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THE CRISIS OF THE GCC AND THE ROLE OF THE EUROPEAN UNION

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Most of the international community was caught by surprise on 5 June 2017 when Saudi Arabia, the United Arab Emirates, Bahrain and Egypt announced that they had cut their diplomatic ties with Qatar and were putting it under an effective embargo. The existence of tensions in the Gulf was well known, but a rupture of this magnitude among the members of the Gulf Cooperation Council (GCC) was not foreseeable. Nonetheless, a divided Gulf became a lasting reality to which each regional and global power, including the European Union, must accommodate its strategy.

INTERPRETING THE FIRST YEAR OF THE GCC CRISIS

The rift between the Gulf states is the result of a decades-long systemic process of foreign and security perceptions in the region becoming more and more individualized.² Despite sharing similar geopolitical considerations, Saudi Arabia and the United Arab Emirates (UAE) have been annoyed for years by the network of Qatari allies (including the Muslim Brotherhood) which has constituted the basis of Qatari influence in the region. Moreover, the UAE saw Qatar as its main competitor in the race to become the region's economic hub. These developments put pressure on the GCC as a long-lasting political and security alliance, which became tangible in a diplomatic crisis that occurred in 2013–14. At that time, the so-called Riyadh agreement seemed to put an end to the dispute; however, two years later the Saudi–Emirati tandem, accompanied by their partners, announced the blockade, presumably with a green light from US President Donald Trump.

More than one year after the crisis, several questions remain unanswered.³ Besides the exact source of the initiative (many suspect that it came from the UAE and not Saudi Arabia), the coalition's desired outcome also remains unknown. Some argue that, given the fact that in 2016 trade constituted 89 per cent of Qatar's GDP,⁴ the alliance calculated that Qatar would not be able to handle the consequences of the crisis. Almost all of the sectors of the Qatari economy relied on foreign trade – especially the construction sector, which needed huge amounts of raw materials to develop the necessary infrastructure to host the 2022 World Cup. An economic collapse could have led to the political surrender of the government or, in the “best case scenario”, the removal of the branch of the Al Thani family that has ruled in Doha since the mid-1990s.

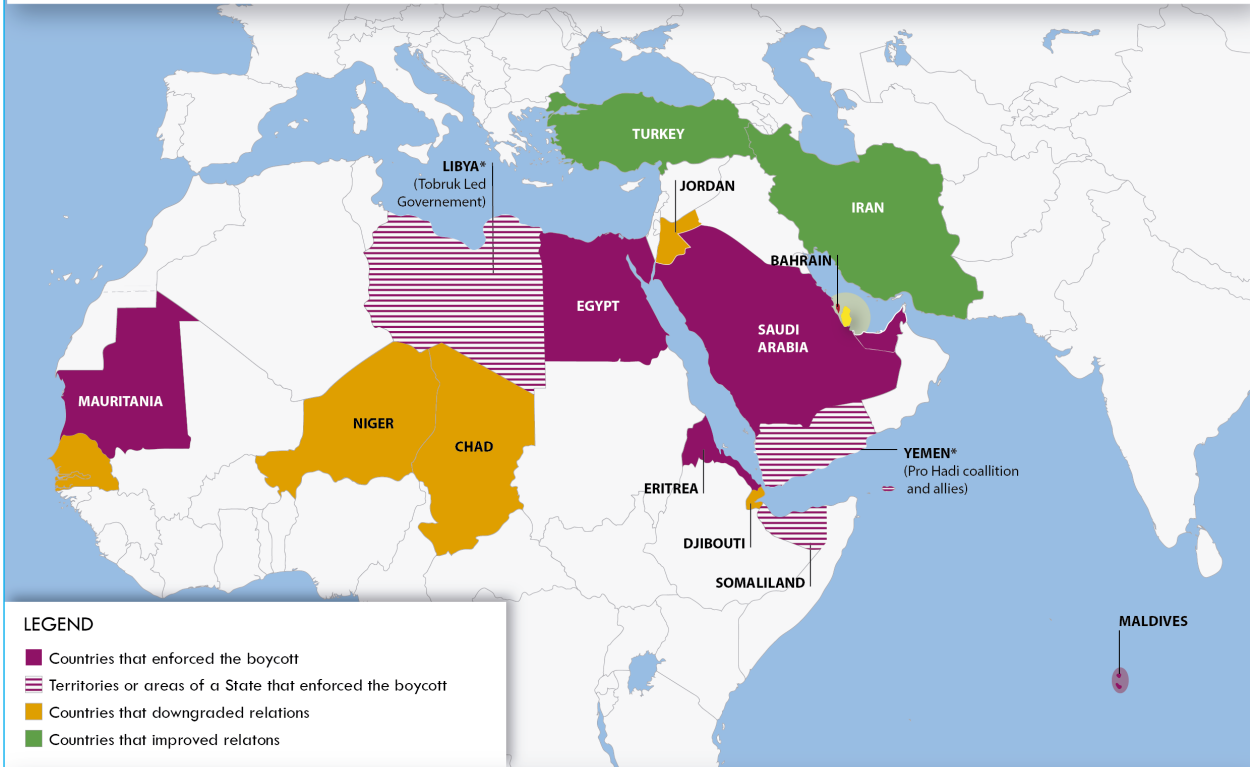
1 Máté Szalai is Researcher at the Institute for Foreign Affairs and Trade (IFAT).

2 Kristina Kausch, “Competitive Multipolarity in the Middle East”, in *IAI Working Papers*, No. 14|10 (September 2014), <http://www.iai.it/en/node/2358>; Helle Malnvig, Jordi Quero and Eduard Soler i Lecha, “The Contemporary Regional Order”, in Eduard Soler i Lecha (ed.), “Re-conceptualizing Orders in the MENA Region. The Analytical Framework of the MENARA Project”, in *MENARA Methodology and Concept Papers*, No. 1 (November 2014), p. 38, <http://www.menaraproject.eu/?p=776>.

3 For further information on the Qatar boycott one year after its beginning, see the MENARA infographic below.

4 World Bank Data, *Trade (% of GDP): Qatar, 1994–2016*, <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS?locations=QA>.

QATAR BOYCOTT - ONE YEAR AFTER



WHO ARE THE WINNERS AND LOSERS?



WINNERS:

OMAN - Becomes the main entrance for maritime transport. The Ports of Salalah and Sohar Port are now the connected through two direct shipping lines with Qatar's Hamad Port, most of the goods that arrive to Qatar a pass through these two omani ports.

PAKISTAN - Exports to Qatar increase + 64 %. New direct maritime service of Milaha between Karachi and Hamad Port was facilitating bilateral trade. Reform its controversial kafala or labour sponsorship regime that required workers to receive permission from employers to change jobs or, in some cases, leave the country. Qatar recently became the first Gulf state to introduce a minimum wage

IRAN - Trade with Qatar + 117%. Both countries sign a trade and transport deal (Turkey-Qatar-Iran) that could reduce the cost of transiting of goods by some 80% via Iranian land and sea routes.

TURKEY - Turkish exports to Qatar increased by 90% in the four months. 2016-2017 exports to Qatar + 50%. Qatar will increase its investment in Turkey. Government-owned Qatar Post inaugurated a new e-commerce website on January, launched in cooperation with Turkey's General Directorate of Post and Telegraph Organization (PTT). Through the website, customers in Qatar can shop online for products shipped from vendors in Turkey.



LOSERS:

Qatar: stress test to the economy. Tourism sector, 40% decrease. Trade needs to be diversified in very short time. Reduced exposure from boycott related countries to Qatar financial sector. Air transportation is affected, mainly Qatar Airways. Disinvestment mainly from UAE and Saudi Arabia.

UAE: Emirati ports lose the neighboring market. Jebel Ali Port accounted for 85% of Qatari shipborne cargo, now derived to Oman's and Iran's ports. Qatar Navigation moves its regional hub from the UAE to Oman. Food production companies have stopped exporting to Qatar and have been replaced by Turkish and Iranian business. Contractor and construction firms are also affected.

Saudi Arabia: the boycott does not achieve its goals in the short term. By pushing Qatar towards Turkey and Iran, increases their presence in the region. It also demonstrates that no Plan B is on the table. No data is still available about the more than presumable damages on bilateral trade.

GCC: the regional organization faces internal divisions, with no solution at sight. Loses reputation and cohesion and is exposed to potential political freeze.

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Nonetheless, after fifteen months, there is no indication that the plan was successful. Following a few months of accommodation (which caused downsizing and salary reductions in some companies), Qatar has been able to withstand the consequences of the embargo. While some sectors – especially tourism, retail and construction – suffered and are still feeling the effects of the measures imposed by its neighbours, the Qatari economy is stable on the macro level. Turkey and Iran have helped the country economically, while the USA did not remove its military facilities from the country as the coalition had hoped. At the same time, Turkey secured the gradual increase of its military presence there as well, making Saudi military intervention less likely. It is safe to say that Qatar is winning the crisis by surviving, and there are no signs that the tables could turn. Even the idea of preventing Qatar from hosting the 2022 World Cup seems unreachable.⁵

Despite their seemingly failed strategy, the Saudi–Emirati coalition looks unwilling to change its course. Neither Kuwait’s mediation attempts, nor the alleged phone call that took place between Tamim bin Hamad and Mohamed bin Salman in September 2017,⁶ managed to end the stalemate. It was symbolic that the Saudis and the Emiratis announced the establishment of a bilateral coordination council on the day of the annual GCC summit at the end of 2017, which went down in Kuwait for only a couple of hours, without any meaningful dialogue.

All in all, we can expect the embargo to remain in place, at least for the medium term. The risk of appearing weak carries a higher political price than accepting the status quo for both sides. Without any major unforeseen developments in the region, the only thing that could predictably alter the situation is a change in the leadership of the Gulf monarchies. Succession is possible in the near future in Kuwait, Oman and Saudi Arabia, and such a development might represent a possibility for the Gulf rulers to sit at the same table without political embarrassment.

Meanwhile, the International Court of Justice (ICJ) has started a hearing procedure on the basis of an application filed by the Qatari government against the UAE. In the document Qatar claims that the measures taken by the United Arab Emirates since the beginning of the embargo – for example, the expulsion of Qatari nationals – constitute a violation of the International Convention on the Elimination of All Forms of Racial Discrimination.⁷ Independent of the actual decision by the ICJ, the case will not alter the status quo in a radical manner, though it might not help the anti-Qatar coalition and might even force them to rethink their strategy.

5 That being said, a new initiative by FIFA (allegedly supported by Saudi Arabia) to raise the number of teams participating in the tournament from 33 to 48 might cause additional problems. Graham Dunbar, “Qataris Considering a 48-Team Option for 2022 World Cup”, in *The Toronto Star*, 7 July 2018, <https://www.thestar.com/sports/worldcup/2018/07/07/qataris-considering-a-48-team-option-for-2022-world-cup.html>.

6 Some suspect the intervention of Mohammad bin Zayed after the phone call, although no proof is available in this regard.

7 International Court of Justice (ICJ), Application Instituting Proceedings, case concerning *Application of the International Convention on the Elimination of All Forms of Racial Discrimination (Qatar v. United Arab Emirates)*. 11 June 2018, <https://www.icj-cij.org/en/case/172/institution-proceedings>.



IMPLICATIONS OF THE DISINTEGRATION OF THE GULF COOPERATION COUNCIL

The inability of the Gulf states to handle the crisis of the GCC has had wide-ranging consequences. Firstly and most importantly, the Gulf Cooperation Council has ceased performing its function as a forum for high-level political and security coordination. While the institutional framework itself probably will not be officially dissolved (in part due to the large number of GCC-level agreements with outside actors, including the EU, which would no longer be valid), it becomes increasingly less likely as time passes that the disintegration of the GCC can be turned back.⁸ The embargo has led Doha to restructure its foreign economic relations and to put more emphasis on cooperating with extra-regional actors. This development translates into less predictability and more bilateralism.

Secondly, as a rather unexpected consequence, the crisis has caused a massive identity shift in the region in different ways. While national identities in the Gulf region are considered to be artificially constructed, the embargo created an opportunity for a Qatari identity to develop at least partly organically. On the streets of Doha, one can see many manifestations of national pride and loyalty to Tamim Emir, including slogans such as “We are all Qatar”, “Qatar deserves the best” and “Tamim the Mighty”. Naturally, the government has supported this development and capitalized on the campaign, but it seems to have started spontaneously.

This process did not affect Qatari society alone. According to many accounts, the “Khaleeji” (Gulf) identity has been widely questioned among the population of the Arabian Peninsula as a result of the very hostile political rhetoric and the transformation of the transnational lifestyle of the families and tribes with cross-border relations. This represents a challenge but also an opportunity for the GCC states as well to define their national communities vis-à-vis each other.

Thirdly, the Qatari crisis has affected the position of non-GCC regional actors. Iran can be seen as the biggest winner, with its main competitor, Saudi Arabia, losing its perceived dominance in the Arabian Peninsula. Nonetheless, the narrative about Qatar turning to the “Iranian side” is largely misleading – it is true that the Islamic Republic has helped the emirate economically, but Doha keeps its distance from Iran in political terms. The Qatari leadership knows that allying with Iran could trigger harsh reactions not just from the coalition, but from the United States as well. Moreover, severe differences still exist between the two countries, especially in the case of Syria. In this light, an over-reliance on Iran (and especially on Iranian airspace) might cause problems for Qatar – so far there are no indications that Doha has had to pay a political price for Iran’s help, but Tehran’s leverage is tangible.

The crisis of the GCC also complicates the situation for Turkey. While it is clearly taking Qatar’s side in the dispute, Ankara does not want to sever ties with Saudi Arabia and the Emirates due to their aligned interests in regional battlefields. The Turkish–Qatari relationship is a strategic one, at least since the Arab uprisings; nonetheless, it is dependent on the strong personal ties between the leaders of the two countries (Recep Tayyip Erdogan on the one hand and Hamad and Tamim emirs on the other). Therefore the cooperation is vulnerable to any domestic political change, especially in Turkey.

⁸ As the Secretariat of the GCC is still operational.

Fourthly, the GCC crisis has had ramifications for the presence of global powers in the Middle East as well, revealing the limitations of their influence. The dispute has shown that the United States lacks the ability to mediate between its own allies and even to form a coherent foreign policy in the Gulf region. While rhetorically President Trump seems more inclined to support the Saudi–Emirati side, the strategic importance of the regional CENTCOM forward headquarters at the Al Udeid air base located on Qatari soil (which can now be used by NATO),⁹ as well as the strategic dialogue between the Qatari and American governments that began in early 2018,¹⁰ signal deep institutional ties between the two countries. Moreover, the rift among the conservative Arab monarchies undercuts the American endeavour to build a unified stance against Iran – a country with which the UAE trades more than does Qatar, even after the embargo was set up.

To keep the possibility of negotiations alive, the USA plans to hold a meeting in 2019 in Washington in which all the Gulf states – alongside Egypt and Jordan – are expected to participate. The summit aims at facilitating deeper security cooperation between the parties (an initiative called the Middle East Strategic Alliance, or MESA), which is only a distant possibility under the current circumstances.

While Russia might be seen as a winner in the situation, Moscow is unable to wield any sort of influence on the two sides to deal with each other. In this way, the GCC crisis clearly shows the current state of the international and regional order, in which traditional players cannot exert their influence in a decisive manner while newcomers still lack the toolkit and the necessary strategy to affect political outcomes.

THE POSSIBLE ROLE OF THE EUROPEAN UNION

To evaluate the consequences of the situation for global actors such as the EU, two questions should be addressed: firstly, what can it do to solve the crisis; and secondly, how can it accommodate itself to the new reality.

Member states of the EU are economically (e.g., German and French companies) or militarily (e.g., the British naval base in Bahrain and the French one in Abu Dhabi) heavily present in the GCC, but unlike the USA or Turkey, they did not play a significant role in the eruption and evolution of the GCC crisis. In the first weeks of the rift, several European politicians – including the High Representative of the EU for Foreign Affairs and Security Policy Federica Mogherini, German Foreign Minister Sigmar Gabriel and British Foreign Secretary Boris Johnson – proclaimed their support for a quick diplomatic resolution of the dispute both on the national and the European level. Their declared neutrality and their call for the Gulf states to resolve their internal disputes has been perceived as a pro-Qatari stance by both sides, an impression that has been strengthened over time, especially due to the signing of a cooperation agreement between the EU and Qatar in March 2018.¹¹

9 Fergus Kelly, “Qatar Signs Agreement Allowing NATO Use of Al-Udeid Air Base”, in *The Defense Post*, 7 March, 2018, <https://thedefensepost.com/?p=5362>.

10 Simon Henderson, “The First U.S.-Qatar Strategic Dialogue”, in *Washington Institute Policy Alerts*, 29 January 2018, <https://washin.st/2x1MHFN>.

11 European External Action Service (EEAS), *EU and Qatar sign a Cooperation Arrangement*, 7 March 2018, <http://europa.eu/!KM39Bg>.

Therefore, it is clear that the European Union by itself cannot solve the crisis; nonetheless, it can contribute to the settlement process in at least two ways. Firstly, it can put positive (and negative) incentives in place for the GCC to come to the table. One instrument could be trade and investment policy, about which the two sides started an official dialogue in May 2017; another could be visa policy. While negotiations on a free trade agreement have been stalled since 2008, concessions in this field could be used to persuade GCC leaders that they have a better bargaining position collectively than separately.

Secondly, the EU can also help other global players find common ground and take a cohesive multilateral approach to the Gulf crisis. It is in the shared interest of the United States, Russia, China and Turkey as well to stabilize the micro-region. While it lacks security ties with the GCC states, the EU is and will remain the primary economic partner of the GCC countries, at least in the medium term, which puts it in a central position when it comes to negotiating with the bloc.

On the other hand, the EU and European states should accommodate themselves to the new status quo. The conflict between Qatar and its neighbours might affect the EU directly in terms of security policy and economic relations, as both sides have high levels of investment in the European Union. Therefore the EU should make greater efforts to monitor the economic activities of the GCC state-owned funds with a view to avoiding the exposure of European markets to intra-Gulf economic competition.

Finally, the EU can help Qatar avoid over-reliance on Iran. Regardless of perceptions of the role of Iran in the region and the future of the Joint Comprehensive Plan of Action (the “nuclear deal”), the structural dependency of Qatar on Iran is not in the interest of any of the stakeholders in the crisis (except Tehran). While Qatar’s geographical exposure to the Islamic Republic is unavoidable due to the embargo, the EU and its member states could try to avoid or minimize its economic reliance by presenting the Qatari state and private sector with alternative options.



Middle East and North Africa Regional Architecture: Mapping geopolitical shifts, regional order and domestic transformations (MENARA) is a research project that aims to shed light on domestic dynamics and bottom-up perspectives in the Middle East and North Africa amid increasingly volatile and uncertain times.

MENARA maps the driving variables and forces behind these dynamics and poses a single all-encompassing research question: Will the geopolitical future of the region be marked by either centrifugal or centripetal dynamics or a combination of both? In answering this question, the project is articulated around three levels of analysis (domestic, regional and global) and outlines future scenarios for 2025 and 2050. Its final objective is to provide EU Member States policy makers with valuable insights.

MENARA is carried out by a consortium of leading research institutions in the field of international relations, identity and religion politics, history, political sociology, demography, energy, economy, military and environmental studies.



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