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# RESPONDING TO AN ASSERTIVE GULF

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## SUMMARY

- Gulf states have emerged as key drivers of developments across the Middle East, deploying unprecedented military, political and economic resources.
- While partly responding to legitimate concerns, Gulf policies are contributing to the cycle of conflict, state breakdown, terrorism and migratory flows – all of which now threaten European interests.
- European states largely view the region through the lens of opportunity, focusing on commercial and defence ties, at the expense of meaningful political engagement, particularly where Gulf policies diverge from European interests.
- European states need to develop a more coherent approach that cements important ties at the same time as addressing differences. Gulf states want deeper partnerships with Europe as their own sense of vulnerability increases, which should be seen as an opening to establish more balanced ties.
- Gulf states are unlikely to quickly moderate their contentious regional interventions. But Europe should try to encourage constructive shifts given the possibility that Gulf policies will hit a wall, while looking to create problem-solving openings between Saudi Arabia and Iran in particular.

In the aftermath of the 2011 Arab uprisings, Gulf actors have embarked on an unprecedented display of regional assertiveness. Saudi Arabia, Qatar, and the United Arab Emirates (UAE), in particular, have dramatically intensified their direct interventions, including by engaging in military action in Libya, Bahrain, Syria, Iraq, and Yemen. The centre of Arab political gravity now sits squarely in the Gulf, as traditional regional powers such as Egypt have been sidelined by deep domestic ruptures.

For Europe, this represents a challenging new reality. European states have long viewed relations with the six states of the Gulf Cooperation Council (GCC) – Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates – through the lens of commerce and defence, particularly in the aftermath of the global economic crisis that began in 2007. But now, even if the Gulf states are in part responding to legitimate grievances and the destabilising policies of other regional actors, their actions are also contributing to the cycle of state breakdown, conflict, terrorism, and migratory flows – all of which increasingly threaten European interests.

Europe has failed to upgrade its own political approach to the region in response to the more prominent role assumed by Gulf actors, even as it has sought to take advantage of the new environment for economic gain. The French government's willingness to ally with the Gulf states on key regional issues has resulted in commercial reward and a new closeness exemplified by President François Hollande's attendance at the annual GCC meeting in May 2015. But while Paris, as with London, talks of close partnership, there is little substantive engagement beyond the adoption of a public face of unity, particularly in areas in which Gulf policies diverge from European interests.

Given this reality, European governments need to think about developing a more coherent approach towards the region that can cement important ties at the same time as addressing differences. It is true that there are significant impediments to the adoption of a stronger European position, including the focus on commercial opportunities and a lack of substantial leverage on key regional issues. But even so, Europe should make better use of the influence it possesses. For all of Europe's weaknesses, the Gulf states still look upon it as a key global partner, particularly as their own sense of vulnerability deepens in the context of expanding regional threats and the perceived distancing of the United States government.

Europeans cannot expect to shift Gulf policies overnight, nor will they always get a hearing for their concerns. However, the more that European interests are affected and the more that Gulf states hit the limitations of their new policies (as may now be occurring in Yemen), the greater the space that may emerge for Europe to match the natural profit motive that presently drives Gulf engagement with one that also embraces a regional problem-solving imperative.

## An assertive Gulf

The Arab uprisings and their aftermath have provoked the Gulf states to take a significantly more proactive and interventionist approach to the Middle East. The GCC states are now pivotal regional players, deploying unprecedented political, military, and economic resources across a range of theatres. Since 2011, Saudi Arabia, Qatar, and the UAE, sometimes together and sometimes in opposition to each other, have been engaged in direct military action in Libya, Bahrain, Syria, Iraq, and Yemen. Together they spent more than \$109.9 billion on defence in 2014 alone, according to one study, and over the past four years they have been channelling billions more into the different regional theatres.<sup>1</sup> The Gulf states have stepped up their responses to perceived threats, fuelled partly by a vacuum of power as regional discord has thrust Egypt, Syria, and Iraq into internal turmoil, but also by a sense that the US has disengaged from its traditional allies in the region – exemplified in Gulf eyes by its lack of support for former Egyptian President Hosni Mubarak and its unwillingness to stand up to Iran.

The partial exceptions to this new assertiveness have been Bahrain and Kuwait, both largely preoccupied with their own internal political challenges, as well as Oman, which has purposely chosen not to be an active participant in regional conflicts. If anything, Muscat is increasingly positioning itself as a lone regional mediator, seeking to use its ties with all parties to broker diplomatic openings.<sup>2</sup>

The new assertiveness of the three main players represents a sea change compared to their more constrained pre-2011 postures. Saudi Arabia has long been an influential regional actor, but its influence has often tended to be deployed discreetly. Qatar, the

other Gulf actor with a pre-existing regional footprint, previously positioned itself as a regional mediator, and also mobilised the soft power of its television broadcast network, Al Jazeera. By and large – and with a few exceptions such as the Saudi actions in Yemen in 2009 – both countries sought to avoid direct interventions. The UAE, for its part, was largely absent from the regional scene beyond its increasing economic footprint.

But the uncertainty ushered in by the Arab uprisings fundamentally changed these dynamics, thrusting new threats and opportunities before the Gulf states. This has played out on a number of tracks, with the Gulf states driven first and foremost by a desire to stop unrest from spreading into the Gulf and thereby threatening the stability of their own ruling orders. In the most direct manifestation of the new approach, the GCC's Peninsula Shield Force, composed of Saudi troops and Emirati police forces, intervened in Bahrain in 2011 at the request of the ruling monarchy. Their aim was to prevent Shia-majority protests from forcing more representative governance and possibly dislodging the ruling Sunni regime – an outcome that would have set a dangerous precedent of popular revolt within the Gulf. The GCC states have also provided considerable political and financial support to Jordan and Morocco to shore up the strength of regional monarchies in the face of collapsing republics.

In the same vein, the UAE and Saudi Arabia under the late King Abdullah have since 2011 spearheaded attempts to quash the Muslim Brotherhood, a potentially powerful vehicle of Islamist opposition based in part on its clear rejection of monarchical rule. Egypt has been ground zero for this battle. The two countries provided instrumental backing for the 2013 military coup against the democratically elected Muslim Brotherhood government. Saudi Arabia and the UAE, along with Kuwait, have provided more than \$23 billion in aid to the government of Abdul Fattah al-Sisi, even as the ongoing crackdown and the absolute exclusion of the Muslim Brotherhood has played a role in opening the door to extremist forces, including some now affiliating themselves with the so-called Islamic State (ISIS).<sup>3</sup>

However, hostility to the Muslim Brotherhood is not universally shared in the Gulf, reflecting the region's deep internal divisions over what actually constitutes a threat. Qatar – along with Turkey – has taken a very different position. It sees the Muslim Brotherhood as representing the region's ideological middle ground and has embraced it as a partner. Not surprisingly, this has provoked very serious intra-Gulf rifts, with GCC members backing opposing sides across the region.

In Egypt, this intra-Gulf disagreement has not exploded into the open, in spite of the strong Qatari support for the deposed Brotherhood government. But Gulf actors are deeply implicated in Libya's unfolding civil war, seeing it as an important theatre in the regional battle over the role of Islamists. The UAE and Qatar, both of which actively participated in the military intervention that brought down Muammar Gaddafi in 2011, support opposing militias in a way that has fed the conflict to the ongoing detriment of United Nations peace efforts. Doha has deescalated its involvement over the past year, but the UAE, working closely with Egypt, has engaged in direct

<sup>1</sup> Robert Wall and Rory Jones, "On Edge, Persian Gulf Monarchies Step Up Defense Spending", *The Wall Street Journal*, 20 February 2015, available at <http://www.wsj.com/articles/new-middle-east-threats-drive-regional-defense-spending-1424442694>.

<sup>2</sup> Oman hosted secret nuclear talks in 2013 between Iran and the US government. In 2015, Oman offered to mediate between Riyadh and the Houthi *movement* to end the Saudi-led military intervention in Yemen, while also hosting talks between the Houthis and the US government.

<sup>3</sup> Tom Arnold and Andrew Torchia, "Egypt got \$23 billion in aid from Gulf in 18 months – minister", *Reuters*, 2 March 2015, available at <http://uk.reuters.com/article/2015/03/02/uk-egypt-investment-gulf-idUKKBNOLY0T20150302>.

military intervention, including air strikes. The civil war has proved fertile ground for extremist groups, resulting in violent destabilisation in neighbouring countries, and more recently in the development of an ISIS foothold in Sirte and Derna.

The struggle against Iran has been a key dynamic simultaneously driving Gulf regional positioning in general and that of Saudi Arabia in particular. For Riyadh, the regional tumult has emerged as an opportunity to push back against Iran's expanding regional influence, itself a by-product of the US-led invasion of Iraq in 2003, which predictably pushed the country into Tehran's orbit. Iran's influence is seen as an unacceptable intrusion into Arab affairs and a direct security threat, given Iran's perceived willingness to incite unrest, including among Shia minorities. Conveniently, the fight against Iran has also represented a useful distraction from domestic discontent grounded in real local grievances, as well as a means of legitimising new leaderships. Iran has responded in kind, mobilising non-state armed actors in support of regional allies – often in a more coherent manner than its Gulf adversaries – feeding the destructive and increasingly sectarian cycle of escalation that is playing out across the region.

Nowhere has this regional proxy war been more evident than in Syria, where a domestic civil war has been subsumed into a broader conflict between Gulf-led backers of the opposition and President Bashar al-Assad's Iranian backers. Since 2011, Saudi Arabia and Qatar have been pivotal to sustaining and shaping the armed revolt. Riyadh in particular has seen Assad's removal as a key component in the effort to upend Iran's regional footprint.

This struggle has not however been divorced from other regional fault lines and, until recently, the two Gulf countries, as well as Turkey, competed against each other within the Syrian arena, with Riyadh looking to sideline the Qatari- and Turkish-backed Syrian Muslim Brotherhood. In a bid to outdo each other and gain the upper hand against Assad and his Iranian backers, the Gulf states have channelled support to a wide range of fighting groups, including some tied to al-Qaeda. Saudi Arabia has exerted better control over its support since 2014, in response to the rise of ISIS. But Qatar is reported to maintain a particularly ambiguous relationship with the al-Qaeda-linked Jabhat al-Nusra group.<sup>4</sup> Kuwait, for its part, quickly emerged as the global clearing-house for private financial support to the Syrian armed opposition.<sup>5</sup>

## A shift of focus towards Iran

If Gulf policies between 2011 and 2014 were defined by conflicts centred on the role of Islamists and of Iran, 2015 has seen a clear shift of focus to the latter. Following the death of King Abdullah and the coronation of King Salman in January 2015, Riyadh quickly reached out to Sunni states, notably Qatar and Turkey, to mend ties that had become badly

frayed. Departing from King Abdullah's line, King Salman has apparently decided, at least for now, that the threat posed by the Muslim Brotherhood is of a lesser order than the threat from Iran – in part, of course, as a result of the successful anti-Muslim Brotherhood front led by King Abdullah. King Salman has prioritised the creation of a pan-regional Sunni front able to meaningfully confront Tehran.

This second phase of Gulf activism, prioritising the Iran threat, has led to change on a number of fronts, including a more unified Gulf position on Syria, a new war in Yemen, and a lessening of Riyadh's anti-Muslim Brotherhood hysteria. But this new approach has not been without internal fallout. The UAE continues to see the Muslim Brotherhood as the key regional menace and is uneasy about Riyadh's shift.

Riyadh, Doha, and Ankara are today setting aside longstanding differences to join in strengthening the armed opposition in Syria, including through support for groups fighting alongside Jabhat al-Nusra.<sup>6</sup> The jihadi group is reportedly coming under Gulf pressure to cut its ties to al-Qaeda and to present a more nationalist front in order to legitimise the Gulf states' ongoing support.<sup>7</sup> These efforts have had direct ramifications on the ground; opposition forces have made notable gains, putting Assad on the back foot for the first time in more than two years.

In Yemen, King Salman has succeeded in assembling a coalition of all GCC states aside from Oman to launch military operations against Houthi rebels following their September 2014 seizure of power, which in Gulf eyes took place with Iran's support. The operations also target former president and Saudi ally Ali Abdullah Saleh, who has now partnered with the Houthis. Reflecting the shift of regional priorities, this campaign has included support for the Muslim Brotherhood-associated Islah party. However, several months in, with the country collapsing under the weight of the military action, the Houthis continue to make advances. And, as elsewhere in the region, al-Qaeda is exploiting the conflict to strengthen its own position.

This year has also been dominated by the fight against ISIS, which in many ways straddles the different dynamics that drive Gulf regional interventions. On the one hand, the Gulf states see ISIS as a direct security threat. A number of ISIS-instigated attacks have already taken place in Saudi Arabia, which has fought a fierce internal battle against al-Qaeda since 2001, and the Gulf states are very concerned about extremist attacks at home. But Gulf actors do not all see ISIS as the most important threat. In Syria and Iraq, the group is seen as a symptom of the exclusionist policies of Iranian-backed sectarian regimes, and pushback against these regimes has therefore been prioritised. All the Gulf states initially joined the US-led anti-ISIS coalition, with Bahrain, Qatar, Saudi Arabia, and the UAE involved, directly and indirectly, in air strikes. But they have subsequently

<sup>6</sup> Sara Hussein, "Army of Conquest' rebel alliance pressures Syria regime", Agence France-Presse, 28 April 2015, available at <http://news.yahoo.com/army-conquest-rebel-alliance-pressures-syria-regime-090529121.html>.

<sup>7</sup> Mariam Karouny, "Insight – Syria's Nusra Front may leave Qaeda to form new entity", Reuters, 4 March 2015, available at <http://uk.reuters.com/article/2015/03/04/uk-mideast-crisis-nusra-insight-idUKKBN0M00G620150304>. In a May 2015 interview with Al Jazeera Arabia, Nusra head Abu Mohammad al-Jolani declared the group's ongoing allegiance to al-Qaeda, but stated that it has no intention of targeting the West. See "Nusra leader: No end to conflict with ISIL in Syria", Al Jazeera, 4 June 2015, available at <http://www.aljazeera.com/news/2015/06/nusra-leader-conflict-isil-syria-150604021024858.html>.

<sup>4</sup> Jay Solomon, "U.S.-Qatar Alliance Strains Coalition Against Islamic State", The Wall Street Journal, 10 October 2014, available at <http://www.wsj.com/articles/u-s-qatar-alliance-strains-coalition-against-islamic-state-1412983181>.

<sup>5</sup> Elizabeth Dickinson, "Kuwait: the crisis in Syria comes home", European Council on Foreign Relations, 2 October 2014, available at [http://www.ecfr.eu/article/commentary\\_kuwait\\_the\\_crisis\\_in\\_syria\\_comes\\_home323](http://www.ecfr.eu/article/commentary_kuwait_the_crisis_in_syria_comes_home323).

withdrawn from the Syrian theatre, partly out of frustration at the US's unwillingness to focus on dislodging Assad.

Taken together, these interventions highlight an unprecedented Gulf investment in attempting to shape regional developments. But the strategy has been challenging: its uncertain results, the region's deepening instability, the rise of ISIS, and Iran's ongoing sway in the Levant point to the struggles the Gulf states have faced. Indeed, despite the heightened display of assertiveness over recent years, King Salman has come to power within the context of a growing sense of Gulf vulnerability, particularly on the Iran front, given the view across the Gulf, even if exaggerated, that Tehran through its allies now controls four Arab capitals: Baghdad, Beirut, Damascus, and Sana'a. The apparent move towards a final nuclear deal between Iran and the P5+1 has amplified these fears. The Gulf states suspect that the West is willing to sacrifice its regional interests for the sake of a nuclear agreement, including by ending sanctions and opening up Iranian coffers to increased funding flows that Iran could then deploy in pursuit of its regional ambitions. They worry that this could presage a broader Western strategic shift away from them.

King Salman is clearly now attempting to shore up the Gulf position, looking to assert Saudi leadership over a fragmented Sunni and Gulf world. If successful, the new position offers some prospect of a more coherent Gulf position. Nonetheless, given the deep fractures of the past four years, it is uncertain whether the Gulf states will truly be able to maintain a collective stance, and, as seen by the situation in Yemen, the degree to which the new approach will deliver is also unclear. The struggles of the last four years and the inability of the Gulf states to shape the outcomes they have sought in the different regional theatres point to the GCC states' ongoing challenge in finding capacity to effectively manage their multiple interventions. The question of the sustainability of the new assertive Gulf position hangs heavily over the entire region.

## Europe's response

The Gulf's increasingly assertive role in the region means that it is now a central player in events that are having a direct impact on the European Union. Confronted by a highly destabilised Middle East, which is above all else provoking immense human suffering, European interests are being challenged more acutely than ever.

The most immediate concern is the security risk related to the growing number of ungoverned spaces in which extremist groups with anti-Western agendas are operating, particularly given that more than 4,000 Western Europeans are now active combatants in these areas.<sup>8</sup> The risk of terror attacks emanating from the Middle East is now the number one security preoccupation facing European governments. A series of violent incidents across the continent have already highlighted the real danger of blowback, both in terms of radicalised Europeans returning from the region and also in terms of the potential for

<sup>8</sup> Peter R. Neumann, "Foreign fighter total in Syria/Iraq now exceeds 20,000; surpasses Afghanistan conflict in the 1980s", ICSR, 26 January 2015, available at <http://icsr.info/2015/01/foreign-fighter-total-syriairaq-now-exceeds-20000-surpasses-afghanistan-conflict-1980s/>.

the crises to act as radicalising agents for others at home. Since European states have now been directly drawn into the regional conflict as part of the anti-ISIS military coalition, the jihadist threat will only become more potent.

At the same time, Europe is confronting a surge of inward migration, as refugees flee regional conflict or use the breakdown of order in Libya to travel to Europe from sub-Saharan Africa. Germany and Sweden have taken in approximately 100,000 Syrian asylum applications over the past three years.<sup>9</sup> Italy alone received more than 170,000 refugees by boat in 2014, a fourfold increase on the 42,925 officially registered in 2013, of which more than 40,000 came from Syria.<sup>10</sup> As of May 2015, 103,000 migrants had already crossed the Mediterranean seeking refuge in Europe this year, including 54,000 to Italy and 48,000 to Greece.<sup>11</sup> In addition to the obvious challenge of managing these numbers, to which southern states are most vulnerable, migration is being exploited in a number of member states to feed a lurch to the extreme right and growing Islamophobia.

Europe is now becoming more deeply involved in the regional conflict zones, both in attempting to mitigate the threats through direct military intervention and in increasing its humanitarian assistance. Its aid is incommensurate to the costs being borne by regional actors, but even so, Europe has already spent more than €3.35 billion on humanitarian support to those affected by the Syria crisis.<sup>12</sup> Despite deepening European intervention, however, a continuation of the current trajectory offers little immediate prospect for stabilising the regional order. Over the years ahead, a sustained regional implosion is likely, which not only will exacerbate existing risks but also could have far-reaching implications for the entire political and security map of the region, possibly drawing in additional states with close ties to Europe, such as Jordan and Israel.

Given all this, Europe's need to prioritise a meaningful strategic relationship with the newly assertive Gulf states is clear. However, the reality is that Europe has failed to move beyond the predominantly commercial and defence approach that has long defined relations with the GCC.

Europe continues to see the Gulf through the lens of opportunity, ignoring the need for more meaningful partnerships on regional issues, including the necessity of creating the capacity for deeper engagement where differences exist. If anything, Europe has used regional turmoil and the Gulf's expanding role to strengthen its commercial and defence ties, to the direct detriment of creating a more consequential political front. France has succeeded in establishing a new closeness, exemplified by Hollande's attendance at the 2015 GCC meeting – the first such occasion by a Western leader – as well as a string of recent arms deals. But this engagement is largely premised on French alignment with Gulf regional positions, notably on Iran and Syria, rather than on any willingness or ability to push the Gulf states to rein in some of their more contentious interventions that affect European interests.

<sup>9</sup> "Facts & Figures: Syria refugee crisis & international resettlement", Amnesty International, 5 December 2014, available at <http://www.amnesty.org/en/news/facts-figures-syria-refugee-crisis-international-resettlement-2014-12-05>.

<sup>10</sup> "Migrant Arrivals by Sea in Italy Top 170,000 in 2014", International Organization for Migration, 16 January 2015, available at <https://www.iom.int/news/migrant-arrivals-sea-italy-top-170000-2014>.

<sup>11</sup> Nina Larson, "Mediterranean migrant crossings to Europe top 100,000 in 2015: UN", Agence France-Presse, 9 June 2015, available at <http://news.yahoo.com/mediterranean-migrant-crossings-europe-top-100-000-2015-114841864.html>.

<sup>12</sup> "Syrian Crisis", European Commission, 10 March 2014, available at [http://ec.europa.eu/echo/files/infographics/infographic\\_syriancrisis\\_en.pdf](http://ec.europa.eu/echo/files/infographics/infographic_syriancrisis_en.pdf).



## Commercial ties

To be sure, there are real upsides to European positioning on the Gulf. The arms trade is often cited as a key driver of European policy, and here, increased GCC assertiveness and widening regional instability have represented a massive boon. Violent turmoil has sparked a regional arms race led by Saudi Arabia and the UAE, with one study estimating that Riyadh spent \$80.8 billion on defence in 2014.<sup>13</sup> Over the last year alone, France has inked a \$7 billion deal to sell Rafale fighter jets to Qatar, a Saudi-sponsored \$3 billion deal to provide weapons to the Lebanese army, and a UAE-supported €5 billion deal for Rafale jets with Egypt. Since 2010, the United Kingdom's government has approved £6.4 billion worth of arms exports to the UAE and £4 billion to Saudi Arabia.<sup>14</sup> German arms exports to the Gulf doubled to €1.42 billion after the outbreak of regional uprisings.<sup>15</sup> Riyadh is now Spain's third-largest weapons buyer, accounting for 10 percent of total exports over the past four years.<sup>16</sup> And the UAE represents Italy's largest single client, accounting for 9 percent of exports.<sup>17</sup> In the context of domestic political realities shaped by continued European economic stagnation and the hollowing-out of much of its non-arms manufacturing sector, these figures and the thousands of associated jobs they secure for European defence industries cannot be trivialised.

But the commercial benefits of EU–GCC ties go far deeper. EU–GCC trade flows total €148 billion, a 50 percent increase since 2010, equivalent to 4.4 percent of the EU's total global trade and 13.9 percent of the GCC's – making the EU the Gulf's largest single trading bloc.<sup>18</sup> In the aftermath of the outbreak of the world financial crisis, the Gulf states, led by their sovereign wealth funds (SWFs), provided critical capital injections into European economies. Barclays Bank alone received £5.8 billion in emergency support from Qatar and the UAE in 2008.<sup>19</sup> Gulf SWFs now manage more than \$2.6 trillion in global assets, including an estimated €73 billion across Europe, up from €8.8 billion in 2004, representing an approximately eightfold increase over a decade.<sup>20</sup> Across Europe, securing Gulf inward investment has now become a key strategic focus. At the same time, Europe's economic stability continues to rely heavily on the security of energy markets dominated by the Gulf, which is also seen as a potential source of new supplies as Europe considers ways to diversify away from Russia.<sup>21</sup>

13 "The Military Balance 2015", International Institute for Strategic Studies, 11 February 2015, available at <https://www.iiss.org/en/publications/military%20balance/issues/the-military-balance-2015-5ea6>.

14 "UK Arms Export Licences", Campaign Against Arms Trade, available at [https://www.caat.org.uk/resources/export-licences/date?region=United+Arab+Emirates&date\\_from=2010-01-01](https://www.caat.org.uk/resources/export-licences/date?region=United+Arab+Emirates&date_from=2010-01-01).

15 Tony Paterson, "Angela Merkel takes the flak for Berlin's arms exports to the Gulf states", *the Independent*, 8 August 2013, available at <http://www.independent.co.uk/news/world/europe/angela-merkel-takes-the-flak-for-berlins-arms-exports-to-the-gulf-states-8752890.html>.

16 "SIPRI Military Expenditure Database", Stockholm International Peace Research Institute, available at [http://www.sipri.org/research/armaments/milex/milex\\_database](http://www.sipri.org/research/armaments/milex/milex_database) (hereafter, "SIPRI Military Expenditure").

17 SIPRI Military Expenditure.

18 "European Union, Trade in goods with GCC", European Union Directorate-General for Trade, 10 April 2015, available at [http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc\\_113482.pdf](http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113482.pdf).

19 Graeme Wearden and Jill Treanor, "Barclays turns to Middle East in £7bn fundraising", *the Guardian*, 31 October 2008, available at <http://www.theguardian.com/business/2008/oct/31/barclay-banking1>.

20 "Fund Rankings", Sovereign Wealth Fund Institute, May 2015, available at <http://www.swfinstitute.org/fund-rankings/>; Joulan Abdul Khalek, "Arab sovereign investments in Europe: a strong past and an uncertain future", 3 February 2015, *Aspenia Online*, available at <http://www.aspeninstitute.it/aspensia-online/article/arab-sovereign-investments-europe-strong-past-and-uncertain-future>.

21 Poland, for instance, is building a liquefied natural gas terminal to import Qatari gas.

## Defence ties

For France and the UK – unlike other European states, many of whom sustain no meaningful focus beyond the commercial element – these links are complemented by deep-rooted defence ties. London and Paris have cemented substantial institutional links, including by establishing a greater military presence in the Gulf. In 2009, France opened a military base in the UAE, its first new overseas installation in more than 50 years, and the UK recently announced a permanent naval presence in Bahrain. Both of these facilities are being financed by their Gulf hosts. Joint exercises and training, together with intelligence sharing, are central to defence ties; UK officials recently cited Riyadh's help in preventing terrorist attacks on British soil. In 2014, the UK entered into a new security cooperation agreement with Qatar, which is also to be funded by the Gulf partner.

If there is any strategic dimension to current European ties with the Gulf, it lies here. Gulf-funded arrangements, including bases, provide one means of helping offset defence spending cuts that could have a debilitating long-term impact on European capacities. Both London and Paris also see their heightened posture in the Gulf as a means to strengthen transatlantic relations by picking up some of the security slack as the US tries to pivot to Asia. "As the United States focuses more of its effort on the Asia-Pacific region, we and our European partners will be expected to take a greater share of the burden in the Gulf, the Near East and North Africa", British Foreign Secretary Philip Hammond recently stated.<sup>22</sup>

However, this strategic approach has more to do with France and the UK's global positioning and budgetary needs than it does with responding to the ever-deteriorating regional environment through more meaningful engagement that could result in regional stabilisation. London and Paris talk of partnership with the GCC states and point to common membership of forums such as the Core Group of the Friends of Syria and the anti-ISIS coalition. But the reality is that little substantive engagement has taken place beyond the public display of unity, particularly in areas in which Gulf policies clearly diverge from European interests.

In both Syria and Libya, some Gulf states have adopted policies that directly contradict shared understandings with their European and US interlocutors. In Syria, the Gulf states can legitimately claim that European states have not been serious about taking the necessary steps to achieve the stated common policy of removing Assad. But the unilateral policies pursued by some Gulf actors have helped to fuel the extremist threat. Europe has largely been unwilling to call out this dimension of the Gulf approach. In Libya, where Europe now faces a potentially catastrophic scenario on its southern border, Europe has been unwilling to engage with the Gulf states about their detrimental interventions. Even intelligence relationships, an area in which greater reciprocity exists, remain largely cocooned from substantive dialogue about the regional conditions that are fuelling the growth of extremism.

22 Richard Spencer, "Britain returns 'East of Suez' with permanent Royal Navy base in Gulf", *the Telegraph*, 6 December 2014, available at <http://www.telegraph.co.uk/news/uknews/defence/11277194/Britain-returns-East-of-Suez-with-permanent-Royal-Navy-base-in-Gulf.html>.

The question of values, including human rights and open political space, has also largely been ignored, even though it is clear that these issues represent one of the key determinants of regional stability. Where Europe does choose to tackle these issues – largely driven by the demands of public opinion – it mostly does so in a muted way through the framework of the EU, and it ignores the deeper question of the link between social contracts that create inclusivity and broader security. When member states bring it up in bilateral dialogue, it seems that both sides understand it to be only a perfunctory exchange. In a rare exception, the Swedish government took a stronger unilateral position in criticising the human rights situation in Saudi Arabia following the sentencing of blogger Raif Badawi to ten years in prison and 1,000 lashes. German Vice Chancellor Sigmar Gabriel also spoke out about the Badawi case, claiming that the punishment could strain bilateral ties between Germany and Saudi Arabia. Public pressure also forced the German government to cancel a small consignment of tank sales to Riyadh due to concerns about regional stability. But these moves were isolated; in the German case, Gabriel comes from the Social Democratic Party, a junior partner in the governing coalition, and his statement was not reflective of the positioning of Chancellor Angela Merkel's dominant Christian Democratic Union, which remains focused on expanding economic ties.

France and the UK once hoped to tie the Gulf into strategic dependence through defence agreements, but the relationships now largely flow the other way. The prioritisation of commercial ambitions means that the balance of power lies with the Gulf, and European actors are increasingly shifting their political positions to match this reality. In France, the Hollande government's willingness to so clearly ally itself with the Gulf, particularly in assuming a more forward-leaning position on Syria and Iran, has led to significant commercial reward. Paris's Gulf-backed arms deals with Lebanon and Egypt are a direct result of this approach. The government's actions were in part taken based on France's own analysis of the situation, but this convenient convergence has nonetheless been embraced as a means to an end.

This embracing of Gulf aims has also formed a theme of London's approach towards the region, although it has been less obvious in the UK case because of the country's decreasing foreign policy footprint under the current Conservative government. In order to preserve its position as Bahrain's key Western partner – and also to gain favour with Riyadh – the UK's position on ongoing rights violations has been tamer than that of nearly all other Western states. Similarly, the UK government launched an inquiry into the Muslim Brotherhood in 2014 in an attempt to curry favour with Saudi Arabia and the UAE. The delay in releasing the report, partly because it risked angering Riyadh and Abu Dhabi by not sufficiently condemning the Brotherhood, highlights the credibility threats that come from actively trying to placate the Gulf in this way.<sup>23</sup>

More recently, both London and Paris strongly backed the Saudi-led Yemen intervention, despite clear private concerns about its feasibility and utility – concerns that have been

proven justified over the course of the intervention. This move was motivated by the desire to maintain a favourable position with Gulf partners.

Put together, this lack of an evolving European position addressing the political dimensions of engagement with the Gulf can be contrasted with the more forceful stance taken by the US. President Barack Obama has very directly emphasised the need for GCC countries to step up and take greater responsibility for stabilising their own region, including by recognising their own internal governance challenges.<sup>24</sup> On Libya, Obama has openly called on the Gulf states to “to be more cooperative”, saying that “in some cases, you've seen them fan the flames of military conflict, rather than try to reduce them”.<sup>25</sup> In so doing, Obama has adopted a strategic response to Gulf positioning that has eluded Europe. Clearly, some differ with the US administration on the substance of this shift, and calling on the Gulf states to assume greater regional ownership raises the question of whether they have the capacity and intent to do so in a stabilising manner. Nor has this position always held true, with the US now backing the Saudi-led intervention in Yemen. But Obama's positioning points to a greater acknowledgment of the critical role of Gulf actors and the need to work with them in more honest ways, including by pressing them at times to act more constructively.

## Constraints on a stronger position

Europe's lack of a more strategic relationship with the Gulf states commensurate with regional realities is a function of a number of deep-rooted issues, the most important of which is a lack of significant leverage on key regional issues.

This is not to say that Europe holds no cards in its relationships with Gulf actors. On the contrary, the Gulf states actively want stronger European partnerships for reasons of, above all else, their own self-interest – so Europe has some levers of potential influence, which it should not quickly ignore. The Gulf interest in partnership is based in part on longstanding European–Gulf ties, principally with the UK, which have cemented deep cultural and institutional links closely held onto by Gulf elites. At the same time, security ties provide important guarantees for the Gulf in the context of the imploding regional order. Even if the US remains the region's irreplaceable security guarantor – and, despite current friction, by far the most consequential relationship for the Gulf – GCC engagement with Europe reflects a desire to diversify their international security backing.

European security ties are valuable to the Gulf states in and of themselves, given the current state of the region, but they also represent an important source of additional Western political cover. Defence ties provide international legitimisation for Gulf ruling orders as well as for their regional policies. In the face of deepening differences with the US, partnership with

<sup>24</sup> Thomas L. Friedman, “Iran and the Obama Doctrine”, the New York Times, 5 April 2015, available at <http://www.nytimes.com/2015/04/06/opinion/thomas-friedman-the-obama-doctrine-and-iran-interview.html>.

<sup>25</sup> Susan Heavey and Roberta Rampton, “Obama urges Gulf nations to help with chaos in Libya”, Reuters, 17 April 2015, available at <http://www.reuters.com/article/2015/04/17/us-libya-security-italy-usa-idUSKBN0N820D20150417>.

<sup>23</sup> George Parker, “David Cameron pulls Muslim Brotherhood report”, Financial Times, 16 March 2015, available at <http://www.ft.com/cms/s/0/67c478d6-cbeb-11e4-aeb5-00144feab7de.html>.

Europe also creates some capital to use with Washington as the Gulf states seek to draw the US more firmly into their camp. Hollande's invitation to attend the recent GCC meeting reflected a desire on the part of the Gulf states for some Western endorsement of their regional ambitions.

Equally, the Gulf does not park its money in Europe solely as a means of rewarding supportive policies. While it clearly uses its economic weight as a political tool, European economies are also seen as relatively safe, stable, and profitable investment destinations. They also offer a gateway to global influence, whether through the sponsoring of internationally recognised football clubs or the acquisition of companies that hold designer brands.

Still, even if Europe is important to the Gulf, this does not mean it has significant leverage in the context of a regional struggle that is increasingly seen through an existential lens. Gulf rulers see their interventions in regional conflicts as crucial to the preservation of their own security. The GCC states value European partnerships, perhaps more than ever, but any moves to press the Gulf to shift course on policies towards Iran and in Yemen and Syria will be unlikely to meet with near-term success. This is particularly so given the sense in the Gulf that Europe, much like the US, has failed to devote sufficient resources to supposedly shared regional goals, especially in Syria.

Knowing this, European leaders have by and large chosen to refrain from engaging in dialogues that they feel would be fruitless, particularly in view of Europe's deepening commercial dependence on the region and the potential for losses if Europe were to take stronger positions. The Gulf response to Sweden's criticism of Riyadh's human rights record is a clear manifestation of this dynamic: Saudi Arabia, and later the UAE, responded by recalling their ambassadors, and Riyadh stopped issuing Swedes with business visas, threatening the \$1.3 billion worth of annual Swedish exports to the kingdom. While the issue was eventually resolved and relations normalised, the experience served as a warning to others of the possible consequences awaiting those prepared to challenge the Gulf.

Meanwhile, European weakness has been accentuated by the EU's longstanding internal disunity. Most significantly, the pursuit of commercial gain acts as a further impediment to a strong European position. For many, especially France and the UK, the need for a common approach is trumped by the desire to carve out bilateral relationships that advance commercial ties at the expense of European competitors. As long as the British and French governments are competing to gain influence – and to further the sale of Rafale and Tornado jets – in the courts of Riyadh, Abu Dhabi, and Doha, hopes for a unified voice on strategic matters will be further weakened.

However, European divisions extend beyond commercial competition. Member states sometimes have vastly different interpretations of the nature of regional developments. Yemen is a case in point: France and the UK have supported the Saudi-led military intervention, whereas much of the rest of Europe remains concerned about the action's trajectory and potential long-term devastating consequences, and therefore prefers to back a more immediate political process. This has hindered

Europe's ability to take a diplomatic lead in resolving the conflict. Some of these perspectives are grounded in a desire to gain a better position with the Gulf states, but they also reflect analytical differences. These differences were also evident in the question of arming the Syrian opposition, resulting in the collapse of a common European position in 2013.

Such divisions have blocked the EU's ability to play a unifying role, and Gulf relations are effectively ignored in Brussels today. When EU–GCC ministerial meetings do occur, the value lies in the bilateral meetings that occur on the sidelines rather than through the strength of a common European front.<sup>26</sup> Even in the context of the current dangerous regional breakdown, the long-delayed 2015 EU–GCC ministerial meeting was attended only by junior ministers. EU–GCC strategic ties are largely ignored at the European Council and Foreign Affairs Council (FAC). Institutionally, no meaningful pan-European mandate exists for addressing the Gulf states beyond technical matters, in particular the pursuit of a Free Trade Agreement. Negotiations on an agreement have been ongoing since 1990 and are presently stalled. And although the agreement could be substantive, if eventually completed, it nonetheless ignores the far more important regional dynamics requiring consideration.

## Time for Europe to step up

If European states are to shape a more coherent approach towards the region, they must start with a conceptual shift of focus that acknowledges the new role being played by the GCC. Europe must engage the Gulf states as the political drivers that they have become. As part of this shift, Europe should also approach the Gulf with a greater degree of confidence. The value that the Gulf states place on European partnerships, together with their own deepening vulnerabilities, present openings, maybe not wide enough to allow Europe to make immediate actionable demands, but at least enough to establish the contours of more balanced relations in which Europe can present its own case on regional issues.

More meaningful regional engagement will first and foremost necessitate making sustained efforts at high-level political dialogue on the key regional issues that shape the region, and European states must combine this with a greater willingness to outline differences where they exist. For the moment, France is clearly best placed to cultivate these channels of dialogue: it should expand on the proximity born of alignment on regional issues to also more clearly outline reservations. The UK, for its part, is increasingly seen by Gulf actors as a non-existent political actor in the region, and it needs to step up and re-engage. But Germany, with its growing global foreign policy footprint and deepening commercial ties to the Gulf, is also in a position to add a meaningful political component to its regional strategy.

As part of broader efforts to make political engagement on regional issues more central, member states should empower a vehicle for more regular, high-level engagement on a pan-European basis. This could possibly involve revitalising the

<sup>26</sup> Author interviews with senior GCC and EU diplomats, 2015.



increasingly defunct EU–GCC ministerial gathering. Member states should try to address the issue regularly in Council and FAC meetings and Federica Mogherini, the EU’s High Representative (HR) for Foreign Affairs and Security Policy, should consider establishing an ongoing and high-level HR+E3 consultative forum with the Gulf states, with the understanding that on some issues Europe will struggle to present a common vision.

Creating more meaningful channels of political dialogue may not translate into immediate gains in terms of the Gulf states moderating their more contentious interventions or adopting policies that better suit European interests. But Europe must ensure that its concerns are heard in the Gulf’s corridors of power and should look to the moment when it can try to encourage constructive shifts, given the possibility that the Gulf states’ current policies may eventually hit a wall. Just as Riyadh has recognised the need to recalibrate its position on the Muslim Brotherhood, a similar recognition may eventually follow on the Iran question, if regional implosion and the deepening threats of blowback are to be avoided. In Yemen, this moment could arise sooner rather than later, in light of the current difficulties facing the Saudi-led military coalition.

If and when these opportunities do arise, European governments should think specifically about how they can better work alongside Gulf actors on regional problem-solving. As part of this, they should encourage the Gulf states to move beyond the winner-takes-all approach, which has included, as in Libya, the Gulf actors at times working against each other. In almost every instance, this approach is escalating conflict. In the likes of Syria, Libya, and Yemen, Europe can encourage this shift by taking a more proactive role in developing alternative tracks, and it should place itself at the forefront of efforts seeking to open up political paths. Moreover, Europe will not be able to make a persuasive case with the Gulf states if it is unwilling to contribute real political and material resources towards the establishment of regional stability. As one critical example, Europe should offer to back its commitment to the UN-led Libya talks with the deployment of European peacekeeping troops, if the factions can agree on a political process.

A key element of any stabilising push in the wider region will be some form of Saudi-Iranian dialogue that in the best case scenario results in a new regional security architecture, but at minimum works towards deescalating proxy conflicts. Europe is well placed to try to make a difference on this front. EU states, particularly the E3 plus Italy and Spain, can use the relative closeness of their relations with both Riyadh and Tehran to nudge and create openings for problem-solving progress. Europe should not be taking sides in this struggle; it should be thinking about how to segue an Iran nuclear deal into a broader regional engagement, reassuring and supporting GCC states but not “compensating” them in counterproductive ways.

European governments should also think more systematically about enhancing cooperation with the Gulf states in areas of convergence, including by helping them develop capacity. As Europe looks to the Gulf to assume greater responsibility for regional stabilisation, this represents an opportunity

to strengthen their ability to more effectively manage their involvement in different regional files, potentially mitigating some of the downside of their interventions. Importantly, this could also help Gulf actors to develop a more realistic sense of what is both achievable and sustainable. As Europe thinks about capacity, it should also push back strongly against any ongoing Gulf mobilisation of extremist groups and ideologies, including by working more consistently to close down non-state support networks. This now directly impacts European security and is an issue that cannot be swept under the carpet in European-Gulf relations.

In the different regional theatres, Europe should explore greater cooperation in areas in which existential concerns are not central to Gulf policies. The two sides could work together more closely on Israel–Palestine, including by pushing Palestinian political reconciliation and funding reconstruction efforts in Gaza. On Libya, there may now be an opportunity to talk to King Salman about encouraging the Gulf to come together behind an inclusive political process. This may also be the case in Egypt, where King Salman’s softening of the anti-Muslim Brotherhood agenda, and some indications that Riyadh is reassessing the value of the ongoing crackdown, may offer an opportunity to jointly press Sisi to open some political space. Europe could encourage this shift by suggesting the possibility of supplying greater economic support for credible non-military projects aimed at boosting domestic reform and development – something the Gulf states might welcome to lighten their own load.

Here, Europe should take note of the recent decline in oil prices and Gulf concerns about their fiscal ability to manage their own domestic environments, let alone their regional interventions. According to the International Monetary Fund, the GCC is anticipated to lose oil export revenues of \$287 billion in 2015, equivalent to 21 percent of GDP.<sup>27</sup> While Saudi Arabia has upwards of \$700 billion in reserves, other Gulf states are unlikely to be able to sustain high spending indefinitely across different theatres. Europe should see this reality as an opportunity to forge regional partnerships based on common interests and concerns.

Finally, the question of the GCC states’ domestic political contexts cannot be wholly ignored. As part of its desire to deescalate regional tensions, Europe has an interest in seeing more open politics across the region – understanding that this will most likely be a process that unfolds over time. In addition to the assessment that too restrictive a political environment will most likely encourage further violent contestation, possibly even within the Gulf, this European preference is based on core fundamentals: European values and Europe’s support for democracy and the rule of law.

European governments know that an assertive position on this issue is unlikely to meet with much success, and could come at a commercial cost, particularly if pursued on a bilateral basis. But it should display a willingness to more transparently call out rights abuses within pan-European formats, recognising both the need for Europe to assert its own values and the

<sup>27</sup> “Regional Economic Outlook Update: Middle East and Central Asia”, International Monetary Fund, May 2015, available at <http://www.imf.org/external/pubs/ft/reo/2015/mcd/eng/mreo0515.htm>.



hope that a common front may at times play some role in encouraging the Gulf states to moderate certain positions. European governments should also point out to the Gulf states – and take advantage of the fact – that the Gulf actors are choosing to place themselves in the international spotlight by hosting World Cups, Grands Prix, Western universities, and other major events and institutions. The more this occurs, the more scrutiny they are going to face, as *European governments* respond to their own globally engaged publics.

When it comes to the Middle East, there are a not insignificant number of US policies that Europeans would do well to distance themselves from. But the Obama administration's attempt to reposition itself towards the Gulf, including by recognising some of the region's internal deficiencies and encouraging the Gulf states to stand up as partners in solving crises, is not one of them.

As Europe looks at the Gulf, and in the context of the US's effort to pivot away from the region, it must therefore avoid the temptation – encouraged by the Gulf states – to see the current situation as an opportunity to fill the void and converge more closely with *the Gulf in the hope of* securing commercial reward.<sup>28</sup> Given its concern about the destabilising ramifications of regional meltdown, Europe should in fact be echoing and in some cases doubling down on the strategic regional approach that Obama has tried to pursue. Now is a moment for Europe to step up its own political approach, encouraging Gulf allies to be partners in problem solving. This should involve strengthening allies, in terms of *capacity and political* support. But it should not mean over-compensating them in counterproductive ways at the expense of regional diplomacy, or working exclusively on their terms when the shortcomings of the approach are clear.

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<sup>28</sup> According to one senior European diplomat, there is a "huge opportunity" to exploit current Gulf unease with the US for economic gain. Author interview, February 2015.

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