AXIS INSTITUTE

“HOPE? AT LAST” PORTS, PROXIES, AND PARTITIONS

2035 MENA REGIONAL OUTLOOK

" וַיִּקְבְּר֨וּ אֹת֜וֹ יִצְחָ֤ק וְיִשְׁמָעֵאל֙ בָּנָ֔יו אֶל־מְעָרַ֖ת הַמַּכְפֵּלָ֑ה אֶל־שְׂדֵ֞ה עֶפְרֹ֤ן בֶּן־צֹ֙חַר֙ הַֽחִתִּ֔י אֲשֶׁ֖ר עַל־פְּנֵ֥י מַמְרֵֽא" - בראשית 25:9

"فَدَفَنَهُ إِسْحَاقُ وَإِسْمَاعِيلُ ابْنَاهُ فِي مَغَارَةِ الْمَكْفِيلَةِ فِي حَقْلِ عِفْرُونَ بْنِ صُوحَرَ الْحِثِّيِّ أَمَامَ مَمْرَا" – تكوين ٢٥:٩

"Then his sons, Isaac and Ishmael, buried him in the cave of Machpelah, in the field of Ephron the son of Zohar the Hittite, facing Mamre." — Genesis 25:9

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Preface

Amid profound global and regional uncertainty, the Middle East and North Africa stand at the edge of a historic transformation. This study emerges from the recognition that the road to 2035 will be turbulent, defined by conflict, shifting alliances, and power recalibrations, yet still offers the potential for a more integrated, stable, and prosperous region. “Hope? at Last” captures both the skepticism and the possibility embedded in this moment, a future that can only be reached through the interplay of ports, proxies, and partitions.

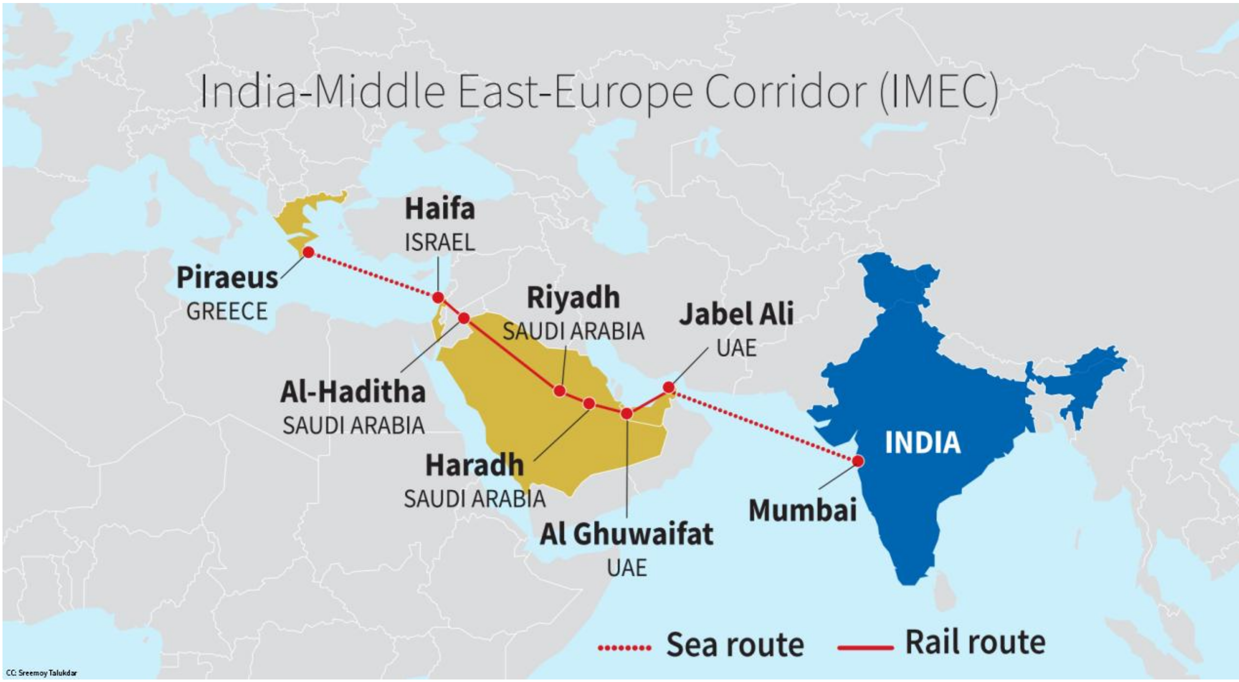
Forecasting in such an environment is inherently challenging given data is fragmented across a wide range of sources, political realities shift rapidly overnight, and public discourse is often clouded by bias or emotion, especially in the wake of a humanitarian crisis in Gaza. As researchers, we acknowledge these constraints and the limitations they impose yet also embrace the responsibility to construct scenarios grounded in empirical analysis, regional dynamics, and the lived realities of its people.

This study was authored by a Palestinian researcher from Gaza, offering urgent, normative perspectives shaped by direct experiences of displacement and statelessness[1]. Readers should understand both the academic framing and the survival-oriented analysis confronting an unbearable reality with uncomfortable realism. It is desperate pragmatism from those abandoned by international law, offering a forward-looking mechanism for adaptability, rather than surrender. Proximity to the Palestine–Israel conflict shaped the questions we modelled and the specific risks we identified, informing recommendations aimed at redefining the paradigm of identity and coexistence beyond territorial closure.

This study does not endorse population transfer, dislocation of refugees, punitive measures, or violations of international law. Where we discuss proposals that touch on movement of civilians and demographic engineering, we cite legal constraints and present them as contingent scenarios, bounded by law, feasibility, and ethics. The scenarios presented do not claim certainty, instead we seek to map the most plausible regional trajectories based on current evidence, historical precedent, and the structural forces shaping the region’s evolution through power consolidation.

Just like Isaac and Ishmael reuniting only at Abraham’s burial, the region’s path may culminate in a form of reconciliation after decades of conflict. Yet the lesson of this fitting allegory, whether it reflected true understanding or simply obligation, mirrors the ambiguity of today’s Arab–Israeli normalization. The coming decade may similarly bring a fragile peace born less of choice than of necessity for both.

[1] *Identities have been withheld to protect the safety of contributing researchers and independence of their ongoing work and analysis*.



Executive Summary

This study presents a forward-looking analysis of the Middle East and North Africa (MENA) to 2035, examining how a shifting geopolitical order, evolving economic realities, and technological, social, and environmental forces will interact to redefine the region's political map, trade flows, and security architecture. At the center of this transformation is a coordinated, though competitive, drive by the United Arab Emirates (UAE) and the Kingdom of Saudi Arabia to cement Gulf dominance over trade routes, investment flows, and regional influence, while Israel leads a parallel military campaign aimed at weakening Iran's axis of resistance and reshaping the Palestinian Question on its own terms.

As primary shapers of regional order, the United Arab Emirates' global port empire (via DP World and AD Ports Group [2][3]) and Saudi Arabia's ambitious Vision 2030 investments anchor this emerging economic hegemony. Under this primary scenario "Hope? at Last", Gulf-led trade integration amid stalemate offers a glimmer of hope for stability and development, but political and unresolved conflicts continue to simmer, resulting in a fragmented landscape of proxy struggles and unfulfilled aspirations for states that fail to adhere to the overall regional distribution of power and evolving trade realignments. A fragmented yet functional order led by selective Arab-Israeli normalization and managed conflict containment with unresolved sovereignty disputes and enduring pockets of instability. In this vision, Gulf ports and logistics corridors dominate regional trade, Saudi cultural and industrial hegemony is monetized, and Israeli security policy enforces a deterrence-based peace, with strategic infrastructure projects (Jebel Ali-Haifa rail link and Red Sea-Mediterranean corridor) forming the backbone of a new economic map.

In a global scope, this MENA regional trade architecture functions as a pivotal hinge in the formation of a new multipolar world. As the petrodollar's dominance recedes with oil demand peak in 2030, the East–West production networks are reconfigured and the UAE–Saudi twin thrones are positioning the India–Middle East–Europe Economic Corridor (IMEC) as the fastest, most bankable land–sea bridge, linking Chinese and Indian scale to European demand and logistics. Multicurrency settlement rails and corridor finance mechanisms reposition the Gulf not merely as a regional hub, but as a strategic nexus in an emerging new world order.

The primary scenario "Hope? at Last" resembles the burial of Abraham by Isaac and Ishmael, a convergence after decades of separation. Despite irreconcilable histories, Arabs and Israelis may still align pragmatically under this emerging Gulf-led trade and security framework. However, as with the biblical story, the question remains whether this is a lasting reconciliation, or merely coexistence compelled by circumstance. Alternative scenarios test the resilience of this trajectory against potential shocks, including Arab leadership fractures, renewed great-power confrontation (Egypt vs Israel, Iran vs Israel), climate-induced humanitarian crises, or the collapse of fragile states. Our analysis incorporates not only economic and social empirical data, but also the distinct imprint of leadership styles, political doctrines, and business footprints, reflected by Mohammed bin Salman's reliance on soft power and spectacle, Netanyahu's long-articulated vision of 'Deterrence Peace' as a security doctrine, and the global reach of DP World's port empire as a cornerstone of UAE trade dominance. Across all scenarios, Israel, the UAE and Saudi Arabia remain primary actors driving change where rivalry and cooperation shape the balance of economic power, political alliances, and conflict resolution efforts.

Recent developments, including Israel's cabinet approval of a plan for the occupation of Gaza [4], the Knesset's passage of a non-binding motion on West Bank and Jordan Valley annexation [5], and the acceleration of Western recognition of a Palestinian state at the UN [6], are no longer hypothetical drivers as initially framed in our study. They are unfolding now, fundamentally altering the baseline data for future scenarios.

Egypt's stalled IMF program, mounting fiscal crisis, and deepening dependency on Gulf bailouts amplify the plausibility of major economic-security trade-offs, such as the proposed relocation of 1.6 million Palestinians to a UAE-administered economic zone in Sinai in cooperation with Egyptian authorities, coupled with regional work visa programs[2]. The UAE's USD 35 billion investment bailout package for Egypt in February 2024 following failed economic reform that led to currency slide, allowed the UAE to acquire 170 million

[2] *No official Egyptian, Israeli, Emirati, United Nations, or other governmental or intergovernmental plan endorsing or proposing this figure. We model a hypothetical scenario for the relocation of Gaza refugees through humanitarian corridors, presented analytically and bounded by international law. See "Primary Scenario" section for details.*

square meters of land in Ras al-Hikma, alongside control over key logistics and infrastructure assets, illustrating the scale of Emirati economic leverage and strategic regional positioning [7] [8].

This analysis draws from a structured scenario methodology, integrating geopolitical, economic, technological, social, and environmental drivers into a coherent set of forecasts anchored to a detailed 2025–2035 milestones timeline. Despite critical challenges, opportunities for a more peaceful and integrated MENA exist. A coordinated focus on economic diversification, infrastructure connectivity, and resource-sharing could address youth unemployment and climate stress turning the region's demographic youth bulge and solar potential into assets not liabilities.

This study lays out one primary scenario and several alternatives to illuminate these possibilities:

Primary Scenario: Gulf-led Integration "Hope? at Last"

- Integrated Gulf led order + Deterrence peace.
- UAE and Saudi expand regional power through ports, rail, and energy corridors to develop national projects, Israeli deterrence contains violence while civil administration persists in Gaza and the West Bank, Palestine gains symbolic recognition without sovereignty, Egypt power-transition stabilizes through Gulf backed securitization, conflicts are managed not resolved.

Scenario 2: Fortress Gulf

- Integrated Gulf led order + Negotiated reform.
- Gulf dominance endures with targeted concessions and administrative upgrades for Palestinians, Arab multilateral compacts unlock IMF and GCC support, Red Sea and maritime rules reduce shocks, integration deepens under thin but real reforms.

Scenario 3: Cascading Wars [worst case]

- Fragmented order + Deterrence peace.
- Israel doubles down on occupation, Iran and Israel clash directly in air, sea, and cyber, proxy attacks expand from Lebanon, Syria, and Iraq, a Sinai incident triggers an Israel, Egypt confrontation, Red Sea shipping and energy assets face repeat strikes, insurance and oil spike, corridors stall, fragile states unravel.

Scenario 4: Cold Peace in Spheres

- Fragmented order + Negotiated reform.
- No large war, no integration breakthrough, states muddle through with partial reforms, Gulf logistics operate inside protected spheres, cross sphere links

stagnate, fiscal stress, water scarcity, and migration pressures persist, humanitarian need rises, and legitimacy erodes.

Each scenario is underpinned by data-driven indicators, from arms transfers and economic trends to water scarcity and governance metrics, which we analyze in depth. Timelines of key milestones to 2035 are provided to illustrate how these futures might unfold, and early-warning signals are identified (e.g. youth unrest spikes, abrupt shifts in foreign support, climate disasters) that could tip the region toward one scenario or another.

Key Findings: By 2035, national borders in parts of MENA blur and harden in new ways. For example, Libya and Yemen settle into de facto partitioned zones after years of stalemate, and Syria remains fractured under external spheres of influence. Several regimes undergo turbulent transformations or successions: Egypt's leadership likely transitions to a technocratic post-Sisi order amid economic strain; Jordan faces a succession crisis that invites external guardianship of Saudi Arabia; Iraq contends with power vacuums after U.S. troops exit in 2026; Israel is expected to seize Gaza and the West Bank under civil administrations, with an incursion in southern Syria; and Iran, weakened by Israeli deterrence, sanctions, and public unrest, is pushed toward internal reforms and decentralization ceasing some of its regional influence.

Meanwhile, new trade corridors take shape, from North Africa's trans-Mediterranean links to Gulf-Red Sea-Indian Ocean routes, altering the region's economic landscape and logistics industry. Gulf investments transform Red Sea ports and security but also fueling quiet rivalries (UAE and Saudi vs. Qatar and Turkey, and occasional Saudi-UAE competition for influence). These standoffs are key drivers of this scenario analysis projecting early signs, weak signals, and first-movers across borders and economies. These findings underscore three strategic imperatives for policymakers and investors:

- **Establish a Transnational Palestinian Council (TPC) and a Palestinian Global Trust Fund (PGTF) in place of the Palestinian Authority and the Palestinian Liberation Organization (PLO).** Create a representative TPC to manage civil status, services, and external coordination for Palestinians across transnational geographies, and capitalize a PGTF with Gulf and Western commitments to fund housing, livelihoods, education, health, legal services, and compensation of Palestinian refugees in transition. Governance should be independent, with audited disbursements, host-state compacts, and compliance with international law.
- **Pre-authorize a lawful, voluntary humanitarian mobility framework, including a contingent Sinai Economic Zone corridor.** Design a voluntary time-bound pathway for relocation of Gaza refugees, with Egyptian-Israeli coordination, UN and ICRC monitoring, rights safeguards, and clear resettlement and local-integration options [9]-[15]. The TPC should serve as the civilian interface, the PGTF as the financing backbone, and Israel, Egypt, the United States, and Arab partners as guarantors of security, access, and legal compliance.

- **Tie Gulf-led regional integration to measurable resilience and governance outcomes.** Sequence anchor investments in ports, logistics, and water-energy corridors with conditional milestones, for example desalination and power swaps, Suez recovery and Red Sea risk mitigation, Jordan's National Water Carrier, and Egypt stabilization with IMF alignment. Use transparent concession frameworks, procurement standards, and labor-mobility compacts so capital inflows reduce fiscal, water, and political fragility across the 2035 scenarios.

The coming decade will be decisive: it will either cement today's fractured landscape or usher a long-sought era of stability and prosperity in the Middle East and North Africa. The outcome by 2035 is not predetermined and may only emerge through the crucible of present sacrifices and conflicts. It will be shaped by the interplay of strategic choices, structural constraints, and the willingness of regional actors to prioritize long-term stability over short-term benefits. This study offers both a roadmap and a warning where the promise of a hope at last exists, but so too does the risk of a fragmented, unstable future if today's decisions fail to align with tomorrow's realities.

Methodology

This foresight study combines a scenario-based, data driven method with a worked, parameterized simulation and a Monte Carlo engine to quantify ranges for 2025 to 2035. We document the model family, the distributional assumptions, the number of draws, the seed, the diagnostics used, and the data sources, so the results are auditable. Inputs are reported with units and provenance, roles are distinguished as exogenous or endogenous, and sensitivity analysis shows which assumptions drive variance.

Data Processing

Our methodology combines qualitative trend analysis with quantitative modeling. The foundation is a 2x2 scenario matrix that maps plausible futures for MENA through 2035 around two critical uncertainties[3]: regional order (integrated Gulf-led trade alignment vs. fragmented contested order) and security policy (deterrence peace vs. negotiated reform). We integrate 133 country and thematic sources with validated external datasets, for example UN, World Bank, IMF, SIPRI, ACLED, IPCC, and V Dem, to stress test assumptions and quantify projections.

Horizon Scanning & Data Collection: We synthesized geopolitical, economic, social, technological, and environmental inputs across all focus countries, then extracted

[3] A. Rhydderch, "Scenario Building: The 2x2 Matrix Technique," *Prospective and Strategic Foresight Toolbox*, Futuribles International, Jun. 2017. Available: https://www.researchgate.net/publication/331564544_Scenario_Building_The_2x2_Matrix_Technique

comparable indicators, for example youth unemployment, fiscal and external balances, military expenditure, arms imports, water stress, trade volumes, climate exposure, conflict incidence, etc. Country dossiers anchored the qualitative context, for example Libya's east-west divide and UAE-China investments in Benghazi Port, Egypt's fiscal and debt profile with UAE bailouts and IMF pending reviews, Syrian and Yemeni front lines and external patrons.

These inputs provided the empirical backbone for scenario logic, for example persistent MENA youth unemployment at 24-30 percent (world highest) and low female labor participation (world lowest) are treated as a structural destabilizer [16][17], not a transient shock. Quantitative series were complemented by leadership specific characteristics and institutional factors that shape choices. For example, Crown Prince of Saudi Arabia Mohammed bin Salman's use of soft power and spectacle to accelerate diversification, Prime Minister Netanyahu's deterrence peace doctrine and its operational implications on internal Israeli politics and foreign relations, and the strategic reach of Emirati quiet diplomacy and logistics footprint, DP World and AD Ports, in routing trade and influence. By contrast, Emir Tamim of Qatar, relies on media diplomacy, selective financial interventions, and strategic alignment with Turkey and Iran to punch above Doha's size, often acting as spoiler to UAE–Saudi initiatives while maintaining ties with Islamist actors. These are incorporated as parameters that condition policy responses and investment allocation based on leadership history and ideology.

Data Integrity: All claims rest on primary or recognized secondary sources augmented with external data. Economic series come from the World Bank, IMF and national statistical offices, conflict series from ACLED and UCDP, arms and defense from SIPRI, governance metrics from V-Dem, climate exposure from IPCC linked work, and WRI water stress indices. For example, when we state that "water scarcity will be a critical destabilizer", we back it with World Resources Institute projections that over half of the world's most water-stressed countries in 2040 will be in MENA, and list the MENA countries dominating those rankings [18]. Military and security-related claims (e.g. arms buildup) are supported by SIPRI data, such as the fact that the Middle East accounted for 27 percent of global arms imports in 2020–24 [19] and that four MENA states (Qatar, Saudi Arabia, Egypt, Kuwait) were among the world's top 10 arms importers [20], while MENA hosts 45+ active armed conflicts as of 2025, more than any other region [21][22].

Modeling

Scenario Development: We constructed four scenario narratives to 2035 (one primary and three alternatives) using a 2x2 scenario matrix to ensure broad exploration of a contested MENA future with uncertainties. The axes chosen were "Regional Order", a proxy for Gulf-led trade integration (Integrated vs Contested), and "Security Policy", a proxy for regional conflict intensity (Deterrence Peace vs. Negotiated Reform). This matrix approach guaranteed that we examine outcomes where either factor could be a dominant driver (for instance, high Gulf integration vs. low integration, each under conditions of war or peace). Each narrative is tied to 2025 to 2035 timeline including explicit triggers, country linkages, and policy levers. The results are not predictions, they are internally coherent plausible futures designed to reveal risk, opportunity, and inform policymaking.

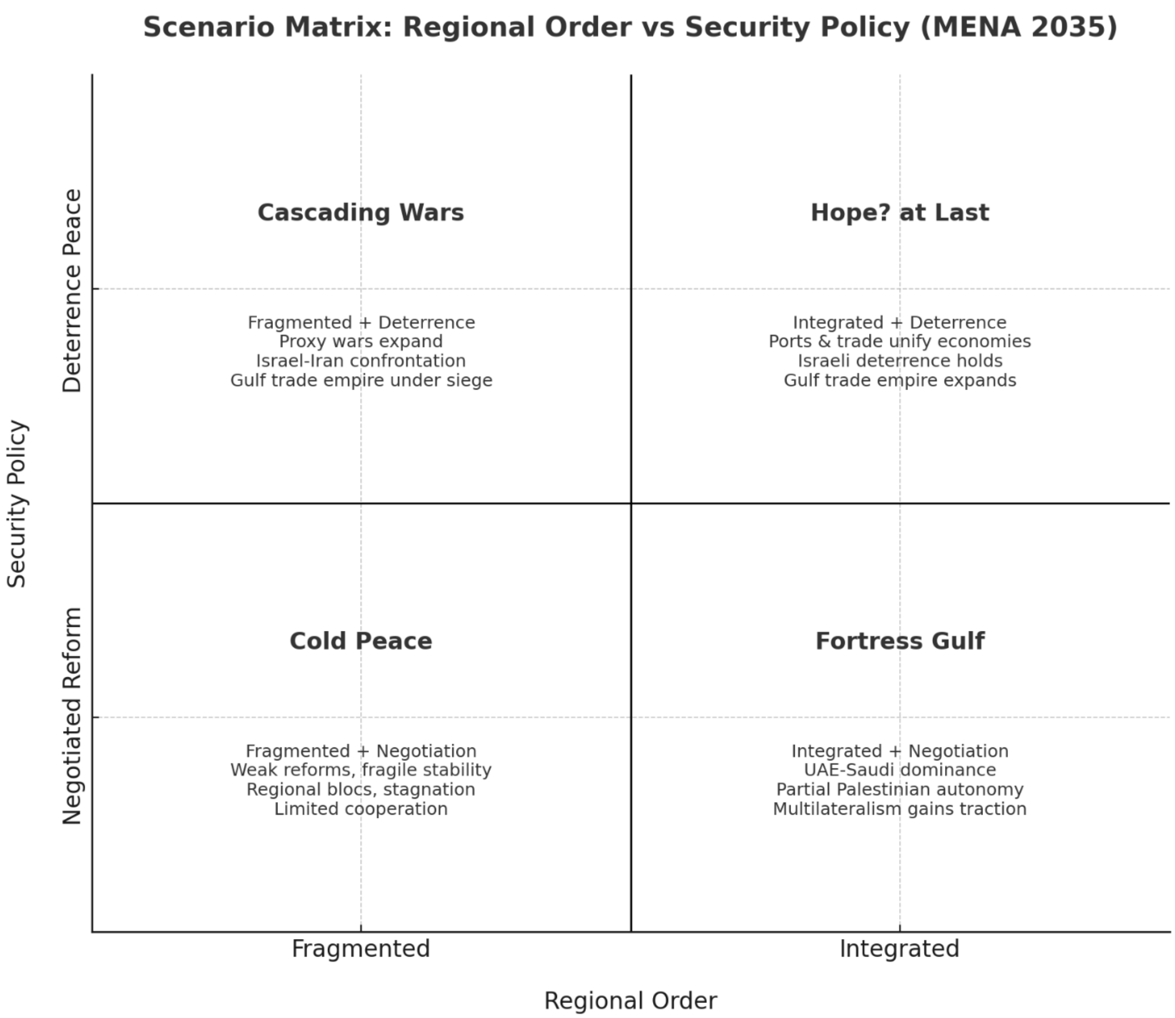


Figure 1: Scenario Matrix

Systems Analysis and Simulation: We utilized simple system dynamics using Monte Carlo simulations on a set of high leverage variables, oil prices, drought and heat shocks, sovereign rollover and risk ratings, remittance flows, regime stability scores, to evaluate how shocks propagate. Iterations tested whether combinations of high stress values, for example oil slump + drought + external financing gap, increase probabilities of conflict or state failure, while moderate values lead to adaptation. This produced relative scenario weights used later in the report (Low <40%, Medium 40-69%, High +70%). These probability bands are an internal heuristic to compare relative plausibility across scenarios, not predictive forecasts.

The baseline weight favors Gulf led integration with fragmented conflict management as the most plausible scenario, consistent with current observed trade momentum in ports and logistics, while more optimistic cooperative regional outcomes remain conditional on multiple reforms succeeding in tandem. Unless otherwise stated we run 50,000 draws per scenario on a semi-parametric Monte Carlo engine with independent draws over exogenous drivers and algebraic propagation into endogenous outcomes.

We set seed 203501 so results can be reproduced, compute the Monte Carlo standard error for each headline statistic, and require it to be below 1 percent of the sample mean. If any headline metric fails this threshold, we increase draws in blocks of 10,000 and rerun until the criterion is met. We then replicate on a second seed to confirm stability of means and the fifth and ninety fifth percentiles within one percent.

Validation and Cross-Impact Consistency: We tested each scenario against trends and timelines to ensure consistency and year-level plausibility. Short-term developments (2025–2030 milestones) in the scenario logically lead to 2035 outcomes, reflected on historical analogues. For example, a de facto partition in Yemen by 2030 aligns with current control patterns and external sponsorship, while the Presidential Leadership Council (PLC), Yemen's internationally recognized government suffers stalemate.

Yemen's de facto split was assigned a high probability across all scenarios regardless of a peace deal or Riyadh II Agreement. We also used historical analogues to check path dependence, for example past IMF program performance and currency events in Egypt inform the likelihood of securitized economic bargains tied to potential Sinai-Israel arrangements, and ACLED conflict data informs feasible tempos for flare ups and capital flow freezes. We ran spot out of sample checks where historical periods resembled modeled conditions.

Variables and Priors

We model a set of exogenous drivers and a linked set of endogenous outcomes, each defined with a role, units, baseline anchor, and prior distribution. Priors are calibrated to observed series as of Q3 2025 and extended with expert judgment through Q4 2025, with units and provenance preserved for audit. Where variables are naturally bounded, for example indices on a 0 to 1 scale or standardized anomalies, we use truncated normals or categorical regimes. Where variables are strictly positive and skewed, for example prices and premia, we use lognormal or mixture priors.

Where shocks are best expressed by a low, mode, high triplet, we use triangular priors. Exogenous variables are drawn independently by default, and we introduce correlations only where causal linkage is material and well evidenced. Core macroeconomic drivers include corridor throughput, EGP effective devaluation, external debt rollover, and others. Conflict and political dynamics are represented through variables such as regime stability scores, militia patronage networks, and annexation policy signals. Environmental priors cover drought frequency, water stress indices, and temperature anomalies, aligned with IPCC projections. The complete inventory of variables and priors can be found in Appendix A and Appendix A.1. The relative influence of each variable is quantified through sensitivity tests described below.

Critical Uncertainty and Wildcard Analysis: We identified major drivers that can drastically alter trajectories such as a sudden Iranian regime change, a breakthrough in Israeli-Palestinian peace, an Israel-Egypt crisis in Sinai, a global recession, or climate catastrophe (e.g. unprecedented droughts or mega-storms). While these drivers are difficult to quantify, we incorporate their potential impacts qualitatively in scenario stress-tests and add early indicators.

For example, reserve drawdowns and short-term external debt spikes, changes in Red Sea insurance premium and vessel routing, unusual troops allocation or base construction, and large swings in electricity load under heat stress. For instance, a wildcard like the death of a long-ruling autocrat (e.g. Iran's Supreme Leader) can accelerate the "internal reform" path, while an external shock like the anticipated 2030 oil demand peak can hasten Gulf economic diversification (IEA projects global oil demand will plateau around 105–106 million barrels/day by 2030 [23], pressuring oil exporters to adapt).

Sensitivity Analysis: One-way sensitivities were run around the baseline using ±1 standard deviation for symmetric priors and the 10th/90th percentiles for skewed priors, with all other inputs held fixed. These tests assess the contribution of each input to overall scenario variance which identify the five dominant drivers of variance: Suez throughput multiplier, Red Sea war-risk premium, EGP effective devaluation, Gulf FDI inflows, and LNG spot prices.

We regress simulated outputs on the input draws and report standardized coefficients to cross-check rankings. Where interactions are material, we complement one-way tests with variance-based global sensitivity indices to separate main effects from interactions across the input space. This approach aligns with best practice in global sensitivity analysis for policy and energy system models, as outlined in Saltelli et al., Global Sensitivity Analysis, and helps avoid perfunctory or misleading sensitivity claims.

Our methodology blends structured scenario planning with empirical analysis and policy recommendations, rooted in both current events and long-term structural forces. By combining quantitative research, with indicators and early-warning signals, we aim to give policymakers and researchers a structured yet flexible toolkit. This study acknowledges that the future is not predetermined but contingent on small changes in policy or unexpected shocks that can nudge the region toward markedly different outcomes.

Worked Simulation Example: Israeli Incursion into Southern Syria under Water-Stress Scenarios

This section presents a detailed, end-to-end example of how the study's systems analysis and Monte Carlo simulation framework was applied to a specific geopolitical contingency and how we developed the primary scenario across multiple countries. It illustrates the full modelling process, from variable selection and weighting, through stress-testing under compound shocks, to the translation of probabilistic outputs into a coherent scenario narrative.

The case chosen is the projected likelihood, drivers, and operational contours of a potential Israeli incursion into southern Syria to secure critical water resources in the Hauran Plateau. By walking through this example, the reader can see how climate stress indicators, regional security dynamics, and domestic political incentives were integrated into the simulation, and how the resulting probability bands informed the scenario's placement and storyline within the broader study.

Model Setup

We used a stylized logistic hazard for "Incursion within T years," updated by Monte Carlo draws over exogenous shocks and cross-impacts:

$$\Pr(\text{incursion by} t) = \sigma\left(\alpha + \sum_i w_i x_i + \sum_{i<j} \gamma_{ij}, x_i x_j\right), \quad \sigma(z) = \frac{1}{1+e^{-z}}$$

- **Dependent event:** Limited ground incursion and semi-permanent security footprint extending beyond Quneitra toward Nawa/rural Daraa, with operational control over key freshwater assets (dams, intakes, and conveyance nodes) and Druze protection arrangements.
- **Horizon:** 24-months cumulative hazards.
- **Draws:** 100,000 iterations per policy bundle.[4]

Key stochastic inputs and baselines (all centered on 2025 Q3-Q4 observations):

- **Iran–Israel confrontation intensity (IIC):** Ordinal shock 0–2.
  - Baseline distribution: (P(0)=0.35; P(1)=0.45; P(2)=0.20).

[4] *We use 100,000 draws here, exceeding the 50,000 scenario standard, to tighten Monte Carlo error for event probabilities.*

- **Levant drought severity (LDS):** Standardized seasonal SPEI/soil-moisture anomaly; truncated normal $N\ (0.8, 0.5^2)$ capped at 2.0 for the 2026–27 window.
- **Jordan domestic fragility (JDF):** Index 0–1 from unemployment, protests, and succession noise; $N\ (0.55, 0.15^2)$ truncated to [0,1].
- **Hezbollah effective deterrent (HED):** 0–1 (higher = stronger northern deterrent); $N\ (0.35, 0.20^2)$ truncated to [0,1].
- **Syrian southern governance cohesion (SSG):** 0–1 for regime/proxy coherence south of Damascus; $N\ (0.30, 0.20^2)$.
- **Druze mobilization receptivity (DMR):** 0–1 for willingness to accept Israeli umbrella as "protection"; $N\ (0.60, 0.20^2)$.
- **Israeli domestic political incentive (IPI):** 0–1 (election/coalition payoff from "security wins"); $N\ (0.55, 0.15^2)$.
- **Water stress differential (WSD):** Z-score combining Israeli national stress vs. marginal relief from Hauran control; $N\ (1.2, 0.4^2)$.

Calibration, Weights, and Cross-Impacts

Weights were set by maximizing fit to (a) post-2011 Israeli strike/ground operations patterns, (b) historical coupling of resource stress and cross-border moves, and (c) internal expert priors. Signs reflect how variables move the hazard.

- **Main Effects (central values):**
  - **WSD:** (w=+0.85) — strongest structural driver (water security payoff).
  - **IIC:** (w=+0.65) — crises with Iran open political/military windows.
  - **HED:** (w=-0.55) — stronger Hezbollah lowers southern bandwidth.
  - **SSG:** (w=-0.40) — higher cohesion raises escalation costs.
  - **DMR:** (w=+0.35) — Druze acceptance lowers governance burden.
  - **IPI:** (w=+0.30) — electoral payoff nudges risk acceptance.
  - **LDS:** (w=+0.45) — amplifies WSD salience and timeline pressure.
  - **JDF:** (w=+0.20) — Jordan vulnerability creates leverage but raises diplomatic risk.
- **Cross-Impacts (select γ terms, central values):**
  - **LDS×WSD:** (+0.40) — drought magnifies the value of seizing headwaters.

- **IIC×HED:** (+0.30) — Iran flareups while Hezbollah is degraded widen IDF latitude.
- **SSG×DMR:** (-0.25) — coherent southern governance cancels Druze mediation effects.
- **JDF×IIC:** (+0.15) — regional crisis with a fragile Jordan increases pre-emptive logic but caps depth.
- **IPI×IIC:** (+0.10) — political returns scale when framed as confronting Iran.

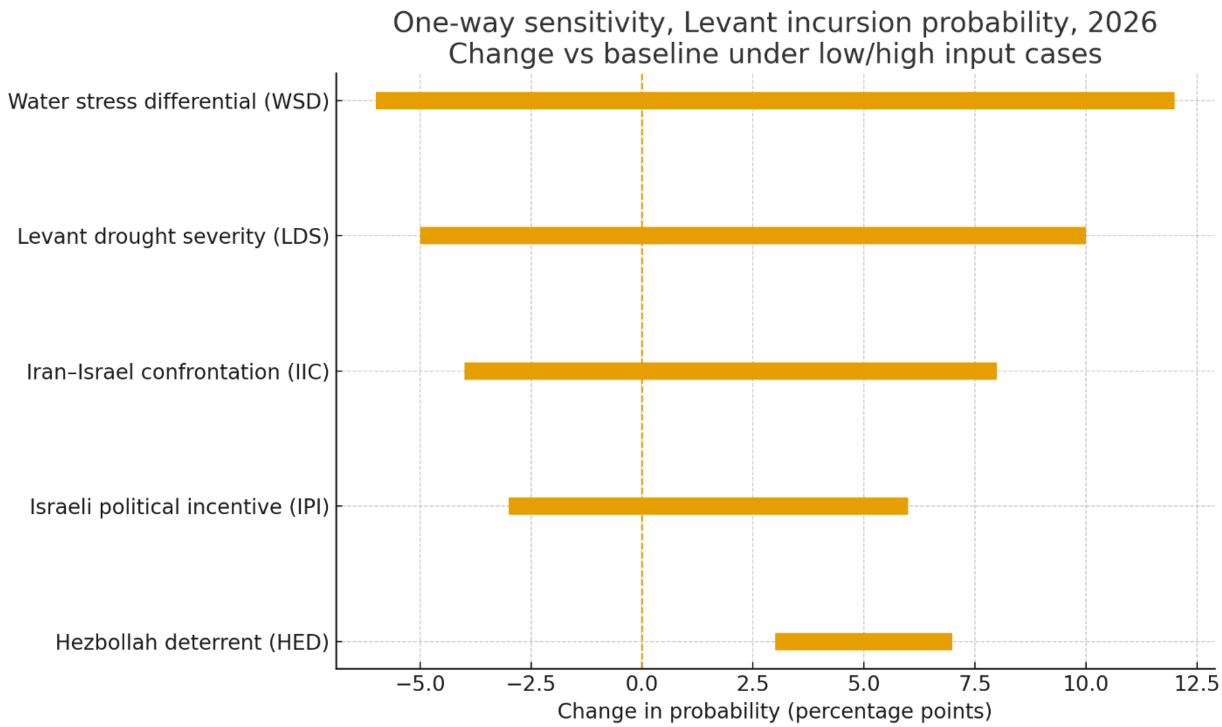


Chart 1: One-way sensitivity analysis for the Syria incursion scenario (2026) with the five leading drivers of output variance.

The sensitivity analysis in Chart 1 shows the probability of an Israeli incursion into southern Syria is most influenced by five variables: water stress differential, Levant drought severity, Iran–Israel confrontation intensity, Israeli domestic political incentives, and Hezbollah's deterrent posture. Water stress emerges as the single strongest driver, with high values raising the incursion probability by more than ten percentage points relative to baseline.

Elevated drought severity and confrontation risk also push probabilities upward, while a stronger Hezbollah deterrent has the opposite effect, reducing the likelihood of escalation. Israeli political incentives act as a secondary amplifier, raising risk in periods of coalition fragility or electoral pressure. Other modeled factors such as Druze mobilization receptivity, Syrian governance cohesion, and Jordanian domestic fragility, exert smaller marginal effects and are therefore omitted from the chart, though they remain documented in the full variable inventory. *(The intercept **α** (alpha) was calibrated so that under neutral draws the 24-month cumulative probability matched a "Medium" band midpoint (~55%).)*

Monte Carlo & Stress Results

We evaluated three policy-relevant bundles and a sensitivity on depth-of-incursion. Results report the share of runs with an incursion by 24 months, plus conditional depth.

Bundle	**Assumptions**	**Incursion Prob. (24m)**	**Depth Profile (conditional)**
Baseline deterrence equilibrium	IIC=1 mode; LDS≈0.8; HED low; SSG low; DMR>0.5; IPI≈0.55; WSD≈1.2	0.58	82% "limited control" (Quneitra→Nawa/rural Daraa nodes); 18% "shallow raids only"
Water-shock + Iran flare	IIC up-shifted (P(2)=0.35); LDS≈1.4; HED≈0.25; same SSG/DMR	0.71	88% limited control; 9% shallow raids; 3% "attempted reach" toward Yarmouk intakes under 4–6 week surge
Northern pushback	HED≈0.55; SSG≈0.45 (cohesion); same IIC/LDS	0.39	93% shallow raids only; 7% limited, short-lived nodes (<30 days)
Diplomatic damping	IIC=0; LDS≈0.5; IPI≈0.35; gradual HED recovery	0.27	100% shallow raids/air interdiction; no persistent ground control

- **Timing:** In runs with an incursion, the median crossing occurs by month 9; with water-shock, by month 6.
- **Persistence:** In the "limited control" state, the median persistence of ground nodes exceeded 12 months in 74% of runs, contingent on DMR>0.5 and SSG<0.4.

How Did the Model Yield "Water-First, Druze-Mediated" Incursion

- **Water security as primary payoff:** High positive weight on WSD and strong LDS×WSD interaction consistently pushed optimal objectives toward control of conveyance and intake nodes, not population centers. In qualitative terms, this translated to the seizure of Hauran Plateau assets feeding the Yarmouk/Ruqqad system as the mission center of gravity.

- **Limited footprint logic:** Negative weights on HED and SSG penalized depth and duration when northern deterrence or southern governance stiffened, keeping the modal outcome at "limited control of hydro-critical points" rather than broad annexation.

- **Druze acceptance as risk reducer:** Positive DMR attenuated administrative burden and political cost in the model, making "protection umbrella" arrangements the dominant mechanism for sustaining presence without demographic entanglement.

- **Spillover constraint via Jordan:** JDF's positive but modest weight raised diplomatic costs, which the optimizer "paid for" by favoring east-facing water nodes (leverage) while avoiding deep urban pushes that would trigger Jordanian crisis thresholds.

In translating the simulation outputs into the primary scenario narrative, the modelling indicated a baseline 24-month probability of approximately 0.58 for an Israeli incursion into southern Syria, rising to around 0.71 under a compounded "water-shock" by 2028. This supported placing the event in the scenario as a high-plausibility, water-motivated move in the 2026 confrontation window, explicitly framed as a limited seizure of natural water resources and adjacent buffers rather than wholesale annexation. Depth-of-incursion distributions shaped the map extents used in the study, from Quneitra through Nawa and rural Daraa, and guided the depiction of controlled water infrastructure alongside Druze areas.

The median hazard timing anchored the 2026–27 milestone, while persistence metrics justified maintaining these positions through the 2028–30 drought period and thereafter. The narrative also drew on early-warning indicators identified in the model: rapid declines in Yarmouk inflows and seasonal storage prompting emergency pumping on the Israeli side; sequential degradation of Hezbollah's deterrent capacity; Druze local council statements signalling openness to external security guarantees; and intensifying Jordanian water-import negotiations amid worsening drought alerts. These dynamics underpinned the qualitative claim in the primary scenario: a limited, water-driven Israeli incursion into the Hauran Plateau, leveraging Druze protection arrangements to secure and operate key headwaters and conveyance nodes within a sustained deterrence framework.

Data & Analysis

Quantitative indicators and trends underpin our scenario analysis, highlighting the technical evidence for each major dimension of change. The data reveals a region of stark contrasts and vulnerabilities: robust economic growth and investment in the Gulf versus stagnation and debt distress elsewhere; declining conflict fatalities in some war zones versus new flashpoints emerging; and long-term stresses like water scarcity and climate change compounding socioeconomic pressures and inequality. Key findings are summarized below:

- **Demographics and Human Development:** MENA's population continues to rise quickly, from roughly 484 million in 2018 to a projected 580 million by 2030 [24]. The age structure is distinctly young, with a median age of 26, which can produce either a demographic dividend or mounting discontent as youth unemployment remains the highest in the world at 24–30 percent [16]. In many countries more than half of citizens are under 30, which strains job markets, schools, and housing.

  Human development trends are mixed, Gulf states score high on the UNDP Human Development Index with near OECD outcomes in education and income, while conflict affected and lower income states (Yemen, Sudan, Syria, Egypt, Jordan, etc.) have suffered HDI reversals over the past decade. Low female labor participation and unequal access to quality schooling weaken the dividend channel. Survey evidence shows large Arab youth majorities cite corruption and lack of opportunity as the main causes of unemployment, echoing grievances from 2011 that could resurface if left unaddressed.

  These demographic stresses underpin the recurring youth unrest spikes identified in our 2025–2030 milestones and reinforce why labor mobility schemes, for example targeted GCC work visas for Palestinians and Egyptians, vocational pipelines for Jordanians and Lebanese, and remittance friendly banking, are central stabilizers in the primary scenario.

- **Economic Trajectories and Trade:** The region's economics are diverging between the diversified, investment-rich GCC states and struggling middle-income economies. Gulf countries have leveraged high oil revenues in the 2020s to invest in non-oil sectors; for example, Saudi Arabia's non-oil revenues by mid-2025 comprised nearly half of government income, reflecting rapid progress in its diversification plans. The UAE reported record non-oil foreign trade in recent years ranking 11th in net exports globally, and GCC sovereign wealth funds are set to double in size (from about USD 4 trillion in assets today to ~USD 8 trillion by 2030 [25]), providing considerable capital for global and regional investments.

  In parallel, several Gulf Cooperation Council states, led by the United Arab Emirates and Saudi Arabia, are implementing targeted measures to reduce over-reliance on the U.S.

dollar in cross-border trade and finance. These include bilateral currency swap agreements such as the UAE's AED–INR line with India and AED–RMB line with China, which facilitate direct settlement in local currencies [26]. Invoicing pilots in local currency under frameworks like the UAE–India Comprehensive Economic Partnership Agreement are already operational for oil and gold trades along early-stage wholesale central bank digital currency (CBDC) projects, including the UAE–Saudi Project Aber [27], and the UAE's participation in the BIS-led mBridge platform alongside China, Hong Kong, and Thailand [28]. While these initiatives do not seek to displace the U.S. dollar's role in global markets, they pluralize it and add parallel channels for settlement to improve price discovery, reduce foreign-exchange basis risk, and align Gulf national balance sheets with an emerging global financial infrastructure that is increasingly modular, multi-currency, and regionally reroutable.

By contrast, countries like Egypt, Jordan, Tunisia, and Lebanon face debt and currency crises. Egypt's inflation hit a record ~36 percent in June 2023 amid repeated currency devaluations, and sharp rise in external debt, forcing reliance on IMF loans and Gulf aid bailouts as seen in early 2024 [29][30]. Nothing illustrates the severity of the Egyptian military-commercial complex better than a viral 2019 video of President Sisi inspection for army agribusiness units. The video shows a uniformed officer saluting President Sisi then introducing himself as "Commander of the Shrimp Production Line, Sir!!". This symbolizes the Egyptian military's unsustainable overreach in the economy which complicates reform, privatization, and investor confidence. This potential fiscal squeeze, if unresolved, conditions Egypt's bargaining power in our scenario timeline, where Sinai-based relocation and UAE bailouts become a securitized economic trade-off by 2026–2028.

Lebanon's GDP has contracted by over 30 percent since 2018 due to its financial collapse, and its currency lost more than 90 percent of value, a cautionary tale of economic mismanagement amid a banking crisis [31]. Youth bulge economies (Egypt, Iraq, Jordan, Algeria) struggle to create jobs fast enough, with growth forecasts of only ~2–4 percent annually which barely absorb labor force growth. Why does this data matter? Because state firepower, Gulf sovereign wealth funds and balance sheets, are the only scalable capital pools that can keep fragile middle-income neighbors solvent while building the logistics spine that underpins a Gulf-led trade integration. The same divergence that concentrates capital in the Gulf also increases leverage over policy choices in Cairo, Amman, Tripoli, and Aden, especially in terms of privatizations, trade "dirhamization", and security linked concessions as reflected in the 2025 to 2030 milestones.

- **Trade Corridors and Integration:** There are also positive trends across MENA where investments to become a Eurasian-African trade hub are taking place. North African states, notably Morocco, Egypt, and Algeria, are upgrading ports, railways, and free zones to capture commerce between Europe, Africa, and Asia [32]. Tanger-Med port in Morocco and the Suez Canal Economic Zone in Egypt are now major logistics nodes linking continents, both partly developed by UAE-affiliate operators including DP World. The India–Middle East–Europe Economic Corridor (IMEC) aims to connect India to the Arabian Peninsula and onward to Europe via the UAE, Saudi Arabia, Jordan and Israel [33].

Strategically, IMEC functions as a ‘non-exclusive overlay’ to existing trans-Eurasian routes that complement, and in places compete with, China’s Belt and Road Initiative and the North–South (INSTC) spine, while leveraging the Gulf’s record for secure transit, predictable delivery schedules, and competitive risk-adjusted shipping costs. The corridor’s value is less about headline maps than about underwriting a multicurrency, multi-jurisdictional logistics network that can clear Indian supply and European demand through Emirati/Saudi-backed ports, dry ports, and feeder nodes at bankable risk premia. If fully realized, by 2030 this corridor would reduce Asia to Med transit times, lift logistics value added, and anchor Gulf–Israel economic axis that sits at the heart of our primary scenario.

This trade reconfiguration is projected to boost GDP across participating countries by facilitating faster transport and strengthening logistics sectors, while enabling adjacent states that align with the corridor to capture secondary gains through foreign concessions and investments, expanded market access, and integration into the overall regional value chains. Intraregional trade stands to expand if political barriers ease, with projects such as the Trans-Maghreb highway and rail network linking Morocco through Algeria to Tunisia and Libya, poised to revitalise regional commerce, provided that geopolitical rifts (notably Algeria–Morocco tensions) can be managed.

However, these developments are uneven, and conflict zones remain largely excluded from prosperity. For example, Syria’s trade and economy have shrunk to a fraction of pre-war levels, and even by 2035 sanctions and instability will likely keep it isolated from major trade routes except where external powers carve out spheres (e.g. Turkish-controlled areas trading with Turkey, or regime-held ports managed by foreign companies like UAE investment in Tartous port).

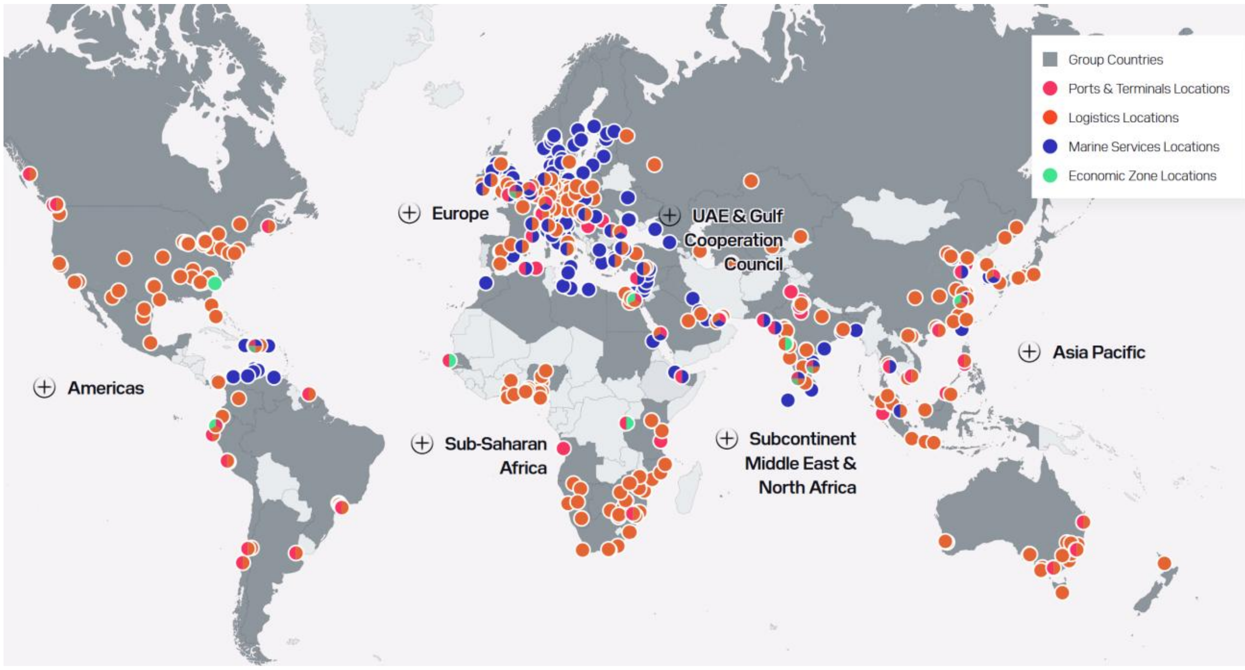


Figure 2: DP World Global Footprint (source: DP World)

UAE's Global Ports & Shipping Footprint (c.2025) – The map highlights the global reach of Emirati maritime and logistics investments. Red dots indicate ports and terminals operated by Dubai's DP, spanning over 50 countries [34]. Orange and blue dots show associated logistics and marine service centers, while green denotes economic zones. This global network positions the UAE as a trading bridge between Asia, Africa, and Europe, allowing Gulf trade dominance to extend far beyond the Middle East.

Security and Conflict Trends: The region unfortunately remains the world's most conflict-prone in the 2020s. According to the Geneva Academy, as of 2023 there were over 45 distinct armed conflicts active in MENA [9] (including civil wars, insurgencies, and internationalized proxy wars), more than in Africa or Asia. However, the intensity and nature of these conflicts are shifting:

- **Declining Mass-Scale Wars:** The large-scale wars of the 2010s (Syria, Iraq, the peak of ISIS, Libya's multi-party civil war, Yemen's full-scale war) have generally de-escalated into lower-intensity stalemates by the mid-2020s. For instance, battle fatalities in Syria and Yemen have fallen significantly compared to peak conflict years. SIPRI and ACLED data show annual fatalities in Syria dropped from tens of thousands at the peak to a few thousand by 2022. Front lines are largely static, Syria is effectively partitioned among regime, rebel, Kurdish, and Turkish held zones, Yemen's fighting has been reduced since the 2022 truce without a final agreement, and Libya has seen no major battles since 2020 despite political deadlock. The scenarios assume these stalemates harden into de facto borders by 2035 if peace agreements remain elusive.

- **Proxy Dynamics:** While direct fighting wanes in some cases, proxy competition has intensified in other arenas, reflecting a realignment of rival blocs. Iran's influence vs. Saudi/UAE-led camp remains a defining rivalry with periodic violence in Iraq between Iran-backed militias and groups aligned with Gulf interests [35]. In Yemen, the Houthi movement represents not only Iranian influence, but an old ideology of Zaydi Imamate revivalism which is deeply rooted in Sa'dah and Sanaa suburbs.

Following the recent Israeli–Houthi confrontation and Houthi attacks on Red Sea shipping, analysts estimated that by February 2024 the group had attracted nearly 150,000 new recruits, a sharp increase that underscores both the movement's growing mobilization capacity and its potential to reshape local politics and deepen Yemen's internal divisions [36]. By contrast, Saudi Arabia backs the internationally recognized Presidential Leadership Council (PLC) which the Houthis have expelled from Sanaa in 2014, while the UAE supports southern rivals, primarily the Southern Transitional Council (STC), and at times cooperates with PLC aligned forces.

Meanwhile, Turkey and Qatar form another axis supporting Sunni Islamist-leaning forces in Libya and the internationally recognized government in Tripoli, opposing UAE-Egypt support for eastern Libyan factions under General Haftar and the House of Representatives in Tobruk. Israel and Iran engage indirectly in Syria (Israeli airstrikes on Iranian supply lines) and at sea (sabotage of shipping). These entangled rivalries mean that a local flare-up can quickly draw in multiple actors. The risk of new conflicts cannot be ruled out, particularly an Israel invasion in Lebanon and Syria, or a second direct conflagration between Israel and Iran over nuclear issues. Our primary scenario assumes no full-scale new war erupts and these conflicts are maintained through Israeli "Deterrence Peace", but in a more dire alternative we acknowledge an Israel-Iran military showdown is conceivable in the near-term if diplomacy and deterrence fail.

- **Militarization and Arms Buildup:** MENA governments have armed themselves heavily in the past decade. The region accounted for 27 percent of global arms imports in 2020–2024, and half of the top 10 global arms importers are MENA states (led by Saudi Arabia, Qatar, Egypt and Kuwait) [19]. Although these figures remain below the 2015-19 peak conflict years in the MENA region, SIPRI's latest assessments indicate that, given the scale of pending deliveries and procurement pipelines, this trend of arms build-up is expected to continue into 2030 where Gulf states in particular are investing in advanced aircraft, drones, and missile defense (the largest category of arms imports to MENA is aircraft at 43 percent, reflecting purchases of fighter jets and drones [37]).

  Saudi Arabia, Qatar, and the UAE's defense budgets remain among the world's highest, with Saudi Arabia allocating roughly 7.1 percent of GDP to defense, Qatar around 6.9 percent, and the UAE around 5.6 percent, while Qatar sustaining one of the largest per-capita military expenditures globally in line with its position as the Middle East's top arms importer in 2020–24.

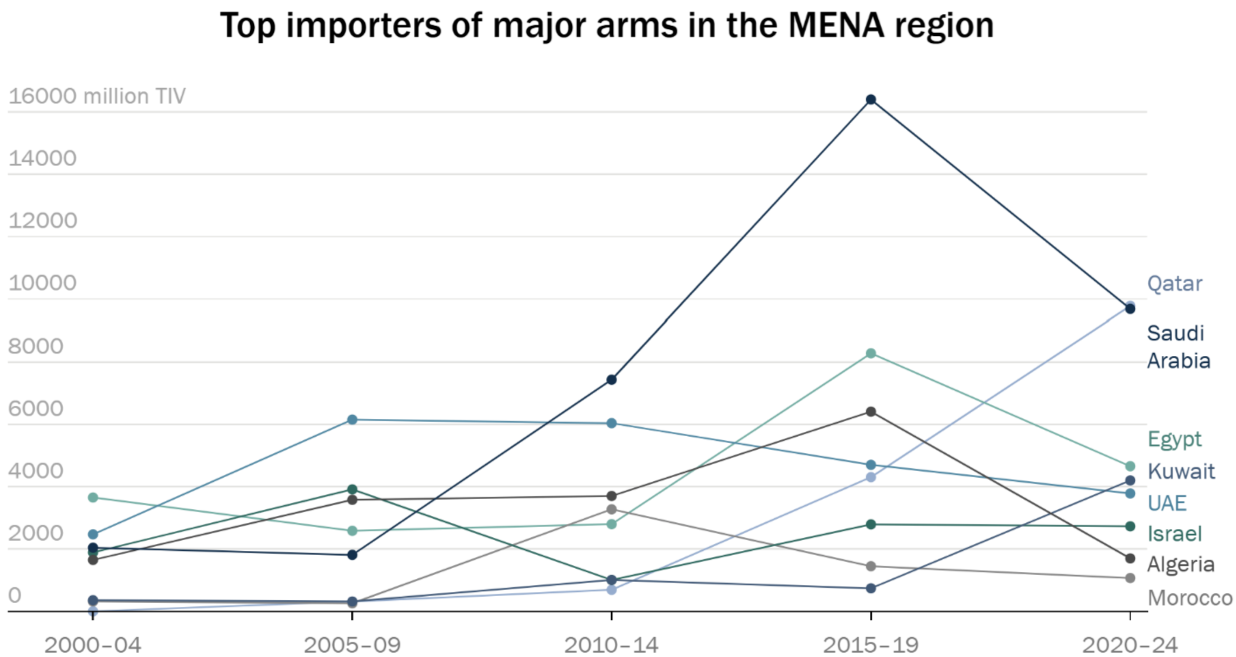


Figure 3: Top 10 arms importers in the world, 2020–24. *Adapted from "Recent trends in international arms transfers in the Middle East and North Africa," by Z. Hussain & A. Tartir, 2025, SIPRI. © SIPRI 2025.*

This militarization is a double-edged sword as it deters open interstate war (for example, Iran is hemmed in by the superior air power of Gulf states and Israel, plus the U.S. security umbrella), but it also means any war that does occur could be more destructive. Another significant data point: the Middle East's share of U.S. arms exports is 33 percent in 2020–24 [38], illustrating how critical the region is to U.S. foreign policy and global arms trade. The prevalence of armed non-state actors (militias, rebel groups) adds complexity to analyzing countries like Libya, Yemen, Iraq, and Syria which have dozens of militias controlling territory. Efforts to demobilize or integrate these fighters (DDR programs) have seen limited success. By 2035, we anticipate some militias effectively becoming local security forces in splintered states (e.g. integration of remaining Hezbollah forces into Shia Lebanese Army brigades).

- **Terrorism and Insurgency:** The Islamic State's territorial "caliphate" was destroyed by 2019, yet jihadist militancy persists at a low boil with ISIS remnants in the Syrian desert and Iraqi hinterlands, Al-Qaeda affiliates in Yemen, and new extremist cells capitalizing on instability in the Sahel and potentially spilling into North Africa. Terror attacks in MENA have decreased in frequency compared to mid-2010s, but a resurgence is possible if conflicts reignite or governments fail to take aggressive unilateral stance. For example, Sinai (Egypt) still faces an insurgency, and in a worst-case scenario a chaotic post-2030 transition in Egypt could lead to uptick in extremist violence, whereas in the primary scenario improved security cooperation with Gulf patrons keeps militancy contained with involvement of local tribes in economic and reform trends.

- **Climate and Resource Stress:** Environmental pressures are mounting as a critical, if often overlooked, driver of change. MENA is warming faster than the global average – about 0.45°C per decade since 1980, nearly twice the global rate [39]. By end of the century, regional average temperatures could be +4–5°C above pre-industrial levels under current trajectories [40], which would push parts of the Gulf and North Africa into *fatal heat* territory on peak days. By 2035, average summers will be hotter and drier; cities like Basra, Baghdad, and Riyadh are likely to see more days above 50°C each year. Water scarcity is the most acute immediate challenge as MENA remains the world's most water-scarce region today. Projections show that 14 out of the 33 most water-stressed countries in 2040 will be in the MENA region [41].

  Countries like Bahrain, Kuwait, Qatar, UAE, Saudi Arabia, and Israel are at the top of global water stress rankings, using virtually all available renewable water; others like Jordan, Iran, Iraq, Algeria, Morocco, Yemen, Syria, Tunisia are close behind. By 2035, tens of millions will face recurrent shortages as groundwater aquifers are depleted. In Saudi Arabia, fossil aquifers are nearly exhausted after decades of overuse which already has ended domestic wheat farming due to water depletion [42].

  In the Nile basin, Ethiopia's GERD dam is in full operation reducing downstream flow and raising geopolitical tensions with Sudan and Egypt. For Cairo, the Nile remains an existential concern, and any disruption in water supply compounds its fiscal and political fragility. Climate models and security analyses have linked drought to conflict risks notably, Syria's 2006–2010 drought, the worst in its instrumental record, displaced rural communities and was *one factor* that aggravated unrest before the 2011 uprising [43].

  We treat environmental stresses as risk multipliers exacerbating economic woes and straining governments. In our primary scenario, this accelerates the emergence of an "Age of Water Diplomacy" by 2030, where regional survival hinges on shared water agreements, joint desalination ventures, and a cross-border Middle East green energy grid. Gulf states are currently attempting to position themselves as leaders in this transition. The UAE and Saudi Arabia are currently rolling out some of the world's largest solar and wind projects, and even oil producers are planning for peak global demand around 2030 as electric vehicles and renewables scale [44].

  If fully realized, Saudi ambitions to export green hydrogen and the UAE's solar power investments could generate new revenue streams and reduce global carbon emission. Yet even these bold pivots cannot insulate the region from the climate shocks already locked in. Instead, adaptation, diplomacy, and integration will be the critical determinants of whether climate becomes a driver of conflict or a catalyst for cooperation.

- **Technology, Governance, and Society:** By 2035 the social and technological landscape of MENA will embody a paradox of rapid modernization paired with entrenched authoritarian adaptation. Gulf states are at the forefront, investing heavily in artificial intelligence, Central Bank Digital Currencies (CBDCs), e-government, and smart-city megaprojects. Flagship initiatives such as Saudi Arabia's NEOM and the UAE's Masdar City showcase futuristic urban living. Internet penetration is nearly universal among youth, who are also the most educated generation in the region's history. Digital economies are booming and fintech, e-commerce, and start-up ecosystems are expanding in Egypt, Saudi Arabia, and the UAE.

Yet this connectivity, which could empower civil society, has been counterbalanced by regimes deploying advanced surveillance and restrictive cyber laws. A pattern of "authoritarian resilience with a technocratic veneer" is emerging where governments elevate young technocrats and digital experts into leadership roles while keeping decision-making tightly centralized. In the Gulf monarchies, social reforms (greater liberties for women, shifts toward national rather than religious identity) are introduced, but political dissent remains off-limits.

By 2035, freedom indices are still likely to rank most MENA countries poorly, but the instruments of control will be more high-tech including AI-enabled surveillance, facial recognition, and predictive policing systems. Ironically, these tools may allow some regimes to maintain social stability more effectively than their Western counterparts, at least in the short run. However, unrest potential remains high outside the Gulf. The structural drivers of the Arab Spring including youth unemployment, corruption, and lack of representation remain largely unresolved across Egypt, Jordan, Tunisia, Algeria, and beyond.

Surveys of Arab youth consistently show disillusionment with governance, widespread perceptions of corruption, and a strong desire to migrate. Remittances from migrant labor will remain a critical lifeline by 2030, where Egypt, Jordan, Lebanon and Morocco will still rely on millions of citizens working abroad in the Gulf, Europe, or North America, sending home tens of billions annually. For these states, reforming banking systems and facilitating low-cost remittance transfers will be essential to sustain economic resilience.

In summary, our data analysis paints a picture of a MENA in transition but still wracked by old stresses. There are positive trends (economic diversification, interconnectivity, reduced conflicts) but these are matched by enduring challenges (political rigidity, resource depletion, stalemate diplomacy). These metrics and observations set the stage for the following sections, where we present key milestones on the road to 2035 followed by scenario narratives with core drivers shaping these outcomes.

Key Milestones

<u>Note: For the complete timeline of key milestones covering the period 2025–2035, see Appendix B.</u>

Final Battles (2025–2027)	Post-War Reset & Power Transfers (2028–2030)
- Dissolution of PA and PLO; Israeli cabinet moves to full Gaza occupation and West Bank annexation; shift to militarized civil-administration and contained Palestinian enclaves; 2026 Likud win plausible (Netanyahu re-election) - Lebanon: South demilitarization mapped; talks to integrate Hezbollah units into Lebanese Armed Forces; IMF package talks. Port of Beirut concession with UAE-affiliates. - Egypt: IMF review stalls; desalination as a national priority; debt-for-development swaps push Egypt to consider Sinai Economic Zone (SEZ) for voluntary relocation of 1.6M Gaza refugees (Sinai Phase I); ~400k remain in Gaza under civil administration; UAE/Egypt lead SEZ/Gaza construction. - Israeli incursion into southern Syria to secure water resources in Quneitra and Yarmouk); Druze protection. - Iraq: 2026 U.S. withdrawal → power vacuum; Sadr returns to politics; PMF integration contested. - Normalization push led by Saudi Arabia under Abraham Accords; Yemen: STC de facto rule in Aden; Houthis contained via political bargain and silent campaigns.	- UN majority recognition of Palestine (symbolic); Sinai Phase II: permanent relocation of Gaza refugees to SEZ; GCC work-visa programs for Levant labor; Israeli civil-administration expands; limited and managed West Bank to Jordan relocations. - Egypt: high fiscal burden, slow privatization, stagnant state ownership reform, inevitable technocratic transition; dirhamization of trade and UAE bailout; SEZ linked to Suez Canal Economic Zone and regional trade corridors. - Lebanon: Hezbollah in defensive survival posture; partial integration into Lebanese Armed Forces; demilitarization south of Litani River and Israeli presence maintained. - Riyadh II formalizes de facto partitions in Yemen (attempt to contain Houthis); Red Sea corridor security arrangements. - Vision 2030 showcase; Gulf–Israel trade accords; Red Sea security pact; possible early Israeli elections. - Jordan succession crisis; water shortages; synchronized regional drought ushers ‘Age of Water Diplomacy’.

Consolidation & Push Back (2031–2033)	New MENA (2034–2035)
- Iran turns inward (possible post-Khamenei reset); sanctions-for-limits bargaining; weakened proxies pivot to survival and local politics. - Israel under centrist coalition keeps tight security; Sinai Economic Zone surpasses 1.6M; GCC work-visa corridors. - Jordan stabilizes under quiet Saudi tutelage; corridor revenues streamed into reform; unemployment remains high but friction contained. - Libya's de facto partition becomes a revenue arrangement with managed deconfliction. Eastern Libya solidifies. - Ports & corridors consolidate; Jebel Ali–Haifa network and IMEC segments operate partially. GCC payments system & digital-dirham go live for G2G; Egypt/Jordan settle key imports via Gulf currency.	- De facto partitions normalize; GCC nears ~$5T GDP; digital-dirham pilots settle most intra-Arab trade; multi-currency IMEC finance. UAE obvious leader of MENA trade, finance, logistics, AI hubs and arbitration. - Saudi Arabia cultural leader of MENA dominating entertainment, media, and sports; Riyadh becomes HQ-center for regional corporations with enhanced Saudi labor markets. Qatar pivots to niche diplomacy/education branding. - Security equilibrium (not peace): Jebel Ali–Haifa links reduce transit time/cost; Red Sea insurance falls; buffers hold. - UN coordination on Palestinian civil-administration guardrails; Sinai Economic Zone as main development theatre. - Oil/EV pivot tightens GCC budgets; aid shifts to equity/concessions; youth unemployment persists outside GCC.

Primary Scenario “Hope? at Last”

Integrated Gulf-led order + Deterrence peace

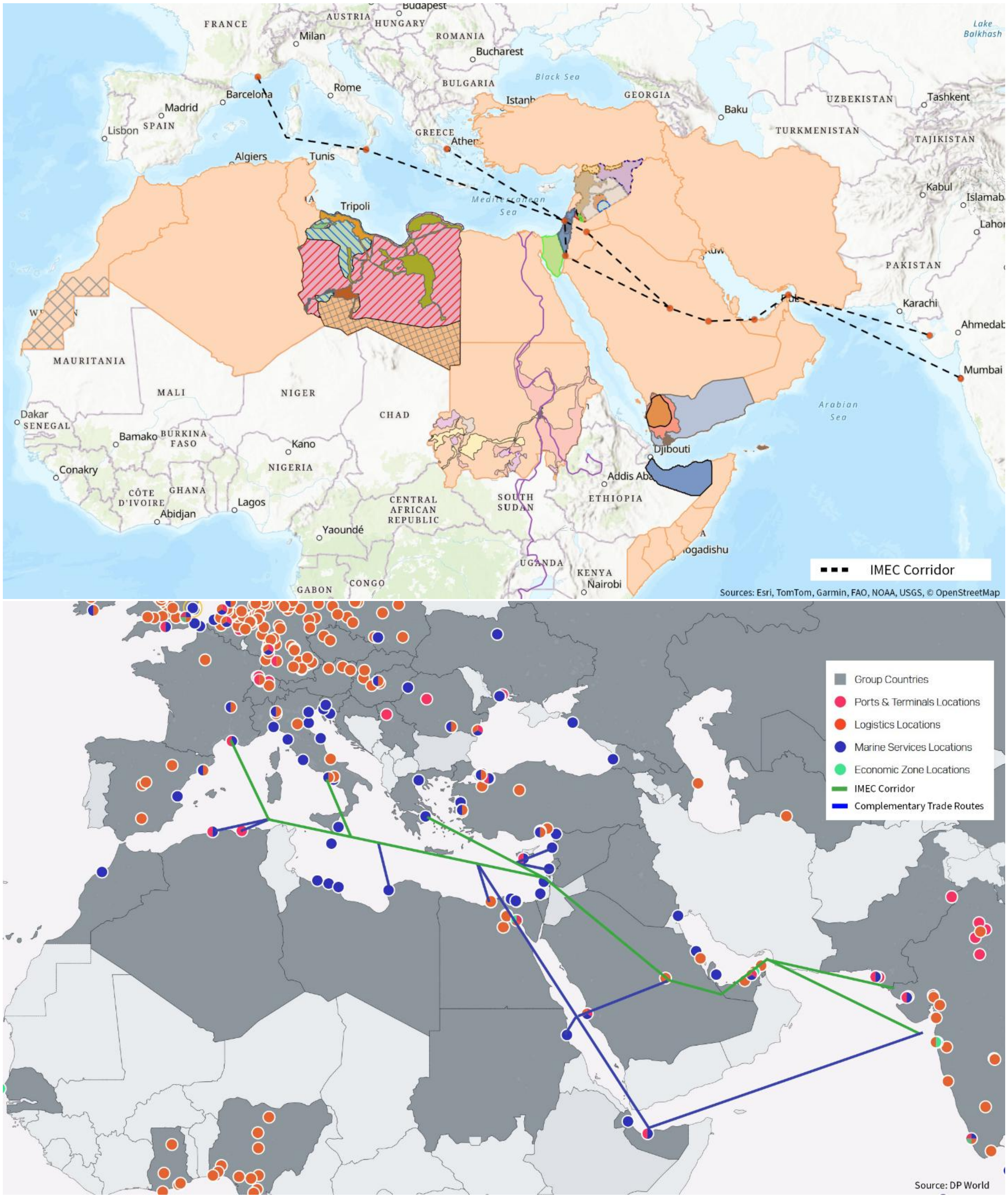


Figure 4: MENA Map by 2035 (Top), Dubai Ports Global Footprint 2025 (Bottom)

By 2035, the MENA region is consolidated not by political accord but through a Gulf-driven trade infrastructure and economic dominance. Vast Emirati logistics and shipping networks anchor a form of trade integration that binds ports, corridors, and supply chains across the Red Sea, the Eastern Mediterranean, and beyond. In parallel, Saudi Arabia pursues a path of cultural and industrial hegemony under Vision 2030, centered on industrial zones, cultural tourism, and flagship smart cities such as NEOM and the Red Sea Project.

Together, these two models generate a regional order underpinned by Emirati trade power, supported by Saudi industrial and financial influence, and stabilized by Israeli military deterrence. Central to this order is what can be described as a state of forced economic coexistence. Gulf economies rely on sustained access to labor markets and trade linkages in the Levant and North Africa to achieve diversification and secure export dominance. Fragmented states and local actors increasingly rely on the mutual interest of preserving the trade integration status quo, which becomes the region's lifeline, as the cost of disrupting this fragile balance grows prohibitively high.

The likelihood of a full-scale regional war by 2035 is very low, yet peace treaties remain elusive. What emerges instead is a cold trade equilibrium marked by unresolved disputes, frozen conflicts, and shifting de facto borders. Stability remains conditional, resting on Emirati logistics dominance, Saudi-led de-escalation efforts, and a fragile Israeli-Arab normalization that contains but does not resolve deeper grievances, much like the brief reunion of Isaac and Ishmael over their father's grave. This fragile normalization, dubbed "Abraham II" in Gulf and Israeli diplomatic circles, was envisioned as a sweeping expansion of the 2020 accords to include Saudi Arabia, Syria, Lebanon, and other Arab states.

By 2035, it survives only as a transactional framework embedded in Gulf-led trade and security arrangements, its political promise diluted by the Gaza war's aftershocks and unresolved sovereignty disputes. At this critical point in the region's history, the open question remains whether the Arabs and Israelis will bury past disputes, as Ishmael and Isaac once did, or will these grievances endure and shape the region's next chapter.

The primary scenario of "Hope? at Last" is not one of reconciliation, but of managed conflicts where prosperity and fragmentation coexist, where Gulf finance and Israeli deterrence maintain order, and where the stakes for disruption are simply too high. It offers glimmers of hope for cooperation rendered into skepticism on a functional, yet fragile, regional order in a rising multipolar system. Gulf corridors monetize time and risk, Israeli policy prices security, and IMEC turns Indian scale into tradable throughput. The following sections trace how this future unfolds across key countries and theaters, each shaped by its own history, pressures, and bargains, yet bound together by the same overarching architecture of regional trade realignment.

By the late 2020s, this architecture is stress-tested by an unprecedented, synchronised drought across North Africa, the Levant, and parts of the Gulf. The crisis forces the region into an “Age of Water Diplomacy”, a scramble for desalination capacity, emergency water swaps, and solar-for-water deals backed by Gulf and international actors like China, the US, and Europe. For the Gulf-led order, water security becomes as central to diplomacy as ports and corridors, binding climate adaptation directly into the trade-security equation.

Arab Patrons (Saudi Arabia, Qatar, UAE): Dual Hegemony, Proxies and Divergent Playbooks

In the primary scenario, Saudi Arabia and the United Arab Emirates ultimately emerge as the region’s dominant power brokers, directing the Middle East’s political and economic architecture through unmatched capital deployment, strategic infrastructure control, and decisive diplomatic leverage. This dominance is reinforced by deep integration into regional trade corridors, long-term investments in key sectors, and the ability to set terms for alignment across allied states. Qatar, still wealthy and agile on the global stage, retains diminished influence in regional decision-making with focus on overseas assets offering insulation rather than leverage in a Middle East increasingly ordered around Riyadh’s and Abu Dhabi’s priorities.

Saudi Arabia’s objectives through this period are anchored in converting the momentum of Vision 2030 into lasting regional leverage by combining industrial diversification, cultural leadership, and strategic control over key manufacturing industries and markets. The Saudi government uses scale and financial power to entrench Riyadh as the corporate and cultural capital of the Arab world, projecting soft power through advancing workplace regulations, entertainment, sports, media, and religious custodianship, while underwriting industrial zones, energy interconnections, and transport corridors that bind dependent states into its axis.

The Kingdom has also invested heavily in modernizing its education and healthcare sectors absorbing a large pool of foreign labor into local and municipal development. By 2035, Saudi Arabia has successfully positioned itself as the primary political guarantor for stability arrangements from the Red Sea to the Levant, leveraging aid and investment as conditional tools to align policies and secure its preferred security architecture. Central to this role is Crown Prince Mohammed bin Salman’s leadership in the Abraham Accords normalization track, which sought to formalize Saudi-Israeli ties and extend the Gulf’s integration blueprint to Syria and Lebanon.

While the Gaza conflict has slowed formal recognition, Riyadh continues to use economic corridors, security guarantees, and cultural diplomacy to keep the framework alive in practice. Complementing these political and cultural levers, Saudi Arabia’s external economic statecraft fuses Vision 2030’s diversification drive with a calibrated currency and capital strategy, deploying riyal-denominated project finance, sovereign wealth co-investment, and selective yuan/dirham settlement pilots to anchor Red Sea–Levant trade corridors. By embedding Saudi industrial output and services as indispensable inputs across the Gulf-Red-Med corridor, Riyadh ensures that alignment with its terms becomes a prerequisite for access, reinforcing its role as both guarantor and gatekeeper in the emerging regional order.

In the primary scenario “Hope? at Last”, we anticipate MBS to rise as a reformer figure in the post-Gaza conflict coordination framework, coupling significant Saudi humanitarian and construction support for the Sinai Economic Zone with scaled work-visa programs that absorb Palestinian labor into the Kingdom’s services and education sectors, easing pressure on Sinai while accelerating the zone’s development.

The United Arab Emirates pursues a complementary but distinct path, aiming to cement its status as the region’s indispensable trade and logistics hub with emphasis on technology and AI. Through DP World, AD Ports, and a web of special economic zones, the UAE dominates maritime and corridor infrastructure from Maghreb to the Gulf, embedding Emirati operational control in long-term port concessions, customs systems, and feeder networks. The objective is to integrate regional trade flows into global supply chains under Emirati management, export UAE advanced civilian-governance and regulatory models into partner states, and anchor political relationships through long-term commercial entanglements.

Beyond its role as a capital exporter and port operator, the UAE’s national strategy is increasingly framed around becoming a *bankable trade economy*, whose financial and regulatory environment meets the standards of global lenders, insurers, and institutional investors. The UAE’s recent removal from the European Union’s anti–money laundering blacklist underscores this push, signalling to counterparties that Emirati trade and finance channels are now more compliant and transparent in the eyes of key markets. Regionally, this ambition translates into a drive to anchor bankable trade corridors where infrastructure, security guarantees, and financial governance contribute to lower risk premia and attract long-term capital.

By 2035, all trade corridos trade corridors will lead to the UAE. This global reach has created a de facto UAE-administered economic MENA geography where strategic assets in Egypt, Sudan, Libya, Iraq, Yemen, and the Levant are tied into a cohesive network centred on Jebel Ali. The UAE leverages this economic grid to influence political outcomes indirectly, making access to its capital and networks contingent on compliance with its broader integration and governance vision. Abu Dhabi’s external economic statecraft explicitly arbitrages multipolarity by preserving U.S. security ties while deepening rupee/renminbi trade rails, RMB clearing access, and AED-anchored corridor finance. The aim is a neutral, rules-dense platform where corridor cargo, insurance, and payments clear in whichever currency mix minimizes volatility and sanctions risk, with the dollar retained by choice rather than compulsion.

Qatar's regional role becomes increasingly constrained and isolated, with its earlier prominence as a mediator and narrative amplifier through Aljazeera in conflicts like Syria, Yemen, and Gaza, giving way to a narrower soft power niche. This is evident as Israeli security policy weakens Iran's axis in the region and Gaza negotiations increasingly move to Egyptian and international stewardship. Its objectives continue to revolve around selective conflict mediation, niche soft power through global media and sports diplomacy, and the strategic deployment of liquefied natural gas (LNG) revenues.

However, Doha's most significant and profitable investments are increasingly located outside the MENA region, insulating its wealth from regional turbulence but limiting its internal modernization and leverage over Arab rival trade integration projects. By focusing capital flows into European, Asian, and global assets, Qatar retains financial resilience and global visibility through leadership in sports and media, yet this strategy leaves it less embedded in the region's emerging trade and security architecture.

Doha leverages LNG dominance and sovereign wealth diversification to sustain autonomy while selectively engaging in regional finance, deploying riyal-pegged liquidity lines, targeted euro/sterling asset swaps, and niche co-investment in ports, education, and media to hedge against Gulf-centric integration while retaining optionality in multipolar capital flows. This approach prioritizes insulation over entanglement, preserving Doha's ability to remain agile and pivot globally even as its influence in the emerging regional order contracts.

Retaining a proxy posture in opposition to the Gulf-led integration plan would further erode Qatar's regional standing, deepening isolation at a time when traditional allies, notably Iran and to a lesser degree Turkey, face diminished capacity to project power in the region. The result by 2035 is a protected but peripheral Qatari position in a Gulf order where Saudi Arabia and the UAE set the dominant terms of economic modernization and political alignment across the Arab world.

In this configuration, Saudi Arabia is the cultural and industrial anchor, the UAE is the logistical and commercial engine, and Qatar is a selective globally oriented actor operating on the margins of the regional hierarchy. Together they shape the incentives and constraints facing every other state in the primary scenario, but the balance of influence has tilted decisively toward the Saudi–Emirati axis, whose rivalry, investments, and governance models increasingly define the operational map of the Middle East.

Iran: Retrenchment, Constrained Proxies, and Strategic Containment

In 2025, Iran's Islamic regime is still able to project influence through a network of regional proxies, but this position is already under visible strain. The confrontation with Israel in 2024 does not subside and escalates into direct clashes by late 2025, producing a level of military and economic damage not experienced since the Iran–Iraq war. Israeli strikes on missile depots, drone facilities, and Revolutionary Guard logistics hubs inside Iran and across Syria, Iraq, and Yemen degrade Tehran's ability to sustain forward operations. Continued Western and Gulf intelligence coordination dismantles sanction-evasion networks and sever critical revenue channels.

The leadership in Tehran, already navigating the uncertainty of a post-Khamenei succession environment, is forced to divert resources inward to contain domestic unrest, manage inflationary shocks, and stabilize a currency under siege from renewed U.S. and European sanctions. By 2026, the governing calculus shifts decisively from regional confrontation and projection of revolutionary ideology to regime survival. This recalibration is not contingent on whether the Supreme Leader or other senior figures change; it is driven by structural pressures that would confront any leadership amid cumulative impact of military attrition, economic pressure, and public unrest. Discreet diplomatic channels are opened to Washington and European capitals in pursuit of de-escalation with Israel and sanctions-for-limits arrangement on Iran's nuclear and missile programs. Israeli deterrence forces the Islamic Revolutionary Guard Corps to increasingly position itself as guarantor of internal stability rather than an expeditionary arm.

Between 2028 and 2030, Iran's diminished ability to act abroad allows Gulf-led trade corridors and Israeli security arrangements to harden across the Levant with minimal interference as Israel continues Iranian supply routes. Symbolic ties to Hezbollah and other allies are maintained, yet support is constrained in both resources and operational scope due to local resistance of Iranian foreign interference in local politics. The collapse of Hezbollah's deterrent capability in Lebanon, the weakening of the Houthi arsenal in Yemen, the fall of Assad in Syria, and the full political return of Muqtada al-Sadr in Iraq collectively reshape the "axis of resistance".

What remains of this network is fragmented, reactive, and far less capable of coordinated regional action. By 2035, Iran persists as a significant actor but operates within clearly defined limits. Its influence is exercised more through selective diplomacy, economic engagement, and targeted partnerships than through the sustained proxy campaigns that characterised the previous two decades. The parameters of this role are as much the product of strategic choices in Tehran as they are the consequence of constraints imposed in the mid-2020s conflict. In the wider Gulf-led integration order, Iran becomes a contained and largely defensive power with diminishing capacity to alter regional trajectories but not entirely eliminated.

Gaza, West Bank and Israel: From Humanitarian Crisis to Enduring Civil Administrations

In 2025, Gaza remains a polarizing epicenter of global conflict, with over 60,000 dead since the outbreak of violence on October 7, 2023 [45], propelling a regional transformation toward a new Middle East. The recent Israeli Cabinet approval of a plan for permanent occupation of Gaza [46], coupled with the Knesset's non-binding vote endorsing full annexation of the West Bank [47], represents not just a continuation but an escalation of Israel's long-declared territorial ambitions. Prime Minister Netanyahu has reiterated his doctrine of "deterrence peace" [48], insisting that Israel must retain overriding control of regional security [49], a pledge dating back to his early career and the 2019 campaign promises to extend Israeli sovereignty to the Jordan Valley [50]. His remarks echo a long record of dismissing Palestinian statehood and emphasizing that Palestinian refugees are an Arab problem, not an Israeli one, foreshadowing the direction of Israel's strategy through 2035.

Ceasefire and hostage negotiations in Gaza repeatedly stalled oscillating between brief openings and rapid breakdowns. Israel has conditioned any halt in fighting on the full release of hostages and the complete disarmament of Hamas, terms the group rejects outright, resulting in sporadic, inconclusive negotiations, widespread international condemnation, and mounting doubts over the viability of a negotiated two-state solution. Israel's campaign in Gaza was not only calibrated for deterrence; it was deliberately executed as a highly visible, high-casualty operation broadcast to the world.

Beyond punishing Hamas for October 7 attacks, it sought to forge an internal "national survival" psychology and restore the army's combat ethos after decades without a sustained high-intensity ground war. Since the Six Days War, Israel's major confrontations, from the 2006 Hezbollah war to successive Gaza operations after 2008, have been tightly engineered conflicts fought under overwhelming Israeli air superiority. A persistent vulnerability in these engagements has been the doctrine that every Israeli soldier is of near-absolute value, compelling extraordinary measures for recovery. This was starkly evident in the 2006 Hezbollah–Israel prisoner exchange, when Israel returned five Lebanese prisoners, including Hezbollah leader Samir Kuntar and the remains of nearly 200 fighters, in exchange for the bodies of two captured Israeli soldiers, a trade widely viewed domestically as a strategic failure [51].

The 2011 exchange with Hamas of over 1,000 Palestinian prisoners for a single Israeli soldier, Gilad Shalit [52], reinforced the perception that Israeli troops were "untouchable" assets, eroding the army's willingness to risk deep penetration or prolonged ground operations, undermining strategic ambitions for Israeli territorial expansion. In Gaza, the scale of destruction and civilian casualties has triggered unprecedented global backlash, from diplomatic censure to harassment of Israeli tourists and athletes, but domestically it has hardened a siege-mentality in both society and the military.

The prevailing ethos is now akin to an army fighting with a river behind its back where survival depends on decisive overwhelming force. This shift is evident in hostage policy; Israel no longer bargains for releases but is prepared to obliterate entire urban areas to recover captives, "if" they survive. This approach was exemplified in 2014 with Israel's implementation of the Hannibal Directive in Gaza, culminating in the "Black Friday" airstrikes over Rafah, which resulted in the death of the kidnapped Israeli soldier along with significant Palestinian civilian casualties.

Through 2025 and into 2026, the operational tempo in Gaza shifts from large-scale campaigns to a calibrated regime of permanent security management. Israel's strategy is shifting from temporary occupation to entrenched governance, aimed at systematically screening the remaining population into tightly controlled humanitarian zones while maintaining constant pressure on civilians to accept evacuation to Sinai. This policy is evident in the systematic destruction of Gaza's civilian infrastructure, the construction of new controlled-access corridors linked to major Israeli transport routes that divide Gaza into three sections (see Figure 5), and disclosures from the 2025 Boston Consulting Group case advising the Gaza Humanitarian Foundation which shows that Israeli authorities explored modelling of minimum caloric and nutritional requirements for Gaza's population under stress conditions [53].

The purpose was to sustain life at subsistence levels while applying psychological pressure to encourage departures. In Figure 5, Israel aims to squeeze Gaza's population in the green shaded area of Khan Yunis coast "Al-Mawasi", the nearest civilian zone near Egypt's border. The Israeli army is consolidating expanded buffer zones (red shaded area in Figure 5) along Gaza's perimeter extending a few kilometers into former residential areas with cleared neighborhoods currently monitored by layered surveillance grids combining unmanned aerial patrols, high-resolution electro-optical towers, and signal interception nodes. Gaza's civilian infrastructure is obliterated and fragmented, with remaining functions contracted to foreign implementers operating under Israeli oversight, inhibiting the emergence of any governance structure outside the parameters set by the Israeli Ministry of Defense.

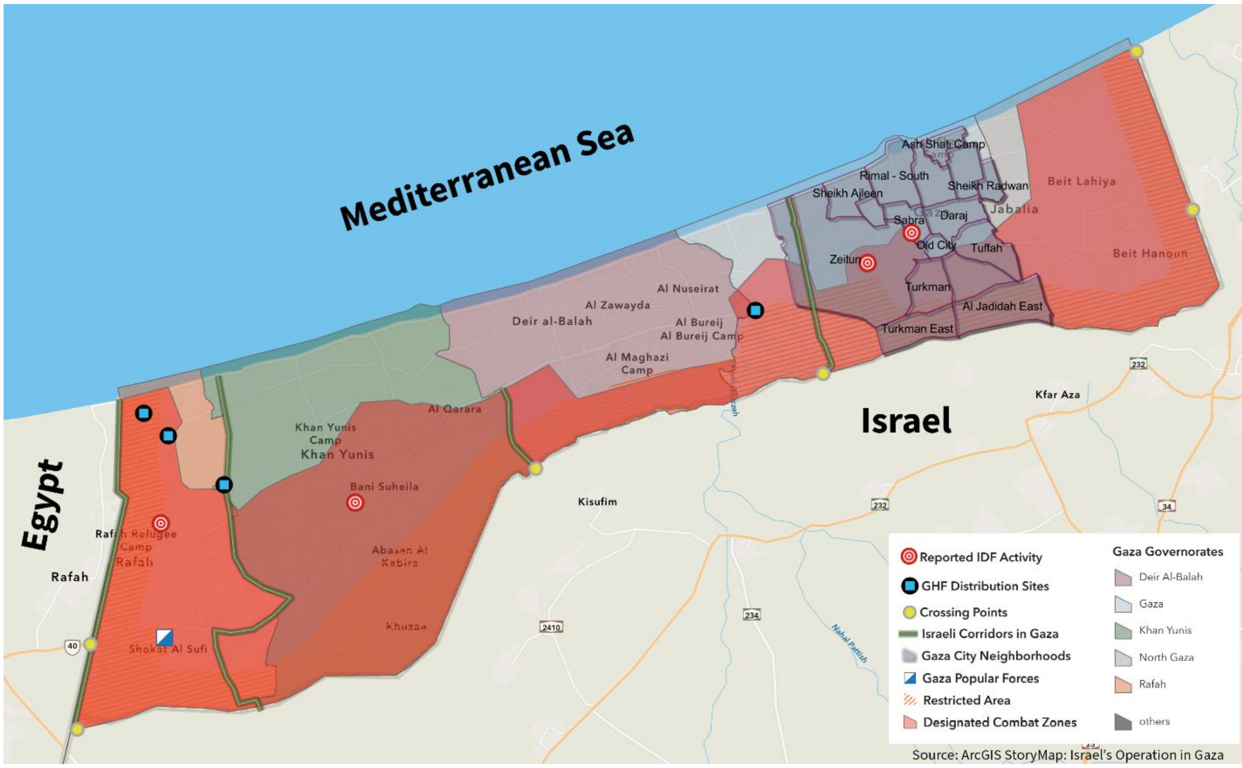


Figure 5: Map of Israel's Operation in Gaza

In our primary scenario *"Hope? at Last"* we draw a deliberate comparison with the 1981 Israel–Egypt Peace Treaty, under which Israel's withdrawal from Sinai was accompanied by a defined security regime and the establishment of a formal civil administration in Gaza under the authority of the Israeli Ministry of Defense. While the contexts differ, the analogy is instructive where in both cases, Israel sought to institutionalize a hybrid model in which security prerogatives remained paramount, civilian functions were delegated but never sovereign, and cross-border coordination (then with Egypt, now with both Egypt and Gulf actors) was embedded in the architecture of control.

As Israel nears a complete occupation of Gaza, the unresolved question of Palestinian statehood has become more pressing than ever. Gaza faces a deepening refugee and humanitarian crisis, with nearly 2.2 million displaced and dependent on external aid, while Arab states and the wider international community scramble to propose frameworks they cannot meaningfully enforce under Israel's entrenched authority. For decades, Israel has always maintained a firm policy treating Palestinian refugees as an Arab problem, not an Israeli one, insisting that Arab states must absorb a Palestinian influx, namely Egypt and Jordan.

In our primary scenario, modelled trajectories point to a high likelihood reassertion of Israeli control in Gaza, with a de facto civil administration construct that operates through an international governance framework involving Arab partners in logistical roles and Egyptian diplomatic coordination, while Israel retains overriding security authority. Any proposed governance model in Gaza, whether under direct Israeli control or a Washington sponsored international administration, is likely to be linked to prospective UAE-led port development in Gaza, Ashkelon, and Sinai, subject to legal and financing constraints.

Egypt, drawing on its critical and historical role as a regional interlocutor and peacemaker, may offer to host a substantial number of displaced Gazans in a newly established Sinai economic zone. Crucially, this would not be framed as forced relocation or coercive resettlement, but rather as part of a consensual, internationally supported reconstruction and stabilization project, where participation remains voluntary for Gazans with full respect for their right to return once Gaza reconstruction becomes viable.

Contingent on sustained UAE–Egypt–Israel alignment, humanitarian guarantees, and funding availability, this arrangement could facilitate the relocation of 1.6 million Palestinians to a designated Sinai Economic Zone, leaving only 400,000 civilians in Gaza under Israeli security clearance, with no affiliation to Hamas and a verified civilian record[5]. This is an analytical scenario, not a recommendation, and is bounded by international law and feasibility tests. Under international humanitarian law, particularly the Fourth Geneva Convention (Article 49) and Protocol II, forced deportation or transfer of protected persons is prohibited, such as compulsory expulsion of Palestinians from Gaza.

However, voluntary movement for humanitarian purposes, when genuinely consensual and offering improved conditions, falls within the framework of Article 17 of the Universal Declaration of Human Rights regarding freedom of movement. The 1951 Refugee Convention's principle of non-refoulement (Article 33) must be upheld, ensuring no return to territories where life or freedom would be threatened. Any relocation framework must comply with the UN Guiding Principles on Internal Displacement, particularly Principles 7 (consent), 14 (liberty of movement), and 28 (return conditions).

The proposed Sinai Economic Zone model explicitly operates within these constraints, requiring verified voluntary participation, family unity preservation, and guaranteed right of return when conditions permit. Given that Arab citizens already constitute roughly 20 percent of Israel’s population, maintaining an isolated Gaza enclave of vetted 400k civilians

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[5] *The figure of 1.6 million is not drawn from, nor does it reflect, any official Egyptian, Israeli, Emirati, United Nations, or other governmental or intergovernmental plan. It is a scenario-modelling estimate developed for the purposes of this study to stress-test the demographic, economic, and political implications of large-scale population relocation under extreme conditions. The estimate was derived by triangulating: (a) publicly reported casualty figures and the number of persons registered as missing in Gaza since the onset of the 2023–2025 conflict; (b) independent humanitarian assessments placing the remaining Gaza population in the range of 1.9–2.0 million; and (c) comparative demographic analysis of Israel’s capacity to absorb additional Arab population under high-stress security scenarios, based on historic absorption rates, settlement patterns, and socio-economic integration constraints. The 1.6 million figure therefore represents a plausible upper-bound displacement cohort for modelling purposes, enabling examination of infrastructure, labor-market, and governance requirements in a hypothetical UAE-administered Sinai Economic Zone (SEZ) linked to regional work-visa programs. It should not be interpreted as a policy proposal, forecast, or endorsement of any such immediate compulsory relocation.*

is possible given historical precedence prior to the Intifadas. However, Israel is unlikely to accept a scenario in which it governs 2 million Palestinians in Gaza while simultaneously absorbing roughly 3 million more in the West Bank, as this would significantly alter its demographic composition; a calculation that, in our primary scenario, increases the risk of policies that produce significant demographic engineering and redistribution of Palestinians, particularly under high-stress security paths.

Although Arab states are resisting this proposal diplomatically, history suggests such resistance may prove reactive and belated. Failure of Arab countries to contain Palestinian refugee flows after the 1967 Six Days war crippled generations of Palestinian diaspore into statelessness, economic marginalization, and political immobility. This longstanding Arab fixation on preserving Palestinian identity through geographic containment, rather than enabling viable governance reform, now risks backfiring as Israel threatens the very physical existence of Palestinians in their historic territories.

With dislocation from Gaza looming and encirclement of Palestinians in fragmented enclaves across the West Bank, Arab states face an unavoidable decision on whether to offer displaced Palestinians permanent residence and a path to dignity or continue leveraging their existence as a bargaining chip in regional negotiations. If Egyptian logistical capacity in Sinai is expanded and financing commitments with Arab countries and the international community are secured, this population shift becomes plausible, especially in the context of MENA emerging markets. This integrated Israeli approach, spanning both Gaza and the West Bank in strategic planning, is central to understanding the long-term architecture of control envisioned in the study's timeline.

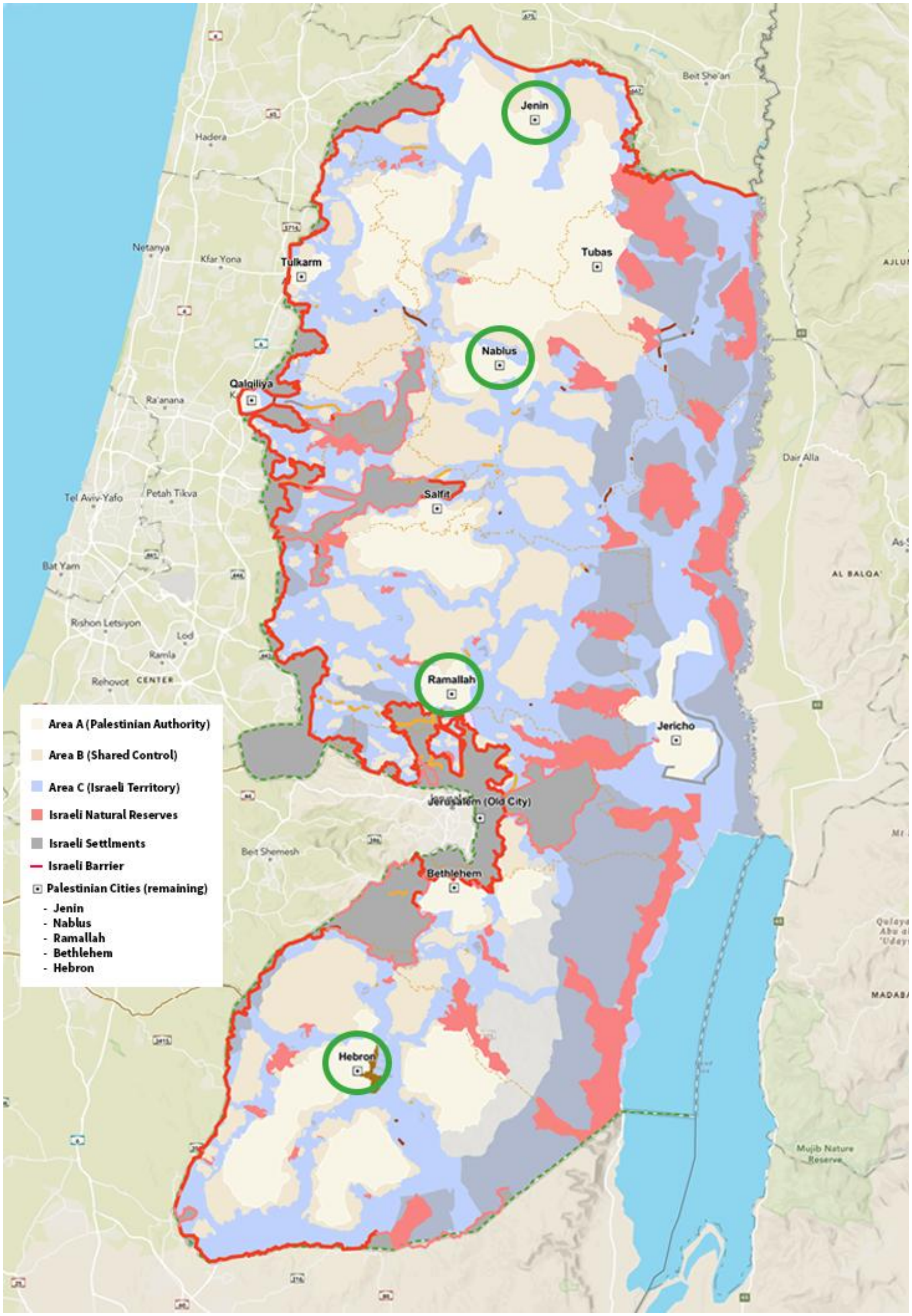

Figure 6: Map of West Bank Annexation

In parallel, the West Bank experiences an unprecedented acceleration of Israeli settlement expansion and legal administrative integration of land and resources despite international outcry. Israel advances the retroactive legalization of multiple outposts and authorizes new settlement blocs deep beyond the separation barrier, supported by infrastructure upgrades that bind these areas more closely to Israel's transport and utility grids. As shown in Figure 6, virtually the West Bank has been reduced to four principal Palestinian urban centers: Jenin, Nablus, Ramallah, and Hebron, aligned along a single north–south axis and connected by one heavily monitored Israeli-controlled corridor, while all remaining towns and villages are either encircled by settlement blocs or rendered largely inaccessible.

Jericho remains a tightly controlled corridor through Israeli territory connecting the West Bank to Jordan. Palestinian self-rule is increasingly confined to discontinuous enclaves without territorial contiguity, which on current trajectories, may effectively end the viability of a two-state solution absent material policy reversals. This fragmentation has accelerated internal migration toward Ramallah from surrounding localities, reinforcing Israeli consolidation of peripheral areas violating the Oslo Accords land division between Area A (Palestinian), Area B (Shared – now controlled by Israel), and Area C (Israeli). Tel Aviv frames this expansion as an extension of sovereignty, highlighting eased disengagement restrictions and deeper state integration in northern Samaria and the Jordan Valley, policies that functionally approximate annexation.

The cumulative effect is a steady erosion of the territorial contiguity envisioned in past peace frameworks, even as international recognition of a Palestinian state gathers symbolic momentum in European capitals, the UN General Assembly, and parts of the Global South. These recognitions, while diplomatically resonant, are rendered operationally inert by the facts on the ground, where Israeli security doctrine and settlement policy dictate. The humanitarian dimension in both Gaza and the West Bank remains acute.

International aid agencies face access restrictions, elevated maritime and overland insurance premiums linked to Red Sea insecurity, and the logistical complexities of operating within a heavily securitized environment. Proposals from Washington and select Arab capitals for a phased transfer of Gaza's civil administration to the Palestinian Authority are met with resistance from the Israeli governing coalition, which views such moves as incompatible with the deterrence first paradigm, and are rejected by large segments of Gaza's population that find themselves alienated from the Arab-Palestinian political spheres, particularly Ramallah.

As these proposals stall, discussions in Washington and among key Arab states increasingly converge on a technocratic, internationally supervised governance mechanism for Gaza, in which a committee of vetted Palestinian administrators would oversee reconstruction and basic services under a U.S. and Arab umbrella, while Israel retains full control over borders, airspace, and security. Tel Aviv is likely to signal openness to Gulf financed infrastructure projects in Gaza, provided they operate within the existing security envelope and do not confer political authority on Palestinian institutions beyond this technocratic remit.

In Israel, the economy continues to thrive in tech and security sectors, especially through Gulf partnerships, but foreign investment is periodically shaken by political instability and international criticism. However, the political system remains fractured, with Likud and its nationalist allies leveraging territorial gains to maintain power but facing constant challenges from secular, centrist, and ultra-Orthodox factions. Israel's political landscape has tilted decisively rightward, a shift underpinned by deep demographic change. Surveys show that the share of Jewish Israelis self-identifying as right-wing climbed from 46 percent in 2019 to 62 percent by late 2022. This trend has been reinforced by the growth of religious, Haredi, and Mizrahi communities, now nearly half of Israel's Jewish population, alongside the steady emigration of more liberal, secular constituencies as conflicts intensify.

The result is an electorate more inclined toward hard-line security policies, with diminished political space for conciliatory diplomacy. Legislative elections are scheduled for no later than October 2026[6], but the possibility of an earlier call, either as a tactical move to capitalize on perceived security gains or as a pre-emptive strike against mounting domestic scrutiny, remains in play. Prime Minister Netanyahu faces sustained corruption legal allegations and criticism over conduct in the Gaza war, the humanitarian toll and failed hostage negotiations, and the strain on Israel's international standing with polling showing most Israelis favoring a change in leadership once the conflict subsides.

Yet, the same ground realities that have entrenched Israeli control in Gaza and advanced settlement acceleration in the West Bank can be leveraged to maintain current Israeli Likud leadership [54]. A narrative of restored deterrence expanded territorial integration, and the re-establishment of a secure, administratively managed Gaza under Israeli oversight (framed as a modern analogue to the stability achieved after the 1981 Sinai arrangements), offers a potent electoral message to Netanyahu's voter base and to security-minded swing voters.

By amplifying the Iran threat, the Likud government consolidates support among extreme right-wing constituencies, positioning itself as the sole guarantor of Israel's long-term survival. If early elections are called under these conditions, the current Likud-Israeli government can present them as irreversible strategic achievements, recalibrating the political balance and potentially offsetting the headwinds of public dissatisfaction and international censure.

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[6] Under Israel's Basic Law: The Knesset, national elections are ordinarily held every four years, on a Tuesday in the Hebrew month of Cheshvan (roughly early October to mid-November), counting from the previous election date. However, the Knesset can dissolve itself by majority vote, the Prime Minister can initiate early elections, and failure to pass the state budget by March 31 automatically triggers them.

In our primary scenario, a renewed Israel-Iran conflict erupts in 2026, triggered by Israeli intelligence and strikes on restored missile deployments in western Iran and operating drone hubs in Syria, Iraq and Yemen. Israeli strikes hit deep inside Iranian territory and proxies, including production facilities and IRGC logistics corridors, while Iran responds with coordinated missile salvos and maritime attacks in the Red Sea and Eastern Mediterranean. This short but intense campaign inflicts significant damage on Iran's regional force-projection network, with already weakened Hezbollah supply chains to Houthi capabilities. This confrontation hardens Israel's regional security posture, deepens military coordination with Gulf partners, and resets the deterrence compass against Tehran, even as Iran's proxies grow more isolated while Tehran turns inward to manage its mounting internal crisis.

With rising tensions in southern Syria and clashes involving Druze communities, Israel expands its operation launching an incursion into Syrian territory beyond the Golan Heights, moving to secure key water resources and establish a larger buffer zone reaching the Jordan-Syria border with control over Yarmouk River. This sets the stage for how Israeli leadership frames security policy to its domestic audience in the 2026 elections run-up. Our primary scenario projects that these entrenched territorial and security policies, especially amid a renewed flare-up with Iran, could underpin another Likud-led victory by 2026, reinforcing Netanyahu's managed-confrontation model. This confrontation, framed domestically as proof of resolve against existential threats, becomes a centerpiece of Likud's early-election campaign messaging.

As Israel completes its operation in Gaza to disarm Hamas by 2027, a transition from active combat operations to a permanent, Washington led and internationally supervised civil administration arrangement occurs. Gaza is restructured into humanitarian and reconstruction zones managed by vetted local technocrats and Arab implementing partners under an international governance umbrella, with Israel retaining full security control. Gulf countries, most visibly the UAE, in coordination with Egypt, Israel, and U.S. institutions, assume a logistical in developing Gaza and the Sinai Economic Zone, which in this scenario hosts up to 1.6 million displaced Palestinians by 2030 on a voluntary and time bound basis intended to create space for planned reconstruction in Gaza.

This arrangement is framed as a macroeconomic stabilization project amid Egypt's intensifying debt crisis, yet it has significant implications for Palestinian governance and the regional post-conflict status quo. Regardless of whether Gaza is administered through an internationally supervised arrangement or under Israeli oversight, our model anticipates that Tel Aviv's policy will aim to minimise the number of Palestinians remaining under direct rule in Gaza, relying on various exit and hosting arrangements to achieve that outcome.

By 2027, the West Bank becomes a flashpoint of minor Palestinian unrest. Hamas, though militarily neutralized in Gaza, maintains popularity in the West Bank, Jordan, and parts of Lebanon, in the absence of credible Palestinian Authority leadership. However, this resurgence is fragmented and lacks centralized coordination with sporadic clashes erupting in cities like Nablus, Hebron, and Jenin. This prompts Israel to invoke emergency security protocols and expand its operational footprint into Area A, territories previously under full Palestinian civil and security control. Between 2028 and 2030, sustained West Bank unrest is used to justify expanded Israeli security authorities.

The model's political analysis reveals a high-probability path where PA institutions are effectively dismantled and PLO activity is heavily curtailed, including leadership arrests or exile to host countries like Qatar, Turkey, and Algeria. Our analysis also anticipates that such implications may extend beyond the West Bank and into Jordan, already facing a fragile succession environment. The rise of Hamas-aligned sentiment among disenfranchised Palestinian communities and Islamist networks following the Muslim Brotherhood ban in Jordan coincides with waning public allegiance to the rising Hashemite Crown Prince. As unrest in the West Bank intensifies, Jordan's internal cohesion is tested, and spillover risks increase.

The international community, while symbolically recognizing a Palestinian state at the UN, fails to enforce any meaningful sovereignty. On the ground, these gestures are inert, and Israel's deterrence doctrine remains the operative framework. With the dismantling of the Palestinian Authority and the collapse of centralized Palestinian leadership, the equation of Arab–Israeli normalization begins to shift. In the absence of a viable interlocutor, Arab states recalibrate their engagement with Israel around pragmatic coordination rather than political resolution.

The restoration of internationally supervised civil administrations and the lifting of military chokeholds on select Palestinian areas open space for new bilateral arrangements including work visa programs into Gulf states, Sinai, and parts of Jordan, framed as economic opportunity rather than political compromise. This emerging architecture reflects a normalization wave built not on peace accords, but on transactional governance and labor mobility, enabled by the vacuum left behind by the Palestinian Authority and the rise of a new order. Ramallah is reduced to a donor coordination hub, stripped of political function while aid flows are rerouted through Gulf-backed NGOs operating under Israeli security clearance.

By 2031, electoral and demographic dynamics in the model yield a probability range of 60 to 70 percent for a right-centrist coalition. The new government seeks to restore the country's international standing following years of diplomatic isolation and reputational damage linked to the Gaza humanitarian crisis and West Bank annexation. While this shift improves Israel's global posture and reopens channels with key Western and regional partners setting the next chapter for MENA trade diplomacy, the new government faces entrenched structural opposition within the Knesset, rendering it largely ineffective in passing substantive reforms or reversing prior territorial policies.

Although the durability of this centrist coalition remains uncertain amid pressure from far-right factions, demographic analysis indicates a sustained increase in right-leaning voters, entrenching the electoral advantage of right-wing blocs and limiting prospects for a left-led Israeli cabinet in the foreseeable future. The dismantling of the Palestinian Authority and the preceding annexation measures leave no viable pathway for a two-state solution, as facts on the ground have already hardened into a single Israeli sovereign framework.

The West Bank is modelled to experience de facto annexation through legal, administrative, and security integration, with Oslo-era area designations rendered obsolete. Cut off from Qatari funding and facing sustained Israeli countermeasures, Hamas fails to capitalize on its symbolic popularity in the West Bank and is dismantled structurally. The Palestinian Authority is dissolved fully; and the PLO survives in exile between Qatar and Turkey as Arab states refuse to host any potential political agitators of the new regional order.

By 2035, the model's central path leaves the 'Palestinian Question' largely reframed as a rights and mobility issue. Gaza functions as an economic zone linked to Sinai under restricted return provisions and an internationally supervised technocratic governance mechanism, a configuration presented by Israeli leaders as a deterrence-based peace ensuring security and regional economic integration, while Arab states publicly oppose annexation yet adapt pragmatically.

Gulf investments in infrastructure and logistics across Gaza and the West Bank continue, conditioned on Israeli security guarantees. Egypt and Jordan manage refugee flows and labor mobility through bilateral agreements with Israel. The UAE and Saudi Arabia, now central to regional trade and diplomacy, prioritize trade stability and maintaining normalized relations over political resolution, reinforcing the architecture of control that defines the "Hope? at Last" scenario.

Egypt: Austerity, Securitized Bargains, and Gulf Financial Umbilical

In July 2025, the IMF combined the fifth and sixth reviews of Egypt's USD 8 billion program to allow more time to meet objectives, citing slow progress on reducing the state's footprint, advancing state ownership policy, and implementing asset diversification and privatization [55]. The IMF had completed the fourth review in March 2025, unlocking about USD 1.2 billion and bringing total disbursements to roughly USD 3.5 billion, while cautioning that durable macro stability still depends on structural reforms [56]. The Fund noted improvements in inflation and foreign exchange reserves relative to 2023 stress levels. This decision could delay the next disbursement by roughly six months, increasing pressure to advance privatization and competition policy reforms.

Egypt's public debt stood at roughly 94.3 percent of GDP in June 2025, with nominal government debt near USD 262 billion. Servicing this burden absorbs almost two-thirds of government expenditures, leaving limited fiscal space for social protection, infrastructure, or security investments without external support. This debt profile magnifies Cairo's dependence on IMF program milestones and Gulf inflows, as rollover risks and interest costs compound.

In Egypt's securitized economic bargain scenario, high debt amplifies reliance on Gulf partners and creditors, conditioning not just the pace of reform but also Egypt's negotiating posture as a regional peacemaker with significant leverage over Gaza and on politically sensitive proposals such as developing a Sinai Economic Zone near El-Arish to manage Gaza's humanitarian crisis and refugee spillovers. This is likely to occur as Egypt continues to absorb external shocks where Suez Canal revenues remain below pre-war levels amid intensified Houthi attacks in the Red Sea [57]. Refugee inflows from regional conflicts from Syria, Yemen, and Sudan strain social services, housing, and public budgets, particularly in main cities like Cairo and Alexandria, especially amid rising water scarcity, power outages, and climate stress that will define the next chapter for regional security.

In February 2024, Egypt announced a landmark USD 35 billion investment agreement with the United Arab Emirates to develop Ras el-Hikma peninsula on the north-west Mediterranean coast [58]. The deal, led by Abu Dhabi's sovereign wealth fund ADQ in partnership with Egyptian state-owned New Urban Communities Authority (NUCA), covers 170 million m^2 and envisages a resort city with residential districts, tourism infrastructure, an international marina, an airport, and most importantly commercial and industrial zones linked to Mediterranean Sea ports.

Structurally, USD 15 billion was transferred within a week of signing, with a further USD 20 billion due within two months; USD 11 billion of that total came from converting existing UAE central-bank deposits into a non-repayable grant. Egypt retained a 35 percent profit share in the project where the transaction became a liquidity lifeline easing a severe hard-currency crunch, stabilizing the Egyptian pound, and shoring up reserves ahead of IMF program reviews (a major signal that large-scale equity-for-assets swap is on the table). Ras al-Hikma functions as both a signal and blueprint for Gulf backing, anchoring reserves and creating a pipeline of UAE-linked equity and concessions that embed a wave of "dirhamization" in trade and FDI.

With these pressures, Cairo calibrates a politically sensitive rebalancing of its military-commercial complex while trying to keep command cohesion. The war in Gaza and heightened tensions with Israel over potential Palestinian displacement into Sinai forced Egypt to sustain, and in some areas expand, its defense budget, limiting any scope to divert resources away from military-owned enterprises toward fiscal consolidation or increase privatization. In mid-2024, President Sisi abruptly removed Defence Minister Mohamed Zaki and Chief of Staff Osama Askar, two of the most prominent generals in the Egyptian Armed Forces and central figures in the 2013 coup against President Morsi which restored Egypt's deep-state military rule [59].

This removal came amid heightened confrontation with Israel and public opposition to strikes on Rafah Crossing breaching the Camp David peace framework. The ouster underscored Cairo's reluctance to escalate and illustrated Israel's deterrent effect on the regional military balance. Egypt's security imperative constrains budgetary flexibility, making it unlikely that economic reform will accelerate or that the state's economic overreach will meaningfully recede in the near term. In our primary scenario, slow reform through late 2025 leads the combined review to slip into the first half of 2026, with disbursement risk elevated unless Egypt can show concrete state-withdrawal, signed and closed asset sales, and credible central bank FX and competition reforms that align IMF conditionality with Gulf investment sequencing.

Mounting water scarcity elevates desalination capital expenditure to a national priority, forcing fiscal reprioritization and drawing Nile-water diplomacy into the core of Egypt's macro-stability calculus. The 2028–2030 drought accelerates this shift. With upstream flows reduced and domestic demand spiking, Cairo leans on Gulf partners to fast-track high-capacity desalination plants in Sinai and along the Red Sea. These projects are framed not only as climate adaptation but as strategic assets in the wider "Age of Water Diplomacy", giving Egypt leverage in trilateral Nile negotiations with Sudan and Ethiopia while deepening its integration into a GCC-backed regional water-energy grid.

Such dynamics feed directly into the securitized bargaining detailed in our proposed timeline. In this setup, Sinai becomes the hinge for a debt-for-development arrangement that ties IMF credibility to Gulf capital and to Egyptian security deliverables along the Rafah–Sinai logistics spine. The Sinai Economic Zone is projected to emerge as a central diplomatic conduit, linking economic incentives with security arrangements amid regional instability and intensifying public dissent in Arab states over governments' perceived inaction or complicity in the Gaza humanitarian crisis. Building on the precedent of Egyptian–Israeli cooperation established in the 1979 peace treaty after 30 years of regional conflict, the Sinai Economic Zone is positioned to serve as a catalyst for renewed Arab–Israeli cooperation, offering a potential pathway to help end the Gaza crisis and to initiate the broader Abraham II normalization framework.

As Cairo publicly rejects any displacement of Palestinians and frames this relocation as a red line for national security, regional reporting oscillates between claims of Egyptian willingness to host temporary numbers of Palestinians under work permits in a designated North Sinai, and formal state-media denial. This underscores the political sensitivity of any arrangement that would externalize Gaza's humanitarian burden onto Egypt. Any large-scale presence of Gazans in Sinai in this scenario is assumed to be voluntary, time bound and accompanied by explicit guarantees of the right to return.

In our model, the feasibility of Egypt hosting up to 1.6 million displaced Gazans who choose to relocate temporarily into a tightly regulated Sinai Economic Zone located on the coastal strip between Sheikh Zuweid and El Arish, rises if four conditions align:

1. Sustained UAE–Egypt economic agreement in Sinai and Egypt–Israel coordination on security and operations, with U.S. guarantees for border management (absent).
2. Gulf financing for zone infrastructure, housing, utilities, and desalination, tied to privatization milestones that meet IMF benchmarks (current).
3. Managed downsizing and professionalization of the Egyptian military-commercial complex and reducing defense-budget share of public debt without undermining regime stability (current).
4. Expansion of labor-mobility corridors into GCC markets to absorb excess Egyptian and Palestinian labor and recycle remittances through formal channels (absent).

Under these conditions, and irrespective of the timing of the next IMF review, Egypt's dependence on foreign capital would translate into a securitized economic bargain for maintain fiscal liquidity, stabilizing reserves, and meeting IMF-linked conditionality. This does not diminish Cairo's important historical role as the region's most durable peacemaker, anchored in the Camp David framework and decades of cross border coordination with Israel. Egypt is likely to propose the Sinai Economic Zone as a national macro-resilience project that mitigates fiscal burdens through hard-currency investment in an internationalized zone securing red sea trade, rather than as demographic engineering of Palestinian diaspora.

Even if this posture obscures the extent to which such arrangements are driven by balance-of-payments gaps and externally defined security parameters, Cairo retains significant leverage over any "Next Day" arrangements in Gaza, given its control of the Rafah corridor, its unbreakable mediation record, and its veto power over border security changes. Our model assesses the establishment of a designated Sinai Economic Zone to temporarily host the Palestinian diaspora as a pivotal stabilizing mechanism mitigating Egypt's internal fiscal and security pressures while defusing the broader regional diplomatic repercussions of Gaza's displacement trajectory.

Egypt positions this relocation plan not as a stand-alone refugee accommodation measure, but as part of its broader economic development strategy for North Sinai and the Suez Canal corridor, leveraging SCZONE incentives, Gulf-backed infrastructure, and integration into national industrial planning. In the absence of visible reform progress, the IMF review becomes a choke point that exacerbates rollover risk and further entrenches the bargaining power of Gulf partners, who are positioned to transform emergency support into equity stakes, long-term concessions, and operational control along the Red Sea and Eastern Mediterranean integral corridors to the UAE-led realignment of MENA trade.

The Sinai Peninsula is historically part of Egypt, yet its northern communities are closely linked to Gaza through kinship, shared dialects, intermarriage, and ancestral origin. For decades, these connections have bound Rafah and El Arish into a single socio-economic and cultural space, enduring even through Israel's post-2007 siege of Gaza, which sought to isolate the Strip from its regional ties [60]. During the tunnel economy era (2007–2014), underground trade sustained Gaza under blockade and forged durable alliances between Bedouin tribes in Sinai and tunnel owners on the Palestinian side, rooted in mutual profit and dependency [61]. Following its 2007 takeover of Gaza and amid early siege sanctions by Israel and Egypt, Hamas consolidated control over the tunnel network, taxing operators and treating it as an inland customs crossing, transforming cross-border smuggling into a significant revenue stream [62].

In Rafah, the southernmost city in Gaza, it was customary for Bedouin wedding singers from Sinai to cross through the tunnels to perform the local Deheya dance. Rafah itself was formally divided in 1982 into Egyptian and Palestinian sides with the demarcation of the Egypt–Palestine border following Camp David Accords and the establishment of the Israeli-monitored Philadelphi Corridor [63]. During the June 2007 Hamas takeover of Gaza, closure of the Rafah Crossing left between 5000 and 7,500 Palestinians stranded in North Sinai, concentrated in El-Arish and Sheikh Zuweid.

Despite the area's then-limited infrastructure, some seasonal beach chalets and small local mud-built dwellings, Egypt coordinated an entire operation providing shelter, food, and security coordination with Israel for safe return to Gaza following two months in Sinai [64]. This demonstrates Egypt's proven capacity to manage a large, displaced population in North Sinai, although the scale and conditions would differ materially. Egypt's sustained humanitarian response to the crisis in Gaza since 2023 has driven significant local development in El-Arish, including large logistics hubs, a renovated airport, and expanded commercial and public service capacity with improved local housing capabilities. This existing infrastructure combined with Egyptian expertise in crisis management, position the area to absorb and support populations on a scale far greater than the few thousand hosted in 2007, and potentially up to 1.6 million Gazans in a voluntary, internationally supervised framework, while maintaining security and economic viability.

Between 2007 and 2013, there were two exceptional breaches of the Gaza–Egypt border, most notably in January 2008 when up to 700,000 Gazans crossed into Sinai. Gaza residents flocked to Sheikh Zuweid and El Arish, spending an estimated USD 250 million in just five days [65]. The surge in demand for food, fuel, and household goods temporarily revitalized North Sinai's economy. Egypt's decision to both regulate the crossings and supply essential commodities was widely viewed as a pragmatic humanitarian measure, a precedent that resonates with the development goals of today's Sinai Economic Zone. This history means relocation of Gaza residents into North Sinai would be to a culturally familiar environment.

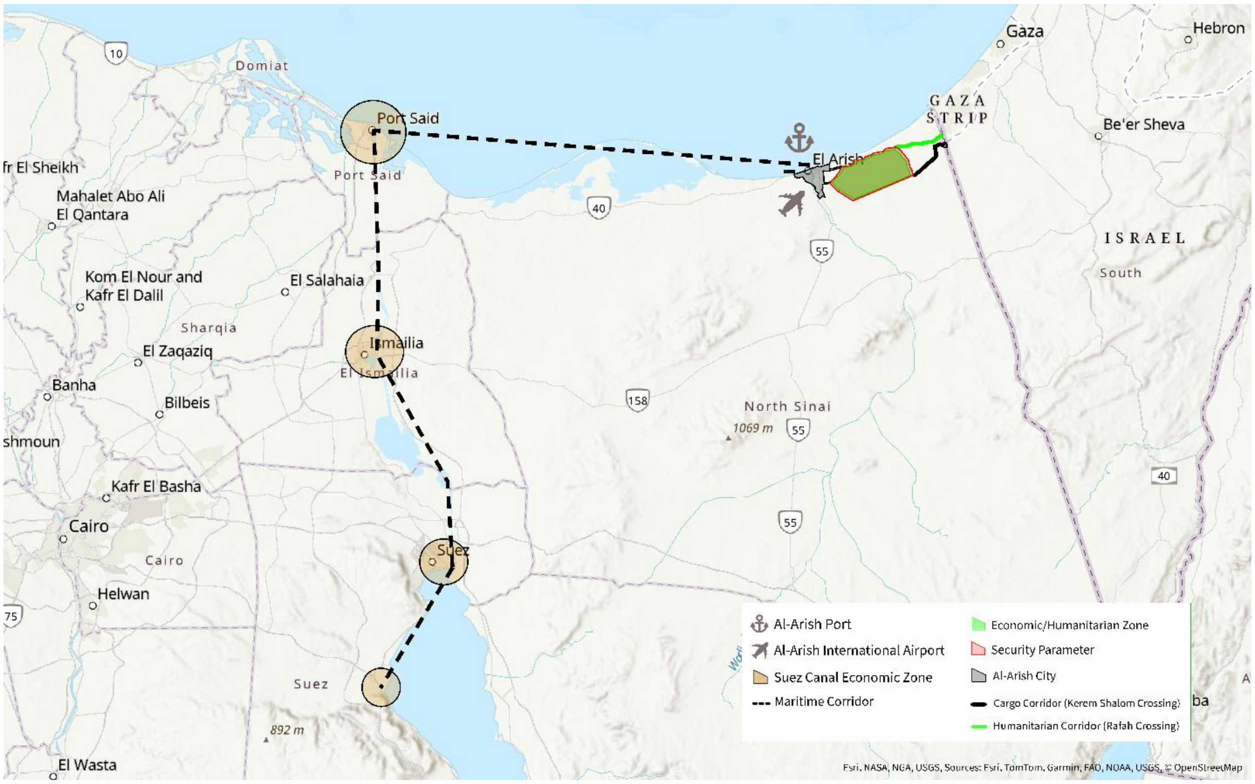

Figure 7: Sinai Economic Zone

A purpose-built, tightly regulated economic zone between Sheikh Zuweid and El Arish (next to Egyptian Rafah) can serve simultaneously as a security buffer and an economic engine under Egyptian sovereignty and work-permit frameworks allowing Gaza residents to enter Sinai legally. As shown in Figure 7, this location is strategically advantageous given the coastal strip is lightly populated and is already connected to basic public services and utilities.

The zone lies within immediate reach of El Arish Port and El Arish International Airport, both equipped with logistics storage hubs and proven as lifelines for aid flows during the Gaza conflict. El Arish Port is linked to the Suez Canal Economic Zone (SCZONE) and Egypt's established logistics network, allowing for control of inland transport routes within Sinai and reinforcing Egypt's security priorities to preserve the terrain as an active militarized buffer zone.

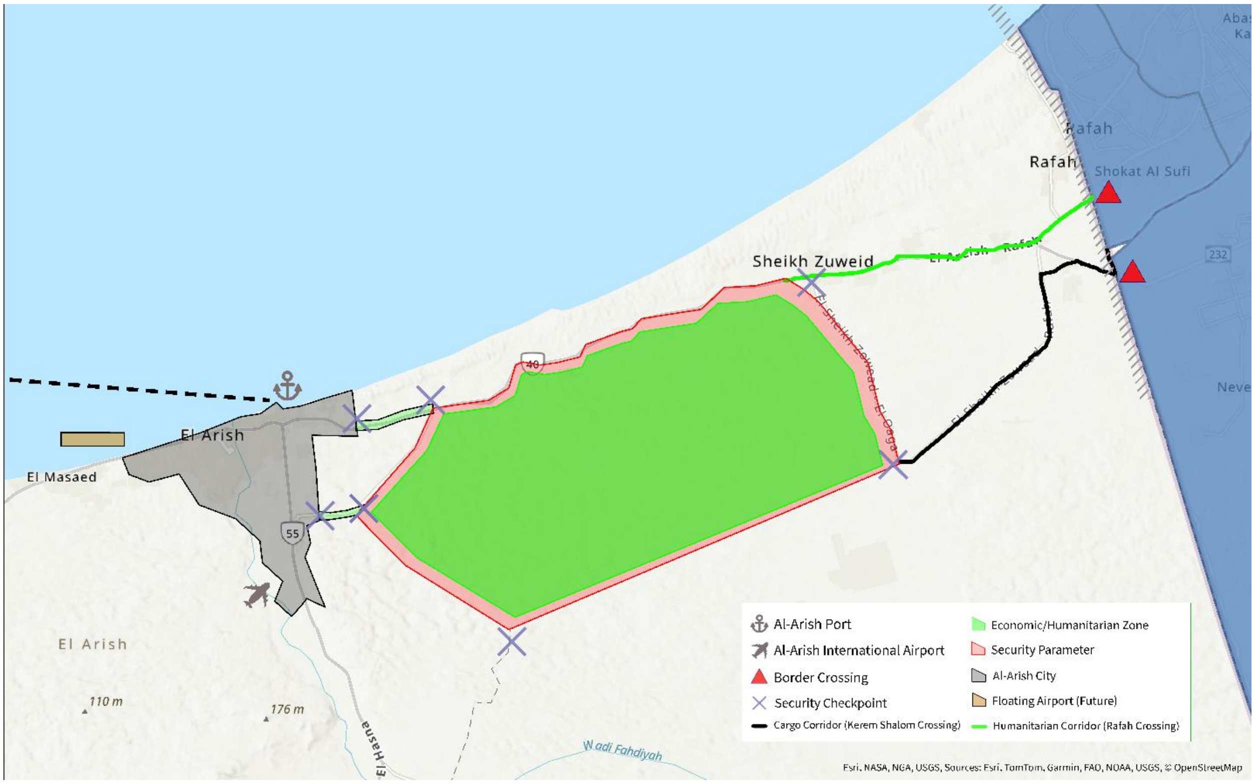

Figure 8: Sinai Economic Zone

Egypt can leverage this mega-development to ease fiscal burdens and attract Gulf financing and investment, focusing on assets with both immediate and long-term value including expanded port facilities, industrial park network, desalination and power plants, and a restricted-access floating airport to control high-volume cargo and personnel movements. The proposed Sinai Economic Zone would encompass approximately 310 km^2, slightly smaller than Gaza's 365 km^2, and in the model is sized to accommodate up to 1.6 million residents under parallel high-density assumptions. Its footprint could be expanded in line with the growth of nearby urban centers such as El-Arish and Sheikh Zuweid, enabling additional residential, commercial, and service capacity to support sustained population settlement.

These developments would meet urgent humanitarian needs while establishing permanent economic activity and income-generating capacity in North Sinai. Employment and skills training would be tied first to construction requirements, then to Gulf labor migration channels, ensuring a managed pathway to work beyond the zone for skilled labor. Public services including education, healthcare, and utilities would be administered by Egyptian institutions with international technical input to maintain national oversight and avoid parallel governance. Security is integral to the design, with strict work-permit regimes to channel labor outside the zone, a hardened perimeter, and complete separation of civilian and commercial corridors to limit infiltration, smuggling, and collusion with local tribes, acknowledging residual risk.

The sterile buffer along the Israeli border would absorb shocks from cross-border instability, while a maritime-first logistics model would minimise the need for overland cargo convoys through Sinai.

Operational Design

- **Total Area:** 310 km^2 (green shaded area in Figure 8)
- **Three corridors**:
    - *Humanitarian*: civilian-mobility route linked to Rafah Crossing and secured by the Egyptian Army. Enables regulated movement out of Gaza and into the zone for approved residents and workers.
    - *Commercial*: logistics route linked Kerem Shalom Crossing. Allows for joint Israeli-Egyptian inspection of humanitarian supplies and construction materials coming from Israel.
    - *Maritime*: logistics and shipping route linked to El-Arish Port and Suez Canal Economic Zones. Allows for transport of Egyptian goods and materials through maritime routes and controls in-land Sinai mobility.
- **Security perimeter**: Monitored outer line to regulate civilian movement.
- **Sterile zone**: Buffer area in Egyptian Rafah between Gaza border and the economic new zone with joint Egyptian-Israeli security coordination.
- **Maritime logistics**: Offshore restricted-access floating airport and El Arish Port integration to minimise in-land Sinai mobility.
- **SCZONE integration**: Governance, incentives, and Gulf-backed investments ensure alignment with national economic planning.

Phased Implementation

Phases are presented on the following illustrative timeline:

1. **Phase 1 – Emergency Reception (January 2026: 0-6 months)**
    - Expand existing public service infrastructure in El Arish and **Sheikh Zuweid**. Build perimeter, temporary housing, and secure the humanitarian corridor.
    - Establish new aid storage and increase distribution capacity at El Arish Port/Airport.
2. **Phase 2 – Controlled Economic Activation (June 2026: 12-24 months)**
    - Open commercial corridors through Kerem Shalom and El Arish Port.

- Begin land cultivation and construction of long-term housing, industrial park, and desalination plant under SCZONE governance.
- Launch vocational training, educational programs, and rehabilitation centers.

3. **Phase 3 – Full Integration and Expansion (January 2028: 18-36)**
   - Construct floating airport and logistics platforms to control in-land mobility.
   - Launch Gulf work visa programs, increase industrial employment, and support small household export-oriented production initiatives.
4. **Phase 4 – Long-Term Transition (Beyond 2030)**
   - Shift from humanitarian-driven to market-driven growth with reduced security control and increased labor mobility.
   - Gradually wind down temporary permits as regional conditions improve.

As mentioned earlier, Israel views Palestinian refugees as a problem that Arab states must solve, exposing a regional power asymmetry and the absence of any mechanism to protect civilians. With a looming full-scale Israeli invasion of Gaza, Arab leaders must act pre-emptively on this potential large-scale displacement without using Palestinian presence as leverage in negotiations. If Gaza is reoccupied, no political solution will restore autonomy or reverse forced dislocation. Egypt can mitigate an imminent humanitarian disaster, stabilize its northeastern frontier, and convert North Sinai from a security liability into a growth hub integrated with the national economy, balancing urgent relief aid with strategic interest and regional opportunity.

The proposed work-visa programs align with ILO Convention 97 on Migration for Employment and the Global Compact for Safe, Orderly and Regular Migration (2018), which emphasize labor mobility as a tool for development and crisis response. The Arab League's 1965 Casablanca Protocol theoretically grants Palestinians the right to employment, residency, and freedom of movement in member states, though implementation has been inconsistent [66]. The 2008 border breach, when Gazans injected USD 250 million into Sinai's economy in under a week, proved that humanitarian response can align with economic benefit.

The Sinai Economic Zone could offer a viable alternative to the humanitarian crisis in Gaza through structured internationally guaranteed relocation and economic integration that preserves Egyptian sovereignty, builds infrastructure, and creates employment. In a region where political solutions have repeatedly stalled, such an economic solution could be the only path to regional stability, but cannot replace, political arrangements that safeguard Palestinian rights, especially in host countries.

From 2028 onward, our model projects that Egypt's political and economic trajectory will become increasingly defined by a managed transition toward a technocratic model under international and Gulf influence. If presidential change occurs before 2031, it will more likely be driven by sustained economic pressure than by acute domestic and political upheaval. Years of stalled reforms, mounting debt, and overreliance on debt-financed infrastructure leave Cairo increasingly dependent on foreign capital to prevent fiscal crisis, as the current political–military environment is shaped by a significantly weakened and tightly controlled army hierarchy, limiting any capacity of the armed forces to act independently.

Any downsizing of Egypt's armed forces in this period could see small segments of its personnel absorbed into special units within Saudi and Emirati militaries, following Jordanian and Sudanese precedents in the UAE's "Emirati Foreign Legion". However, both states tend to favour foreign nationals with minimal political ties to the region, suggesting that such redeployment would occur only at a limited scale. With currency stability and key trade corridors at stake, Egypt's cabinet is likely to pursue a managed transition around the 2030 electoral cycle, positioning a successor to President Sisi that aligns with investor and creditor priorities. The new administration operates within the parameters of IMF conditionality and Emirati-Saudi concessions.

Key military enterprises are restructured or sold outright to Gulf and international investors; a process driven by the imperative to reduce the state's debt burden and meet privatization benchmarks. Strategic infrastructure from Red Sea ports to high-capacity desalination facilities are run under long-term build-operate-transfer arrangements, embedding Egypt more deeply in the logistics and energy grid that underpins the wider Red–Med corridor. Formal sovereignty is maintained, yet governance of critical assets increasingly reflects a para-sovereign arrangement in which decision-making is joint, but revenue flows and strategic priorities are anchored in Abu Dhabi and Riyadh.

Are these sweeping Gulf investments in Egypt profitable?

The short answer is yes, but not visibly, not broadly, and not always in the form of immediate cash returns. Egypt's current FDI profile appears structurally imbalanced. The share of new capital inflows is overwhelmingly concentrated long-tenor, dollarized concessions including ports, coastal land development, high-capacity desalination, regulated utilities, and industrial zones, rather than diversified and short-cycle sectors that could generate broad-based employment or foreign exchange quickly. This structure protects investor cash flows in hard currency and insulates returns from EGP volatility in a high-risk macro environment, but it also limits Cairo's ability to generate near-term and broad-based growth that could alleviate Egypt's debt-servicing pressure.

The Suez Canal Economic Zone does alleviate some of Egypt's fiscal stress through Gulf-backed logistics, manufacturing, and fee revenues. Yet, this income has been sharply hit by Houthi attacks on Red Sea shipping, with total vessel transits down about 22 percent year-on-year and cargo tonnage falling by a third in fiscal year 2023-24, plunging revenues by roughly 60 percent, a loss of about USD 7 billion in 2024. This has turned the canal's strategic location from a dependable rentier asset into a fiscal burden, compounding the vulnerability of Egypt's external accounts.

Ras el-Hekma model, for example, converts existing deposits into non-repayable grants tied to profit-sharing, while port and zone concessions generate steady operating income and embed Emirati and Saudi operators into Egypt's logistics spine. Macro headwinds including persistent FX shortages, repeated devaluations, high inflation, and softer Suez Canal receipts, compress sovereign capacity and erode the local-currency profitability of non-dollarized assets (Malls, commercial assets, local manufacturing, public transit. The upside is concentrated in exporters, ports, coastal real estate marketed to foreign buyers, and independent power producers with USD indexation.

The downside sits with EGP-exposed ventures and any asset class dependent on policy execution to unlock cash flows. In the medium term, the real "profit" is the ability to shape Egypt's macroeconomic choices and privatization sequencing in ways that align with Gulf strategic priorities. Over time, this imbalance, coupled with entrenched military-commercial interests and dependency on a narrow set of external patrons, creates conditions consistent with a managed leadership transition around 2030. Gulf capital is positioned to influence the succession calculus toward a more economically sustainable technocratic model, balancing domestic stability and investor confidence with regional security objectives.

What to watch: the sequencing of IMF reviews alongside Gulf disbursements; the currency denomination of new FDI commitments; the pace of military-asset privatization; and any signs of accelerated political grooming of technocratic figures acceptable to both Gulf capitals and Egypt's security establishment. A slowdown in Gulf inflows, or a shift toward shorter-tenor, EGP-denominated projects, would signal reduced confidence and could compress the timeline for political change.

Sector	Investment Type	Currency	Tenor	Strategic Control	State Overreach	Profitability Outlook
Oil & Gas Concessions	Resource Extraction	USD-linked	15–25 yrs	Joint ventures with EGPC; Gulf sovereign wealth funds in equity consortia	High; (production quotas, export licences control, price control)	Stable; capped by state take, limited upside without liberalisation
Desalination & Renewable Energy (IPP)	Infrastructure	USD-linked	20–25 yrs	Emirati and Saudi developers under long-term PPAs	Medium; (grid access control, PPA tariff approvals)	Predictable; moderate returns if PPA honoured, arrears risk present
Real Estate & Tourism	Development	Mixed (USD/EGP)	5–10 yrs	Gulf sovereign wealth funds with local JV partners	Medium; (zoning, land allocation, licensing)	High variance; attractive if USD demand holds, weak if local demand/FX tightens
Telecom & ICT	Services	EGP-linked	5–7 yrs	Private (domestic & regional telecom groups)	High; (spectrum allocation, licensing, regulatory approvals)	Moderate; currency-exposed, margins erode with EGP depreciation
Manufacturing (Export)	Industrial	USD-linked	7–12 yrs	Private exporters; some Gulf equity stakes	Medium; (export permits, customs clearance, subsidy policy)	Competitive; strong if FX stable and export demand sustained
Manufacturing (Domestic)	Industrial	EGP-linked	5–8 yrs	Private (domestic industrial groups)	High; (domestic price controls, import substitution policy)	Low–moderate; FX risk and policy shifts constrain margins

By 2031, projected Sinai evolution into an economic buffer zone is presented as the most visible expression of this regional trade integration. The Gaza-Sinai reconstruction program operates through an internationalized network of purpose-built settlements and industrial parks designed to provide temporary residence and employment for displaced Gazans while preserving their legal status and return claims. The Zone is serviced by its own transport spine linking residential and industrial clusters to Gulf-funded El-Arish Port and International Airport (both under SCZONE jurisdiction), enabling integration into Red-Med trade. A hybrid administrative regime shaped by Egyptian security control, Gulf commercial management, and Israeli border coordination takes place with U.S. security guarantees.

This arrangement is intended to stabilize the territory, generate new revenue streams, and unlock significant foreign aid, but also grounds Egypt's role as both a gatekeeper and stakeholder in the post-conflict order. The success of this model, as a Gulf-financed climate adaptation project in arid zones, reinforces Egypt's centrality to the "Age of Water Diplomacy" emerging in the region, as Cairo brokers agreements with Sudan and Ethiopia on Nile flows. By 2035, Egypt's place in the primary scenario is that of a stabilized but structurally dependent partner in the Gulf-Israeli economic architecture. The Red–Med trade spine is operational in segments, with Egyptian ports and logistics hubs at Safaga, Ain Sokhna, Suez, and Port Said functioning as indispensable links in the regional realignment plan.

Settlement of a significant share of external trade in Emirati Dirham reduces foreign exchange volatility but deepens financial reliance on UAE monetary policy. Domestic macro-stability improves modestly, and inflation is contained, yet structural unemployment and income inequality remain a distinct character of Egypt's socio-economic landscape. The calculus for Cairo becomes clear: economic viability and geopolitical relevance are now inseparable from the stability of Gulf capital flows and continued functionality of regional corridors, a trade-off that has brought an end to the recurrent fiscal crises of the previous decade but has locked Egypt's long-term trajectory to the strategic priorities of its external sponsors and peacekeeping efforts.

Jordan: Succession, Spillovers, and the Corridor State

Jordan's modern political identity is inseparable from its origins as a buffer state carved from the post–First World War British Mandate and established as a Hashemite emirate east of the Jordan River. Its creation was rooted in the 1916–1918 Arab Revolt, when Sharif Hussein bin Ali broke with the Ottoman Empire, and in the geopolitical settlement that followed his eventual forced abdication from Hejaz by the Saudis and exile to Cyprus in 1925 [67]. The British establishment of Transjordan in 1921 under Emir Abdullah, Hussein's son, became a key stabilizer in a fragmented Middle East where new state identities were emerging in Saudi Arabia, Iraq, Egypt, Syria, and the Gulf.

This became a concrete foundation to the post-1916 Sykes–Picot map creation of independent Arab states in the Levant, Arabian Peninsula and North Africa. Since 1948, the absorption of successive Palestinian influxes bound Jordan's internal politics to the unresolved Palestinian Question of Return, which makes national cohesion dependent on balancing policies relevant to the Palestinian majority. The Hashemite dynasty has sustained its legitimacy through a combination of tribal patronage, religious authority (most notably the King's Custodianship of Islamic and Christian holy sites in Jerusalem [68]) and alignment with the United States and other Western partners who value Jordan as a moderate buffer in a volatile neighborhood with high stakes.

King Abdullah II, who assumed the throne in 1999 after his father, King Hussein, navigated two decades of regional shocks: the Second Intifada, the 2003 Iraq War and refugee influx, the Arab Spring, spillovers from the Syrian civil war, and recurrent economic crises that kept Jordan tethered to IMF lending and Gulf subsidies. His reign has been marked by deliberate "de-liberalization" and a retreat from the limited socio-political opening of the late 1980s and 1990s, which eroded the Jordanian middle class and allowed the Palace to manage dissent, marginalize organized Islamist opposition, and keep ultimate authority [69]. This has preserved regime stability but at the cost of stunted parliamentary authority and public frustration over stagnant economic and political reform.

That stability has also been underwritten by consistent U.S. security assistance and the quiet integration of Jordanian forces into regional deterrence frameworks after the 1994 peace treaty with Israel which ended a 46-year state of war and formalized security coordination across their shared border. The treaty not only secured Jordan's longest frontier but also opened channels for intelligence sharing, joint military planning, and U.S.-backed trilateral initiatives aimed at counterterrorism and border control. These arrangements have allowed Jordan to position itself as a reliable partner in containing regional threats from militant infiltration to weapons smuggling, while reinforcing its role in U.S. foreign policy and allied defense strategies in the Levant.

Jordan's economy is characterised by a combination of structural vulnerabilities and strategic external partnerships, shaped by a persistent reliance on international financial support and selective Gulf investment. Jordan has a well-educated population, with a majority holding secondary or tertiary qualifications, yet unemployment remains chronically high at 21.3 percent in the first quarter of 2025 (18.6 percent for men and 31.2 percent for women) highlighting the difficulty of converting educational attainment into sustainable employment. Limited natural resources, severe water scarcity, and an unfavourable regional environment further constrain growth prospects.

Jordan's fiscal position is burdened by high public debt and modest domestic revenue generation, making successive International Monetary Fund (IMF) and World Bank programs central to economic management. Jordan has relied on IMF support since 1989, most recently through a USD 1.3 billion Extended Fund Facility approved in January 2024, which provides critical liquidity, unlocks wider financing, and underpins investor confidence despite periodic social tensions over reform conditions [70]. A strong Jordanian dinar is pegged to the U.S. dollar and is sustained by prudent monetary policy, steady foreign aid, and strong remittances, anchoring inflation expectations and reinforcing economic stability in a volatile region.

Within this externally anchored framework, capital from the United Arab Emirates and Saudi Arabia has become a strategic pillar of economic development. Saudi investors control three of Jordan's five cement companies, aligning directly with the Royal Court's plans for large-scale development in eastern Amman and other mega-projects that will require substantial building-material inputs. The UAE's investments are concentrated in renewable energy, logistics, and infrastructure, including major solar and wind projects and multi-billion-dollar agreements for future initiatives.

While these inflows help offset structural constraints, they also deepen Jordan's dependence on external investments. Against a backdrop of resource scarcity, heightened Israeli hostility in recent months, and exposure to shifts in donor or investor priorities, this model delivers short-term resilience but embeds long-term vulnerabilities in the kingdom's economic landscape. Understanding this complex interplay of external capital, geopolitical pressures, and structural vulnerabilities is essential to assessing Jordan's trajectory within the "Hope? at Last" scenario, where its stability and role as a corridor state hinge on navigating these dependencies without forfeiting sovereignty.

In the primary scenario, between 2025-2027 Jordan is assessed to enter the Gaza and West Bank crises from a position of deep economic fragility and political caution, consistent with baseline macro and labor indicators. The potential consolidation of Israeli control over both territories, through expanded civil administration in the West Bank and an internationally supervised governance model in Gaza, alongside the dismantling of the Palestinian Authority, are projected to send political shockwaves across the Jordan River. Hamas-aligned sentiment rises in disenfranchised Palestinian communities, while the formal ban on the Muslim Brotherhood in Jordan (enacted just prior) is tested by fragmented clandestine mobilization related to escalations west of the Jordan River.

These tensions are expected to become amplified by the monarchy's visible coordination with Israel and Gulf states in managing security along the West Bank border, a stance that alienates segments of the public that see it as abandoning the Palestinian cause. King Abdullah leans on the monarchy's traditional stabilizers, loyal East Bank tribes, the security apparatus, and external patrons, to prevent unrest from tipping into organized opposition. A gradual recalibration within the Palace begins to shift King Abdullah into a more ceremonial role while elevating the Crown Prince into key decision-making and representational duties, signaling an orchestrated succession process that could unfold while the King is still on the throne. U.S. military and intelligence presence in Jordan is expected to remain a critical backstop, and Gulf funding flows are quietly conditioned on Jordan keeping its borders quiet and aligning with the emerging IMEC trade vision. Early-stage corridor planning sees Jordan positioned as a logistical hinge between Saudi Arabia and Israel, with investments in road, rail, and customs infrastructure tied to Jebel Ali–Haifa connectivity.

By the late 2020s, indicators point to an increasingly open succession debate. Crown Prince Hussein [71], married to Saudi-born Princess Rajwa Al-Saif, enjoys symbolic elevation through ties to the Saudi royal family, but his personal political base remains thin. Gulf backers, especially Riyadh, view the marriage as a hedge, a way to protect Jordan's throne through a Saudi guarantee in the event of a contested transition. Domestically, however, questions persist about the heir's capacity to command loyalty in a crisis. At the same time, the monarchy deepens its role as a "corridor state".

IMEC-linked infrastructure in Mafraq and Aqaba attracts Gulf capital, positioning Jordan as both a transport route and a service hub for goods moving between the Gulf and Israel/Europe. This economic integration is marketed as a national development lifeline, but rising dependency on Gulf-directed projects is likely to reduce Amman's policy autonomy. The regional spillovers from the West Bank, now under full Israeli civil administration, increasingly take on a demographic dimension. Jordan, while firmly opposing any forced expulsion of Palestinians, is expected to experience a growing wave of voluntary relocation by West Bank residents living under pressure and have familial or historical ties to the Kingdom.

In the primary scenario, the model assigns a high likelihood that Jordan limits cross-border instability from emerging militant factions through coordinated security operations with the Israeli army, even as public sympathy for Palestinians fuels sporadic protests. An Israeli incursion from the Golan Heights to Jabal al-Druze would present Amman with a double-edged outcome, severing its overland link to Damascus and Beirut while simultaneously creating a de facto buffer that secures the populated stretches of the northern Jordan–Syria border from smuggling and insurgent infiltration, complementing the heavily surveilled eastern flank anchored by Tower 22 military base.

By 2030, the question of succession is expected to dominate political discourse under baseline conditions. Should King Abdullah step aside during this period, the model anticipates the Crown Prince's ascension to occur under quiet regency by senior army generals and U.S.–Palace advisors, with possible Saudi tutelage aimed at policy continuity. Either outcome maintains the monarchy's outward form but potentially shifts decision-making power toward external patrons and security elites maintaining the Crown Prince's legitimacy.

The 2028–2030 period also sees the monarchy manage rising Islamist opposition outside the Brotherhood structure, often inspired by Gaza's plight. This "post-Brotherhood" activism is fragmented but harder to monitor, creating a latent risk that could be triggered by a political or economic shock. Youth unemployment remains stubbornly high, and while corridor-linked jobs materialize, they are insufficient to absorb the expanding labor force. Under severe 2028 to 2030 drought conditions, water scarcity is modeled to become a political flashpoint, with Amman facing its worst shortages in decades. The crisis is expected to accelerate implementation of the Israel–Jordan–UAE water-for-energy deal (Project Prosperity), reframing the solar–desalination swap as a pillar of national security rather than a purely economic project.

If Israeli control over the Hauran Plateau and upper Yarmouk River is consolidated during a 2026 southern Syria operation, modeled outcomes show a compounded vulnerability for Jordan due to tighter upstream leverage over one of its few remaining surface water sources. In the Age of Water Diplomacy, Jordan positions itself as both a beneficiary and a broker, linking Levantine water-energy exchanges to Gulf financing and corridor stability, even as it navigates the strategic dependency created by this new hydrological reality.

By 2031, Crown Prince Hussein is no longer a symbolic heir but the face of governance, steering Jordan through a volatile mix of regional opportunity and domestic fragility. With IMEC segments operational inside Jordanian territory in the base case, modest fiscal dividends are channeled into a broader reform agenda including streamlining customs, expanding vocational training tied to corridor logistics, and accelerating renewable-energy projects. However, gains remain limited as reliance on foreign investors requires revenue-sharing arrangements and regulatory concessions that dilute state control over certain transport hubs and energy assets. While these deals keep capital flowing, they also risk reinforcing a narrative that Jordan's economic sovereignty is being traded for short-term stability, a scenario seen on a greater scale in Egypt.

Meanwhile, a notable challenge for the Crown Prince will emerge from within the government as the House of Representatives, emboldened by the 2028 electoral cycle and a growing bloc of party list MPs, could leverage public dissatisfaction over foreign economic influence to push for greater budgetary oversight and a stronger role in ratifying major infrastructure concessions. While the monarchy retains ultimate authority, these parliamentary maneuvers introduce a new layer of negotiation into policy making, forcing the Crown Prince to balance reform momentum with institutional containment.

Regionally, Jordan’s trajectory in this period is shaped by parallel developments: Egypt’s technocratic pivot under Gulf tutelage offers both a model and a cautionary tale for managing external dependency; Lebanon’s incremental demilitarization opens space for expanded Levant trade, indirectly benefiting Jordanian transit services; and Iran’s inward turn reduces proxy pressures along Jordan’s eastern flank and airspace, allowing Amman to focus on modest economic diplomacy rather than crisis management.

By mid-2030s, Jordan’s stability is expected to be less the product of internal consensus than of a region-wide equilibrium designed to protect the trade corridors and security buffers that serve Gulf and Israeli interests. The monarchy, whether under the Crown Prince or a hybrid shadow regency, functions as a compliant partner in this architecture, trading slices of policy autonomy for guaranteed fiscal transfers, investment, and security backing. The IMEC route through Jordan is a mature asset, with Aqaba and overland transit hubs firmly embedded in Gulf–Mediterranean supply chains and feeder networks.

The biggest threats to the throne in this period are less about coups and more about erosion of domestic legitimacy. If economic gains from the corridor remain concentrated among elites or fail to dent unemployment, public frustration could grow into a broader reform movement. Islamist currents, though contained, are not extinguished; they adapt to the security environment and could re-emerge if regional violence flares. The Hashemite Custodianship of Jerusalem’s holy sites remain a vital legitimacy anchor, but its political value will diminish as Israel asserts dominance over the West Bank and Gaza. In the “Hope? at Last” scenario, Jordan likely survives and even modestly prospers by aligning itself tightly with the Gulf–Israel trade-security order, using its geography as leverage. Yet this survival is contingent, externally underwritten, and premised on navigating the succession without rupture. By 2035, Jordan has not resolved its structural economic weaknesses or political stagnation, but it has entrenched itself as an indispensable junior player in the regional integration and realignment plan.

Lebanon: Reform and Demilitarization for Revival

In January 2025, Lebanon emerged from a two-year presidential deadlock with the election of former Lebanese Armed Forces (LAF) commander Joseph Aoun to the presidency supported by a centrist coalition [72]. The government under Prime Minister Nawaf Salam remains structurally dysfunctional with a diverse sectarian cabinet forced to pursue maximalist security reforms under extreme fiscal distress and an existential conflict with Israel [73]. Decision-making and political process are slowed by entrenched veto politics, Shia bloc walkouts, and the constant trade-off between political survival and external conditionality.

In the primary scenario, Lebanon's role is defined by three macro-dynamics: Israel's consolidation of a *southern territorial security buffer zone*, Gulf–French financial leverage over Beirut, and the steady erosion of Hezbollah's deterrent militant capabilities [74]. The November 2024 ceasefire reduced conflict intensity with Israel still holding positions south of the Litani River. Repeated U.S. and French-brokered negotiations yet to produce a withdrawal timeline. The Lebanese government's decision to formally task the LAF with a plan to bring all weapons under state authority marked the most ambitious state-led demilitarization bid since UNSCR 1701 (mandated Hezbollah disarmament following 2006 ceasefire with Israel) and the most explicit political challenge to Hezbollah's autonomy.

Shia ministers staged a walkout, and Hezbollah condemned the decision but refrained from mass mobilization, signalling diminished bandwidth for confrontation amid entirely absent leadership following Israel's elimination of senior Hezbollah commanders in 2024-2025 escalation [75]. Beirut is actively engaged in negotiations with the IMF on a reform program that could unlock formal financial arrangements. Central to this is the long-delayed banking sector restructuring and the adoption of a Financial Gap Law to formalize losses and set a path for recapitalization, measures the IMF has repeatedly flagged as prerequisites for disbursement. The talks are taking place amid clear indications from Gulf and French partners that any financing will hinge on tangible improvements in security, such as expanded Lebanese Armed Forces deployments in the south, enhanced UNIFIL verification measures, and the gradual removal or relocation of heavy weapons from sensitive corridors [76].

Hezbollah's strategic position is uniquely precarious in this period. The recent war with Israel resulted in a leadership vacuum, destruction of elite brigades, and sustained Israeli operations in the south which limits mobilization within border and militarized terrains. With constricted Iranian financial and material support, Hezbollah's domestic popularity slid sharply, especially amid a renewed Israeli–Iranian confrontation in 2026 that compels the Israeli army to maintain entrenched positions in southern Lebanon. Opinion surveys and press coverage point to war fatigue among its constituencies, compounded by ongoing LAF raids and arms seizures. International pressure from the UN, U.S., Gulf states, and France converges on phased demilitarization, linking verified compliance to fiscal lifelines and reconstruction pledges.

In this environment, Hezbollah's political survival depends on recalibrating its military objectives and maintaining position in the Lebanese House of Representatives. The movement is under clear obligation to assert itself as a credible stakeholder in Lebanon's national recovery, aligning its posture with the political and economic reforms required to restore stability. Failure to do so, and the continued pursuit of policies that impede the changes needed to attract foreign investment and secure an IMF program [77], would accelerate its isolation and erode relevance within the country's governing framework. In the primary scenario this recalibration entails the absorption of remaining Hezbollah combat units into official Lebanese Armed Forces, while the movement consolidates its identity as a political party retaining parliamentary seats and institutional influence.

By 2027, Lebanon's stability is projected to stem not from internal consensus, but from an externally guaranteed deterrence-financial equilibrium. This "choreographed de-risking" becomes a hallmark of Lebanon's place in the regional architecture. Beirut edges from paralysis to a thin technocratic compact with a wider de-escalation alongside Gaza and southern Syria. Incremental security concessions are exchanged with Hezbollah for economic reform, while full disarmament is avoided to prevent domestic rupture. Hezbollah retains parliamentary representation but adjusts military footprint to ensure organizational survival, while the government takes command of "war and peace" decisions, even if enforcement remains contested.

As part of this projected recalibration, Hezbollah would likely accept the incremental integration of select units into the Lebanese Armed Forces under joint command protocols, framing it as a sovereignty-strengthening measure rather than capitulation. With a Gulf-led Abraham Accords vision, Lebanon's phased demilitarization and port concessions are intended to pave the way for eventual normalization with Israel, contingent on Hezbollah's political containment. The Gaza war spillovers into Lebanese territory has stalled overt diplomatic moves in previous years, yet Gulf-brokered economic integration with Israeli-linked trade routes continued beneath the political surface. Lebanon's trajectory into the early 2030s will hinge on whether these security-linked economic compacts can evolve into genuine governance reform, or whether the system remains a "crowded cockpit" of clashing agendas flying on borrowed fuel.

Between 2028 and 2030, Lebanon's political and security trajectory is expected to remain bound to the conditional framework of phased Hezbollah demilitarization in exchange for external financing and reconstruction aid. The IMF, if conditions are met, is likely to negotiate a new loan program in 2028, paired with Gulf and French backed recovery packages, yet reform remains stagnant as political fracture is directly linked to Hezbollah's reform. With accelerated demilitarization, Beirut pursues port development concessions with the UAE, aligning itself with the regional blueprint for integrating into the Gulf-led logistics network and begins exploring Saudi mediation into the Abraham Accords.

A landmark electoral law reform during this period ends the entrenched sectarian monopoly in parliament, opening space for an emergent Shia opposition outside the Amal–Hezbollah axis. This legislative change erodes Hezbollah's structural dominance over Shia representation and imposition of foreign Iranian agenda, forcing the movement to defend its position in a more competitive political arena, especially against Shia oppositions that condemn foreign interference. As Hezbollah begins to recalibrate its posture, both the movement and the Lebanese Armed Forces face intermittent clashes with Shia splinter cells resisting reform and accusing Hezbollah of abandoning its resistance mandate.

With Iranian funding constrained and operational freedom limited by rules of engagement with Israel, Hezbollah reallocates resources toward parliamentary maneuvering and its social-services base, as overt confrontation could jeopardize both aid flows and the movement's repositioning in the new electoral landscape. The presidency endures on the strength of external guarantees, while real policy execution shifts to a technocratic economic council aligned with donor priorities, steadily chipping away at the leverage of sectarian clientelist.

Figure 9: IDF positions in Southern Lebanon

Beyond 2030 and into 2035, Lebanon ultimately enters a phase of constrained stability shaped by external financial oversight and shifting internal power dynamics. As Shia reformist parties challenge Hezbollah's parliamentary dominance by leveraging anti-corruption platforms and distancing themselves from Iranian patronage, the resulting political fragmentation forces Hezbollah into tactical alliances with centrist blocs to retain legislative relevance, even as its armed wing is reduced to lightly equipped local defense units nominally integrated under LAF command. The Lebanese Armed Forces undergo partial professionalization, with new training programs and procurement standards tied to EU and GCC benchmarks.

This shift enhances LAF's operational autonomy but also embeds foreign oversight into Lebanon's defense architecture. Southern buffer zone is jointly patrolled by LAF and UNIFIL, with Israeli observation posts in strategic border chokeholds, reinforcing a deterrence-based security framework as shown in Figure 9. While these positions consolidate Israel's hold in the south, the Litani River lies only a few kilometers beyond, making it an accessible objective for any future annexation as part of Israel's broader strategy to secure critical natural water resources in the region.

Lebanon's banking sector, recapitalized through Gulf equity, operates under strict compliance regimes aligned with European and GCC standards, curbing informal patronage networks and embedding foreign influence in fiscal governance. Digital governance tools are adopted and expand state capacity by introducing surveillance tools that raise civil society concerns over technocratic authoritarianism mirroring Gulf models. Reconstruction of critical infrastructure, including the Port of Beirut and Tripoli's harbor, proceeds slowly under foreign concessions, while remittance-linked development bonds emerge as a novel financing tool, giving Lebanon's diaspora a stake in national recovery. Climate stress intensifies, pushing Beirut into trilateral water-sharing negotiations with Syria and Jordan, marking its entry into the region's "Age of Water Diplomacy." By 2035, Lebanon's stability rests not on internal consensus but on an externally managed equilibrium where deterrence, donor conditionality, and fragmented sovereignty coexist in a restructured political order.

Syria: De Facto Partitions, Patrons, and Coastal Lifelines

In December 2024, Syria entered a post-Assad phase marked by the transfer of formal authority in Damascus to a Hay’at Tahrir al-Sham (HTS)–led administration under President Ahmed al-Sharaa [78]. The HTS-led Transitional Government now operates alongside a highly fragmented security and governance environment, exercising control over roughly thirty percent of Syria’s pre-war sovereign territory. This control is concentrated in Damascus, the central corridor through Homs, Hama, Idlib and Western Aleppo, and the Mediterranean coast, including strategic port cities of Latakia and Tartous [79].

Beyond these core zones, the map is divided among armed administrations backed by competing foreign patrons whose support shapes financing, security, and access to trade and resources. Iranian and aligned militias have absorbed losses from Israeli strikes and from battlefield setbacks around Damascus and in the south. Tehran remains a political actor and retains networks in the capital, in Sayyida Zaynab and along key roads, yet expeditionary bandwidth is constrained by domestic pressures and by heightened interception of air and ground supply lines.

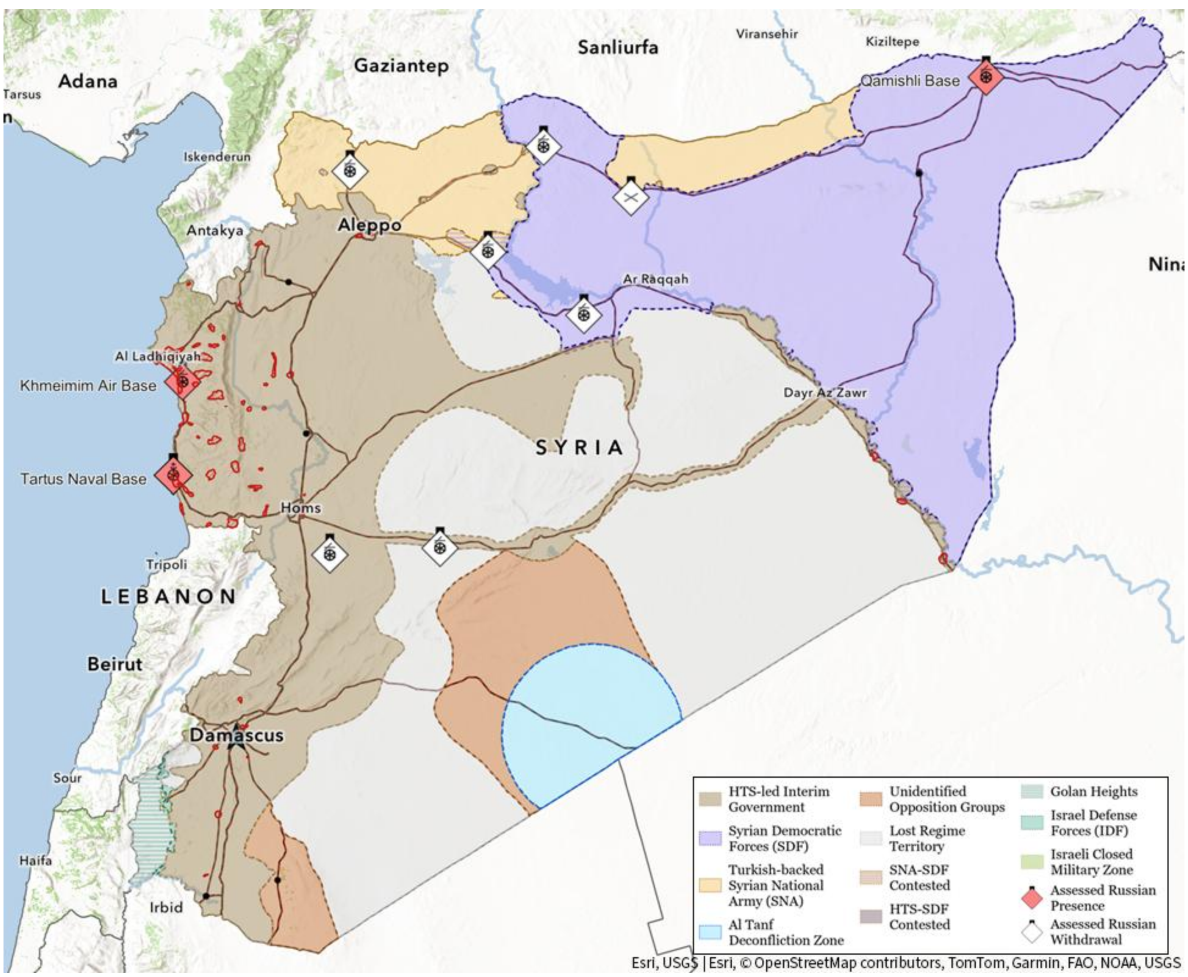

Figure 10: Syria Control Map 2025

In the northwest of Syria, Turkish forces and Ankara-backed Syrian National Army (SNA) hold a continuous territory along the border [70]. Turkey has embedded its own security and governance apparatus by deploying trained police units, administering municipal services, and managing regulated cross-border trade. This Turkish de facto control functions as both a security buffer against the Kurdish-led Syrian Democratic Forces (SDF) in the Northeast which Ankara views as linked to the PKK, and as an economic hinterland that absorbs Turkish investment in roads, industry, and agricultural processing.

In parallel, an Islamist security architecture of former al-Qaeda–aligned factions, most prominently Hay'at Tahrir al-Sham (HTS) and its civilian wing the Syrian Salvation Government (SSG), has expanded beyond its original Idlib stronghold [79]. Under the transitional post-Assad order this network of Sunni armed groups, sustained by Turkish and Qatari funding, has been integrated in the new HTS-led national framework under President Al-Sharaa while retaining core cadres and internal security forces. Along the coast, Damascus depends on Russian military protection to secure Latakia and Tartous, with Moscow locking in long-term leases at Hmeimim Air Base and the Tartous Naval Base [79].

UAE-affiliate DP World secured a multi-decade build–operate–transfer concession for Tartous Port, with planned berth expansions, modern container cranes, digital gate systems, and customs automation designed to integrate the port into a wider Gulf-Red Sea-Mediterranean logistics network [80]. In Latakia, a parallel rehabilitation package involving Emirati logistics and feeder subsidiaries targets bulk cargo handling and links to inland dry-ports in Homs.

In the northeast, the Kurdish US-backed Syrian Democratic Forces (SDF) govern most of Hasakah province, large parts of Raqqa, and the oil- and gas-rich districts of Deir ez-Zor east of the Euphrates [81]. This zone remains underpinned by a light but decisive United States footprint providing air cover, special operations support, and deconfliction channels between Washington, Turkey, and Damascus [82]. While SDF leadership does not demand outright secession from Syria, they seek a high level of autonomy and international recognition of airspace control. Negotiations with Damascus have focused on revenue-sharing arrangements for hydrocarbons, joint administration of key river crossings, and conditional integration of certain SDF brigades into the national defence ministry while preserving internal policing authority and autonomous borders that are likely to solidify by 2035.

In the south, Israel's capture of Quneitra city following the fall of Assad brought al-Mantara Dam, largest freshwater reservoir supplying Suwayda, Daraa, and most of southwestern Syria, under its direct control [82]. The operation unfolded amid clashes between Druze communities and HTS-government remnants in the adjacent Golan Heights region. Israel aimed to secure the Golan flank and pre-empt threats from the new HTS-led government while declaring protection for Druze communities. Control of al-Mantara Dam gives Israel the means to regulate freshwater flows across Bedouin-inhabited valleys, with the ability to force demographic change in southern Syria. As de facto borders harden in the north and east, Quneitra's water network has become a strategic lever, and a likely ignition point, in the next phase of Syria's conflict, linking internal fragmentation directly to the primary scenario's forecast of a future Israeli drive deeper into the south under a humanitarian pretext masking resource-security aim.

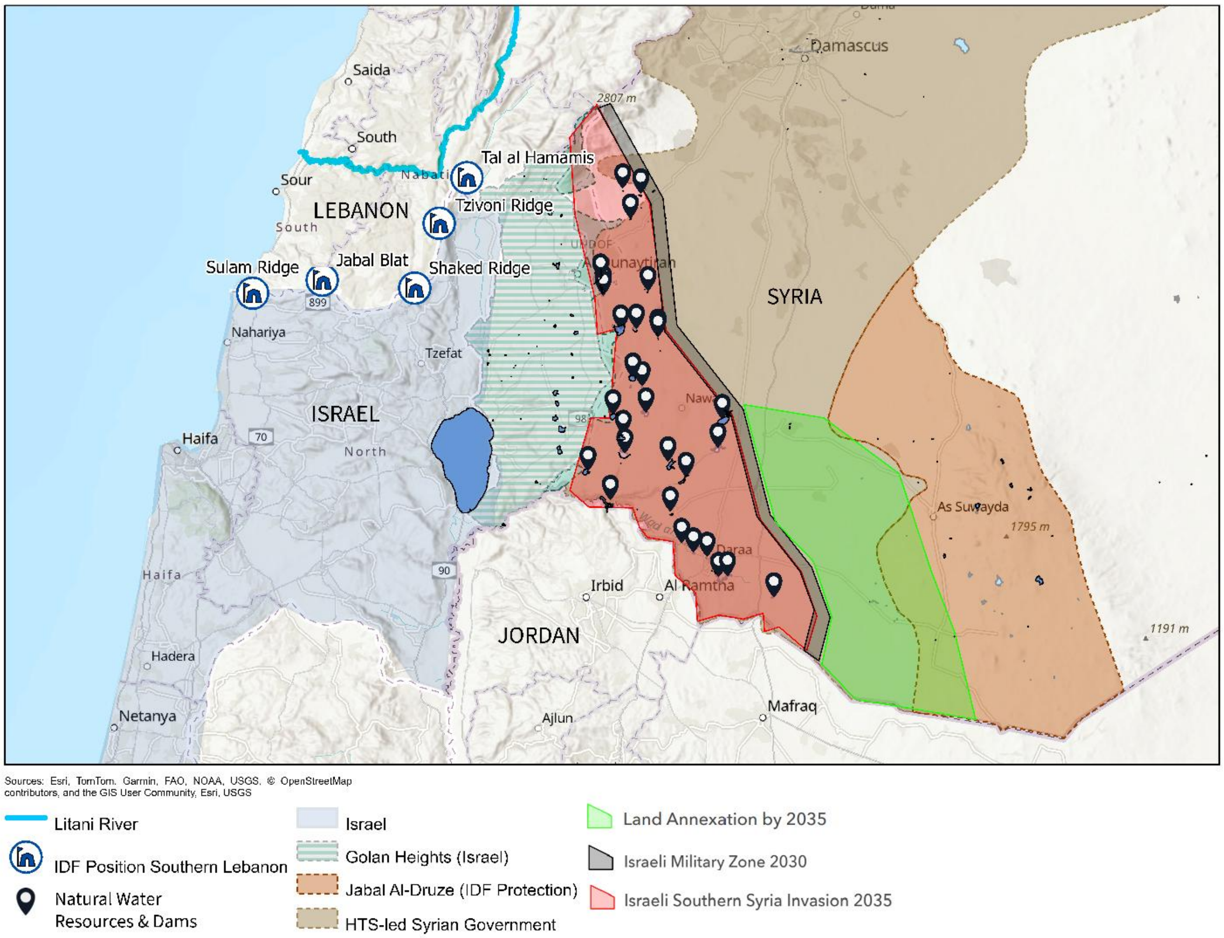

Figure 11: Israeli Invasion of Southern Syria 2026-2027

Between 2025-2027, the HTS-led government in Damascus is expected to seek consolidating authority, with a priority to project stability, even as Israeli airstrikes on Iranian supply lines and select HTS-aligned positions reveal security fragility. In this period, our projections expect Israeli forces to use southern Syria to interdict Iranian missile and drone routes and to strike IRGC-linked sites within Syria and Iraq as part of a wider Iran-Israel confrontation. An Israeli incursion into southern Syria, occurring rapidly during the anticipated Iranian–Israeli conflict in 2026, leads Damascus to absorb limited aggression rather than jeopardizing internal stability.

In practice, Damascus is likely to remain publicly muted in response to Israeli military actions, calculating that participation in normalization talks offers a pathway to secure

Gulf-funded reconstruction support from actors outside the Qatari sphere of influence. Israel is projected to expand its presence beyond Quneitra into adjacent countryside to Nawa and rural Daraa, establishing a forward demilitarization zone that also secures key Jordanian–Syrian border crossings as outlined in Figure 11. This advance is likely to be justified publicly as protection for Druze communities but also entrenches control over water infrastructure and transit-commercial corridors, establishing a larger buffer zone in the Israeli northeast. Seizing this potential territory grants Israel decisive control over the Hauran Plateau, a critical water-rich highland in southern Syria that feeds both the Yarmouk River (forms the Syria–Jordan border in this sector) and the Ruqqad River.

These tributaries are lifelines for the Jordan River, the core of Israel's freshwater system, making their capture a direct lever over Jordan's water security and a strategic asset of the highest national importance in Israel. The Druze heartland in Suwayda and Jabal al-Druze becomes adjacent to the shifting Israeli–Syrian southern border, operating as a locally administered enclave under an Israeli security umbrella. Unlike absorbing the West Bank or Gaza, expanded Israeli control over Druze-populated areas in southern Syria would not materially alter Israel's demographic balance. Given that Druze citizens inside Israel are subject to compulsory military service and have a longstanding record of IDF participation, extending Israeli security over Suwayda/Jabal al-Druze would likely strengthen the IDF's operational reach into Syrian territory as some more Druze seek to access protection and state services on the Israeli side.

Syria remains locked in a state of internal fracture, with competing zones of influence and fragmented governance, forcing Damascus to calibrate its posture toward Israeli deterrence in the south rather than risk escalation that could undermine its hold over the core state apparatus. East of the Euphrates, the SDF consolidates its borders, exercising autonomous authority across much of northeastern Syria while managing a contested northern frontier defined by recurring Turkish–Kurdish clashes. Negotiations with Damascus produce limited revenue-sharing and joint-management mechanisms for select crossings and energy sites, but internal security and border control remain firmly in SDF hands with decisive U.S. military backing, deterring large-scale incursions and signalling that the current lines of control are likely to endure.

By the end of this period, Syria's map reflects a hardened set of de facto borders: Damascus government core tied into Gulf-led reconstruction corridors, a Turkish-administered northwest in support of Islamist governance, an SDF-run northeast under U.S. protection, and a southern Israeli deterrence-control of strategic agricultural and water assets, while Druze operate as semi-autonomous enclaves with Suwayda becoming border town adjacent to Israeli occupied territory. The political centre in Damascus presents this as a managed stability, but the underlying reality is a patchwork of spheres whose permanence will shape the trajectory toward 2035.

Beneath this facade of managed stability, whether the HTS-led government survives by 2028 remains dependent as much on foreign patronage as on internal consensus. Qatar's strategic alignment with Ankara seeks to inherit influence ceded by a retrenching Iran, becoming the principal political and financial patron of HTS, embedding the movement in a wider Sunni Islamist bloc and sustaining its civilian governance arm, the Syrian Salvation Government, through reconstruction assistance, trade facilitation with Turkey, and media support through Qatari subsidiaries. The UAE, by contrast, remains wary of HTS's Islamist ideological profile and cultivates ties with coastal technocrats, business networks, and security officials as an alternative power nucleus, similar to the trajectory of UAE-backed opposition in Libya, Sudan, and Yemen.

Abu Dhabi's investments, notably the DP World concession at Tartous, are deliberately structured to bypass government through more pragmatic technocratic interlocutors or local business elites. At the same time, Saudi Arabia has signalled openness to engaging HTS within a broader unity government, but its support is deliberately conditional, hinging on inclusive power-sharing arrangements and assurances that extremist influence is contained. In fact, President Ahmed al-Sharaa's first foreign trip following his official inauguration was to the Kingdom of Saudi Arabia, signalling willingness in Damascus to align with Crown Prince Mohammed bin Salman's strategic vision for an expanded regional realignment following years of conflict and potentially positioning Syria for eventual participation in future Arab–Israeli normalization frameworks.

This asymmetry leaves Damascus vulnerable to sharp swings in support should either patron recalibrate its priorities. This opposing patronage turns Syria into an active proxy battleground, where Doha, Abu Dhabi, and Riyadh test competing models of influence under an umbrella of reconstruction diplomacy. Although outright regime change by 2028 in Syria appears improbable, the balance of alliances and centralized nature of rule create a possibility for a leadership change in Damascus, even as the current president signals determination to preserve his hold on power.

By the late 2020s, the Israeli capture of the Hauran Plateau transforms southern Syria from a peripheral security zone into a cornerstone of the region's emerging Age of Water Diplomacy. Control over the headwaters of the Yarmouk and Ruqqad rivers gives Israel unprecedented upstream leverage over Jordan's already strained water supply, while also enabling it to regulate seasonal flows into the Jordan River basin. This hydrological dominance becomes a quiet but decisive bargaining chip in trilateral negotiations. For Damascus, compliance with this new reality is framed as a pragmatic trade-off, tolerating Israeli control in the south in exchange for reconstruction aid and access to Gulf-backed infrastructure corridors along the coast. Yet beneath the rhetoric of stability, the Hauran Plateau integration into Israel's water-security architecture deepens Syria's fragmentation, embedding resource dependency into the very geography of its post-conflict order.

By 2030, Syria is expected to have prioritized an economic survival strategy, embedding itself in the region's trade integration plan to convert reconstruction gains into securing trade corridors and competitive logistics hubs. Regulatory exemptions and revenue-sharing agreements are traded for capital inflows and stability assurances. Tartous emerges as a flagship concession under UAE-affiliate DP World's build-operate-transfer model, while Latakia undergoes parallel upgrades with international operators. Customs-digitization pilots extend inland to dry ports and free economic zones, tightening control and transparency. Along the coast, feeder links into Eastern Mediterranean routes are restored under UAE-logistical supervision with inspection technology and quicker yard cycles that reduce cargo dwell and lower war-risk premia with rising security.

In the northeast, structured talks with the SDF evolve into a framework that shares hydrocarbon revenues, assigns select oil fields and crossings to joint boards and begins integrating vetted formations into a national defence ministry registry, while preserving local command for internal security. This grants Damascus greater say over export scheduling and foreign-currency allocation, while sharing benefits with Kurdish governorates. To the north, Ankara retains its protectorates, deepening industrial linkages into Gaziantep and Şanlıurfa, and growing cross-border trade. Following Israeli invasion, the south remains largely stable under a buffer arrangement coordinated with Syria, Jordan, and the U.S., while Israeli overreach into Syria continues to diminish Iranian influence.

Russia confines its role to hard security and aviation, while Gulf actors become the public face of civilian reconstruction along the coast and key highways. Targeted sanctions ease in sectors tied to humanitarian reconstruction, energy stability, and trade facilitation. The result is a slow but tangible stitching together of economic arteries across a still-fragmented political body with transactional sovereignty in practice, underwritten by infrastructure and the calculus of mutual gains. Even as normalization with Israel advances, Syria's internal fractures persist, with the state's engagement in regional diplomacy serving primarily as a means to consolidate regime survival and economic corridors rather than to resolve underlying governance and territorial divisions.

Beyond 2030, a weakened Iran, constrained by domestic pressures and sanctions-linked bargaining, sees its expeditionary bandwidth shrink, reducing support to allied networks in Syria and forcing the "axis of resistance" into a diminished, largely symbolic posture focused on recruitment rather than projecting ideology into foreign lands. Syria would likely pivot increasingly toward soft power diplomacy, working to ease sanctions through regional engagement while deepening economic and political ties with its Arab partners. Within Syria, de facto spheres solidify into recognized autonomies with formal interfaces to Damascus and revenue-sharing agreements that ease fiscal budgetary burden. Security guarantees and foreign-managed operations keep Syria's ports and corridors dependable, underpinning a budget built on port income, shared hydrocarbons, reformed customs and telecom, and Gulf-backed loans, with governance focused on stability over elections.

U.S. forces in the Kurdish-east scale back but maintain a deterrent presence, while Gulf commercial concessions at Tartous and Latakia anchor a Red Sea–to–Mediterranean network that links Jebel Ali, the Suez Canal Economic Zone, Egyptian Red Sea ports, and Levant feeder networks. By 2035, the map shows hardened, unrecognized borders but increasingly dependable trade flows stitched into the Gulf-led economic architecture and ensuring that even a fragmented Syria is economically reconnected to the region, while accepting transactional sovereignty as the price of survival.

Iraq: Oil Rents, Water Stress, and Power Sharing

Iraq enters the late 2020s carrying unresolved contradictions from the post-2003 war order with an expansive patronage state dependent on oil rents, a security sector split between formal army forces and Iran-linked paramilitaries, and a political arena where street legitimacy and clerical authority can upend parliamentary power overnight. The Tishreen protest generation exposed the limits of sectarian quota-sharing; the 2021 election shock and Muqtada al-Sadr's withdrawal showed how quickly the center of gravity can shift [85]; and Iran–U.S. competition repeatedly spilled across Iraqi skies and highways.

Gulf capital has moved into Iraq at an unprecedented scale unseen since 2003, with Saudi, Emirati, and Qatari investors backing multibillion-dollar projects in real estate, energy, logistics, and finance. Flagship ventures like Saudi-funded Baghdad Avenue, UAE-linked developments in Erbil and Baghdad, and new Gulf equity in banks and ports signal that GCC states now see Iraq as both a growth market and a strategic link in their wider trade-corridor network, especially through the Kurdish Iraqi-Syrian secured border.

In our primary scenario, the U.S. draws down to an advisory footprint while Iran turns inward, rebalancing Iraq's security calculus. The country navigates a delicate re-composition integrating parts of the Popular Mobilization Forces (PMF), re-calibrating the federal relationship with the Kurdistan Region (KRI) and tying Sunni-majority and Kurdish "corridor" provinces into Gulf-backed logistics and power grids. The result by 2035 is not a settled social contract, but a functional equilibrium anchored in throughput economics, keeping goods, energy, and payments moving, even as politics remain contested.

The anticipated U.S. force reconfiguration in 2026 would likely expose a narrow window of risk before a new floor is set under a bilateral advisory mission [84]. Baghdad and Washington codify training, ISR sharing, and counter-terrorism support with explicit language on safeguarding KRI airspace and deterring major cross-border threats. The downsizing of U.S. footprint in Iraq is carefully calibrated to avoid signaling abandonment, even as Iranian leverage intensifies through proxy dominance of the Coordination Framework, a parliamentary bloc stacked with Tehran-aligned representation.

Inside the Shia political house, Muqtada al Sadr returns to a landscape still dominated by Tehran's weight in the parliamentary Coordination Framework and the PMF's street level deterrence. Sadr walked away in 2022 at the height of his electoral power and now re-emerges with a leaner majoritarian platform that focuses on fewer transactional bargains, sharper demands for accountability, and a revived push for a "national majority government" linking a Shia plurality with Sunni and Kurdish partners. His comeback sets the stage for a direct contest with Iran-aligned forces in both the electoral arena and post-election coalition building. His movement leverages both mosque-to-street mobilization and the Najaf clerical reserve to challenge claims of mainstream Shia representation by Iran-aligned factions.

The immediate effect is that cabinet formation once again turns into a contest over who controls the Interior and Oil portfolios, while the integration or marginalization of PMF brigades becomes the de facto referendum on state authority. Security governance shifts toward formalization under pressure, with the PMF becoming a central negotiating point between the state and Iran-backed armed factions, as the goal shifts from dissolving the PMF to disaggregating it by separating hardline factions from units that can be professionalized into the Iraqi army. Kurdish–federal bargaining resumes with tactical exchanges focused on revenue sharing, border management, and security coordination, while western provinces of Anbar and Nineveh quietly advance cross-border trade and infrastructure tied to Jordan and Saudi routes as the foundations of a future corridor economy.

By 2030 and within the broader "Hope? at Last" regional framework, post-U.S. withdrawal Iraq is projected to settle into a rebalanced security compact where a small American advisory mission remains as a low-visibility tripwire, weakened Tehran manages its influence through selective funding and political brokerage, and Baghdad consolidates command over "trainable" Popular Mobilization Forces while sidelining defiant factions. With the Islamist insurgency reduced to a rural nuisance, the state pivots from clearance to hold-and-build functions along trade routes that are increasingly tied into Gulf-backed corridor economies linking the Levant, Jordan, and Saudi Arabia.

Although Iraq is not a formal signatory to the IMEC corridor, it stands to benefit from aligning itself with this trade network and attaching its overland routes to the Gulf–Levant economic spine. Governance remains turbulent, but administrative focus shifts to service delivery and anti-corruption, anchored by tighter revenue controls, stronger local units in Basra, Anbar, and Nineveh, and cross-border energy payment links to Gulf neighbors. Muqtada al-Sadr's movement alternates between kingmaker and disciplinarian in the Shia political arena, using either ministerial portfolios or street pressure to project "clean governance" and check Coordination Framework rivals.

Federal-Kurdish relations move forward through rolling MOUs on revenue sharing, joint security in disputed areas, and harmonized customs platforms, while Sunni "corridor authorities" build capacity through economic zones, vocational pipelines, and commercial courts that shift local politics toward jobs and services rather than religious representation. This calibrated Iraqi equilibrium mirrors the wider regional pattern of managed competition and economic interdependence, where trade infrastructure, energy grids, and security compacts knit together disparate actors under a Gulf-led integration model that prizes predictability over resolution, making Iraq a critical link in the stability of the emerging MENA corridor network.

By 2035, Iraq is expected to remain a regional laggard but has moved decisively to absorb fiscal shocks from the projected 2030 global oil demand peak. While Baghdad works to diversify its economy, the country remains structurally locked into an oil-extractive model, with foreign investment largely concentrated in sectors such as real estate, infrastructure, and the limited industrial clusters outlined above. Gulf-backed capital and Iraqi sovereign resources support selected non-oil ventures aligned with elements of the region's integration corridors, but these are modest in scale due to acute water-scarcity challenges.

In 2035, Iraq is projected to rank among the world's most water-scarce countries, with annual renewable water availability per person falling from the current ~600 m^3 to 300 m^3 or less, well below the international scarcity threshold of 1,000 m^3 [86]. This is projected to constrain agricultural output, intensifies internal displacement pressures, and diverts fiscal and political capital into emergency water management, desalination, and cross-border resource negotiations, particularly with Turkey [87], over equitable sharing of Tigris and Euphrates flows (a dynamic that further entangles Iraq's economic agenda with its upstream water diplomacy).

As a result, Iraq's capacity to sustain investment in growth sectors, including those that could deepen its role in regional trade infrastructure, is curtailed as national priority shifts toward basic resource security rather than long-term industrial diversification. The regional drought of 2028–30 exacerbated this priority. Acute shortages in the Tigris–Euphrates basin push Baghdad into unprecedented water-sharing talks with Ankara, mediated by Gulf states offering desalination technology and solar-powered pumping systems. In the Age of Water Diplomacy, Iraq's upstream bargaining is tied to downstream integration, access to Gulf capital and grids in exchange for predictable water-access and cross-border energy cooperation.

Yemen & the Red Sea: Frozen Lines, Brokered Stability, and Fluid Logistics

Yemen has become the southern hinge of the broader Iran–Israel confrontation, where low-intensity frontlines mask regional proxies. For Tehran, Houthi missile and drone attacks in the Red Sea remain one of the few levers left to project power after setbacks in Syria and Lebanon. This makes Yemen both a bargaining chip and a pressure point in Iran's regional calculus. The Houthis' ability to threaten shipping lanes keeps Iran relevant in the Gulf–Red Sea-Med trade and security equation, even as its influence elsewhere wanes. In 2022, Saudi Arabia and the United Nations brokered a national ceasefire in Yemen [88], however, these negotiations have steadily eroded amid sustained Red Sea attacks.

The United States and the United Kingdom conducted intensive strikes against Houthi targets from March to May 2025 before an Oman-mediated ceasefire ended direct hostilities [89]. Israel's participation in coalition strikes on Houthi infrastructure reflects a shift from purely defensive maritime patrols to pre-emptive disruption of Iran-aligned capabilities along its southern maritime flank. This operational posture mirrors Israel's northern and eastern strategies, creating a coherent doctrine of forward deterrence-based disruption across all fronts. However, Houthis continue launching missiles toward Israel and disrupting commercial traffic, sustaining the risk to Red Sea lanes into 2026 [90].

Although the Houthis have markedly expanded recruitment over the past two years by leveraging Gaza-related "resistance" sentiment to mobilise and obscure the extent of Iranian influence, this does not indicate preparations for a major high-risk territorial offensive. The current regional environment, including constraints imposed by Iran's own pressures, makes a direct attempt to seize Aden or other heavily defended southern urban centres with UAE-backing strategically unlikely. Instead, the additional manpower is likely to be directed toward consolidating administrative and security control in the north, embedding ideological influence through education and media propaganda, and sustaining a calibrated maritime and long-range strike posture in the Red Sea.

This posture can be calibrated to apply sustained economic and political pressure while avoiding internal escalation that could jeopardize core regions, with the strategic objective of securing negotiated recognition of their authority in the north and weakening rivals through attrition and leverage, rather than engaging in high-risk territorial offensives. Such an approach could, in the medium term, create the conditions for a Saudi-brokered "Riyadh II" arrangement, in which front lines are effectively frozen and mutual security guarantees formalised.

Humanitarian indicators in Yemen have deteriorated as funding collapses and access constraints mount. The 2025 Yemen Humanitarian Needs and Response Plan estimated that 19.5 million people require immediate assistance and protection [91]. By mid-2025, the plan was only nine percent funded, prompting an addendum that sought 1.42 billion USD to sustain minimum subsistence for 8.8 million people amid rising needs and continued strikes on civilian infrastructure in areas under de facto Houthi authorities.

As shown in Figure 12, the political and economic landscapes are fractured into two systems with separate monetary authorities, divergent exchange rates, and uncoordinated fiscal regimes between Sana'a and Aden. World Bank data shows real GDP per capita down by approximately 58 percent since 2015, inflation in internationally recognized government areas above 30 percent in 2024, and a sharp depreciation of the Yemeni Rial in those areas to around 2,065 per dollar during 2024 [92]. The Houthi blockade on oil exports has pushed core government revenues down to about 2.5 percent of GDP and helped entrench the twin economy with distinct institutions. Red Sea insecurity forced extensive rerouting of trade, with hundreds of maritime incidents recorded in 2024 and a persistent premium on shipping through Bab el-Mandeb, which in turn raised shipping premia, import costs and deepened macro instability.

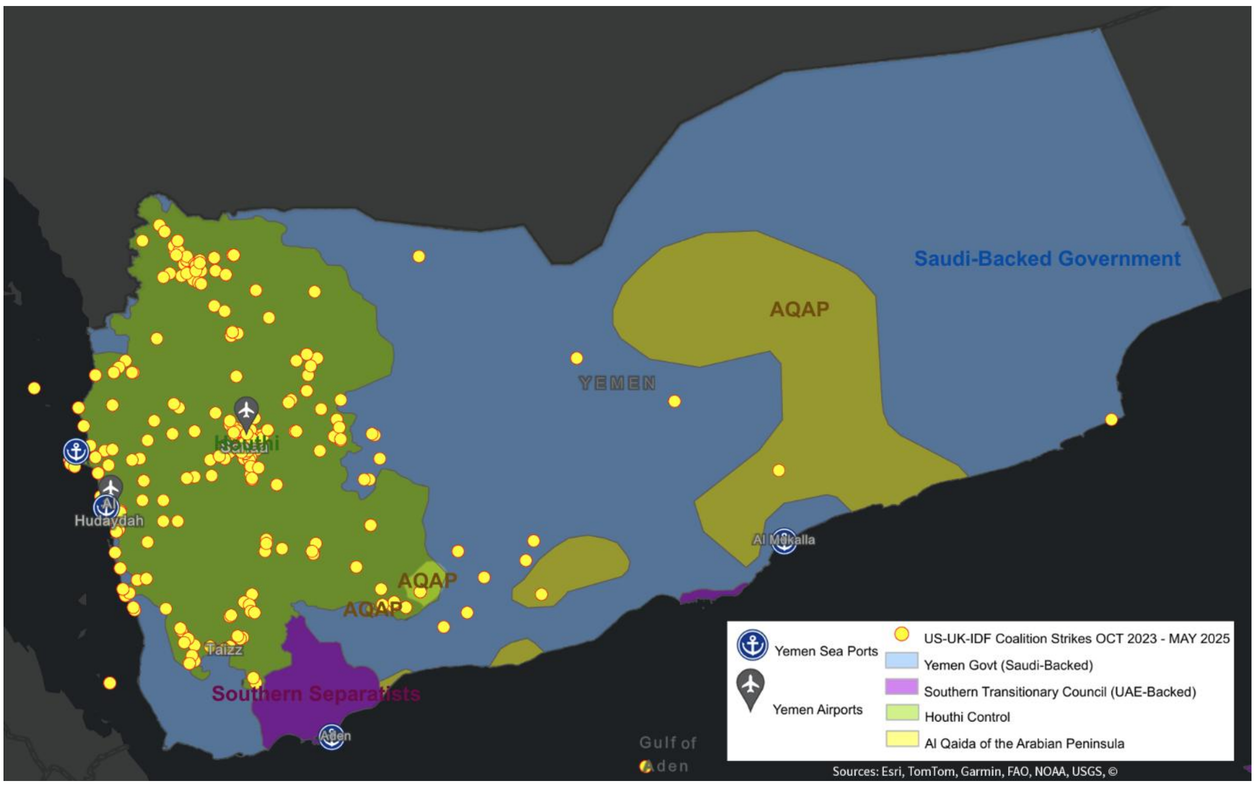

Figure 12: Yemen Control Map

In practice, the Saudi-backed Presidential Leadership Council (PLC), Yemen's internationally recognised government, operates partly from Aden and other southern cities, yet its authority is substantially constrained by the Southern Transitional Council's (STC) presence and influence [93]. The STC, which is backed by the United Arab Emirates, is both a constituent part of the PLC and its most powerful rival in the south. It holds de facto control over much of Aden, Lahj, al-Dhalea and parts of Abyan, while commanding its own security forces, in a parallel administrative structure to the PLC.

The UAE's and Saudi Arabia's competing visions for post-war Yemen are increasingly shaped by control of ports, governance models, and maritime chokepoints rather than purely ideological or tribal alignments. The Riyadh Agreement of 2019 and the PLC's formation in 2022 were meant to integrate the STC into a unified anti-Houthi front, but in reality, the arrangement has produced a divided authority. STC leaders occupy seats on the PLC and some ministerial posts, yet they maintain independent chains of command and revenue streams.

This means that while the PLC is the formal government, its ability to direct policy or security in the south depends on negotiation and power-sharing with the STC, and on Saudi-UAE mediation when disputes arise. Without access to Sana'a, which remains under Houthi control, the PLC functions as a government-in-exile within its own nominal territory. It issues decrees, manages foreign relations, and controls some state institutions and budgets, but implementation on the ground is uneven. In STC-dominant areas, PLC initiatives often require STC consent or joint committees to proceed, and in some cases the STC has blocked or delayed PLC decisions it sees as contrary to southern interests. This hybrid arrangement allows the PLC to maintain a presence in the south, but it is not the same as exercising full sovereign control.

Within the primary scenario, these conditions consolidate a map of frozen lines on land and fluid logistics at sea, with UAE-Saudi rivalry through local proxies. In the north, de facto Houthi authorities entrench a war economy that increasingly leverages maritime and missile pressure as bargaining tools while absorbing the cost of port damage and sanctions exposure. In the south, the Southern Transitional Council advances de facto autonomy under a security and revenue model tied to Emirati-supported maritime nodes and coastal policing, while Saudi policy moves away from expeditionary intervention toward border shielding and maintaining intelligence coordination with coalition partners.

By 2027, Emirati-backed port assets in Aden, Mukalla, and Socotra are directly tied into the Gulf-Red Sea corridor architecture, providing the STC with external revenue streams and embedding Yemen's south into the UAE's logistics map. This dual order is consistent with external analysis that highlights renewed southern statehood demands, persistent militia governance, and a humanitarian crisis with over twenty million in need and millions displaced. Southern separatist sentiment remains strong, but a formal referendum on self-rule is unlikely without Saudi and Emirati alignment. Even if held, it would almost certainly pass locally, yet its legitimacy would hinge on regional power backing and international recognition.

By 2028, the cumulative effect of Houthi consolidation in the north, sustained but controlled maritime leverage, and the absence of decisive territorial shifts likely create the conditions for a second Saudi-brokered Riyadh II settlement. This framework would formalise the de facto division of control, freeze front lines, and embed mutual security guarantees, with the Houthis retaining governance over the north in exchange for commitments to restrain cross-border and maritime attacks. With receding Iranian influence, the Houthis face a survival imperative that makes engagement in negotiations a strategic necessity. For Riyadh and its partners, the arrangement would secure southern and Red Sea corridors, reduce the risk of escalation, and stabilize the conflict into a managed, if unresolved, political order.

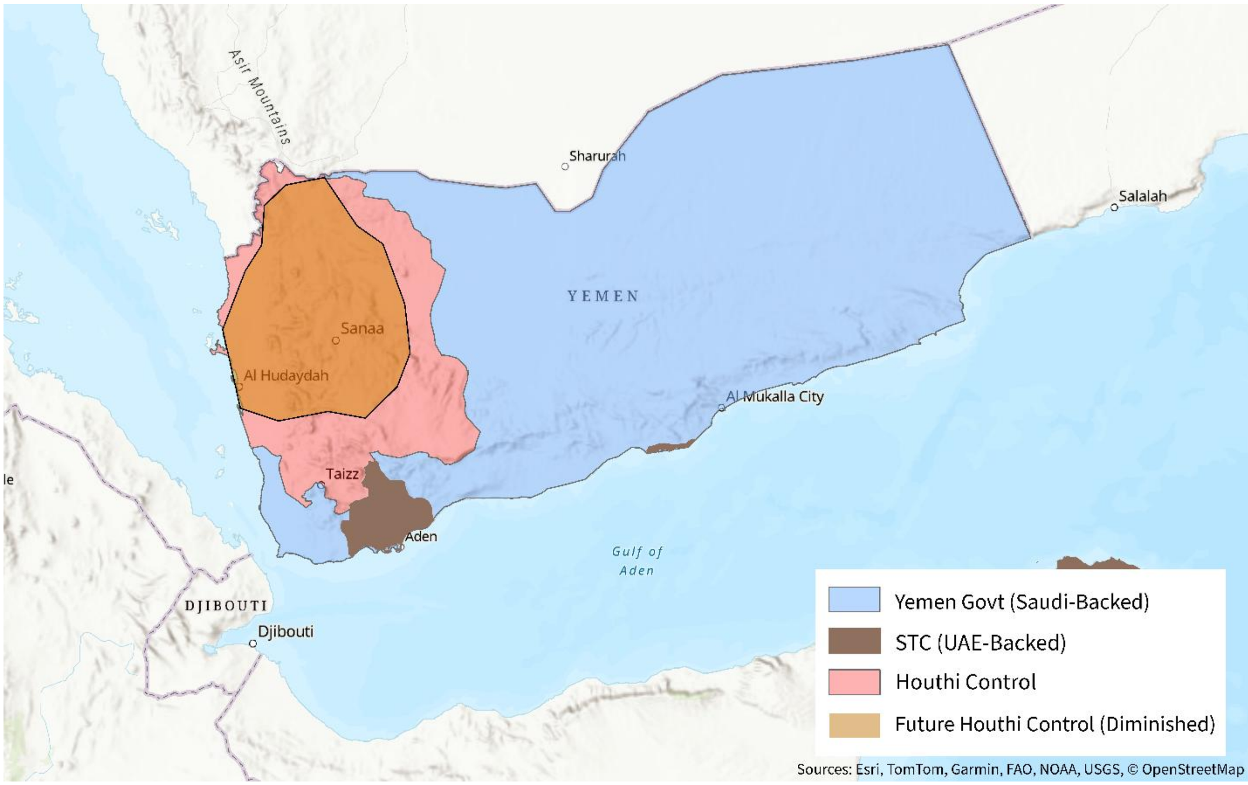

Figure 13: Yemen Map 2035

By 2030, the consolidation of southern autonomy under STC administration is projected to mature into a structured governance model linked to the UAE's wider Red Sea–Horn of Africa logistics network. Aden, Mukalla, and Socotra function as secure, high-throughput maritime nodes linked to Gulf-backed insurance pools and digital customs systems, allowing vetted cargo to bypass high-risk northern waters. In parallel, accelerated port terminal development in Somaliland, anchored by UAE-backed concessions in Berbera, extends Emirati logistical control across the Gulf of Aden, complementing its southern Yemeni footholds and tightening its grip on Red Sea–Indian Ocean trade flows. This integration delivers modest fiscal stability to the south through port fees, corridor service industries, and targeted donor-funded municipal programs, while leaving the north's Houthi-run economy isolated but partially sustained by controlled cross-line trade and remittance inflows.

Meanwhile, the Presidential Leadership Council persists as a fragmented and ineffectual authority operating from central and eastern Yemen, its internal divisions and limited reach reinforcing the de facto partition of the state. The absence of a unified central authority is no longer treated as a temporary aberration but as a workable operating environment for external actors, who calibrate investment to the durability of local security guarantees, a buffer that protects corridor reliability without the political cost of full state reconstruction on fragile terms. In the south, the 2028–30 drought drives demand for floating desalination units in Aden and Socotra, financed by the UAE as part of a Red Sea climate-security package. These installations are integrated into a wider Gulf water-energy network, positioning southern Yemen as both a maritime logistics hub and a potential node in the Age of Water Diplomacy.

By 2035, this arrangement is expected to shape an entrenched, if unrecognized, partition in which the south operates as a quasi-state aligned with Gulf trade governance, and the north persists under Houthi control with limited external engagement. Southern ports become fully integrated into a digitized Gulf–Mediterranean settlement system, with cargo clearance, insurance, and payments processed through Emirati-led platforms. Maritime risk premia on southern routes have fallen to pre-2025 levels, reinforcing their role as indispensable waypoints in east–west supply chains.

In contrast, northern Yemen remains a humanitarian flashpoint, dependent on negotiated aid corridors and vulnerable to climate-driven shocks that periodically spill over into southern markets. Houthis shift toward institutionalization and formal political representation, yet the north remains defined by a rigid form of political Islam that constrains pluralism and entrenches ideological governance. The net effect is a Yemen locked into the “frozen conflict, fluid trade” equilibrium. Geopolitically fractured yet economically indispensable to the Gulf’s corridor strategy, with stability measured not by political reconciliation but by the uninterrupted flow of goods through its southern maritime gateways.

Libya: Partitioned Governance, Shared Lifelines

Libya remains divided between two centers of power that have matured into rival systems with distinct patrons and revenue channels [94]. In Western Libya, Tripoli-based Government of National Unity (GNU) under Abdul Hamid Dbeibah, is backed by a Turkish-Qatari coalition along Western allies, namely Italy, providing military and diplomatic support [95].

In Eastern Libya, the House of Representatives in Tobruk backs the Government of National Stability (GNS) led by Osama Hammad, with Khalifa Haftar and the Libyan Arab Armed Forces (LAAF) holding Cyrenaica, the Oil Crescent, and deep into the south, rely on Saudi-UAE air and logistics support, Egypt for political coordination, and Russian military contractors to secure airfields and logistics hubs around Jufra and Sirte resource-rich economic zones.

The Presidential Council led by Mohamed al Menfi holds symbolic authority but lacks the means to impose decisions on either side. Qatar aligns diplomatically with Ankara, and Italy works with both camps to safeguard energy and migration interests, reinforcing a durable geopolitical and economic split that shapes Libya's trajectory toward 2035.

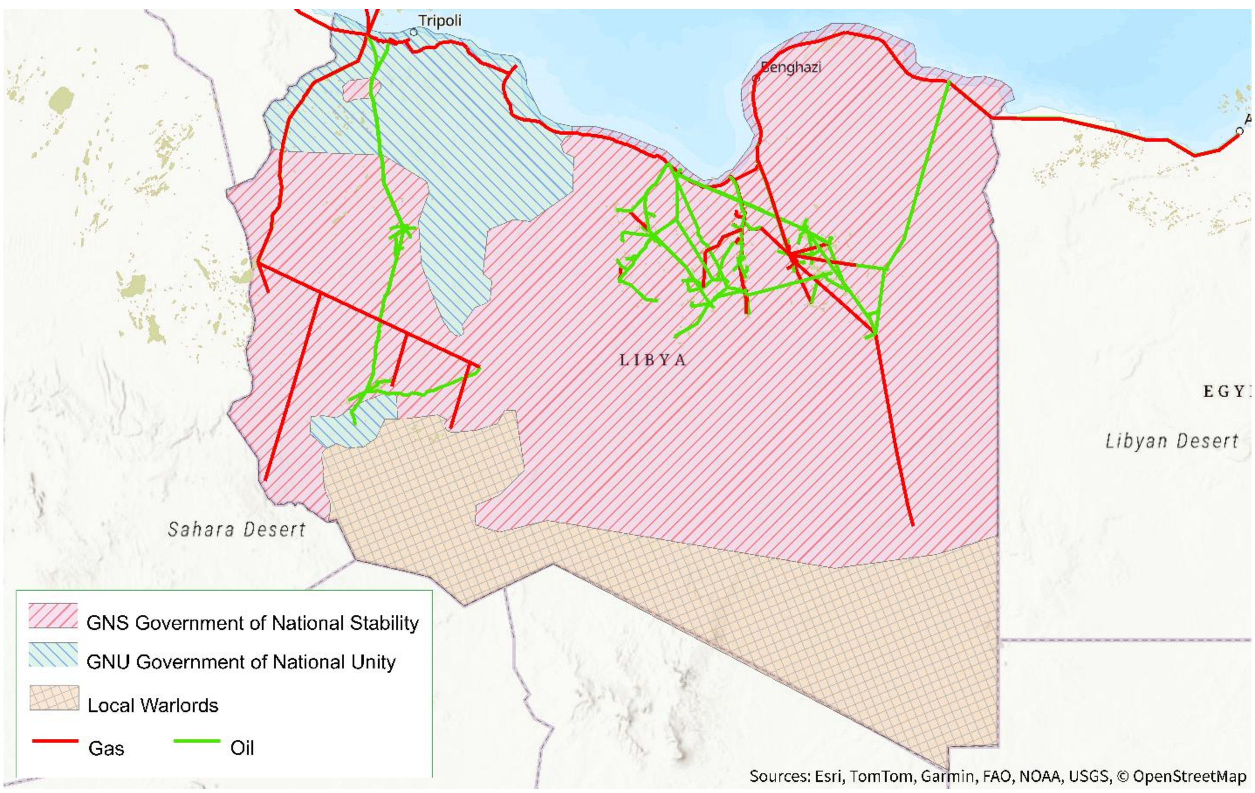

Figure 14: Libya Control Map and Oil Resources

The economic split is functional rather than formal. The National Oil Corporation in Tripoli still brands exports as a national asset, yet oil terminals operate under rival LAAF security, and revenue influence in practice is negotiated through parallel institutions and intermediary accounts. The Central Bank's reunification script moves slowly, and cash and letters of credit circulate through rival patronage networks that fund brigades and municipal authorities.

Throughout late 2020s the political process continues to cycle between constitutional proposals and aborted election timetables as spoilers in both camps price the risk of a winner takes all vote above the benefits of renewed fragmented legitimacy. While the UN pushes for sound electoral laws and a unity cabinet, entrenched factions avoid surrendering coercive levers amid sporadic Tripoli militia flare-ups, while LAAF consolidates administrative grip in the east through security courts and municipal crackdowns.

By 2030, Libya's fragmentation is expected to harden into de facto borders lacking international recognition and revenue arrangements with the Government of National Stability (GNS) emerging as the ruling power. Cyrenaica operates as a quasi-autonomous zone that collects customs and port fees through Benghazi and Tobruk with control of national oil receipts. Tripoli retains commanding heights over service ministries, sovereign payments, and western customs, leveraging Turkish and Italian partnerships to keep airports, free zones, and coastal security viable. Both camps participate in a deconfliction mechanism that links Turkish, Emirati, Egyptian, and Russian channels to prevent direct confrontations and to police red lines around Sirte and Jufra economic zones.

Trade corridors begin to shape politics more than public sentiment does. The Julyana Free Zone in Benghazi receives sustained investment and regular shipping links to Jebel Ali in the UAE and Chinese ports, which binds Cyrenaica to Gulf and Asian supply chains and creates an eastern logistics network for automotive and machinery imports into Europe and vice-versa. Port upgrades and customs digitization in Benghazi and Tobruk reduce dwell times and anchor a commercial ecosystem that rewards predictable security and contracts, strengthening provincial elites around the LAAF.

In the west, Misrata and Tripoli push free zone incentives and air cargo growth tied to Turkish transport networks, preserving market relevance despite the loss of the Oil Crescent in the East. Severe drought conditions in 2028–30 push both eastern and western authorities to court Gulf investment in desalination and solar-powered water pumping. In Cyrenaica, port revenues are partially channelled into export-oriented water-energy projects linked to Mediterranean neighbours, embedding Libya's partitioned governance into the regional Age of Water Diplomacy.

Between 2031 and 2033, Eastern Libya's logistics corridors are expected to be selectively connected into a Gulf-driven integration network through Emirati port and feeder hubs, and Egyptian commercial routes. Political fragmentation and diminished control of state revenues push Western Libya into reliance on foreign assistance and the management of western customs. Revenue-sharing shifts from ad hoc deals to contractual clarity between bilateral institutions with benefits mostly concentrated in the East while Russia's role contracts to deterrence and brokerage. By 2035, fragmentation is entrenched without legal partition: the east operates as de facto Federal Cyrenaica under LAAF control of oil and trade revenues; the west cycles technocrats under unity-government branding with Tripoli brigades and Misrata networks holding streets and payrolls; Fezzan exchanges stability for budget transfers and tolerated smuggling. Security is professionalized only to ports and pipelines, accountability is limited, elections occur only with pre-arranged outcomes, and external patrons trade recognition for predictable oil, gas, and cargo flows with the prize being trade bankability, not political unification.

Sudan: Competing Patrons, Red Sea Security, and Corridor Calculus

Sudan's trajectory to 2035 is shaped by its internal conflict, the strategic value of its Red Sea coastline, and the rivalry between the United Arab Emirates and Saudi Arabia over ports and political influence, making it the primary theater where Riyadh and Abu Dhabi's regional agendas most visibly diverge. The civil war between the Sudanese Armed Forces (SAF) under General Abdel Fattah al Burhan and the Rapid Support Forces (RSF) led by Mohamed Hamdan Dagalo "Hemedti", has created a fractured state in which foreign patrons back opposing sides much as they have in Yemen [96].

The UAE supports the RSF through material aid, political cover, and its role as the primary destination for Sudanese gold and related financial flows, while Saudi Arabia aligns with the SAF, offering diplomatic backing through the Jeddah talks and working to embed Port Sudan in a Saudi led Red Sea security framework and a unified Sudanese state model favored by Western and multilateral partners. This rivalry intensified in late 2024 when Sudan cancelled the UAE-proposed USD 6 billion Abu Amama port development, north of Port Sudan, which was to feature a free trade zone, agricultural investments, and a central bank deposit, explicitly citing Abu Dhabi's backing for the RSF as incompatible with the internationally recognised SAF government's Red Sea security vision [97].

The Sudanese government cited Emirati support for the RSF as the reason for terminating the agreement, declaring that no part of the Red Sea coast would be ceded to Abu Dhabi. The collapse of this deal not only deprived Sudan of a major infrastructure investment but exacerbated a diplomatic tension, with Port Sudan authorities moving closer to Riyadh while the UAE recalibrates Red Sea maritime ambitions.

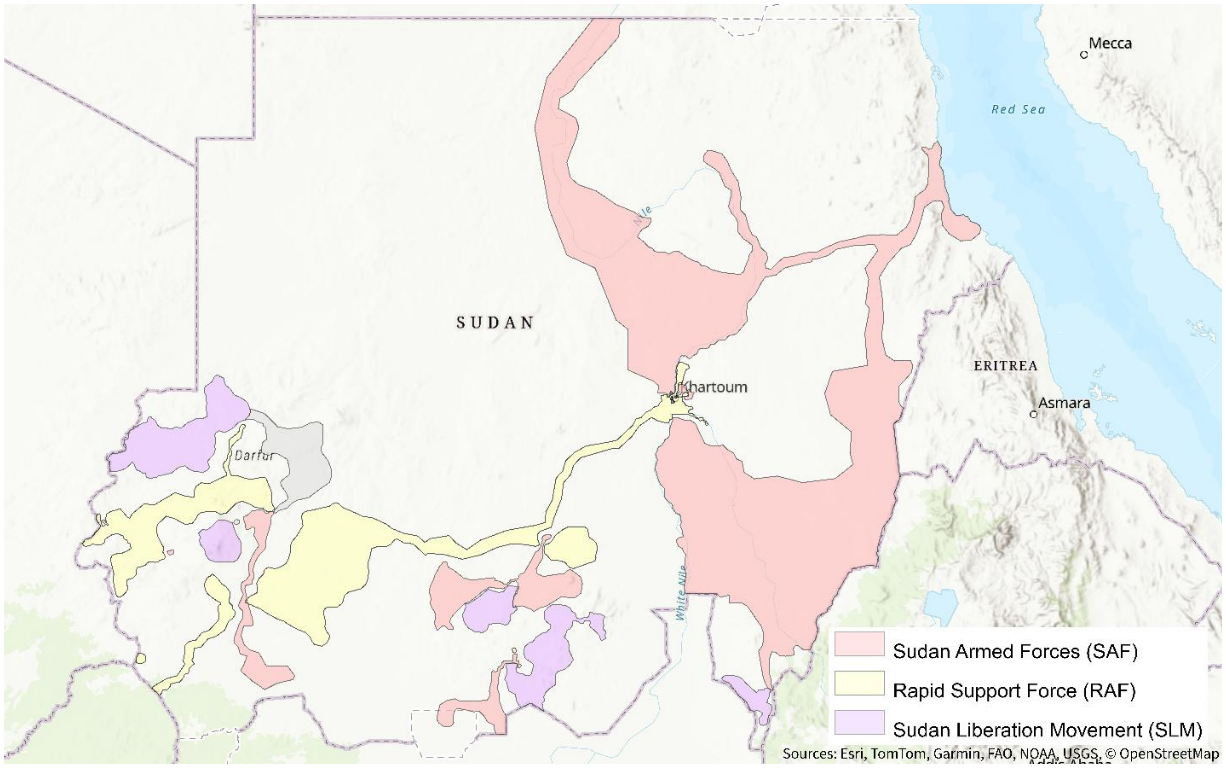

Figure 15: Sudan Control Map

Through the late 2020s, the Red Sea remains a contested strategic corridor, with Sudan's ports serving as both economic lifelines and bargaining chips in wider Gulf rivalries. Saudi backed initiatives focus on modernising Port Sudan and integrating it into a security architecture that links Jeddah, Yanbu, and other Red Sea nodes under a coordinated patrol regime and a narrative of Sudanese territorial unity. The UAE, while excluded from Abu Amama, maintains an extractive, transaction driven footprint through commercial gold intermediaries, agricultural concessions inland, and relationships with RSF controlled territories in Darfur and along the Chadian border [98].

This dual track mirrors the Yemen precedent, where Riyadh and Abu Dhabi backed different factions while maintaining a shared interest in securing maritime routes, yet Sudan stands out in this study's regional map as the main arena where Saudi–Emirati competition over ports, gold, and agricultural land is likely to intensify even as their interests converge elsewhere on Red Sea security and corridor economics. The absence of a unified Sudanese authority allows both Gulf powers to entrench their positions further, with port concessions, customs revenues, and security contracts flowing to respective allies.

By the early 2030s, Sudan's coastline is expected to remain controlled by the Saudi backed and internationally recognised SAF, limiting UAE formal control in the Red Sea. Port Sudan operates under Saudi technical and financial backing and is folded into a broader Saudi-led Red Sea security and trade architecture, while smaller harbours and landing points in RSF-influenced territory are tied into Emirati commercial and logistics networks. The failure to build Abu Amama likely reduces Abu Dhabi’s ability to project direct maritime control on Sudanese shores and shifts Emirati investment toward alternative Red Sea footholds, including Eritrea’s Port of Assab which is used to counter Houthi attacks and Somaliland’s Berber Port where UAE-diplomatic ties continue to pursue port, logistics, and security concessions.

For Sudan, the cancellation entrenches dependence on Saudi capital for port modernization and on Egyptian coordination for overland trade, narrowing strategic options and deepening asymmetry between Riyadh’s integrative state-building agenda and Abu Dhabi’s more opportunistic trade posture. Red Sea security by this stage is managed through a patchwork of bilateral agreements, naval patrols, and insurance backed compliance regimes that favour ports with clear Gulf sponsorship and predictable governance.

By 2035, Sudan likely remains internally divided, with no comprehensive peace settlement between SAF and RSF, yet ports function within the broader Gulf led integration order. Saudi Arabia’s projected consolidation of a maritime security regime integrates Port Sudan into a wider Red Sea protection architecture, anchoring its role as a secure trade node [99], while Emirati interests remain concentrated in more fragmented, commercially leveraged footholds along the Horn of Africa. In this configuration, Sudan becomes the main stress point in an otherwise convergent Saudi–Emirati approach to Red–Med corridor security, with Riyadh’s state-centric Red Sea framework and Abu Dhabi’s trade integration networks coexisting uneasily on the same littoral. Overall, Sudan’s integration into a broader regional framework strengthens reliability of shipping lanes, reduces perceived risk, and helps lower insurance and freight premia for regional trade flows, while reinforcing Gulf-Mediterranean market connectivity.

Switching Conditions and Early Signals

The durability of the primary scenario "Hope? at Last" rests on three hinges: a functional Sinai zone that relieves Gaza pressure, a routinized Israeli deterrence posture that avoids multi-front escalation, and bankable corridors whose risk premia keep falling. The signals below show when those hinges lock into a Fortress Gulf path, drift into a Cold Peace of segregated spheres, or snap into Cascading Wars.

2025–2027

- **Toward Fortress Gulf** → Sinai Phase I is visibly real: perimeter and first desal units commissioned; initial housing and SCZONE governance online; IDF posture in Gaza shifts to routinized civil administration; Red Sea war-risk premia are downgraded; Ras al-Hikma cash-ins stabilize Egypt's FX; LAF enforcement steps plus IMF staff-level deal unlocks Gulf-French money in Lebanon.
- **Toward Cascading Wars / Cold Peace** → Sinai stalls amid Egyptian fiscal or political pushback; Gaza insurgency forces IDF re-escalation; sustained Red Sea disruption keeps insurance "severe"; settler outpost legalizations and West Bank flare-ups intensify; Jordan sees Islamist and succession-linked unrest. Escalatory coupling points to Cascading Wars; contained volatility with corridor delays points to Cold Peace in Spheres.

2028–2030

- **Toward Fortress Gulf** → Sinai Phase II exceeds 1 million residents; IMEC rail/port segments hit record throughput with corridor multi-currency traction; GCC work-visa corridors scale for Palestinians/Egyptians/Jordanians; Riyadh II freezes Yemeni front lines; Jordan's solar-desal swap with Israel/UAE is operational; Red Sea patrol regime lowers premia to pre-2025.
- **Toward Cascading Wars / Cold Peace** → Multi-front Israeli deployments (West Bank–Lebanon–Red Sea) with extended Africa reroutes and insurer withdrawals signal Cascading Wars; if large war is avoided but IMEC slips, cross-sphere links stall, and reforms stay thin, the system trends to Cold Peace in Spheres.

2031–2033

- **Toward Fortress Gulf** → Joint Egypt–UAE–Israel management of the Sinai zone normalizes; grid/water MOUs convert to EPCs; digital-dirham settlements expand beyond G2G; AD Ports/DP World concessions complete the Red–Med spine; maritime premia keep trending down.
- **Toward Cascading Wars / Cold Peace** → Concurrent fiscal stress in Egypt/Jordan/Lebanon with a high-casualty border incident suggests Cascading

Wars; capital fatigue, sub-scale throughput, and corridors operating “inside fences” without cross-sphere bridges indicate Cold Peace in Spheres.

2034–2035

- **Toward Fortress Gulf** → Jebel Ali–Haifa runs end-to-end; joint desal/green-power assets operate commercially; Red Sea premia at decade lows; corridor cash flows become benchmarkable and insurable.
- **Toward Cascading Wars / Cold Peace** → A dual shock (global demand slump plus multi-theatre flare-ups) erodes Gulf backstopping and forces prolonged Africa reroutes (Cascading Wars); if shocks are avoided but budgets tighten, labor imports plateau with automation, and legitimacy erodes outside the GCC, the region hardens into Cold Peace in Spheres.

Why This Holds Together

- **Deterrence spine**: A routinized Israeli security regime, coupled with Sinai absorption, removes the system’s most volatile trigger long enough for trade infrastructure to hard-wire habits of cooperation.
- **Sunk-cost interdependence**: IMEC segments, port concessions, digital settlement rails, and desal assets create irreversible ties that raise the cost of disruption for Israel, Egypt, Jordan, and the Gulf.
- **Insurer discipline**: Persistent downgrades in war-risk premia and verified throughput convert politics into financeable corridors; once banked, reversals require concentrated shocks, not noise.

Where It Can Break

- **Sinai failure cascade**: If the zone’s security, utilities, or governance credibility falter, Gaza pressure returns, IDF re-escalates, and corridor bankability evaporates.
- **Water and succession shocks**: A Hauran/Yarmouk or Nile-flow crisis, combined with a brittle Jordan transition or Egyptian fiscal rupture, can flip the system from managed equilibrium to crisis.

Alternative Scenarios

Fortress Gulf

Integrated Gulf led order + Negotiated reform

Fortress Gulf departs from the primary scenario by replacing “managed stalemate” with a thin but actionable reform bargain that locks economic interdependence into rules, not personalities. The architecture is still Gulf-led and corridor-centric, but the operating logic shifts from ad hoc crisis containment to codified compacts: standardized maritime security rules in the Red Sea and Bab el-Mandeb, verifiable customs digitization along the Red–Med spine, and conditional fiscal lifelines under IMF–GCC umbrellas. Israeli deterrence remains the security ceiling, yet it is supplemented by negotiated administrative upgrades for Palestinians and third-party monitoring that reduce conflict and make corridor finance insurable at scale. Rather than subcontracted civil control without horizon, this scenario channels pressure into bounded, incremental concessions that improve daily governance while postponing sovereignty questions.

The core deviation is institutionalization. Where the primary scenario relies on habitual de-escalation and sunk-cost connectivity, Fortress Gulf adds enforceable clauses: immediate response for maritime interference, transparent tariff schedules at ports and dry ports, escrowed reconstruction funds linked to compliance benchmarks and graduated penalties that punish without forcing collapse. Gulf capital still anchors the system, but it is matched to reform waypoints that matter for governments, lenders, and insurers including bankable concessions, revenue-sharing formulas, competition policy changes, and credible state-withdrawal from choke-point sectors. In Palestinian areas, administrative upgrades are real but bound to contiguous humanitarian and commercial corridors, electoral reform, municipal budgeting authority, vetted policing under external monitors, labor-mobility quotas into GCC service and education sectors, and a staged program of civil documentation and property registry clean-up that reduces arbitrage and lowers humanitarian burn rates.

A necessary paradox anchors feasibility. Negotiated reform only holds because credible hard power deters opportunistic spoilers. Without Israeli deterrence against Iranian expeditionary networks, and without continued Gulf fortification (air defense, ISR, and interoperable maritime assets) the political space created by institutional bargains would be contested by smaller actors whose incentives favor disruption. Fortress Gulf therefore does not demilitarize the order; it professionalizes and layers it, pairing visible sticks with foreseeable and verifiable carrots. In practice, this reduces the frequency and severity of shocks without assuming a rights-based peace. The contribution to the MENA map is a quiet redrawing of functional borders.

De facto partitions in Yemen, Libya, and Syria persist, but they are converted into managed interfaces with codified trade lanes, harmonized customs, and shared utility nodes that limit rent extraction by militias. In the Levant, movement corridors and municipal authorities gain enough capacity to support labor mobility and basic services, even as final status remains deferred. Egypt's northeastern frontier becomes less a pressure valve and more a development hinge, with desalination, logistics, and zone governance aligned to corridor standards rather than emergency aid cycles and fiscal burden. Jordan's role as corridor state deepens through a service-logistics ecosystem bound to IMEC segments and water-energy swaps, lowering the risk of sudden fiscal ruptures.

Regionally, the Gulf–Israel economic axis becomes explicit and formalized publicly. Normalization is framed as a security-economics package with clear deliverables: integrated payment rails (including digital-dirham pilots for G2G), port and rail interoperability standards, common KYC/AML baselines for trade finance, and sovereign backstops for corridor bonds. The U.S., Europe, and selectively China participates as guarantors, buyers, and equipment suppliers, aligning external interests with corridor health rather than episodic mediation. Iran is not excluded so much as bounded; as sanctions relief is conditioned on maritime restraint and proxy de-activation, Tehran leans into transactional energy and reconstruction niches where it can, while its cost of escalation rises against a more interoperable Gulf–Levant security web.

Fortress Gulf is the best overall outcome because it turns today's sunk costs into enforceable habits. It does not romanticize reconciliation, nor does it erase grievance, yet it is recognizably difficult to achieve amid intensity of ongoing regional conflicts. The scenario narrows the arena for violence, prices risk into bankable bands, and channels political competition into administrative performance where possible. Its fragility is clear: a water-shock, a succession misstep, or a multi-theatre surprise could still unlock Cascading Wars.

Cascading Wars

Fragmented order + Deterrence peace

This "worst case" scenario represents the collapse of the integrated order into a fragmented, deterrence-based equilibrium where force replaces compacts, and every front becomes vulnerable to ignition. The architecture is no longer Gulf-led integration but a patchwork of fortified spheres, each reacting to the other's moves without a shared framework for de-escalation. Israeli deterrence remains potent, but without the stabilizing effect of negotiated reform or functioning corridors, it becomes a blunt instrument, capable of punishing adversaries but unable to prevent the proliferation of crises. The result is a region locked in a cycle of reactive military campaigns, economic contraction, and political hardening.

Gaza and the West Bank became major catalysts in this scenario. Electoral reform by the Palestinian Authority intended to broaden political representation in response to international recognition demands, allows Hamas to participate in upcoming 2026 elections. Hamas wins, as occurred in Gaza in 2006, propelled by rising public sentiment in the West Bank and the "resistance" narrative in Gaza over the perceived complicity and ineffectiveness of the Palestinian Authority. The move fractures the Palestinian political sphere; triggers armed competition for control of security organs and sparks a sustained insurgency in northern and central West Bank cities. Clashes with Israeli units escalate beyond containment, prompting Israel to launch a sweeping military operation to "cleanse" insurgent strongholds and dismantle the Palestinian Authority.

Fighting rapidly extends across the Jordan River as organized Islamist militant networks embedded in Jordan, Syria, and Lebanon mobilize to support Hamas confrontations in the West Bank. The surge in militant activity prompts Israel and Jordan to launch coordinated targeted strikes and ground incursions inside Jordan as measures for counter-terrorism. However, the visible presence of Israeli forces on Jordanian soil inflames domestic opposition, fractures the Jordanian security apparatus, and triggers armed resistance from both militant factions and disaffected local elements. What begins as a joint security operation devolves into a multi-front internal conflict for Jordan, combining insurgency in its northern governorates, unrest in urban centres, and a collapse of border control, while simultaneously locking Israel into a sustained eastern operational frontline alongside its campaigns in Gaza, the West Bank, Syria and potentially Lebanon.

Simultaneously, the Gaza front reignites even as Hamas wanes following a massive Israeli demilitarization campaign. This breakdown in the post-war Gaza arrangement becomes a major driver of regional conflict, particularly if Egypt and Israel have reached an agreement to relocate Gaza refugees to a designated Sinai Economic Zone. In this scenario, the Gaza–West Bank escalation fuels a rising insurgency in Sinai, with militant networks (some tied to Gaza factions, others to transnational jihadist groups) mounting sustained attacks on Israeli border positions. In response, Israel conducts unilateral military operations deep inside Sinai, acting against the 1979 Peace Treaty and without Cairo's consent.

The visible and prolonged Israeli presence on Egyptian Sinai territory fractures Egypt's internal political consensus, forcing the military establishment to abandon its limited counter-insurgency posture and revert to a defensive stance oriented squarely against Israel. Domestic outrage and elite pressure converge, and Egypt is drawn into a large-scale war framed as a defence of sovereignty. The confrontation marks the collapse of the 1979 peace agreement, transforming the Sinai from a buffer into an active war theatre and triggering a broader regional escalation underscoring the fragile stability of the deterrence peace model.

These twin crises in West Bank-Jordan and Gaza-Sinai reverberate across other frontlines. Hezbollah, under pressure from its base and emboldened by the perception of Israeli overextension, resumes cross-border attacks from southern Lebanon and uses this chance to increase recruitment. In Syria, Iranian-aligned militias exploit the chaos to push into contested zones near the Golan and along the Damascus periphery, forcing Israel into simultaneous northern and eastern operations. In Iraq, Popular Mobilization Forces sympathetic to Tehran escalate harassment of U.S. and Gulf assets, while in Yemen, Houthi missile and drone strikes on Red Sea shipping intensify, further isolating Gulf ports from Mediterranean markets.

The political fallout is equally destabilizing. The collapse of the Arab–Israeli normalization track removes the diplomatic cover that once allowed Gulf capitals to balance ties with Israel and outreach to wider Arab constituencies. The UAE finds itself alienated from regional consensus where its visible security coordination with Israel, once an asset in the integrated order, becomes a liability in Arab public opinion, constraining its ability to mediate or project influence. Saudi Arabia recalibrates toward a more guarded, self-contained security posture, while Qatar and Turkey expand their roles as patrons of opposition movements, deepening the fragmentation.

In this scenario, deterrence does not prevent war; it simply shapes its tempo and geography. The absence of shared economic projects or enforceable political bargains means every escalation is a potential system-wide shock. Trade corridors are severed or militarized, maritime choke points become contested zones, and investment flows collapse under the weight of insurance withdrawals and capital flight. By 2035, the MENA map reflects a hardened mosaic of armed frontiers, proxy-controlled enclaves, and fragmented militarized borders. The Gulf remains fortified but economically diminished, Israel holds expanded but volatile security zones, and the Levant is defined less by negotiated lines than by the shifting edges of active battlefields. Cascading Wars is not a single conflagration but a chain reaction, each link forged by the failure to contain the last.

Cold Peace in Spheres

Fragmented order + Negotiated reform

Cold Peace in Spheres describes a region where negotiated reforms take root in limited, segmented arenas, but without the connective tissue of a regional trade integration order. The result is a fragmented map of self-contained “protected spheres”, each with its own security guarantor, economic lifelines, and governance arrangements, that coexist under a tacit understanding on avoiding direct confrontation. The architecture is not Gulf-led in the sense of a single, bankable corridor strategy; instead, it is a mosaic of bilateral and sub-regional deals and externally backed factions, each insulated from the others.

Israeli deterrence remains intact, but its function is to police boundaries rather than to enable cross-sphere integration. The deviation from the primary scenario lies in the absence of a unifying economic or security framework. Negotiated reform still occurs including municipal upgrades in Palestinian areas, targeted fiscal support for fragile states, and selective infrastructure rehabilitation, but these are confined within each sphere's perimeter. The Gulf invests heavily in its own maritime and overland corridors, but without the ambition or political capital to weave a single regional trade network. Israel maintains functional arrangements with Jordan, Egypt, and select Gulf states, but these are transactional and narrowly scoped, avoiding the political exposure of full normalization.

The drivers of this outcome are both structural and political. Region-wide integration is thwarted by unresolved sovereignty disputes, public opposition to normalization, and the political cost of visible alignment with Israel in the wake of protracted Gaza and West Bank crises. Gulf capitals, wary of overextension and reputational risk, focus on fortifying their own trade routes, energy grids, and digital infrastructure, while offering conditional aid to neighbours in exchange for security guarantees that protect their specific corridors. External powers such as the U.S., Europe, China, and Russia engage selectively, reinforcing individual spheres where they have strategic stakes rather than underwriting a regional system.

In this environment, Israel's containment of the Palestinian Authority into segregated enclaves yields modest but real administrative reforms showing improved service delivery in select municipalities, expanded labor quotas into Gulf economies, and limited commercial corridor access. Jordan's stability is maintained through targeted Gulf and Western support, but its role is reduced to managing its own internal politics rather than serving as a bridge between others. Egypt retains control over its Sinai Economic Zone but treats it as a national security buffer, not a platform for regional integration or development.

The MENA map under Cold Peace in Spheres is one of hardened boundaries and localized stability. Yemen remains divided into northern and southern zones with separate patrons; Libya's east and west operate as distinct economic spheres; Syria is partitioned into regime-held, Kurdish-controlled, and Israeli/Turkish buffer zones, each with its own external backer. Maritime choke points like Bab el-Mandeb, Suez, and the Eastern Mediterranean, are secured by overlapping patrol regimes, but these operate in parallel rather than as part of a unified command.

This scenario's stability is brittle. It depends on each sphere's guarantor maintaining both the will and the capacity to police its perimeter, and on the absence of shocks that spill across boundaries. The absence of cross-sphere interdependence means that a crisis in one zone, whether political, economic, or environmental can be contained, but it can also be ignored. Cold Peace in Spheres is thus a managed fragmentation that is less violent than Cascading Wars, less ambitious than Fortress Gulf, and ultimately a holding pattern that freezes the map without resolving the conflicts that shaped it.

Policy Recommendations

These recommendations are scenario-linked and sequenced. Each audience gets near-term actions that safeguard the corridor economy and reduce civilian harm, plus structural moves that align with the 2025–2035 milestones in our primary scenario.

Palestinian Leadership: Statehood Without a Homeland

At the heart of the primary scenario's vision for regional trade alignment lies the unresolved "Palestinian Question", and the challenge for Arab states in charting a path forward after Israel's devastation of Gaza. The ongoing humanitarian collapse in Gaza Strip stems from two converging forces: Israel's long-standing policies of siege and chronic failures of Palestinian leadership. Prime Minister Netanyahu's claim that Gaza's suffering has been compounded by years of mismanagement contains a partial truth, even as it serves to deflect from Israel's own role in the crisis. These failures are a symptom of a 77-year conflict, yet Palestinians and the wider Arab world must also take responsibility for the current paralysis.

For decades, Palestinians have failed every strategic, diplomatic, and governance test. Despite receiving over USD 40 billion in international aid since 1994, the Palestinian Authority has failed to deliver sustainable infrastructure, establish judicial independence, or generate meaningful economic growth [100]. Hamas, meanwhile, operates with an estimated USD 2 billion annual budget, funded primarily by Qatar and illicit taxation, yet basic services in Gaza were managed to serve military priorities [101]. Its leadership resides in five-star hotels in Doha and Istanbul while Gaza's population endures siege and bombardment.

The Protection Gap: Palestinian Exclusion from International Refugee Law

Palestinians face a unique and discriminatory exclusion from international refugee protections that has persisted for over seven decades. Article 1D of the 1951 Refugee Convention explicitly excludes persons receiving protection or assistance from UN organs other than UNHCR, a provision specifically crafted to exclude Palestinians served by UNRWA [102]. While UNHCR's *Revised Note on the Applicability of Article 1D* (2009) clarifies that the exclusion clause does not bar Palestinian refugees from receiving protection under the 1951 Convention once UNRWA assistance ceases, this ipso facto entitlement has not translated into consistent or pre-emptive refugee recognition in Western jurisdictions [102].

UNHCR's *Guidelines on International Protection No. 13* (2017) reaffirm this interpretation, yet multiple studies and legal analyses, including those by the European Court of Justice in *Bolbol* (C-31/09) and *El Kott* (C-364/11), highlight persistent gaps in implementation, leaving many Palestinians ineligible for asylum despite meeting the Convention's criteria [103]. This creates a protection gap where Palestinians, despite being the world's largest and longest-standing refugee population, cannot access the global refugee protection regime that grants stateless persons the right to seek asylum and pursue immigration processes in third countries. This exclusion has profound consequences on the socio-political landscape in Palestine.

A Palestinian from Gaza, facing siege, bombardment, and statelessness, is paradoxically ineligible for refugee status in most Western immigration systems that rely on UNHCR frameworks. While citizens of conflict zones from Syria to Ukraine can claim asylum internationally, Palestinians remain trapped in a legal limbo, refugees in their own territory, served by an agency (UNRWA) that provides humanitarian aid but no pathway to citizenship, permanent residency, or legal protection in third countries. Exceptions to this general ineligibility may arise where a Palestinian claimant demonstrates a well-founded fear of persecution on grounds recognized under the 1951 Refugee Convention, such as gender-based violence, threats from family or community tied to cultural norms, or targeted political persecution (e.g., being sought by Hamas for political dissent), rather than solely on the basis of being born a stateless Palestinian refugee [104].

In such cases, adjudicators assess the claim under the “particular social group” or “political opinion” grounds, as reflected in UNHCR’s *Guidelines on International Protection No. 1* (2002) and domestic jurisprudence in Canada, the EU, and the U.S. [105]. While Palestinians in the West Bank also live under occupation, many possess temporary Jordanian travel documents or other means of crossing into Jordan, granting them comparatively greater international mobility, a disparity that has deepened the divide in lived realities between Palestinians in Gaza and those in the West Bank.

The Palestinian Authority, over its three-decade existence, has failed to address this structural exclusion from international law or advocate for its people's integration into international protection frameworks. Instead of pursuing bilateral agreements for labor mobility, permanent residency pathways, or citizenship options for the diaspora, the PA has maintained a political fixation on territorial sovereignty while millions of Palestinians remain stateless, rightless, and excluded from the mobility and protection afforded to every other refugee population globally. This protection gap makes our proposed Transnational Palestinian Council (TPC) not merely an administrative reform but an ethical imperative and a mechanism to finally secure the rights, mobility, and legal personhood that the current Palestinian Authority framework denies.

The Victimhood Enterprise and The Identity Crisis

On a global scale, Palestinians have always assumed a victim role, which is undeniable, as the world has seen their dispossession, occupation, and repeated displacement. Yet this moral capital has rarely been converted into tangible political gains or structural reform. Instead, leadership has entrenched itself in factionalism, corruption, and a narrow revolutionary identity that has neither delivered sovereignty nor safeguarded dignity. Israel, meanwhile, has invested heavily in global influence campaigns that have reframed the conflict for targeted audiences, eroding Palestinian narrative dominance even on the question of victimhood itself [106]. While the world currently debates whether Israel is committing a genocide in Gaza, Palestinian leadership remains unable to mount a unified, credible political strategy capable of leveraging this unprecedented global scrutiny into concrete diplomatic, legal, or institutional gains.

The Palestinian poet Mahmoud Darwish captured this paradox in a 1996 interview with an Israeli journalist, later quoted in Jean-Luc Godard's *Notre Musique*: *"Do you know why we Palestinians are famous?"*. He answers *"Because you are our enemy. The interest is in you, not in me"* [107]. This was not self-pity, but a recognition that Palestinian visibility has always been mediated through the 'Jewish Question' and Israel's centrality in global politics. This chronic leadership failure has left Palestinians trapped in a political double bind. If they resist militarily, they are accused of violence and endangering their own people; if they refrain, they are dismissed as passive and irrelevant. The Palestinian identity is one of the most diverse in the world, yet it has been reduced to a post-1948 revolutionary narrative that no longer delivers survival, sovereignty, or dignity.

In his memoir and later interviews, former Prime Minister Ehud Barak has admitted that Israel employed deliberate stalling tactics to sabotage the post-Oslo peace talks and forestalled any genuine agreement while fostering a divide between Gaza and the West Bank [108]. Palestinians today confront an unforgiving choice: how to coexist with an adversary that refuses to negotiate and seeks to erase their political presence. If reconciliation remains impossible, the path forward is not rhetorical, and it demands a decisive reconstitution of Palestinian agency. A transnational, institutionally disciplined strategy that secures rights, mobility, representation, and economic power independent of territorial sovereignty. Our proposed framework below for a Transnational Palestinian Council in place of the Palestinian Authority would operationalize these existing but dormant legal commitments.

Our proposed Sinai Economic Zone (SEZ) model, premised on voluntary, time bound hosting arrangements and guaranteed rights of return for displaced Gazans, cannot succeed without a fundamental political reset. The dissolution of the Palestinian Authority and Palestine Liberation Organization, while unprecedented, finds legal basis in the principle of self-determination under Article 1 of the International Covenant on Civil and Political Rights, which grants people the right to "freely determine their political status" [109]. The interim nature of the Oslo Accords and repeated extensions without achieving final status, combined with the PA's failure to hold elections since 2006, have eroded its democratic legitimacy under its own Basic Law [110].

International precedent exists for reconstituting failed governance structures, as seen in Kosovo's supervised independence and East Timor's UN transitional administration [111]. We therefore recommend a Palestinian-led process that culminates in the consensual dissolution of the Palestinian Authority and the Palestine Liberation Organization, transferring their non-territorial mandates to a new international institutional architecture. In this scenario, such a reset becomes a core prerequisite to post conflict arrangements in Gaza and the West Bank and to ending decades of factionalism, corruption, and misrepresentation of Palestinians.

Instead, we propose establishing a **Transnational Palestinian Council (TPC)** and a **Palestinian Global Trust Fund** as non-political, non-militant, technocratic coordination agencies, legally registered in neutral jurisdictions, barred from partisan activity in host states, and focused solely on policy, economic, and cultural initiatives that sustain Palestinians in transition and the diaspora. The TPC's mandate is not to govern territory but to ensure the survival, cohesion, and agency of the Palestinian people in Sinai, the West Bank, and across the diaspora, serving as a central constituency. It would replace the functions of embassy offices and can be a professional body in host countries without destabilising them, while preserving Palestinian identity and building economic resilience abroad. The practical test is sequencing this proposition.

In 2025–2026, establish the TPC and the Palestinian Global Trust Fund; in 2026–2028 migrate non-territorial PA and PLO functions and records into these entities; by 2028 align host-state compacts, residency, and labor mobility for Palestinians around a single audited framework. The urgency of this proposal cannot be overstated. As of August 2025, over 60,000 Palestinians have been killed in Gaza, with millions facing starvation and disease while the international community remains paralyzed [112]. The principle of "responsibility to protect" (R2P), endorsed by the UN in 2005, obligates the international community to act when states manifestly fail to protect their populations from genocide, war crimes, ethnic cleansing, and crimes against humanity [113]. The proposed transitional framework offers a pragmatic mechanism to fulfill this obligation while respecting sovereignty of Arab neighbors and international law.

Recommendations for Palestinian Leadership

1. **Dissolution and Replacement**
    - Dissolve the PA and PLO formally, transferring all non-territorial functions, archives, and legitimate assets to the Transnational Palestinian Council in coordination with Israel and Arab patrons, led by Palestinian diaspora professionals with no militant affiliations.
    - Secure Arab League and UN recognition of the TPC as the sole legitimate representative for Palestinian affairs and develop clear negotiation toward an international administration in Gaza.

2. **Mandate and Structure**

    - Limit TPC to three domains, consistent with the stateless diaspora governance models recognized under customary international law and the 1954 Convention Relating to the Status of Stateless Persons:
        - **Policy**: advocacy on refugee rights, legal status, and humanitarian access
        - **Economic**: management of trust funds, transitional support, and coordination of aid disbursement
        - **Cultural:** preservation and promotion of Palestinian heritage, language, and historical record
    - Adopt binding TPC legal safeguards preventing interference in host-state politics; require audited financials and public reporting.
    - Engage in and coordinate with international and Egyptian counterparts on transitional governance arrangements in the West Bank and on any voluntary, time bound hosting frameworks for displaced Gazans in the Sinai Economic Zone, ensuring rights of return, family unity, and compliance with international law.
    - Prohibit armed wings, political endorsements, or host-state electoral participation.

3. **Economic and Cultural Survival Framework**

    - Establish a Palestinian Global Trust Fund capitalized by Arab states, international donors, and private contributions, as a central agency for Palestinian human and economic development.
    - Support voluntary relocation programs for Palestinian refugees in collaboration with Arab host-states; and develop vocational training, microfinance, and SME support programs for Palestinians in Sinai, the West Bank, and diaspora.
    - Fund and operate cultural centres, archives, and digital platforms globally to preserve and narrate the Palestinian identity across generations.
    - Create a secure digital civil registry to preserve IDs, property claims, academic credentials, and family status across Sinai, the West Bank, and the diaspora, with escrowed data access and third-party audit.
    - Develop reconciliation and post-conflict engagement programs between Palestinians and Israelis in cooperation with neutral international partners, aimed at preparing future generations for coexistence, conflict-resolution, and mutual understanding.

4. **Accountability and Transparency**
   - Publish an annual “State of the Palestinian People” report covering economic conditions, rights status, and cultural initiatives.
   - Institute a permanent independent oversight board, including respected diaspora figures and non-Palestinian experts, to audit TPC activities.
   - Document past leadership failures publicly; create a truth-and-accountability process to reinforce external recognition.

Arab States: From Crisis Management to Regional Economic Architecture

The success of the proposed Sinai Economic Zone (SEZ) and the wider regional trade-realignment strategy depend as much on Arab state policy coherence as it does on a Palestinian political reset. The dissolution of the PA and PLO and the creation of a narrowly-mandated Transnational Palestinian Council, as outlined in the preceding section, will only gain traction if Arab capitals actively support a reconstituted Palestinian representation architecture while safeguarding their own political stability and aligning with emerging plans for Gaza reconstruction and PA reform.

Arab states, while formally supportive of the Palestinian cause, have historically viewed independent Palestinian political structures as destabilising. From Black September in Jordan (1970) to the PLO’s role in Lebanon’s civil war (1975), Palestinian armed and political autonomy has often triggered host-state crackdowns [114]. Today, Gulf and North African capitals fear that any transnational Palestinian body could replicate the PLO’s history of intervening in local politics. This makes it imperative that Arab engagement must be structured, conditional, and aligned with the region’s economic integration agenda.

Within the study’s primary scenario, Arab states are not passive bystanders but central architects of a new economic geography linking the Gulf, the Levant, and the Mediterranean. The same infrastructure and trade corridors that underpin the India–Middle East–Europe Economic Corridor (IMEC) and the proposed Sinai Economic Zone, can also serve as stabilising regional mechanisms if Arab states coordinate investment, security, and governance standards. Gradual Arab–Israel normalization, tied to enforceable safeguards for Palestinians and mutual economic benefit, can further embed these corridors in a cooperative security and trade framework. This requires a dual approach: limit the TPC’s remit to non-political, non-militant functions that host-states can safely accommodate; embed Palestinian economic survival into the broader logistics, energy, and trade networks that will define the region’s competitiveness through 2035.

By aligning Palestinian political restructuring with the economic imperatives of the Sinai Economic Zone and the Gulf–Levant–Mediterranean trade spine, Arab states can turn a destabilising legacy issue into a managed, productive asset. This approach secures borders, expands economic integration, and positions the Arab world as a central node in 21st-century global trade, reviving its historic role as a bridge between East and West.

Recommendations for Arab States

1. Egypt: Anchor the Sinai Economic Zone and Regional Corridors

- Lead SEZ governance in partnership with Gulf investors, ensuring transparent procurement and anti-corruption safeguards to attract long-term capital. Leverage SEZ construction to boost short-cycle sectors and reduce fiscal deficit.
- Integrate Palestinian labor into SEZ projects under clear legal and residency frameworks that preserve the right of return, creating a transitional path for displaced Gazans while avoiding unmanaged refugee spillover into Cairo and other urban centers.
- Secure Red Sea–Mediterranean connectivity by upgrading Suez Canal logistics and linking them to Gulf–Levant rail and road corridors.
- Accelerate SOE divestment, unify FX regimes and improve foreign reserves via digital trade settlements, and complete debt reprofiling to reduce near-term gross financing.

2. Jordan: Gateway and Stabiliser

- Enhance border security and customs efficiency to position Jordan as the Levantine logistics hub connecting Gulf–Israel trade to Mediterranean ports.
- Manage voluntary refugee integration from the West Bank through structured residency, work permits, and education access, funded in partnership with the Palestinian Global Trust Fund.
- Pair corridor-linked infrastructure investment with fiscal reforms and sustainable employment initiatives including targeted vocational training and preferential labor-mobility agreements with Gulf partners.

3. Gulf States (Saudi Arabia, UAE)

- Capitalize the Palestinian Global Trust Fund with anchor investments, tying disbursements to support Palestinian diaspora and audited non-political TPC programs.

- Make capital conditional and performance-based by tying major bailouts and equity injections to verifiable milestones on SOE divestments, privatization, subsidy reform, procurement transparency, and labor mobility.
- Finance and co-develop infrastructure across the proposed Sinai Economic Zone, Egypt, Jordan, and along the IMEC route, ensuring interoperability of ports, rail, and digital systems.
- Use sovereign wealth funds to acquire strategic stakes in logistics, energy, desalination, and agri-tech projects that integrate Palestinian and Levant labor into regional supply chains.
- Coordinate security of trade corridors through joint naval and air surveillance in the Red Sea, Arabian Gulf, and Eastern Mediterranean.

4. Collective Arab Actions

- Arab League endorsement of the TPC as the sole representative for Palestinian affairs, with binding non-interference clauses to reassure Arab host-states, while negotiating pathways for permanent residence for Palestinians in host-countries.
- Coordinate Arab participation in any future reconstruction and governing body in Gaza, ensuring that Arab contributions prioritize civilian protection and meaningful Palestinian participation for future peace prospects, rather than merely external control.
- Pursue phased Arab–Israel normalization linked to economic integration and corridor development milestones with reciprocal trade, investment, and technology-transfer in Israel and Arab economies.
- Harmonise trade and customs regulations across participating states to reduce friction in cross-border movement of goods and services.
- Create a Corridor Integrity Compact that codifies non-interference in Red–Med flows, common incident protocols, and joint sanctions on actors that obstruct ports, rails, power, or water assets.
- Build safe labor-mobility corridors with structured work-visa programs for Palestinians and surplus labor from Egypt, Jordan, and elsewhere. Create skills pipelines linked to port logistics, renewable energy, and construction.
- Establish a joint climate adaptation fund to protect corridor infrastructure from major destabilizers like water scarcity, heat stress, and coastal erosion.

United States and Israel: From Permanent Emergency to Enforceable Order

A durable Gulf–Levant–Mediterranean trade spine cannot be sustained under a state of permanent emergency, and neither can Israel as a state. In the primary scenario, Israeli deterrence provides the security ceiling while Arab capital, ports, and trade corridors drive the region's economic engine. Deterrence policies carry durable reputational costs from the humanitarian crisis in Gaza to the West Bank annexation. Israel faces a strategic choice on whether to embed deterrence within a stable operating framework that keeps corridors open and lowers friction, or to overreach and risk multifront crises that raise trade costs for partners and distort Arab-Israeli normalization arrangements.

The study projects that Israel will continue expanding its security envelope while managing persistent friction with Iran and its networks in Lebanon, Syria, Iraq, and Yemen and seeking to shape any interim governance arrangement in Gaza so that it excludes both Hamas and the current Palestinian Authority, relying instead on international and Arab partners to provide a civil administration layer under Israeli security control. This Israeli expansion includes firm control of the Jordan Valley and the key aquifers in southern Syria that underpin water security for Israelis, Palestinians, and Jordanians, a leverage that grows as regional drought and heat push water to the center of politics. Yet this leverage creates vulnerability as political upheavals in neighboring Arab states could quickly erode Israel's ability to manage and benefit from its deterrence doctrine.

The reputational damage from mass civilian casualties in Gaza has already eroded Israel's standing across Europe, the Global South, and parts of North America, hardening social boycotts, academic isolation, and political pushback. The question is why Israel chose such a visible, high-casualty campaign when it mastered calibrated, covert warfare for decades. The answer is strategic rather than tactical. Tel Aviv seeks to rewrite the conflict's operating system by resetting deterrence after October 7, dismantling Hamas's governing capacity, engineering a new demographic and administrative reality in Gaza, locking in West Bank boundaries, and signaling to Iran and its allies that the rules have changed.

The aim is to change the region's trajectory, not only win a battle, and this choice carries long-term risks. A strategy that trades legitimacy for territorial depth and water control can stabilize borders in the near term but invites sustained lawfare, economic isolation, and highly targeted retaliation against critical infrastructure. The path that preserves Israel's security and the region's stability requires bounding deterrence with predictable rules, reducing civilian harm in practice rather than rhetoric, and engaging Arab partners on a managed end-state for Gaza and the West Bank. Arabs will have to confront this new reality and pursue a workable reconciliation while addressing the core issue that continues to destabilize the system, the Palestinian Question. Without that political answer, no amount of deterrence, territory, or water leverage will secure a durable peace.

For the United States, the challenge is to operate in a more multipolar landscape with fiscal constraints at home and a credibility gap widened by the Gaza war. Washington remains indispensable to Red Sea security, insurance normalization, IMF packages, and quiet deterrence, but open-ended military commitments are less sustainable. In this scenario, Gulf-led integration is the most practical stabilizer, with the United States best positioned as guarantor of maritime security, corridor finance, and enforceable rules rather than sole crisis manager as in preceding decades.

Policy toward Arab partners must balance steadfast support for Israel with visible guardrails that prevent escalation and protect the bankability of ports, rails, and water-energy projects from Egypt to Jordan, Lebanon, and Syria, while maintaining a calibrated Iran policy with sanctions and on-ground escalation deterrence systems with regional partners. In this model the American footprint is lighter, the rules are clearer, and the returns are measurable in lower risk premia, stable logistics, and a regional order that relies on enforceable commitments rather than open-ended deployments.

In this configuration, the Gaza reconstruction and governance model, along with the Sinai Economic Zone relocation framework, are designed explicitly as an Arab financed, internationally administered, burden-sharing arrangements rather than a new U.S. funded socio-political experiment. Gulf sovereign wealth funds, which already manage roughly USD 5.6 trillion in assets and are projected to reach about USD 8.8 trillion by 2030, provide the primary capital base for reconstruction, economic zones, and trust funds, while U.S. and international institutions compete for implementation roles in engineering, oversight, insurance, and auditing. For Washington, the value proposition is cost avoidance and risk reduction, not large new appropriations. The United States underwrites standards, security, and guarantees while partners finance bricks, mortar, and service delivery, consistent with the broader shift in U.S. policy debates toward greater donor burden sharing.

The institutional design of the Transnational Palestinian Council and the Palestinian Global Trust Fund is built to navigate U.S. legislative constraints rather than clash with them. As nonpolitical instruments drawing on the 1954 Convention relating to the Status of Stateless Persons and the UN Guiding Principles on Internal Displacement, these bodies focus on civil status, service delivery, and economic coordination rather than sovereignty claims or peace negotiations. Funding is expected to come primarily from Gulf and regional contributors, with Western roles limited to auditing, compliance verification, and strategic oversight.

This structure minimizes exposure to restrictions such as the Taylor Force framework that condition direct U.S. assistance to Palestinian entities and reduces the need for Congress to create or finance a new Palestinian institution, reframing the initiative as a regional stabilization and burden sharing mechanism rather than another contested line item in the U.S. foreign aid budget.

Recommendations for Israel

1. Codify an end-state operating framework for Gaza and the West Bank that sets enforceable humanitarian baselines, separates civilian administration from security chains of command, and accepts independent monitoring to restore predictability.

2. Support a Palestinian led process to reconstitute representative institutions, including dissolution of the PA and PLO in favor of a Transnational Palestinian Council, and shift military posture toward internationally supervised civil administrations that assume municipal services, health, education, utilities, and permitting in Gaza and the West Bank while Israel retains clearly defined security responsibilities.

3. Implement rights-based inclusion and mobility models for Palestinians who remain to promote social stability, while opening voluntary, legally compliant humanitarian routes for exit from Gaza to third countries, under time bound hosting frameworks such as the Sinai Economic Zone, family reunification programs, and explicit guarantees of the right to return.

4. Embed water security in binding compacts with Jordan and Arab partners, instead of hostile takeovers. Formalize allocations and co-financing desalination, conveyance, and aquifer protection in the Jordan Valley and southern Syria to reduce coercive leverage and systemic risk.

5. Rebuild international legitimacy by prosecuting extremist settler violence, reopening space for civil society scrutiny, judicial reform and commissioning a transparent review of wartime conduct with remedial policies tied to measurable reductions in civilian harm.

6. Anchor normalization in concrete deliverables by co-developing energy, desalination, and logistics projects with Saudi Arabia and the UAE to incorporate Israeli security in regional interests while institutionalizing deterrence protocols beyond Israeli borders.

Recommendations for the United States

1. Condition U.S. security assistance on strict, measurable benchmarks for civilian protection and unhindered humanitarian access, enforced through automatic waivers and snapback provisions applied without exception to preserve U.S. credibility.

2. Underwrite security, do not overrun. Coordinate deconfliction architecture with Arab partners from Bab al-Mandab to the Eastern Mediterranean and maintain a quiet deterrence posture.

3. Enforce guarantees that any hosting of Gaza civilians in the Sinai Economic Zone or other third countries remains strictly voluntary and time bound, and support Egypt and Jordan's stabilization primarily through risk sharing tools such as loan guarantees and DFI co investments tied to transparent procurement, state owned enterprise divestment, and labor mobility reforms that feed corridor manpower needs, avoiding large new direct budget lines to Palestinian institutions.
4. Treat water and energy as key emerging destabilizers and fund security infrastructure, desalination, water-energy swaps, grid interconnectors, and port cyber defenses that harden the corridor against climate stress and hybrid risks.
5. Deter Iran and its networks without escalation by integrating regional air and missile defense, sustaining backchannels, and setting clear red lines that protect shipping and cross-border infrastructure without open-ended troop commitments.

Key Takeaways

- A trade-first order hardens by 2035. UAE-anchored logistics and Saudi industrial-financial heft consolidate a Gulf–Levant–Med spine; de facto partitions normalize, GCC output nears Germany's, and multi-currency settlement (including a joint digital-dirham pilot) underwrites corridor bankability.

- Palestinian politics must be redesigned to survive. "Statehood without a homeland" pushes a shift from the PA/PLO toward a tightly mandated Transnational Palestinian Council and diaspora trust fund, while Gaza's administration remains under Israeli security ceilings and the Sinai Economic Zone scales past 1.6 million residents if Arab capital and governance align.

- Water becomes strategy, not backdrop. Climate stress accelerates an "Age of Water Diplomacy" built on water-sharing, desalination, and green-grid swaps; without it, aquifer depletion and Nile/Tigris–Euphrates tensions compound fiscal fragility and conflict risk across corridor states.

- Security settles into managed fragmentation. Israel's deterrence posture, Red Sea deconfliction, and proxy containment keep wars limited but unresolved; Yemen remains a hinge of Iran–Israel friction, while Iraq evolves toward a corridor-linked equilibrium of federal-Kurdish bargains and Sunni "corridor authorities."

- Execution levers are financial, not rhetorical. Sovereign funds, conditional capital, Arab League recognition of the TPC, harmonized customs, safe labor-mobility corridors, and a joint climate-adaptation facility are the practical tools that turn scenarios into outcomes.

Potential Conflict Watchlist

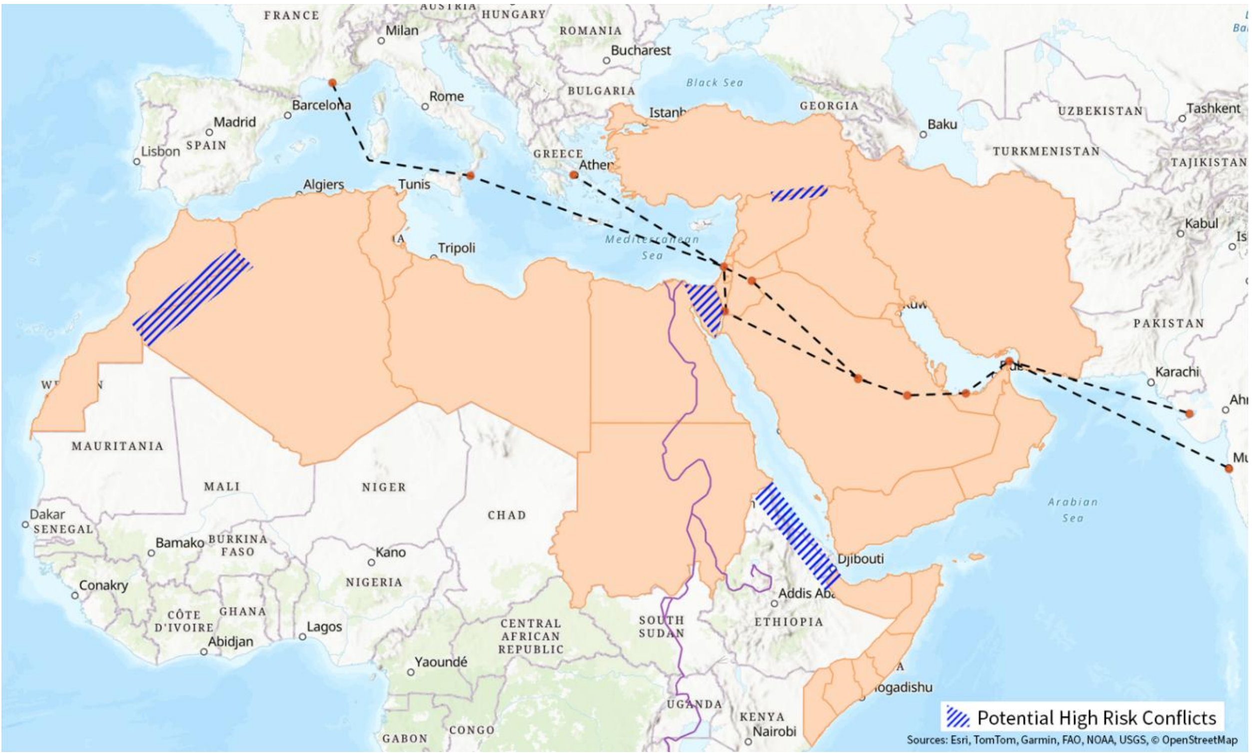

Figure 16: Potential Future Conflicts

The primary scenario “Hope? at Last” depends on falling corridor risk premia, a functioning Sinai Economic Zone, and a routinized deterrence framework. Below, are four potential future flashpoints that could rupture that equilibrium and regional realignment. Any two coinciding would push the system toward “Cascading Wars”; effective containment of all four keeps the map on a Fortress-Gulf glidepath.

- **Northern Syria: Ankara–Rojava Escalation over a Permanent Security Belt**

  A deeper Turkish push to degrade SDF/PKK networks, especially after a U.S. drawdown or major PKK attack, would widen clashes from Tel Abyad to Qamishli, pull Damascus and Iranian-aligned militias into contact zones, and stress Jordan/Iraq borders. Result: costlier Eastern-Med insurance, pressure on Levant energy/water swaps, and a higher probability of Israel–Syria incidents that spike corridor risk.

- **Sinai Contingency: Egypt–Israel Friction Triggered by SEZ-Linked Insurgency**

If the Sinai Economic Zone faces a sustained insurgency or large-scale cross-border incidents around Rafah, Cairo–Tel Aviv deconfliction could fray. Israeli hot pursuit or Egyptian armed responses inside the SEZ would jeopardize the study's cornerstone mechanism (SEZ + work-visa corridors), freeze Gulf capital, and reprice Red–Med trade, an immediate switch-risk for the primary scenario.

- **Horn of Africa: Ethiopia–Eritrea Confrontation Over Maritime Access**

  Addis Ababa's pursuit of sovereign port access (Assab/Berbera) could reignite the border war with Eritrea or trigger coercive leverage against Somaliland and coastal nodes. Any fighting that bleeds into the Bab al-Mandab arc raises war-risk premia, complicates UAE/Saudi patrol architectures, and reverberates into Yemen's littoral, directly threatening the reliability assumptions behind the Red Sea leg of your corridor system.

- **Maghreb Standoff: Algeria–Morocco Escalation Anchored in Western Sahara**

  A spiral from drone tit-for-tat to limited air/MLRS exchanges, paired with diplomatic rupture, would disrupt Trans-Maghreb road/rail, constrain gas flows and Med port activity, and bifurcate Gulf investment strategies in North Africa. The result is higher Mediterranean insurance, slower westbound feeder traffic, and reduced redundancy just as IMEC/Red–Med lanes try to absorb more volume.

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Appendix

Appendix A

Code	Variable Definition	Role	Unit	Baseline	Source	Rationale
IIC	Iran, Israel confrontation intensity, ordinal shock of regional clash salience	Exogenous	0 to 2 ordinal	P(0)=0.35, P(1)=0.45, P(2)=0.20	ACLED events, missile or UAV incident tallies, UKMTO incident logs	Opens windows for Israeli risk taking, interacts with HED and IPI
LDS	Levant drought severity, standardized SPEI or soil moisture anomaly for Hauran to Jordan basin	Exogenous	Z score	Truncated normal N(0.8, 0.52), cap 2.0 for 2026 to 2027	SPEI global, ERA5, Copernicus soil moisture	Raises water pressure, strengthens WSD effect
JDF	Jordan domestic fragility index, unemployment, protest frequency, succession noise composite	Exogenous	0 to 1	N(0.55, 0.152), truncated to [0,1]	World Bank unemployment, ACLED protests, expert prior for succession	Affects depth and diplomatic risk in Levant scenarios
HED	Hezbollah effective deterrent, northern deterrence capacity proxy	Exogenous	0 to 1	N(0.35, 0.202), truncated to [0,1]	Conflict event intensity, force posture proxies, open source assessments	Constrains Israeli operational bandwidth
SSG	Syrian southern governance cohesion, regime or proxy coherence south of Damascus	Exogenous	0 to 1	N(0.30, 0.202)	ACLED control shifts, local administration presence, checkpoints	Raises escalation costs when higher
DMR	Druze mobilization receptivity, willingness to accept Israeli umbrella for protection	Exogenous	0 to 1	N(0.60, 0.202)	Local reporting, expert elicitation, historical mobilization patterns	Reduces governance burden, shapes footprint
IPI	Israeli domestic political incentive, election or coalition payoff from security wins	Exogenous	0 to 1	N(0.55, 0.152)	Polling composites, coalition seat math, Israel Democracy Institute briefs	Nudges risk acceptance and timing
WSD	Water stress differential, Israeli national stress minus marginal relief from Hauran control	Exogenous	Z score	N(1.2, 0.42)	WRI Aqueduct, Israel Water Authority, FAO Aquastat	Strong structural driver for water linked contingencies
BRENT	Global oil price, front month Brent	Exogenous	USD per barrel	Set after data import, fat tailed prior, Student t location scale	US EIA, ICE data, IEA WEO for medium term paths	Drives Gulf fiscal space, FDI capacity, subsidy pressures
JKM	LNG spot, Japan Korea Marker	Exogenous	USD per MMBtu	Set after data import	S&P Global Commodity Insights, ICE	Impacts Egypt LNG balance, Levant electricity stress

SUEZ_TX	Suez Canal transits, daily or monthly average vessels	Exogenous	Vessels per day or per month	Set after data import	Suez Canal Authority monthly bulletins	Logistics momentum, revenue shock channel
SUEZ_REV	Suez Canal revenue	Endogenous near term to exogenous shocks	USD per month	Set after data import	Suez Canal Authority, Egypt MoF	Budget and external financing impacts for Egypt
REDSEA_WRP	Red Sea war risk premium for hull and cargo	Exogenous	Percent of insured value, or USD per transit	Set after data import, prior rises with incident rate	Lloyd's Market Association, Neptune P&I, broker reports	Shock to shipping cost, rerouting incentives
REROUTE	Share of Red Sea traffic rerouted via Cape of Good Hope	Endogenous to incidents and premium	Percent of baseline	Set after data import, logistic response function to REDSEA_WRP	Clarkson's Research, AIS aggregators	Extends voyage time, raises freight rates
WCI	Global container freight rate index	Exogenous	USD per FEU	Set after data import	Drewry World Container Index	Pass through into import prices and CPI food
EGY_CPIF	Egypt food CPI inflation	Endogenous to trade and FX	Percent, year over year	Set after data import	CAPMAS CPI, Egypt statistics	Social stability and protest risk proxy
EGP_OFF	Egypt EGP per USD, official	Exogenous policy series with jumps	EGP per USD	Set after data import	Central Bank of Egypt	FX pass through into inflation, debt service
EGP_NDF	EGP 12 month NDF implied rate, proxy for parallel market	Exogenous	EGP per USD	Set after data import	Bloomberg NDF, market data	Captures FX pressure when official rate is fixed
EGY_EMBI	Egypt EMBI sovereign spread	Exogenous	Basis points	Set after data import	JPMorgan EMBI, Refinitiv	Rollover cost and funding window variable
EGY_CDS	Egypt 5 year CDS	Exogenous	Basis points	Set after data import	S&P Capital IQ, IHS Markit	Crisis probability proxy used in stress bundles
NIR	Net international reserves, Egypt	Endogenous with policy reaction	USD billion	Set after data import	CBE time series	Signals external stress and IMF program compliance
ST_DEBT	Short term external debt due within 12 months	Exogenous from debt calendar	USD billion	Set after data import	Egypt MoF, IMF Article IV tables	Rollover pressure in stress tests
FDI_GCC_EGY	GCC FDI inflows to Egypt, announced and realized	Exogenous	USD billion per year	Set after data import	UNCTAD, national statistics, company disclosures	Determines viability of privatization or bailouts
TOUR_EGY	Egypt tourism arrivals	Exogenous with shocks	Arrivals per month	Set after data import	Egypt Tourism Ministry, UNWTO	FX earner sensitive to security and shipping narratives

WHEAT_FOB	Wheat import price, Egypt basket proxy	Exogenous	USD per metric ton	Set after data import	FAO, USDA GAIN, World Bank commodities	Food inflation transmission channel
REMIT	Remittance inflows, Egypt, Jordan, Lebanon, Morocco	Exogenous	USD billion per year	Set after data import	World Bank KNOMAD	Household buffer against shocks
YU	Youth unemployment rate, 15 to 24	Exogenous slow moving	Percent	Set after data import	ILOSTAT, World Bank WDI	Structural destabilizer in baseline narrative
FLFP	Female labor force participation rate	Exogenous slow moving	Percent	Set after data import	ILOSTAT, WDI	Structural growth and inclusion constraint
ARMS_TIV	Arms imports, SIPRI TIV	Exogenous	TIV index value	Set after data import	SIPRI arms transfers database	Security posture and procurement trends
MIL_EXP	Military expenditure	Exogenous	Percent of GDP or USD	Set after data import	SIPRI milex, national budgets	Budget choices and guns versus butter trade off
GOV_IDX	Governance quality or regime type score	Exogenous	Index level	Set after data import	V Dem, World Bank WGI	Conditions policy credibility across scenarios
PROTEST	Protest or riot event frequency	Endogenous to shocks, observed exogenous series	Events per month	Set after data import	ACLED	Early warning indicator used in stress tests
ELEC_LOAD	Electricity load under heat stress, selected systems	Endogenous demand proxy	Hourly or daily MWh	Set after data import	National grid operators, IEA data	Detects heatwave impact on grids and social stress
HEAT40	Heatwave days above 40 C, hotspot cities	Exogenous climate stress	Days per year	Set after data import	ERA5 reanalysis, national met services	Human survivability and migration pressure
NILE_FLOW	Nile inflow anomalies, Blue Nile and mainstem at Aswan	Exogenous climate hydrology	Standardized anomaly	Set after data import	Egyptian MWRI, FAO Aquastat, GRACE based models	Water and power implications for Egypt
DESAL_IL	Israel desalination output and capacity utilization	Exogenous with policy response	MCM per year, percent	Set after data import	Israel Water Authority reports	Mitigates WSD, interacts with LDS
AAWDCP	Jordan Aqaba Amman desalination and conveyance progress	Exogenous milestone variable	Percent to completion	Set after data import	Jordan Ministry of Water, project updates	Medium term relief for Jordan water stress and JDF
UKMTO_RATE	Red Sea or Gulf of Aden maritime incident rate	Exogenous	Incidents per month	Set after data import	UKMTO advisories, maritime security feeds	Drives REDSEA_WRP and REROUTE
VESSEL_TIME	Added voyage time via Cape routing	Endogenous to REROUTE	Days per voyage	Set after data import	AIS analytics, Clarkson’s	Pass through into WCI and import prices

NORMALIZE	Arab Israeli normalization momentum, diplomatic cohesion index	Exogenous	0 to 1	Expert prior anchored to formal steps	Foreign ministries, treaty milestones, think tank trackers	Shapes trade and investment axes in Integrated scenarios
GULF_FISC	Gulf fiscal balance composite, KSA, UAE, Qatar	Exogenous	Percent of GDP or USD	Set after data import	IMF WEO, national MoFs	Determines scope for regional bailouts and FDI
LNG_BAL	Egypt LNG balance, net export capability	Endogenous to JKM and domestic gas	Bcm per year	Set after data import	Egypt EGAS, BP Statistical Review	Affects power availability and export revenue
AID_TRK	Gaza or Sinai aid trucks per day, humanitarian throughput	Exogenous with security gating	Trucks per day	Set after data import	UN OCHA daily updates	Operational feasibility for corridors or relief
GAZA_IDP	Gaza internally displaced persons, cumulative and current	Exogenous shock variable	Persons	Set after data import	UN OCHA, UNRWA	Magnitude of humanitarian need and policy constraints
SINAI_CAP	Sinai humanitarian shelter capacity, temporary	Endogenous to policy, exogenous infrastructure	Persons	Set after data import	Egypt government notices, humanitarian cluster reports	Feasibility constraint in any corridor scenario
POLL_IL	Israel coalition stability and polling composite	Exogenous	Index 0 to 1	Set after data import	Israel Democracy Institute polls, CEC	Feeds IPI more directly during election windows
DPI	Debt profile indicator, weighted maturity and currency mix for Egypt and Jordan	Exogenous	Index 0 to 1	Set after data import	IMF Article IV, MoF debt bulletins	Sensitivity of rollover stress to FX shocks
PORT_TEU	TEU throughput for key ports, Port Said, Jeddah, Jebel Ali, Haifa, Ashdod	Exogenous	TEU per quarter	Set after data import	Port authorities, UNCTADstat	Marker for Gulf led integration in logistics
DPW_CAPEX	DP World and AD Ports announced capex and concessions in MENA	Exogenous	USD per year	Set after data import	Company reports, exchanges	Forward signal for logistics integration
SCA_REV	Suez Canal receipts, annual revenue	Endogenous (to model shocks)	USD billions, annual	2023: $10.25B; 2024: $3.99B	Suez Canal Authority reported 2024 revenue fell ~60% to $3.99 billion; traffic halved vs 2023	Key driver in Egypt’s FX and budget stress under Red Sea campaign scenario
REDSEA_WRP	Red Sea war-risk premium	Exogenous shock input	% of insured hull-value	Pre-2023: ~0.05%; post-attacks: 0.3–0.5%, spikes to 0.7–1.0%	Lloyd’s List and Reuters report war-risk insurance jumped to 0.3–0.5%, with periodic spikes Lloyd's	Drives rerouting cost, insurance shock amplifies logistics stress in scenarios
UKMTO_INC	Red Sea incident rate	Exogenous indicator	Incidents per month	Empirical count (set per import period)	UKMTO publishes monthly incident logs and advisories	Incident surge triggers premium regime shifts and alternative routing

Appendix A.1

Code	Variable Definition	Role	Unit	Baseline	Source	Rationale
MACRO_EGY_CPI	Egypt CPI inflation, headline CPI year over year	Shock channel, real income erosion and social risk	Percent, year over year	2024 average near high double digits after a March 2024 float, treat as lognormal around 25, wide tail 10 to 35	CAPMAS via Reuters and national reporting, 2024 to 2025 monthly CPI, note post float base effects.	Drives household stress and subsidy pressure, interacts with EGP level and food import prices in your Egypt narrative.
FX_EGY_EGPUSD	Egypt exchange rate, EGP per USD, effective after March 2024 float	Shock channel, balance of payments and pass through	EGP per USD	Prior centered at 50, normal sd 7, allow tail to 60 in stress	Central Bank float covered by Reuters, March 2024 devaluation and subsequent stabilization.	Anchors import price pass through, interacts with Suez revenues and FDI inflows in the baseline.
SUEZ_REV	Suez Canal gross revenue per calendar year	External account and fiscal buffer for Egypt	USD billions per year	2023 10.25, 2024 about 4.0, triangular 3.8, 4.2, 6.0 for 2025 recovery scenarios	Ahram Online interview summarizing SCA chair data, AP recap, Reuters follow ups on discounts. (Ahram Online, AP News, Reuters)	Links Red Sea threat environment to Egypt's FX and budget paths in the primary scenario.
FDI_EGY_RAS	Ras El Hekma FDI package, committed headline value	External financing shock absorber and investment driver	USD billions, one off with disbursement schedule	35 headline, treat flows as phased, 2024 to 2026, scenario flag for slippage	Mada Masr and regional media on the ADQ deal, use cabinet or ADQ disclosure if available for final text.	Determines near term FX cushion and public investment capacity in your Egypt track.
LAB_MENA_FLFP	Female labor force participation, regional average and country levels	Structural driver of growth and social resilience	Percent of working age women in labor force	Regional average about 19 to 20, treat country specific priors per WDI, use beta around country means	World Bank feature notes and data, plus WDI based compilations. (World Bank Blogs, TheGlobalEconomy.com)	Low FLFP sustains high dependency ratios and fuels emigration pressure, improves under childcare and jobs reform scenarios.
LAB_MENA_YTH	Youth unemployment, ages 15 to 24, regional and country levels	Structural driver of unrest risk and migration	Percent of labor force ages 15 to 24	MENA average near 26 in 2023, country priors for Jordan about 41 to 42, triangular by country	World Bank WDI compiled by TheGlobalEconomy, Brookings analysis for context. (TheGlobalEconomy.com, Brookings)	Central to your argument that demography plus weak job creation amplifies fragility through 2030 to 2035.
JOR_UNEMP	Jordan unemployment, headline rate	Social pressure and reform salience	Percent	Use DOS headline series mid teens to low twenties historically, set prior at latest observation with modest improvement under investment uptick	Jordan DOS 2024 headline rate page. (World Economic Forum)	Interacts with refugee pressure, water stress, and capital inflows in Jordan's path.
JOR_WATER_NWC	Jordan National Water Carrier, implementation status and capacity added	Adaptation lever and fiscal burden	Binary status 0 to 1 plus MCM per year added	Prior 0, status uncertain in 2024 to 2025, add capacity node 300 MCM per year when on line	USAID brief and MWI public updates, treat as policy variable with lead time. (The National, environewsnigeria.com)	Affects water stress, electricity load, and debt service through capex, important for resilience in dry years.

LBN_GDP_DROP	Lebanon cumulative GDP decline since 2019	Macro capacity proxy and social stress	Percent cumulative change	Near 38 to 40 by end 2024, treat as fixed historical input	World Bank Lebanon Economic Monitor, Fall 2024 and Spring 2025 updates. (World Bank)	Sets a low base for any recovery, conditions fiscal space and service delivery.
LBN_CPI	Lebanon CPI inflation, national CPI year over year	Household purchasing power and dollarization proxy	Percent, year over year	Early 2025 near 16 year over year, allow wide volatility bands	CAS via L'Orient Today reporting, January 2025 print. (L'Orient Today)	Influences social spending needs and real exchange conditions under dollarization.
LBN_DALA	Lebanon war damages and losses, 2024 conflict	Reconstruction and financing need	USD billions	Initial World Bank DaLA 8.5, AP update about 11 after full period, triangular 8.5, 10, 12	World Bank DaLA press release, AP recap of revised estimate. (World Bank, AP News)	Calibrates donor financing requirements and crowd in assumptions in your 2030 to 2035 rebuild path.
ISR_DEF_GAP	Israel budget deficit path related to Gaza and north	Fiscal risk and crowding out of civilian spend	Percent of GDP	2024 deficit about 6.6 per BOI forecast, normal around that mean, 2025 median near 4.6 if consolidation holds	Bank of Israel staff forecast, April 2024, plus budget narrative. (Bank of Israel)	Anchors debt trajectory and longer term rating risk in your Israel branch.
ISR_RATE_ACT	Israel sovereign ratings action status	Constraint on financing costs	Ordinal status, reference event	Event flag, Moody's downgrade to A2 with negative outlook in Feb 2024, track outlook changes	Reuters and AP coverage of the downgrade event, February 2024 and subsequent commentary. (Reuters, AP News)	Captures the shift in risk premia and the sensitivity of spreads to escalation or consolidation.
ISR_DEF_ADD	Israel additional defense outlays, 2024 revision	Scale of wartime spending	NIS billions, annual	About 70 additional in 2024 including about 55 for defense, use scenario bands for 2025 to 2026	Bank of Israel staff forecast details on budget revision. (Bank of Israel)	Moves deficit, interacts with growth and credit metrics, relevant to any northern front scenario.
WAT_MENA_STRESS	MENA water stress ranking, projected	Structural climate pressure	Index status, country list share	Treat as categorical high stress for most MENA by 2040, per WRI Aqueduct	WRI Aqueduct projection overview for 2040. (TheGlobalEconomy.com)	Conditions agriculture, power, and urbanization in all four scenarios.
OIL_IEA_PLAT	Global oil demand plateau by 2030, IEA	External demand anchor for oil exporters	mb per day global	Plateau about 105.5 by 2030, small decline into 2030, treat as scenario externalities	IEA Oil 2025 executive summary, Oil 2023 for historical framing. (IEA)	
ARMS_MENA_IMP	Arms transfer intensity in MENA and GCC	Proxy for security posture and spending	Share of global imports, rank	GCC about 20 percent of global imports in 2020 to 2024, Qatar, Saudi, Kuwait among top importers	SIPRI regional backgrounder with 2020 to 2024 update, Al-Monitor summary for North Africa and Egypt share. (SIPRI, AL-Monitor)	
GAZA_TRUCKS	Gaza aid throughput at crossings	Humanitarian constraint and stability proxy	Trucks per day, rolling average	Early 2025, operations from Erez West at about 50 to 60 per day per OCHA period note, scenario bands 50, 200, 400	OCHA oPt Gaza Humanitarian Response Update, Dec 2024 to Jan 2025. (OCHA - Palestine)	

REDSEA_RISK	Red Sea threat environment, operational status	Maritime risk factor for routing and insurance	Ordinal scenario flag with supporting stats	Use event flags for OPG ceasefire and resumption waves, link to Suez throughput	UNCTAD and security briefs plus encyclopedic summaries of OPG and Red Sea crisis context.	

Appendix B: Full Timeline of Key Milestones (2025-2035)

Years	Headline Turning-Points	Principal Actors	Why It Matters
2025-2027 **Final Battles**	• Initial recognition for State of Palestine and failed PLO reform in Ramallah deepen leadership fracture. Hamas gains populous traction in the West Bank. Israeli unilateral action forcing Palestinian Authority to cease remaining security forces. Dissolution of the Palestinian Authority. Israeli cabinet votes for full occupation of Gaza to disarm Hamas and return hostages. Legalization of West Bank (Valley of Jordan) annexation is near complete. Hamas gains populous traction in the West Bank. Israeli unilateral action forcing Palestinian Authority to cease remaining security forces. A shift toward militarized civil-administration in Gaza and deeper administrative-security integration in the West Bank is modelled as a high-probability response under the deterrence posture. Second round Israel-Iran flare up. Electoral scenarios suggest a Likud-led coalition victory is plausible in 2026 amid heightened security confrontation. • Government fracture in Beirut over Hezbollah disarmament. The Lebanese Army conducts demilitarization of South Lebanon and Israeli outposts remain in adjacent border areas, Litani River within IDF reach. Negotiations with Shia coalition on phased integration of remaining Hezbollah forces into the Lebanese Army. Weakened Hezbollah arsenal but maintains political representation. Central bank reforms and potential Financial Gap Law could allow for IMF program by 2026 and UAE-Port of Beirut investment. • Failed structural reform and slow privatization in Egypt halts IMF Program. Water desalination becomes a national priority. Sinai Phase I: Economic pressure prompts Egypt to enter negotiations for relocation of 1.6 million Gaza refugees to Sinai Economic Zone under UAE administration in exchange for foreign aid and joint-security guarantees with Washington and Tel Aviv (commuter permits and "voluntary" relocation). Around 400K civilians remain in Gaza under Israeli security clearance. May 2026 Arab Summit on the "Palestinian Question" and occupation of Gaza. Arab States discuss work visa programs for new Palestinian diaspora. UAE and Egypt lead Gaza reconstruction with plan for regional port and feeder network. Qatar is sidelined as mediator and Hamas political representation is crippled by international recognition. • Israel invades southern Syria to seize water resources beyond Quneitra and Yarmouk River on the Jordan-Syria border. Druze enter a protection agreement with Israel extending the Golan Heights buffer zone near Jabal Al-Druze. Rojava (SDF) asserts autonomy and maintains friction with Damascus and Turkish troops in Northern Syria. Damascus controls 30% of original Syrian territory. No international recognition of Rojava, and new HTS Syrian government cedes sovereignty for security and diplomatic survival.	UAE, Saudi Arabia, Qatar, United States, Israel, Turkey, Iran, Iraq, Palestinian Authority, Hamas, Egypt, Libya (East and West)	Confirms Gulf states as first-responders, ends "big-war" phase, and opens space for trade-corridor diplomacy. Gaza relocation experiment begins.

	• 2026 U.S. withdrawal from Iraq exposes power vacuum. U.S. advisory mission and bilateral security agreement between Washington and Baghdad to guarantee post-withdrawal stability and Kurdish security. Return of Muqtada Al-Sadr (Shia Cleric) to parliamentary elections, challenges integration of Iran-backed PMF into Iraqi-state security forces and swings election results. • Failed elections negotiations widen divide in Libya and spark militia clashes in Tripoli. Haftar's Libya National Army (LNA) asserts sovereignty in Benghazi with Egyptian-UAE support. Deconfliction between Russian-Turkish troops and backed militias. Autonomous Eastern Libya zone "Federal Cyrenaica" established with China-UAE backing for Benghazi port investment. • Abraham II and a new round of Arab–Israel normalization (Saudi Arabia, Syria, Lebanon, Sudan). Silent US-Israeli campaign against Houthis in Northern Yemen with Saudi Arabia's backing. Containment of weakened Houthis in Sanaa and Sa'dah by Southern Transitional Council (STC) and Presidential Leadership Council (PLC). STC establishes de facto autonomous rule in South Yemen (Aden). • U.S. recession confirmed in 2026 Q1.		
2028-2030 **Post-War Reset and Power Transfers**	• UN majority recognition for the State of Palestine (symbolic). Failed Israeli-Arab negotiations for return of Gaza refugees. Sinai Phase II: permanent relocation of 1.6 million refugees to Sinai Economic Zone (SEZ), GCC work visa programs for Palestinians, particularly Saudi education and service sectors. Palestinian leadership vacuum, dissolution of the PLO (exiled representatives in Qatar and Turkey; banned in Arab host-states for Palestinian refugees). Full Israeli civil administration in Gaza, Jenin, Nablus, Ramallah, Hebron and Jericho corridor under the Ministry of Defense (Israel-Egypt 1981 Peace Treaty model). Managed relocations from the West Bank to Jordan, and limited residency reforms for Palestinians under civil administrations. • Imminent technocratic transition in Egypt. President Sisi is pressured to step-down by 2030 amid failed economic reform, Gaza spillovers, and unsustainable deficit. Egypt Vision 2030 unfulfilled and currency flotation fails to curb inflation. New administration accelerates privatization of army assets and military downsizing. "Dirhamization" of trade and UAE-backed technocratic Egyptian cabinet takes control. UAE bailout for Egyptian debt and a new IMF-Egypt program. Sinai Economic Zone integration into Suez Canal Economic Zone and regional trade corridors. • Hezbollah maintains "defensive" stance with Israel; integrates partially into the Lebanese Army. Shia political leverage is maintained with Amal-Hezbollah coalition. Fracture over electoral law reforms end sectarian parliament monopoly to allow for new Shia opposition. Managed conflict with Shia separatist splinter groups against Hezbollah reform. Complete demilitarization south of Litani River and Israel maintains adjacent border posts. Stagnant economic reform and politics. • Riyadh II Agreement formalizes Houthi governance in the North, PLC government in East/Central Yemen and autonomous STC in Aden (south). UAE-Saudi reconstruction package in Yemen and	Israel, Palestinian Authority, Jordan, UAE, Saudi Arabia, Hezbollah, Qatar, Egypt, Houthis, PLC, STC.	Sets new diplomatic baseline, locks in Yemen de facto partition, makes Gulf–Israel economic axis explicit, and shows Gulf leverage over Red Sea trade. Economic soft power peaks, but domestic legitimacy gaps widen in Israel and Jordan

	understanding to secure Red Sea trade corridors. US-brokered agreement between Saudi Arabia and UAE on Sudan hinges on Russian-UAE involvement in gold extraction around Darfur. UAE cedes to build Port Abu Amama north of Port Sudan. • Vision 2030 showcase events in Neom / Expo Riyadh. Gulf-Israel trade accords signed, embedding Tel Aviv in IMEC routes. Red Sea trade security pact led by Saudi Arabia. Israel faces a partial constitutional crisis from repeated defiance of supreme court orders and Gaza occupation failing to return hostages. Possible early elections in Tel Aviv prior to 2030 and potential ballots swing toward center-right coalitions ousting Likud political dominance. New Arab-Israel economic diplomacy. • Jordanian succession challenges, Riyadh and Washington step in as guarantors to maintain crown prince status quo. Rise of Islamist groups in Jordan with backing from Qatar and remaining West Bank Hamas cells. Israeli-Jordanian tensions increase but military coordination is achieved. Water Scarcity becomes a national crisis. • Severe droughts in Morocco, Algeria, Libya, Egypt, Sudan, Jordan, Syria, Yemen, Iraq, and Iran. Age of “Water Diplomacy” begins. Levant water crisis forces emergency water swaps with GCC-states, fast-tracking desalination and solar-for-water deals and investments in a region falling behind on climate-resilient tech.		
2031-2033 **Consolidation & Push Back**	• Weak Axis of Resistance, inward-looking Iran with potential post-Khamenei transition that yields a cautious reset in Tehran and limited decentralization. Iranian Nuclear Deal bargaining forces administrative reform with conditional sanction relief. Hezbollah and proxies leans further into politics. • Israel recalibrates under a centrist coalition keeping tight security control but shifts to a diplomatic market-oriented approach in civil administrations in Gaza and the West Bank. Gaza remains under Israeli control with Egyptian-UAE logistics. The Sinai Economic Zone passes 1.6 million residents, work-visa corridors across GCC states. Saudi Arabia's service and education sectors boom with successful work programs for Palestinian and Levant labor. • Jordan stabilizes through quiet Saudi Arabian tutelage. Constitutional amendments reduce confrontation between palace and parliament. A Saudi-backed stabilization loan and public-works program absorb youth into work-visa corridors, but unemployment remain a national crisis. Quiet coordination with Israel contains border friction, while Doha-linked Islamist networks lose momentum. • Libya’s division becomes a revenue arrangement. Eastern Libya operates quasi-independently with oil-exports through Benghazi Port, while Tripoli retains western customs. Turkey, Russia and UAE keep deconfliction channels to avoid direct clashes. • Ports and corridors consolidate into trade networks and IMEC. AD Ports and DP World complete concessions sweeping the region from Benghazi and Suez to Tartous and Aden. Trade, logistics, and	Iran, Iraq, Saudi Arabia, UAE, Qatar, Jordan, Libya, IMEC, Yemen, Arab League	Regional chessboard dominance Gulf+Israel vs retrenching Iran forced to look inward; MENA partitions become irreversible; Gulf trade network becomes reality. AD Ports and DP World link Red Sea to Med, security rises, insurance falls, corridors become bankable. High stakes and interests, lower open war.

	feeder network from Jebel Ali to Haifa as IMEC rail segments start partial operations in GCC, Jordan and Israel. Red Sea insurgency met with coordinated security deterrence framework. • Riyadh and Abu Dhabi formalize a joint playbook linking aid and swaps to reforms in Egypt, Jordan, and Lebanon. Bilateral climate, solar power, and water desalination projects ratified in Red Sea countries (Egypt, Sudan, Eritrea). A GCC payments system and digital-dirham settlement go live for government-to-government (G2G) flows. Egypt and Jordan settle fuel and wheat invoices via Gulf currency, practical dirhamization for trade.		
2034-2035 **New Middle East and North Africa**	• MENA de facto partitions normalize without international recognition. GCC nears Germany GDP at nearly USD 5 trillion; joint digital-dirham pilot settles majority of intra-Arab trade. IMEC multi-currency finance and settlement pluralize. UAE obvious leader of MENA trade, finance, logistics, AI hubs and arbitration. • Culture and soft power bifurcate: Saudi leads entertainment, sports, Arabic media, and regional awards circuits with growing service and tourism sectors. Riyadh becomes HQ-center for regional corporations with enhanced Saudi labor markets and social insurance programs. Qatar pivots to niche diplomacy and education branding with reduced footprint in hard politics. • **Security equilibrium, not peace.** Rail and dry port networks from Jebel Ali to Haifa operate in segments (based on country context), shaving ten days off Asia–Med cargo. Insurance premiums fall on Red Sea shipping under a Saudi-led patrol regime making trade corridors and projects bankable. Buffer arrangements are held in south Lebanon and Syria. Non-state actors retain sabotage options, but the cost of escalation rises as trade corridors become the region's critical lifeline. • UN removes Palestine and coordinates civil administration guardrails with Israel, while the Sinai Economic Zone serves as a principal development theatre. Significant Palestinian diaspora and international pressures to allow Palestinian representation in Israeli politics. • Oil and the imminent fiscal pivot: Electric Vehicle adoption and mild global slowdown push Brent Crude into a lower band. GCC budgets tighten, VAT rises modestly with external tariffs, capex is reprioritized toward power, water, and ports that have direct returns. Gulf foreign aid shifts to equity and revenue-sharing concessions. Youth unemployment in the Levant and North Africa remains stubborn while Gulf labor imports plateau due to automation.	GCC, UAE central bank, China (BRI investors), World Bank, UNGA, Israel, United States	Trade corridors mature into markets, digital dirham trade settlements, Jebel Ali to Haifa runs end to end. GCC budgets pivot to ports, power, water, while youth unemployment outside GCC drag progress. Economic integration delivers growth yet leaves unresolved conflicts; climate cooperation shows first signs of collective security thinking.