

## Europe in the Gulf: From Economic Partnership to Strategic Involvement?

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Various motives have led the EU to strengthen its relations with the Gulf Cooperation Council (GCC), the regional bloc that includes Saudi Arabia, the United Arab Emirates (UAE), Bahrain, Qatar, Oman, and Kuwait. To this end, the EU has over the years even presented a long list of diplomatic initiatives and policy measures. However, despite the potential for stronger relations, achievements have been limited and many of the initiatives never bore fruit. Consequently, notwithstanding the strategic importance of the Gulf, the European role there remains limited. The factors behind the unrealized potential include the difficulty in formulating an accepted European-Gulf foreign policy; the preference of both sides for bilateral rather than multilateral ties; and perhaps most of all, the leading US role in the Gulf; the ethical and normative differences between the sides; and the gradual warming of relations between some European countries and Iran following the signing of the nuclear agreement with the superpowers in 2015. The essay analyzes the development of Euro-Gulf relations since the founding of the GCC, and focuses on the three latter factors. It examines the common interests of the sides and assesses the ability of the EU, as a bloc and as individual countries, to deepen its involvement in the Gulf, beyond the economic relationship that so far has formed the basis for relations.

## **The Economic-Commercial Base**

The creation of the Gulf Cooperation Council (GCC) in 1981 constituted an opportunity for the EU to strengthen relations with the Gulf states. The organization's establishment, comprising Saudi Arabia, the United Arab Emirates (UAE), Bahrain, Qatar, Oman, and Kuwait, was a direct result of previous cooperation between Gulf states and the unique circumstances that prevailed during that period in the Gulf, foremost among them the Islamic Revolution and the Iran-Iraq War. In addition, the European Community (EC) and later the European Union (EU), which boosted the integration of Europe, served as a role model for the founding states. This contrasted with the parallel models of Arab cooperation, which until then had produced only weak and poorly functioning regional organizations. The creation of an Arab bloc created another opportunity for the two sides to upgrade their cooperation from an inter-nation level to an inter-organizational level, although this cooperation did not go far beyond "soft" issues.

Until now, Europe's main interest has been to penetrate the markets in the Gulf and to obtain access to the natural resources there, even though the overall stability of the Middle East is a European interest, if only because of the relative proximity of the Middle East to Europe. In 1988, the EU signed an agreement that created the legal basis for a partnership and for the first time sought to strengthen the ties between the sides in the realms of investment, trade, technology, and energy.<sup>1</sup> The emphasis was on economics, since the leading European interest was ensuring the supply of oil from the Gulf at good prices. The scope of trade grew accordingly during the last decade and in 2016 stood at 138 billion euros (the fourth largest for the EU), of which 100 billion was European exports to the Gulf. The two parties even declared in May 2017 that they had begun a dialogue in order to promote trade and investment ties between them.<sup>2</sup> However, the economic cooperation did not reach its potential, apparently due to the reservations among the Gulf states with respect to strengthening relations in general. Thus, for example, notwithstanding persistent efforts over more than two decades, a free trade agreement has not been signed between the organizations, even though the leaders of both sides appear committed to the idea. In this context, German Chancellor Angela Merkel, during her visit to Saudi Arabia and the UAE in 2017, declared that "a free trade agreement with the Gulf states would be of great interest from a European point of view," that the EU had made a new

proposal to the Gulf states, and that the matter “is now being considered by them.”<sup>3</sup>

The main reason for the inability to make progress in this regard has been the preference of the Gulf states to sign a free trade agreement with the US on a bilateral basis. Over the years Washington has also preferred to manage its trade relations with the Gulf states on this level and has placed pressure on them to this end. The first country to sign a free trade agreement with the US was Bahrain in 2004 and subsequently other GCC countries followed suit.

### **The Strategic Importance of the Gulf**

The Gulf region has experienced war and instability, but it was the so-called Arab Spring – and the immigration crisis that followed – that created a sense of urgency in Europe to increase its involvement in the Gulf, given the understanding that the Gulf is an arena with important implications for European security and stability. In contrast to the state failures that to a large extent characterize the Levant and the Maghreb, the Gulf states have enjoyed relative political and economic stability.<sup>4</sup> This issue, in addition to the activism, not to mention assertiveness, displayed by some of them – particularly Saudi Arabia and the UAE – in managing the Arab agenda, has made them a candidate for political cooperation in the eyes of many European countries.

In general, the basic European interests in the Gulf remain unchanged. Beyond the status of the Gulf states as the main barrier to attempts by Iran to expand in the region, they so far constitute a stable and prosperous enclave – perhaps the only one – in the Arab world; they possess vast natural resources; and they constitute an attractive market for investment, just as the European markets attract investment from the Gulf. For many of the Gulf states, Europe is a main source of professional human capital; an important opportunity for investment; a source of necessary technology; and in some cases even political support. While the Gulf states themselves are an oasis of political and economic stability in a period of regional turmoil, they are also important for their influence and leverage in the Arab world.

In addition, the Gulf constitutes an attractive market for the European arms industry, and indeed, Europe is the second largest arms supplier to the Gulf states, after the US. During 2012–2016, five West European countries – Britain, France, Germany, Italy, and Spain – accounted for close to one

quarter of global arms exports, a large part of which went to the Gulf. During these years, Saudi Arabia and the UAE became, respectively, the second and third largest importers of weapons in the world.<sup>5</sup>

Alongside the growing economic cooperation between the two sides, the leaders of Europe have come to understand the strategic importance of the Gulf, if only because of the growing tension with Iran on the nuclear issue. The EU “strategic partnership” initiative in 2004 sought to lay the foundation for increased dialogue with the GCC on a variety of issues. The EU understood at the same time that it must allocate greater resources to promote these ties. To this end, in 2004 it opened its first diplomatic mission in Riyadh in Saudi Arabia, which is also where the GCC headquarters is located, and in 2013 it opened a second mission in the UAE. Nonetheless, these ties have yielded few results on the organizational level, and the main efforts made were on the bilateral level. The reasons for this included the weakness of the GCC as an organization and the fact that it has a small secretariat with little influence and a small budget. Most of all, however, are the conflicting interests within the GCC and the virtual lack of agreement among the Gulf states and between the EU and the GCC with respect to regional policy and objectives.

In view of the challenges created by the regional upheaval in 2011, there have been increasing attempts by a number of European actors (particularly France, Germany, and Britain), as well as the EU itself, to direct political and military efforts toward the Middle East in general and the Gulf in particular. Evidence of this can be seen in the increased military presence of European countries in the Gulf, which began even before the regional upheaval, as with the establishment of a French military base in the UAE in 2009. Since then, there have been increased arms exports to the region and the training of security forces in the Gulf, and a British naval base was opened in 2016.<sup>6</sup>

### **Barriers to Cooperation**

Strengthening cooperation between the sides is challenged greatly by the inherent difference in values and norms of the EU and its member states from those of the Gulf states. The fact that these two blocs also differ in type of regime – democratic versus authoritarian (elected representatives versus royal houses) – has not contributed to stronger relations, particularly during the initial years following the regional upheaval, a time when there was hope that the winds of democracy that were blowing in the Middle

East would lead to greater popular political participation. The EU remains committed to the promotion of political freedom, while the leaders of the Gulf states have at times worked to strengthen authoritarian regimes, and some have even given support to extreme Islamic elements.

The leaders of the Gulf states are not happy about Western criticism on issues related to human rights and democracy. The clear European preference lies in the direction of political reform and human rights, including the rights of minorities and women. However, Europe, both as a bloc and as individual states, has no effective means to pressure the GCC countries in this context, particularly since the regimes in the Gulf are rich and basically pro-American. Therefore, the offering of European foreign aid as a way of “convincing” the royal house to open up the political system even somewhat is in general not effective. At the same time, and despite their clear American orientation, Arab regimes in the Gulf are interested in diversifying their sources of support and strengthening their political and even military ties, alongside those with the US. Already now, more than a few European countries are suppliers of arms to the Gulf states, even though in recent years there has been increasing European criticism of the way in which the arms are used by some of the Gulf regimes.

In certain cases, the EU has gone beyond criticism. Since the start of the military campaign in Yemen in March 2015, Saudi Arabia has been accused more than once by the legislators and media in Europe of violating international law. Charges have been made that the military operation under Saudi leadership, including the use of European-made weapons, has resulted in widespread and unjustified civilian casualties. In February 2016, the European parliament decided, with a large majority, on an arms embargo against Saudi Arabia on account of “the humanitarian disaster” resulting from its military intervention in Yemen.<sup>7</sup> The European Parliament’s decision increased diplomatic and public pressure on the kingdom, though it did not have much practical significance, if only because the EU countries are not obligated by it. Furthermore, the assertive and sometimes even confrontational approach that some of the Gulf leaders have adopted, particularly the leaders of Saudi Arabia and the UAE, has already led to tension with some EU countries. It has even been claimed that the policy of Mohammad bin Salman, the Saudi crown prince and the strongman in the kingdom, has aroused concern among European intelligence services regarding the risks it creates with regard

to the stability of the kingdom. This is particularly the case in view of his departure from the restrained Saudi policy of the past.<sup>8</sup>

Europe has until now not been successful in playing a more central role in the Gulf by means of, for example, efforts at achieving more active diplomatic intervention. Attempts to resolve the crisis between Qatar and a number of its neighbors, particularly Saudi Arabia and the UAE, have seen only a marginal role played by several EU leaders and officials. Since the crisis began in June 2017, European leaders have made sure to maintain neutrality and not to choose sides, while expressing support for the internal mediation efforts of the GCC. Yet Europe has a clear interest in playing a more active role in the crisis, if only because of their interest in reducing the possible fallout beyond the Gulf, such as in North Africa, as well as the economic implications, with emphasis on the oil and gas markets.

The warming of relations since 2015 between the EU and several European countries on the one hand and Iran on the other constitutes a major barrier to strengthening relations between the sides at this time. The reentry of Iran into the international community is a stab in the back for the regimes in the Gulf who view Iran as the main threat to their stability. This issue is a source of tension and adversely affects the ability to improve relations between the Gulf states and Europe. This is during a period that began with the implementation of the JCPOA and the removal of some of the European sanctions on Iran (some sanctions on Iran remain due to the human rights situation there and the oppression of minorities) in which there is increasing momentum in contacts with Iran and the signing of agreements between Iran and several European countries.

In this context, numerous European trade delegations made their way to Iran since the signing of the agreement, and some of the contacts have already produced economic deals. Official EU figures indicate that in 2016 alone European imports from Iran (primarily oil and its byproducts) jumped 345 percent, while European exports to Iran grew by 28 percent.<sup>9</sup> German Foreign Minister Sigmar Gabriel even warned that the policy of the US toward Iran “is liable to push the EU closer to Russia and China on the issue of Iran.”<sup>10</sup> The position of Germany is intertwined with broad economic interests. German companies have announced their intention of investing about \$12 billion in oil infrastructure projects in Iran. According to information published by the Research Department of the Iran Chamber of Commerce, the scope of

trade with the EU countries doubled during the first seven months of 2017 and now stands at 13 billion euros.<sup>11</sup>

As a way to deal with the threat they foresee from Iran, the Gulf states are interested in a greater military presence in the Gulf on behalf of European countries. The instability surrounding them has grown since the regional upheaval. In their view, this situation is exploited by Iran in order to increase its influence in the Arab world. The EU, on the level of an organization and individual members, can also deepen its political involvement in the Gulf by taking a more active part in the effort to mediate a solution in some of the crises in and around the Gulf.

### **Quo Vadis Europe?**

Following the expected withdrawal of Britain from the EU, the organization's influence in the Gulf, which is any case relatively limited, is expected to weaken even further. Beyond the preference for bilateral over multilateral channels, the difficulty in formulating an agreed-upon foreign policy on both sides and a clear emphasis on economic ties has led the Gulf states to understand that at this point, there is no substitute for a US military presence in the Gulf as a brake on Iranian expansion. Very rich but also very vulnerable, with small populations and small and poorly trained armies, despite the huge expenditure on defense, the Gulf states require an external guarantor of their security. Europe is neither capable nor interested at this point in time in taking the place of the US as the strategic guarantor of peace and stability in the Gulf and the accompanying burden. The extent of the US military presence and its ability to project power, alongside the quality of its forces and the extent of its military and political relations with the Gulf states, are beyond Europe's scope, at least in the near and intermediate terms. At the same time, the Gulf states are not interested in finding themselves one day in a situation of complete dependence on the US, particularly given the doubts as to the US commitment to their security in the long term.

Both Europe and the Gulf states recognize the built-in limitations of the relations between them; nonetheless respective public statements suggest there is a desire to strengthen them. The Gulf still constitutes a source of energy for Europe and an important economic market, both as a buyer of European arms and recently as a customer for nuclear civilian technology. In tandem, it is becoming increasingly understood in Brussels and the capitals of Europe that the Gulf is critical to the stability of the Middle East in general

and of North Africa in particular, due to the influence of the Gulf states on the stability of the various Arab regimes in the Levant and the Maghreb. Therefore, a strengthened dialogue with the royal houses in the Gulf in this context will likely help promote European interests.

Even if it is not currently able to provide security to the regimes in the Gulf, Europe is to some extent able to provide them with backing. At the end of the day, the massive purchase of arms by the Gulf states is first and foremost intended to meet political needs and to strengthen the ties with the international superpowers that are committed to their security. Although the Gulf states have in recent years placed emphasis on the emerging markets in Asia as their preferred destination for the export of oil and gas, Europe still needs Gulf oil and gas in order to diversify its mix of energy sources and to reduce the leverage various players have on it, such as Russia. The Gulf states can exploit this in order to increase the political dividend they obtain from Europe, such as on the issue that is most critical for them, namely Iran.

The EU as an organization, along with individual European countries, still has a role to play in the Gulf, which includes the reduction of tension among the Gulf states and between Iran and Saudi Arabia. Europe also has the ability to play a role in Iraq, even if it is just to limit Iranian influence there. It likewise has an interest in increasing cooperation with the Gulf states in North Africa and in Europe itself, in view of the role of the Gulf states in supporting Islamic institutions, which sometimes provide encouragement to extremism. Despite the awareness of the Gulf's importance, Europe's preference is naturally given to nearby Arab countries of the Maghreb. As a result, and in view of the clear American advantage in the Gulf, the European role in the Gulf will apparently continue to be marginal in the foreseeable future.

## Notes

- 1 For the text of the original agreement, see [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113482.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113482.pdf).
- 2 See European Commission, Trade: Gulf Region, <http://ec.europa.eu/trade/policy/countries-and-regions/regions/gulf-region/>.
- 3 "Merkel sees EU, Gulf States Making Progress on Free Trade Deal," *Reuters*, May 1, 2017, <https://www.reuters.com/article/us-eu-trade-gulf-merkel-idUSKBN17X1QY>.
- 4 Yoel Guzansky, *Between Resilience and Revolution: The Stability of the Gulf Monarchies*, Memorandum 162 (Tel Aviv: Institute for National Security Studies, 2016), pp. 7-13.



- 5 “Trends in International Arms Transfer 2016,” *Stockholm International Peace Research Institute (SIPRI)*, February 2017, <https://www.sipri.org/sites/default/files/Trends-in-international-arms-transfers-2016.pdf>
- 6 Patrick Christys, “Huge British Military Base to Open in Middle East to Fight ISIS and Protect Oil Routes,” *Express*, October 29, 2016, <https://www.express.co.uk/news/uk/726504/British-military-Navy-Middle-East-terror-Bahrain-Michael-Fallon>
- 7 Jennifer Rankin, “EU Parliament Votes for Embargo on Arms Sales to Saudi Arabia,” *The Guardian*, February 25, 2016, <https://www.theguardian.com/world/2016/feb/25/eu-parliament-votes-for-embargo-on-arms-sales-to-saudi-arabia>.
- 8 “German Spy Agency Warns of Saudi Shift to ‘Impulsive’ Policies,” *Reuters*, December 2, 2015, <https://www.reuters.com/article/us-saudi-germany-warning/german-spy-agency-warns-of-saudi-shift-to-impulsive-policies-idUSKBN0TL1O020151202>
- 9 European Commission, Trade, Iran, <http://ec.europa.eu/trade/policy/countries-and-regions/countries/iran/>
- 10 “Trump’s Iran Move Increases Danger of War, says Sigmar Gabriel,” *Politico*, October 14, 2017.
- 11 Zvi Barel, “The Nuclear Agreement: Iran is Waiting for the Other Shoe to Drop in Congress,” *Haaretz*, November 3, 2017.