



The Middle East

Strategic Outlook 2008

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Abstract

This Technical Note examines the political and economic developments in the Middle East in 2007, as well as functional issues such as sectarian strife, the Kurdish question and the growing Russian influence in the region. The Technical Note provides the strategic outlook for 2008 and forecasts the major trends until 2012.

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1 Introduction

“From an American point of view there is no doubt that the Middle East is a more dangerous region now than it was 10 or 20 years ago...”

Nicholas Burns, US Undersecretary of State, August 2007

Around the world, popular impressions about the Middle East continue to be dominated by media reports on the violence in Iraq, in the Palestinian territories and in Lebanon. The presence of U.S. troops in the Middle East, Syrian meddling in Lebanon, and Iran’s bid for regional power complete the impression of turmoil in the region. The resulting gloomy outlook somewhat obscures the fact that less than one third of the region’s population lives in this northern belt of instability. The other two thirds, living in Egypt, Jordan, Saudi Arabia, Yemen and the smaller Gulf states, have experienced relatively peaceful conditions in 2007.

Yet, it would be a mistake to look at the current conflicts in the Middle East as not being related to the region as whole. Pan-Arabism and pan-Islamism, although not potent political forces anymore, continue to play a significant part in personal identities throughout the region. The Palestinian question is an issue of concern to all Arabs, while the insurgency in Iraq is attracting volunteer Muslim fighters from the region and beyond. The perception of a single crisis is enhanced by the popular opinion that both Iran and the U.S. are active behind the scenes on all current conflicts in the Middle East. These popular feelings and the challenge of Islamic fundamentalism—also a cross-border phenomenon—are increasingly linking the internal security of the Middle Eastern regimes, i.e., their ability to remain in power, with the regional security environment, and their country’s national security with its status as a regional power. Thus, all states in the region are entangled in multiple alliances, depending on the issue or the perceived threat to their regional status. Often, rivals on one matter appear in the same camp on another.

The Israeli-Palestinian conflict, which pits Israel against all Arab states and Iran, is still viewed by Muslims in the Middle East as the quintessential problem. However, the rise of Iran as a regional power, and the resulting confidence of Shia groups in the region is now a priority issue for the Arab regimes. They feel threatened by the popularity of the mostly anti-U.S. oriented Shia alliance, comprised of Syria, Lebanon’s Hezbollah, and Shia militant groups in Iraq. Ironically, the Iranian threat places the Arab states in the same camp as Israel. The third question dividing the Middle East is the U.S. military and political presence in the region. The governments of Israel, Saudi Arabia, Egypt, Jordan, Lebanon and the Palestinian Authority (PA) are currently pro-U.S. in their orientation. Iran, Syria, Hezbollah in Lebanon and Hamas in Gaza, on the other hand, have created the so-called “axis of refusal,” i.e., a refusal to participate in a U.S.-led regional order. Arab popular opinion, however, sees the U.S. as being on the Israeli side in the Palestinian question and, as a result of U.S. support for the Iraqi government, somewhat on the Shia side. Therefore, the pro-American policy of most regional countries creates a source of internal instability for their regimes.

In 2007, increased oil and gas exports, combined with rising energy prices and greater investment in infrastructure projects, have lead to a strong economic performance for the Middle East as whole. According to the International Monetary Fund (IMF), average real gross domestic product

(GDP) growth for the Middle East countries is projected at 5.4 percent for 2007, which is well above the projected world average of 4.9 percent. The list is led by Iraq (a statistical anomaly), the United Arab Emirates (UAE) and Qatar, while at the bottom are Lebanon with no real GDP growth (as a result of the 2006 war) and Yemen. Wealth distribution in the Middle East, nevertheless, remains very poor and poverty levels continue to be a huge social issue.

The two developments that have reverberated the most internationally in 2007 are U.S. efforts to salvage the intervention in Iraq and the escalation of Washington's confrontation with Iran over the latter's rising regional power and emerging nuclear empowerment. The rise of Islamic fundamentalism, in its militant form (jihadism), has continued to present a serious challenge for the Arab regimes and for Western nations with large Muslim populations. On the other hand, currents in the international scene outside the Middle East, most notably, increasing strain in U.S.-Russian relations, have resulted in Russia quietly re-establishing its presence in the Middle East. In the economic realm, the fear of the northern tier's instability spreading to the rest of the Middle East has contributed to the greatest leap in the price of oil since the 1973 crisis.

The analysis below considers the political and economic developments in the Middle East on a country level as well as functional issues such as sectarian strife in the region, the Kurdish question and the growing Russian influence.¹

¹ Information cut-off date: December 2007.

2 Lebanon-Syria-Israel

In 2007, Syria's ambitions for reviving its influence in Lebanon, which suffered a significant setback after the 2005 Cedar Revolution,² brought to Lebanon the most severe internal conflict and the worst political crisis since the end of the civil war in 1990.

On May 20, skirmishes between the Lebanese army and Fatah al-Islam, an obscure Islamist group, led to a full-fledged siege of the Nahr al-Bared refugee camp in northern Lebanon, where the group was based. The battle for the control of the camp continued until September. Simultaneously, several bombings took place around Beirut against civilian targets, and in the south, against UNIFIL troops. The Nahr al-Bared conflict was much more localized and did not bring about so much destruction and civilian suffering as the 2006 war. However, the number of fatalities on both sides (170 Lebanese soldiers and 250 militants) illustrates the severity of the fighting. Compared to the U.S. casualties in Iraq, on a per capita basis, the army's death toll is four times greater than the one suffered by the U.S. for the entire four years of the Iraq intervention, while the Fatah al-Islam losses are equal to those suffered by Hezbollah against Israel in 2006.

In contrast to the 2006 war, where the two adversaries had confronted each other for more than two decades and their objectives were well known, the Nahr al-Bared clash came as a surprise to most observers. Despite claiming as its objective the liberation of Palestine, all Fatah al-Islam can do, from its base in the north, is destabilize the situation in Lebanon. Given that Damascus would have the greatest interest in unsettling Lebanon, a Syrian connection in these events, while as yet unproven, is not unlikely. It may not be coincidental that two pro-Syrian parliament members were murdered during and shortly after the Nahr al-Bared clashes and that Fatah al-Islam was formed in November 2006, which marked the beginning of Lebanon's current political crisis. In other words, coincidentally or not, through Fatah al-Islam, Syria has acquired an alternative to Hezbollah for keeping the security situation in the country volatile and thus making the resolution of the political crisis in Lebanon more difficult. The army's move to destroy the group may be interpreted as a move by the Lebanese government to eliminate the threat.

Since the end of the Nahr al-Bared battle, the collision between the pro- and anti-Syrian camps has escalated on the political front. On 24 November 2007, Lebanon's president Emile Lahoud stepped down without his successor being chosen, thus further intensifying the political vacuum in the country. The opposition demands that the president be selected by a two-thirds quorum of the parliament, while the governing block favours a selection based on a simple majority. Inability to reach a compromise led to several postponements of the elections. The presidential election is crucial for many aspects of Lebanese domestic relations. For the governing coalition, an anti-Syrian president would mean both preserving Lebanon's fragile independence from Syria acquired only two years ago and curbing Hezbollah's power. The governing block is also united by its anti-Shia orientation. As much as the parties in the so-called 14 March coalition want to stop Syrian influence in Lebanon, they also want to prevent a long overdue democratic reform of the political system, which would allow more political power to the Shia, corresponding to their increased demographic share. For Syria, a pro-Syrian or weak president would result in an

² A chain of demonstrations in Lebanon (particularly Beirut) engendered by the 14 February 2005 assassination of former Lebanese Prime Minister Rafik Hariri.

opportunity to revive its influence, as well as to delay or meddle with the results of the International Tribunal on the Assassination of Rafik Hariri. For Hezbollah, a friendly president would mean less pressure to disarm and the opportunity to push for a new distribution of political power in Lebanon. Abroad, a win of the Syria-Hezbollah alliance would be viewed as a further strengthening of the Iranian influence in the region—a prospect which is not going to be welcomed by the Arab states in the southern belt, Israel and the U.S.

As a result of the 2006 war, which demonstrated that Israel is not invulnerable militarily, Syria has resumed its efforts to increase its capabilities in areas of Israeli weakness. It now has the capability to reach most Israeli strategic sites with rockets, while Israelis have limited capacity to counter such attacks. Syrian rearmament efforts have raised concern among Israeli political and military circles to the point that an air strike against Syria was launched on 6 September 2007. Both Syria and Israel have confirmed that the strike was against a military target. However, divergent views exist about what exactly was the military installation and what the implications of the strike are. Speculations about the target vary from an arms convoy heading for Hezbollah to a nuclear facility designed to enrich uranium for North Korea and Iran. Explanations about Israeli intentions vary from simply testing Syria's air defence systems to preventing Syria from attending the Annapolis peace conference. Since focusing international and domestic attention on the incident would have showcased Syrian military vulnerability, and perhaps exposed illicit activities, Syrian President Bashar Assad decided to downplay the event. Therefore, apart from condemning Israel, Syria is unlikely to undertake retaliatory measures. There is no doubt, however, that both Syria and Iran will interpret the raid as a warning signal that Israel is capable of hitting strategic targets inside their countries and would not hesitate to do so, if it feels its security is threatened. On the other hand, the strike has also certainly strengthened Iran's and Syria's anti-Israeli resolve.³

³ In April 2008, the U.S. Government publicly revealed that the Israeli target in Syria was a nuclear reactor. Constructed by the Syrians, the reactor was intended for the production of plutonium with the assistance of the North Koreans.

3 Palestine

A Palestinian national unity government was established in March 2007 as a result of the Saudi brokered Meccan agreement. Hopes that this would stop the confrontation between the Fatah and Hamas factions and end the international isolation of the PA government were quickly dashed. Interfactional fighting continued and escalated in June when Hamas launched a concerted campaign to impose its control over the Gaza Strip. By 15 June 2007, Hamas security forces had overrun all PA security posts and Fatah's offices, thereby assuming all political and military authority in Gaza. The clashes left 140 dead and 1,000 wounded. Palestinian President Mahmoud Abbas, then in the West Bank, promptly dismissed the unity government and established a new one. In effect, the Hamas takeover of Gaza created two Palestinian political entities.

Among Palestinians, public support for the takeover of Gaza has been low, even among residents of Gaza. Hamas' popularity has further declined as a result of the difficult economic situation in Gaza. As the mass pro-Fatah rally in November demonstrates, Fatah still has significant leverage in Gaza. While, on one hand, Hamas is in firm control of Gaza and has indicated that it would not tolerate any dissent in the territory, on the other, it has repeatedly declared its recognition of president Abbas's authority and has insisted that the takeover was initiated for security, not political reasons, and thus that it is temporary. Furthermore, Hamas has made it clear that it considers all options open, including negotiations with Fatah to re-establish the Meccan agreement. So far, Mahmoud Abbas has rejected categorically these overtures and has even urged an uprising to overthrow Hamas.

The Hamas takeover of Gaza has created a difficult security environment for Israel. Since June, rocket attacks against Israeli towns and settlements across the Gaza border have intensified. In September, the Israeli cabinet passed a resolution which declared Gaza a "hostile territory." Such a resolution put pressure on Israeli Prime Minister Ehud Olmert to respond with a large-scale military offensive, an option that he has been trying to avoid since the failure of the operation against Hezbollah in 2006.

The initial reaction by the international community was almost unanimous—a rallying of international support behind Abbas and the severing of all relations with Hamas. Western financial and military assistance has begun to flow to the West Bank, but nothing beside basic humanitarian aid has been allowed into the Gaza Strip. However, since June 2007, divergent approaches as to how to deal with the situation have emerged. The U.S. believes that the political and economic aid to the West Bank, combined with the sanctions on Gaza, will eventually undermine the support to Hamas. The European countries, on the other hand, have expressed worries whether the isolation of Hamas may instead strengthen the influence of the most radical Islamist groups in Gaza. Arab countries, led by Saudi Arabia, although somewhat bitter because of the two factions breaking the Meccan agreement, feel that Fatah and Hamas should return to the negotiating table.

As part of its strategy to bring greater legitimacy to Abbas, on 27 November 2007 the Bush Administration held a peace conference in Annapolis, Maryland. Besides the unprecedented attendance of Saudi Arabian and Syrian representatives, the summit itself did not produce substantive results. Instead, the conference has been positioned as the symbolic start of a new

round of negotiations between Israel and the Palestinian Authority with the objective of negotiating a peace agreement by the end of 2008. There are, however, considerable differences between the parties that make the achievement of decisive results unlikely. The weak political standing of the Olmert and Abbas governments, the current disunity of Palestinian territories, as well as the uncompromising stance adopted against Hamas, would put any agreement on shaky ground.

4 Iraq

Iraq entered 2007 on the heels of its most violent year since the 2003 US invasion. According to the Iraq Body Count project, 44 percent of all violent civilian deaths since the end of the major military operations in May 2003 occurred between March 2006 and March 2007. During the same period, the number of bomb blasts that kill more than 50 people, fatal suicide bombs, car bombs, and roadside bombing attacks doubled. Most of the deaths were the result of sectarian violence between Sunnis and Shias and intra-sectarian clashes between various Shia militia groups in the South. In contrast, the number of US military personnel killed in 2006 was actually lower than in the two previous years.

To deal with the grave security situation, the US administration decided not to pull any troops from Iraq, as the Iraq Study Group report had suggested in late 2006, but to do exactly the opposite—to transfer an additional 30,000 combat troops to the country. As part of what came to be called the “surge” strategy, the troops were not stationed at large bases, but rather at security outposts in the most violent neighbourhoods. A series of offensives was launched over the summer against Al-Qaeda in Iraq (AQI), as well as other Islamist groups and Shia militias. When, in a surprise development, a number of Sunni tribal groups turned against AQI and drove them from their previous stronghold in the Anbar province, Washington also adopted a different policy towards the Iraqi Sunnis, who had previously been seen as the main source for the insurgency and had therefore been somewhat marginalized compared to the Shia population. A concerted effort was made to build local alliances and co-opt Sunni tribal leaders by signing formal agreements and providing them with financial incentives. More than 70,000 Sunnis followed their elders and became members of US-backed militia groups (dubbed “concerned citizens” organizations), providing security in the west and north of Baghdad.

In the second half of 2007, the tide of violence appeared to be receding, but it still remained high. According to the September report to Congress by General Petraeus and Ambassador Crocker, most of the security benchmarks, such as civilian deaths, IED attacks and mass-casualty bombings, had declined from 30 to 50 percent from the beginning of the surge in June. Broken down regionally, the security situation seems to have improved mostly in the Baghdad area where sectarian killings have decreased by 28 percent, car bombs by 67 percent, and roadside bombs by 40 percent. In the provinces, the improvement has been much more modest.

The more “hands-on” US counterinsurgency approach undoubtedly played a role in the improvement of the overall security situation. The more active involvement of US troops is reflected in the number of casualties among them. In 2007, the US military deaths reached 901—their highest level since 2003. However, the “surge” was only one of a number of factors that contributed to the improved security picture. With respect to the reduction of sectarian violence, the most important factor seems to have been the increasing homogenization of Iraqi population in formerly mixed sectarian quarters/regions. In once-mixed neighbourhoods or villages, the Sunni or Shia population has been expelled, or simply left (there are now 2.4 million internally displaced people (IDPs) in Iraq), and as a result, these areas tend to be sectarianly homogeneous. The setbacks suffered by AQI, meanwhile, are due in large part to the tribal backlash against Al-Qaeda’s Jihadi puritanism and its disrespect of tribal customs and authority; US troops played an active, but on the whole a supporting, role in the resulting clashes against

AQI. While AQI has been disrupted and displaced, it is far from defeated. In the northern province of Ninewa, for example, where AQI militants fled after the crackdowns in Anbar and Baghdad, car bombings have increased by 129 percent and violent civilian deaths by 143 percent. The retreat of Shia militias during the surge is also probably due as much as to their reluctance to engage US troops as to their preoccupation with intra-militia turf battles in Southern Iraq. In other words, the prospects for further improvement in the security situation in Iraq depends not only on the ability of the US to keep up the momentum with their increased troop strength but also on whether the Sunni militias will keep the pressure on AQI and not return to fighting the coalition troops or the Shia-dominated government.

5 The “Other” Middle East

Moving from the Levant and Iraq to Saudi Arabia and the other Gulf Cooperation Council (GCC) countries is like moving into a different world. Despite having their share of domestic security issues and worries about the rising power of Iran and the spill-over of the Iraqi conflict across the region, the Gulf states’ primary concern seems to be managing the economic boom, fuelled by the high oil prices, and developing the capacity for growth outside the energy sector. A telling example of the differences between the two zones occurred last summer, when at the height of the 2006 war in Lebanon, ten million Saudis—half of the adult population—were on a stock-buying frenzy to invest in the King Abdullah Economic City project.

In the past year, GCC countries have embarked on a series of large-scale infrastructure projects, ranging from expansion of existing petrochemical and other heavy industries to urban development and transportation networks. The increased economic activities have resulted in the need for an expansion of global links. Among the six GCC countries, a record US\$38 billion will be spent for the construction of brand new airports or the expansion of existing ones. The demand for capital in GCC countries to finance these infrastructure projects has brought about a rise in the capital market and especially that of Islamic bonds (*sukuk*). If the *sukuk* market continues to grow at the same rate as it is now (about 45 percent a year since 2000), it may be worth as much as US\$60 billion in a few months. On the downside, the rising oil prices have infused large amounts of cash into the region, which, coupled with the devaluation of the U.S. dollar, has resulted in rising inflation.

Among the GCC countries, Saudi Arabia requires special attention, not just because it is the largest economy but also because it is the leading Arab political power. Saudi Arabia has emerged at the forefront of Arab efforts both to counter Iranian influence in the Middle East and to solve the Palestinian question. The Saudi Peace Initiative (SPI), which offers Israel full peace, including political, economic and cultural normalization, provided that the latter meets certain conditions, has been endorsed by all Arab states, most recently in March of 2007.

The EU and the U.S. have adopted SPI as a starting point for the negotiations with Israel at the Annapolis peace conference. Even Israel, reflecting its closer relations with Saudi Arabia because of the common Iranian threat, has viewed favourably the SPI as a viable framework. The recognition of Saudi Arabia’s strategic importance in the Middle East has been reflected in an unprecedented volume of military technology transfer and arms sales to the Kingdom in 2007. In August, the U.S. announced a deal to sell US\$20 billion worth of advanced weapons to Saudi Arabia and other Gulf states while in September, the United Kingdom and BAE Systems finalized the terms for the sale of 72 Eurofighter Typhoon jets to Riyadh. The worth of the latter deal is estimated at £30 billion over the next 25 years.

Although not a serious threat to the ruling family’s legitimacy, jihadism continues to present a serious challenge to Saudi domestic security. In 2007, Saudi police detained more than 300 militants and jihadist sympathizers. Riyadh has also launched an innovative prisoner rehabilitation program aimed at de-radicalization of jihadist sympathizers through intensive religious debates and psychological counselling. Since 2004, about 2,000 prisoners have

participated in the program and 700 of them have been cleared, as not exhibiting jihadist beliefs any more, and released.

6 Sectarian Strife

Sectarian violence between Shias and Sunnis is most visible in Iraq, where it remains at high levels. Deterioration in Sunni-Shia relations is also evident in Lebanon. Largely, it is the rise of Iranian influence and Iran's help to Hezbollah and Iraqi Shia militant groups that fuel the sectarian strife in the region. Arab Sunni regimes have been concerned about the perceived rise of Shia/Iranian power not so much because of a fear of revolt by their own Shia population as because their Sunni citizens have cheered Hezbollah during the war with Israel and have been identifying Iran as the vanguard of resistance to Zionism and U.S. power.

Therefore, these regimes see a direct link between deflecting domestic anti-regime pressure and countering Iranian influence. To rally domestic support against Iran, Saudi Arabia, Jordan and Egypt have been increasingly playing the anti-Shia card. Prominent Saudi clerics, for example, have issued anti-Shia religious rulings (fatwas) and have called for Sunni Muslims to support their brothers in Iraq against the Shia militias. Iran, on the other hand, although officially denouncing sectarianism and portraying itself as a pan-Islamic power, consistently supports Shia militant groups throughout the region (to be fair they support Hamas as well), and thus in practice contributes its share to the widening of sectarian divide.

7 The Kurdish Question

In the latter part of 2007, the war in Iraq has threatened to spread into the more peaceful areas of Iraqi Kurdistan. The *Partiya Karkerên Kurdistan* (Kurdistan Workers' Party—PKK) has again become active on Turkish territory. Following domestic outrage at the killing of 12 Turkish soldiers and the capture of several others in September, the Turkish parliament approved a motion to send troops to Iraqi Kurdistan. Such actions in the past have failed to achieve the objective of routing PKK forces. However, the approval has sent a message to both the Iraqi government, which appears to tolerate the rebels, and to the U.S. that they need to do more in order to reconfirm Turkey's position as an ally and a factor of stability in the region. A potential Turkish incursion to northern Iraq may not dislodge the PKK, but would certainly destabilize northern Iraq, jeopardize the supply from the Mosul oil fields and deflect attention from Iranian involvement in Iraq.

8 Spotlight: Russia in the Middle East

As a result of its new ambitions for global influence, and perhaps stimulated by the strain in its relations with the U.S. over the proposed missile defence system in Eastern Europe, Russia has been eager to re-assert the influence formerly enjoyed by the Union of Soviet Socialist Republics (USSR) in the Middle East. In addition to previous ties in the region, continuous export of arms and cultural connections with the one million recently immigrated Russian Jews in Israel, Russia also boasts the credentials of a country with a significant Muslim population (20 million), a common concern with the Arab countries in the war against domestic jihadism and a closer stance to Arab countries on the Palestinian issue than that of the U.S. In February 2007, Russian President Putin broke new ground by visiting Jordan, Qatar and Saudi Arabia, all of them outside the former USSR's sphere of influence.

Although his visits seem to have been primarily aimed at extending the Russian energy sector's links with the Middle East, Putin was also adamant in his anti-U.S. position. Surprisingly, that did not seem to provoke any negative reactions on the part of the host countries. In October 2007, Putin also visited Iran, which marked the first visit of a Soviet or Russian leader to Iran in six decades, and the first visit by the leader of a major world power since 1979. There, he sent a not-too-subtle warning to Washington against future U.S. unilateral military actions in the region. Although it is unlikely that Russia would be able to match anytime soon the U.S. position in the Middle East, it is clear that Arab countries and Iran welcome expansion of Russian influence as a way to introduce a limited counterbalance to U.S. power. Given its relatively better relations with Iran, Russia may also be seen as an important player in shaping the situation in Iraq after a future U.S. withdrawal, a situation that is of particular concern to all Arab countries.

9 Strategic Outlook for 2008

The Middle East will remain volatile throughout 2008. A possible Turkish incursion into Iraqi Kurdistan has the potential to escalate conflict throughout the northern tier. Since the rise of Iranian power, not the Palestinian question, is now the priority issue in the Middle East, both Israel and the Arab countries see good relations with Russia, a potential broker with Iran, as being beneficial. Given the small likelihood of the Annapolis Peace Initiative to produce tangible results, the two Palestinian factions are likely to be forced to seek common ground and to restore the political integrity of the Palestinian Authority. The political crisis in Lebanon will result in either a compromise president or continuous political deadlock (probably the latter); either outcome would benefit Syria and Hezbollah. The southern tier will continue to experience strong economic growth but it is unlikely that this will offset the demographic growth it is experiencing. Unemployment, especially among the youth, will remain high and, as a result, we can expect greater social instability and radicalization in the Middle East.

10 Eyes Forward: The Middle East in 2012

Improvement in the security situation in Iraq, the launch of a new Israeli-Palestinian Peace initiative, and a minimal diffusion of the political escalation between Washington and Tehran in the last three months of 2007 are not sufficient positive indicators to make us anticipate a rosier future for the Middle East until 2012. For the next five years, Iraq will remain a fragmented society with a government that is struggling to achieve legitimacy and self-sufficiency. Instability in Iraq and the likely continuation of the Iran-US confrontation will require the latter to prolong its military presence, albeit in significantly reduced numbers, and to maintain a high level of financial support for its allies in the region. Rising Kurdish prosperity in Iraq will lead to increase in their confidence and nationalism feelings, which will be perceived as a security threat by Turkey and Iran. The Israeli-Palestinian conflict may be closer to a resolution by 2012 but will remain the main source of conflict in the northern tire. The demographic strength and the consolidation of Shia power in Lebanon will keep the other minorities antagonized and thus the political deadlock will persist.

Despite US efforts to spread democracy in the region, an opposite trend of hereditary transfer of power by state leaders, even in *pro-forma* democratic countries such as Egypt, will likely become the rule rather than a precedent. The rising price of oil will lead to considerable expansion of Arab Gulf states' economies and raise further their political clout in the Middle East. Traditionally poor distribution of the generated wealth, however, will only increase inequalities in the region. That and the continuing presence of foreign troops on Muslim soil will facilitate the proliferation of Jihadi ideology among the large masses of displaced people and the considerable youth cohort in most Middle East countries. Thus, religious radicalization will remain a cross-regional phenomenon and a source of violence in the region.

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This Technical Note examines the political and economic developments in the Middle East in 2007, as well as functional issues such as sectarian strife, the Kurdish question and the growing Russian influence in the region. The Technical Note provides the strategic outlook for 2008 and forecasts the major trends until 2012.

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