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Geopolitical briefs on:
The Gulf • North Africa • The Levant

Integrity UK publishes bi-monthly geopolitical briefs to provide an overview of recent political, economic, social and security affairs in the MENA Region.

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North Africa

At least 16 soldiers were left dead in **Egypt's** Sinai Peninsula in attacks on May 7th and 11th. The first attack, claimed by the Islamic State (IS), targeted a pumping station while the second, still yet to be claimed, targeted a checkpoint. The attacks were notable as the Egyptian Army suffered their highest body count in years and a civilian facility was targeted for the first time. This suggests that the IS could be moving towards a more volatile insurgency focusing on soft-targets akin to its attacks in Iraq and Syria.

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Egypt's Prime Minister, Mostafa Madbouli, announced that ten state-owned companies and two army-owned companies would be privatised in a bid to ease an economic crisis that saw inflation rise by 15%. Two new holding companies incorporating major ports and hotels will also be listed on the stock exchanges. Egyptian officials expressed hope that private sector investment would grow from 30% to 65% by 2025.

Why Is This Important?

Major financial organisations like the International Monetary Fund (IMF) and the World Bank have regularly expressed concerns about the size, opacity and insolvency of Egypt's public sector companies, warning that they discourage foreign investment, drain public coffers and remain uncompetitive. The IMF, which is in talks with Cairo for debt financing, will likely view this announcement as a positive step.

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Libya's rival governments have resumed the United Nations-backed peace talks in Cairo after the first round of talks last month failed to yield results. The new round of talks brought together 12 lawmakers from the Tobruk-based House of Representatives (HoR) and 11 from the Tripoli-based High Council of State. The talks will focus on a new political system, eligibility for participation and a timeline for elections. The UN Special Adviser to Libya, Stephanie Williams, told the delegates have until 28th May to reach an agreement.

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Clashes broke out in **Libya's** capital, Tripoli, after Fathi Bashagha, who was appointed Prime Minister by the HoR, arrived in the city to "begin his work" despite the Prime Minister of the Tripoli-based Government of National Unity (GNU), Abdulhamid Dbeibah, refusing to step down. The clashes, which lasted for hours, ended when Bashagha and his entourage withdrew from the city and announced their intent to base their government in Sirte. International observers expressed concerns about renewed fighting and appealed for calm.

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The Speaker for **Libya's** Tobruk-based HoR, Aguila Saleh, announced that oil revenues would be frozen in the Libyan Foreign Bank (LFB) until a mechanism is agreed for their equitable distribution. Although oil prices rose sharply in March due to the war in Ukraine, Libya missed out on much of the windfall due to militia closures of major oil terminals. The decision to keep the revenues in the LFB was a precondition of reopening the terminals.

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A military court in **Tunisia** has sentenced four lawmakers from the country's dissolved parliament to prison. The four, including the head of the conservative Karama Party, Saif Eddine Maklouf, were charged with assaulting police officers last year. The sentencing comes as protests continue against the rule of President Kais Saied. Saied's recent announcement to establish a "New Republic" was met with scepticism by the opposition.

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The President of **Algeria**, Abdelmadjid Tebboune, met with the Russian Foreign Minister, Sergei Lavrov. According to official readouts, the talks focused on bilateral ties including "military and technical cooperation". Algeria and Russia have long-standing ties, and Algiers briefly mediated between Russian and Ukrainian officials in April. However, Algiers has also been looking to take advantage of the global surge in oil prices at Russia's expense. It is unknown if this matter was discussed.

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In a sign of easing of tensions with Spain, **Morocco** announced that it will reopen the land borders to the two Spanish enclaves of Ceuta and Melilla. The borders were shut for two years, first due to COVID-19 and then due to tensions between the two countries over the status of Western Sahara.

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The Foreign Minister of **Morocco**, Nasser Bourita, warned that some 27 terrorist-designated groups operating in Africa are improving their tactics. Bourita warned that the use of drones for attacks and cryptocurrencies for financing have both increased among these groups. Bourita warned that cooperation between different groups have also increased and called on the International Coalition against the IS to put more resources to Africa.

The Gulf

The President of the **United Arab Emirates**, Khalifa bin Zayed Al Nahyan, died on 13th May aged 73. President since 2004, Khalifa had led the UAE through its economic boom in the 2000s and 2010s. However, due to ill-health, he had long handed much of the day-to-day affairs to his half-brother, Abu Dhabi's Crown Prince Mohammed bin Zayed who has since been unanimously appointed as the UAE's new president.

Why Is This Important?

It is unlikely that the UAE will experience any significant shifts as a result of Khalifa's death, as his ailing health was well known and most of the UAE's agenda was already defined by its then-de-facto ruler Mohammed bin Zayed. Indeed, the speed and unanimity in which Mohammed bin Zayed was appointed president seems intended to present a sense of unity. In this context, much of the UAE's existing foreign and domestic policies will likely continue with relatively little change.

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The **UAE's** Cabinet announced that it will introduce a form on unemployment insurance to increase its economic competitiveness and attract talent. The scheme would offer stipends to insured workers upon unemployment. The announcement did not specify if non-citizen workers – which make up a significant portion of the UAE's workforce – will be eligible. The move is part of a wider range of reforms that saw the UAE switch to a Saturday-Sunday weekend to stay closer to global markets, as well as overhauling laws and regulations.

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The **UAE's** Minister of Economy announced that it will invest some $100 billion across several sectors in India as part of the "India-UAE Start-Up Bridge" initiative. India and the UAE have long-standing trade and cultural ties – including a significant Indian diaspora in the UAE – and have been increasing their bilateral trade which is expected to reach $250 billion by 2030.

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Saudi Arabia continues to experience major surges in revenues owing to the global spike in oil prices. The IMF expects the economy to exceed $1 trillion for the first time in its history, with a projected growth rate of 2.8%. The Kingdom also recorded its highest quarterly budget surplus in six years, amounting to $15.3 billion (57.5 billion in Saudi Riyals). The state-owned Saudi Aramco oil company also posted a jump in profits by 82%.

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Central Banks across the Gulf have announced that they will raise interest rates after the United States' Federal Reserve raised interest rates by 0.5%, marking the largest hike in 20 years. Since then, the central bank of **Saudi Arabia** raised its repo rate by 0.5%; **Qatar** raised its deposit rate by 0.5%; the **UAE** raised its overnight deposit rate by 0.5%; **Bahrain** raised its interest rate and overnight deposit rate by 0.5% and the four-week deposit rate by 0.75%; and **Kuwait** raised its discount rate by 0.25%. **Oman** is also expected to announce rate hikes.

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Assessing the on-going ceasefire in **Yemen**, the UN announced that civilian casualties in the country have halved since the truce started. The UN noted that 95 civilians died in the month following the truce, as opposed to 213 civilian deaths the month prior, with much of those casualties attributed to unexploded ordnance and landmines. Nevertheless, the UN expressed hope that the truce can lead to improvement of humanitarian conditions.

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With the ceasefire in **Yemen** holding, representatives from the country's two warring sides have agreed to allow for holders of Houthi-issues passports to travel outside the country for the first time. Following the agreement, the Yemeni capital, Sanaa, saw the departure of the first commercial flight in six years, with 137 travelling to the Jordanian capital Amman.

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The Crown Prince of **Kuwait**, Sheikh Meshal al-Sabah, issued a decree accepting the resignation of the government. The current Kuwaiti Government had resigned on 5th April following months-long political feuding. In the decree, the Crown Prince asked the government to remain on a caretaker capacity until a new government can be formed.

The Levant

On 15th May, **Lebanon** held its long-awaited elections amidst an on-going economic collapse spurred by political deadlock. Although Prime Minister Najib Mikati has called the elections "a victory for Lebanon", observers including the European Union warned that there have been thousands of recorded instances of corruption, violence, intimidation and vote-rigging at polling stations.

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Hezbollah and its allies appear to have been the main losers of **Lebanon's** elections, with the bloc suffering losses across the country. Overall, the pro-Hezbollah bloc is reported to have secured 58 seats, less than the 65 needed for a majority and a drastic drop from 71 seats held by the bloc previously. Among the more notable losses was of the Hezbollah ally, Free Patriotic Movement, which lost its status as the largest Christian party to the Saudi-backed Lebanese Forces. Hezbollah allies from Druze and Sunni sects also lost out.

Why Is This Important?

The losses of the pro-Hezbollah bloc came despite expectations that the bloc would expand its influence after the Future Movement, the largest Sunni party in Lebanon, did not run, leading experts to express concerns of a "Sunni gap". However, former Future candidates, as well as other independents, performed well in the elections. Whether the pro-Hezbollah bloc will accept the results and take a more pragmatic turn to maintain legitimacy, or will act as spoilers and potentially dragging the country into further clashes, remains to be seen.

Read More: Lebanon Elections: Pro-Hezbollah Bloc Loses Majority as Independents Make Big Gains

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In an unexpected development, **Syria's** President, Bashar al-Assad, held a rare state visit to Tehran. Assad's visit to Tehran, the second one he undertook, was likely spurred by Russia's growing troubles in Ukraine and the possibility that Damascus may no longer able to bank on Russian protection. The visit may suggest that after being eclipsed by Russia in recent years, Iran may once again find an opening to increase its influence over the country.

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The US formally lifted sanctions on foreign investments in areas of **Syria** not controlled by the government in Damascus. The long-awaited move means that economic activities in Kurdish and Opposition-governed parts of northern will not be subject to the same stringent sanctions as those in Damascus-government areas, enabling both aid and investments. According to the US, the move is motivated by a desire to foster economic stability, thus preventing the return of the IS and similar groups.

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Donors in a conference in Brussels have pledged $6.7 billion in aid to **Syria** for "2023 and beyond". The pledges came short of the $10.5 billion the UN sought for 2022 alone. During the conference, officials acknowledged "fatigue" with

Syria as well as other factors such as the war in Ukraine in taking focus away from aid to Syria but warned that the world "cannot be complacent" due to the compounding of the humanitarian crises in the country.

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The National Oil Company of **Iraq** announced that the international oil contracts signed by the Kurdistan Regional Government (KRG) violate the Iraqi constitution. The development is the latest in the tensions brewing between Baghdad and Erbil in recent months regarding the rights to sell oil and collect revenues, with the KRG maintaining that it holds the right to sell the oil in the territories it controls based on the oil and gas law it passed in 2007.

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Iraq's state-run North Oil Company accused the KRG of seizing some oil wells in northern Kirkuk. According to the company, some wells on the Bai Hassan oil field was taken over by the KRG which brought in technical teams to operate the wells. The KRG has denied the claims and said such accusations only cause further chaos.

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Iran's Islamic Revolutionary Guard Corps (IRGC) have shelled the Kurdistan Region of **Iraq** once again. The IRGC said that the shelling, which struck an area near Erbil on 11th May, targeted an "Erbil-based terrorist team" that was planning to engage in "sabotage" in Iran. The attack is the latest Iranian attack in the Kurdistan region which have become increasingly common since the IRGC shelled an "Israeli strategic centre" near Erbil in March.

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Iraq has been struck by successive dust storms that have forced the closures of airports, schools, universities and public buildings and resulting in over 5,000 hospitalisations. The dust storms struck the capital Baghdad, as well as Sulaimaniyah in the north and Najaf in the south. Dust storms have become increasingly common in Iraq in recent years, compounded by low rainfall, soil degradation and droughts linked to climate change.

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US President Joe Biden met **Jordan's** King Abdullah II in Washington, with the two leaders discussing the growing violence in Israel and the West Bank over the past two months. During the meeting, President Biden expressed support for a two-state solution as well as the need to preserve the status quo at Haram al-Sharif. However, tensions are likely set to remain high. In the days following, Jordan's Foreign Ministry condemned Israeli security forces for raiding funerals of Palestinians killed during the recent clashes.