

EU and Gulf countries' first summit: Middle East conflict and energy on the agenda

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The EU-Gulf Co-operation Council (GCC) summit meets today in Brussels. Attendance is at a senior level, with Crown Prince Mohammed bin Salman of Saudi Arabia, Commission President Ursula von der Leyen and the French President Macron all present. Such attendance shows that this forum is being taken seriously on both sides. Main items for discussion are expected to include the security situation in the Middle East, economic ties, particularly in energy, and their differences on Russia. On the Middle East, the overwhelming majority of attendees agree on the fundamentals: they want the conflict in the Levant to stop, de-escalation between Israel and Iran and see a two state solution as the only viable end point to the current conflict. Nevertheless, even collectively the EU and GCC lack the means to bring this about. Much of the summit's discussions will be pro forma, with more meaningful discussions taking place in bilaterals in the margins.

The widening conflict in the Middle East will be central to the agenda of the first EU-GCC summit that Brussels hosts today. The EU-GCC relationship dates from 1989 and this summit follows a series of lower-status joint EU-GCC events, such as last year's joint Council and Ministerial meeting. The leaders' summit, which will be co-chaired by Qatar's Emir (as rotating President of the GCC) and the President of the European Council, comes as Israel widens its war against Iran's regional proxies into Lebanon. The EU is concerned that all-out war between Israel and Hezbollah, the Iran-sponsored Lebanese militant group, will worsen Lebanon's acute internal displacement crisis and increase illegal migrant arrivals at European shores. Lebanon's dire economic situation before the war had pushed nearly half the country's people into poverty. As the ECB looks to press ahead with its interest rate-cutting cycle, an expanding war that risks higher energy prices and continued disruption to Red Sea shipping also risks undermining progress in defeating European inflation. The Gulf states, neighbouring Iran, worry that a spiralling Iran-Israel confrontation will destabilise the Strait of Hormuz, the transit point for nearly a third of the world's oil trade and about 20% of global liquefied natural gas (LNG) trade. In recent days, Iran's foreign minister held talks in Doha and Riyadh to seek guarantees that they would

deny Israel access to their airspace for any potential strike on Iran. The top Iranian diplomat's tour was intended to refocus Iran and Gulf states' shared interest in regional de-escalation, with energy exports an economic lifeline to both Iran and Gulf states. The summit will help the EU and GCC to work together on these shared interests but both sides know that the critical security players in this conflict remain Israel, Iran and the US.

The GCC-EU summit will be held as Europe ramps up imports of Gulf energy to plug the supply gap left by the cut-off of Russian gas to the continent. The summit convenes a day after EU energy ministers met in Luxembourg to discuss energy security ahead of the European winter and the expiration of a gas-transit agreement between Ukraine and Russia on December 31st. Energy exports from the Gulf sent the EU's trade with the GCC soaring last year (up 77%), on the back of global energy market disruption caused by Russia's invasion of Ukraine. Last year, Italy, the Netherlands, and France signed long-term (27-year) LNG supply agreements with Qatar. In 2022, Germany signed a 15-year supply deal with Qatar as it sought to lessen its dependence on Russian gas, which accounted for more than half of German gas imports before the war. In May, Germany

struck a similar 15-year supply deal with the UAE. Germany's chancellor views diversified LNG imports as a "building block" to the country's energy security but they are not without controversy. Some of the long-term contracts extend beyond 2050, when the EU plans to achieve net zero greenhouse gas emissions. A slew of Gulf energy deals is seen by critics as perpetuating Europe's dependence on fossil fuels. Some of the agreements have, therefore, been couched as comprehensive energy partnerships that also include plans for joint investment in renewables, especially hydrogen, in both the Gulf and Europe. In the run-up to COP 29, the Gulf will be seen, particularly by the EU, as a critical player in the energy transition for both hydrocarbon supply and climate finance flows.

National leaders' buy-in will be critical for ensuring commitments are taken forward, ahead of the EU institutions' change in leadership. The immediate regional security issues in Lebanon will likely be the focus for Emmanuel Macron, while other countries are keen to promote investment from Gulf countries (and their sovereign wealth funds) and to secure alternative energy supplies, particularly LNG from Qatar. The summit's format reflects a calculation that these interests are more than the sum of their parts. However, the attempt by outgoing Council President Charles Michel to own the overall agenda risks a loss of focus during the transition to his successor Antonio Costa, who is not attending. Kaja Kallas' role - moving later this year from Estonian PM to the EU high representative - will therefore have greater than usual importance: she has generally taken a pragmatic approach to relations with GCC members, with her government signing a memorandum of understanding with the Saudi prime minister earlier this year focussed on trade and investment. She is less likely to prioritise concerns about climate change and human rights.

As both regions adapt to a multipolar world and to an unstable transatlantic relationship, the new format provides an early opportunity to develop President von der Leyen's aspirations for a "new foreign economic policy". A comprehensive free trade agreement with the Gulf countries does not feature in the mission letter to incoming trade commissioner (and executive vice president) Maros Sefcovic. However, there is scope for work to resume on a looser framework agreement with the GCC countries collectively, that can be complemented by more targeted and limited sectorial agreements with individual states. The lack of asks from GCC countries in sensitive sectors such as agriculture, and concerns from European multinationals about localisation requirements, could make the region a more realistic prospect for those in the Commission and in Germany reluctant to give up on a liberalisation agenda.

The Gulf's enduring ties with Russia and its non-enforcement of Western sanctions against Russia remain key points of contention with the EU. Gulf states have joined many middle powers in not enforcing Western sanctions against Russia. Despite relying on the American

security umbrella, Gulf states are pursuing a multipolar foreign policy that involves diversifying their geopolitical alliances and trade and investment ties. A key sticking point in EU-Gulf relations has been the apparent emergence of some Gulf-based firms as conduits for the transfer of sanctioned dual-use goods (for both civilian and military purposes) to Russia. Tellingly, a leaked draft of the summit's joint statement shows Gulf countries deleting a passage vowing to improve joint work on sanctions circumvention. Officials from western governments have regularly consulted with their Gulf partners as part of a wider effort to prevent sanctioned goods from reaching Russia. Gulf states will resist accepting a binary choice between the West and Russia - a principle that also guides their dealings with China.

The GCC and Russia will continue to cooperate on oil policy and deepen their economic and investment ties. For example, Qatar still owns a 19% stake in Russia's state-controlled oil giant Rosneft and is weighing the purchase of Rosneft's energy assets in Germany. Saudi and the UAE both hosted Vladimir Putin in December 2023, in a rare overseas trip for the Russian President outside the former Soviet Union. The UAE was guest of honour at the St Petersburg International Economic Forum in 2023, with its delegation headed by the President of the UAE, Sheikh Mohammed bin Zayed. Russia and the Gulf's key oil producers, notably Saudi and the UAE, are also part of the OPEC+ alliance (formed in 2016), where they coordinate oil supply policy to keep a floor under oil prices. With sagging global demand for the fuel and the importance of oil income to the economies of both Russia and the Gulf, OPEC+ will continue to be a key vehicle for cooperation between Russia and the Gulf.

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