

A WAR FOR THE FUTURE OF THE MIDDLE EAST

LFI POLICY BRIEFING

LABOUR FRIENDS OF ISRAEL

WORKING TOWARDS A TWO STATE SOLUTION

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BY BARONESS RAMSAY OF CARTVALE

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INTRODUCTION: THIS IS NOT AN ISRAEL-HAMAS WAR

What began on Saturday 7 October is not just a war between Israel and Hamas. Nor is it simply another round in an Israeli-Palestinian conflict going back more than 100 years.

This is a multi-front battle in a wider war to shape the politics of the Middle East. Iran and its regional proxies are prosecuting a long-term war of attrition to destroy Israel, as part of a goal to expel US influence in the region. Disrupting Arab-Israeli normalisation is a key objective in this struggle.

Destroying Israel and expelling the US is an ideological and theological imperative for the increasingly [apocalyptic](#) radical Shia Islamism of the regime in Tehran, and one that it can exploit in the competition for regional legitimacy. But, more tangibly, a Middle East that is open to global investment and tourism, and the western cultural influence it brings, poses a direct threat to the Ayatollahs, who are repressing the efforts of their own population – led by young women – to end their conservative, theocratic rule.

Iran has support from Russia, which sees itself in a zero-sum geopolitical power competition with the west – an agenda that overlaps in part with that of China.

The struggle to shape the Middle East is decades old and will be with us for the foreseeable future, or at least so long as Tehran is under the rule of the clerical regime. This particularly destructive round comes at a moment when the US was advancing Israeli-Saudi normalisation, as the centrepiece of larger plans to construct the India-Middle East-Europe Economic Corridor (IMEC) – a mega infrastructure project to rival China's Belt and Road Initiative.

Israeli analysts differ over whether Iran was directly involved in the planning and timing of Hamas' 7 October offensive. Some [cite intelligence](#) showing that Tehran did not have prior warning, and point to Hamas statements implying disappointment with the level of commitment shown by Iran and its Lebanese Shia proxy Hezbollah to the fight.

But nobody doubts that Iran and Hezbollah have played a central role in arming, funding and training Hamas and Palestinian Islamic Jihad (PIJ) for exactly this kind of operation.

And these groups are not confronting Israel alone. Hezbollah has been firing rockets and anti-tank missiles to keep a significant proportion of Israel's military capabilities committed to defending the northern border. This Lebanese Shia group is holding in reserve an arsenal of up to 150,000 missiles including [precision guided](#) heavy rockets that can target critical infrastructure across Israel, and a large and well-trained infantry and commando force. Meanwhile the Houthis in Yemen are firing missiles and drones at Israel's southern port and tourist destination Eilat, and attacking shipping associated with Israel and its allies in the Red Sea, whilst Shia militias attack US forces in Iraq and Syria.

When we see the picture at the regional and global level, we can better understand Israel's military response, and the backing for Israel from the US, UK and other western powers.

For years under Benjamin Netanyahu, Israel preferred to contain Hamas rather than remove it. The collapse of that policy has left Israel little choice but to commit to dismantling Hamas in the Gaza Strip. The 7 October attack was not only devastating in its cost to Israeli lives, but it shattered Israeli prestige in the eyes of the region. For Hamas to survive this conflict intact would send a message to Iran and its other proxies that they can deal Israel a massive blow – one that puts in question the very viability of normal life in significant portions of its small territory – and live to fight another day. This will lend credibility to the Iran-led axis claim that Israel is inherently weak and can be destroyed through gradual

erosion, shifting the calculus of Arab states in normalising their relations and remaining aligned with the US.

The terrible cost of all this to Palestinians in the Gaza Strip is the last thing that concerns the Iranians. The Iranian regime has always opposed any process that could stabilise the Israeli-Palestinian conflict by bringing progress towards a Palestinian state. Tehran needs to keep the Israeli-Palestinian conflict alive: the more Palestinians suffer, the greater the harm to Israeli and US legitimacy, and the harder it is for Iran's Arab rivals to continue the process of normalisation.

A WAR ABOUT THE REGION'S FUTURE

On 7 October, just hours into the Hamas onslaught, its political bureau chief in Qatar made a speech in which his first [insults](#) were hurled at “defeatist” Arabs “who have spread the culture of impotence and despair, and wanted the path to normalisation [of relations with Israel] to shape this stage with recognition of the enemy”. He concluded by [addressing](#) Arab states again, declaring: “You must know that this entity which is incapable of protecting itself from our fighters is incapable of providing you with security or protection. All the normalisation and recognition processes, all the agreements that have been signed [with Israel] can never put an end to this battle.”

It was the decision of the UAE to normalise relations with Israel in September 2020 that created a tipping point moment towards regional integration. Prior to this, most Arab states held to the two-decade old Saudi-led Arab Peace Initiative formula that normalisation of relations would come only after the establishment of a Palestinian state in the Gaza Strip, West Bank and East Jerusalem. The UAE overturned that formula. It agreed to normalise relations in return for Netanyahu committing to suspend plans to annex parts of the West Bank, and to not object to UAE attempts to procure fifth generation F35 fighter planes from the US. This decision triggered Bahrain, and later Morocco, to follow suit, each seeking the economic and strategic benefits of closer relations not just with Israel, but the US.

Following these developments, in 2021 the US undertook an internal military reorganisation that placed Israel under the responsibility of CENTCOM (US Central Command) in the same region as US Arab allies, instead of EUCOM (European Command), enabling a new level of regional military cooperation.

In March 2022, the then Israeli foreign minister, Yair Lapid, hosted the foreign ministers of the UAE, Bahrain, Morocco, Egypt and the US in a resort in Israel's Negev desert to found the Negev Forum, with Jordan expected to join later. The forum [agreed plans](#) for a structured regional organisation with ongoing working groups to address food security and water technology; clean energy; tourism; healthcare; education and coexistence; and regional security. The goals for the regional security working group [included](#): “enhanced cooperation, training, capacity building and other efforts that advance a coordinated regional security approach”. Though still nascent, this represented a previously unimaginable vision for Israeli-Arab regional cooperation.

The threat of Iran – which has expanded its influence into the vacuums left by wars in Iraq and Syria and is closing on nuclear weapons capability – is one key driver for these states to band together under a US umbrella.

The Iranian regime considers itself in a struggle for regional hegemony against the US and its allies in the region. Its regional strategy is to empower proxies within weak or failed states that share its revisionist agenda (regardless of whether they are Sunni or Shia), especially those on the borders of its enemies. On Israel's borders, Iran has long sponsored Hamas and PIJ in the Gaza Strip and Hezbollah in Lebanon. Over the last decade or so it has also helped [the Houthis](#) – a minority group in Yemen that sits

on the border with Saudi Arabia – to become a powerful military actor not only within Yemen but regionally. Iran also sponsors Shia proxies in Iraq, and helped save the Assad regime in Syria, where the Iranian Revolutionary Guard Corps (IRGC) retains a major presence.

[Increasingly radical](#), the IRGC is the agency that leads this effort. It is the ideological vanguard of the regime, founded on a mission to secure and export Iran's "Islamic revolution", and seeing itself in a struggle with a "[Arab-Zionist-western axis](#)". The IRGC's Quds Force is an extraterritorial unit that operates sophisticated networks to smuggle advanced weapons, including ballistic missiles, and provide training and resources to these groups. It is also a central player in Iran's nuclear programme.

Aside from the strategic motivation for Israel and Arab states to build an alliance against this threat, there are also big economic incentives for cooperation. In 2022, Israel-UAE trade had already ballooned to over [\\$2.5bn](#) (not including software and services). In November 2022, a [deal](#) was announced that would see a UAE company build a solar field in Jordan to supply power to Israel, in return for which Israel would pump desalinated water to Jordan. It was a perfect encapsulation of the potential for regional integration to deliver a win-win formula.

Against this backdrop, Saudi Arabia, undertaking a socio-economic revolution to diversify and open its economy under the leadership of Mohammed Bin Salman, showed increasing enthusiasm for normalising relations with Israel, in return for a defence pact with the US. Saudi Arabia is by far the largest, most populous and richest of the Gulf states. Until recently it was also the most conservative, shaped by a puritanical Wahhabi interpretation of Islam and an economy overwhelmingly dependent on oil rent. Facing a youth bulge and an urgent need to diversify economically, Saudi Arabia has to change fast, including opening up to western investment and tourism. This entails liberalising cultural and social codes, including promoting a more moderate Islam and relaxing some social restrictions on women.

Israel and Saudi Arabia are near neighbours. Less than 30km of Jordanian Red Sea coast separate Israel's southern port city of Eilat from Saudi territory, and the planned new Saudi megacity of [Neom](#) is easily accessible further down the coast. The synergies between Saudi investment capital and its diversification agenda, and Israel's innovative and super nimble hi-tech ecosystem are obvious. Not only that, but Israel has a large Arab minority perfectly positioned to act as a cultural and language bridge between the two societies.

For the US, Israel-Saudi normalisation has significance on an even greater geopolitical scale. In addition to cementing its influence over a region that remains critical for global oil and gas supplies, it would enable a game-changing new infrastructure corridor from India to Europe, rivalling China's Belt and Road Initiative.

At the G20 in India in September, a [memorandum of understanding](#) to create the IMEC was signed between Saudi Arabia, the EU, India, UAE, France, Germany, Italy and the US (the UK was awkwardly left out). The corridor envisages tying together maritime routes from India to the UAE; overland rail between the UAE, Saudi Arabia, Jordan and Israel; and maritime routes from Israel's Haifa Port to Europe via Greece. The plan includes laying electricity and digital lines, as well as a pipe for exporting clean hydrogen, produced using solar fields in the Arabian peninsula. The president of the EU Commission, Ursula von der Leyen, [described](#) it as "the most ambitious project of our generation". In an opinion piece in the Washington Post on 18 November President Biden [set out](#) the promise of this project and his belief that "attempting to destroy the hope for that future is one reason that Hamas instigated this crisis".

The realisation of this project would be an immense win for all the countries involved and potentially also for the Palestinians. The PA viewed the 2020 Abraham Accords as a betrayal, an attitude that marred its relationship with the UAE. It came against the backdrop of crisis in the PA's relations with Washington,

triggered by the Trump administration's decision to recognise Jerusalem as the capital of Israel. The PA refused to engage with the administration's "Deal of the Century" peace plan, eventually unveiled in early 2020, and Trump cut funding to the Palestinians.

By contrast, the Biden administration restored funding to the PA and has worked to include a "[significant component](#)" relating to the Palestinians in its proposals for Israel-Saudi normalisation. In reality, its opposition to the Abraham Accords got the PA nowhere, and there were signs before 7 October that Abbas was taking a more [constructive approach](#). The "significant component" could include investment, an Israeli reaffirmation of a two-state solution, and concrete steps in that direction.

Whereas Israel-Saudi normalisation opens huge opportunity for the states involved, it poses a clear challenge to countries circumvented by the IMEC route, including Iran, Russia and Turkey, all of whom stand to gain more from China's massive Belt and Road Initiative.

A BATTLE IN THE GREAT POWER STRUGGLE

For the Biden administration, this war threatens to undermine its vision for regional integration and to empower Iran and its proxies. An assault that calls into question Israel's long-term security also threatens US prestige. As in Ukraine, the Biden administration seeks to display its commitment to allies and its strategic determination and capacity (especially after the debacle of Afghanistan). By deploying two aircraft carriers to the East Mediterranean and naval ships to the Red Sea, it has displayed commitment to Israel whilst trying to prevent a wider escalation. If it can help Israel turn an initial failure into a strategic win in defeating Hamas, then it could ultimately help advance its wider vision for the region. There are also clear domestic ramifications for Biden, with presidential elections one year away.

India's prime minister, Narendra Modi, has also taken a [notably supportive](#) position towards Israel, reflecting India's shifting interests, and marking a new milestone in its move away from a historic position as leading supporter of the Palestinian cause.

Moscow, by contrast, has provided diplomatic support for Hamas. For Vladimir Putin, anything that throws the west off balance is welcome, especially with his army facing an attritional war against the western-armed Ukrainians. Israel's war diverts western attention from Ukraine, creates the potential for a competition for arms supplies, and exposes deep cultural and social tensions within western states. It divides, for example, Biden's Democratic party, potentially improving the chances of Donald Trump's return to the White House. Trump represents a stick of dynamite in the western alliance and is liable to pull the plug on US military support for Ukraine.

This explains Russian diplomatic support for Hamas and Putin's rhetoric around the war. In a [speech](#) to his Security Council on 30 October he accused the US of fuelling the conflict and linked Russian support for Palestinian statehood to his claims that Russia's war in Ukraine is "boosting the positions of all those who are struggling for their independence and sovereignty," against "neo-colonial western policy". In the same breath he attributed the attack by an antisemitic mob at a Dagestan airport on a plane arriving from Tel Aviv to "agents of western intelligence services".

Driven in part by its war in Ukraine, Russia is also enmeshed more than ever before in a strategic relationship with Iran. Tehran is providing drones and potentially missiles to the Russian military, and Russia is planning to sell the Iranians a host of weapons including advanced fighter jets.

China's motives are mixed. On the one hand, it shares with Russia an agenda to "de-westernise" the global order, making space for Beijing to shape the world according to its interests. But it also has a

growing interest in Middle East stability. China is the world's biggest importer of Middle East oil, and its Belt and Road Initiative includes investments in many states, including Saudi Arabia, the UAE and Egypt. Its role in brokering an Iranian-Saudi rapprochement in March 2023 signalled an attempt to compete with US influence and position itself as a regional broker. In the context of this competition, the US commitment to Israel [communicates](#) that Washington and not Beijing remains the key great power in the region.

THE PROBLEM OF ISRAELI POLITICAL RADICALISATION: AN UNRESOLVED TENSION

Domestic political trends in Israel represent a major complication in the US-led effort to create an Arab-Israeli regional zone of security and economic integration. As the US push to broker Saudi-Israeli normalisation intensified in 2023, Saudi representatives made clear that measures to address the Palestinian issue would need to be included.

Though Netanyahu has been a lifelong sceptic regarding peace with Palestinians and the two-state solution, he also has a long record of bending on these issues under US pressure. However, the prime minister is today politically dependent on his far-right coalition partners Itamar Ben Gvir and Bezalel Smotrich to stay in office, since more mainstream political parties that would normally make up a coalition refuse to serve with Netanyahu so long as he is on trial for corruption. Losing the support of the far right would mean losing power, greatly reducing the prime minister's ability to avoid jail time.

At the same time, however, the far right will not accept any concession to the Palestinians or any step that empowers the Palestinian Authority, such as reaffirming the goal of a two-state solution, or expanding the PA's territory in the West Bank. This has direct implications when it comes to converting Israel's military operation against Hamas towards a political goal. The US would like a PA or "PA-adjacent" leadership to take control of the Gaza Strip, with the backing of an international consortium of western and Arab states that buy into the US regional vision for Arab-Israeli normalisation and containment of Iran. But Netanyahu has so far been unable to articulate any clear political goals for the Gaza Strip.

Whilst the far right has been marginalised from decision making on the military operation, it can hijack the coalition policy on the political outcome of the war. It has already signalled its dissent to aspects of the policy of the war cabinet. Ben Gvir's party, for instance, voted against the hostage deal in the cabinet, but did not threaten to quit the coalition over it. The leverage of the far right over Netanyahu's strategy is just one of the reasons why calls for the prime minister to resign now, rather than after the war is over, are increasing in Israel.

Of course, the Israeli far right is not the only barrier to articulating a vision for a post-Hamas Gaza. The PA is weak, corrupt and lacking legitimacy in the eyes of Palestinians. Presidential and legislative elections, which have not been held since 2006, have been repeatedly postponed and the PA's already-weak attachment to the rule of law, press freedom and civil liberties has further faltered. At the same time, Israelis widely perceive it as rejectionist, antisemitic and sympathetic to terrorism, as signified by the incitement in its schoolbooks and media and its policy of paying salaries to convicted terrorists.

The Israeli far right would be happy to see the PA collapse and seeks to blur the distinction between it and Hamas. Israeli pragmatists, however, recognise that the PA remains indispensable as the only internationally recognised representative of the Palestinians, and that it has worked consistently with Israel to suppress Hamas in the West Bank. Under the short-lived "unity government" led by Naftali Bennett and Lapid, there was a concerted effort by the Israeli government to bolster and engage with Abbas and the PA; a stark contrast to the approach taken by Netanyahu. Indeed, as defence minister at

the time the centrist Benny Gantz, who polls show Israelis would like to see replace the prime minister, was pivotal to this effort. In short, for lack of better alternatives, the Israeli opposition parties – and much of the security establishment – assume that the PA must be both reformed and empowered to fill the vacuum in the Gaza Strip.

CONCLUSION: WHO WILL WIN?

If Hamas emerges from the conflict still in control of the Gaza Strip, and still with the potential to attack Israel, the Iranian-led axis will celebrate a major victory, not only over Israel but the US and its vision for the region.

Never mind that thousands of Palestinians were killed and hundreds of thousands made homeless. More important to Iran and its allies is that hundreds of thousands of Israeli civilians will feel unable to return to their border communities. Hezbollah leader Hassan Nasrallah will be able to cling to his [theory](#) of Israel being as fragile as a “spider’s web”, and hold to his dream that Israelis will eventually abandon the country. And US prestige, underpinning its relationship with Arab states and its vision for the region, will have suffered a significant blow.

On the other hand, if Hamas is replaced in the Gaza Strip with an alternative Palestinian administration capable of managing reconstruction with international backing, then a major barrier to Arab-Israeli normalisation will have been removed.

But this vital process also requires Israel's military operation against Hamas to be tied to a set of political objectives that can be the basis for renewing the process of Arab-Israeli normalisation. The extent of US support for Israel since October has already done [serious harm](#) to the US' standing among Arab publics. The way the war progresses and its outcome will determine how deep and politically significant this harm is.

To reduce the damage Israel needs to minimise harm to Palestinian civilians. To begin to repair it will require a clear Israeli commitment towards realising Palestinian statehood and ensuring Palestinians are beneficiaries of the new regional order. To be politically viable in Israel this will have to be offset by the reward of normalised relations with Saudi Arabia, and it will require a new coalition that excludes the far right. Against this backdrop, the economic heft and political interests of Arab Gulf states will have to be turned into an [unprecedented reconstruction aid package](#) for Gaza, akin to the Marshall Plan that followed the second world war.

These tasks are huge. But so too are the opportunities, and the stakes.

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