Global Situational Awareness

THE MENA WEEKLY

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Key Takeaways

- Yemen — Houthi maritime blockade threatens Saudi shipping and Red Sea trade — HIGH
- Houthi Strike — Threatens Saudi Arabia’s Hormuz Bypass 23 July 2026 — HIGH
- Iran/GCC — Renewed conflict sustains missile, aviation and infrastructure risks — HIGH
- Libya — Oil expansion and China-linked financial integration — HIGH
- Kuwait — Remains exposed in current conflict via power, water, tanker and northern Gulf infrastructure risk — HIGH

Global Situational Awareness

Yemen — Houthi maritime blockade threatens Saudi shipping and Red Sea trade — HIGH

Situation Update

Yemen's Houthi movement has declared an immediate maritime blockade against Saudi Arabia, threatening vessels that load or discharge cargo at Saudi ports. The group said the measure was retaliation for what it describes as a longstanding Saudi blockade of Yemen and warned that any Saudi escalation would prompt a broader response. The announcement follows renewed Houthi missile launches towards Saudi territory, ending several years of relative calm under the informal truce established in 2022.

The Houthis subsequently sent warnings directly to shipping companies, stating that vessels calling at Saudi ports could face sanctions or targeting anywhere within the group's operational reach. Two tankers carrying Saudi crude towards India and China altered course following the warning, demonstrating that the declaration is already influencing commercial behaviour even without a confirmed attack. Saudi Aramco has continued loading operations at Yanbu, although some vessels have reportedly taken additional security precautions.

US President Donald Trump has now warned that Washington would "take care of" the Houthis if the group attempts to enforce the blockade. Trump said the US had acted against the Houthis previously and could do so again. His statement raises the possibility of renewed US strikes against Houthi missile, drone, maritime and command infrastructure, transforming the dispute from a Saudi-Houthi confrontation into another potential front in the wider US-Iran conflict.

Assessment/Impact/Business Implications

The blockade threatens Saudi Arabia's principal alternative export corridor at a time when disruption around the Strait of Hormuz has increased the strategic importance of Yanbu and the Red Sea. The Houthis are unlikely to enforce a complete closure of Bab al-Mandeb, but intermittent missile, drone, mine or uncrewed-vessel attacks could be sufficient to deter operators and increase war-risk premiums.

Trump's warning materially increases escalation risk. Any Houthi attack on Saudi-linked shipping could now trigger US military action, followed by retaliation against Saudi, US or allied assets. Shipping companies may suspend Saudi port calls, tighten vessel-acceptance criteria or divert around the Cape of Good Hope.

Businesses should prepare for higher freight and insurance costs, route changes and short-notice disruption at Saudi Red Sea ports. The risk remains severe because maritime incidents could rapidly undermine Yemen's fragile truce and expand the regional conflict.

Factor	Risk Rating	Factor	Risk Rating
Political	HIGH	Business	HIGH
Economic	HIGH	Conflict	HIGH
Civil Unrest	LOW	Environment	HIGH
Crime	MODERATE	Legal	MODERATE

Houthi Strike Threatens Saudi Arabia's Hormuz Bypass 23 July 2026 – HIGH

Situation Update

The Saudi-flagged oil products tanker Encelia, IMO 9240172, was struck by an unidentified projectile while operating approximately 70 nautical miles southwest of Al Shuqaiq, Saudi Arabia. UKMTO recorded the incident under reference 095-26 and reported that the projectile struck the vessel's starboard side, causing an onboard fire. The crew initiated firefighting procedures, while no casualties or environmental impact were initially reported. Authorities are continuing to investigate the incident, and UKMTO has advised vessels operating in the area to exercise caution and report any suspicious activity. Encelia is a Saudi-flagged oil products tanker of approximately 109,000 deadweight tonnes. The vessel departed Yanbu on 20 July before proceeding south through the Red Sea. The Houthis claimed responsibility for the attack and stated that Encelia had been targeted using missiles and drones as part of a newly declared campaign against Saudi-linked shipping. The group also claimed that it attacked the Saudi-flagged VLCC Layla, IMO 9336098, and alleged that the vessel caught fire. However, no separate UKMTO incident report has yet been publicly identified for Layla, and the claimed strike has not been independently confirmed. Layla's last publicly reported AIS transmission was on 17 July, leaving its present location, operational status and condition unclear. The vessel should therefore be treated as a claimed second attack rather than a confirmed incident.

Assessment/Impact/Business Implications

The attack on Encelia represents more than a renewed Houthi strike in the Red Sea. It directly threatens the western Saudi export route increasingly being used to reduce dependence on the Strait of Hormuz. As pressure on shipping through Hormuz has increased, Saudi Arabia has redirected greater volumes of crude through the East–West Pipeline to the Red Sea port of Yanbu. Reported export volumes from Yanbu have risen sharply since the current regional conflict began. However, large tankers departing Yanbu for Asian markets must sail south through the Red Sea and pass Bab al Mandeb. Fully laden VLCCs are generally unable to transit the Suez Canal, leaving the southern Red Sea route as their principal maritime exit. The attack therefore threatens the route Saudi Arabia is relying upon to bypass disruption at Hormuz. Several tankers that had loaded at Yanbu, or were proceeding towards Saudi Red Sea ports, have reportedly reversed course or altered their planned voyages following the Houthi warning. Continued attacks could persuade additional shipowners, charterers and insurers to avoid the area. The developing risk is not necessarily the complete physical closure of both chokepoints. Instead, attacks, naval warnings, insurance restrictions and commercial caution could create a commercially effective restriction across both Hormuz and Bab al-Mandeb.

The immediate maritime threat is highest for Saudi-flagged, Saudi-owned, Saudi-operated or Saudi cargo-linked vessels. Ships calling at Yanbu, Jeddah and other Saudi Red Sea ports may also face greater scrutiny from owners, insurers and security providers. Operators may increasingly suspend voyages, reverse course or delay port calls while they assess whether the Houthi targeting criteria have expanded beyond vessels linked to Israel and the US. The attack also increases the vulnerability of Saudi Arabia's alternative energy export route. Disruption at Yanbu or along the southern Red Sea corridor could delay crude and refined-product shipments, tighten tanker availability and place upward pressure on freight and war-risk costs. For Asia–Europe shipping, further deterioration could accelerate diversions around the Cape of Good Hope. These voyages would involve longer sailing distances, greater fuel consumption, higher charter costs and increased schedule disruption. Vessels already inside the Arabian Gulf would remain dependent on access through the Strait of Hormuz before they could proceed towards the Cape. A Cape diversion cannot provide an immediate alternative for ships unable to exit the Gulf. Container and general cargo operators may also face reduced schedule reliability, irregular vessel arrivals and additional congestion at transshipment and bunkering hubs along the southern Africa route. Insurance exposure is likely to increase across the Red Sea, Gulf of Aden and Saudi-linked voyages. Underwriters may apply greater scrutiny to vessel ownership, management, chartering arrangements, cargo origin and previous port calls. Owners and charterers may also face contractual disputes involving unsafe-port provisions, deviation, force majeure and crew refusal to enter designated high-risk areas

Global Situational Awareness

Factor	Risk Rating	Factor	Risk Rating
Political	HIGH	Business	HIGH
Economic	HIGH	Conflict	HIGH
Civil Unrest	LOW	Environment	HIGH
Crime	MODERATE	Legal	MODERATE

Iran/GCC - Renewed conflict sustains missile, aviation and infrastructure risks — HIGH

Situation Update

The conflict between Iran and the United States continues to generate direct security risks across the GCC, with Iranian missile and drone attacks affecting states that host US military facilities. Bahrain, Kuwait and Qatar have faced successive attacks or security alerts, while the UAE has repeatedly condemned strikes against neighbouring countries. A UAE statement issued on 21 July expressed solidarity with Bahrain, Kuwait and Jordan following renewed Iranian attacks.

The exchanges have affected both military and civilian infrastructure. Iran has targeted US and allied facilities across the Gulf, while reported damage in Kuwait has included military, oil, electricity and water infrastructure. Bahrain has also faced attacks against US-linked assets and civil aviation equipment. These incidents demonstrate that military sites cannot be separated from surrounding cities, transport networks and essential services.

The aviation environment has deteriorated accordingly. The European Union Aviation Safety Agency has advised operators against flying through the airspace of Bahrain, Kuwait, Qatar and the UAE, as well as parts of the Gulf of Oman. The warning highlights missile and drone overflights, interception activity, falling debris and the risk of civilian aircraft being misidentified by activated air-defence systems.

Assessment/Impact/Business Implications

The principal near-term threat is not sustained ground conflict within GCC states, but repeated periods of missile and drone activity that disrupt aviation, public movement and critical services. Bahrain, Kuwait and Qatar remain particularly exposed because of the presence of major US military facilities, although the UAE, Saudi Arabia and Oman may also face spillover through airspace restrictions, maritime incidents and regional supply-chain pressure.

Businesses should prepare for short-notice office closures, shelter-in-place instructions, staff-movement restrictions and flight cancellations. Companies dependent on expatriate personnel may face disruption to rotations, emergency travel and family relocations. Aviation, energy, construction and logistics operators are also likely to experience higher insurance costs and tighter security requirements.

The continuing cycle of US strikes and Iranian retaliation means temporary diplomatic pauses cannot yet be treated as reliable stabilisation. The operating environment therefore remains severe, as escalation can resume with little warning and successful interceptions do not eliminate the risks from falling debris, infrastructure damage or flight disruption.

Factor	Risk Rating	Factor	Risk Rating
Political	HIGH	Business	HIGH
Economic	HIGH	Conflict	HIGH
Civil Unrest	LOW	Environment	HIGH
Crime	MODERATE	Legal	MODERATE

Syria — UAE and Russian interests converge at Tartus port — HIGH

Situation Update

DP World has begun the physical modernisation of the Port of Tartus under its 30-year concession with the Syrian government. The first of three new mobile harbour cranes arrived in late June, marking the initial phase of the company's US$800 million investment. DP World expects the new equipment to increase cargo-handling capacity by approximately 40%, with two further cranes scheduled to arrive by August.

At the same time, Russian officials have indicated that Moscow is seeking to establish a commercial logistics hub at its leased naval facility. The proposed operation would use one of the two berths inside the Russian facility and handle commodities including wheat, grain, oil and steel, with an initial target of approximately 250,000 tonnes of cargo per month.
Syria's General Authority for Ports and Customs subsequently denied that Russia would operate a commercial logistics hub and said that any agreement involving national ports would be announced through official channels. The competing accounts create uncertainty over the project's status, but also demonstrate Russia's effort to preserve economic and military influence after the fall of Bashar al-Assad.

Assessment/Impact/Business Implications

Tartus is emerging as a test of how Syria will balance foreign investment against the continuing strategic presence of Russia. DP World's concession could improve port efficiency, expand reconstruction capacity and reconnect Syria with regional trade networks. The arrival of physical equipment makes this project more tangible than many of Syria's other announced investments.

A parallel Russian commercial operation could create operational, regulatory and sanctions complications. Shipping companies, insurers and cargo owners may need clarity over whether civilian and Russian-controlled facilities are operationally separate, particularly where vessels, contractors or payments could create exposure to sanctioned entities.

For construction, logistics and humanitarian operators, improved capacity at Tartus could lower import costs and ease the movement of equipment and materials. However, unclear port governance, damaged inland infrastructure, security threats and competing foreign interests could constrain these benefits. The outlook is commercially promising but remains high-risk until Damascus clarifies the status of the Russian proposal and establishes transparent operating and customs arrangements.

Factor	Risk Rating	Factor	Risk Rating
Political	HIGH	Business	MODERATE
Economic	HIGH	Conflict	HIGH
Civil Unrest	HIGH	Environment	HIGH
Crime	MODERATE	Legal	HIGH

Iraq — US energy investment advances alternative oil-export routes — HIGH

Situation Update

Iraq is advancing approximately US$60 billion in agreements with US companies, covering energy production, infrastructure, communications and healthcare. The energy agreements include Chevron-led projects intended to increase production and support the development of pipelines that would give Iraq alternatives to exporting crude through the Strait of Hormuz.

The proposals include potential routes towards Turkey's Mediterranean port of Ceyhan and the rehabilitation of an oil pipeline through Syria to the port of Baniyas. Iraq and Syria have discussed restoring the historic corridor from Iraqi production centres to the Mediterranean, while US officials and companies are exploring a wider network of export infrastructure intended to reduce regional dependence on Hormuz.

Iraq currently relies heavily on southern terminals in the Gulf for crude exports, leaving government revenue exposed to maritime disruption and Iran-related escalation. Alternative corridors would improve resilience, but construction and rehabilitation would require substantial investment, cross-border coordination and long-term security guarantees. The proposals also emerge as Baghdad seeks to attract more Western capital and balance the influence of Chinese, Russian and Iranian-linked interests in its energy sector.

Assessment/Impact/Business Implications

The agreements indicate a strategic shift from emergency export diversification towards long-term corridor development. A functioning route to Turkey or Syria would provide Iraq with greater flexibility during disruptions in Hormuz and could strengthen its position as a regional energy supplier. However, the announced investment totals include agreements and memorandums that may take years to become operational.

The Syrian route faces damaged infrastructure, sanctions and security risks, while the Turkish corridor remains affected by legal, political and revenue-sharing disputes involving Baghdad and the Kurdistan Regional Government. Armed groups, corruption and bureaucratic delays could also increase costs and slow implementation.

For international businesses, the programme creates potential opportunities in engineering, pipeline construction, logistics, security, project finance and oilfield services. Companies will nevertheless need enhanced due diligence on local partners, contract enforcement and political exposure. The investment outlook is positive, but execution risks remain high because the proposed corridors cross contested territories and depend on cooperation among governments with competing interests.

Factor	Risk Rating	Factor	Risk Rating
Political	HIGH	Business	HIGH
Economic	HIGH	Conflict	HIGH
Civil Unrest	LOW	Environment	MODERATE
Crime	MODERATE	Legal	MODERATE

Libya — Oil expansion and China-linked financial integration — HIGH

Situation Update

On 20 July 2026, Libya's Arabian Gulf Oil Company (AGOCO) stated that its management committee and technical departments held an extensive meeting with the task force appointed by the National Oil Corporation (NOC) to discuss mechanisms for cooperation with the US energy company Chevron. The meeting not only analysed the technical aspects of the partnership but also aimed to outline a strategy focused on increasing the production capacity of Libyan oil fields and improving operational efficiency through the use of advanced technologies. The event took place three days after the announcement by the NOC, on 17 July 2026, of the recognition of the commercial viability of a new oil field known as "Al-Isar". The site has estimated reserves of around 195 million barrels and an expected production capacity of approximately 5,000 barrels per day. While these two oil-related developments contribute to strengthening the national economy, on the geopolitical and financial front, a significant step was taken on 18 July 2026, when the Governor of the Central Bank of Libya, Naji Mohammed Issa, and the Governor of the People's Bank of China (PBOC), Pan Gongsheng, formalised an agreement to connect Libyan commercial banks to China's Cross-Border Interbank Payment System (CIPS).

Assessment/Impact/Business Implications

The progress made in oil activities and the simultaneous activation of China's CIPS payment system outline a complex operational scenario, characterised by a marked geopolitical and economic duality. On the political, conflict, and civil front, the impact is mixed. While, on the one hand, the expansion of extraction capacity ensures greater state revenues, which can temporarily mitigate social discontent and stabilise the technical ceasefires between the factions in the East and West — which are working towards unification —, on the other hand, the strong financial convergence towards Beijing risks irritating Western allies and reigniting local tensions over control of the new resources.

From a legal and environmental perspective, the adoption of modern industrial standards requires stricter monitoring of fugitive emissions, but also forces corporate compliance departments to undertake complex due diligence. Companies will need to verify in advance that the use of the CIPS network does not conflict with the secondary sanctions regimes of the Office of Foreign Assets Control (OFAC) or with the dollar exclusivity clauses that are still in force in international contracts. Economically, the country remains highly dependent on the hydrocarbons sector, and the possibility of settling transactions directly in yuan optimises trade flows and reduces reliance on the US dollar, opening the market to faster supply channels. However, companies must still take into account the internal fragmentation in which different actors compete for control of key infrastructure, while dealing with one of the sectors most exposed to episodes of corruption and infiltration by local criminal groups.

Factor	Risk Rating	Factor	Risk Rating
Political	HIGH	Business	HIGH
Economic	MODERATE	Conflict	MODERATE
Civil Unrest	LOW	Environment	MODERATE
Crime	MODERATE	Legal	HIGH

Lebanon — Beirut / Damascus set for bilateral trade ties as Trump meets over LAF — HIGH

Situation Update

On 16 July 2026, Lebanese Minister of Economy and Trade Amer Bisat stated that Lebanon and Syria will begin reviewing decades-old trade agreements in the coming months in order to revive their economic relations following the ousting of Syrian leader Bashar al-Assad in 2024. The relationship between Beirut and Damascus is a strategic one, with the potential to become the most important bilateral relationship for both countries, given the 375 km shared border and the land routes connecting Syria to Jordan and the Gulf countries. Despite total trade between the two countries reaching almost US$800 million at its peak — falling to US$250 million in 2025 — future potential could be measured in billions if the review leads to a comprehensive trade agreement capable of incorporating investment regulatory frameworks, visa regimes, and broader tax systems. On the sidelines of talks held in Damascus with his Syrian counterpart Nidal al-Shaar, Bisat clarified that, while the initial review will require several months, a deeper agreement will need more time due to significant logistical obstacles affecting land transport and uneven tariff asymmetries, such as export duties currently paid only by Lebanese operators.

Assessment/Impact/Business Implications

The revision of trade agreements between Lebanon and Syria represents a strategic turning point for the post-Assad geopolitical alignment. After a long period of Syrian influence in Beirut, this shift appears intended to lay the foundations for "a more balanced partnership, grounded in sovereign equality and mutual interests". From a political and economic perspective, the success of the bilateral revival depends on the harmonisation of tariffs and visa regimes in order to unlock transit routes towards Jordan and the Gulf countries, a vital corridor capable of raising trade volumes from the historic low of US$250 million to a potential multi-billion-dollar level.

For businesses and private investors, the scenario creates significant long-term cross-border opportunities but requires, in the short term, the maintenance of strict legal safeguards due to fiscal discrepancies and the risk of residual sanctions. The removal of unilateral customs barriers affecting only Lebanese operators will be the true benchmark of the agreement; however, until land border crossings are cleared and a uniform regulatory framework for investments is established, business continuity and international transport operations will have to absorb operational delays and high insurance costs, limiting foreign capital inflows for reconstruction. Furthermore, while overall security risks remain relatively contained compared with previous years, localised instability along border areas and the presence of illicit networks could still disrupt transport routes.

Elsewhere this week, Israeli and Lebanese efforts to implement the "pilot zones" coincided with US President Donald Trump's meeting with Lebanese President Joseph Aoun in Washington, DC, on 21 July 2026. Trump pledged political and military support to help the Lebanese government disarm Hezbollah. The LAF will be responsible for disarming Hezbollah in the first "pilot zones. The Lebanese judiciary is reportedly considering implementing legal mechanisms that would permit the Lebanese Armed Forces (LAF) to search private property and confiscate Hezbollah weapons in the "pilot zones." The LAF only conducted limited private property searches at the IDF's request during previous efforts to disarm Hezbollah after the November 2024 ceasefire.

The Lebanese government recently agreed to the 26 June 2026 Trilateral Framework Agreement, which stipulates that the LAF will disarm and dismantle local armed groups in the "pilot zones." It is likely that the judiciary is considering three mechanisms. One mechanism would reportedly grant the LAF "open" access to search private property in the "pilot zones." The second mechanism would reportedly require the LAF to apply for search warrants before searching individual properties, while the third mechanism would reportedly offer search warrants for entire villages or towns. To date, the judiciary has not granted the LAF permission to search private properties in the "pilot zones" at this time. It is unclear when or if the Lebanese government will implement these measures. Lebanese President Joseph Aoun and other LAF officials have recently said that the Lebanese government is reluctant to use force to disarm Hezbollah due to the risk of civil war and fractures within the LAF. Any Hezbollah disarmament plan that restricts the LAF from searching private property would likely fail because Hezbollah frequently conceals materiel in civilian homes.

Factor	Risk Rating	Factor	Risk Rating
Political	MODERATE	Business	HIGH
Economic	HIGH	Conflict	MODERATE
Civil Unrest	LOW	Environment	LOW
Crime	MODERATE	Legal	HIGH

Global Situational Awareness

Kuwait remains exposed in current conflict via power, water, tanker and northern Gulf infrastructure risk — HIGH

Situation Update

Kuwait remains the most exposed GCC environment after repeated Iranian attacks affecting power and water infrastructure. The risk is now direct and infrastructure-linked, not only airspace-related. Kuwait is inside the active missile, drone and infrastructure-risk envelope. The main concerns are missile and drone activity, air-defence response, power and water disruption, debris risk, northern Gulf exposure, energy infrastructure vulnerability, Kuwait-Iraq border restrictions, GPS interference and proximity to Iraq-linked escalation routes.

Iran struck a Kuwaiti power and desalination plant on 18 July 2026, likely in response to an alleged US strike on an Iranian desalination plant near Jask, Hormozgan Province a day earlier. Iranian regime officials have repeatedly warned in recent days that Iran would attack "regional infrastructure" in response to any US attacks on Iranian critical infrastructure. The Iranian attack on the Kuwaiti power and desalination plant marks the second attack that Iran has conducted on such a plant in Kuwait in the past 48 hours. Iran also struck an unspecified Kuwaiti oil facility on the sane day. The Kuwait Petroleum Corporation said that the facility suffered material damage. Iran has not acknowledged the attacks on Kuwaiti critical infrastructure at the time of this writing and claimed that it targeted a radar and support centre at two US bases in Kuwait.

Kuwait has also summoned Iran's envoy over an attack on a Kuwaiti tanker, adding a direct maritime-diplomatic dimension to the crisis. Even if Kuwait linked ports remain usable, shipping confidence can be affected quickly by missile activity, US-Iran tensions, vessel redirection, Iranian control claims over Hormuz or insurance tightening. Kuwait requires strong movement controls..

Assessment/Impact/Business Implications

Security planning should remain elevated around government sites, diplomatic locations, military-linked facilities, power and water infrastructure, ports, airports, offshore assets, residential compounds and high-footfall commercial areas. Kuwait aviation should be treated as highly sensitive. Kuwait FIR restrictions and GPS interference concerns remain relevant, and any missile or drone activity can rapidly trigger airspace disruption, rerouting, delays or temporary operating restrictions. Passenger travel, executive movement and air cargo should only proceed after confirming current air permissions, flight status and routing. Kuwait should remain one of the most closely checked aviation environments in the GCC until there is a sustained clean period without missile, drone, GPS, airspace, power, water or infrastructure disruption. Kuwait's maritime exposure remains high because its Gulf access depends on confidence in Hormuz and northern Gulf routing. The main risk is not port closure, but vessel caution, war-risk pricing, insurer restrictions, tanker availability and possible delays affecting Kuwait-linked cargo.

Kuwait-Saudi crossings, including Nuwaisib and Salmi, remain the main usable overland routes for authorised passenger and freight movement. These should be treated as the primary fallback for staff movement, urgent logistics and southbound contingency relocation. The Kuwait-Iraq border remains restricted or closed for normal travel unless Kuwaiti and Iraqi authorities confirm otherwise.

Factor	Risk Rating	Factor	Risk Rating
Political	MODERATE	Business	HIGH
Economic	HIGH	Conflict	HIGH
Civil Unrest	LOW	Environment	LOW
Crime	LOW	Legal	MODERATE

Global Situational Awareness

Global SA Risk Methodology

THREAT LEVEL RATING	
SCORE	LEVEL
5	SEVERE
4	HIGH
3	MODERATE
2	LOW
1	MINIMAL

Global Situational
Awareness