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HIGHLIGHTS

- Political Developments
- Oil-Related Developments
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I Political Developments

1) US President Trump recognises Jerusalem as Israel's capital: On 6 December, US President Donald Trump announced that the United States would recognise Jerusalem as the capital of Israel and that the US Embassy would be moving to that city. He added that he still supported a two-state solution and this recognition would not affect the final status of the city to be negotiated between Israelis and Palestinians as part of their peace agreement. Trump thus fulfilled his campaign promise to the two right-wing constituencies that are his solid support base — Christian evangelicals and hard-right Jewish lobbies.

Trump had called several Arab leaders earlier to alert them about his impending announcement. Every one of them responded negatively. King Abdullah II of Jordan warned him about the "dangerous repercussions" of the decision for regional peace and security. King Salman of Saudi Arabia pointed out that the US announcement would "harm peace talks and increase tensions" in the region, while Egypt's Abdel Fattah al Sisi said it would undermine "the chances of peace" in West Asia. Turkey's Recep Tayyip Erdogan has said "Jerusalem is a red line for Muslims", and threatened to cut ties with Israel.

European leaders were equally critical. France's Emmanuel Macron has said the final status of Jerusalem could only be determined on the basis of two states, Israel and Palestine, emerging on the basis of negotiations between them. The German Foreign Minister has said the US decision was a "very dangerous development".

Several commentators have questioned the wisdom and motives of Trump's announcement. The Israeli daily Haaretz in its editorial criticised the US President for ignoring Palestinian aspirations and insisted that "a two-state solution requires the division of Jerusalem between Israelis and Palestinians".

Jeremy Ben-Ami, the head of J-Street, the voice of moderate Jewish opinion in the US, said that the status of Jerusalem demands "less posturing and overblown rhetoric and more efforts to reach a two-state solution". Arab commentator Rami Khouri noted that, in the US perspective, the Arab countries "can be treated with disdain forever".

Trump seems convinced that, with the major Arab states now more concerned about Iran than Palestine, he is not likely to alienate the Arab leaders who matter, whatever public positions they might adopt for domestic consumption.

Trump is wrong both in his understanding of US opinion and the impact of his position in the Arab world. At home, the University of Maryland Critical Issues Poll has revealed that 63 per cent of Americans oppose the shift of the US embassy to Jerusalem and 59 per cent want the administration to take a neutral position on the Israeli-Palestinian conflict. A solid 81 per cent want the administration to depend more on experts with experience rather than rely on relatives and personal friends.

While some commentators feel Trump could still deliver a peace deal acceptable to both Israel and the Palestinians, most are sceptical. They believe that what is likely to emerge from the Trump initiative would be, as commentator Ragheda Dergham says, an "incomplete peace deal" based on a "non-contiguous, fragmented, demilitarised Palestinian mini-state, with limited sovereignty and temporary borders". This would have the support of Israel and the Saudi-led "Sunni" bloc that is allied with Trump.

In West Asia, Jerusalem is the one emotive issue that can stir the Arabs and can bring them out on to the streets. This could have implications for America's ties with major Arab nations like Saudi Arabia and Egypt. They will have no choice but to view Trump as an unreliable partner whose thoughtless actions could jeopardise their own rather shaky credibility at home. They will be particularly concerned that his announcement will encourage extremist elements to utilise the US' anti-Arab and anti-Muslim policies to attract and use angry youth to attack Western targets and their Arab allies nearer home, thus, in the words of the Palestinian paper Al Ghad, "flinging open the gates of hell" in the region.

2) Yemen: Former President Ali Abdullah Saleh, who led the country from 1978 to 2012, was killed outside Sanaa on 4 December. The trigger for the latest violence was a 29 November clash between Saleh fighters and Houthi loyalists over control of the Saleh Mosque, a major landmark in the capital that was built and opened by Saleh a decade ago. Local mediation failed to cool tensions and on 2 December, Saleh called his followers to take up arms against the Houthis. He also announced his willingness to "turn a new page" with the Saudi-led coalition, a statement that confirmed his treachery to the Houthis and played poorly with some of his base, who oppose the Houthis but Saudi military actions in Yemen even more.

For a while, it seemed that Saleh would win. His party, the General People's Congress (GPC) and Saudi-led coalition media outlets reported victories in Sanaa, saying that Saleh's Republican Guard forces had taken over the airport, strategic military bases and government buildings. But, their euphoria was short-lived. On 3 December, the Houthis responded militarily, and by 4 December a short, bloody battle on the streets of the capital turned the tables on Saleh's forces. Critically, the tribes around Sanaa failed to come to Saleh's defence. Most remained neutral, allowing Houthi reinforcements to enter the city. Saleh is believed to have been killed while trying to escape from Sanaa.

Observers believe that Saleh was largely a spent force when he was killed. He had given up power in 2012, and then tried to recover it by shifting from an alliance with the Saudis to one with the Houthis. However, the Houthis steadily gained power relative to Saleh and the remnants of Yemen's military forces who remained loyal to him. Thus, the alliance steadily got eroded and the two allies began to fight more frequently. However, his death has dealt a blow to the Saudi attempt to find an exit from the Yemeni quagmire, which has been a strategic failure that has yet to accomplish its goals of curtailing Houthi power and restoring the government of Abd Rabbo Mansour Hadi.

In a rare display of differences with Saudi Arabia in public, President Trump called on Saudi leaders to ease the blockade of Yemen to allow for humanitarian aid to assist the war-torn country. "I have directed officials in my administration to call the leadership of the Kingdom of Saudi Arabia to request that they completely allow food, fuel, water and medicine to reach the Yemeni people who desperately need it. This must be done for humanitarian reasons immediately," Trump said in a brief statement on 6 December.

3) GCC summit ends on day one: Kuwait's emir, Sheikh Sabah Al Ahmad Al Sabah, has ended a two-day Gulf summit only hours into the first day. Sheikh Sabah and Qatar's ruling emir, Sheikh Tamim, were the only heads of state who attended the meeting on 5 December in Kuwait City. Other countries sent lower-level officials amid the diplomatic dispute that has half of the GCC now boycotting Qatar.

Three Gulf states, together with Egypt, cut all ties with Qatar on June 5, accusing the gas-rich Emirate of supporting Islamist extremists and of being too close to Iran. Qatar denies the allegations. Mediation efforts led by Kuwait have failed to resolve what is the worst crisis to hit the Gulf Cooperation Council in its 36-year history, casting serious doubts over the future of the six-state alliance.

Before the summit began, the United Arab Emirates said it had formed a new "joint cooperation committee" with Saudi Arabia to partner on economic and military issues, separate from the GCC.

4) Lebanese PM rescinds resignation: On 5 December, Saad Hariri, Prime Minister of Lebanon, announced that he was withdrawing his resignation. His coalition government, which includes the Iran-backed Hezbollah group, also reaffirmed a state policy of staying out of conflicts in Arab states. Hariri's shock resignation, announced on TV in Riyadh on 3 November, had thrust Lebanon to the forefront of the regional quarrel between Saudi Arabia and Iran, which has been played out on battlefields in Syria, Iraq and Yemen.

Hariri's resignation had been accompanied by a sharp escalation in Saudi statements targeting the Lebanese state, with Riyadh at one point accusing the Beirut government of declaring war against it. Western governments, including the United States, had stressed their support for Hariri and Lebanon.

Lebanese officials said Saudi Arabia had coerced Hariri, a long-time Saudi ally, into resigning and put him under effective house arrest until an intervention by France led to his return to Lebanon. Saudi Arabia and Hariri have denied this. President Michel Aoun, a Hezbollah ally, refused to accept his resignation while he remained abroad.

Saudi concern over the influence wielded by Iran and Hezbollah in other Arab states had been widely seen as the root cause of the crisis, which raised fears for Lebanon's economic and political stability.

II Oil-Related Developments

Oil prices moved up on 15 December, lifted by the Forties pipeline outage in the North Sea and ongoing OPEC-led production cuts, although rising output from the United States kept a lid on markets.

U.S. West Texas Intermediate (WTI) crude futures were at \$57.28 a barrel, up 26 cents, or 0.5 percent, from their last settlement. Brent crude futures were at \$63.47 a barrel, up 16 cents, or 0.25 percent, from their previous close. The ongoing outage of the Forties pipeline, which carries North Sea oil to Britain, was the main price driver. While the pipeline outage physically mostly affects the North Sea region, it is of global relevance as the crude it supplies is part of the supply that underpins the Brent price benchmark.

Undermining OPEC's efforts to tighten the market is U.S. oil production, which has soared by 16 percent since mid-2016 to 9.78 million barrels per day (bpd), close to levels of top producers Russia and Saudi Arabia. Rising U.S. supply, driven largely by shale drilling, will likely move oil markets into a supply surplus in the first half of 2018, the International Energy Agency (IEA) said on 14 December.

The Paris-based IEA said in its monthly oil market report: "Total supply growth could exceed demand growth; indeed, in the first half the surplus could be 200,000 barrels per day (bpd) before reverting to a deficit of about 200,000 bpd in the second half, leaving 2018 as a whole showing a closely balanced market."

III India-West Asia Ties

Chabahar port inaugurated: The Chabahar port phase I was inaugurated by Iran's President Hassan Rouhani on 3 December. It marks an important milestone in India-Iran relations as well as the resolve of Afghanistan and India to look for a viable transit corridor to landlocked Afghanistan, bypassing Pakistan.

Chabahar port is located in the Gulf of Oman along the Makran coast, in the Iranian province of Seistan-Baluchistan, just 75 km from the China-built and operated Gwadar port in Balochistan province of Pakistan. It is at a distance of 480 nautical miles from Kandla port, and about 900 km from Mundra port in Gujarat.

India is to equip and operate two berths in Chabahar Port Phase-I with a capital investment of \$85 million (Rs 546 crore) and annual revenue expenditure of \$23 million (Rs 147 crore) on a 10-year lease. This will establish a Transit and Transport Corridor among the three countries using Chabahar Port as one of the regional hubs for sea transportation in Iran, besides multi-modal transport of goods and passengers across the three nations. The port is expected to be operational by the end of 2018 with New Delhi committed to developing a free trade area around the port, and finally completing the loop with a \$1.6 billion (Rs 10,000 crore) railway line to Zahedan.

Although it involves the use of a land-cum-sea route to trade with Afghanistan against the much shorter land corridor through Pakistan, Chabahar provides linkage via an Iranian-built road to the western Afghan border connected to the Zaranj-Delaram road India has built in Afghanistan. Connecting Chabahar with the North-South Corridor Initiative would also enable Indian goods to sail to the Iranian port, then go by rail to Mashhad on the northern border into Azerbaijan and southern Russia, dock at Astrakhan, thereafter move up the Volga river into the Russian heartland.

It is billed as India's gateway to Afghanistan and beyond, including Central Asia, Russia, and further to Europe. Chabahar would also provide India direct access to its Farkhor air base in Tajikistan.

India has an interest in gaining a foothold in the free trade zone being developed around Chabahar port: in addition to a urea plant, other energy-intensive industries can also be set up in the zone. In fact, National Aluminium Company (NALCO) has signed a MoU to locate an aluminium plant in Chabahar. Proposals for Indian investments in upstream oil and gas exploration have been discussed by Petroleum Minister Dharmendra Pradhan during his visits to Tehran.

(The views expressed are personal)
