficking

4.1. The Lifeblood of Libya: Armed Groups' Normalisation of a Thriving Smuggling Economy

Amanda B. Kadlec

Over the course of ten years since the uprisings that led to Gaddafi's removal, armed groups – the informal security providers that ultimately became legitimised by the state¹ – have in effect infused their presence into all aspects of life and living in Libya, including the economy and provision of daily goods that keep society running. Smuggling in Libya is a source of bread and butter for the small player, and a source of extreme wealth for those who have managed to secure positions of power and stature in the process. Although certain armed groups and their leaders have dominated different routes and markets over the past ten years of shifting alliances, the underlying mechanisms appear to be constant. In every sense, armed groups are the beating heart behind the persistent, pervasive smuggling economy in Libya on which everyone has become dependent.

¹ E. Badi, “Exploring Armed Groups in Libya: Perspectives on Security Sector Reform in a Hybrid Environment”, DCAF, 2020.

It took time to turn this destructive dynamic into normalcy, however. Indeed, Gaddafi's system of rule hardly embodied the concept of a state regulating a fair market of goods and services. His government favoured groups of interlocutors over others in a system that allowed for no diversity of competition in a hydrocarbon-dependent economy, and which deliberately prevented the development of transparent institutions to manage it.² That lack of transparency, combined with a complete breakdown of centralised control over the economy after his ouster and the sudden legitimisation of armed groups over the security sector, has given them the ability to exercise outsized power over the informal and formal economies as well. The uprisings in 2011 provided armed groups with varying levels of local and state-level influence, and ultimately, control over territory and what moves through it.³ Kingpins and businessmen alike filled in the gaps, often working with politicians and statesmen to cement their roles as money-makers in a highly profitable parallel economic system over the past decade. In all, the broader illicit economy and diverted financial flows in Libya strips the country of more than USD12 billion each year, funds that could be reinvested in infrastructure, education and stability.⁴ At best, a fair and competitive consumer market is denied to ordinary Libyans, and, at worst, the power structure that keeps armed groups in power and stealing from the state and citizen at scale is merely reinforced with each passing year.

² F. Mangan, "[Illicit Drug Trafficking and Use in Libya](#)", United States Institute of Peace, 2020.

³ M. Micallef, "[Shifting Sands: Libya's Changing Drug Trafficking Dynamics on the Coastal and Desert Borders](#)", Global Initiative against Transnational Organized Crime (GI-TOC), 2019.

⁴ United Nations Interregional Crime and Justice Research Institute. "[Illicit Financial Flows and Asset Recovery in the State of Libya](#)", UNICRI, May 2021.

Understanding Smuggling and Trafficking in and through Libya

Anything and everything is smuggled to and through Libya, and the country's multiple and powerful armed groups have a role to play at every juncture of the process. Petroleum, gold, narcotics, artifacts, weapons and ammunition, cigarettes, alcohol and migrants fall into the category of goods.⁵ But often, these items overlap with routes also transporting the ordinary things we find at the supermarket, such as flour, packaged goods, baby formula, milk, medicines, clothing or cosmetics, all of which may include counterfeited items.⁶ As a producer, transit country and final destination, Libya's unregulated spaces provide the perfect environment for the continuation of smuggling of any and all manner of goods.

Equally important are the structural and cultural factors that initially provided the ground for Libya's illicit market to grow. It has long been established that what many parts of the developed world would consider to be illegal smuggling is merely an accepted form of financial sustenance for communities long abandoned by state governance.⁷ The fluid movement of goods and people across open desert into and through Libya is simply how populations of the Sahel region survived and thrived for centuries before modern-day borders were imposed, and even long after that. The nomadic Tuareg caravanned ancient routes trading in gold, ivory, salt and other high-priced goods, including Sub-Saharan African slaves, throughout the pre-colonial period.⁸ Tebu tribes have held dominion over vast networks in the southeast region of Libya bordering Niger and Chad, and the Amazigh tribes of the north-western mountain

⁵ Micallef (2019).

⁶ Interpol, *Overview of Serious and Organized Crime in North Africa*, September 2018.

⁷ "Cross-Border Smuggling: What Drives Trade in North Africa?", *ENACT Observer*, July 2019.

⁸ M. Jalali, "Tuareg Migration: A Critical Component of Crisis in the Sahel", Migration Policy Institute, May 2013.

areas have maintained overland routes to Tunisia for hundreds of years to today.⁹ Along the eastern border with Egypt's western desert, dominated by Arab Bedouin tribes, is yet another overlapping system.¹⁰ This historical precedent created the environment for smuggling in the modern context to be perceived as socially acceptable on one level, even though there is public acknowledgement of the dangers of violence and that its proliferation poses as long as armed groups are part of the process.¹¹

Human Trafficking

Perhaps the most well-documented and atrocious means by which Libya's armed groups profit in the informal economy is in the trafficking of humans. Some of the migrants who pass through their hands have escaped conflicts in their own countries, while others are pushed by lack of economic opportunities at home and are intent on either working in Libya or attempting a transit to Europe. During the height of migration to Europe from 2014 to 2017, smugglers in Libya's south and on the border with Niger banked considerable wealth. Traders were not necessarily directly a part of or affiliated with armed groups, however, even though they controlled the routes. Following the European Union's push to prevent movement from Niger, the migrant smuggling economy collapsed and went underground.¹² Trafficking of humans within Libya

⁹ R. Farrah, "Zuwarah's Civil Society Fight Against Organized Crime", Global Initiative against Transnational Organized Crime (GI-TOC), December 2021.

¹⁰ A. Shihab EL-Dine, "The Eastern and Western Egyptian Borders: 'All is Allowed! Anything Goes!'" *Assafir Al Araby*, 12 June 2012.

¹¹ M. Shaw and T. Reitano, *The Political Economy of Trafficking and Trade in the Sahara: Instability and Opportunities*, Global Initiative against Transnational Organized Crime (GI-TOC), December 2014, p 19.

¹² M. Micallef, "The Human Conveyor Belt Broken: Assessing the Collapse of the Human Smuggling Industry in Libya and the Central Sahel", Global Initiative against Transnational Organized Crime (GI-TOC), March 2019.

nevertheless continued, with armed groups in coastal areas at the centre of an endless cycle of abuse and exploitation.

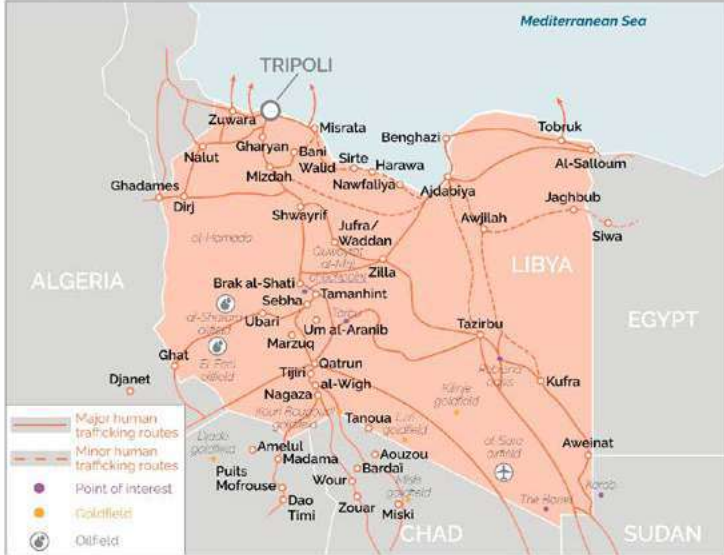
While migrants still cross multiple entry points for different reasons and work with a series of individuals to complete each section of the journey to their destination, many end up in detention centres at some point. Some facilities are government-sanctioned centres and others are informal, but once inside the system, migrants are extorted for money, forced to work with little or no pay, or sold for sex slavery in an established moneymaking scheme. The issue is not only that armed groups are detaining and extorting desperate humans for money, but also that armed group members are in positions of power in the government tasked with enforcing humane migration practices. Examples of this dynamic abound. One such example is Abdurahman al Milad, the human trafficker sanctioned by the United Nations and European governments who continues to receive a salary from the Libyan Coast Guard while directing search and rescue operations.¹³ Another is Mohamed al-Khoja, the current head of the Interior Ministry's national migrant detention system who was named as the head of the notorious Tarik al Sikka prison where the gravest of human rights violations and human smuggling practices took place.¹⁴ It is nearly impossible for the state's investigative authorities to act against the individuals associated with powerful security actors because they are so deeply entwined with government functioning.

¹³ R. Horsley and J. Gerken, "Libya: Stability Fuels Rebound in Human Smuggling", Global Initiative against Transnational Organized Crime (GI-TOC), July 2022.

¹⁴ Amnesty International, "Libya/EU: Conditions Remain 'Hellish' as EU marks 5 Years Cooperation Agreements", January 2022.

Libya: Human Trafficking

The main routes



Source: GITOC-Global Initiative Against Transnational Organized Crime, 2022

ISPI

The Weapons Issue

The issue of weapons trafficking emerged as a dominant concern during the chaos of the 2011 uprisings as seized caches from the revolution were moved from Libya to northern Mali: here the Tuareg paired with the al Qaeda-linked Ansar al Din to create a national Tuareg state.¹⁵ The experiment quickly fell apart, and the flow of weapons out of Libya became less of an issue than concerns over the endless flow of high-grade materiel

¹⁵ “Expanding Arsenal: Insurgent Arms in Northern Mali”, in *Small Arms Survey*, 2015.

in the opposite direction. After the onset of civil conflict in 2014, which propelled Khalifa Haftar to the national stage and set east and west-based factions and their international backers against one another, the illegal delivery of weapons and ammunition ballooned. Throughout the second civil conflict in 2019-2020, UN investigators noted flagrant disregard of the arms embargo in place since 2011, which directly involved powerful regional players such as Turkey and the United Arab Emirates.¹⁶ The leaders of the most powerful armed groups in west Libya directly engaged their government officials and international networks to deliver supplies, often distributing to different groups at different times in an *ad hoc* way. The eastern coalition of armed groups equally received and benefitted from weapons transfers, but unlike their counterparts, arrangements are made through the direction of Haftar and his close coterie in a far more top-down manner. Either way, however, all players involved in the process operate with impunity because the UN sanctions regime is completely unenforceable as long as armed groups remain Libya's recognised and legitimised security actors.¹⁷

An oft-cited concern has been the crossover of relationships among Libya's legitimised armed groups and terrorist actors in need of weaponry, either in Libya or beyond. Fears initially emerged, particularly after the Tuareg separatist movement's association with al Qaeda (AQ) and the rise of the Islamic State on Libya's northern coast, that Libya would emerge as a failed state on the Mediterranean.¹⁸ Former Libyan Islamic Fighting Group (LIFG) members and other fighters of the 2011 revolution also cooperated with elements of the AQ-linked Ansar al Sharia in Benghazi, just as they also sought to integrate into formalised local government and security functions.¹⁹

¹⁶ UNSC Panel Report, 2019/171, 5 March 2019.

¹⁷ Ibid.

¹⁸ C. Chivvis, "Somalia on the Mediterranean", *Foreign Policy*, 2015.

¹⁹ [A Quick Guide to Libya's Main Players](#)", European Council on Foreign Relations (ECFR).

Although much attention has been directed at attempting to identify clear connections between Libya's armed groups and outward flowing weapons trade to arm and finance terrorist entities, limited access makes verifiable information difficult to obtain.²⁰ What is clear, however, is that the domestic threat posed by groups like the Islamic State or al Qaeda affiliates remains low today even if they have been smuggled weapons to by armed groups in the past.²¹

The Drug Market

No less menacing to society is Libya's raging drug market. Once a relatively modest market during the Gaddafi era, Libya is now a recipient and transit nation for all manner of opiates, amphetamines, cannabis and pharmaceuticals, of which tramadol and male enhancement pills are popular items.²² The primary routes into Libya are from the Levant and West Africa, with final destinations in Europe and Libya itself. Even though Libya is not a primary producer for any of these drugs, demand within the country is high and varied throughout the country, despite the religious and cultural intolerance to their consumption.²³ In the years immediately following the 2011 uprisings, the country's armed groups – with weapons, legitimacy and free reign over their respective spheres of influence – wanted in on the market. Armed groups with control of key infrastructure points that could facilitate deliveries, such as harbours and airports, found themselves in an advantageous position to direct smuggling operations. Even if an armed group were not the direct transmitter or recipient, it might force “tax” payments on smugglers to permit them

²⁰ M. Fitzgerald, “Small Arms and Light Weapons as a Source of Terrorist Financing in Libya.” Royal United Services Institute, 2021.

²¹ UNSC Panel report, 2019/171..., cit.

²² Mangan (2020).

²³ Micalef (2019).

free movement in their geographical area of dominion. This naturally set the stage for stiff competition and conflict among armed groups seeking hierarchy over large-scale distribution networks.²⁴

Fuel and Consumer Goods Smuggling

A similar dynamic is at work with fuel, but unlike narcotics and pharmaceuticals, Libya is the primary source country for its illicit trade. Although Libya produces and exports crude, it lacks the capacity to refine it and therefore must import fuel legally from abroad based off of sales of crude, which it does at considerably increasing levels from year to year despite constancy of demand. Once it lands at the port of entry, armed groups in control of those facilities are able to siphon supply and set their price for popular consumption. It is important to note that with all other manner of state management, there is no transparent, centralised mechanism through which fuel is distributed, leaving multiple avenues for abuse and corruption of the systemic guidelines that are in place.²⁵ In west Libya, fuel is transported via the Zawiya port, and the armed group in control of that infrastructure is empowered by political figures with influence in the nearby Tripoli government. Petrol is heavily subsidised, offering armed groups in control of land routes the opportunity to sell it at high mark-up domestically and regionally, albeit still well below international market cost. Fuel is sold at fivefold rates within Libya, but outside of the country as well, although far more by overland than by sea. Fuel smuggling across the western border with Tunisia is most common and historically well-reported, and it is on the rise once again as global fuel prices increase, especially after the Russian invasion of Ukraine, and the Tunisian public seeks a cheaper

²⁴ Ibid.

²⁵ T. Eaton et al., “[Libya’s War Economy: Predation, Profiteering, and State Weakness](#)”, Chatham House, April 2018.

source. It is also smuggled to towns in the south, where state neglect and shortages of all manner of goods are commonplace. Over the past ten years, armed groups from the coast down to the small town have established a system of fuel diversion that is “pervasive and well-organized”, leaving the Libyan public completely dependent upon them for energy needs.²⁶

Far less threatening and far more socially acceptable is the trafficking of ordinary household consumer goods. The problem is that these goods are wrapped up in the broader network of corruption and smuggling activity dominated by armed groups and the businessmen and political figures associated with them. Anything from teacakes to bottled water are products imported without a transparent process, marked up at exorbitant rates, and dominated by one or a few traders with the power behind them to eliminate competitors.²⁷ Paying inflated black-market prices is often the only option for Libyans to make daily household purchases. It is also through this process that armed group members start legitimate businesses, and even philanthropic non-governmental organisations, in order to whitewash their ill-gotten gains in the eyes of the public.

The Big Paradox: Armed Groups as Anti-Smuggling Security Forces

For all the ways in which armed groups negatively impact society through smuggling activities, some armed groups do engage in law enforcement against them. One such group is the well-known Rada force, a Salafi unit that prides itself as a morality police which interdicts and confiscates the shipments of drugs and alcohol that run through Tripoli. Tripoli’s Stability Support Apparatus (SSA), led by one of Tripoli’s main armed group under Abdulghani al Kikli, operates on a mandate from the government to carry out its work, declaring in 2022 that

²⁶ UNSC Panel Report 2022, p. 33.

²⁷ Interview with Misrata businessman, April 2019.

it is dedicated to its “efforts to eliminate criminals specializing in the trafficking of fuel and human beings”.²⁸ Professionalised brigades from Misrata, such as the 444 Combat Brigade, also take considerable measures to investigate and arrest smuggler networks in towns across the western half of the country.²⁹ Soboul al Salam, a Salafi group in the east affiliated with Khalifa Haftar, has intervened to halt migrant trafficking networks despite resistance from the local community.³⁰ Actions such as these are often noted as successes in Libya’s attempt to integrate ‘respectable’ armed groups into official functions.³¹ And yet, while these examples of integration may be seen as positives, many of the very same actors are accused of arbitrary arrest of opponents and grave human rights violations. Armed groups are incentivised to take on the “anti-smuggling” mantle in order to afford legitimacy to their own activities, and which are otherwise simply seeking dominance relative to other armed groups or tribes. In an environment in which every armed group considers itself to be a legitimate security provider even as smuggling runs rampant, it is unlikely that any one group completely devoid of any association with smuggling activities.

Conclusion. Libya’s Illicit Economy is Fully Integrated

In today’s Libya, the dividing lines between formal and informal security providers and the country’s licit and illicit economies are nearly imperceptible, and both phenomena are inextricably linked and mutually reinforcing. This power that armed groups collectively wield through illicit trafficking

²⁸ “SSA Libya Launches Major Anti-Fuel Smuggling Initiative”, *Libyan Express*, 26 June 2022.

²⁹ “Libyan Army’s 444th Combat Brigade Arrests Fuel Smugglers”, *Libya Herald*, 3 August 2022.

³⁰ Horsley and Gerken (2022).

³¹ Interview with MOI official, June 2022.

with co-optation on the part of a deeply corrupted government has made intervention measures overwhelmingly ineffective. Attempts to integrate armed groups into legitimate roles has merely empowered them to continue the same activities, yet with no one but themselves in positions of power to stop it. At some point in the not-too-distant future, Libya may have little remaining but the rubble of an economic system that has hollowed out, in part by among armed groups seeking power and riches through pervasive smuggling and trafficking practices. Ordinary Libyans will be left holding the bag.

4.2. Yemen: Militarised Borders Strengthen Smuggling Networks

Ahmed Nagi

The fall of the capital Sana'a to the Ansar Allah movement (known as the Houthis) in September 2014 was a game changer in Yemen. It transformed the post-2011 uprising political tensions into an open war. This transformation was reinforced after six months, when the Saudi-led coalition began its military operations in the country. Aiming to restore the legitimated government, the coalition announced that its operations was to defeat the Houthi movement in Yemen. However, the coalition's policies since then have been focusing on another implicit goal that of controlling Yemen's land and maritime borders and preventing the anti-coalition armed groups from reaching these strategic zones. For this reason, the importance of Yemen's borders increased, especially after regional actors began planting several armed groups throughout these areas.

Yemen's Armed Groups: Borderland Control

Economic and Smuggling Networks

- Saudi military and its backed forces
- Iran-backed Ansar Allah (Houthis)
- The UAE-backed forces (STC, Elites forces, and Salafis)
- Omani-backed Mahri tribes
- The Guardians of Republic and Salafis (Saudi-UAE-backed forces)



Source: Polgeonow.com,
Ahmed Nagi

ISPI

As the war enters its eighth year, the layout of the war's landscape tells a lot about the priorities of the involved parties. Apart from the traditional classification of Yemeni territories, Yemen can be divided into two main parts; the first is the border belts, which became the scene of protracted conflicts and the focal points of various armed groups. The second is the inland areas that are strategically less important unless they are close to the border belts. This shift reflects a reality: Yemen is no longer a cause which matters only Yemenis, but also a security issue for the neighbouring countries.

On the other side, the border militarisation contributed to the emergence of border towns, which before the war were marginalised cities. The regional interests presented in these areas created an economic movement accompanying the

military dynamics. The militarised trade movement prompted many individuals to move into these border towns, especially as economic conditions deteriorated in the urban areas. There are many examples of newly-emerged border cities in different areas, such as Mahra on the Yemen-Oman border, Makha on the Yemen western maritime border, and Abs near the Yemen-Saudi borders. In economic terms, all those cities have become more active in wartime.

However, the military and economic transition in the border areas has met with the illegal economic activities that have long characterised these areas. These activities include human trafficking and goods smuggling, which were already present here in the pre-war era. Ironically, the intensive militarisation of the borderland has not been able to eliminate these activities. On the contrary, eyewitness accounts from the inhabitants of these areas point to a steady increase in smuggling and a higher presence of professional smuggling networks. This is consistent with the increased involvement of many armed groups in these activities, whether formally or informally. Today, Yemen's borders have become hotbeds of military formations and combat fronts among the warring groups. These border fronts are divided into several zones. To have a closer look at these areas, the following sections highlight each border, examining the control map and exploring the military-economic dynamics.

The Northwestern Border

Yemen's northwestern border, stretching from the Khabb wa ash Sha'af district northeast of Al-Jawf governorate to Midi coast west of Hajjah governorate, stands out as one of the most militarised areas on either side of the border. Saudi Arabia relies on using a combination of several military units³², including the Saudi Border Patrol Forces, reinforced by additional army

³² E. Ardemagni, "[The Evolution of the Saudi Border Guard: Not Exactly a Local Force](#)", ISPI Commentary, ISPI, 10 September 2020.

contingents. In addition, it relied on the inhabitants of the borderlands or so-called Al-Mujahedeen³³, whom Saudi Arabia has been consistently counting on to tackle insecurity and combat smuggling in these areas. As fighting intensified in areas adjacent to Jazan and Najran, Saudi Arabia supported the fifth zone of Yemen's internationally recognised governmental army to fight in these borderlands.

Besides, the Saudi-led coalition deployed hundreds of Sudanese soldiers³⁴ who joined the Arab coalition forces to fight in the border battles. Moreover, to ensure a higher level of security and minimise the casualty toll among its forces, the Saudis carried out extensive recruitment from Yemen³⁵ to strengthen the southern border front. These new fighters work directly under the Saudi military leadership without coordination with the Yemeni government. Attempting to bring recruits from non-Zaidi communities, the Saudi recruitment campaign targeted young people from Taiz governorate. While the number of these newly-recruited forces remains unknown, some journalistic statistics³⁶ indicate that it may reach 60,000 recruits.

For Saudi Arabia, this part of the borderland is highly sensitive³⁷ from a security perspective due to its considerable geographical complexity. It is regarded as fertile ground for security imbalances and smuggling activities. Regular Saudi attempts to combat illegal border activities before the war have largely failed to achieve their goal. This is partly due to the sectarian expansion of the Houthis on the other side of the

³³ "Jazan, Mujahedeen Forces for Securing Saudi Border", *Al-Arabya TV*, 1 September 2016.

³⁴ D.D. Kirkpatrick, "On the Front Line of the Saudi War in Yemen: Child Soldiers From Darfur", *The New York Times*, 28 December 2018.

³⁵ "Drawn by Saudi cash, Yemeni mercenaries are left high and dry", *Middle East Eye*, 12 February 2019.

³⁶ G. Al-Yusufi, "What is Behind the Military Conscription of Yemenis on the Saudi Border?", *Daraj*, 3 September 2019.

³⁷ A. Nagi, "Yemeni Border Markets: From Economic Incubator to Military Frontline", Malcolm H. Kerr Carnegie Middle East Center, 14 June 2021.

border, given the existence of tens of thousands of followers of the Zaidi and Ismaili denominations,³⁸ which are branches of the Shia faith. Saudi Arabia does not want to see any sort of Houthi influence inside its lands.³⁹ The Saudi concerns increased after reports mentioned that some Saudi border inhabitants from Zaidi community joined⁴⁰ the Houthi fighters during and after the sixth round (2009) of the “Sa’dah wars” (2004–2010) between the latter and the Yemeni government, in which the Saudis assisted the governmental forces.

On the other side, the Houthi group pushed thousands of fighters to border fronts in Hajjah and Sa’dah. The main driver of its recruitment campaigns focuses on defending borderlands. The group relies on the military forces that joined the group when it took over Sana’a in late 2014 and their fighters, “the People’s Committees”. The Houthis are heavily present in these borderlands⁴¹ due to three main reasons. First, these areas are the group’s main stronghold and the centre of its social incubators. The group’s six rounds of conflict with the Yemeni Government, which ended in 2010, occurred in these areas, and they did not want to lose them to the Saudis or the Yemeni government.

Second, the Houthi movement provides “defending borderlands” as an emblem of its military recruitment campaign among the different Yemeni communities, using the historical narrative of the grievances felt by many Yemenis towards the border agreements concluded between Yemen and Saudi Arabia (especially the Jeddah Treaty signed in 2000): this argument makes it easy for the Houthis to persuade individuals to join them. The last reason is purely economic, as maintaining

³⁸ E. Ardemagni, “The Saudi-Yemeni Militarized Borderland”, Carnegie Endowment for International Peace, 9 January 2020.

³⁹ “The Houthis in Confidential Documents”, *Almasdar Online*, 20 April 2020.

⁴⁰ J. Brandon and N.A. Heras, “Saudi Arabia’s Yemen Intervention: A High Risk Gamble?”, *The Jamestown*, 2 October 2015.

⁴¹ Z. Al-Kamali, “Yemen-Saudi Border: Bone-breaking Battles and Non-stop Fight”, *Anadolu Agency*, 13 January 2016.

smuggling routes under the control of the Houthis' fighters provides a good financial resource for the group⁴². Many border patrols have become focal points for smuggling arms, drugs and migrants into Saudi Arabia, operations with significant economic revenues.

The Northeastern Border

The northeastern borderlands extend from Khabb wa ash Sha'af in Al-Jawf to the Rumah near the Saudi-Omani border and are controlled by the Saudi-backed internationally recognised government. They include the largest desert areas in the country. Although there are no military confrontations in this area, there is a degree of militarisation,⁴³ as these areas are used as military supply lines for Saudi forces and proxies inside Yemen. Most of the forces recruited by Saudi Arabia to fight on border fronts also receive some training in camps located in this zone.

In some border frontlines, Saudi Arabia has formed a series of military brigades under its direct supervision. Most of these brigades are led by Salafists who remain sincerely loyal to the Saudi kingdom. In addition, the northeastern border strip includes the Al-Wadiah crossing,⁴⁴ the only crossing between Yemen and Saudi Arabia after the latter decided to close those in Al-Jawf and Hajjah governorates. It is worth mentioning that the control map in this region has recently begun to change, following the political changes within the Yemeni government leadership, after President Abdel Rabuh Mansour Hadi was removed and replaced on April 2022 by an eight-member presidential leadership council (PLC).⁴⁵ The newly formed

⁴² “How did the ‘Houthis’ turn the contraband trade into a source of income?”, *Al-Janad Post*, 10 May 2022.

⁴³ N. Al-Qodasi and A. Al-Jabrani, “Parallel militaries: Anatomy of the armed forces fighting Yemen’s war”, *Almasdar Online*, 3 January 2021.

⁴⁴ A. Nagi, “Saudi’s Al Wadiah Crossing Does Not Welcome You”, Malcolm H. Kerr Carnegie Middle East Center, 23 April 2021.

⁴⁵ C. Coombs, “Presidential Council Replaces Hadi”, Sana’a Center for Strategic

council brought together the representatives of all the groups in the anti-Houthi camp.

However, the launch of the PLC pushed the Saudi and the United Arab Emirates (UAE) to rearrange the military landscape on the ground in the so-called liberated areas. This includes removing several military leaders loyal to Islah (as Islah also comprises the Yemeni Muslim Brotherhood) and appointing the Southern Transitional Council-affiliated leaders, who claim greater autonomy for southern regions, or even separation from north. The rearrangement led to military confrontations that broke out in Shabwa⁴⁶ between some governmental forces and the STC-backed Shabwa Defence Forces and the Giants Brigades. On the other side, Saudi Arabia strengthened its forces⁴⁷ stationed near the border port to face any possible military or security tensions that may emerge.

Although the northeastern border zones are not currently experiencing any military confrontations, the security situation remains fragile, and these areas are considered to be one of the epicentres of smuggling networks⁴⁸, with many routes on either side of the border. Moreover, the influx of African migrants from Ethiopia and Somalia through Yemen's southern coasts continues towards these borderlands, where the migrants meet the smugglers who assist them in crossing the border. It should be noted that many migrants prefer to stay in cities near the border such as Hadramawt, Marib, or Al-Jawf, where they have access to information that helps them reduce risks when being smuggled across the border. While thousands of migrants prefer the western side of the border to reach their final destination in the Saudi kingdom, others prefer the northeastern side due

Studies, April 2022.

⁴⁶ “Clashes in oil-rich Shabwa test Yemen’s new presidential council”, Reuters, 11 August 11, 2022.

⁴⁷ “Saudi Military Forces Arrive to Al-Wadiah Crossing”, *Alyoum Al-Sabea*, 18 August 2022.

⁴⁸ A. Nagi, “From Frying Pan to Fire”, Malcolm H. Kerr Carnegie Middle East Center, 8 March 2019.

to the absence of military confrontations, which makes the migration process less risky.

The Eastern Border

In light of its remoteness from the conflict zones, the Yemen-Oman borderland remained relatively stable during the first three years of the conflict. However, in November 2017, the governorate of Mahra witnessed the arrival of the first Saudi military forces on its lands. Upon their deployment, the Saudi forces together with other Saudi-backed local military units took control of the governorate's vital institutions, including Ghayda Airport, Nashtun Seaport, and the coastal military camps among others. This triggered the spark of resistance among the Mahri tribal community,⁴⁹ who viewed these moves as a Saudi attempt to undermine borderland stability and place more restrictions against them.

On the other side, the intensive Saudi military presence in Mahra pushed the Sultanate of Oman to depart from the neutral stance it had adopted since the coalition military campaign began in 2015. As a way to show its resentment towards the deployment of the Saudi-led coalition, Oman started supporting the Mahri tribes who refused the Saudi and UAE military presence in the governorate. Given the social and cultural links along the Oman-Yemen border, Oman has been dealing with the Mahri tribes as a line of first defence ever since Dhofar rebellion that ended in 1976. To show its opposition, the Mahri tribes organised an open sit-in in Al-Ghayda city⁵⁰ demanding that Saudi forces leave the governorate and hand over the public institutions and positions to the local authorities. However, the peaceful sit-ins were accompanied by a state of continuous militarisation, especially after Saudi Arabia

⁴⁹ Y. al-Sewari, "Yemen's Al-Mahra: From Isolation to the Eye of a Geopolitical Storm", Sana'a Center for Strategic Studies, 5 July 2019.

⁵⁰ Ibid

deployed more forces in almost all the governorate districts, which forces are currently stationed in six military zones and dozens of deployed checkpoints.

According to Saudi-led coalition, the security deployment is a step to protect Mahra from the terrorist groups. In addition, the military presence in Al-Mahra is seeking to combat smuggling activities in the governorate, which have increased since the outbreak of the war. The coalition claims that Mahra is one of the key points that the Houthis are using to smuggle weapons and missiles. Nevertheless, the militarisation of the Yemen-Oman border cannot be disentangled from the hidden tensions between Riyadh and Muscat, especially after the latter refused to join the coalition campaign and maintained good relationships with the Houthi group.

In fact, smuggling is a well-entrenched phenomenon in Mahra and an important economic activity, especially in the coastal districts. However, many of the items smuggled are legal goods such fuel, cars, and foodstuffs. The remote location of Mahra and the weakness of the central government facilitate these economic activities. During the last three years, the Saudi-led coalition forces announced the dismantlement of several Houthi-related smuggling operations, some of which dealt in weapons or materials used for military purposes. The coalition implicitly and explicitly accused Oman-backed tribal entities in Mahra of such activities. This accusation was denied by the Mahrīs, who described such claims as a fig leaf to justify the militarisation of Mahra.

Today, the Omani-Yemeni borderland is becoming a militarised zone, witnessing regular tensions between the Saudi forces and the Omani-sponsored armed tribesmen⁵¹. And despite the relative calm currently taking place in the province, Yemen's military and political changes could escalate at any moment on this front.

⁵¹ A. Nagi, "Mahra, Yemen: A Shadow Conflict Worth Watching", Malcolm H. Kerr Carnegie Middle East Center, 20 February 2020.

The Southern Maritime Border

Unlike other border zones, the southern maritime borderlands have different dynamics. They are a priority area for the UAE, whose proxies intensively stationed there.⁵² The UAE-backed military and security forces deployed on the coastal are decentralised. The Hadrami Elite Forces control the Hadramawt coast, while the Shabwa Defence Forces, the new name of the Shabwaniyah Elite Forces, control all coastal districts of Shabwa governorate, especially after removing the anti-UAE governmental forces from these locations. The Security Belts and other security forces of the Southern Transitional Council (STC) dominate the rest of the coastal areas.

With more than 1000 km of coastline extending from Mahra to Aden, the southern maritime border is the most common route of entry for contraband from the sea. The smugglers usually depend on small and medium-size boats to transport the smuggled goods. Moreover, this area is the main gateway for the waves of migrants coming regularly to Yemen from the Horn of Africa. Smuggling has become an economic resource for coastal populations, especially as economic opportunities have faded since the start of the war in 2014. Most of the smuggling activities in these areas are managed through organised smuggling networks and have extensive interrelationships with Yemen's conflicting groups. This happens despite the militarisation process in these areas.

The border militarisation is not limited to the coastal zones, but extends to Yemen's islands in the Gulf of Aden, which over the past years have witnessed a military race between the UAE and Saudi Arabia. The Socotra Archipelago has become the scene of several military tensions⁵³ since 2018 and at the beginning of 2020; armed clashes broke out between Hadi's

⁵² G.D. Johnsen, "The UAE's Three Strategic Interests in Yemen", Arab Gulf States Institute, 24 February 2022.

⁵³ A. Nagi, "Socotra, Out of One Cyclone and Into Another", Malcolm H. Kerr Carnegie Middle East Center, 21 January 2020.

government forces and the STC and UAE-backed military formations, ending with the latter taking over local authority on the island. Today, the island is hosting Saudi military forces ranging in number from 2,000 to 2,500.⁵⁴ The UAE, despite having fewer troops on the island, has worked over the past three years to form its own local military forces, in addition to pressuring to appoint a loyal governor for the island. This has made the island part of the UAE's sphere of influence in the region.

The Western Maritime Border

Given its proximity to the Horn of Africa, the western coast, which extends from the Dhu Bab area of Taiz to the Tuhita district of Hodeida governorate, is one of the most active smuggling routes. It is the most strategic of all of Yemen's border areas. It includes the Strait of Bab al-Mandeb, a narrow neck of water that separates the Red Sea from the Indian Ocean. Around 4.8 million barrels⁵⁵ a day of crude and petroleum products flow through the strait, with about 2.8 million going north toward Europe, and another 2 million moving in the opposite direction.

Since its military operations began, the Saudi-led coalition's main focus has been on keeping this border area outside of the influence of the Houthis movement. The first battle the coalition fought was in mid-2015 near Aden, with the goal of pushing the Houthis back to the inland governorates, where the coalition's support for locals fighting the Houthis was less enthusiastic. After defeating the Houthis in Aden, the troops led by the coalition-backed Giants forces, the Tehami resistance brigades, and other forces⁵⁶ continued towards the west coast

⁵⁴ *Ibid*

⁵⁵ "What is the Bab el-Mandeb Strait and Why is it Important", G Captain platform, 26 July 2018.

⁵⁶ *Ibid*

until they reached Hodeida in mid-2018, before the UN intervened and stopped the hostilities through the Stockholm Agreement⁵⁷ in December 2018. This divided Hodeida between the two warring sides, before the coalition decided in late 2021 to withdraw from large areas and redeploy its forces in other locations.

Tariq Saleh, the nephew of former Yemeni President Ali Abdullah Saleh, broke the pact with the Houthi group following the collapse of the alliance between the Houthis and the former president, who revolted against the group before he was killed in December 2017.⁵⁸ This transformation pushed Tariq to join the Saudi-led coalition. Aiming to benefit from the legacy of his uncle, the coalition supported Tariq Saleh in establishing a new military force called “the Guardians of the Republic”,⁵⁹ which became the major force securing the western maritime border, including the Bab al-Mandeb Strait. The forces are headquartered in the city of Al-Makha and control several locations in the neighbouring area. Unofficial statistics estimate the number of these troops to be around 30,000 combatants,⁶⁰ together with some of the coalition’s other military formations located in the same areas.

Over the past decades, Yemen’s western coast has been known as one of the country’s most popular smuggling routes.⁶¹ With the disintegration of the Somali state in the 1990s, smuggling networks have been very active off Somalia’s coast, using the Yemeni coasts as well in their activities. These networks smuggle almost everything including drugs, prohibited agricultural

⁵⁷ The Office of the Special Envoy of the Secretary-General for Yemen, “[Full text of the Stockholm Agreement](#)”, December 2018.

⁵⁸ “[Ali Abdullah Saleh, Yemen’s former leader, killed in Sanaa](#)”, *BBC*, December 4, 2017.

⁵⁹ “[Who are the UAE-backed Forces Fighting on the Western Front in Yemen?](#)”, The Armed Conflict Location & Event Data Project (ACLED), 20 July 2018.

⁶⁰ “[The Number of the Forces of the Guardians of Republic](#)”, *Almashhad Alyemeni*, December 2020.

⁶¹ “[Mokha Port: From the Source of Yemeni Coffee to the World to a Port for Smuggling](#)”, *Al Ain*, 1 January 2017.

toxins, and weapons among others. Given the military deployment along the western coast, the smuggling activity has been reduced in some areas, but smuggling networks began relying on new routes outside traditional zones to continue their activities.

On the other side of the western coast, the Houthi forces are stationed. Since the battle of Hodeida in 2018, the Houthis reinforced the western coastal lands with thousands of fighters in order to prevent any advancement from the coalition-backed forces. Today, the Houthis control most of the maritime border of Hodeida and manage the key port of Hodeida beside al-Salif seaport. Moreover, these areas give the Houthi group an access to the Red Sea, through which the group manages to receive the support it needs. In the last seven years, many reports have indicated that the Houthis are obtaining an increasing number of weapons from the Iranians via these coastal routes. In addition, the Houthis use this maritime access to expand their military activities in the Red Sea.

Conclusion

The increasing border militarisation in Yemen is not a temporary dynamic brought about by the ongoing war. In fact, it is a process that will shape the geopolitics of Yemen in the long term. Border security is the biggest concern for the Saudis and it is the main topic of their talks with the Houthis during the different negotiation rounds. The ideas of creating a border buffer zone or building border barriers are among the solutions that the Saudis suggest to prevent any possible threat. Regardless of what border measures could be agreed upon in the future, the border militarisation trend is likely to increase in the post conflict Yemen.

On the other side, the UAE will continue supporting its proxies on the southern and western maritime borders in order to keep watch on maritime shipping routes, preventing other armed groups in Yemen from reaching these areas. On the

eastern front, Oman will remain concerned about the growing Saudi military presence near its borders, and this will push it to increase its support to the Mahri tribes, putting the remote governorate of Mahra as a field of competition between the two neighbouring countries.

With the continuation of the fighting in interior areas between local actors and the lack of trust discouraging Yemenis from moving towards any political compromise, it is obvious that strife and fighting will only expand in the coming years. For this reason, Yemen remains fragmented in many peripheries with no one unified centre, just as the growing militarisation of its borders is strengthening smuggling networks, due to the economic role played by the armed groups.

5. Libya and Yemen's Governance of Maritime Boundaries

5.1. How Mafiasation Destabilises Libya's Economy and Migration Control

Tarek Megerisi

Over the past ten years of turmoil and upheaval, Libya's political economy has been fundamentally altered. Despite the role of political and business elites in continuously setting ever worse examples of malpractice, it is Libya's militia class which have truly become the biggest beneficiaries of the state of Libya's dissolution. Since 2012, militias have undergone a process of "mafiasation", savvily leveraging the politicians' need for protection, or employing them to neutralise opponents, in order to muscle in on their corrupt schemes and gain official status. Mafiasation means that Libya's armed groups have quickly evolved from opportunistic young-men to petty thugs and criminals, and today are largely white collar criminals who retain the capacity for extreme street violence. This has had a definitive impact on many core areas of European interests, from protecting energy supplies to migration and regular economic activities. If Europe is to find a stable and constructive way of managing the relationship with, and normalising activity in, the heart of the Mediterranean it is going to have to better

understand how Libya has changed and how to temper these changes.

Mafaisation

A catalyst for Libya's mafaisation has been the de facto division of the country since 2014 under two administrations, both in desperate need of might to make right their lack of legal or political legitimacy. The trailblazer for this new nexus was the then renegade General Khalifa Haftar who made a bargain with key tribes in eastern Libya to back his war for supremacy in Cyrenaica. Whilst it was marketed as a war on terror, this deal provided tribal forces the tools of war to displace wealthier urbanites in Benghazi and seize their land and assets, and then eventually dominate the public sphere. The last part was key, as despite fighting a violent revolution to rid themselves of Muammar Gaddafi in 2011, his rentier style governance system remained in place. So, in Libya true power and wealth comes from access to state coffers and the resultant ability to build patronage networks by providing government positions for others.

In western Libya, a similar system of violent co-option of the state developed in a slightly different way. While groups from the cities of Zintan and Misrata, two powerhouses of the 2011 revolution, each attempted their own version of Haftar's state capture, power was simply too diffuse in western Libya for any one group to predominate. So instead, armed groups grew in power and inertia through rent-seeking if any key state assets or valuable businesses were situated in their local area, if not, then petty crime often sufficed. This was exacerbated by local elites who, like Central Bank Governor Sadiq el-Kabir, traded protection for an inside track for militias to make money through the banking sector or international credit systems. In other cases, best seen with the then Presidency Council under Fayez el-Serraj, key state assets such as the Libyan Post and Telecommunications Company were handed out to friends, instigating a system of trickle down corruption.

As is ever the case, eventually money was no longer enough and the armed groups looked for wealth and power. Wealth was essential to reshape economies and ecosystems, also to ensure the centrality of the armed groups while power, through wealth but also thanks to the official rank, allowed them to control key components of the interior and defence ministries, providing to the armed groups a platform to forge international connections. Ironically, following Haftar's failed putsch in 2019-2020, the patterns of power in east and west Libya were reversed. Western Libya continued a trend of centralisation into official institutions that began pre-2019 with a consolidation of power over the capital by a group of local militias dubbed the 'Tripoli Cartel.' Meanwhile in eastern Libya, despite the lingering presence of the Libyan Arab Armed Forces (LAAF), actual control has often splintered to fiefdoms, with the LAAF central command retaining very loose operational oversight or command and control capacity.

International Catalysts

Given Libya's riches and internationalised conflict, the fact that international actors have often aggravated Libya's mafiaisation may be unsurprising, although the roles played by European countries in particular should give cause for consternation and reflection.

The most controversial example is France's active sponsorship of Haftar's LAAF. Here, a policy nominally about counter-terror cooperation morphed into political patronage, military assistance to facilitate these political goals, and active diplomatic shielding and protection. This backing and protection provided Haftar absolute impunity and shielded him from ever having to engage with other Libyan entities. This enabled Haftar not only to advance militarily but also to reshape the local economy and divide the country administratively. For example, the robbery of the Central Bank of Libya's Benghazi headquarters

by Haftar's son Saddam¹, and the impunity he was afforded for it despite ample evidence of his involvement, triggered a liquidity crisis in eastern Libya that resulted in Russia printing a parallel currency. Over the years, until his failed war on Tripoli and forced unification talks, Haftar's violent coercion of private Libyan banks to fuel his criminal and military activities created so much debt that Libya's entire banking system could have collapsed, had it not been for restrictions eventually placed by the Central Bank, which also reinforced the east-west divide created by Haftar. This debt burden still needs to be resolved. Aside from banking, the cannibalisation of eastern Libya's economy by Haftar's Military Investment Authority has created a highly corrupt entity which hampers efforts to reconstruct devastated cities like Benghazi and Derna or engage in infrastructure upgrades.

However, in western Libya, Europeans have also indirectly allowed Libya's mafiasation, distorting opportunities to create sustainable processes for protecting key interests. Migration and human trafficking became a key business of the rent-seeking shadow economy following the 2014 civil war. As the crisis came to a head in Europe and Italy, the then Italian Interior Minister Marco Minniti developed² a plan that provided Italy greater control over migration flows across the Mediterranean: however, this resulted in formalising and empowering the very groups who trafficked them. This eventually led to the creation of an entire infrastructure of migration detention centres across Libya, empowering the militias who controlled the centres to impose themselves as formal entities within the Libyan Ministry of the Interior, while remaining independent of any civilian control or oversight. Moreover, this new Libyan system generated its own miniature economy based on capturing Sub-Saharan Africans or other non-Libyans to boost the amount of

¹ "Haftar's son moves millions from Central Bank of Libya", *Middle East Monitor*, 14 September 2018.

² L. D'Agostini, "Italy's Failed Migration Fix has Led to Chaos in Libya", *Foreign Policy*, 29 January 2020.

money and support these groups would receive from Europe, allowing them to become powerful entities in their own right.

Finally, unofficial policies pursued by European states, and also the role of criminal organisations, have helped the rise of a corrupt class of oligarchs in Libya, which then became a powerful obstacle to change, and also empowered smuggling gangs into becoming a major drain on Libya's political economy. The decision by Europe's RELEX (Working Party of Foreign Relations Counsellors) to issue a highly controversial interpretation of the United Nations Security Council's sanctions regime on Libya has allowed for a constellation of highly opaque and complex financial mechanisms that enable Libya's oligarchs and select European partners to pay money out of and profit from what should be frozen assets of the country.³ Whilst this is largely under the radar, the fight over control of the Libyan Investment Authority – the institution which formally controls most of these assets – across multiple Libyan administrations is a useful indicator of how highly prized and lucrative this has become. Similarly, the smuggling of fuel from Libya's refinery in the western town of Zawiyah has long been a source of valuable rent to western Libya. Despite extensive documentation of this in United Nations Panel of Experts reports, including on how much of this refined fuel is illicitly smuggled offshore, likely towards offshore storage units near Malta,⁴ this business and the gangs who control it continue to thrive while official European policy turns a blind eye.

³ G. Paravicini, "Millions flow from Gaddafi's 'frozen funds' to unknown beneficiaries", *Politico*, 18 February 2022.

⁴ "Multi-million fuel smuggling operation coordinated from Malta", *Times of Malta*, 3 May 2018.

Human Traffickers: The Maritime Face of Mafaisation

The result of the mafaisation of Libya is a country where the government controls very little of what goes on, leaving its borders, and the management of key issues such as migration, in the hands of non-state actors or powerful international players. This in turn shaped the consolidated, mafaised state which Libya eventually settled into.

The opportunities created for people traffickers and armed groups on the western coast of Libya by migration policies led to their ultimately successful attempts to be co-opted⁵ by official bodies in order to institutionalise themselves. This often occurred working alongside the burgeoning counter-smuggling industry to mutually maximise the benefits resulting from European interests and activities. This means that today the Libyan government is unable to effectively control its maritime borders, or its policy tools for migration which remain in the hands of armed groups who have official uniforms without official control. This co-option affects not only the Libyan government's ability to control this issue, but also that of other countries' governments. By making themselves official components of the interior ministry whilst shirking any responsibility or obligation that accompanies that role, Libyan militias positioned themselves for receiving continued training and equipment provided by Europeans to counter smuggling. However, Europeans gained no oversight or influence over either the people trafficking or counter-people trafficking businesses that these militias thrive upon. So, despite the great cost and effort of multiple counter-migration policies, Libya's migration trails have not been shut down but have only been made more convoluted.

⁵ M. Micallef, "[The anti-human smuggling business and Libya's political end game](#)", Institute for Security Studies (ISS), Jan 2018.

In eastern Libya, Haftar took a different approach. Worried about the relationships with individual units, and about access to areas under his control which could be gained through cooperation on migration, Haftar pushed back against Tripolitanian agreements with Italy by threatening⁶ to attack any Italian vessels entering Libyan waters. This has resulted in less visibility over maritime and migratory dynamics in eastern Libya. It has also helped Haftar and his backers craft a false narrative that his securitisation and control over Cyrenaica has allowed them to control migration. Many factors lead to less migration from Cyrenaica than Tripolitania, but it is a persistent phenomenon⁷ and more recently appears to be spiking, as can be seen from the increased number of Egyptian migrants⁸ – who often depart from Cyrenaica to reach Italy and, to a lesser extent, the Greek island of Crete. By effectively scaring off European counter-migration activity, Haftar has allowed himself the space to craft his own narratives, but crucially retains the threat of increasing migration as leverage over Europe – much like Gaddafi once did.

Conclusion: Highly Security-Focused Policies Only Empower Libya's Armed Groups

Libya's mafiaisation has been the product of the environment of anarchy and narrow minded political contestation that has developed since the 2011 revolution. This was evident in the mindset of armed groups who progressed from profiteering towards institutional and economic domination. They have often been helped along the way by international actors,

⁶ R. Sanchez, “Libyan military strongman threatens Italian ships trying to stop the flow of migrants”, *The Telegraph*, 3 August 2017.

⁷ AP, “At Least 19 migrants missing after boat capsizes off coast of Libya”, *The Guardian*, 12 March 2022.

⁸ “Over 18,000 migrants arrived in Italy since beginning of 2022 says government”, *Libya Update*, 1 June 2022.

some of whom actively work to maintain this environment, believing that eventually they and their local proxy will win. For Europeans, a hyper-focus on key interests like migration or counterterrorism has inadvertently resulted in a boomerang effect, securing very short-term goals at the expense of a stable long-term policy. In other cases, Europe's reluctance to confront the role that its choices have played in Libya's corruption and the dark money being continuously pumped from Libya across the Mediterranean means, for Europeans, to lose a key piece of leverage over Libya's elite. This behaviour neglects a key faultline which must be reckoned with if the country is to stabilise, especially given the trickle-down nature of Libya's multifaceted corruption.

Given the problems previously created through hyper-focused policies, and the fact that mafiasation and its symptoms are the product, rather than the cause, of any one particular dynamic, Europe must take a big picture approach if it is to stabilise the heart of the Mediterranean. This means shirking narrow partnerships with particular armed groups or political proxies, and instead supporting a broader policy of political transformation. Whilst this may sound a daunting goal, it can simply involve more active support for the long-established United Nations' goal of instigating political change in Libya through elections. Moreover, Russia, Turkey, the United Arab Emirates and others have shown they are far more effective than Europe at playing the game of proxies, so it behoves Europe strategically and tactically to play on its strengths instead. Through more active management of Libya's elite, including utilising key financial mechanisms to incentivise them to hold elections, and supporting Libyans to craft a strong mandate for the next government, Europe can help Libyans take a big step towards reforming the environment of anarchy into one that can support the reconstruction of a state.

5.2. Yemen's Coastal Lords: The Economics of "Multi-Governed" Maritime Boundaries

Eleonora Ardemagni

In Yemen, the warlord-controlled economy incorporates a significant maritime component. In fact, armed groups – with varying degrees of opposition to or alliance with the internationally recognised government – control most of the country's coastline, port cities and islands, profiting from fees, customs duties and smuggling networks.⁹ Local forces, intermediaries and middlemen make the armed groups' economic webs even more opaque, often due to their hybrid nature. Political-military fragmentation negatively impacts the governance of maritime boundaries, undermining both national sovereignty and regional security. This situation is also complicating the rebuilding of an effective and de-politicised Yemen Coast Guard (YCG), whose goals currently appear to be driven more by external powers' than by national interests.

⁹ I'm grateful to Ahmed Nagi for his precious comments on an earlier version of this chapter.

Houthis are still present in the Red Sea ports of Hodeida, Ras Isa and al Salif. Since 2015, these ports have been subjected to a naval blockade imposed by the Saudi-led coalition to prevent Iranian weapons being smuggled to the Houthis in cargo vessels. In this context, the UN Verification and Inspection Mechanism (UNVIM) is tasked with inspecting commercial ships docking in the area. Close to the Bab el-Mandeb choke-point, the Joint West Coast Forces led by Tareq Saleh (nephew of the former president) and backed by the United Arab Emirates (UAE) control the ports of Khawkha, Mokha and Dhuhab. These forces illegally collect revenues and entry fees for fuel at the Dhuhab checkpoint.¹¹ In the provisional capital, Aden, the UAE-backed Southern Transitional Council (STC) *de facto* controls the city and the deep water port.¹² The same occurs in Mukalla and Ash Shihr (Hadhramawt governorate) with the presence of the STC-affiliated Hadhrami Elite Forces (HEF). The ports of Aden and Mukalla are crucial for shipping traffic between the Arabian Peninsula, the Horn of Africa and Asia; Mukalla is also an entry point for containers.¹³ In the south-eastern governorate of Shabwa, in which “smuggling networks play a crucial role in the continued flow of arms, people, drugs and fuel into the north”,¹⁴ the UAE-backed Shabwa Defence Forces control Balhaf, which hosts the country’s only LNG (Liquefied Natural Gas) terminal. In Mahra, pro-Saudi local forces control the ports of Nishtun and Ghayda, alongside Saudi soldiers. Though an informal economy has always existed along the Yemeni-Omani border, since 2015, the area has turned into a key transit point for smuggling, triggering competition for

¹¹ United Nations Security Council, *Panel of Experts on Yemen*, Final Report 2022, S/2022/50, pp. 13-14.

¹² With an estimated capacity of up to 10,000 TEUs (twenty-foot equivalent units).

¹³ T. Eaton, R. Mansour, L. Khatib, C. Cheng, J. Yazigi and P. Salisbury, *Conflict Economies in the Middle East and North Africa*, Chatham House report, June 2019, p. 19.

¹⁴ *Ibid.*

infrastructure control between local and regional players. In the Socotra archipelago, the STC holds the main port city of Hadiboh, with few UAE soldiers.

Armed Groups, Port Cities and Economic Networks

The armed-group-driven economic networks growing *in and from* Yemeni port cities epitomise the country's black (illicit) and grey (informal) markets and their vague boundaries. According to the *UN Panel of Experts on Yemen 2022*, armed groups have succeeded in controlling local finances through: the confiscation of assets and funds from individuals and entities; the receipt of funding from cross-border sources; engagement in black-market commerce and imposition of illegal fees on the import of fuel and other business activities; counterfeiting, smuggling and the trafficking of narcotics, drugs and psychotropic substances, currency notes, antiques and antiquities; the collection of non-tax revenue and *zakat*; the collection of customs duties and taxes.¹⁵

Yemen's armed groups often collect port fees directly. For instance, the STC allegedly levies fees of about 12 YRIs (Yemeni riyal) per litre on imported fuel passing through the port of Aden.¹⁶ The Houthis continue to collect revenues from the ports of Hodeida, al Salif and Ras Isa, partly exploiting the lack of clarity of the *Stockholm Agreement* which assigns port security to "local security forces" without specifying who should have authority over the Hodeida branch of the Central Bank. In 2020, importers rerouted shipments to the formally government controlled ports of Aden and Mukalla, increasing the total fuel inflow to government held areas.¹⁷ In fact, according to the *International Crisis Group*, only 17% of Yemen's fuel imports

¹⁵ Quotation from the *UNSC Panel of Experts on Yemen*, Final Report 2022, p. 38.

¹⁶ Ibid.

¹⁷ *Brokering a Ceasefire in Yemen's Economic Conflict*, International Crisis Group, Report 231, January 2022, p. 28.

arrived in Houthi-controlled Hodeida in October 2021, compared to 43% in October 2017.¹⁸ This, however, did not affect the Houthis' finances as much as expected: most of Houthi fuel income in 2020 and 2021 "likely came not from taxes and fees at Hodeida, but from their control of the supply chain and sales via the Yemen Petroleum Corporation and the parallel market".¹⁹ Anyway, illicit economic practices are not organised only by armed groups in a country ravaged by chronic corruption, as Yemen is. Businessmen often accuse government officials of asking for bribes in exchange for the approval of shipments, even in Hodeida and despite the presence of the UNVIM.²⁰ In 2019, the recognised government also approved a decree, contested by the Houthis, requiring the payment of customs and taxes before shipments enter the ports of Hodeida province.²¹

Arms Smuggling Routes

Smuggling is another of the economic activities practised by armed groups in Yemen. Against this backdrop, "multi-governed" maritime boundaries become drivers of profit, since they maximise grey markets, opaque supply routes and plausible deniability between groups. At the geographic crossroads between the Arabian Peninsula, Africa and Asia, Yemen has been a focal point for the informal economy at least since Ali Abdullah Saleh's presidency. Routes and entry points have not changed much with respect to the period prior to the 2015 war. With regard to weapons, Yemen was already a heavily armed country. Mukalla (in Hadhramawt) and Ghayda (in Mahra, close to the Omani border) remain entry points for smuggled goods from the Horn of Africa and the Indian Ocean respectively. In particular, smuggled weapons usually enter Yemen on small boats (*dhow*s)

¹⁸ Ibid.

¹⁹ Ibid., p. 31.

²⁰ Ibid., p. 8.

²¹ Ibid., p. 22.

and fishing vessels through Mahra's port cities (mainly Nishtun and Ghayda, however the whole Southern coastline is involved), as well as across land frontiers. The port cities of Mahra are also entry points for drugs coming from the coast of Makran (Baluchistan) between Iran and Pakistan.

Since the war broke out in 2015, new dynamics and actors have emerged, especially connecting local players to regional powers. Since 2015, international naval forces have intercepted twelve consignments of arms (mostly rifles), reportedly destined for the Houthis. Smuggled Small Arms and Light Weapons (SALW) for the Yemeni Northern Shia movement are trafficked from Iran (mainly Jask island) into Somalia, with Puntland (Bosasso) as focal entry point. These are then trans-shipped to Yemen, reaching Houthi controlled areas through the Arabian Sea or the Bab el-Mandeb and the Red Sea.²² According to the *Global Initiative Against Transnational Organized Crime* (GITOC), at least one Somalia-based trafficking network is also "intricately involved in the maritime transfer of SALW from Iran to the Houthis".²³ Some armed groups are unable, or perhaps unwilling to stop rivals' smuggling activities in the areas they hold. For instance, the Joint West Coast Forces in Yemen's Southern Red Sea coast failed to stop the smuggling of small weapons, fertilisers and fuel to Houthi-controlled regions, with negative implications for their image in the eyes of local populations and fighters.²⁴

²² J. Bahadur, *An Iranian Fingerprint? Tracing Type 56-1 assault rifles in Somalia*, Global Initiative Against Transnational Organized Crime (GITOC), Research Report, November 2021.

²³ Ibid.

²⁴ *UNSC Panel of Experts on Yemen...* cit., p. 13.

From Counterterrorism to Anti-Smuggling: Role and Limits of the Yemen Coast Guard

The Yemen Coast Guard (YCG) is mandated to maintain border integrity as well as deter and disrupt illegal activities, included transnational organised crime flows (weapons, drugs, human trafficking), piracy and terrorism. However, the YCG now reflects Yemen's political-military balance on the ground: in other words, it is currently a fractured agency split between Houthi controlled units (Hodeida) and anti-Houthi groups close to the UAE and Saudi Arabia (Bab el-Mandeb and the Arabian Sea). Since the war began in 2015, the YCG has been reduced from 2400 personnel to about 120 in Aden; however, new recruits coming from the armed groups were hired by Tareq Saleh and Saudi Arabia, respectively in Mokha and Mahra. The YCG's headquarters in Sanaa was destroyed, including procedures and processes, and the remaining personnel "are trying to rebuild the Coast Guard based on institutional memory".²⁵ Politicisation has added to the YCG's chronic lack of capacity²⁶ since its foundation in 2002, due to poor resources, equipment and training. During Saleh's presidency, high levels of corruption, even within the YCG, had already contributed to the flourishing of smuggling along the coasts.²⁷ Since 2015, control of Yemeni ports and waters has been divided between the YCG and the Saudi-led Coalition, with the latter controlling the internal access of containers and bulk cargos.

²⁵ United Nations Development Programme-United Nations Office on Drugs and Crime, Joint Programme Document, *Maritime Governance to promote security and safety in Yemen*, 2020-2021 project, 26 February 2020.

²⁶ For instance, suspicious approaches to commercial vessels in the Red Sea were reported: "in at least two cases, the reported suspicious approaches turned out to be hailing by the Yemeni Coast Guard, which was not conducted in line with international procedures". *UNSC Panel of Experts on Yemen*, Final Report 2022, p. 20. On the YCG, see E. Ardemagni, "Rebuilding Yemen's Maritime Forces Hobbled by Internal and External Rivalries", The Arab Gulf States Institute in Washington, Blog post, 6 August 2020.

²⁷ *UNSC Panel of Experts on Yemen*, Final Report 2021, S/2021/79, January 2021.

However, this has not prevented the strengthening of informal economic networks. It is not by chance that, with respect to the 2000s, the YCG has changed its focus from counter-terrorism activities to deter al Qaeda in the Arabian Peninsula (AQAP) to anti-smuggling operations to counter the smuggling of arms to the Houthis. For this reason, since 2020, the YCG has stepped up patrolling activities in the Red Sea (close to the Bab el-Mandeb), and along the Eastern coast near Mahra.

Rebuilding and Reforming the Yemen Coast Guard

Alongside internal efforts, attempts to rebuild and reform the YCG have often been externally driven. This confirms just how critical Yemen's waters are for regional security. In the 2000s, under the framework of the "war on terror", the United States played a decisive role in enabling the YCG to secure the coastline after al-Qaeda's attack on the *US Cole* in Aden (2000) and the events of 9/11. The US provided money and equipment and supported the establishment of a Coast Guard intelligence organisation. Apart from the US, international equipment and training for the YCG, whose officers were selected from the navy and police, came from the UK, France, Germany, Italy,²⁸ Japan, Pakistan and Malaysia. At the National Dialogue Conference (2013-14),²⁹ Yemenis agreed upon the immediate redistribution of 30% of security manpower to naval and coastal defence forces, while recommending that the Coast Guard Authority fill staff shortages, establish infrastructures in the Eastern region, and fully transfer responsibility for border control to the Ministry of Interior.³⁰ Nevertheless, the 2015 war put a stop to the internal implementation of reforms, once again leaving regional powers room for manoeuvre. In fact, since 2016, Saudi Arabia and the

²⁸ In 2012, the Italian Coast Guard trained the YCG. Rome was responsible for training on migration flow management.

²⁹ The assembly tasked to revise the Yemeni constitution.

³⁰ National Dialogue Conference, *Outcomes Document*, 2013-2014.

UAE have begun rebuilding YCG units in Hadhramawt and in the liberated Bab el-Mandeb area, focusing on equipment and training. The Saudi-led coalition handed over responsibility to the YCG in Hadhramawt (in 2018) and then in the Bab el-Mandeb (2019), when the Emiratis left the strategic islands of Perim/Mayyun and Zuqar (Hanish) to the Joint West Coast Forces led by Tareq Saleh. In 2016, the YCG restarted bilateral cooperation and joint drills with the US Navy, also joining the International Mine Countermeasures Exercise (IMCMEX).

Ports, Armed Groups and Yemen's Maritime Border Governance: Whose Security?

Currently, Yemen's commercial ports fall under the black and grey economic systems strengthened by the conflict. However, if stabilisation were to be achieved, they could become drivers of economic recovery, capitalising on the country's unique geographic position. The 2015 war has also severely damaged maritime infrastructures as the result partly of Saudi-led coalition airstrikes, and partly of Houthi missile and drone attacks.³¹ The possibility of effectively tackling smuggling and, more broadly, armed groups' economic networks is practically inexistent without a national peace agreement, starting with a permanent ceasefire. On maritime border governance, there are two complementary levels of action which could improve security and help counter smuggling. The first is regional and international support to reform the YCG involving not only Saudi Arabia and the UAE, but also the US, other foreign powers and international organisations.³² Such reform should

³¹ On September 2021, a Houthi missile and drone attack against the port of Mokha severely damaged the infrastructure after reconstruction. The area was no longer a war zone and the port had just reopened to commercial activities.

³² For instance, since 2018 the United Nations Office on Drugs and Crime (UNODC) has been supporting the rebuilding of the YCG as part of the joint UNDP-UNODC Programme on Maritime Governance to promote security and safety in Yemen, focusing on training but also on gender integration.

be combined with integration efforts: experienced combatants should be integrated into the YCG to maximise local capabilities and disincentive illicit activities while improving coastal and port security.³³ The second level involves multinational naval anti-smuggling initiatives. The establishment of the *Combined Maritime Forces-153* mission in 2022 in the Red Sea, the Bab el-Mandeb and the Gulf of Aden fits this purpose by focusing on international maritime security and capacity building efforts.³⁴

Addressing Yemen's maritime border governance and rebuilding the YCG without a nationwide political agreement among Yemenis is likely to engender two negative results. First of all, doing so would lead to "segmented" Security Sector Reform/Governance (SSR/G) projects.³⁵ Saudi and Emirati restructuring of the YCG in Hadhramawt and the Bab el-Mandeb area, for example, limits prospects for comprehensive SSR/G for coastal and naval forces. Secondly, externally driven projects are likely to prioritise the interests of foreign powers while neglecting practical security concerns and local development in Yemen. This approach would further empower the nation's warlord economies, including their maritime components, rather than contain them.

³³ See E. Ardemagni, *Integrating Yemen's Armed Groups: Pathways of Decentralisation*, ISPI Policy Brief, July 2022.

³⁴ E. Ardemagni, "The CMF-153: Rebuilding US-GCC confidence through maritime security", Middle East Institute, 11 May 2022.

³⁵ E. Ardemagni, "Reassessing the SSG/R Landscape in Yemen: Post-Hybridity and Non-Western Players", in A. Cellino and E. Ardemagni (Eds.), *Institutionalised (In)security: Exploring the MENA Region's Governance Crises*, ISPI-DCAF Report, 2021, pp. 23-40.

Conclusions: How Militias Became Proto-Governments

Federica Saini Fasanotti

In their chapter on elites and military groups in Yemen, Mareike Transfeld and Ahmed al-Shargabi argue that “the concept of the state, which is conventionally understood as a sovereign territory, governed by an authority holding the monopoly over the legitimate use of force and the allocation of revenues, is not useful as a lens to understand actors and structures, as well as the distribution of power in Yemen”. This sentence could equally be applied to the Libyan reality.

Indeed, this Report reveals many commonalities between these two states, which have been victims of decades-long conflicts. Both possess state institutions that are practically non-existent and internally divided, with no real capacity for governing a profoundly tribal and clan-based reality, where unaccountable self-governance is the tradition and well-armed militias create political realities on the ground. These conditions are especially true for Libya, where the contours, features and power of the militias have increasingly been relied upon since the fall of Muammar Gaddafi in 2011. The militias, unchecked, have not only kept the armaments collected during the revolution in their own hands but, in defiance of any embargo, have increased the number of light and heavy weapons.

In countries where the central government counts for very little, the militias have found fertile ground and become more and more entrenched, permeating the fabric of civil society and

controlling it. These groups function in precisely the same way as those politicians who over the years have shown themselves utterly incapable of governing for the good of the country and instead have governed solely for their own benefit. This kind of attitude has led to a *mafiasation* of the state – as Tarek Megerisi writes – which is now a hollowed-out shell, totally devoid of any managerial capacity. The fact, then, that both Libya and Yemen are oil producers, albeit on different scales, has only exacerbated another evil that is endemic to these places: corruption. The extent and pervasiveness of bribery has captured the few existing organised state institutions, and their officials openly and brazenly display their corruption for all to see, as observed by Eleonora Ardemagni, on the subject of Yemeni coastal lords. A *modus operandi* now made official in a society that is still unable to produce viable alternatives to ruling classes totally incapable of managing, or unwilling to manage, what the Latins called the *res publica*, the common good, meaning the State – a State now considered in Libya and Yemen as an institution to be parcelled out, multi-governed, and nearly feudal in some respects.

But How Was This Possible?

The reasons are obviously many and with different nuances depending on the country to which we refer. Yet it is possible to identify an initial wound from which the disease developed, without the international community being able to stem it but becoming, rather, not just the cause but also the exacerbating factor of its deterioration.

Yemen and Libya are two countries that first and foremost suffered from European colonisation. A colonisation that certainly did not result in the creation of strong, sustainable post-colonial institutions. On the contrary, they have proved to be extremely fragile and at the mercy of the currents of a sea of political instability that, especially in recent years, has often been very difficult to navigate for recently independent countries. In

short, they have been unable to respond to the violence that has formed from below – after the Arab Spring and its subsequent developments – at first spontaneously, and over time in an increasingly structured manner, to the point of taking the place of the state itself at many junctures in the affairs of state and the life of civil society. This can be seen very clearly in Yemen, where militias manage the oil business and directly cash in its proceeds, enriching themselves disproportionately at the expense of their honest countrymen. A similar situation has developed in Libya, where militias function in many respects, if not completely, in the manner of a criminal cartel that has captured the country's state institutions, becoming for all intents and purposes a fundamental lifeline for the survival of the various governments that have succeeded one another in Tripoli.

Militiamen have blended in among state-run security forces, and have often cannibalised them, leaving only an ephemeral shell that, in reality, only serves as a façade behind which to act. These groups then proceed to plunder as much of what remains of the nation as possible. This is a process that unfortunately has too often been underestimated by the international community, perhaps because it is not fully understood.

When Can a Democracy Be Called a Democracy?

There has often been talk, especially regarding Libya, of elections as a panacea for all ills. The United Nations, through the United Nations Support Mission in Libya (UNSMIL), has fought hard to get Libya to have transparent elections after the last ones held in 2014 which led to the de facto division of the country into two areas of influence connected to the governments in Tripoli and Benghazi respectively. In a state where the last three governments were extraordinarily fragile, artificial products and not at all representative of the will of the people, elections were assumed by international actors to provide the only chance for the country to achieve the longed-for “democracy.” This was a major miscalculation, because it is actually the institutions that

are the principal reflections of a healthy democracy, not the democratic process of voting. And as we have just said, in Yemen and Libya these very institutions are suspect, an empty house of cards, riddled with corruption and without the substantive capacity to serve anyone but their militia masters. “Sometimes, they lack motivation to actually *defeat* the insurgents”, as Vanda Felbab-Brown correctly points out. Moreover, they are unable to gain and sustain a monopoly of force, the traditional writ of a functioning government, and thus to guarantee the basis on which a democracy can grow: stability. In an unstable environment in which they are free to proliferate, militias are even in competition with local governments, which eventually – being unable (or unwilling, as we said) to keep them in check – end up incorporating the militia in a sort of criminal capture of the state. In substance, whether we are referring to Libya or Yemen, the majority of the armed groups’ leaders are able to control key or critical infrastructures, exploit energy resources and its revenues, as well as control the smuggling routes used to transport weapons, drugs and migrants not only on land but also in the waters of the Mediterranean. For all intents and purposes, some of these militia groups have taken on the trappings of transnational criminal networks.

Because of their constant expansion within the social fabric, these “parastatal” armed groups have also begun to take on an increasingly prominent political role in recent years, almost turning themselves into classic “political actors”. In a nutshell, warlords, unchecked and left free to operate across society, underwent an important metamorphosis by becoming lords of the state, increasingly gaining a degree of political significance comparable to that of medieval warlords who held economic, social, military and thus also political control of their territories.

Faced with this “oligopoly of force”, it is extremely easy for external actors to intervene, as happened for example in Italy between the 15th and 19th centuries, spoiling even more the prospects for what should have been the country’s nationalisation process. Warlords sign agreements with Saudi

Arabia and the United Arab Emirates if we are in Yemen, or with Russia, Qatar, Turkey and even the UAE or Egypt if we are in Libya, while their respective local governments observe in silence.

How Then To Stop This Evil Trend?

The solution for the creation of a democratic and functioning governance is not simple and especially not just one, and has to do with the geographical as well as the social, economic and political dimension. Therefore, the answer is complex, and utterly defies any simple solutions targeted at containing and weakening militias, regardless of the chessboard they are on. Socioeconomic reforms are also needed at the same time to address the social issues that have led to the proliferation of armed groups. But these solutions, unlike what has been done so far, for example in Libya, cannot begin the process of democratisation of these states with general elections. The stability needed for any electoral processes can only be achieved through territorial control, usually exercised by the state through a credible and legitimate monopoly of force. But since the state is latent, it is crucial to exercise such control in some other way, including, if necessary, with a foreign contingent for a limited period of time. The militia phenomenon is first and foremost socioeconomic, and it is with social and economic instruments that it must be remedied, but it is also military and it cannot be solved without the use of force. A final point worth considering is the increasing potential for militia groups – acting, as we've said, as both proto-governments and transnational criminal networks – to exploit and capitalise on the human misery emerging to such a large extent from the effects of climate change. As the numbers of climate migrants explodes across the African continent, these groups will become even more involved in the business of human trafficking within Africa, and into the Middle East and Europe, increasing the tragedy of migrants and destabilising migrant destinations in the Middle East and Europe.

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TÜRKIYE IN THE MENA REGION

A FOREIGN POLICY RESET

edited by **Valeria Talbot**

introduction by **Paolo Magri**



ISPI

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Introduction

In recent years, geopolitical and economic imperatives have been a major driver of Türkiye's efforts to reset relations with regional competitors in the Middle East and North Africa (MENA) region. Against a backdrop of disruption caused by the Covid-19 pandemic, as well as profound geopolitical transformations triggered by the redefinition of the United States' role in the region, a widespread sense of conflict fatigue and the redefinition of intra-regional equilibriums, Ankara's renewed diplomatic activism has been guided by two main considerations. First, the need to break its isolation, as Türkiye can no longer afford the cost of its assertive foreign policy and of fierce geopolitical competition in a region where détente now seems to be the new mantra. This appeared particularly clear after the 2020 Abraham Accords between Israel and some Arab countries as well as the 2021 al-Ula Agreement that put an end to the intra-Gulf Cooperation Countries (GCC) crisis. Second, the need to attract foreign investment and cash injections to relieve Türkiye's deteriorating economy.

In light of the evolving regional dynamics and pressing domestic needs, Türkiye has therefore progressively put aside the ideological approach adopted after the 2011 Arab uprisings and assumed a more pragmatic stance, trying to overcome the (geo) political and ideological fractures that have affected its regional relations over the past decade. Relying on geopolitical, economic and energy relations, Türkiye has been particularly proactive in its push for normalisation. In this regard, de-escalating tensions

and mending fences with regional countries, from Israel to the wealthy Gulf monarchies, have been at the top of Ankara's foreign policy agenda in the MENA region. Efforts to reopen channels of dialogue have also been made with Egypt, and even Syria, though with mixed results. These efforts intensified in the wake of the so-called "earthquake diplomacy" that began after the catastrophic seism that devastated Türkiye's southern provinces and Syria's northern areas in early February 2023. However, rapprochement processes with Middle Eastern countries have followed different, and often uneasy, paths. While in some cases it has been relatively straightforward to repair relations and find common ground for cooperation, other countries have been hesitant, or even reluctant, vis-à-vis Ankara's overtures. Against the backdrop of strained relations and deep-seated distrust (especially from Damascus), rapprochement with Syria remains the most complex and thorny dossier for Ankara, as many sticking points are still unsolved.

Since Erdoğan's re-election in May 2023, Türkiye's foreign policy activism has gained new momentum. This Report, which comes at a time of intense high-level diplomatic exchanges, aims to analyse Ankara's policy towards its MENA neighbours, highlighting opportunities for enhanced cooperation, obstacles to overcome on the way to full normalisation, and the reverberations of this new conciliatory policy on regional stability and beyond.

In the first chapter, starting from an analysis of the evolution of the rapprochement processes between key players in the Middle East, Ali Bakir focuses on Ankara's efforts to break its regional isolation and normalise relations with the United Arab Emirates (UAE) and Saudi Arabia. While the economic incentives behind these efforts cannot be understated, especially for the defence, technology, and tourism industries, this rapprochement also has an important geostrategic dimension. In contrast with the rapid rapprochement between Türkiye and the UAE, reconciliation between Ankara and Riyadh has been gradual and slow. Despite this, steps to end a decade of tensions

have been taken, breeding a new era of cooperation and shared interests between Türkiye, the UAE, and Saudi Arabia in the face of evolving challenges in the MENA region. In conclusion, the author considers that finding the right balance between the interests and concerns of all players is crucial to push forward this positive momentum.

In the second chapter, Gallia Lindenstrauß tackles the uneasy relationship between Türkiye and Israel. The process of rapprochement between these two regional powers has not been without obstacles: after reaching a “cold peace” in 2016, the fragile attempt at détente collapsed under the weight of the two states’ divergent strategic interests only two years after the agreement was signed. However, in spite of Israel’s initial hesitancy, in the wake of 2020 regional and international changes, a new and more successful endeavour started. Despite frictions, in particular on the Palestinian issue, on several occasions Türkiye has proved its willingness to rebuild confidence with Israel, taking also into account the potential of economic and energy cooperation; as a result, at the end of 2022, both countries appointed ambassadors. While the process needs to be further consolidated, looking at the historic continuity in bilateral relationship, a break-up like the one that occurred in 2016 seems unlikely at this stage, given also the growing economic ties between the two actors.

The challenges of Türkiye’s slow and arduous rapprochement with Egypt are explored by Meliha Altunışık. While the two countries have been on opposite sides on several issues, from support for the Muslim Brotherhood to the Libyan crisis, the Eastern Mediterranean and influence over the Horn of Africa, they have been able to compartmentalise their political divergences for the sake of economic interests, permitting their free trade agreement to survive tumultuous times. Aware that closer and deeper ties would offer even greater opportunities in the fields of economy, energy and transport, the two countries have intensified their dialogue, finally resulting in the upgrading of diplomatic relations after Türkiye’s May presidential and

parliamentary elections. While Libya remains the main sticking point at the bilateral level, both Ankara and Cairo agree that the stability of the North African country is a common goal.

Ankara's interests in Libya and their interrelation to geopolitical, economic and energy dynamics at regional level are analysed by Evrim Görmuş. The maritime border dispute between Türkiye and its Eastern Mediterranean neighbours, the need to emerge from regional isolation as well as economic and energy interests led Ankara to engage in the North African country by supporting the UN-recognised Government of National Accord (GNA). The signature of two memoranda of understanding – one on the delimitation of maritime borders in the Mediterranean Sea and the other on security and military cooperation – with the GNA in November 2019 opened the way to Türkiye's intervention, which changed the trajectory of the Libyan civil war by June 2020, and established a permanent military presence in the country that has contributed to increasing Türkiye's bargaining power in the Eastern Mediterranean maritime borders dispute. While the stability of Libya is crucial, it is unclear how Ankara's Libya policy will proceed and how it will find the right balance between the different interests at stake.

In the last chapter, Güney Yıldız examines Ankara's Syria policy in light of the complex past and present bilateral ties. The Türkiye-Syria relationship is directly related to the security issue, due to the long border shared by the two regional actors, and the Kurdish question, which has its roots in the ashes of the dissolution of the Ottoman Empire. For this reason, bilateral ties have undergone considerable changes over the past decades. The presence of an offshoot of the Kurdistan Workers' Party (PKK) in Syria, the People's Protection Units (YPG), and Ankara's desire to establish a regime in Damascus that favours Türkiye's strategic projection in the region led Erdoğan to break with Assad, sponsor opposition movements and deploy Turkish armed forces on Syrian territory in 2015 (initially against the Islamic State and later to contain the YPG). Today, Ankara

recognises that the Assad regime is likely to remain in power and could be a useful ally in containing Kurdish aspirations and repatriating Syrian refugees that live in Türkiye. However, the Syrian civil war has reshaped alliances and rivalries, adding further complexity to regional dynamics and the goals Ankara seeks to achieve with its Syrian agenda: to revoke Kurdish gains and support a kind of autonomy for pro-Turkish groups – two conflicting objectives between which Ankara must disentangle itself.

Paolo Magri
ISPI Executive Vice President

1. Türkiye, UAE and Saudi Arabia: A New Era of Cooperation in a Changing Regional Landscape

Ali Bakir

Since the end of 2020 and the beginning of 2021, the Middle East has been witnessing a rare moment of regional de-escalation, marked by a series of rapprochement and normalisation processes between key regional players. A combination of local, regional, and international factors brought these parties closer together, chief among them the defeat of Donald Trump in the United States presidential elections in November 2020, regional power fatigue, the economic impact of the Covid-19 pandemic, and the al-Ula Agreement that put an end to the 2017- Gulf Cooperation Council (GCC) crisis and blockade against Qatar.¹

As a result, the United Arab Emirates (UAE) reached out to Iran at the end of 2020 and Saudi Arabia reached out to Qatar at the beginning of 2021. Afterwards, intensive diplomatic engagements kicked off between Egypt and Qatar, Türkiye and Egypt, Türkiye and Israel, and Saudi Arabia and Iran. Among the most notable of these normalisation processes characterised by decreasing tensions and renewed diplomatic engagement are the UAE's normalisation with Türkiye and Türkiye's normalisation with Saudi Arabia.

¹ A. Bakir, "The 2021-2022 "De-Escalation Moment" in the Middle East: A Net Assessment", *Insight Turkey*, Spring 2022, vol. 24, no. 2, 2022, pp. 55-66.

The thaw in relations between these key players can be attributed to the recognition of the need for stability and cooperation in the face of shared challenges. The repercussions of the Russian invasion of Ukraine as well as the intensification of great power competition in the Middle East further confirmed this trend. Economic and geopolitical factors have also played a crucial role in driving these normalisation processes, as Türkiye, the UAE, and Saudi Arabia seek to diversify their economies, and explore new avenues for collaboration in a rapidly evolving regional landscape.

In this chapter, we will delve into the factors that contributed to Türkiye's rapprochement with the UAE and Saudi Arabia, and examine the dynamics of the normalisation process, the underlying motives, and implications on the bilateral and regional levels. By exploring the economic and geopolitical dimensions of Türkiye's engagements with the UAE and Saudi Arabia, we aim to shed light on the evolving nature of normalisation and the prospects of these relations.

From Discord to Partnership: The Reformation of UAE-Türkiye Relations

Evolution of the normalisation process

The rapid rapprochement between the UAE and Türkiye was particularly noteworthy, given the strained relations between the two countries over the past decade. The driving force behind this reconciliation was a transparent and focused agenda that centred on the mutual advantages of enhancing trade, investment, and business relations for the benefit of both nations as well as on geopolitical necessities and the need to diversify partners and allies in the age of the US decline and pivot to Asia.

In a surprising turn of events at the beginning of 2021, Abu Dhabi displayed conciliatory gestures towards Ankara, a

mere two months after the UAE's State Minister of Foreign Affairs, Anwar Gargash, criticised Türkiye's military base in Doha.² On 7 January 2021, the same Emirati official informed Bloomberg that the UAE harboured no animosity towards Türkiye, emphasising that his country is Türkiye's primary trade partner in the Middle East.³ Subsequently, on 10 January 2021, Gargash conveyed to the Abu Dhabi-based Sky News Arabia channel that the UAE seeks to normalise relations with Türkiye, provided that mutual respect for sovereignty is maintained.⁴ The revised Emirati rhetoric highlighted the absence of any significant long-term issues with Türkiye, such as border disputes.

From the emerging Emirati perspective, the normalisation represents a favourable opportunity to forge connections between the UAE and Türkiye. Prior to these public statements, Abu Dhabi had discreetly implemented several positive measures towards Türkiye. These included the easing of restrictions on the mobility of Turkish businesspeople and the facilitation of commercial interactions between the two nations. Additionally, the Emiratis recommenced their daily flights to Istanbul on 21 December 2020.⁵

Irrespective of the underlying motivations for the UAE's decision to pursue de-escalation with Türkiye, Ankara responded positively to the Emirati overtures. In January 2021, Turkish officials welcomed the conciliatory statements from the UAE but called for tangible actions to accompany them.⁶ Türkiye's Foreign Minister Mevlüt Çavuşoğlu asserted that Ankara

² "UAE official says Turkish base in Qatar destabilises region", *Reuters*, 10 October 2020.

³ A.A. Omar, L. Odeh, and M. Cranny, "Gulf States to Resume Trade, Air Links With Qatar in Days", *Bloomberg*, 7 January 2021.

⁴ Interview with UAE's State Minister Anwar Gargash, *Sky News Arabia*, 10 January 2021.

⁵ F. Kozok, Z. Fattah, and S. Westall "Gulf States Extend a Hand to Turkey in Wary Move to Ease Tensions", *BNN Bloomberg*, 3 February 2021.

⁶ R. Soylu, "Turkey welcomes UAE's positive statement on relations, but not yet fully convinced", *Middle East Eye*, 12 January 2021.

would reciprocate any sincere, concrete, and constructive steps taken by the Emirati side.⁷ In April 2021, Ankara appointed a new Turkish ambassador to the UAE, reflecting a commitment to improving political and diplomatic relations.⁸ The Emirati reaction was prompt, and for the first time in five years, the UAE's Foreign Minister, Abdullah bin Zayed, initiated a phone call with his Turkish counterpart on 22 April. The two officials exchanged congratulatory messages in honour of the holy month of Ramadan. The Turkish side regarded this interaction as both courteous and significant, particularly given the absence of such engagement over the previous five years.⁹

Following these positive developments, and a paradigm shift from the previous high tensions, the UAE and Türkiye embarked on a series of high-level engagements aimed at bridging the gap between them, normalising relations, and fostering bilateral ties on all levels. In August 2021, the UAE's National Security Adviser, Sheikh Tahnoun bin Zayed, made an unprecedented visit to Ankara, engaging in talks with President Recep Tayyip Erdoğan concerning Emirati plans to bolster economic relations and invest in Türkiye.¹⁰ Subsequent to this visit, Erdoğan and Abu Dhabi Crown Prince Mohammed bin Zayed partook in a significant phone conversation, where they deliberated on enhancing bilateral ties and regional matters.

A testament to the positive shift in relations was UAE presidential adviser Anwar Gargash's description of the call as being both friendly and positive, indicating a paradigm shift in UAE foreign policy towards constructive engagement.¹¹ Soon

⁷ O. Duru and N. Yuzbasioglu, "Turkey, Egypt in diplomatic-level contacts", *AA*, 12 March 2021.

⁸ "Turkey ambassador appointed to UAE as regional rivals ease tensions", *The New Arab*, 4 May 2021.

⁹ Z. Demirci, "Foreign ministers of Turkey, UAE speak over phone", *AA*, 22 April 2021.

¹⁰ "Turkish President receives Emirati delegation led by Tahnoun bin Zayed", *Emirates New Agency WAM*, 18 August 2021.

¹¹ "Erdoğan-MBZ phone call 'positive, friendly': UAE", *Daily Sabah*, 31 August 2021.

after, Abu Dhabi took several measures to cement the détente including the closure of the Istanbul office of UAE-based Sky News Arabia in November 2021.¹² During the same month, a meeting between Saif bin Zayed al-Nahyan, the UAE Deputy Prime Minister and Interior Minister, and Türkiye's Interior Minister, Suleyman Soylu, took place in Italy.¹³

A new era begins

A significant event occurred on 24 November 2021, when Abu Dhabi's Crown Prince, Sheikh Mohammed bin Zayed al-Nahyan (MbZ), visited Türkiye, an unprecedented gesture since 2012. President Erdoğan received his Emirati guest with an official reception that included the rolling out of a unique turquoise carpet and a cavalry procession.¹⁴ This visit was met with substantial foreign attention considering the countries' erstwhile antagonism. It resulted in the signing of ten memorandums of understanding (MoUs) and agreements in various sectors including investment, finance, trade, energy, and environment.

This marked a shift towards more collaborative economic relations. A memorandum of understanding was also signed between Abu Dhabi Development Holding, chaired by Mohammed bin Zayed, the Turkish Wealth Fund, and the Turkish Presidency Investment Office, indicating a willingness for increased financial cooperation. Additionally, the Turkish and Emirati central banks also signed a cooperation agreement, laying the groundwork for a currency swap deal.¹⁵

¹² "UAE-based Sky News Arabia closes Turkey office after controversial report on S-400 missiles", *The New Arab*, 5 November 2021.

¹³ "Turkey's interior minister meets UAE counterpart in Rome", *Abval*, 19 November 2021.

¹⁴ A. Bakir, "Is the UAE moving to replace Qatar as Turkey's top Gulf partner?", *Ammaj Media*, 26 November 2021.

¹⁵ "Erdoğan hosts MBZ as Turkey, UAE seek to repair bilateral ties", *Daily Sabah*, 24 November 2021.

On the following day, Emirati officials engaged with Türkiye's ambassador to Abu Dhabi, Tugay Tüncer, a move that was reciprocated when Türkiye's Foreign Minister announced a planned visit to the UAE in December 2021, which in turn paved the way for President Erdoğan's official visit to the UAE in February 2022, the first of its kind since 2013. Erdoğan's significant visit was marked by a lavish reception, a cavalry procession, a 21-gun salute, and an aerial show. Additionally, the Burj Khalifa was lit up in the colours of the Turkish flag, demonstrating the UAE's intent to solidify better relations.¹⁶

On that occasion, thirteen bilateral agreements were signed, accompanied by discussions of a free-trade agreement and a letter of intent on defence industry cooperation, signalling a new epoch in Türkiye-UAE relations. Both countries emphasised the importance of bilateral relations for regional stability and prosperity. Mohammed bin Zayed assured that his country is "keen to strengthen its emerging partnership with Türkiye amid the rising regional challenges and is looking forward to jointly tackle these challenges through dialogue, understanding, and consultation".¹⁷ Similarly, Erdoğan stressed, "cooperation between Türkiye and the UAE is the key to peace, stability, and prosperity in the region". To further emphasise his point, Erdoğan said that "the security, stability, and prosperity of Türkiye is interlinked with the Gulf".¹⁸

This mutual interest was reflected in the UAE's substantial investment in Türkiye, including plans to establish a US\$10 billion fund for strategic investments and a nearly US\$5 billion currency swap agreement,¹⁹ showing a significant financial commitment to improve ties and signalling an interest in bolstering economic relations. As part of the economic

¹⁶ A. Bakir, "Cementing the Emerging UAE-Turkey Relationship: The Iran Factor", *AGSIW*, 25 February 2022.

¹⁷ *Ibid.*

¹⁸ *Ibid.*

¹⁹ J. Malsin and C. Ostroff, "Turkey Takes \$5 Billion Lifeline From Old Rival U.A.E.", *The Wall Street Journal*, 19 January 2022.

cooperation, the UAE demonstrated an interest in Türkiye's burgeoning defence sector too, becoming the fourth-largest importer of Turkish defence equipment in 2021.²⁰ The two nations agreed on regular meetings to ensure the development and progression of their collaborative efforts.

These developments are pivotal in the process of normalising relations between Türkiye and the UAE, as they are focused on strengthening political and diplomatic interaction, economic ties, defence cooperation, and regional stability. They carry several important indications for various reasons. Firstly, the diplomatic thaw marks the end of a period of tension and ushers in a new era of cooperation. This is not only beneficial for the bilateral ties but also contributes to regional stability. The signing of MoUs and agreements in various sectors such as investment, finance, trade, energy and the environment is an important step towards realising the shared objectives of this normalisation between the UAE and Türkiye. Secondly, the high-level official visits and engagements underscore the seriousness of the intent to foster stronger ties. They have allowed officials from both sides to discuss and address common challenges and opportunities in a more open, frank, and constructive manner. The fast pace of the positive developments in the bilateral relations closed the gap between their previous positions and cemented the normalisation process.

Lastly, these events have sent a clear message to other regional players and the international community at large that both actors are committed to dialogue and cooperation as a means to resolve differences and promote shared interests.

²⁰ A. Bakir, "Cementing the Emerging UAE-Turkey Relationship: The Iran Factor", cit.

The underlying motives and prospects of normalisation

Regardless of the Emirati motives, Türkiye's reasons behind the normalisation with the UAE are multifaceted. Primarily, the geopolitical and economic benefits are undeniable. The UAE is one of the strongest economies in the Middle East and an influential player in regional politics. Normalising ties with the UAE can enhance Türkiye's political leverage and economic outlook. In March 2023, the UAE and Türkiye signed the Comprehensive Economic Partnership Agreement (CEPA) that aims to raise the volume of bilateral trade between the two countries to US\$40 billion in the next five years.²¹

Moreover, the Emirati interest in Türkiye's burgeoning defence sector provides opportunities for the defence industry to expand and flourish at a much-needed time. In March 2021, Tawazun, the defence and security acquisitions authority of the UAE's armed forces, entered into discussions with Baykar Technology of Türkiye, a manufacturer renowned for the indigenous Bayraktar TB2 drone. These discussions were held over a period of several months and culminated in the UAE making an enticing US\$2 billion offer.²²

This proposal encompassed Abu Dhabi's demand for an assortment of 120 TB2 drones, ammunition, command and control units, and training. During a meeting with the Central Executive Committee of the Justice and Development Party (AKP) in July 2021, Turkish President Recep Tayyip Erdoğan disclosed that the UAE proposed the construction of a factory for the TB2 drone in Abu Dhabi.²³

Finally, given the volatile nature of the regional landscape, maintaining good relations with all players is key to regional stability and security. The normalisation of relations with the

²¹ Presidency of the Republic of Türkiye, "[Turkey, United Arab Emirates sign trade agreement](#)", Directorate of Communication, 3 March 2023.

²² A. Bakir, "[The UAE just received twenty drones from Turkey. What's the backstory?](#)", Atlantic Council, 16 November 2022.

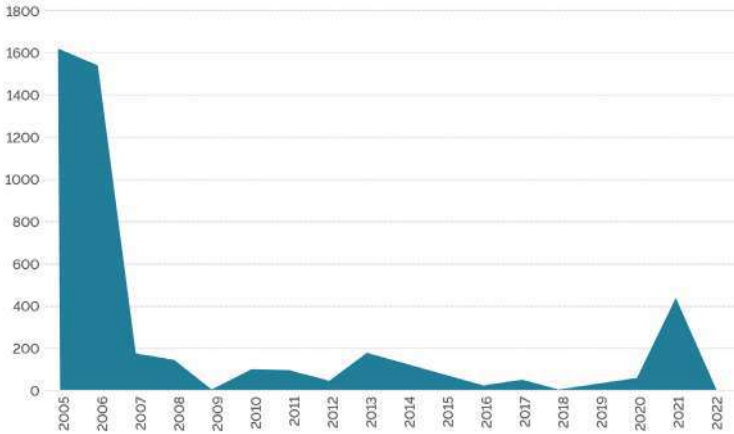
²³ Ibid.

UAE can play a critical role in fostering a stable environment conducive to economic growth and development, especially after a period of tension between the two regional players in several theatres including Syria, Iraq, Libya, Qatar, and the Eastern Mediterranean, among others.

The normalisation with UAE helps Türkiye consolidate its gains in several regional theatres, halts the zero-sum power struggle in the Middle East, and allows the country to cash in its gains in these regions. It will also provide an opportunity to attract much needed foreign direct investments to the country, helping, in conjunction with other measures taken to address the economic challenges, to stabilise the economic situation and attract investments that will allow the defence industry to continue to grow.

On the bilateral level, the normalisation process has already led to substantial economic commitments and potential growth in trade and investment. The renewed relationship also opens the door for deeper cooperation in areas such as defence, technology, and tourism. On the regional level, the normalisation could lead to a reshaping of alliances and balances of power. This could also influence other countries in the region to follow suit, creating a more harmonious and cooperative regional environment. It could potentially contribute to resolving regional conflicts and promoting peace and stability.

FIG. 1.1 – THE ANNUAL EMIRATI FDI TO TÜRKİYE



ISPI

Source: Compiled by the author from [Türkiye Cumhuriyet Merkez Bankası](#) (TCMB) data

The latest victory of President Erdoğan and the People’s Alliance, led by the Justice and Development Party, in the general and presidential elections of May 2023 further deepened the Emirati-Turkish normalisation and upgraded the bilateral ties to a new level of strategic partnership. Only three days after Erdoğan’s election victory, Abu Dhabi ratified the CEPA with Ankara,²⁴ a move that could potentially increase bilateral trade to US\$40 billion within a few years, meaning that Abu Dhabi will consolidate its position as the unchallenged economic partner of Türkiye in the Gulf.

²⁴ “UAE and Turkey ratify comprehensive partnership agreement”, *Reuters*, 31 May 2023.

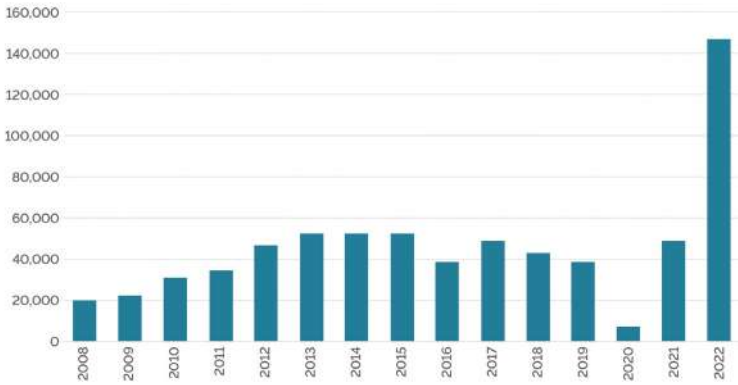
Furthermore, UAE's President, MbZ, became the first Gulf leader to visit Türkiye and meet Erdoğan following his election victory and 3 June inauguration. The visit saw the two leaders "discussing bilateral ties, watching a soccer game together and walking hand-in-hand after dining at an Istanbul restaurant".²⁵ According to the Emirati President, the discussions included ways to further strengthen economic cooperation and the strategic partnership between the two nations, and promote regional stability.²⁶ Erdoğan's A-team, consisting of Vice President Cevdet Yılmaz and Treasury and Finance Minister Mehmet Şimşek, paid its first foreign visit to the UAE on 22 June to explore further opportunities for economic cooperation.²⁷ The future prospects of normalisation with the UAE are promising if the current trend continues. However, several regional and international dynamics might affect the prospects of these relations and adjust the course or even alter it completely, including the US presidential elections in 2024. Having said this, the two actors are currently committed to building on the progress made so far and expanding their cooperation in various sectors. Regular meetings between officials from both countries will ensure the continuity and progression of these collaborative efforts.

²⁵ "Turkey's Erdogan runs soccer diplomacy with UAE, Libya at Champions League final", *Al-Monitor*, 12 June 2023.

²⁶ Ibid.

²⁷ "Turkish vice president, finance minister in UAE ahead of President Erdogan's visit", *Anadolu Agency*, 22 June 2023.

FIG. 1.2 – ANNUAL NUMBER OF EMIRATI TOURISTS IN TÜRKIYE



Source: Ministry of Culture and Tourism Türkiye

From Rift to Reconciliation: An Insight into the Saudi-Turkish Normalisation Process

The relationship between Türkiye and Saudi Arabia has been marked by tension and mistrust in recent years. In 2017, Saudi Arabia, the UAE, Bahrain, and Egypt imposed a blockade against the small gas-rich country and Ankara's primary ally in the Gulf, Qatar. Although the crisis put Riyadh and Ankara on a collision course, Türkiye tried to maintain good ties with Saudi Arabia and resolve the crisis quietly through backdoor diplomacy. Accordingly, President Erdoğan sent a secret delegation to Riyadh spearheaded by his chief adviser Ibrahim Kalin.²⁸ However, the Saudis did not change their

²⁸ A. Bakir, "The Evolution of Turkey - Qatar Relations Amid a Growing Gulf

course, prompting Türkiye to expedite its military deployment in Doha, thus spoiling the plans of the Saudi-led bloc to subdue Qatar.

The murder of Saudi journalist Jamal Khashoggi by a Saudi hit team at his own country's consulate in Istanbul, in October 2018, worsened Turkish-Saudi relations significantly and in an unprecedented way. Saudi officials tried to pin the disappearance of Khashoggi on Türkiye in the beginning,²⁹ however, soon after the Turkish intelligence (MIT) determined precisely how Khashoggi was assassinated by a Saudi hit team, Ankara pressed the Saudi authorities hard on the global stage and went after Crown Prince Mohammed bin Salman (MBS) without actually naming him.³⁰ Yet, the fact that the Saudi Crown Prince was not punished for this by the international community put Türkiye in a critical position.

The normalisation course

Soon after, regional and international dynamics changed, forcing the two countries to come closer to each other. In late 2020, the two nations started taking steps towards rapprochement and normalisation. Unlike the normalisation between the UAE and Türkiye, that between Türkiye and Saudi Arabia was long, hard, and cold. Efforts to mend the diplomatic relationship between Türkiye and Saudi Arabia commenced on 30 October 2020, when the Saudi Minister of Foreign Affairs, Faisal bin Farhan al-Saud, expressed condolences for the tragic earthquake in Türkiye's Izmir,³¹ a statement that went largely unnoticed given the informal boycott of Turkish goods in Saudi Arabia.

Divide”, in A. Krieg (ed.), *Divided Gulf: The Anatomy of a Crisis*, Singapore, Palgrave Macmillan, 2019, p. 209.

²⁹ Saudi Press Agency, 4 October 2018,

³⁰ B. Aliriza, “Erdogan, Trump, and the Khashoggi Murder”, Center for Strategic and International Studies (CSIS), 12 December 2018.

³¹ M. Semiz, “Arab nations condole with Turkey after deadly quake”, *AA*, 31 October 2020.

Following this statement, King Salman directed the Salman Center for Relief and Humanitarian Action to provide support to the Turkish population affected by the Izmir earthquake, underscoring a sense of brotherhood.³² On 21 November 2020, King Salman initiated a phone call to Türkiye's President Erdoğan. The leaders agreed to maintain open lines of communication to augment bilateral relations and resolve lingering issues.³³ Concurrently, Saudi Foreign Minister Prince Farhan affirmed the positive and friendly status of the Saudi-Turkish relationship.

Notably, at the conclusion of the G20 summit hosted virtually by Saudi Arabia on 22 November 2022, Erdoğan congratulated Riyadh on its successful hosting of the event.³⁴ During a meeting at the end of that month between the Turkish Foreign Minister Mevlüt Çavuşoğlu and his Saudi counterpart, on the sidelines of the 47th session of the Organization of Islamic Cooperation, Çavuşoğlu emphasised the criticality of the bilateral relationship with Saudi Arabia, indicating the sincerity of their dialogue and the potential regional benefits of robust Turkish-Saudi ties.³⁵

These developments, though not amounting to complete reconciliation at the time, signified a positive shift in Saudi-Turkish relations, arguably in anticipation of potential policy shifts under the new Biden administration in the US. During his campaign for presidency in 2020, Joe Biden labelled Saudi Arabia as a “pariah”, vowed to institute an arms embargo on Riyadh, and insisted that Saudi leaders would “pay the price” for the murder of Jamal Khashoggi, which the US intelligence

³² “King Salman orders urgent aid to earthquake-hit Izmir”, *Arab News*, 6 November 2020.

³³ “Turkey’s Erdogan, Saudi king agree to solve issues through dialogue - Turkish presidency”, *Reuters*, 20 November 2020.

³⁴ “G20 summit can be critical in curbing pandemic’s fallout”, *AA*, 22 November 2020.

³⁵ Ministry of Foreign Affairs, Republic of Türkiye, “Participation of Foreign Minister Mevlüt Çavuşoğlu in the 47th Session of the Council of Foreign Ministers of the Organization of Islamic Cooperation, 26-28 November 2020”,

agencies concluded was approved by Saudi Crown Prince MbS.³⁶

Biden's position was one of the main reasons to bring Saudi Arabia and Türkiye closer to each other on the regional level. Yet, at a certain point, progress in the rapprochement process led primarily by King Salman was stalled by MbS at the beginning of 2021. The US President Joe Biden's unwillingness to punish MbS for the Khashoggi affair reduced Riyadh's urgency to improve relations with Ankara at the time. Knowing that there would be no more repercussions, the Saudi Crown Prince felt much more comfortable to put the normalisation process with Türkiye on hold while trying to extract concessions from Ankara and chart a normalisation course that would not allow Ankara to bypass him personally.

MbS maintained some personal reservations when it came to the prospect of embracing Türkiye following Ankara's efforts to punish those responsible for Khashoggi murder. For MbS, the Khashoggi case was still an issue, and he did not want to just jump over it. Parallel to this development, Saudi Arabia imposed an informal economic boycott on Türkiye's exports to the kingdom³⁷ and took pro-Greece measures³⁸ that were seen as provocative from the Turkish perspective.

Despite Ankara's challenges in decoding the mixed signals emanating from Riyadh, it remained steadfast in its commitment to enhance bilateral relations. In 2021, Turkish presidential spokesperson, Ibrahim Kalin, suggested that all avenues to achieve justice had been exhausted by Ankara, and there were no further steps to be taken.³⁹ The turning point arrived in

³⁶ D.E. Sanger, "Candidate Biden Called Saudi Arabia a 'Pariah.' He Now Has to Deal With It.", *New York Times*, 24 February 2021.

³⁷ "Boycott-hit Turkish exports to Saudi Arabia drop 92% in January", *Daily Sabah*, 4 February 2021.

³⁸ "Saudi Air Force Group Arrives in Greece for Military Drill", *Asbarq Al Ansat*, 13 March 2021.

³⁹ "Türkiye welcomes Saudi Arabia's trial for Khashoggi's murder: Erdogan's adviser", *Al-Arabiya News*, 27 April 2021.

March 2022 when, upon Saudi request, Türkiye transferred the murder investigation to Saudi Arabia.⁴⁰ This was a decisive step towards the normalisation of relations between the two nations. Even though Türkiye was deeply disturbed by the murder, it realised that it was pursuing a case that other global actors, already engaged with MbS, had chosen to disregard.

Transferring the case removed a significant obstacle from the path towards Saudi-Turkish normalisation. Consequently, the normalisation process regained momentum. Turkish President Erdoğan visited Saudi Arabia in April 2022, his first visit since 2017, and MbS visited Türkiye in June 2022, his first visit since becoming Crown Prince in 2017, succeeding Prince Mohammad bin Nayef. During his visit to Riyadh, President Erdoğan met with King Salman bin Abdulaziz al-Saud and the Crown Prince, marking over a year of diplomatic efforts to restore relations between the two countries.

The Turkish President's visit coincided with the holy month of Ramadan, leading him to assert that it was a fitting time to mend relations between the two fraternal nations. However, the absence of a joint concluding statement or any declaration of agreements following the visit led to speculation about the depth of the reconciliation and indicated unresolved issues requiring attention before full reengagement could take place.

The breakthrough

During MbS's visit to Ankara, the normalisation process gained further clarity. MbS and Erdoğan had a one-on-one meeting to discuss bilateral relations, areas of cooperation, and strategies for development across various sectors. Following the formal meeting, the Turkish side hosted a banquet in honour of the Crown Prince and his delegation, with two notable gestures. At the dinner, a Saudi national anthem praising the Saudis, King Salman, and his son was played, and in an unusual move,

⁴⁰ “Khashoggi case transfer does not rule out Turkish court's say: Minister”, *Daily Sabah*, 21 April 2022.

President Erdoğan personally escorted MbS to the airport for his departure. Upon the conclusion of the visit, a joint statement was released, emphasising the mutual resolve to initiate a new era of cooperation across political, economic, military, security, and cultural domains.⁴¹

The sudden shift in Saudi Arabia's stance towards Türkiye seems to be largely driven by changes in US politics, a desire to counterbalance Iran, rehabilitate MbS's global image, and prepare for the anticipated power transition within the kingdom. Saudi Arabia's effort to diversify its foreign relations and economy, establish a robust domestic defence industry, and address mounting security threats, particularly from Iran, also played a part in Riyadh's inclination to reconcile with Türkiye.

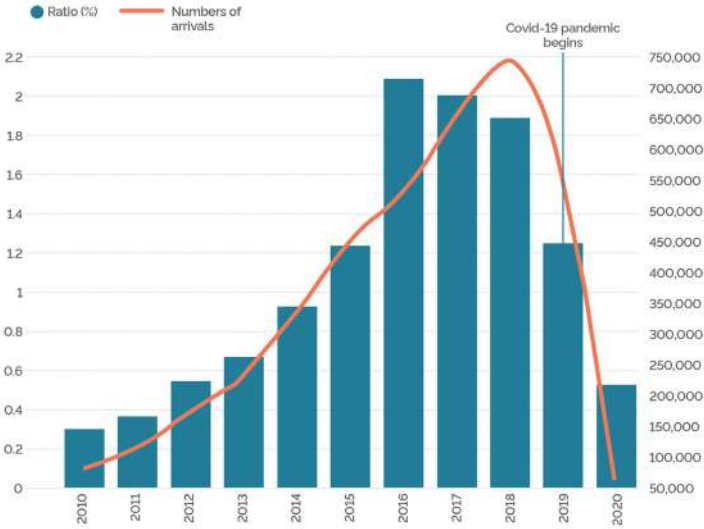
However, from the Turkish perspective, normalising relations with Saudi Arabia at this particular juncture was the prudent thing to do for several reasons. First, it is compatible with both the wider regional dynamics at play and the reorientation of Turkish foreign policy to accommodate these changes. Second, the normalisation would serve the interests of both sides and equip them with the right tools to counter any looming challenges. Third, considering the difficult elections in 2023 and huge economic challenges such as rampant inflation and the severe depreciation of the Turkish lira, Erdoğan must have considered normalisation with Saudi Arabia as part of his broader efforts to stabilise Türkiye's foreign policy and resolve outstanding problems in order to focus his undivided attention on the domestic front.

In this sense, Ankara sought to boost economic interactions with the kingdom, increase the volume of bilateral trade, attract Saudi foreign direct investment, and increase the number of Saudi tourists. Accordingly, the Turkish side expressed interest in strengthening relations with the kingdom in energy, food security, health, investment, and business, as well as defence,

⁴¹ Presidency of the Republic of Türkiye, "[Joint statement after President Erdoğan's meeting with Saudi Crown Prince Mohammed bin Salman](#)", Directorate of Communications, 23 June 2022.

security and other sectors. In March 2023, Saudi Arabia signed an agreement with Türkiye to deposit US\$5 billion in the country's central bank through the Saudi Fund for Development (SFD).⁴²

FIG. 1.3 – ANNUAL NUMBER OF SAUDI TOURISTS IN TÜRKİYE



ISPI

Source: Compiled by the author from Türkiye Cumhuriyet Merkez Bankası (TCMB) data

⁴² “Saudi Arabia deposits \$5 bln in Turkey’s central bank – statement”, *Reuters*, 6 March 2023.

Pitfalls of over-emphasising the economy

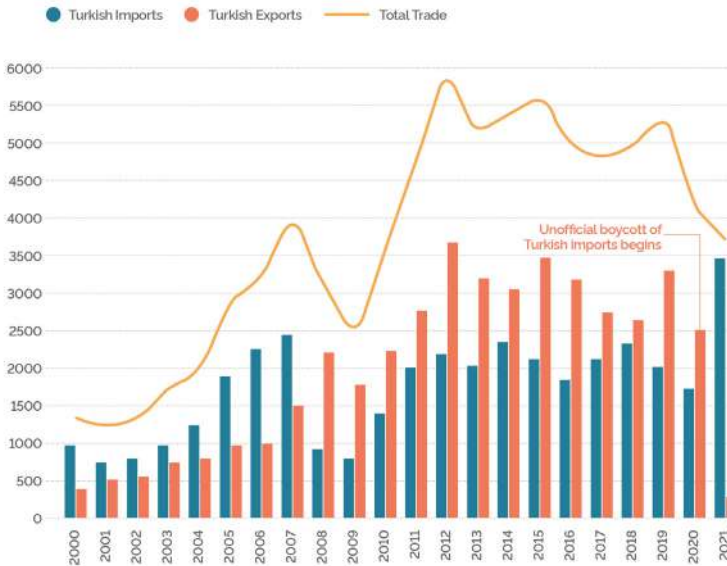
Türkiye's ongoing economic hardships certainly provided an incentive to seek Saudi investment and commercial engagement. Many observers even hold the belief that the normalisation with Saudi Arabia was almost exclusively driven by Türkiye's economic hardships and Riyadh's unofficial boycott of Turkish exports.

However, the interpretation of the normalisation process between Ankara and Riyadh as unidirectional and overemphasising the role of economic factors as the main driving force may represent a skewed understanding of the prevailing dynamics. In fact, existing data indicates that Türkiye's trade with Saudi Arabia has remained relatively modest, even negligible, in relation to the overall size of the Turkish economy. This holds true not only for the present situation but also for the period of 2015-16, when the relations between the two regional powerhouses were at their zenith.

The truth is that the volume of annual bilateral trade between Türkiye and Saudi Arabia has never exceeded US\$5.7 billion, which accounts for a scant 1.5% of Türkiye's total international trade. The unofficial Saudi boycott of Turkish exports that commenced in 2020 resulted in trade figures of slightly over US\$3.5 billion the following year. Regarding foreign direct investment, inflows from Saudi Arabia – having peaked as far back as 2008 – amounted to a mere 1% of the total Türkiye received from 2005 through 2021. Furthermore, Saudi Arabia has not significantly contributed to tourism – a crucial component of the Turkish economy. Even at their highest in 2018, Saudi arrivals, close to 750,000, made up less than 2% of foreign tourists visiting Türkiye that year. While the economic dimension is undeniably a constant element in Türkiye's foreign relations and domestic considerations, it was not the primary catalyst in the Saudi-Turkish normalisation, contrary to dominant narratives. Instead, geopolitical and geostrategic factors exert more influence over the bilateral relationship between Türkiye and Saudi Arabia. These dynamics have been

visible over the past decade, with Saudi Arabia and Türkiye becoming closer or more distant based primarily on political rather than economic considerations. Specifically, their ties have been profoundly influenced by the regional policies of the United States and Iran, as well as the security implications of these policies. The equation became more complex after 2017, with the rise of MbS's influence over Saudi foreign policy adding another significant variable.

FIG. 1.4 – TÜRKİYE AND SAUDI ARABIA BILATERAL TRADE

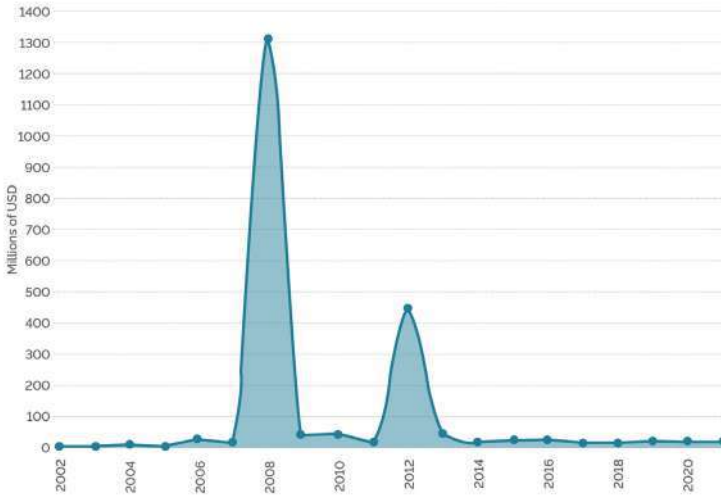


ISPI

Source: Compiled by the author from [Turkish Statistical Institute \(TUIK\)](#) and [Turkish Exporters Assembly \(TİM\)](#) data

The normalisation of relations between Türkiye and Saudi Arabia is important for several reasons. It helps to promote stability and security in the region by creating a more balanced power dynamic. Additionally, it opens up new opportunities for trade and investment between the two countries. Finally, it allows Türkiye and Saudi Arabia to work together on regional issues. The prospects for the normalisation of relations between Türkiye and Saudi Arabia are positive. Both countries have shown a willingness to work together on various issues, and there is a strong economic incentive for both sides to deepen their ties. However, there might still be some challenges that need to be addressed in the future. Regional and international dynamics, especially in relation to Iran and the US, might affect the nature of the relationship between Saudi Arabia and Türkiye. Furthermore, on the bilateral level, other factors need to be taken into consideration. For example, there is not much positive chemistry between the Saudi Crown Prince MbS and Türkiye's President Erdoğan at the current moment. This means that while officials of the two countries will continue to meet, there may be fewer official meetings and less coordination on the highest level than anticipated. Moreover, the ambiguity of MbS's political and regional agenda, to say nothing of his sudden direction changes, would make it hard for Türkiye to synchronise on the regional level or work on issues of common interest, at least in the short-term.

FIG. 1.5 – SAUDI FOREIGN DIRECT INVESTMENTS TO TÜRKİYE



ISPI

Source: Compiled by the author from [Türkiye Cumhuriyet Merkez Bankası \(TCMB\)](#) data

Conclusion

The normalisation between Türkiye, the UAE and Saudi Arabia represents a significant shift in the regional dynamics of the Middle East. Overcoming past tensions and mistrust, these countries have recognised the need for stability, cooperation and shared interests in the face of evolving regional challenges. Regional and international factors as well as economic and geopolitical considerations have played crucial roles in driving the normalisation processes, as all parties seek to diversify their economies and partnerships and explore new avenues for collaboration.

The UAE-Türkiye normalisation process has progressed rapidly, driven by a transparent agenda focused on enhancing trade, investment, and business relations. Initial conciliatory gestures and subsequent high-level engagements have paved the way for a strategic partnership. The UAE's substantial investments in Türkiye, including the CEPA and defence industry cooperation, signify Abu Dhabi's seriousness and long-term commitment to deepening economic and political ties. These developments not only benefit bilateral relations but also contribute to regional stability.

On the other hand, the Saudi-Turkish normalisation process has been more complex and gradual, with multiple challenges along the way. Overcoming the fallout from the Qatar blockade and the Khashoggi murder, the two countries have gradually rebuilt their relations despite challenges such as personal reservations and fluctuating regional dynamics, which played a role in stalling the normalisation before the two parties came closer to each other.

The changing dynamics of US politics, the need to counterbalance Iran, and economic diversification efforts have driven Saudi Arabia's inclination to reconcile with Türkiye. Likewise, Türkiye's need to cash in its geopolitical gains and expand its economic and business horizon as well as its regional influence necessitated normalisation with Saudi Arabia. The process gained further clarity during Erdoğan's visit to Riyadh in April 2022 and Crown Prince MbS's visit to Ankara the following June, marking a renewed commitment to cooperation across various domains.

The future prospects of normalisation between Türkiye, the UAE, and Saudi Arabia hold promise, but also require careful consideration. Deepening economic ties, increased trade, foreign direct investment, and tourism are expected to contribute positively to the economic development of all parties involved. Normalisation also creates opportunities for collaboration on regional issues, fostering stability and security in the region.

However, it is essential to acknowledge that future prospects could be influenced by regional and international dynamics, including the US presidential elections in 2024, as well as the personal chemistry and political agendas of key leaders. Balancing the interests and concerns of all parties will be crucial in sustaining the positive momentum of normalisation.

In conclusion, the process of Türkiye's normalisation with the UAE and Saudi Arabia represents a new era of cooperation in a changing regional landscape. The economic and geopolitical factors that have driven these normalisation processes reflect a recognition of shared interests and the need for stability. While challenges remain, the willingness of all parties to deepen ties and address common challenges provides a foundation for future collaboration and the potential for positive regional outcomes. Future prospects depend on effective management of regional dynamics, continued dialogue, and efforts to strengthen economic, political, and security cooperation. By building upon the progress made so far and addressing the remaining challenges, Türkiye, the UAE and Saudi Arabia can contribute to regional stability, resolve conflicts, and promote prosperity in the Middle East.

2. Türkiye and Israel: A Second Chance to Restart the Relationship

Gallia Lindenstrauss

As part of Türkiye's outreach towards different Middle Eastern countries, including the United Arab Emirates (UAE), Saudi Arabia, Egypt and even Syria, in late 2020 Ankara also signalled to Israel that it wanted to repair relations. This was first met with suspicion on the Israeli side, but after a few confidence building measures, as well as the success of Ankara in convincing other actors in the region to repair ties, Israel agreed to normalise relations in August 2022. This chapter will look first at why the previous 2016 normalisation attempt between Israel and Türkiye was fragile and broke down less than two years after an agreement was signed. It will then move on to identify the reasons behind Türkiye's decision to attempt to repair relations with Israel at the end of 2020, why there were Israeli hesitations to play along, and what made Israel change its mind. It will discuss the points of tension still existing between Israel and Türkiye, as well as the areas in which collaboration is more easily achieved. Lastly, it will address some of the facilitating elements that have helped the current normalisation path hold till now and assess the chances of its continuation in the near future.

The 2016 Normalisation and Its Aftermath

The normalisation agreement signed between Israel and Türkiye in June 2016 was meant first and foremost to solve the crisis that was created in relations between the two countries following the *Mavi Marmara* incident in May 2010. In that incident, Israeli navy commando forces killed 9 Turkish citizens on one of the ships that were part of the *Gaza Freedom* flotilla, in an attempt to stop the ship from breaking the naval siege Israel had imposed on Gaza. After an apology to Türkiye issued in 2013, the 2016 normalisation had three main components: US\$20 million of compensation to the families of the victims, to be transferred through a Turkish state-directed fund, Türkiye dropping all legal charges against Israeli soldiers and commanders, and Israel facilitating the transfer of Turkish humanitarian aid to Gaza.¹ Following the agreement there was a return to full diplomatic relations. It should be stressed that expectations for a true improvement in the relations between the states after the signing of the agreement were low – some described it only as “cold peace”.² There were even two separate press conferences to announce the agreement instead of a joint signing event. Still, as an indication of improved relations there were three ministerial visits after the agreement was signed – two visits by Israel’s Energy Minister (October 2016 and July 2017) and another by Türkiye’s Tourism Minister in January 2017.³

Despite the improved relations between the sides, already in May 2017, Türkiye’s President, Recep Tayyip Erdoğan, returned

¹ “President Erdoğan Approves Turkey-Israel Normalization Deal”, *Daily Sabah* 31 August 2016.

² O. Almog and A. Sever, “The Mavi Marmara: An Embattled Voyage and Its Consequences”, in A. Sever and O. Almog (eds.), *Contemporary Israeli-Turkish Relations in Comparative Perspective*, London, Palgrave Macmillan, 2019, p. 62.

³ “Israeli Energy Minister to Visit Turkey in First Such Trip for Six Years”, *Reuters*, 10 October 2016; “Israeli Tourists Flock to Turkey as Relations Normalize, Number of Tourists Rise 80 Percent”, *Daily Sabah*, 5 February 2017.

to his harsh rhetoric against Israel after legislation was brought to the Israeli parliament (that later did not pass), regarding restrictions on the use of public address systems for the Muslim call to prayer. In July 2017, during protests on Temple mount, Erdoğan commented that Israel was undermining the Islamic character of Jerusalem.⁴ Moreover, in December 2017, after US President Donald Trump recognised Jerusalem as the capital of Israel, Erdoğan responded that the US decision was invalid and that Israel was a “terrorist state”.⁵ A bigger crisis between the countries erupted when there were Palestinian casualties in the *Great March of Return* demonstration on the border with Gaza and after the US moved its embassy from Tel Aviv to Jerusalem. In the May 2018 crisis, Türkiye not only recalled its ambassador to Tel Aviv for consultations, but also told Israel’s ambassador in Ankara to do likewise, which led Israel to ask Türkiye’s consul general in Jerusalem (who was seen by Türkiye as its representative to Palestine) to leave, and to a reciprocal move by Türkiye with regard to Israel’s consul general in Istanbul. Despite these steps, diplomatic relations between the states were not formally downgraded. Following Erdoğan’s return to his harsh stance against Israel, there were also several rhetorical battles between him and Netanyahu, adding a personal dimension to the differences between the countries.⁶

The fact that the normalisation agreement held less than two years after it was signed can be explained by several factors: firstly, soon after its signature in June 2016, the 15 July failed coup attempt occurred in Türkiye. This had major ramifications for Ankara’s domestic and foreign affairs and created an atmosphere less conducive to promoting bilateral relations. Secondly and in connection to this was the fact that Türkiye and Israel were part

⁴ P. Beaumont, “Erdoğan: Israel is harming Jerusalem’s Islamic Character”, *The Guardian*, 26 July 2017.

⁵ “Erdoğan: Israel a ‘terrorist state’ that Kills Children”, *Times of Israel*, 10 December 2017.

⁶ S. Efron, *The Future of Israeli-Turkish Relations*, Santa Monica, Rand Corporation, 2018, p. 41.

of two opposite camps; Türkiye was cooperating with actors such as Hamas and Qatar in what was described at times as the *political Islam axis*,⁷ whereas Israel was cooperating with Cyprus, Greece, Egypt and the UAE in an informal axis that had an anti-Türkiye element to it.⁸ Thirdly, there was a correlation between developments in the Israeli-Palestinian arena and the level of relations between Israel and Türkiye. Hence, President's Trump dramatic move of recognising Jerusalem as Israel's capital and moving the US embassy there despite the fact that the Israeli-Palestinian conflict was not resolved, was negatively received in the Muslim world, and more specifically in Türkiye. Also, Türkiye was approaching elections in June 2018, which encouraged Erdoğan to be more vocal about Israel. Lastly, despite Türkiye's hope that a pipeline to export gas from Israel to Türkiye would be built, and the fact that there were two visits of Israel's Energy Minister to Türkiye at the time, no deal was reached. The price of Israeli gas was too high for Türkiye and there was the issue of the pipeline being built in Cypriot economic waters without the Cyprus issue being resolved.⁹ Israel moved to promote its gas energy exports mostly through Egyptian liquifying facilities, which despite initial hesitations, proved to work well.

After two years of frosty relations, there was a change in Türkiye's position towards Israel in 2020. In December 2020, Erdoğan commented that Türkiye would like better ties with Israel and that "if there were no issues at the top level (in Israel), our ties could have been very different".¹⁰ In addition, two international events gave impetus to the change in Erdoğan's

⁷ I. Brun and S. Feuer, "In Search of a Regional Order: The Struggle Over the Shape of the Middle East", *Strategic Assessment*, vol. 21, no. 1, 2021, p. 12.

⁸ R. Daniel, *Turkey, Israel and the Tumultuous 2011-2021 Decade in the Arab World*, Istanbul, Global Relations Forum, 2022, p. 20.

⁹ P. Rivlin, "Economic Relations Between Israel and Turkey", in A. Sever and O. Almog (eds.), *Contemporary Israeli-Turkish Relations in Comparative Perspective*, London, Palgrave Macmillan, 2019, p. 189.

¹⁰ "Erdogan Says Turkey would like Better Ties with Israel, Palestinian Policy still 'Red Line'", *Reuters*, 25 December 2020.

position. The first was the signing of the Abraham Accords in September 2020, which gave a boost to Israel's regional standing and also temporarily shelved Israeli plans for annexation of part of the West Bank. The second was the election of Joe Biden as US President, which seemed to encourage a rapprochement between Israel and Türkiye for two main reasons. Firstly, Ankara was worried that contrary to President Donald Trump, with whom Erdoğan seemed to have better personal relations, the Biden administration would be a more difficult partner for Türkiye. Secondly, as the majority of the Jewish population in the US supports the Democratic party, there was the perception in Ankara that Türkiye needed to improve relations with Israel. In general, Israel's improved relations with Greece and Cyprus also had a dimension of growing cooperation between the pro-Israel and the Hellenic lobbies in Washington.

Another issue that caused Türkiye to express a desire to repair relations with Israel was the deteriorating economic situation at home and the need to attract foreign investments. While Israel itself would not necessarily be the source of these investments, improving relations with Israel would both signal pragmatism and moderation on behalf of Ankara and would also signal to other states in the region, such as the Gulf states that have a greater ability to invest in Türkiye, that Ankara is serious in its attempts for a reset in its Middle East policy.

An additional matter that had improved Israel's image in Ankara in late 2020 was the decisive victory of Azerbaijan in the second Nagorno-Karabakh war. Israel had sold weapons to Azerbaijan over the years, and more specifically when the war started in late September 2020,¹¹ and this was seen in Baku as one of the reasons for its success. Baku and Ankara enjoy close relations and hence, after the war, Azerbaijani, Turkish and Israeli flags were displayed together in Baku in appreciation of the results this joint standing had produced.

¹¹ A. Scharf and O. Yaron, “92 Flights from Israeli Base Reveal Arms Exports to Azerbaijan”, *Haaretz*, 6 March 2023.

Though it would be an exaggeration to claim that the victory was a joint trilateral effort, it reminded people of the golden years in Turkish-Israeli relations in the 1990's and the benefits of having Israel and Türkiye on the same side. Following the war, because Azerbaijan has liberated parts of its territory that had been under Armenian control since the 1990's, Iran and Azerbaijan now have a longer shared border and this is causing growing tensions between the two, hence close relations with Israel and Türkiye remain important to Baku.

Two Views on Türkiye's Normalisation Attempts with Israel

As Türkiye made moves towards Israel in a desire to repair relations, two approaches emerged in Israel. The dominant one emphasised that it was unwise to move ahead with relations with Türkiye, because Israel had already tried this route, and that any escalation between Israel and the Palestinians will only cause a new crisis between Ankara and Jerusalem.¹² Moreover, it was claimed by those supporting this approach that the price of not having ambassadors in Ankara and Tel Aviv was not high, as trade and tourism were developing well and that overall, Türkiye had more to gain from a normalisation of ties with Israel than vice-versa and therefore there was no rush. The other less prominent approach was that agreeing to a new exchange of ambassadors was a “technical decision” that did not require any concessions by Israel to Türkiye (contrary to the case in 2016). Hence, there was no reason not to improve relations with Türkiye, even though there were no illusions that Turkish-Israeli relations would return to the closeness seen in the 1990s.¹³ What both views shared was scepticism regarding how

¹² H.E. Cohen Yanarocak, “Can a Renewed Alliance Between Israel and Turkey Stabilize the Middle East?”, *Mosaic*, 7 June 2022.

¹³ N. Goren, “Israel-Türkiye Relations: Time for Change Gov't to Fix Ties: Opinion”, *Jerusalem Post*, 28 July 2021.

much relations between Türkiye and Israel can really improve, at least as long as Erdoğan is ruling Türkiye. Moreover, in practice there was not much difference in how these differing views were translated into actions in the sense that despite the hesitancy, there was an exploration of the possibility of improving relations, and in retrospective it did not take Israel that long to agree to normalise them. Already in early 2022 it was clear that a rapprochement was achievable.

Major Bones of Contention Between Israel and Türkiye

While Türkiye had raised objections to Israel's policies *vis-à-vis* the Palestinians even prior to Erdoğan's rise to power,¹⁴ it was under his rule that Türkiye became a much more vocal actor in this regard, and in some periods the main champion of the Palestinian cause in the international arena.¹⁵ Recurring Israeli operations in Gaza, as well as the stand-still, and at times reversal of negotiations between Israel and the Palestinians adversely affected Turkish-Israeli relations. Türkiye's growing involvement in Eastern Jerusalem and among Israeli Palestinians also caused Israel to be more suspicious of Türkiye's intentions.¹⁶ From Ankara's point of view, which agreed with a larger narrative in the Muslim world, there was an attempt by Jewish extremists, backed to a certain degree by the Israeli authorities, to change the status quo in the al-Aqsa compound.

From Israel's perspective there was ongoing frustration at the fact that the Hamas movement, considered by Israel as a terrorist organisation, had an office in Türkiye and that

¹⁴ A. Nachmani, *Turkey: Facing a New Millennium: Coping with Intervind Conflicts*, Manchester, Manchester University Press, 2003, pp. 207-08.

¹⁵ A. Zaman, "Erdogan Dashes Hopes of Turkey-Israel Reconciliation", *Al-Monitor*, 27 May 2020.

¹⁶ N. Shragi, "Turkey's Intrusion into Jerusalem", Jerusalem Center for Public Affairs, 15 June 2020.

terror attacks in the West Bank were orchestrated from Turkish territory.¹⁷ This was an issue Israel had already raised with Türkiye during negotiations for the 2016 normalisation agreement. But the problem persisted and there were even reports of Türkiye's granting passports to Hamas operatives to ease their freedom of movement. There were several cases in which Israeli security forces arrested Israeli Palestinians who had at some point resided in Türkiye, on different charges including ones concerning involvement in cyber operations and spying for Iran.¹⁸ In addition, Türkiye announced that it had arrested a number of Palestinians operating for the Mossad who were spying on Palestinian students in Türkiye.¹⁹

Furthermore, Türkiye's assertive stance in the Middle East and Eastern Mediterranean over the past few years brought together various regional actors who had previously had poor relations, into a sort of an anti-Türkiye front. From Türkiye's perspective one of the concerning developments was the closer relations not just between Israel, Cyprus and Greece but also the closer alignment between these countries and the Gulf states.²⁰ Hence, it was speculated that Türkiye's attempts to repair relations with different countries in the region was only superficial and that the true motivation was to drive a wedge between these actors.²¹ It should also be emphasised that contrary to the conciliatory tone coming from Ankara

¹⁷ A. Harel, "Shin Bet: Hamas Funneling Terror Funds to West Bank, Gaza Through Turkey", *Haaretz*, 12 February 2018.

¹⁸ T. Jofre, "3 Israeli Citizens Indicated for Helping Hamas attack IDF Infrastructure", *Jerusalem Post*, 20 October 2022; Y. Ben Menachem, " Hamas Spies on Israel for Iran from Istanbul", Jerusalem Center for Public Affairs, 16 January 2023.

¹⁹ L. Berman, "Turkey Arrests 7 citizens Suspected of Spying for Mossad", *Times of Israel*, 14 December 2022.

²⁰ R. Daniel, G. Lindenstrauss, and Y. Guzansky, "Complementary Facets: Türkiye-Israel Relations and the Abraham Accords", *Transatlantic Policy Quarterly*, vol. 21, no. 3, 2002, p. 98.

²¹ B. Ravid, "Israel to Assess Erdogan's Seriousness on Normalizing Relations", *Axios*, 31 December 2020.

towards Middle Eastern countries, at the same time Türkiye increased pressure and revisionist rhetoric towards Greece and Cyprus. Hence, inconsistencies were also appearing among countries that had previously united against Türkiye as to what their policy should be *vis-à-vis* Ankara. A serious question in this regard is whether Türkiye should be admitted to the East Mediterranean Gas Forum (EMGF) that was established in 2019. Clearly Türkiye is an important country in this region, and the EMGF could also be expanded to cover other issues, including renewable energy and joint disaster preparedness, and Israel would welcome such a development. Still, it will be very difficult to convince Cyprus and Greece to agree to Türkiye joining the forum in light of the lingering Cyprus question, and the disputes over maritime borders delimitation in the Eastern Mediterranean and the Aegean Sea.

The Biden administration's non-paper in January 2022, laying out objections to the East-Med pipeline, which was intended to export gas discovered off the shores of Israel through Cyprus and Crete and from there to the rest of Europe,²² and which had previously been endorsed by the Trump administration (also through the 3+1 platform connecting Israel, Cyprus, Greece and the US), was seen in Türkiye as a sign to move ahead with the normalisation with Israel. Türkiye objected vigorously to this pipeline and one of the ways it tried to obstruct its building was by signing the controversial maritime delimitation agreement with the Government of National Accord in Libya that transformed the route of the pipeline into something disputable. Still, despite the problems encountered by the East-Med pipeline, there are other ideas for building energy infrastructure to connect Israel, Cyprus and Greece. The most notable of these is the Euro-Asia interconnector, designed to connect the energy grids of Israel and Cyprus to European countries' grids for the first time.²³ Despite the fact that this is

²² L. Harkov, "US Informs Israel it no longer Supports EastMed Pipeline to Europe", *Jerusalem Post*, 18 January 2022.

²³ C. Ellinas, "EuroAsia Interconnector Becoming a Reality", *Cyprus Mail*, 15

also an ambitious project – it will be the longest and deepest interconnector ever built, and also in the route Ankara is contesting – it is still cheaper than the East-Med pipeline, and has the potential to carry electricity produced from renewables and not just gas. It is therefore more versatile and in line with the EU Green Deal.

Beyond issues of contention between Israel and Türkiye, it should be stressed that there is also the problem of a less positive agenda in shared interests between Israel and Türkiye. Diverging from previous patterns in the relationship, Türkiye no longer needs Israeli assistance in the realm of defence industries: on the contrary, it is becoming a competitor to certain Israeli defence exporters. Also, despite growing tensions between Iran and Azerbaijan as well as resentment about Iranian infiltration attempts in both countries, Türkiye holds a different position to Israel with regard to Iran. Whereas Israel sees Iran as an existential threat, Ankara's view is more relaxed: it sees Iran only as a regional competitor and not an enemy state, and knows how to manage the relationship so that it does not escalate.²⁴ With regard to Syria, while the two countries are both neighbouring states to a nation engulfed by and trying to recover from a civil war, the interests of Türkiye and those of Israel are not the same and focus on different parts of Syria.

Confidence Building and Areas for Collaboration

Over the course of 2021-22 there were three occasions when Türkiye proved to Israel that it was serious in its desire to repair relations. The first took place in November 2021 and involved the quick release of an Israeli couple vacationing in Türkiye and charged with espionage. The fact that the couple was returned without any preconditions, even though they were accused of

May 2023.

²⁴ A. Omid, "If it Ain't Broke, Don't Fix it: Why Turkey and Iran's 376 Years of Peace Will Continue", *Al-Monitor*, 22 December 2015.

photographing a residence of the Turkish President, was well received in Israel.²⁵

The second took place in June 2022, when concrete Iranian plans to kidnap and kill Israeli tourists and businesspeople were foiled by collaboration between the Israeli and Turkish security establishments.²⁶ The ability to cooperate closely again and the successful results of this collaboration were an important push for the government, which had replaced a previous Netanyahu-led government, to move ahead in normalising relations with Türkiye.

The third positive development was the signing in July 2022 of an updated aviation agreement that paved the way for the return of Israeli carriers to fly to Türkiye.²⁷ Israeli air carriers had been unable to operate in Türkiye since 2007 since there was disagreement between the countries over the necessary security measures for these flights. In many ways, already in 2007 this disagreement provided a preview of the sharp deterioration in Turkish-Israeli relations that would occur only a few years later. Hence, the solving of this particular issue, which gave an unfair advantage to Türkiye's carriers, came as a significant development.

In addition to these confidence-building acts, another factor that helped the sides regain trust was the key role Israel's President, Isaac Herzog, played in pushing the relationship forward. Almost immediately after entering office, Herzog recognised this issue as something he could promote. Also, the fact that he was perceived as a moderate voice in Israeli politics made his role as a communication channel between the states vital after the return of Netanyahu to power in December 2022 and the formation of a government including the most

²⁵ "Bennet Thanks Erdogan for Releasing Israeli Couple in First-ever Call between Them", *Times of Israel*, 18 November 2021.

²⁶ "Official Says Mossad, Local Intel Foiled 3 Iran Plots to Attack Israelis in Istanbul", *Times of Israel*, 24 June 2022.

²⁷ L. Berman, "Israel, Türkiye Sign Updated Aviation Agreement as Bilateral Ties Continue to Improve", *Times of Israel*, 7 July 2022.

extreme-right factions. Herzog's successful official visit to Ankara, in March 2022, was the first visit of its sort to take place in 15 years. His joint press conference with Erdoğan was a sharp contrast to the two separate press conferences announcing the 2016 agreement.²⁸

Trade has been a main area of cooperation between Israel and Türkiye. Even in the years of crisis, economic relations between Türkiye and Israel remained one of the few areas that were relatively little affected by political disagreement. It is thought that, had relations not turned sour, Türkiye and Israel could have enjoyed even more significant trade relations. However, while Türkiye's exports to Israel grew in a significant manner, Israel's exports to Türkiye remained largely the same. The ramifications of the Covid-19 crisis have also assisted Israeli-Turkish trade relations over the past few years; Türkiye proved a reliable trade partner for Israel in light of the disruption of supply routes. In 2022, the level of reciprocal trade with Türkiye amounted to US\$8 billion (up from US\$6.7 billion in 2021),²⁹ making Türkiye one of Israel's five largest trading partners.³⁰

Another area in which relations are developing is the tourism sector. While the *Mavi Marmara* incident did temporarily cause a decrease in Israeli tourists going to Türkiye, numbers began to bounce back after the two countries began repairing relations in 2013. Later, the number of tourists was obviously also affected by the Covid-19 crisis. However, in 2022 tourist numbers have not just bounced back but reached a record high of 800,000 Israeli tourists going to Türkiye.³¹ The number of

²⁸ K. Kirişci and D. Arbell, "President Herzog's Visit to Ankara: A First Step in Normalizing Turkey-Israel Relations?", Brookings, 7 March 2022.

²⁹ Bank of Israel, "No Longer an Island Economy? Growing Trade and Tourism Relations Between Israel and Middle Eastern Countries", Press release, 28 March 2023.

³⁰ Ministry of Foreign Affairs – Israel, "Israel to Reopen Economic Office in Turkey", Press Release, 6 July 2022.

³¹ "No Longer an Island Economy? No Longer an Island Economy? Growing Trade and Tourism Relations Between Israel and Middle Eastern Countries", cit.

Turkish tourists to Israel is still low,³² but still high compared to the number of tourists coming from other Muslim-majority countries.

Earthquake Diplomacy

Following the tragic earthquake in Türkiye and Syria in February 2023, Israel responded quickly. It sent one of the largest foreign rescue and assistance missions to help Türkiye. Israeli and Jewish NGOs also sent various delegations to help in the affected areas. Israel's manufacturers' association also orchestrated an organised shipment of aid. There were also displays of public sympathy, such as municipal buildings flying the Turkish flag.³³ Three main reasons can be suggested as to why Israel sent such a large delegation to assist, beyond the basic human instinct to assist in such times of trouble. First is the fact that the normalisation occurred only a short while before the earthquake. Second, there were memories of how Israel's assistance in the 1999 earthquake left a positive mark on the relationship for years. Lastly, as it is expected that a major earthquake will also occur in Israel in the foreseeable future, there was likely also a motivation of training the Israeli emergency forces for such a task.

Israeli assistance to Türkiye was well received. It may also have assisted in alleviating some of the tensions that were beginning to result from the fact that Israel's most far right and religiously conservative government was sworn in December 2022, resulting in several problematic statements and actions regarding the Palestinian issue.

³² G. Lindenstrauß, "The Changing Tourism Patterns Between Turkey and Israel: Reflecting a Troubled Relationship", in A. Sever and O. Almog (eds.), *Contemporary Israeli-Turkish Relations in Comparative Perspective*, London, Palgrave Macmillan, 2019, p. 228.

³³ R. Bassist, "[Israel's Rescue Teams Arrive in Turkey, will Establish Field Hospital](#)", *Al-Monitor*, 7 February 2023.

Looking Forward

The re-election of Erdoğan in the second round of the presidential elections in Türkiye on 28 May was the more probable outcome. In this respect, the logic behind the decision to normalise relations between the two states remains very much the same. So much so, that a visit of the Israeli Prime Minister to Türkiye is being actively discussed and there is also a plan for Erdoğan to visit Israel.³⁴

Both Israel and Türkiye are highly polarised societies, as was exemplified in the May 2023 elections in Türkiye that required a second round, and in the emergence of a protest movement in Israel following the attempt to promote a controversial judicial reform by the Israeli government in January 2023. Polarisation in Türkiye, however, does not manifest itself in divergences in the Turkish public's perception of Israel, which remains generally negative. It should be stressed, however, that even though there is sharp criticism towards Israel also in the opposition camp in Türkiye,³⁵ there is no strong movement among Türkiye's elites against the normalisation of relations with Israel, as is the case for example in Egypt. Likewise in Israel, both the protest movement and the opposite side of the political divide hold negative views on Erdoğan. It should nevertheless be emphasised that the Israeli public tends to differentiate between its perception of Erdoğan, which is usually negative (among Israeli-Jews; Israeli-Palestinian perceptions of Erdoğan are mostly positive) because of his critical rhetoric concerning Israel, and its attitude towards Türkiye, which at least judging by the large number of Israeli tourists visiting the country, is generally positive.³⁶

³⁴ “Turkey’s Erdogan to Meet Israel’s Netanyahu Next Month: Report”, *The New Arab*, 23 June 2023.

³⁵ R. Bassist, “Turkey Elections: Israel Never Saw Erdogan as an Ally, Unsure about Kılıçdaroglu”, *Al-Monitor*, 10 May 2023.

³⁶ A. Nir, “What do Israelis Want More than All-Inclusive Turkish Holidays?”, *Al-Monitor*, 22 October 2015.

In addition, while it is tempting to characterise the 2016 normalisation agreement as a failure in the sense that it held for less than two years, and to argue that this is also a warning not to be overly optimistic about the chances of the 2022 normalisation holding, this might be a simplistic view. One should acknowledge that the normalisation of 2022 could not have been achieved had the countries not resolved the *Mavi Marmara* crisis, at least at government level, in 2016. Hence the 2022 normalisation is not only a second chance to bring back relations to the regular course but also a direct continuation of the 2016 agreement.

It should also be acknowledged that in essence, Türkiye was the first Muslim-majority country to “normalise” relations with Israel back in 1949. Since then, and despite ups and downs in relations, there has been continuity in the relationship. Hence, even if this second attempt at normalisation fails in the short run, looking at the patterns of past relations between Ankara and Jerusalem, there is reason to be hopeful that the two states will be able to maintain diplomatic ties.

3. From Rivalry to Normalisation: Opportunities and Challenges to Egypt-Türkiye Relations

Meliha Benli Altunışık

In the last three years, the Justice and Development Party (AKP) government has adopted a reset policy in its relations with all the countries in the Middle East with which it had highly conflictual relations in the post-Arab uprisings era. Egypt has been one of them. Compared to most others, the normalisation of Türkiye-Egypt relations had a slow start. Still, it recently gained momentum after a symbolic public handshake and meeting between the two presidents at the FIFA World Cup in Qatar in November 2022. This chapter aims to understand the reasons and dynamics of the normalisation between Egypt and Türkiye. To that end, it will first set the context of the rivalry that emerged after 2013 and discuss its bilateral and regional dimensions. Then the stages of normalisation will be elaborated, and the reasons will be discussed. Finally, the opportunities and challenges for both countries in the normalisation process will be examined.

The Emergence of Türkiye-Egypt Rivalry

Policy towards Egypt constituted one of the most critical elements of AKP's foreign policy in the post-Arab uprisings era. For ideological and strategic reasons, the AKP government welcomed the post-Mubarak transition and the election of Muslim Brotherhood candidate Mohammed Morsi as Egypt's

new president. As a result, the AKP extended its political and financial support to the new regime in Egypt.¹ Therefore, the removal of Morsi from power in 2013 and his conviction later created immense frustration in then-Prime Minister Recep Tayyip Erdoğan and his government. Moreover, the occurrence of these developments in Egypt at a time when the AKP government was facing its most significant and longest protest movement, called the Gezi protests, made the toppling of Morsi a domestic issue for Erdoğan. In rallies in different cities, he began to link the Gezi protests to the overthrow of the Morsi government. He adopted the Rabaa sign² referencing the events in the Rabaa al-Adawiya square in Cairo, where supporters of Morsi were fiercely attacked. Overall, on every occasion, nationally and internationally, Erdoğan continued to be an ardent critique of President Abdel Fattah al-Sisi. Such a fierce attack led to a reaction from Egypt, where the al-Sisi government accused Türkiye of intervening in its domestic affairs. The escalating war of words led to the downgrading of diplomatic relations in 2013.

To make matters worse for Egypt, after the toppling of Morsi, the AKP government welcomed the leadership and members of the Egyptian Muslim Brotherhood, which was designated as a “terrorist organisation” by Egypt and later also by several Gulf states. The Muslim Brotherhood established the Egyptian Revolutionary Council as an anti-regime platform and operated TV channels to propagate discontent against the Egyptian regime from Istanbul.³ Türkiye’s active support for leaders of the Muslim Brotherhood led to a further deterioration of relations, and the escalation continued when Egypt detained 29 people

¹ M. B. Altunışık, “Türkiye as an ‘Emerging Donor’ and the Arab Uprisings”, *Mediterranean Politics*, vol. 19, no. 3, 2014, pp. 333-50.

² The four-finger Rabaa (Rabia in Turkish) sign was used as a salute in support of ousted President Morsi.

³ S. Magued, “The Egyptian Muslim Brotherhood’s transnational advocacy in Türkiye: a new means of political participation”, *British Journal of Middle Eastern Studies*, vol. 45, no. 3, 2018, pp. 480-97.

on suspicion of spying for Türkiye.⁴ Yet, President Erdoğan did not change his attitude for a long time: In March 2015, when asked whether he would meet with the Egyptian president during his visit to Riyadh, he said, “You must be joking... For such a thing to happen, very serious steps in a positive direction must be taken”.⁵

Soon, bilateral problems between the two countries led to rivalry on a regional scale, particularly in the Libyan conflict and the Eastern Mediterranean, which also became interlinked. In Libya, the two countries supported opposite sides in the civil war that broke out after the overthrow of Muammar Qaddafi. While Türkiye supported the Tripoli-based Government of National Accord (GNA) formed as an interim government and backed by the United Nations (UN), Egypt supported the opposing faction, the self-styled Libyan National Army, based in the eastern part of the country and led by Field Marshall Khalifa Haftar. Both countries provided diplomatic, political and military support to the actors in Libya, together with several other regional and extra-regional countries.

A second regional issue where Türkiye and Egypt have been on opposite sides is the Eastern Mediterranean crisis. Since the mid-2000s, the exploration and discovery of natural gas in the offshore fields of several Eastern Mediterranean countries has added to the complexity of geopolitics in the region. The competition eventually created two poles: Greece, the Republic of Cyprus, Israel, and Egypt at one end and Türkiye at the other. Türkiye was also excluded from the Eastern Mediterranean Gas Forum (EMGF), which was formed in January 2019 on an Egyptian initiative, and included energy ministers from Italy, Greece, Israel, Egypt, Jordan, the Republic of Cyprus and the Palestinian Authority, with support from the US, with the aim of creating a regional gas market. One of Türkiye’s responses to these developments, which it perceived

⁴ “Egypt detains 29 people on suspicion of espionage for Türkiye”, *Reuters*, 22 November 2017.

⁵ “Cumhurbaşkanı Erdoğan’dan Sisi sorusuna sert yanıt” (“Harsh response from President Erdoğan to Sisi question”), *Hürriyet*, 1 March 2015.

was limiting its rights in the Eastern Mediterranean, was to sign a maritime delimitation agreement with the Tripoli-based GNA in Libya on 27 November 2019.⁶ This agreement, which defined the western maritime delimitation of Türkiye, aimed to override Greek claims to full maritime rights for its islands, and thus increased not only Türkiye's but also Libya's continental shelf rights. It also gave more continental shelf rights to Egypt than the agreement Egypt signed in 2003 with the Republic of Cyprus. Following the signing of the maritime delimitation agreement, upon the request of the GNA, the Turkish parliament also approved a bill allowing the deployment of troops to Libya with 325 votes in favour and 184 against.⁷ Thus, with these regional developments, the Libyan conflict and geopolitics and geoeconomics of the Eastern Mediterranean became interlinked, and Türkiye-Egypt bilateral rivalry became interlocked with this complex web of competition.

In addition, Egypt and Türkiye stood on different sides of the Qatar crisis of 2017. When Saudi Arabia, the United Arab Emirates, Bahrain and Egypt imposed an economic blockade on Qatar, accusing Doha of ties with the Muslim Brotherhood parties, Iran and Türkiye's AKP government stood by Qatar during the crisis. Finally, Cairo watched with concern Ankara's growing ties with countries in the Horn of Africa. Of particular interest to Cairo were Türkiye's growing ties with Ethiopia, a country with which Egypt was locked in crisis over use of the waters of the Nile River. Türkiye not only developed its economic relations with Ethiopia,⁸ but in 2021, the two countries also signed a military cooperation agreement.⁹

⁶ Memorandum of Understanding between the Government of Republic of Türkiye and the Government of National Accord-State of Libya on Delimitation of the Maritime Jurisdiction Areas in the Mediterranean

⁷ "Turkish parliament approves motion on sending troops to Libya", *davaR.english*, 2 January 2020.

⁸ Nearly 200 Turkish companies, with a total investment of over US\$2 billion, became the largest employer by employing more than 20,000 Ethiopians. See Minister of Foreign Affairs of Türkiye "Relations between Türkiye and Ethiopia".

⁹ "Ethiopia: Why Ethiopia is strengthening ties with Türkiye", *AllAfrica*, 21 August 2021.

Despite the intensification of rivalry in bilateral and regional relations, however, during this period, Egypt and Türkiye were largely able to compartmentalise their relationship and continue developing their economic ties. The Free Trade Agreement, which was first signed in 2005 and came into force in 2007, survived the tumultuous political relations. The volume of trade did not experience a drop, except in 2017 (see Figure 3.1) when Egypt decided to end Ro-Ro services from Mersin to Alexandria for security reasons. More significantly, investments also continued. Recently, Rifat Hisarcıklıoğlu, the chair of The Union of Chambers and Commodity Exchanges of Türkiye, said, “As investors from Türkiye, we have never stopped our investments in Egypt”.¹⁰ As a result, Turkish companies invested over two billion dollars in Egypt, employing around 75,000 Egyptian citizens, while Turkish contractors completed 26 projects in Egypt worth US\$900 million.¹¹

However, looking at the increase in trade and an upsurge of investments in the last two years after the beginning of normalisation,¹² it is safe to argue that the rise in the previous years might have been even greater if there had been no political rivalry. Today Egypt is Türkiye’s largest trading partner in Africa. The volume of trade increased from US\$5.4 billion in 2019 to US\$7.1 billion in 2022, an increase of about 31%. Even more significant, the increase was 35% in 2021 compared to 2020 (see table). Similarly, in 2021 alone, Turkish companies invested an additional US\$250 million in Egypt.¹³ Recently, a major electrical appliance company in Türkiye announced that it is planning to build a factory in Egypt with an annual production capacity of 1.5 million electronic appliances, for an investment of US\$100 million. According to Egyptian Minister

¹⁰ The Union of Chambers and Commodity Exchanges of Türkiye, “Turkey, Egypt business worlds call for development of mutual investments”, 21 January 2022.

¹¹ Ibid.

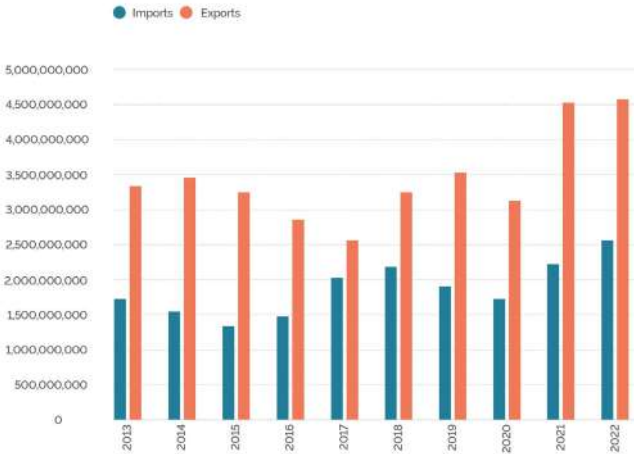
¹² “Mısır’a doğrudan yatırımlar hızlandı” (“Direct investments in Egypt accelerates”), *Ekonomist*, 21 April 2023.

¹³ The Union of Chambers and Commodity Exchanges of Türkiye (2022).

of Trade and Industry, Ahmad Samir, this plant could employ approximately 2,000 Egyptians.¹⁴

Thus, though the two countries were able to compartmentalise their relations so that economic ties continued during the intense political rivalry, it is clear that earlier diplomatic normalisation would have created greater economic opportunities. Such a normalisation, however, required shifting domestic and regional contexts to push the two countries to reconsider their positions and relations.

FIG. 3.1 - TÜRKİYE'S TRADE WITH EGYPT 2013-2022 (BILLION US\$)



ISPI

Source: Compiled by the author from Turkish Statistical Institute (TÜİK) data

¹⁴ “Türk firmasından Mısır’a 100 milyon dolarlık yatırım” (“Turkish company invests 100 million dollars in Egypt”), *Anadolu Agency*, 17 November 2022.

Normalisation of Relations

The recent sudden normalisation is puzzling, considering the extent of the tensions between the two countries. As with any major foreign policy shift, it has several reasons. From Türkiye's perspective, a reset in relations with Egypt is part of a larger normalisation effort Ankara has engaged in recently with other states in the region. Some general reasons must therefore exist to move away from assertive and conflictual relations from the AKP government's point of view. One of the main reasons is that such policies have become largely unsustainable economically and politically for Ankara as new challenges have emerged to AKP rule. The economic crisis in 2018 intensified during the Covid-19 pandemic and the ensuing global crisis. Inflation has been increasing and reached more than 80% in 2022,¹⁵ while the Turkish lira has lost value against the US dollar by 44 % in 2021 and a further 30% in 2022.¹⁶ In addition to the economic crisis, the presence of almost four million Syrian refugees in Türkiye and AKP's general liberal migration policy has increasingly become a point of criticism of the AKP. Overall, the opposition parties have increasingly made AKP's foreign policy choices in recent years a target of their criticisms, pointing to the AKP's support for Muslim Brotherhood parties throughout the Middle East and Türkiye's increasing isolation, and accusing the AKP of disregarding Türkiye's national interest through such policies. Faced with declining approval ratings, the AKP began to utilise foreign policy again. The economic crisis has made militaristic and confrontational foreign policy unsustainable and led the government to focus on foreign policy areas it determined as vital rather than expanding the fronts of struggle. The fact that Türkiye's policies led to the emergence of a balancing bloc that unified rivals in different issue areas, thus isolating Türkiye, led to a strategy to end that

¹⁵ Trading Economics, *Turkey Inflation Rate*, 2022.

¹⁶ "Turkish lira falls to record low near 19 to the dollar", *Reuters*, 9 March 2023.

isolation. Domestic political concerns therefore convinced the AKP to introduce changes to its confrontational foreign policy on all fronts before the crucial presidential and parliamentary elections in May 2023, from which it ultimately emerged as the winner.

In addition to Türkiye's domestic politics, general regional developments have led all countries in the region to shift from rivalrous regional politics to healthier levels of competition. The perception of declining US power in the region created a sense of empowerment among regional countries to increase their room for manoeuvre. Such perceptions have unleashed a series of normalisations, with a snowballing effect. All regional countries began to readjust their positions and exploit the possibilities of newly converging interests. Türkiye and Egypt could not have remained aloof to the dynamics of this "era of normalisation".

There were also specific reasons for normalisation between Türkiye and Egypt. The impetus for this shift came from the particular interests of Ankara and Cairo. For Türkiye, normalisation with Egypt could open up possibilities of finding mutually advantageous positions in the Eastern Mediterranean, which is seen as a territorial sovereignty issue in Ankara and is thus high on its security agenda. In fact, Türkiye has all along argued that the maritime delimitation agreement signed with the GNA in November 2019 was more advantageous for Egypt. Thus, when it became clear that Egypt considered Türkiye's maritime claims in its delimitation agreement with Greece signed in August 2020, Ankara perceived this as a goodwill gesture.¹⁷

On the other hand, there were several reasons for Egypt to seek better relations with Türkiye. For one, normalisation with Türkiye raised the possibility for Egypt to end Türkiye's support for the Egyptian Muslim Brotherhood, an organisation

¹⁷ "Bakan Çavuşoğlu'ndan Mısır ile normalleşme açıklaması" ("Minister Çavuşoğlu's statement on normalisation with Egypt"), *Habertürk*, 20 March 2023.

regarded as a regime security issue by the al-Sisi government. In addition, Cairo must have considered changing Arab dynamics and Türkiye's normalisation, especially with the UAE and Israel, in the context of its concerns about marginalisation after the Abraham Accords.

A critical reason has been the shifting context in Libya, with the failure of the forces of General Khalifa Haftar (supported by Egypt) to topple the UN-recognised government in Tripoli (supported by Türkiye). A changing balance of power on the ground, the GNA's success against Haftar's forces and the hastening of the process for a political solution with UN mediation and several rounds of talks, led Cairo to adjust its policy.¹⁸ The shift in Egyptian policy in Libya became apparent in 2020. Therefore, this new turn of events in Libya also allowed Türkiye and Egypt to normalise. Both Cairo and Ankara, focusing on their shared interest in unity and stability in Libya, began to support the UN-led process, re-launched in late 2020, to find a political solution and form a new unity government. Overall, the governments in both countries have moved away from ideological foreign policy to a more pragmatic approach,¹⁹ focusing on their short-term interests and responding to changing geopolitical context.

As a result, the two countries have embarked on a path to normalisation. There have been two rounds of "exploratory talks" between diplomats at deputy foreign minister level, first in Cairo in May, then in Ankara in September 2021. The two sides have agreed to continue the diplomatic process and that bilateral relations should be improved. It was reported that Cairo

¹⁸ K. Al-Anani, "Egypt's Changing Policy in Libya", Arab Center, Washington DC, 21 January 2021.

¹⁹ For the rise of pragmatism in Türkiye's recent foreign policy see M. B. Altunışık, "Domestic Sources of AKP Foreign Policy: Between Ideology and Pragmatism" in B. Özkececi-Taner and S. Açıkmese (eds.), *One Hundred Years of Turkish Foreign Policy (1923-2023): Historical and Theoretical Reflections*, Palgrave Macmillan, forthcoming on 23 September 2023. For the recent rise of pragmatism in Egypt see M. W. Hanna, "What Egypt wants in Sudan", Podcast: *The Horn*, 22 June 2023.

asked Ankara to stop granting Turkish nationality to Egyptians living in Türkiye and allowing Egyptian Muslim Brotherhood members to continue freely broadcasting from Türkiye. These meetings resulted in Türkiye's first warning and the closing of Muslim Brotherhood-affiliated media outlets. Ankara's request for Egyptian media to tone down its criticism of Türkiye and President Erdoğan has also been accepted. Yet initially, Türkiye-Egypt normalisation developed slowly compared with other regional processes.²⁰

However, recently, normalisation has picked up pace. A significant step forward was the November 2022 meeting between Presidents Erdoğan and al-Sisi at the FIFA World Cup in Qatar. It eliminated a significant hurdle as the rivalry from the beginning had a personal angle. This positive indication provided the sides with mutual legitimacy, which paved the way for additional meetings between officials. After personally trying to delegitimise the al-Sisi administration both domestically and internationally, President Erdoğan explained his handshake with him to journalists on his way from Qatar:

The past togetherness of the Turkish nation and the Egyptian people is very important to us. Why not again? In our meeting with Mr Sisi, I told him that our relations with the Egyptian people are different; the history is there. We had a problem in the last period, in a period of nine years. That evening, especially with the intervention of the Emir of Qatar, we took this step. After overcoming that problem, we had a narrow meeting with Mr Sisi for about half an hour and 45 minutes... Now the process has started, a process will continue with our ministers.²¹

According to the 2022 report identifying Türkiye's trends on different issues based on annual surveys, Erdoğan has been,

²⁰ M. B. Altunışık, "Türkiye and Egypt: the challenges of normalisation", ISPI Commentary, ISPI, 24 March 2022.

²¹ "Erdoğan'dan Mısır ve Suriye Mesajı: Siyasette küslük olmaz" ("Erdoğan's message on Syria and Egypt: No bad blood in politics"), *Cumhuriyet*, 27 November 2022.

to some extent, successful in convincing his constituency of the merit of the government's normalisation policies. It seems that the AKP voters' support for normalisation with Egypt increased from 19.2% in 2019 to 32.4% in 2022, the highest level for any country with which Türkiye began to normalise its relations. However, those who opposed normalisation were more numerous in the case of Egypt as well.²² Another result, on the other hand, showed that among all the political parties in Türkiye, the voters of the main opposition party, the People's Republican Party (CHP), are the most supportive of normalisation with Egypt.²³

Recently, earthquake diplomacy has created another positive momentum. Following the devastating earthquake in Türkiye in February 2023, President al-Sisi called President Erdoğan.²⁴ Egypt then became one of the countries that provided humanitarian aid to Türkiye, sending a ship and two helicopters.²⁵ Egypt's Foreign Minister, Sameh Shoukri, paid a visit to Türkiye, where he had a tour of earthquake-stricken areas with Foreign Minister Mevlut Çavuşoğlu. After the meeting, both ministers spoke about the importance of progressing in bilateral ties and restarting exploratory talks. All these developments paved the way for reciprocal visits by the two foreign ministers in the following weeks. In March 2023, Türkiye's Foreign Minister Çavuşoğlu held talks with his Egyptian counterpart, Shoukry, in Cairo, and a reciprocal meeting was held in Ankara in April 2023.

²² M. Aydın et al., *Turkey Trends -2021 Quantitative Research Report*, İstanbul, Global Academy and Akademetre, 2023, p. 90.

²³ M. Aydın et al., *Public Perceptions of Turkish Foreign Policy – 2022 Quantitative Research Report*, İstanbul, Kadir Has University Turkish Studies Group, Global Academy, Akademetre, 8 September 2022, p. 149.

²⁴ “Mısır Cumhurbaşkanı Sisi'den Cumhurbaşkanı Erdoğan'a telefon” (“Egyptian President Sisi calls President Erdoğan”), *NTV*, 7 February 2023.

²⁵ “Egypt sends additional humanitarian aid to quake victims in Türkiye”, *Anadolu Agency*, 23 February 2023.

Charting the Way Ahead: Opportunities and Challenges

Although Egypt-Türkiye normalisation had a slow start, it has picked up pace since the handshake between the two presidents in November 2022. The mutual appointment of ambassadors did not happen immediately, although both sides appointed an ambassador to the position of chargé d'affaires. Even then, the three meetings in the months following the earthquake between the two foreign ministers already attest to the eagerness on both sides to achieve progress. It was clear that the Egyptian side waited for the result of the elections in Türkiye. After that, the long-awaited upgrading of diplomatic relations occurred in July 2023.²⁶

Especially in the fields of economy, transport and energy, the two countries have already come up with an impressive list of areas of cooperation that would deepen existing ties. Overall, increasing trade and investment, including joint investments, are on the two countries' agenda.²⁷

In the field of energy cooperation, natural gas is an area that Türkiye is particularly interested in. For Ankara, trying to diversify its natural gas imports, especially after the war in Ukraine, Egypt has already become the number two provider, after the US, of spot LNG imports to Türkiye.²⁸ During his joint press conference with his Egyptian counterpart in their last meeting, the former Foreign Minister of Türkiye, Çavuşoğlu, stated that Türkiye now wants “to buy directly from our energy companies, BOTAŞ and the Egyptian company, not from the

²⁶ “Kahire ile yeni dönem: Mısır’a büyükelçi atanıyor” (“New Era with Cairo: Ambassador appointed to Egypt”), *TRTHaber*, 4 July 2023.

²⁷ Ministry of Foreign Affairs – Republic of Türkiye, “Dışişleri Bakanı Sayın Mevlüt Çavuşoğlu’nun Mısır Dışişleri Bakanı Sameh Shoukry ile yaptığı Ortak Basın Toplantısı in Ankara” (“Joint Press Conference by Minister of Foreign Affairs Mevlüt Çavuşoğlu with Minister of Foreign Affairs of Egypt Sameh Shoukry in Ankara”), 13 April 2023.

²⁸ Energy Market Regulatory Authority (EPDK), *Turkish Gas Market Report 2021*, Ankara, 2022, p. 21.

spot market anymore”.²⁹ The issue of selling Egyptian LNG to European markets through LNG terminals in Türkiye also came to the agenda.³⁰ In addition, possibilities for diversifying energy cooperation, particularly in the field of nuclear and renewable energy, were discussed. Türkiye is also pushing for the restart of Mersin-Alexandria Ro-Ro services, which operated until 2017 and were then stopped by Egypt for security reasons, as they required Turkish trucks to travel within Egypt to Red Sea ports from where the cargo was transferred to the Gulf. However, this transport link is important for Türkiye to reach the Gulf, especially after the loss of the Syrian route.³¹

The two countries are also committed to encouraging tourism. Already the number of tourists from Egypt to Türkiye broke a record last year, with the number reaching 227,000.³² Çavuşoğlu explained that Turkish Airlines now has 50 flights a week to Egypt and has requested 12 additional flights.³³ In May 2023, Egypt restarted issuing visas at the border for visitors from Türkiye, a practice it abandoned after problems began in bilateral relations.³⁴ The AKP government has also asked to re-open some of its media outlets in Egypt, such as the state news agency (Anadolu Agency) and state TV (TRT), as well as Türkiye’s cultural centre, the Yunus Emre Institute, which has recently restarted its activities in Cairo but not yet in Alexandria.³⁵ Thus, bilateral relations picked up momentum in the last year, and the two countries expressed interest in developing them further in three meetings between their foreign ministers.

²⁹ “Bakan Çavuşoğlu’ndan Mısır ile normalleşme açıklaması” (“Minister Çavuşoğlu’s statement on normalisation with Egypt”), *Habertürk*, 20 March 2023.

³⁰ Ibid.

³¹ Ibid.

³² Ministry of Foreign Affairs – Republic of Türkiye (2023).

³³ Ibid.

³⁴ “Mısır’a seyahatlerde yeni dönem başladı” (“New era of travel to Egypt begins”), *Dünya*, 2 May 2023.

³⁵ Ministry of Foreign Affairs – Republic of Türkiye (2023).

In recent years, Egypt-Türkiye relations have acquired an important regional political dimension. Thus, progress in normalisation is highly dependent on the two countries resolving their differences in regional issues or at least coming to the point of discussing them. There seems to be some effort to do so. Çavuşoğlu, for instance, stated that Türkiye could offer its good offices for Egypt's water conflict with Ethiopia: "Egypt has water issues with Ethiopia, we have water issues with neighbouring countries, such as Iran, Iraq, and Syria. We have experience in these issues. We said that we can provide the necessary support if they need help, especially in mediation".³⁶ Egypt also raised the issue of its concerns about the future of Syria and Türkiye's military presence there. This issue is one part of the current normalisation efforts between Syria and Türkiye that has not yet produced concrete results.

However, the most important regional issue, with a direct bearing on Egypt-Türkiye normalisation, is Libya. Opposing positions towards developments in this country have been a sticking point, and this issue was one of the main reasons preventing more rapid normalisation. Even once the normalisation process was advancing, at the end of 2022, Türkiye blamed Egypt for halting normalisation over Türkiye's new energy deal with Libya,³⁷ while Egypt blamed Türkiye for its continuing military presence.³⁸ Thus, the crisis in Libya constitutes the crux of bilateral relations as developments in this country are deemed strategically crucial by both sides. However, the shift in the two countries' positions in Libya have contributed to dampening their rivalry. Egypt has realised the limitations of its policy of supporting Haftar and his forces due to a changing military and diplomatic context. Cairo has therefore started to reach out to the GNA. Türkiye, on the other

³⁶ "Bakan Çavuşoğlu'ndan Mısır ile normalleşme açıklaması", cit.

³⁷ "Türkiye blames Egypt for halting normalisation over Libya energy deal", *Middle East Eye*, 2 November 2022.

³⁸ "Egypt halts dialogue with Türkiye over Libya policies, says foreign minister", *The Libya Update*, 29 October 2022.

hand, has realised the importance of reaching out to actors in the east in order to transition to a more stable Libya.

Therefore, the two countries recently intensified their dialogue on Libya and at least agreed on a common goal of stability in that country. Cavuşoğlu stated, “We agree that we are not rivals in Libya and should work together for the stability of Libya. We will increase our consultations on this issue”.³⁹ Yet there are still serious divergences. Egypt is not happy with Türkiye’s military presence in its neighbour.⁴⁰ For Türkiye, its engagement in Libya is for the long-term as it has already invested militarily, politically and economically in the future of that country, and its presence there is linked with its vital interests in the Eastern Mediterranean. On the other hand, although Libya is a big challenge for both countries, it also offers opportunities. Both countries share a general interest in ensuring Libya’s unity and stability – although there are differences in the specific actions each country is taking – and they need to find more areas of common interest to achieve this goal. Egypt and Türkiye have already reached out to the other side in the Libyan domestic competition. While Egypt has been trying to normalise its relations with the Tripoli government, Türkiye has reached out to Aguila Saleh, the head of the House of Representatives in eastern Libya. This development makes it easier for the two countries to work together to resolve the problems in the political process in Libya. Türkiye, for its part, expects Egypt to be more cooperative on Eastern Mediterranean issues related to energy and maritime delimitation, including Türkiye’s interests there. The fading possibility of realising the EastMed pipeline project, mainly due to feasibility concerns, has helped to relax tensions in the region somewhat. Yet, the issue also has other complex dimensions due to Egypt’s relations with Greece and the Republic of Cyprus, which have linked Egypt-Türkiye relations to Türkiye’s long-term disputes with

³⁹ “Bakan Cavuşoğlu’ndan Mısır ile normalleşme açıklaması”..., cit.

⁴⁰ “Will there be a new dawn in Türkiye-Egypt relations?”, *The New Arab*, 30 March 2023.

Greece over the Aegean Sea and the Cyprus issue. However, the recent normalisation between Greece and Türkiye as part of earthquake diplomacy also raises possibilities of relaxing the zero-sum nature of the relationship.

Conclusion

Egypt and Türkiye have come a long way in their bilateral relations. Due to changes in the regional context and domestic considerations, the two sides began shifting their policies from zero-sum to normalisation. Normalisation already represents a significant foreign policy change for the two countries. However, diverging perspectives and conflicts remain in certain areas. Increasingly, these areas are more related to regional issues rather than bilateral ones. This makes the situation more complex as these regional issues and their trajectories are not just dependent on the policies of Egypt and Türkiye per se, but represent complex multi-actor regional and global dynamics. Yet, over the years, the two countries have demonstrated their ability to compartmentalise especially political and economic relations. More importantly, in the last two years, they have also shown their ability and willingness to start a dialogue even on topics of significant interest. The challenge now is to continue the dialogue and maybe to further compartmentalise their relations, even in cases like Libya, where significant security interests are involved, by focusing on the things they agree on. It remains to be seen whether they are up to this challenge.

4. Türkiye's Libya Policy on Shifting Sands

Evrım Görmuş

Disputes over maritime borders have created a tense situation between Türkiye and its Mediterranean neighbours due to shifting power dynamics between coastal states over the last few years. As a non-signatory to the 1982 United Nations Convention on the Law of the Sea (UNCLOS), Türkiye does not recognise the jurisdiction of coastal states over twelve nautical miles of territorial waters, or their rights to establish Exclusive Economic Zones (EEZs) of 200 nautical miles from their coastlines. Türkiye also denies that the Greek islands are entitled to an exclusive economic zone outside their territorial waters, and that the Republic of Cyprus has the right to exploit energy resources without the consent of the Turkish Republic of Northern Cyprus.

While the conflict has long been a regional affair, stemming mainly from the impasse over Cyprus, a number of developments in recent years have transformed it into a multifaceted confrontation involving the EU and other external powers. Most notably, in November 2019, the European Council agreed on a set of sanctions to be imposed on Turkish natural and legal persons involved in illegal exploration activities undertaken by Turkish research ships in the Republic of Cyprus' internationally recognised EEZ. Then, in June 2020, the foreign ministers of the MED7 countries (Cyprus, Greece, France, Italy, Malta, Portugal and Spain) issued a joint declaration expressing their unreserved support for Greece and the Republic of Cyprus against Türkiye, and calling on "all countries of the region to

respect international law, including the law of the sea, and in particular the sovereignty and sovereign rights of EU member states”.¹ A few months later, in September 2020, Cyprus, Egypt, Greece, Israel, Italy, Jordan and the Palestinian Authority formally established the Eastern Mediterranean Gas Forum (EMGF) to ensure the efficient production and marketing of offshore gas reserves in the Eastern Mediterranean. Türkiye viewed the forum as an anti-Ankara bloc, calling it an “alliance of malice”. It was within this context that Türkiye’s involvement in the Libyan conflict began to take on a clear shape.

Türkiye’s Increasing Engagement in Libya

Legal disputes over maritime borders and the subsequent increasing isolation of Türkiye in the Eastern Mediterranean led the Justice and Development Party (AKP) government to overtly engage in the Libyan conflict, aligning itself with Libya’s UN-recognised, Tripoli-based Government of National Accord (GNA) led by Fayez al-Sarraj. Libya has been in turmoil since the fall of Muammar Gaddafi more than a decade ago, wracked by civil war between rival factions competing for power. Given Libya’s historical ties with Türkiye dating back to the Ottoman Empire as well as the country’s strategic importance in Ankara’s foreign policy calculations regarding Africa and the Eastern Mediterranean, Türkiye joined the international intervention that toppled Gaddafi in 2011 and sought to shape the outcome in Libya. After the collapse of the Gaddafi regime, Türkiye continued to have a certain degree of stake in Libyan domestic affairs, in which Ankara developed a “friendly but largely passive” relationship with the Libyan branch of the Muslim Brotherhood and its political party, the Justice and Construction Party.²

¹ “Med7 Calls on Turkey to Respect Law of the Sea”, *Ekatimerini.com*, 4 June 2022.

² A. Lund, *Turkey’s Intervention in Libya*, The Swedish Defence Research Agency,

Following the UN-brokered Libyan Political Agreement and the formation a government of national unity, the GNA in 2015, Türkiye supported the UN-led political process in Libya. However, the agreement did not bring a halt to the fighting, and the country was divided into areas controlled by the UN-recognised GNA in Tripoli, and the Libyan National Army (LNA) with a House of Representatives in Tobruk.

With substantial financial and military support coming from the United Arab Emirates (UAE), Egypt and Russia, the LNA managed to take control of oil-rich central Libya, especially the critical Jufra-Sirte line, and advance on the capital, Tripoli.³ When Haftar's forces marched on Tripoli in April 2019, the Turkish President Recep Tayyip Erdoğan quickly expressed his support for the GNA against what he called a "conspiracy".⁴ Afterwards, Türkiye covertly started supplying armoured personnel carriers and drones to the GNA.⁵ It was not until November 2019 that Türkiye became overtly involved in the Libyan conflict, signing two memorandums of understanding (MoUs) with Tripoli on security and maritime affairs. Ankara signed a defence cooperation memorandum with the GNA in its fight against General Khalifa Haftar's LNA, pledging the delivery of armoured vehicles and drones as well as the deployment of mercenaries to Libya.⁶ Ankara further signed a maritime agreement with the GNA to open a maritime corridor between southwestern Türkiye and northeastern Libya in response to the creation of the "anti-Türkiye bloc" and the

FOI, April 2022.

³ S. Kardaş, "Turkey's Libya Policy: Militarization of Regional Policies and Escalation Dominance", *China Int Strategy Review*, vol. 2, 2020, pp. 325-36.

⁴ Lund (2022).

⁵ International Crisis Group (ICG), "[Turkey Wades into Libya's Troubled Waters](#)", Report no. 257, Europe & Central Asia, 30 April 2020, p. 3.

⁶ MoU Security and Military Cooperation, "The Memorandum of Understanding between the Government of the Republic of Turkey and the Government of National Accord - State of Libya on Security and Military Cooperation", Istanbul, 27 November 2019.

country's increasing isolation in the Eastern Mediterranean.⁷

The Türkiye-Libya Maritime Boundary Delimitation Agreement, which delineated an 18.6 nautical mile (35km) maritime boundary between Türkiye and Libya, allowed for the bilateral creation of an EEZ by excluding major Greek islands such as Crete.⁸ The maritime demarcation agreement, while adding another layer of complexity to the Libyan conflict and directly linking Libya to the crisis in the Eastern Mediterranean, represents a major strategic success for Türkiye.⁹ Through the maritime deal, Türkiye's legal arguments have been recognised by one of the coastal states for the first time since Türkiye raised its position on the delimitation of maritime borders in the Mediterranean in 2003.¹⁰ The maritime boundary deal has therefore been conducive to breaking Türkiye's isolation in the Eastern Mediterranean.

The Türkiye-Libya Maritime Boundary Delimitation Agreement has been a source of great concern to the LNA and its regional supporters. Along with interfering with the Cypriot, Egyptian and Greek EEZs, the Turkish-Libyan maritime agreement has also blocked the route of the Eastern

⁷ Türkiye had already been in contact with Gaddafi about a maritime demarcation deal in 2010, but negotiations were suspended due to the unrest in Libya. See ICG (2020).

⁸ MoU Maritime Delimitation "The Memorandum of Understanding between the Government of the Republic of Turkey and the Government of National Accord - State of Libya on Delimitation of the Maritime Jurisdiction Areas in the Mediterranean", cit.

⁹ M. Eljarh, "Escalating Complexity in Libya's Ongoing Conflict", in M. Tanchum (ed.), *Eastern Mediterranean in Uncharted Waters: Perspectives on Emerging Geopolitical Realities*, Konrad-Adenauer-Stiftung (KAS), 2021, p. 44.

¹⁰ Article 4 of the Türkiye-Libya Maritime Boundary Delimitation Agreement states that "if either of the two parties is engaged in negotiations aimed at the delimitation of its Exclusive Economic Zone with another state, that party, before reaching a final agreement with the other state, shall notify and consult the other party". See M. Özşahin, and C. Çakmak, "Between Defeating 'the Warlord' and Defending 'the Blue Homeland': A discourse of Legitimacy and Security in Turkey's Libya Policy", *Cambridge Review of International Affairs*, vol. 13, 2022, pp. 1-24.

Mediterranean Gas Pipeline intended to export Israeli, Egyptian and Cypriot gas to European markets. The deal has further caused unease in the EU and triggered a new wave of tensions in the Eastern Mediterranean, particularly between Türkiye and Greece. Josep Borrell, the European Union's High Representative for Foreign Affairs and Security Policy, reaffirmed the EU's strong stance of "solidarity" with Cyprus and Greece in the wake of Türkiye's activism in the Eastern Mediterranean.¹¹ France has positioned itself as the most vocal European power in support of the Greek-Cypriot position, deploying the nuclear aircraft carrier Charles de Gaulle to the Eastern Mediterranean.¹² In an immediate reaction to the MoU, Greece expelled the Libyan Ambassador to Athens, Mohamed al-Menfi, on 6 December 2019. Greece has further strengthened its ties with Italy and Egypt in its quest to demarcate its own EEZ, seeking to circumvent the boundaries agreed between Ankara and the government in Tripoli.¹³ Following the signing of the Greek-Egyptian EEZ Agreement, Türkiye issued a series of NAVTEX orders for natural gas exploration activities in the disputed waters around the island of Kastellorizo, named Meis in Turkish. In return, Greece also issued a NAVTEX and claimed that the Turkish NAVTEX remained invalid, escalating the tension to a climax in the summer of 2020.¹⁴

Since then, each rival bloc has hardened its geopolitical calculations, turning Libya into a major battlefield between competing powers in the Eastern Mediterranean. However, there is an important caveat to be considered here: Melcangi and Mezran caution that analysing the Libyan conflict

¹¹ Ibid.

¹² G. Dalay, "Turkey, Europe, and the Eastern Mediterranean: Charting a Way out of the Current Deadlock", Brookings, 28 January 2021.

¹³ M. Mourad, "Egypt and Greece Sign Agreement on Exclusive Economic Zone", *Reuters*, 6 August 2020.

¹⁴ I.N. Grigoriadis, "The Eastern Mediterranean as an Emerging Crisis Zone: Greece and Cyprus in a Volatile Regional Environment", in M. Tanchum (ed.), *Eastern Mediterranean in Uncharted Waters...cit.*, pp. 25-30.

through the lens of a classic proxy war does not provide a true understanding of the dynamics on the ground, as it downplays the importance of the domestic agency. The authors add that “the ‘rentier nature’ of the Libyan state ensured that local actors could continue to extract what they wanted from central economic institutions, granting them the autonomy necessary to pursue their own objective”.¹⁵

Türkiye's Reasons for Its Involvement in Libya

The AKP government has justified its close involvement with the GNA government in Libya and its wider confrontational stance in the Eastern Mediterranean with a strong emphasis on national security and the question of survival. The ruling party elites have attached great importance to claiming that confronting an alliance of hostile forces seeking to curb Türkiye's clout in the Mediterranean and the wider Middle East necessitates support of the Tripoli government. Although the official discourse of the Turkish government has explained its intervention in Libya as a balancing policy against the threat posed by its rivals in the Eastern Mediterranean, there are also a number of overlapping geopolitical, economic and ideological considerations at play in shaping the country's policy towards Libya.

The long period of Ottoman rule in Libya allowed Türkiye to develop strong political and economic connections with the country. Türkiye's shift towards an export-oriented economy turned Libya into an important country for Turkish businesses in their search for new markets abroad. Economic ties between the two countries grew considerably from the 1980s, with a large number of Turkish companies operating in the infrastructure and construction sectors in Libya under

¹⁵ A. Melcangi and K. Mezran, “Truly a Proxy War? Militias, Institutions and External Actors in Libya between Limited Statehood and Rentier State, *The International Spectator*, vol. 57, no. 4, 2022, pp.121-38.

the Gaddafi regime. Turkish companies are estimated to have signed US\$40 billion worth of construction contracts since 1972.¹⁶ When the 2011 uprising began, around 100 Turkish companies employing 25,000 workers were evacuated from the country.¹⁷ Construction contracts worth around US\$19 billion were left unfinished and unpaid, and the Turkish business lobby has put considerable pressure on the government to solve the problem of pre-2011 contracts with Libya.¹⁸ The Turkish Petroleum Corporation also invested over US\$180 million in Libya before the conflict, but its drilling investments have not been viable since 2011.¹⁹ The drive to compensate the losses of Turkish construction companies and to seize further economic opportunities offered by an oil-rich economy in the post-Gaddafi period have constituted major economic incentives driving Türkiye's involvement in Libya. With the announcement of Ankara's military deal to support the Tripoli government in 2019, the Independent Association of Industrialists and Businessmen (MÜSİAD) announced that it aimed to raise exports to Libya by over 500%, amounting to about US\$10 billion, against US\$1.49 billion in 2018.²⁰

In April 2020, a joint Turkish-Libyan working group was launched to settle the question of pre-2011 compensation for Turkish investors, and on 13 August 2020, Türkiye and the GNA finally signed an economic agreement to resolve remaining issues related to Turkish construction projects initiated during the Gaddafi era.²¹ The agreement, which is estimated to account for 20% of Libya's investment projects, also aimed to boost new Turkish investment and increase trade.²²

¹⁶ "Turkey's Strategic Play in Libya to Help Reap Economic Gains", *Deutsche Welle*, 3 July 2020.

¹⁷ Lund (2022), p. 47.

¹⁸ *Ibid.*

¹⁹ ICG (2020), p. 23.

²⁰ "Turkey Seeks to Increase Exports to Libya", *Asharq al-Ahsat*, 2 January 2020.

²¹ Lund (2022), p. 48.

²² While many foreign countries had US\$100 billion worth of contracts in Libya during the Gaddafi era, only Türkiye has signed such a deal. ICG (2020), p. 13.

In 2019, Türkiye overtook the EU as the largest exporter to Libya after China, generating US\$1.53 billion in revenue for Türkiye.²³ By the end of 2021, Turkish companies operated in multiple strategic economic sectors in Libya, including cement factories, electricity generation and distribution, airports, trade and transport infrastructure.²⁴ According to Central Bank of Libya data, Türkiye became the top exporter to Libya with the amount of US\$2,8 billion in 2022.²⁵

Türkiye's involvement in Libya has been crucial to its broader ambitions to expand its spheres of influence not only in the Eastern Mediterranean but also in Africa, where Ankara has increasingly emerged as a significant player in recent years. Indeed, Libya has been seen as Türkiye's gateway to Africa. Africa policy gained momentum with the AKP's announcement of a "Year of Africa in Türkiye" in the early period of its rule in 2005. While Türkiye had only 12 embassies in Africa in 2002, the number of embassies increased to 44 by the year 2022.²⁶ A month after Türkiye's intervention in Libya, Erdoğan visited Algeria, Senegal and Gambia. During his visit, Erdoğan declared that "Algeria is one of Türkiye's most important gateways to the Maghreb and Africa"; Türkiye had already invested US\$3.5 billion in Algeria, ranking it among the country's largest foreign investors.²⁷

Türkiye's defence and aerospace exports to Africa also amounted to US\$460.6 million in 2021, in contrast to US\$82.981 million the previous year, according to the Turkish Exporters Assembly.²⁸ 30 African states have concluded

²³ M. Tanchum, "Turkey Advances in Africa against Franco-Emirati-Egyptian Entente", *The Turkey Analyst*, 25 August 2020.

²⁴ Lund (2022), p. 48.

²⁵ Data from Turkish Statistical Institute (TUIK).

²⁶ Republic of Turkey, Ministry of Foreign Affairs, "Türkiye-Africa relations".

²⁷ M. Tanchum, "Turkey Advances in Africa against Franco-Emirati-Egyptian Entente", cit.

²⁸ N.T. Yaşar, "Unpacking Turkey's Security Footprint in Africa: Trends and Implications for the European Union", SWP Comment 2022/C 42, Stiftung Wissenschaft und Politik (SWP), 30 June 2022.

various security agreements with Türkiye. The full range of state institutions involved in these agreements, including the Ministry of Defence, the Ministry of the Interior (police, gendarmerie and coastguard) and the Presidency of the Defence Industry (SSB), has developed a wide scope for cooperation with their African counterparts.²⁹ Türkiye, backed by Qatar, its main regional partner over the past decade, has challenged the power of the Egyptian-Saudi-UAE alliance by building coastal military installations in Sudan on the Red Sea and in Somalia on the Arabian Sea.

Türkiye has justified its involvement in Libya through multiple discourses aimed at different audiences. In addressing international audiences, the AKP government has emphasised Türkiye's adherence to international norms and the legitimacy of the GNA government, referring to the UN Security Council resolution 2259. Domestically, however, the government has heavily relied on the "Blue Homeland" concept to garner support for its engagement in Libya in a highly polarised political environment.³⁰ Introduced by Cem Gürdeniz, a retired admiral, the Blue Homeland doctrine is based on the vision of a greater maritime prominence for Türkiye and the restoration of maritime hegemony in Türkiye's close neighbourhood in the Mediterranean, Aegean and Black Sea as well as in the wider area of the Red, Caspian and Arabian Seas and the Persian Gulf.³¹ In the Eastern Mediterranean, the Blue Homeland doctrine envisages the allocation to Türkiye of substantial areas of the maritime zones of Greece and the Republic of Cyprus, in stark contrast to UNCLOS. Though long marginal in policy circles, Türkiye's recent nationalist and anti-Western twist has made the Blue Homeland doctrine more mainstream, attracting more support among Ankara's governing

²⁹ Ibid.

³⁰ Özşahin, and Çakmak (2022).

³¹ J. Mens, "Blue Homelands and Red Strongholds: The Libyan Civil War in Turkish and Russian Strategy", *Comparative Strategy*, vol. 41, no. 4, 2022, p. 376.

elites following the failed 2016 coup attempt.³² According to Gürdeniz, the Republic of Cyprus's claim to an EEZ amounts to an occupation of the Eastern Mediterranean, reminiscent of the Treaty of Sèvres that locked Türkiye into Anatolia. Echoing this, Erdoğan defined the Turkish-Libyan deal as a manoeuvre to reverse the effects of the same treaty. Ankara's involvement in Libya has therefore been lauded as a milestone in the creation of the Blue Homeland and expansion of Türkiye's hegemony over the seas beyond Anatolia.³³

However, the deployment of Turkish troops in Libya received little public support. According to a public opinion poll conducted by the Istanbul Ekonomi Arastirma, 58% of Turkish people opposed sending soldiers to Libya.³⁴ Thus, Erdoğan sought to mobilise further nationalist sentiment to justify Türkiye's intervention in defence of the GNA through the exploitation of the Ottoman heritage in Libya.³⁵ Libya, ruled by the Ottomans from 1551 to 1912, is home to a population of Karaghila (Köroğlu or Kuloğlu in Turkish), descendants of XVI century Ottoman janissaries, who now live mostly in Misrata. In January 2020, in a speech to the AKP's parliamentary group meeting, Erdoğan was quoted as saying: "In Libya, there are Köroğlu Turks remaining from the Ottomans, whose number exceeds one million; they are descendants of Barbarossa and Dragut, and they are being subjected to ethnic cleansing. Haftar is bent on destroying them, too". Erdoğan has accordingly concluded that Türkiye's involvement in Libya is a moral obligation to "protect the grandchildren of our ancestors".³⁶

³² Dalay (2021).

³³ H. Taş, "The Formulation and Implementation of Populist Foreign Policy: Turkey in the Eastern Mediterranean", *Mediterranean Politics*, vol. 27, no. 5, 2022, pp. 563-87.

³⁴ E. Judd, "Erdoğan gains at home from Turkey involvement in Libya: Experts", *Al Arabiya News*, 25 June 2020.

³⁵ Taş (2022).

³⁶ ICG (2020), p. 3.

Changing Dynamics in the Aftermath of Türkiye's Intervention in Libya

Türkiye's intervention changed the trajectory of the Libyan civil war by June 2020 when Ankara-backed GNA units drove Haftar's forces back 450km eastwards to the city of Sirte. Türkiye transferred KORAL electronic warfare systems to Libya to neutralise the aircraft, drones and cruise missiles used by Haftar and his supporters.³⁷ As expected, Türkiye's incursions into Libya through its large military deployment, including the presence of its air force in al-Watayah and the construction of a naval base in Misrata, created a certain amount of unease in Cairo. Egypt's President Abdel-Fattah al-Sisi declared that "any military intervention in Libya would be a legitimate means of self-defence as Sirte is a red line for Egypt".³⁸ The imminent possibility of Egyptian military intervention, along with the presence of the Wagner Group, a Russian private military contractor, halted the advance of the western Libyan forces. Despite supporting opposing sides, Russia and Türkiye have found a modus vivendi to deal with their ongoing rivalries in the wider region without upsetting bilateral relations. Both countries have further expressed their commitment to cooperate on the terms of the ceasefire agreement.

Through the united efforts of Germany, the United States and the United Nations, a ceasefire was reached on 21 August 2020, establishing a demilitarised buffer zone across the Sirte-Jufrah front line.³⁹ In November 2021, the United Nations Special Mission in Libya (UNSMIL) mediated the Libyan Political

³⁷ B. Daragahi, "Turkey Sends Troops and Electronic Warfare Tools to Libya", *The Independent*, 6 January 2020.

³⁸ A. Ghafar, "The Return of Egypt? Assessing Egyptian Foreign Policy under Sisi", The Middle East Council on Foreign Affairs Issue Brief, November 2022.

³⁹ M. Tanchum, "The Geopolitics of the Eastern Mediterranean Crisis: A Regional System Perspective on the Mediterranean's new Great Game", in Idem (ed.), *Eastern Mediterranean in Uncharted Waters...* cit., Konrad-Adenauer-Stiftung (KAS), 2021.

Dialogue Forum in Tunis, resulting in the election of the Abdelhamid Dbeibah Government of National Unity (GNU), which was tasked with holding simultaneous presidential and parliamentary elections on 24 December 2021. Although the commitments to hold national elections on 24 December and to expel foreign military forces and mercenaries were renewed at the second Berlin Conference (June 2021), the elections scheduled for December 2021 were never held.

When the Saleh-led parliament appointed Fathi Bashagha as the new Prime Minister, Abdelhamid Dbeibah refused to relinquish power before elections, and the country was once again plagued by two governments. Bashagha, the GNA's former Interior Minister, was a figure associated with the Muslim Brotherhood and Türkiye. In a surprise move, however, he reached a deal with General Haftar and Aguila Saleh, the speaker of the House of Representatives, to become Prime Minister of an interim government, claiming that Dbeibah's Tripoli-based government had ceased to exist since elections had not been held. Since neither figure was elected by Libyans, they can both be considered "the product of continuous deflection by corrupt politicians who do not wish to let go of their positions of power".⁴⁰

Dbeibah has had continual support from Türkiye and the Governor of the Central Bank of Libya (CBL), Sadiq al-Kabir. The Central Bank's support has enabled Dbeibah to receive a substantial share of oil and gas revenues – amounting to around US\$36 billion in 2022.⁴¹ For Türkiye, maintaining the demarcation agreement has continued to remain a major concern in its Libya policy after the formation of the GNU in 2021. Dbeibah was immediately invited to Ankara where he publicly endorsed the boundary deal by saying that it is "based

⁴⁰ A. Khalifa "Why Elections Won't Happen in Libya", *Arab Reform Initiative*, 22 December 2022.

⁴¹ J. Harchaoui, "How Libya's Fault Lines were Redrawn", *War on the Rocks*, 24 February 2022.

on correct foundations and serves the interest of our country”.⁴² Dbeibah also acknowledged the Turkish companies’ crucial role in Libya’s reconstruction process.⁴³ The large-scale Turkish participation in the reconstruction of Libya is important to consolidate Türkiye’s presence in Libyan politics, “ensuring the continuation of Turkish leverage in Libya even after Turkish troops withdraw”.⁴⁴

When negotiations between the two governments for new elections failed to produce a viable outcome, the forces of Dbeibah and Bashagha launched an armed conflict in their struggle for ultimate power in 2022. Faced with Bashagha’s advance in the east and changing internal dynamics in Libya, Türkiye sought to open diplomatic relations with the Tobruk-based government, and Erdoğan hosted Salah in Ankara in August 2022. During the meeting, it was stressed that Türkiye sees Libya as an “inseparable whole”, and does not discriminate between regions.⁴⁵ However, Türkiye’s moves towards the Bashagha government do not involve a withdrawal of support for Dbeibah’s Tripoli-based government. Ankara’s support for the Tripoli government continues to remain an important leverage to secure economic concessions in eastern Libya.⁴⁶

In October 2022, Abdelhamid Dbeibah signed an energy agreement with Türkiye, allowing Turkish oil rigs and research ships to conduct joint exploratory activities for oil and natural gas in the areas of the Eastern Mediterranean that are contested with Greece and Egypt. This energy agreement immediately alarmed Greece and Egypt as well as the Libyan Parliament and its appointed Prime Minister Bashagha, who denounced the agreement by declaring that the signing of such a deal was only

⁴² Lund (2022), p. 44.

⁴³ Ibid., p. 48.

⁴⁴ Mens (2022), p. 380.

⁴⁵ F. Tastekin, “After Years of Hostility, Turkey Forges Ties With Eastern Libya”, *Al-Monitor*, 4 August 2022.

⁴⁶ M. Gurbuz, “Turkey Faces a Dilemma in its Foreign Policy Toward Libya”, Washington DC, Arab Center, 24 January 2023.

“the inherent right of an elected authority”.⁴⁷ In the same vein, the Greek Foreign Minister Nikos Dendias, after a meeting with his Egyptian counterpart, Sameh Shoukry, strongly condemned the deal as illegal, saying that “Türkiye seeks once again to take advantage of the turbulent situation in Libya in order to further destabilise the Mediterranean region and establish regional hegemony. No one can ignore geography. No one can create a virtual world”.⁴⁸ The former Turkish Foreign Ministry spokesman Tanju Bilgiç responded to such criticisms by asserting that “any objection to an accord signed by two sovereign states is a violation of international law and the basic principles of the UN”.⁴⁹ A few months later, on 9 January 2023, a Libyan court suspended the controversial memorandum of understanding for the exploration of hydrocarbons signed between Türkiye and Libya’s Tripoli-based GNU in October 2022. While the court’s decision is not final, it has certainly added to the growing complexities of Türkiye’s Libya policy.

Conclusion

Türkiye’s military presence in Libya has contributed to enhancing its bargaining power in the Eastern Mediterranean maritime boundary dispute and has paved the way for its wider aspirations to create trans-Mediterranean commercial connectivity through central Maghreb.⁵⁰ Nonetheless, Türkiye’s Libya policy seems to be in danger of reaching an impasse. As Gurbuz asserts, Ankara is caught in a foreign policy dilemma in Libya and has yet

⁴⁷ V. Nedos, “Ankara Ratchets Up Tension via Libya”, *Ekatimerini.com*, 4 October 2022.

⁴⁸ H. Hemdawi, “Egypt and Greece Condemn Deals Between Turkey and Libya’s Tripoli-based Government”, *The National News*, 9 October 2022.

⁴⁹ N. Ertan, “Turkey-Libya Energy Deal Clouds Waters in East Mediterranean”, *Al-Monitor*, 4 October 2022.

⁵⁰ M. Tanchum, “The Geopolitics of the Eastern Mediterranean Crisis: A Regional System Perspective on the Mediterranean’s new Great Game”..., cit., p. 13.

to make a clear policy choice on how to proceed. While the creation of a unified Libyan government would be to Türkiye's advantage to protect its economic interests and secure its gains in the Eastern Mediterranean, Türkiye's exclusive dealings with the Tripoli government are at odds with its own calls for a diplomatic solution that unites Libya's two rival governments.⁵¹ Türkiye's recent diplomatic initiatives to resolve long-standing conflicts with Israel, the UAE, Saudi Arabia and Egypt have also further limited its room for manoeuvre in Libya. Since the withdrawal of the Turkish military and pro-Turkish Syrian fighters from Libya is the precondition for Egypt to normalise its relations with Türkiye, finding a *modus vivendi* with Egypt continues to require Türkiye to limit its escalatory capabilities in Libya.

The continued use of foreign fighters and mercenaries by outside powers in Libya is a source of concern that remains unresolved. Even though the Second Berlin Conference on Libya, held in 2021, called for the immediate withdrawal of all foreign forces and mercenaries from Libya,⁵² the AKP government persists in claiming that Türkiye does not need to abide by the decisions of the Second Berlin Conference as Türkiye's military presence in Libya is based on a bilateral agreement with the legitimate government of Libya, and therefore does not represent an outlawed foreign intervention.⁵³

The results of the recent Turkish elections have secured President Recep Tayyip Erdoğan another term in office, raising concerns about the future direction of Turkish foreign policy towards Libya and beyond. Strengthened by his resounding election victory, Erdoğan is likely to reorient his regional policy towards Egypt and the UAE at an intensified pace to meet Türkiye's economic imperatives and geopolitical

⁵¹ Gurbuz (2023).

⁵² "The Second Berlin Conference on Libya", 23 June 2021, UNSMIL.

⁵³ B. Süsler, "Turkey's Involvement in the Libyan Conflict, the Geopolitics of the Eastern Mediterranean and Drone Warfare", LSE IDEAS Strategic Update, 24 August 2022.

stakes. To this end, Türkiye must certainly refrain from any intransigence in Libya that could be an obstacle to the progress of the reconciliation process. Hakan Fidan, who has been at the “backstage” of the rapprochement process with Türkiye’s old foes in the region, has been appointed Foreign Minister in the new government. Owing to his diplomatic savvy, Fidan is earmarked to maximise the potential of Türkiye’s diplomatic muscle in which Libya constitutes one of the cornerstones. At this early stage, it is reasonable to suggest that Türkiye’s Libya policy under Erdoğan’s new term is likely to be devoted to finding a delicate balance between maintaining continuity to secure previous gains and possible shifts to avoid serious confrontations with regional powers. It remains to be seen to what extent Türkiye will succeed in this daunting quest.

5. Türkiye's Swings in the Syrian Crisis: Paving the Way Forward

Güney Yıldız

Ankara's Syria policy is a game of high costs and higher risks, and on a track that Ankara is eager to change. After years of trying to topple Assad whatever the cost, the re-elected Turkish President Recep Tayyip Erdoğan is now striding forward with a firm goal in mind: a meeting with Syria's Bashar al-Assad as swiftly as possible. Yet, such a change is not as straightforward as it seems, for the price to pay carries weight in three distinct dimensions: domestic, regional, and international.

Deep-seated distrust, particularly from Assad towards Erdoğan, has the potential to obstruct any possible advancements. In his restructured cabinet, Erdoğan has enlisted Hakan Fidan as Foreign Minister. Fidan, previously head of the Turkish National Intelligence Organisation (MIT), will now be instrumental in concluding potential agreements resulting from processes he initiated, including reconciliation with Syria. This move bridges the gap between intelligence-level negotiations and finalising agreements. Even during his tenure as the head of MIT, Fidan played a significant role in steering Türkiye's actions in Syria, Iraq, and Libya, among other foreign policy matters.

The contradiction in Türkiye's aspirations in Syria throws yet another spanner in the works. Ankara's desires swing like a pendulum: on one side seeking to revoke Kurdish gains and deny them collective political rights; on the other, wishing for some sort of autonomy for pro-Turkish groups, specifically the

Turkmens. It's a vision of two different, contradictory Syrias, both sought after by Türkiye.

The implications of Türkiye's policy on Syria are far-reaching and have a significant impact on regional stability, international relations, and the contentious refugee issue. Furthermore, the Syrian conflict has left an indelible mark on Türkiye's foreign policy, leaving it more militarised than before.

What unfolds in the coming months will shape the future of the region and beyond. This chapter aims to untangle the intricate web of this geopolitical scenario and to shed light on the past and present complexities of the Türkiye-Syria relationship and their potential future trajectories.

The Historical Dynamics of Türkiye-Syria Ties as Related to Current Events

The past is not a distant memory in the Middle East; it lives in the present, shaping the future. The historical dynamics between Türkiye and Syria, the role of the Kurds, the wider implications of the Syrian conflict, and the evolution of Türkiye's foreign policy all intertwine to shape today's complex regional fabric. Since before 1998, the two countries have experienced tectonic shifts in their relationship, from erstwhile rivals, to allies, then back to bitter rivals again and now potentially back to uneasy allies. To understand Türkiye and Syria's convoluted relationship, the contours of their shared past have to be traced back to when Ottoman sultans ruled the roost. Türkiye, once the epicentre of the Ottoman Empire, with Syria as one of its vassal states, became a modern nation-state following the empire's disintegration after World War I.

Hatay province debacle

Hatay province emerged as a historical bone of contention between Syria and Türkiye during the Ottoman Empire's final stages. The disagreement was seemingly resolved prior to

the 2011 Syrian conflict when Damascus implicitly accepted Hatay as part of Türkiye. However, amid current normalisation efforts, the issue's future remains uncertain. Historically, Hatay (or Alexandretta) was a Syrian district during the Ottoman Empire. Post-World War I, it became a point of contention.¹ The 1921 Treaty of Ankara between France (mandate holder over Syria and Lebanon) and Türkiye declared Hatay part of Syria but hinted at a future democratic resolution due to its significant Turkish population. By the late 1930s, with World War II looming, France advocated Hatay's autonomy to secure Türkiye's neutrality. Thus, in 1938, Hatay became an autonomous republic under French supervision, and Turkish was declared the official language. In 1939, a contentious referendum resulted in Hatay's union with Türkiye. Despite protests by Syria and other Arab states, Hatay was officially incorporated into Türkiye. This did not end Syria's claims. The province remained as part of Syria in official maps of the Syrian government. The Syrian government tacitly dropped its inclusion only during the first period of rapprochement with Türkiye prior to the Syrian conflict. It is imaginable that Syria might revive its claims to Hatay, even if just rhetorically. The issue is also contested within the opposition. Today the province is shown as part of Syria in the flag of the Kurdish-led, US-backed Syrian Democratic Forces (SDF).

Kurdish issue and the first Syrian-Turkish rapprochement

The Kurdish question is central to critical Turkish-Syrian relations. A people without a state of their own, the Kurds remain a politically volatile factor, capable of reshaping regional dynamics. Türkiye's dominant Kurdish movement, the Kurdistan Workers Party (PKK), has had a strong foothold in Syria, operating training camps in the formerly Syria-controlled

¹ M. Khadduri, "The Alexandretta Dispute", *The American Journal of International Law*, vol. 39, no. 3, 1945, pp. 406-25.

Bekaa Valley in Lebanon. As such, the PKK crisis between Türkiye and Syria dates back to the late 1970s and is one of the major factors that have shaped bilateral relations between the two countries. The PKK was established in 1978 in Türkiye's Diyarbakır, but later some members of the PKK leadership, including its leader Abdullah Öcalan, are known to have crossed the border to Syria before the September 1980 Military coup d'état in Türkiye. The group started an armed insurgency against the Turkish state in 1984, operating training camps inside Türkiye, Iraq, Syria and Lebanon. Although Damascus and the PKK never cooperated in training and the PKK never received sophisticated material support from Damascus, the Hafez al-Assad government allowed the PKK to operate in Syria, as leverage against Türkiye.

Two decades later, the crisis came to a head in 1998 when Türkiye, with potential military support from the US, threatened military action if Syria continued to shelter Ocalan and the PKK. On 16 September 1998, following a National Security Council (MGK) meeting in Türkiye, in which the Turkish establishment, with the encouragement of the US, decided to escalate tensions against Syria, the then Turkish Land Forces Commander, General Atilla Ateş, delivered a speech near the Syrian border in Hatay's Reyhanlı district, delivering an ultimatum to Syria to stop sheltering Ocalan.² In the face of Türkiye's ultimatum, Assad capitulated. In the Adana Agreement signed within weeks after Ocalan was forced to leave the country on 9 October 1998,³ Syria agreed to cooperate with Türkiye against the PKK. His eventual capture in Kenya in 1999, reportedly with CIA assistance, marked a

² General Atilla Ateş ended his speech by saying that “our [Türkiye’s] patience has run out” implicitly warning Syria of an imminent military attack in case Türkiye’s demands are not met. See “Suriye’ye tankla girecektik” (“We were going to enter Syria with a tank”), *Türkiye Gazetesi*, 26 June 2012.

³ F. Aksu, “1998 Suriye (Öcalan) Krizi” (“1998 Syria (Öcalan) Crisis”), *Türk Dış Politikası Kriz İncelemeleri (Crisis Analysis in Turkish Foreign Policy)*, 4 December 2015. Accessed 8 June 2023.

significant blow to the PKK and a turning point in Turkish-Syrian relations.

Prelude to the Syrian conflict

Syria-Türkiye relations saw an era of relative tranquillity following the Adana Agreement. Marked by increased cooperation and collaboration, the relationship between the two countries peaked in the period between 2009 and 2011. In a move aimed at encouraging bilateral growth, the two nations embarked on measures including visa liberalisation and free trade agreements. This bolstered travel frequency and trade volume between the two countries, creating a more robust interaction. In the aftermath, the two countries' friendship developed so deeply that the leaders of both holidayed together and gathered joint cabinet meetings.

However, the Syrian civil war that ensued in 2011 as an offshoot of the Arab Spring marked the beginning of a period of turbulent relations. In the earliest stages of the civil conflict, Türkiye, under the leadership of Erdoğan (Prime Minister at that time), attempted to play a mediating role between the Assad regime and the protestors.⁴ Ankara's approach contrasted sharply with that of Western powers such as France and United Kingdom, who sought to exert maximum pressure to topple President Bashar al-Assad's regime.

A shift in policy and growing involvement

By 2012, Türkiye had abandoned its offer to mediate between Assad and the opposition and obediently fell in line with the West. Ankara's intentions were directed towards establishing a congenial regime in Damascus to expand its sphere of influence southwards, potentially aligning Syria with the then pro-Türkiye regime in Egypt. The Turkish administration then played a pragmatic role in backing nearly anyone opposing the

⁴ "Syria Unrest: Turkey Presses Assad to End Crackdown", *BBC News*, 9 August 2011.

Assad regime. The Turkish security services took up the practical leadership of the broader Western strategy that envisioned toppling Assad's government.

However, this stance was not received without domestic and international criticism.⁵ As the opposition forces increasingly radicalised and the refugee crisis intensified, the West gradually abandoned the agenda of military intervention. This strategy, however, left Türkiye somewhat adrift as it had committed itself to either openly supporting or passively tolerating those who could assist in deposing Assad. As a result, Ankara chose to postpone addressing the complications resulting from rebel actions, turning a blind eye to the emergent radical threat within the country. The international voices once supportive of intervention turned silent, leaving Ankara alone to deal with the fallout of its Syria policy. During this phase, Türkiye's tolerance for extremist actors in the Syrian opposition became a focal point of criticism among EU and US policy circles,⁶ bringing further complexity to Türkiye's regional position.

The period also marked an exponential growth in the number of Syrian refugees crossing into Türkiye, exceeding 3.6 million by the end of 2021.⁷ The West, however, gradually curtailed its involvement. By 2014, they had all but stopped providing lethal support to non-moderate factions of the Syrian opposition, resulting in a divergence between the West's approach and that of Türkiye towards the Syrian conflict. The West then shifted

⁵ S. Starr, "A Deeper Look at Syria-Related Jihadist Activity in Turkey", Terrorism Center at West Point, 27 August 2014; K. Sengupta, "Turkey and Saudi Arabia alarm the West by backing Islamist extremists the Americans had bombed in Syria", *The Independent*, 13 May 2015; A. Wilks, "Who are the Turkish proxies accused of war crimes in Syria?", *The National*, 28 October 2019.

⁶ B.S.J. Frantzman, "US targets Turkey-backed extremists in Syria with sanctions – analysis", *The Jerusalem Post*, 29 July 2021; "US expresses concern over Turkey-backed fighters in Syria", *Middle East Eye*, 6 August 2020; T. O'Connor, "U.S. Military Battles Syrian Rebels Once Supported by CIA, Now Backed by Turkey", *Newsweek*, 29 August 2017.

⁷ "Years On, Turkey Continues Its Support for an Ever-Growing Number of Syrian Refugees", World Bank Group, 22 June 2021.

its focus to economic leverage and potential incentives to be offered to Assad at international diplomatic platforms such as the UN-backed Geneva Process, with the goal of motivating him to implement reforms.

Türkiye's Drastic Pivot: From Downing Russian Jets to Collaboration in Aleppo and Astana

One pivotal event that stands out in this phase was the shooting down of a Russian fighter jet by Türkiye on 24 November 2015. This incident, which occurred near the Türkiye-Syria border, marked a significant escalation between Ankara and Moscow.

The consequences of the incident were manifold. In the initial phase, Türkiye, a NATO member, exhibited a bold stance against Russia. Relations between Ankara and Moscow plummeted, with the Kremlin retaliating through economic measures and embarking on an intensified military campaign in Syria.⁸

However, as we fast-forward to 2016, the geopolitical chessboard presented an opportunity for a strategic realignment between Russia and Türkiye. Moscow skilfully leveraged its potential to sway the balance of power between Türkiye and the PKK⁹ and the broader Kurdish movement,¹⁰ pushing Erdoğan to publicly apologise to Putin on 27 June 2016.

That apology opened a window of opportunity for a newfound cooperation. Shifting its position significantly, Türkiye helped Russia to clear out Islamist rebels from Syria's Aleppo,¹¹ inflicting the heaviest-to-date blow against the Syrian opposition in December 2016.

⁸ G. Yildiz, "Turkish Foreign Policy: Ankara Seeks to Take Advantage of Regional Rivalries", Newsbrief, Royal United Services Institute, 1 January 2016.

⁹ D. Jones, "Turkey, Russia: Ties Worsen Over Downed Turkish Helicopter", *Eurasianet*, 19 May 2016.

¹⁰ D. Sabah, "HDP's Demirtaş meets Russian FM Lavrov despite harsh criticism", *Daily Sabah*, 23 December 2015.

¹¹ K. Shaheen, "Aleppo: Russia-Turkey Ceasefire Deal Offers Hope of Survival for Residents", *The Guardian*, 14 December 2016.

This convergence of interests laid the groundwork for Türkiye's subsequent participation in the Astana process. Named after the Kazakh capital where the talks were initially held, the Astana process sought to find a political solution to the Syrian conflict, with Türkiye, Russia, and Iran taking the lead as guarantors. Türkiye's involvement in this process represented a continued evolution of its foreign policy from an anti-Assad position to an anti-Kurdish stance mixing a military-focused approach with diplomatic negotiations by external stakeholders.

In conclusion, the shooting down of a Russian fighter jet by Türkiye served as a catalyst for a series of events that shaped the trajectory of the Syrian conflict. From the ashes of strained relations, Türkiye and Russia forged an increasingly resilient partnership, collaborating to clear Islamist rebels from Aleppo.¹²

Military Interventions and Changing Strategic Objectives

Contrary to common belief, Türkiye's initial incursion into Syria did not target the Kurds; instead, it was carried out in collaboration with them. In 2015, following extensive negotiations with Salih Muslim, the leader of the Syrian Kurdish group known as the People's Protection Units (YPG), the Turkish military entered Syria. The Turkish units operating in coordination with the YPG¹³ successfully relocated an Ottoman patriarch's historical mausoleum that was under imminent threat from the Islamic State. The mausoleum had originally been protected by Turkish soldiers but was moved to a safer location secured by the YPG.

¹² G. Yıldız, "Turkish-Russian Adversarial Collaboration in Syria, Libya, and Nagorno-Karabakh", SWP Comment 2021/C 22, Stiftung Wissenschaft und Politik (SWP), 24 March 2021. Accessed 12 June 2023.

¹³ "Report: Syrian Kurdish force provided corridor for Turkish evacuation of tomb", *Rudam.Net*, 23 February 2015.

Nevertheless, the path of Türkiye's engagement in Syria had begun to see a significant transformation as early as 2014, with the change becoming more apparent by 2015. Two factors determined this change: the ascension of the Syrian Kurdish-led rebels as allies of the US in its fight against the Islamic State and a changing domestic political situation in which Türkiye's Kurdish movement pushed back strongly against Erdoğan's executive presidency attempts in the general election of the 7 June 2015. The military partnership between the US and the YPG caused alarm in Ankara, which viewed the YPG as having direct operational ties with the PKK. The PKK had been engaged in a long-standing armed conflict with Türkiye since 1984. The YPG and the PKK share the ideology developed by Abdullah Ocalan, who is serving a prison centre on Türkiye's İmralı Prison island.

President Erdoğan harboured deep concerns over the emergence of a Kurdish self-governing entity, particularly one strengthened by US support. He feared it might incite political unity among Türkiye's Kurdish population. It is important to note that for the Turkish government, Syrian Kurds represent a political threat, not a territorial or military one. Consequently, any Western recognition of Syrian Kurdish-Arab entities is perceived as a severe setback for Türkiye. To prevent such recognition, Türkiye actively exerted pressure on the West from the beginning. This strategy proved largely successful, leading to the exclusion of the dominant Kurdish movement from international meetings open to most other opposition groups. However, the West's seeming duplicity in shutting out the Kurds did not garner Türkiye's favour. Ankara remained more responsive to potential actions by Russia or Iran, neither of whom shut their doors to the Kurds or denied them cultural and political rights.

Operation Euphrates Shield

The second threat was the YPG's ambition to establish a contiguous Kurdish entity along Türkiye's southern border, potentially stabilising the Kurdish-Arab administration and

forcing Türkiye into a negotiation. Operation Euphrates Shield was Türkiye's decisive action to impede the YPG's objectives. In launching Operation Euphrates Shield on 24 August 2016, Türkiye's objective was two-fold: even though it was ostensibly designed to fight against the Islamic State and reclaim the Islamic State-controlled towns of Jarablus, Azaz, and al-Bab, more importantly, it aimed to insert a military wedge between two Kurdish-controlled regions, spanning from the north-western enclave of Afrin to the eastern regions of Syria.

Operation Olive Branch

Operation Euphrates Shield was Türkiye's first large-scale military operation in Syria, but not its last. Two years later, Türkiye launched another major offensive, Operation Olive Branch, in January 2018. Unlike the previous operation, Olive Branch was openly aimed at a Kurdish target: the enclave of Afrin in northwestern Syria, then under the administration of the YPG.

Afrin, nestled in the northwest, represented a critical piece in the YPG's territorial puzzle. Controlling Afrin was vital for the YPG to connect all Kurdish-held areas into a continuous stretch of land across northern Syria, a prospect Türkiye was determined to prevent. By focusing its military might on Afrin, Ankara intended to directly dismantle the YPG's aspirations for territorial contiguity.

The operation, carried out by the Turkish Armed Forces and the Turkish-backed Free Syrian Army, successfully ousted the YPG from Afrin after two months of fierce fighting, during which Türkiye relied extensively on its aerial superiority. The fall of Afrin to Turkish forces marked a definitive end to the YPG's efforts to connect Kurdish-majority territories in northern Syria. The operation did not end there. Ankara initiated a controversial demographic engineering process, resettling Arab and Turkmen populations in Afrin, an action that has been criticised as an attempt to erase Afrin's Kurdish identity and

alter its demographic structure.¹⁴ As a result, Afrin's majority-Kurdish status was reversed.

Operation Peace Spring

Türkiye's last military intervention against the Kurds was named, in line with previous operations, the "Peace Spring". The aim of the operation was to clear the Kurdish organisations that Türkiye considers as terrorist groups from the border and create a 30 km deep buffer zone.¹⁵ Türkiye also announced the intention to relocate millions of Syrian refugees¹⁶ in Türkiye to these Kurdish dominated areas.

However, the operation fell short of its ultimate goal, which was to create a long stretch of buffer zone controlled by Türkiye across the border. The operation only gained control of Tal Abyad and Ras al Ayn (Serêkanîye in Kurdish). Erdoğan talked about a buffer zone from early on in conflict,¹⁷ but faced strong opposition from the US, Russia, and the Syrian regime, as well as international condemnation and sanctions.

The operation changed the dynamics between the Kurds, Russia and the regime. It forced the Kurds to agree to a Russian-brokered deal with the regime that saw regime troops stationed in areas formerly controlled by Kurdish-led units with US troops present. This deal effectively ended the Kurdish autonomy project in northern Syria and restored the regime's sovereignty over most of the border areas. The Kurds also lost their leverage in future negotiations with the regime and their allies.

¹⁴ A.A. Holmes, "The Turkish War on Afrin Jeopardizes Progress Made Since the Liberation of Raqqa", Viewpoints Series no. 125, Wilson Center, April 2018.

¹⁵ Operation Peace Spring starts in N Syria: Erdoğan, *Hürriyet Daily News*, 9 October 2019.

¹⁶ P. Wintour, "Recep Tayyip Erdoğan proposes 'safe zone' for refugees in Syria", *The Guardian*, 24 September 2019.

¹⁷ S. Idiz, "Can Turkey set up buffer zone inside Syria?", *Al-Monitor*, 19 September 2014.

The operation also highlighted the dynamics of the US's relationship with their Kurdish allies, who had fought alongside them against the Islamic State. Led by James Jeffrey, the US's Syria envoy at the time, and his deputy Richard Outzen, who were known for their pro-Turkish and anti-Kurdish stance in Washington, US officials convinced the Kurds to dismantle their border defences in anticipation of the operation. They assured the Kurds that the US would negotiate with Türkiye to postpone the offensive.¹⁸ However, President Trump abruptly announced the withdrawal of US troops from northern Syria, effectively giving Türkiye the go-ahead for their attack.¹⁹ The US decision received widespread criticism²⁰ as both a strategic blunder and a moral failure.

However, Türkiye's moves against the Kurds have not been without challenges. The partnership between the YPG and the US-led anti-Islamic State coalition caused a strain in US-Türkiye relations. Further, though Türkiye seeks to erase the Kurdish status in Syria, other regional actors such as Iran, Syria, and Russia appear content with Türkiye addressing the issue, creating a discrepancy in the regional approach to the Kurdish issue.

In parallel with these military operations, Türkiye has also sought to consolidate its influence in the rebel-held territories in northern Syria. Ankara has cultivated relationships with various pro-Turkish Syrian armed factions, united mostly under the umbrella of the Syrian National Army. At the same time, Türkiye has sought to develop a civilian administration in these areas, integrating them into its economic and administrative structures.

Ankara's insistence on maintaining military bases in Syria, despite opposition from Assad's government and its allies, adds another layer of complexity to an already convoluted conflict.

¹⁸ J. Szuba, "It took almost a year, but a simple shift in US stance led to Turkey's assault against Syria's Kurds", *The Defense Post*, 1 November 2019.

¹⁹ G. Yildiz, "US withdrawal from Syria leaves Kurds backed into a corner", *BBC News*, 20 December 2018.

²⁰ B. Chappell and R. Gonzales, "'Shocking': Trump Is Criticized For Pulling Troops From Syrian Border", *NPR*, 7 October 2019.

Moreover, the tacit support for extremist groups within the Syrian opposition, particularly in the early years of the conflict, has strained Türkiye's relations with its Western allies.

Türkiye's interactions with the Kurdish issue have also highlighted the complicated and multi-layered nature of the conflict. Despite the rapprochement between Türkiye and the Assad regime, the latter remains concerned about the local power dynamics if the Kurdish-led Autonomous Administration of North and East Syria (AANES) were to disappear.

In conclusion, the Kurdish factor continues to play a pivotal role in shaping Türkiye's engagement in Syria. As the situation evolves, the Kurdish question will undoubtedly remain a significant determinant of Türkiye's strategies and actions in the ongoing Syrian conflict.

Türkiye's Two Contradictory Goals in Syria

Türkiye's current stance on the Syrian crisis, while robust in its execution, can be characterised by two seemingly conflicting goals. Ankara pursues autonomy for certain Syrian ethnic groups while simultaneously opposing it for others. This duality, inherently complex and problematic, significantly impacts Türkiye's approach and conduct in the region. Firstly, Türkiye has exhibited determination to roll back Kurdish gains. This objective predominantly stems from Ankara's concerns over the potential empowerment of its own Kurds, estimated to be around 19% of the country's population,²¹ which it fears may be inspired or incited by the establishment of an autonomous Kurdish region in Syria. Arguing that there are operational and organisational links between the Syrian Kurds and the PKK, which it classifies as a terrorist group, Türkiye views the potential empowerment of the Kurds in Syria as a direct threat to national security.

²¹ "Turkey (Türkiye)", *The World Factbook*, CIA, 5 July 2023.

Ankara's efforts have extended to blocking participation of the dominant Kurdish bloc²² in international forums, such as the Geneva or Astana processes, where Syria's future is being deliberated. The absence of significant Kurdish representation at the Geneva platform impeded its goal of inclusivity and diminished the representation of areas not under Assad's control. This opposition underscores the depth of Türkiye's concern over the prospect of Kurdish self-rule in any form within Syria.

Conversely, Türkiye's second goal in Syria appears contradictory to its staunch resistance to Kurdish autonomy. Ankara desires to maintain some form of autonomy for the pro-Turkish groups within Syria, particularly the Turkmens. Türkiye's support for their autonomy or enhanced political role, notably in regions like Idlib, Afrin and the northwest, comes into stark contrast with its simultaneous opposition to Kurdish self-rule in the northeast. Essentially, Türkiye is advocating for a Syria that is divided along ethnic and regional lines, with areas of influence tailored to its strategic interests.

Second Reconciliation with the Assad Regime: What Prospects?

Ankara, believing it has maximised its military achievements, is now pivoting towards diplomatic efforts, including potential reconciliation with the Assad regime. This approach aims to solidify its gains while also extending its reach.

President Erdoğan's attempts, since late 2022,²³ to arrange a meeting with President Assad are indicative of this policy shift.

²² The FCO Response to Foreign Affairs Select Committee, House of Commons, "[Kurdish aspirations and the interests of the UK: Government response to the Committee's Third Report - Foreign Affairs Committee](#)", 10 April 2018; M. Gly, "Russia: Turkey threatens to stop Geneva talks if Kurds invited", *Rudam.Net*, 13 April 2016.

²³ "Erdogan Wanted to Meet Syria's Assad - Turkish Media", *Reuters*, 16 September 2022.

As mentioned above, this is the second time that Türkiye has moved towards reconciliation with Syria, after the two nations signed the 1998 Adana Agreement, which led to a period of rapprochement and cooperation.

However, this reconciliation process has its complexities. While the 1998 Adana Agreement largely focused on Syria's obligations to aid Türkiye in its fight against Kurdish armed groups, the present situation demands mutual concessions. Türkiye's support for the pro-Turkish groups, especially the Turkmens, and its insistence on maintaining military bases in Syria are likely to be contentious issues in negotiations with the Assad regime.

Ankara recognises that the Assad regime, which it once sought to topple, is likely to stay in power and could be a crucial player in rolling back the Kurdish gains that are central to Türkiye's perceived national security interests. However, Ankara's reconciliation with Damascus is occurring within a vastly different regional and international context compared to the 1998 rapprochement. The Syrian civil war has redrawn alliances and rivalries, adding further intricacies to the process. As such, the current reconciliation efforts with the Assad regime could have far-reaching implications for Türkiye's Syria policy and its broader regional strategy.

The thawing relations between Türkiye and Syria, publicly acknowledged by Türkiye's former foreign minister Mevlüt Çavuşoğlu²⁴ following his meeting with his Syrian counterpart in October 2021, were pursued with further negotiations, overseen by Moscow. A new hurdle was introduced when tripartite meetings between Russia, Türkiye, and Syria expanded into quadripartite discussions including Iran.

Tehran, initially sidelined in the negotiations, implicitly protested, with the Iranian Foreign Minister stating they had only learned about the negotiations from the press. In these four-way talks, Syria potentially has three voices, including its own,

²⁴ R. Soyulu, "Turkey's Cavusoglu says he met Syrian foreign minister in October", *Middle East Eye*, 11 August 2022.

and its two foremost backers, Iran, and Russia, while Türkiye generally presents a solitary stance. Ankara continues to explore strategic opportunities to utilise this new arrangement to its benefit and is attempting to have Moscow and Teheran balance each other out in the negotiation process. Iran's involvement also contributed to the necessity to review past negotiations. As a result, the meetings, which were supposed to be raised to the level of Foreign Ministers by now, have been downgraded to between intelligence and defence minister level.

Comparatively, Moscow has shown more willingness to accommodate Turkish demands than Teheran. Russia's vested interest in the Assad regime and its support for the regime on key issues necessitate a careful balancing act for Ankara. Additionally, Russia's distraction with the war in Ukraine has allowed Iran to increase its influence in Syria, shifting the power balance and creating a new dynamic for Türkiye to navigate. Türkiye, conducting its Syria policy, must now also navigate new regional developments, including Assad's diplomatic rehabilitation and Saudi-Iran normalisation talks. The differing levels of flexibility between Iran and Russia present another layer of complexity for Türkiye, which must calibrate its strategy and stance accordingly.

The West and Türkiye on Syria

The influence of global powers in the Syrian conflict is an undeniable variable in Türkiye's strategic approach. Particularly, the United States' role adds complexity due to its often fragmented policy towards the region, with the Pentagon and the State Department sometimes adopting contrasting strategic approaches. While the Pentagon acknowledges the Kurdish-led Syrian Democratic Forces (SDF) as pivotal leverage in the region, the State Department tends to engage more with state actors than non-state actors. Uncertain US commitments further convolute the situation, with high-level military visits and mixed signals amplifying concerns for regional actors, including Türkiye. One example of the influence of the US' mixed signals

came in 2018, when Washington's declared goal²⁵ of creating a border force in Northeast Syria alarmed both Türkiye²⁶ and Russia, prompting both to cooperate against the Syrian Kurds in Afrin and greenlighting Türkiye's attack on the region. The US later backtracked on the goal, which was not fully discussed with the Kurdish-led administration, and shifted its position to withdrawing significant number of troops from the region.

From the European Union's perspective, all current governance structures in Syria are presided over by undesirable victors (i.e. HTS, AANES). The EU has opted out of involvement with the Assad regime or any opposition groups, effectively reducing its influence over governance practices and the country's political future. For a more effective Syria policy, the EU must establish strategic clarity on governance in Syria. Its focus should shift from controlling migration through Türkiye or leveraging reconstruction funds to addressing the root causes of migration and security challenges. The EU should make good governance a prerequisite for engaging with rebel actors, facilitating the disarmament or integration of non-state actors within a reformed political system. Such clarity will enable more definitive EU policies regarding the return of Syrian refugees and the provision of a reconstruction and stability fund for Syria.

A nuanced understanding of these issues will ultimately define the scope of a potential European-Turkish partnership in Syria. Europe must strive to defuse tensions between Ankara and AANES, Syria's largest rebel administration, aiming to convert them into allies rather than adversaries. While AANES is a major Syrian governance actor and Türkiye is an active external player on the ground, Europe is not.

As Europe lacks a seat at influential international forums managing the conflict, like Astana, local allies and partners become even more crucial. The EU's most recent policy towards

²⁵ A. Barnard, "U.S.-Backed Force Could Cement a Kurdish Enclave in Syria", *The New York Times*, 16 January 2018.

²⁶ P. Wintour, "Erdoğan accuses US of planning to form 'terror army' in Syria", *The Guardian*, 15 January 2018.

Syria, established in 2017, has not seen substantial updates, emphasising the need for a genuine political shift in Syria.

Türkiye's Evolving Foreign Policy Stance

Post-2011, Türkiye's foreign policy witnessed a gradual but notable shift towards a more assertive and militarised approach, departing from its traditional practices. The Syrian conflict has been the primary catalyst for this shift, compelling Türkiye to engage militarily to safeguard its perceived interests.

As part of this assertive stance, Türkiye established a military presence in Syria, leveraging its presence as a strong bargaining chip in negotiations. Turkish officials often assert that without a presence on the battleground, they would not have a seat at the negotiating table. This military footprint has become a defining characteristic of Türkiye's current foreign policy approach. As such, the necessity to maintain its leverage in any future political resolution of the Syrian conflict is one of the key drivers fuelling Türkiye's prolonged presence.

However, this enduring presence also brings challenges and criticisms. Ankara's role in Syria, particularly its military operations and policies towards the Kurds, has strained its relations with allies, particularly the US and EU member states. Furthermore, managing the territories it controls in Syria, including providing governance and services, poses a significant burden on Türkiye. There's also the risk of becoming mired in an indefinite military commitment with significant costs and uncertain benefits.

Even if it reaches agreement with the Assad regime, Türkiye plans to continue its links with pro-Turkish groups, particularly the Turkmens. This indicates Ankara's intent to maintain its influence in Syria beyond the immediate conflict, further highlighting the enduring nature of its presence in Syria. The consequences of this policy shift are still unfolding, affecting not only Türkiye-Syria relations but also Türkiye's broader regional and global engagements.

Conclusions

Valeria Talbot

In this early phase of President Erdoğan's third term in office, no seismic changes are expected in Türkiye's foreign policy. Ankara seems committed to continuing down the path of autonomy and partnership diversification that it has pursued in recent years, maintaining a strong pragmatic approach. Yet, though continuity will generally prevail in Türkiye's foreign relations, certain shifts have also begun to take shape. Against this backdrop, the economic factor will continue to be crucial in the country's foreign policy calculations. In particular, the need to recover Turkish economy has been a major driver of the diplomatic normalisation processes that Ankara has started with regional competitors since 2021.

The appointment of former head of intelligence Akan Fidan as Minister of Foreign Affairs can be seen as a sign of continuity, especially as far as the main Middle Eastern dossiers are concerned. From Tripoli to Erbil and from Damascus to Baghdad, indeed, over the years Fidan played a leading role in conducting diplomacy in parallel with the Foreign Ministry. At regional level, therefore, Türkiye remains strongly committed to the rapprochement with Middle Eastern countries though, as in the case of Syria, the path may be fraught with obstacles. Back in recent years, it was Fidan who initiated the first contacts with his Syrian counterpart Ali Mamlouk with a view to restarting dialogue with a Damascus regime strongly supported

by Russia.¹ Engaged on the Ukrainian front, Moscow is the main sponsor of normalisation between Ankara and Damascus with the aim to ease tensions on the Syrian front, where Russian forces have been deployed since 2015. However, recent talks between representatives of the two countries, along with Russia and Iran, held in Astana as part of the 20th round of negotiations in a process that has failed to get off the ground for years, did not make any significant progress.² Strengthened by his recent readmission into the Arab League, President Bashar al-Assad remains firm in demanding the withdrawal of Turkish troops from northern Syria as a precondition for talks with his Turkish counterpart. For his part, Erdoğan, who sees rapprochement with Damascus as a steppingstone to the repatriation of a large proportion of the estimated 3.7 million Syrian refugees currently in Türkiye, is unlikely to withdraw from the areas of Syria under Turkish control in the foreseeable future. From a Turkish perspective, indeed, rapprochement with the regime of Bashar al-Assad would also serve to contain the autonomy aspirations of the Syrian Kurds, which Ankara considers a threat to national security given the ties between Kurdish forces – particularly between the People’s Protection Units (YPG) and the Kurdistan Workers’ Party (PKK), which is classed as a terrorist organisation by Türkiye, the European Union, and the United States.

Unlike the rapprochement with Syria, dialogue with Egypt is proceeding at a rapid pace. Egyptian President Abdel Fatah al-Sisi congratulated Erdoğan immediately after his re-election and, in the following days, Fidan had various telephone conversations with Egyptian Foreign Minister Sameh Shoukry. This dialogue resulted in the appointment of ambassadors in early July, an important step toward the complete normalisation

¹ O. Coskun and L. Bassam, “Exclusive: With a Russian nudge, Turkey and Syria step up contacts”, *Reuters*, 16 September 2022.

² A. Zaman, “Few signs of progress at Turkey-Syria normalization talks in Astana”, *Al-Monitor*, 20 June 2023.

of diplomatic relations³ and a prelude to a possible meeting between the two presidents. However, despite such major progress along the road to normalisation, supported by strong economic, energy and trade relations, issues still remain to be resolved between the two countries. Libya is the most critical of these.

On the heels of the resumption of bilateral diplomatic relations over the last two years, cooperation between Türkiye, the United Arab Emirates (UAE), and Saudi Arabia appears to be proceeding on solid footing. Against the backdrop of a deteriorating economy, it is no coincidence that Erdoğan's first regional tour after his re-election was to the wealthy Gulf monarchies. The tour achieved significant results that gave the Turkish economy a much-needed shot in the arm over the short-term while laying the foundation for economic cooperation in strategic sectors – from energy to defence – over the long-term. While the lion's share concerns an agreement worth US\$50.7 billion with the UAE, coming on top of the agreement signed in March worth US\$40 billion, the Abu Dhabi investment fund ADQ also made a major contribution by pledging to support post-earthquake reconstruction in Türkiye through the issuing of US\$8.5 billion worth of bonds. Equally important are the agreements signed with Saudi Arabia: of particular note is the agreement between Turkish company Baykar Technology and the Saudi defence ministry for the sale of the famous Turkish Bayraktar drones to Riyadh. As Ankara looks to the Gulf for its economic recovery, the geopolitical repercussions of its collaboration with Abu Dhabi and Riyadh are no less important, as they put a stop to a decade of strong rivalries and tensions at the regional level.

The economic imperative has also pushed Türkiye to look once again to the West. This was particularly evident in its approach to partners in NATO and the European Union

³ “Turkey and Egypt appoint ambassadors to restore diplomatic ties”, *Al Jazeera*, 4 July 2023.

(EU). In fact, Türkiye has recently adopted a less assertive and more conciliatory tone in a sign of détente after years of tensions between Ankara and Western capitals. The removal of the Turkish veto on Sweden's entry into the Atlantic Alliance at the summit in Vilnius on 11 and 12 July, in exchange for Stockholm's support for Turkish accession to the EU and other sensitive issues for Ankara, such as visa liberalisation and modernisation of the Customs Union, is undoubtedly an important breakthrough.

Besides NATO, President Erdoğan expressed a renewed interest towards the EU. This, however, does not mean that Ankara is abandoning its foreign partnership diversification, or the balancing act it has played between Russia and the West since the outbreak of war in Ukraine. This renewed interest in fact reflects more of a tactical move than a strategic shift. Inevitably, economic considerations are driving Ankara to turn again towards the EU, which remains by far the country's largest trading partner (bilateral exchanges amounted to US\$196.3 billion in 2022)⁴ and the main source of foreign direct investment over the past 20 years, with the Netherlands alone accounting for over 15% of total FDI in the period 2003-2021.⁵ Given its economic clout, therefore, the EU still represents a force of attraction and appeal for Türkiye. Nevertheless, though Ankara is undoubtedly interested in revitalising bilateral cooperation in various sectors, there is good cause to doubt its eagerness to revive the actual EU accession process. This would require a U-turn in domestic politics that is difficultly going to happen in the near future. While the prospect of Brussels agreeing to resume accession negotiations also appears unrealistic, at the end of June the European Council mandated the High Representative for Foreign Affairs and Security Policy, Josep Borrell, to present a report on the state of relations between Türkiye and the EU "with a view to

⁴ Data from the Turkish Statistical Institute (TUIK).

⁵ Presidency of the Republic of Türkiye – Investment office, *FDI in Türkiye*.

proceeding in a strategic and forward-looking manner”.⁶ This seems to suggest that the redefinition of bilateral relations may follow a different approach compared to the stalled accession process, an approach that reflects mutual interests in a changing geopolitical environment.

While Türkiye is closely linked to Europe from an economic and investment perspective, energy and economic relations with Russia have also been strengthened, so much so that in 2022, Russia became Ankara’s largest trading partner, with exchanges for US\$68.2 billion (including Turkish imports of around US\$59 billion, mostly in hydrocarbons).⁷ Energy-based relations between the two countries have also been reinforced in the nuclear sector with the inauguration by the Russian state company Rosatom, just before the recent elections, of Türkiye’s first nuclear power plant, in Akkuyu in southern Anatolia. Against this backdrop, Erdoğan is likely to continue this delicate and complex balancing act between his Western partners and Russia. In line with its president’s aspirations to play a leading role in an increasingly multipolar system, Türkiye will likewise continue with the challenging mediation between Moscow and Kiyv that has given it a new international prominence in the last year and a half as well as with normalisation processes and détente policy.

⁶ European Council, “European Council conclusions on external relations, Eastern Mediterranean and other items, 30 June 2023”, Press release, 30 June 2023.

⁷ Data from the Turkish Statistical Institute (TUIK).

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