Between Geopolitics and Geoeconomics: The Growing Role of Gulf States in the Eastern Mediterranean

by Adel Abdel Ghafar

ABSTRACT
The role played by countries of the Gulf Cooperation Council (GCC) in the Eastern Mediterranean is becoming increasingly important. This calls for an assessment of their evolving relationship with countries in the region, as well as their involvement in the Libyan conflict. Increased involvement by Gulf actors may inflame existing regional rivalries and geopolitical tensions. The interests of GCC countries in the Eastern Mediterranean are first analysed in the broader context of regional rivalries. Special attention is then devoted to Egypt, Libya, Lebanon, Greece and Cyprus, while considering the role of other key regional actors such as Turkey and Israel. Recommendations on why and how the new US administration should intervene to decrease regional tensions are provided.
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Introduction

In August 2020, United Arab Emirates (UAE) Minister of State Anwar Gargash tweeted: "the signing of the maritime boundary demarcation agreement between Egypt and Greece is a victory for international law over the law of the jungle".1 This thinly veiled insult, directed at Turkey, was the latest salvo in the growing competition in the Eastern Mediterranean. While Gulf players such as Saudi Arabia, the UAE and Qatar are latecomers to the Eastern Mediterranean chessboard, they have strongly backed competing regional powers and their claims in the region since their arrival.

The Eastern Mediterranean today is the perfect storm at the intersection of geopolitics and geoeconomics. While it was initially hoped that gas finds in the region could bring peace and prosperity,2 the reality is that competition for energy, ideological rivalries, historical grievances and growing regional ambitions are providing for a combustible mix.3 The increased interest in the Eastern Mediterranean by Gulf states is part of a broader process of their growing assertiveness and ambition, as well as a reflection of changing geopolitical dynamics across the Middle East and North Africa (MENA) region. Increased involvement by Gulf actors may inflame existing regional rivalries and geopolitical tensions.


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1. The Gulf’s moment? The strategic priorities of the Arab Gulf states

Years of political instability, bad governance, demographic pressure and weak economic performance have led to a decline in the relative power of traditionally strong Arab capitals. As this occurred, there has been a shift of economic and political power towards the Gulf capitals such as Riyadh, Abu Dhabi and Doha. Backed by hydrocarbon revenues and sovereign wealth funds, these three capitals are increasingly seeking to shape outcomes in the MENA region, seizing what some have termed the “Gulf’s moment”.

1.1 Saudi Arabia

Saudi Arabia views itself as one of the primary contenders for regional leadership in the MENA region. Critically, Saudi Arabia strives to contain Iran, which its leaders perceive as the biggest threat to achieving its regional hegemonic role. Indeed, the Kingdom feels it is surrounded by Iranian proxy forces – in Lebanon, Syria, Iraq and Yemen – as well as Iran itself, a situation blamed on the unwillingness of the Obama Administration (2009–17) to commit to containing Iran by force. Saudi leaders have also grown frustrated with the failure of tried-and-true means of retaining allies in the region – financially supporting strongmen and robust security forces. Currently, Saudi Arabia perceives three main security threats: the military coercion from Iran, as well as two interrelated factors, namely the ideological opposition from groups promoting forms of political Islam, such as the Muslim Brotherhood (MB), and a growing strategic rivalry with Turkey, which has used Islamists in the region to further its influence and reach.

In terms of political Islam, the Muslim Brotherhood remains a primary ideological challenge to the Kingdom’s leadership, which is mostly under the influence of close partner leadership from the UAE. The Saudi dynasty has historically been suspicious of a potential threat posed by an elected Islamist government. This is why, in 2013, Saudi Arabia actively supported the popularly backed coup against President, and MB member, Muhammad Morsi in Egypt, and declared the Brotherhood a terrorist organisation in 2014.

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6 Matthew Petti, “Iran Isn’t the Only Problem: Ignore the Saudi-Turkish Rivalry at Your Own Peril”, in Responsible Statecraft, 7 July 2020, https://responsiblestatecraft.org/?p=4493.
Despite a brief hiatus in 2015–16, this view that Islamists are particularly threatening to the Kingdom’s stability continues unabated. Crown Prince Mohammed Bin Salman has kept slamming the Brotherhood as posing a unique threat to political order in the region, while cracking down on conservative clerics who display even a hint of independence at home.\(^7\) This now feeds into Saudi Arabia’s domestic drive for social reform, with the country’s rulers blaming the influence of Islamist clerics (rather than official state policy) for the country’s past conservatism.

### 1.2 The UAE

Much of the aforementioned description of Saudi Arabia’s threat perceptions is also valid for the UAE. A key difference is the fact that the UAE is well aware that its smaller population and comparatively less economic heft mean it will be unlikely to ever surpass Saudi Arabia in terms of regional influence. As a result, the UAE invests extensively in developing a diplomatic toolkit aimed at garnering soft-power influence and personal connections with major security partners such as the United States. Likewise, while Saudi Arabia and the UAE have both pursued domestic arms industries as a means of economic diversification and national security provision, Abu Dhabi has focused on innovating and producing certain niche defence capabilities for local use and export.\(^8\)

At present, the UAE’s key divergence from Saudi Arabia is its prioritisation of its regional rivalry with Qatar and its efforts to crush the MB over efforts to confront and contain Iran (perhaps viewing the latter as the concern of more powerful security partners).\(^9\) Increasingly, the UAE and Turkey are developing a strategic rivalry, in which the Eastern Mediterranean is shaping up to be a key theatre.\(^10\)

### 1.3 Qatar

The tiny emirate of Qatar has used its gas wealth to attempt to project power and influence way beyond its shores. Whereas Saudi Arabia and the UAE viewed the 2011 Arab uprisings as a threat, Qatar viewed them as an opportunity, and strongly backed Islamist actors across the region, and particularly in North Africa. Since the 2013 coup in Egypt, and the 2017 Saudi-UAE-led campaign to isolate it, Doha has seen its influence in the region retreat.

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Doha remains firmly aligned with Ankara and in full opposition to the Saudi/UAE/Egypt axis in the Eastern Mediterranean, especially when it comes to their involvement in Libya. The blockade imposed on the emirate by Saudi Arabia and the UAE in 2017 has brought Qatar even closer to Turkey, with which it was already ideologically aligned in terms of their support of Islamist actors across the region. Turkey has deployed some of its military assets to Qatar, and in turn Qatar has injected sizable investments into the Turkish economy to help revive it, including most recently a 15 billion US dollars currency swap line to help prop up the Turkish lira, and another deal to purchase a stake in the Turkish stock exchange.

Overall, these existing Gulf rivalries have been exported to the Eastern Mediterranean and complement another set of rivalries in the region itself.

1.4 Gulf countries’ relations with Israel

The signing of the Abraham Agreements between the UAE and Bahrain on one hand and Israel on the other will likely empower Saudi Arabia and the UAE across the region. From an Emirati perspective, the deal brings a number of crucial benefits, not only economic but also in terms of military hardware. In its dying days, the Trump Administration (2017–21) signed off on a massive military sale package that included Reaper drones, munitions and the coveted F-35 jets in a deal worth an estimated 23.37 billion US dollars. The sale, if completed and approved by Congress, will be the first American transfer of lethal unmanned aerial systems to an Arab country. It is ironic that Turkey, a NATO ally and industrial partner in the F-35 programme, will not get the jets due its decision to purchase the powerful air defence system S400 from Russia, but its regional rival the UAE could. More recently, the Biden Administration has decided to suspend arms sales to Saudi Arabia and F-35 sales to the UAE.

In late November 2020, there was a rumoured meeting between Israeli Prime Minister Benjamin Netanyahu and Saudi Crown Prince Bin Salman. Any

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normalisation between Saudi Arabia and Israel would primarily be targeting Iran’s regional ambitions, and secondarily Turkey’s. As the UAE and Saudi Arabia increase their hard power capabilities and deepen their engagement with Greece and Cyprus, which is discussed below, they are likely to play a larger role in the Eastern Mediterranean.

2. Turkish ambitions and growing tensions in the Eastern Mediterranean

Over the past years, there has been a growing Egyptian-Greek-Cypriot-Israeli-French axis emerging in opposition to Turkish ambitions in the Eastern Mediterranean. While Egypt’s government is mostly concerned with the potential for domestic unrest, the ongoing insurgency in the Sinai and the potential impact of the Ethiopian plan for the dam on the upper Nile (the Grand Ethiopian Renaissance Dam, GERD), one of its most pressing concerns is the rise of an Islamist-aligned force in neighbouring Libya, where it has backed the Libyan National Army (LNA) led by Field Marshal Khalifa Haftar in his bid to establish control over the entirety of Libya. To this end, Egypt has coordinated with the UAE, providing it with a staging ground for air strikes against the UN-backed government in Tripoli.

Since the 2013 popularly backed coup in Egypt, there have been increasing tensions between Cairo and Ankara. Turkey hosts a number of high-profile Muslim Brotherhood members, as well as many rank and file members. MB activists use Turkey as a base for TV and radio stations targeting Egypt’s government. For its part, Egypt has sought to deepen its engagement with Greece and Cyprus, longstanding rivals of Ankara, in opposition to Turkey’s ambitions in the East Mediterranean.

In relation to Turkey’s regional strategic priorities, securing its southern borders against Kurdish militant groups and new influxes of Syrian refugees and projecting power in the Eastern Mediterranean are key priorities. However, Turkey’s major goal over the years has been to position itself as the undisputed leader of the Muslim world – in opposition to Saudi hegemony. Despite a moment of instability following the failed 2016 coup, President Recep Tayyip Erdoğan has further consolidated his power and purged the Turkish armed forces and state institutions of potential rivals, claiming they were linked to the attempt to oust him from power. The result has been to further embolden the Turkish government on the
international stage.\textsuperscript{20}

In addition to its rivalry with Greece and the ongoing Cyprus dispute, Turkey’s other prominent engagement in the Eastern Mediterranean is in Libya. Indeed, Erdoğan has forcefully backed the UN-recognised GNA (which incorporates at least some Islamist elements), as it has proven to be a friendly government willing to accept a degree of Turkish influence in Libyan affairs and support Turkish interests in the Eastern Mediterranean. For instance, the agreement between the GNA and Turkey has laid the foundations for Turkish efforts to block Greece and Cyprus (perhaps, with Israel and Egypt) from monopolising the development of natural gas deposits in the Eastern Mediterranean.\textsuperscript{21}

Turkey’s growing involvement in the Libyan conflict and its military intervention there in early 2020, combining the use of drones and Syrian mercenaries, have turned the tide of the civil war, with the LNA currently on the defensive.\textsuperscript{22} Turkey has increased its military presence and, in cooperation with Qatar, has deepened its footprint amid increasingly deadlocked negotiations.\textsuperscript{23} Such unilateral actions feed into the broader Turkish strategic aim of portraying itself as the paramount power both in the region and in the broader Muslim world – bringing it into direct rivalry with Saudi Arabia. Although the initial ambition of a “Turkish model” of Islamist democracy spreading throughout the Arab world foundered due to the 2013 coup in Egypt, Turkey has still managed to put together a loose collection of partner-nations and proxies – particularly Qatar after the 2017 Gulf rift.\textsuperscript{24}

While historically Turkey and Israel have been allies with deep economic, political and military ties, under Erdoğan’s leadership these ties have turned sour and the relationship has become acrimonious. Indeed, while Israeli leaders are overwhelmingly focused on the threat posed by Iran – and to a much lesser extent on militant groups in Gaza and Lebanon – Turkey’s regional ambitions are viewed with increasing suspicion in Israel. Netanyahu and other Israeli leaders have capitalised on shared perceptions of Iran as a paramount threat to make inroads with Arab Gulf counterparts, encouraging the idea that the Gulf monarchies are broadly aligned with Israel against Iran. This realignment of interests has led the UAE and Bahrain to sign the normalisation deal with Israel.\textsuperscript{25} This agreement,
combined with changing Arab perceptions of regional security challenges, means that Iran and Turkey are increasingly felt to be the key threats to Arab security, as opposed to the historical foe Israel.

Opposition to Turkish expansionism is another area where Saudi Arabia, the UAE and Israel find themselves aligned. This is why the UAE and Saudi Arabia are willing to use any means necessary to pressure Turkey, including their economic weight. For instance in late 2020 Saudi business leaders called for the boycott of goods from “hostile” Turkey. This was in response to Erdoğan’s speech at Turkey’s General Assembly where he said that “it should not be forgotten that the countries in question [referring to Gulf states] did not exist yesterday, and probably will not exist tomorrow; however, we will continue to keep our flag flying in this region forever, with the permission of Allah”.

Overall, Turkey is finding itself increasingly isolated in the Eastern Mediterranean and across the region. The policy of “zero problems with neighbours” it once pursued has now effectively been transformed into a policy outcome of “zero friends”. This isolation is evidenced by the side-lining of Turkey in the formation of the Eastern Mediterranean Gas Forum between Cyprus, Egypt, Greece, Israel, Italy, Jordan and Palestine, which was signed in a digital ceremony in September 2020. The ceremony marked the formal transformation of the forum into a recognised intergovernmental body, with members signing the founding charter of the new organisation.

3. Analysing the role of Gulf states in the Eastern Mediterranean

3.1 Libya

The Gulf states’ involvement in the ongoing civil war in Libya has prolonged the conflict and prompted further political disintegration in the country. Although the UAE and Qatar once shared similar hopes for a post-Qaddafi Libya, the two countries have long found themselves on opposing sides of the conflict. The UAE has been the main Gulf actor in the Libyan conflict, offering support to Haftar through military machinery and supplies. In violation of the UN Security Council’s

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27 Ibid.
arms embargo levied against all parties, the UAE has provided the LNA with armoured personnel carriers, drones and aircraft, and also reportedly pays the salaries of a large number of foreign mercenaries fighting for Haftar. The UAE escalated its weapons deliveries to Haftar during his failed assault on Tripoli in spite of pledging to respect the UN arms embargo. Online information warfare has been another important facet of the ongoing war. Although Saudi Arabia has dominated in this regard, the UAE likely funded several pro-Haftar TV stations and news websites in Libya.

On the other side, the deployment of Turkish military forces in Libya – among them reportedly 2,000 Syrian rebels from the Turkish-controlled northern part of the country – raises the potential for internationalising the conflict even further. Egypt has reportedly toyed with the idea of an overt military invasion, although nothing has come of this so far. Turkish military interventions in the Mediterranean continue to raise concerns in Greece and Cyprus about Turkey forcing a resolution to the status of Northern Cyprus, particularly as rivals to Turkey, such as Saudi Arabia, seek to turn the issue into a point of leverage.

The UAE and Greece have engaged in joint military exercises in the Eastern Mediterranean, and the former has deployed some of its aircraft, signalling Abu Dhabi’s intent to confront Turkey in its own backyard. Qatar and Turkey hope to promote a Libyan government that, regardless of how democratic it proves, would be more amenable to Turkish and Qatari interests in fostering Islamist political forces.

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For its part, and in opposition to the Turkey-GNA maritime border deal, Egypt has signed a maritime deal with Greece, further deepening the dispute. France has allied itself with Greece, Cyprus, Egypt and the UAE, and has deployed military assets to the region. In a May 2020 statement by their respective foreign ministers, France, Greece, Cyprus and Egypt made their position clear vis-à-vis Turkish power projection in the region, condemning Turkey’s “illegal” activities in the Eastern Mediterranean and calling on Ankara to “fully respect the sovereignty and the sovereign rights of all states in their maritime zones in the Eastern Mediterranean”.

While Saudi Arabia does not play a huge role in Libya, it has wielded influence largely through religious channels. A Salafist, Saudi-based religious group that follows the teachings of Rabee al-Madkhali has gained traction in Libya, infiltrating Libya’s religious organisations and Haftar’s security forces. Most Madkhalists oppose the Muslim Brotherhood and they view submission to a national leader (wali al amr) as paramount. There is suspicion that Saudi policy and sentiments directly influence the sermons and edicts of Madkhalists in Libya. However, select groups of Madkhalists also support and fight for the GNA, further complicating the matter.

Although Saudi Arabia’s support for Haftar has been more muted than that of the UAE, Riyadh has nonetheless ramped up its involvement in the conflict over the past year – likely due to Turkey’s growing involvement. This has come in the form of increased diplomatic meetings between Saudi and Libyan officials, as well as allegations of Saudi funding for Russian paramilitary forces fighting for Haftar. However, the main instance of alleged Saudi involvement was reported by The Wall Street Journal soon after Haftar’s offensive on Tripoli. Prior to his attack on the capital, Haftar was in Riyadh, where he reportedly got the go-ahead from Saudi Arabia to attempt to seize Tripoli, as well as substantial financial backing. The Saudi government refused to comment on the allegations.

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47 Ibid.
While the US has played a permissive role in the Libyan conflict by not investing too much effort in brokering talks or restraining security partners such as Egypt from offering a full-throated defence of Haftar, European countries have a particular interest in resolving the conflict. This is due to concerns that the civil war has opened up new smuggling routes for migrants seeking to reach Europe.49 The EU, for example, has offered extensive funding to the Libyan Coast Guard to prevent the departure of migrants and refugees for Europe’s shores, while failing to re-establish political authority and resolve the underlying conflict in Libya.50

November 2020 saw some positive movement on Libya’s stalled peace process. Under the auspices of the UN, Libya’s factions began a second round of talks on a mechanism to choose a transitional government that would lead the country to elections in December 2021.51 While the election on a new interim government in Libya in February 2021 is a step towards stability,52 without agreement between the faction’s external backers, any longer-term settlement will be hard to reach.

3.2 Egypt

Although the history of Gulf influence in Egypt stretches back decades, substantial economic and political influence came in the days following the popularly backed military coup that ousted President Morsi in 2013. Although Qatar supported Egypt’s Brotherhood-led government that took hold after the Arab Spring, the other Gulf states were concerned by the rise of Islamist governments across the region. Given the transnational nature of the Muslim Brotherhood and its presence across the MENA region and Gulf states, the latter were quick to back the coup against Morsi and the Brotherhood.

Shortly after the ouster of Morsi, Saudi Arabia, the UAE and Kuwait sent a combined 16 billion US dollars to Egypt in aid packages, oil and gas investments, and direct deposits, significantly dwarfing the financial assistance the country received from international financial institutions that same year.53 With the rise of President Abdel Fattah el-Sisi, Gulf financial influence in Egypt has continued, though to a lesser degree.54 In reality, Gulf donations to Egypt sharply retracted in 2014 with the crash promised-support-to-libyan-warlord-in-push-to-seize-tripoli-11555077600.

54 Michele Dunne, “Egypt: Looking Elsewhere to Meet Bottomless Needs”, in Michele Dunne (ed.),
in oil prices as all six Gulf Cooperation Council (GCC) member states entered into fiscal deficits. However, financial assistance rebounded in 2016 with investments replacing direct cash transfers. Although Gulf investments in Egypt have been historically focused on the real estate, financial, retail, telecommunications and logistics sectors, Saudi and Emirati investors are growing increasingly involved in the energy sector as well. Investing entities from the two countries contributed to the new 1.5 GW Benban Solar Park, and Qatar Petroleum is a lead investor in a forthcoming refinery.

Of the six GCC states, the UAE has been the largest source of foreign direct investment (FDI) in Egypt. UAE FDI in Egypt totalled about 1 billion US dollars per year between fiscal years 2014/15 and 2017/18. Various projects funded by UAE holding companies such as Majid Al Futtaim, Al Futtaim Group and Emaar Properties include the Mall of Egypt (signed in 2019), expansion of Carrefour supermarkets across Egypt (signed in 2018) and vast commercial real estate holdings across the country. Etisalat, an Emirati telecommunications company, also acquired one of four mobile-phone licenses in Egypt in 2016, and it will likely upgrade its infrastructure in the country in the near future. However, not all Emirati bids and projects have proven successful. Emaar’s proposed investment in and model for Egypt’s new administrative capital was shelved, and a housing project to relieve Egypt’s homelessness crisis proposed by Abu Dhabi’s Arabtec has been repeatedly downsized and delayed. Additionally, First Abu Dhabi Bank’s bid to acquire the Egyptian division of Lebanon’s Bank Audi was halted in May 2020 amid Lebanon’s economic spiral.

Meanwhile, Saudi and Kuwaiti FDIs have also been significant, although smaller than the Emirati ones. Saudi-held assets in Egypt include various hotels and resorts, as well Saudi Telecom’s 55 per cent stake in Vodafone Egypt, the country’s largest mobile operator. Kuwaiti investments in Egypt allegedly exceed 9 billion US dollars, spanning the industrial, tourism, agricultural, real estate and energy sectors. In the 2018/19 fiscal year, the UAE and Saudi Arabia ranked as the fourth and seventh largest exporters to Egypt, respectively, although the UAE’s exports to Egypt dropped by about 500 million US dollars from the previous fiscal year. Saudi Arabia trails China as Egypt’s top import partner at almost 5 billion US dollars for

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2018/19. Trade with Qatar has decreased, as Egypt stopped importing Qatar’s LNG in 2018 in favour of domestic LNG.\(^ {60}\)

Between 2015 and 2019, Egypt ranked as the world’s third largest arms importer. France is its main supplier of arms, followed by Russia, which has recently overtaken the US in spite of the latter’s traditional support to the Egyptian military forces.\(^ {61}\) It is unclear how Egypt is financing such deals, causing some to speculate that Egypt’s Gulf neighbours may have helped with financing, although this has yet to be proved with concrete evidence.\(^ {62}\)

In addition to their main aim to curb the influence of the Muslim Brotherhood, Saudi Arabia and the UAE view their investments and financial backing to the Egyptian government as strategic levers of influence that they may pull at their discretion. The signing of the agreement to hand back Tiran and Sanafir is a key example. After this agreement was announced, many Egyptians were outraged at what they viewed as the parcelling off of Egyptian territory in exchange for Saudi financial support and investments.\(^ {63}\) This outrage only grew when it was revealed that Israel and the US had been consulted even before the return was announced to the Egyptian people.\(^ {64}\) Although two Egyptian courts ruled the islands’ return invalid, Egypt’s Supreme Administrative Court ruled that the handover of the islands ratified by President Sisi in June 2017 was not unconstitutional.\(^ {65}\) President Sisi and Saudi King Salman also made plans for the construction of the King Salman Bridge to connect Egypt and Saudi Arabia, and in 2018 Egypt committed 1,000 square km in South Sinai to be part of the Saudi project for the futuristic Neom city.\(^ {66}\) Overall, Saudi Arabia and the UAE consider Egypt a stabilising pillar of the Arab world. The collapse of the Egyptian economy or society at large would prove disastrous for the region and destabilising for the GCC states.

### 3.3 Lebanon

For decades, Gulf countries have played various roles in Lebanon’s political and economic affairs. In 1989, Saudi Arabia was instrumental in negotiating the end of the Lebanese Civil War with the Taif Agreement. More recently, Qatar quelled

\(^ {60}\) David Butter, “Egypt and the Gulf: Allies and Rivals”, cit.


\(^ {66}\) Stephen Kalin, “Egypt Commits 1,000 sq km in South Sinai to Saudi Mega-city: Official”, in Reuters, 5 March 2018, https://reut.rs/2tJAlS.
political tensions and prevented the onset of another civil war in Lebanon with the 2008 Doha Agreement. However, as the domestic and foreign policies of Hezbollah continue to dominate Lebanon’s political scene, the GCC countries, particularly the UAE and Saudi Arabia, have been forced to balance their relations with Lebanon while also adequately responding to Iranian actions through its proxies. This has resulted in a downturn in, and even souring of, economic and political relations between some Gulf states and Lebanon.67

The GCC states impact Lebanon’s economy and finances through four main avenues: a) FDI s in the country, b) remittances sent by Lebanese workers in the Gulf, c) trade and d) direct deposits to the Lebanese central bank and sales of government bonds. Between 2003 and 2015, the UAE, Kuwait and Saudi Arabia were responsible for 76 per cent of FDI inflows into Lebanon, with four of the top five investing companies hailing from the UAE.68 In 2019, total FDI inflows to Lebanon decreased by about 20 per cent to 2.128 billion US dollars, largely due to economic and political instability and decreasing attractiveness to foreign investors.69

For several decades, large numbers of Lebanese nationals have worked and lived in the GCC states, sending remittances home to family members in Lebanon. In 2009, the International Monetary Fund calculated that about half of total gross remittances to Lebanon originated from the 400,000 Lebanese working in the Gulf.70 In 2019, remittances were calculated to account for about 14 per cent of Lebanon’s GDP,71 the majority of which also likely came from the GCC countries, although data are limited. This share of GDP will likely decrease in 2020 and beyond as Gulf states continue to expel foreign workers. Turning to Gulf-Lebanon trade patterns, in 2018, Lebanon’s largest export partner was the UAE, which received 13.5 per cent of Lebanon’s exports, followed by Saudi Arabia (6.6 per cent). The UAE eclipsed Saudi Arabia as Lebanon’s largest export destination in 2017, while Lebanon’s trade with Qatar has also grown in recent years, making it the second fastest growing export market for Lebanon, following the UAE. The UAE is also Lebanon’s fastest growing import market.72

68 Ibid.
71 World Bank Data: Personal Remittances, Received (% of GDP) - Lebanon, https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=LB.
The Gulf’s financial backing of Lebanon took a sharp decrease in 2016 when Saudi Arabia abandoned its promise of providing 3 billion US dollars aimed at financing military sales and another billion aimed at domestic security. Although Gulf aid and investments decreased following the oil price crash of 2014, this move by Saudi Arabia was triggered by splintering relations with Iran; the Saudis rescinded this package soon after Lebanon failed to condemn attacks on Saudi Arabia’s consulate in Iran.73

In addition to competing with Iran in Lebanon, the GCC states continuously compete with each other and Lebanon is only proving to be a new playing field for Gulf rivalries.74 Following the Gulf crisis of 2017, Qatar filled some of the gaps left in the wake of Saudi and Emirati economic retreat from Lebanon. In January 2019, Qatar’s Sheikh Tamim bin Hamad Al Thani was one of the few Arab leaders to attend the Arab Economic and Social Summit in Beirut. It was speculated that following the Summit, Qatar deposited 1 billion US dollars in the Central Bank of Lebanon.75 However, the Qataris did buy 500 million US dollars’ worth of government bonds soon after the Summit.76 Over the past year, Turkey has also been seeking to expand its influence in Lebanon, particularly in the Sunni-dominated areas in the north.77

Despite Gulf aid and investments in Lebanon, in terms of political influence, the GCC countries’ power in the country has waned in recent years, largely due to the growing power of Iran-backed Hezbollah. In November 2017, during a trip to Riyadh, former Lebanese Prime Minister Saad Hariri was seemingly detained and put under house arrest by Saudi authorities. With his life possibly under threat, he announced his resignation (which he later retracted once back in Beirut) and condemned Iran.78 Soon after, Saudi Arabia instructed its citizens to leave Lebanon and cancel future travel to the country. Kuwait and Bahrain quickly followed in the Saudis’ footsteps.79 The political spat almost escalated further, with Saudi Arabia stating that it would “treat the government of Lebanon as a government declaring war on Saudi Arabia due to the aggression of Hezbollah”.80 In the end, however,
the Saudis were forced to release Hariri due to widespread condemnation of their conduct in Lebanon. The results of the 2018 parliamentary elections were a sign of declining Gulf, and particularly Saudi, political reach, as Hezbollah and Hezbollah-aligned parties won a healthy majority of seats.\(^{81}\) According to one commentator, viewed from the Gulf, Lebanon looks “increasingly like an Iranian outpost”.\(^ {82}\)

Thus, although some GCC countries, namely the UAE and Saudi Arabia, hold less strategic power over Lebanon than in previous years, their overarching strategic goal remains largely unchanged. Both wish to curb the power of Iran and its regional proxies, such as Hezbollah in Lebanon, while also maintaining their regional economic dominance.

### 3.4 Greece and Cyprus

In addition to the Gulf states’ influence in the Arab countries of the Eastern Mediterranean, their growing engagement with Greece and Cyprus should not be overlooked. Over the past years, Saudi Arabia and the UAE have continued to develop their ties with Greece, not only in the economic realm but also in defence and security. Following the attack on Saudi oil facilities in September 2019, Greece announced that it will be deploying patriot missiles and their operational crew to Saudi Arabia to defend it against potential further attacks.\(^ {83}\) More recently, the UAE and Greece signed a strategic partnership agreement that included a mutual defence component, calling for aid if one country’s territorial integrity is threatened.\(^ {84}\)

With Cyprus, Saudi and the UAE have also followed a similar path. After a historic visit by former Saudi Foreign Minister Ibrahim Assaf to Nicosia,\(^ {85}\) the Kingdom sought to develop its economic and security ties further with the Island nation. Assaf stated that the Kingdom “supports the Greek Cypriots, which he described as an ally, against Turkey’s oil and gas exploration activities in the Mediterranean”.\(^ {86}\)

For its part, the UAE has developed its ties with Cyprus on many fronts after opening its embassy there in 2016 and the visit of its Foreign Minister Abdallah Bin Zayed


\(^{82}\) Maha Yahya, “Lebanon: Not Expecting Gulf Aid to Come Back”, cit.


in 2019.\textsuperscript{87} This has included a 25-year concession granted to DP World to operate the Limasol Port and Terminal. Following the signing of the Abraham Accords, DP World announced in September 2020 that it was partnering with an Israeli group to bid for one of Israel’s two main ports.\textsuperscript{88} Should this deal occur, this will further cement Emirati presence in the Eastern Mediterranean.

Both Saudi and the UAE understand the importance of the geographic locations of Greece and Cyprus as the gateway to the EU. According to one analyst, for Gulf actors Cyprus in particular is a “potential linchpin for trade and investments towards the West, just opposite one of the most stable of the choke-points surrounding the Arabian Peninsula, the Suez Canal”.\textsuperscript{89}

Conclusion

How the Biden Administration will approach many of these hot button issues in the Eastern Mediterranean, as well as its relationship with many of the key players, will be crucial. While Saudi, Israeli, Turkish, Emirati and Egyptian leaders have been able to extract many concessions from former President Donald Trump, initial signals coming out of Washington indicate that President Biden will have a different approach towards these countries. The Biden Administration does not bode well for Turkey and its ambitions,\textsuperscript{90} but at the same time the UAE will also face increasing resistance in Washington. This is shown for instance by the Biden Administration’s opposition to the military sales authorised by the Trump Administration.\textsuperscript{91} After very close relations between Saudi Arabia and the US under Trump, President Biden has indicated a tougher approach towards the Kingdom, calling for a “re-assessment” of the relationship.\textsuperscript{92} Cairo already has a number of concerns over Biden’s potential approach to Egypt.\textsuperscript{93} Finally, for Israeli leaders, Biden’s approach to Iran is likely to be an issue of contention.\textsuperscript{94}


For their part, Gulf actors are already readjusting to the new administration,\textsuperscript{95} which was reflected in the recent breakthrough in the Gulf Crisis.\textsuperscript{96} Despite any potential future US efforts to de-escalate, it is not likely that the Saudi Arabia/UAE/Egypt rivalry with the Turkish/Qatari axis will be resolved anytime soon. Out of the three Gulf powers, the UAE is the country that is seeking to play the largest role in the Eastern Mediterranean. In addition to its role in Libya and Egypt, as well as its growing relationship with Cyprus and Greece, the Abraham Accords with Israel firmly cement the UAE’s influence in the Eastern Mediterranean, combining both soft and hard power elements. The December 2020 MEDUSA joint military exercises between Egypt, Cyprus, Greece, France and the UAE in Alexandria\textsuperscript{97} were clearly directed at Turkey, and indicate how regional tensions may erupt into open conflict in the future.\textsuperscript{98} The breakthrough in the GCC crisis in January 2021 is welcome news, but the Al Ula declaration is vague, and it remains to be seen if this thaw will translate to decreased regional tensions between the GCC states and their allies.

As Gulf actors seek to exert more influence in the Eastern Mediterranean region, the US and the EU should seek to de-escalate regional tensions. To be sure, the incoming Biden Administration will have its hands full in its attempt to repair alliances around the world, and the Eastern Mediterranean will likely not be a major priority. Rather than picking sides, the new administration could try to restrain the ambitions of some regional actors, including Turkey and the Gulf states.\textsuperscript{99} Libya, in particular, could be an opportunity for the Biden Administration to show leadership through its support of UN efforts as part of a long-term multilateral solution to the conflict. A stable Libya would make it easier for the new US administration to engage the countries of the Eastern Mediterranean over other issues, including those related to gas exploration and exploitation plans and tensions over Cyprus.\textsuperscript{100}

\textit{Updated 12 February 2021}


\textsuperscript{96} Tarik M. Yousef et al., “What Brookings Experts Are Saying…”, cit.


\textsuperscript{98} Tarik M. Yousef et al., “What Brookings Experts Are Saying…”, cit.

\textsuperscript{99} Ibid.

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