

**Gulf Research Center**  
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البحرين الكويت قطر الامارات عمان سلطنة عمان

# GULF RESEARCH CENTER ANNUAL STRATEGIC SURVEY 2024

البحرين الكويت قطر الامارات عمان سلطنة عمان

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## Chairman's Foreword



The Gulf region continues to grapple with the devastating crisis in Gaza and the strategic repercussions it has had for the Middle East as a whole. The tragic events of October 7 were a stark reminder that stability in the region cannot be achieved until a just and equitable solution to the Palestinian issue culminating in the establishment of a Palestinian state is achieved. Unfortunately, the conflict continues unabated with the current Israeli government displaying absolutely no willingness to undertake the necessary steps towards a resolution to the crisis. This undermines not only regional stability but also highlights the failure of the wider international community to push for and implement a needed response.

It is within this existing complex environment, that the GCC states have tried to play a constructive and pragmatic role prioritizing de-escalation and conflict mediation as the core of their approach when it comes to regional developments. This includes the commitment to the ongoing GCC-Iran rapprochement process, mediation efforts in Gaza in terms of a cease-fire and the release of hostages, the exchange of prisoners between Ukraine and Russia in their ongoing conflict, and reaching out to different actors and organizations throughout the world, for example, with the first-ever summit on GCC-Central Asian relations, the inaugural GCC-ASEAN Summit, and the Arab-Islamic Summit in Riyadh calling for an end to the Gaza crisis.

In 2024, the GCC also released its Vision for Regional Security aimed at bolstering the “GCC role in maintaining security, stability, and peace in the region.” The document represents a milestone, as the first time the six GCC member states have outlined a framework of how best to preserve “regional security, stability of the countries of the region, prosperity of their people, and enhancing international peace and security.” The Vision for Regional Security goes hand-in-hand with the economic visions that guide development and diversification efforts in each of the GCC states as there is a clear realization that economic and social development goals cannot be achieved if the region remains mired in turmoil and violence.

Israel’s devastating response in Gaza has pushed the region to the brink of a widespread conflict, as was clearly demonstrated by the exchange of missiles between Israel and Iran in March and April 2024. Despite the limits of that exchange, the overall danger of regional escalation that could halt the de-escalation efforts described above continues to be ever-present.

The situation is further complicated by the changes taking place at the international and global level with international relations becoming increasingly fractured and polarized. While the United States is still the most prevalent security actor when it comes to Gulf security, China, Russia, and Europe are beginning to play a larger role. This is especially true as conflicts such as maritime security become more prevalent and begin to have far-reaching consequences. Yet increased rivalry among these powers compounds the risks, making the task of achieving a more stable regional environment even more challenging.

All of this puts the GCC states in a difficult position, forced to balance prevailing rivalries so that national interests remain protected and opportunities for cooperation can be advanced. What has become increasingly clear is that GCC agency can no longer be ignored or underestimated when it comes to regional and international issues.

The Gulf Research Center’s Annual Strategic Survey 2024 attempts to provide a Gulf perspective from the GCC states on many of the developments outlined above. As was the case in our 2023 report, uncertainty is still the main characteristic of the Gulf’s immediate trajectory with the events following October 7 adding yet another layer of complexity.

I sincerely hope you find this publication insightful and that it contributes to a better understanding of Gulf regional dynamics.

**Dr. Abdulaziz O. Sager**

**Chairman  
Gulf Research Center**



## SECTION I

# Review of Key Developments 2023/2024



## The Gulf and its Regional Security Environment

Dr. Abdulaziz Sager, Chairman of Gulf Research Center

The regional security environment in the Gulf and the broader Middle East continues to witness increasing volatility and instability. The events of October 7, 2023, and the ensuing war in Gaza have only propelled it closer to the brink of a widespread regional conflict. Already beset by economic problems and a rising lack of legitimacy, countries in the Levant and North Africa are faced with mounting challenges that have the potential to escalate into another Arab Spring in an instant with the onset of any unforeseen event. Existing hostilities in Syria, Yemen, Libya, and Lebanon remain completely unresolved and the war in Gaza presses on. Jordan has become the latest example of rising domestic pressures due to extremism, continued refugee flows, and heightened cross-border drug and criminal activity.

In response to this situation, the GCC states have engaged in widespread efforts to calm tensions, fully aware that the current state of affairs presents a direct threat to their own interests. On this front, some positive developments can be noted with the agreement between Saudi Arabia and Iran to re-establish their diplomatic ties in March 2023 as the most concrete example of the GCC strategy. More importantly,

Saudi Arabia and Iran have remained committed to maintaining frequent diplomatic exchanges in an effort to nurture their re-engagement and make room for give-and-take of views and perspectives despite the events of late 2023 and 2024 concerning Gaza and Red Sea maritime attacks.

Similar steps have been taken by all six GCC states, including overcoming rifts within the GCC itself and re-establishing working relations with both Turkey and Syria. In response to the crisis in Gaza, the GCC states have engaged with both regional and international actors in a widespread political and diplomatic effort calling for an immediate cease-fire, the unimpeded delivery of humanitarian assistance, and the implementation of an irreversible political process leading to what is ultimately required - a two-state solution with the Palestinians achieving their legitimate national aspirations. The ongoing conflict in Gaza represents the most serious threat to the stability of the Middle East as a whole given the centrality of the Palestinian cause to regional affairs. What GCC capitals fear the most is a wider regional conflagration that the GCC states find themselves being dragged into with direct consequences on their own national security. The confrontation involving corresponding missile strikes between Israel and Iran that occurred in April 2024 was an example of this danger. The possibility of a war in Lebanon is another ever-present concern with Israel announcing specific war plans in June 2024.

### The region post-October 7th

What can be discerned in response to the developments in the region is a GCC foreign policy combining economic diplomacy, political de-escalation, and diverse strategic alignments in the search for a new framework of regional relations. In March 2024, the GCC member states released their Vision for Regional Security highlighting their security as “indivisible” based on the GCC Charter and Joint Defense Agreement. The document underlined the GCC’s effort “to mediate differences through negotiations, diplomacy, and dialogue, and avoid resorting to forces of threats in order to ensure regional security and stability and preserve the development trajectory of the GCC states.” In this context, it further referred to “strengthen[ing] internal capabilities,

What can be discerned in response to the developments in the region is a GCC foreign policy combining economic diplomacy, political de-escalation, and diverse strategic alignments in the search for a new framework of regional relations



Photo Source: [1] (2024)

deepen[ing] regional and international partnerships, and support[ing] cooperation and coordination mechanisms at regional and international levels, to enhance the concept of shared strategic interests” including “establishing a platform for direct negotiations to bridge differences between parties to conflict.”[1]

The GCC Regional Security Vision highlights the need for a different approach to tackle the challenges faced by the Gulf and the Middle East as a whole. It is a clear acknowledgement that the confrontations of the past have failed to resolve the core security dilemmas making it essential to consider a new path. Here, the GCC states underlined their readiness to lead the way.

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Within the framework of the concept put forward by the GCC, Israel and Iran pose key obstacles to a more stable region. For example, Saudi Arabia wants to conclude security agreements, including one with the United States, and advance peacemaking efforts in the region. These are prerequisites to providing an environment under which its economic diversification program, Vision 2030, can succeed. For this to happen, however, Saudi Arabia needs partnerships and has reached out to both Israel and Iran to join in this endeavor. Yet, their responses as of the time of writing have been both problematic and insufficient.

For one, Israel launched an unacceptable campaign of elimination against the Gaza Strip and its Palestinian inhabitants in response to the devastating attacks of October 7 by Hamas. The Israeli operation in Gaza has resulted in nearly 40,000 deaths and unimaginable destruction and human suffering as of June 2024. As of the time of this writing, the war continues with little indication that an end could be near.

Israel’s actions can only be classified as a strategic catastrophe; one that has only strengthened Hamas and Iran while at the same time enhancing the Axis of Resistance, for example with the Houthis in Yemen expanding their attacks on Red Sea shipping vessels. The most immediate consequence that has been witnessed since October 7th has been destabilization rooted in proxy conflicts, insurgency movements, and refugee crises. Israel’s policies and actions in Gaza have posed a grave threat and had a heavy impact on the GCC’s de-escalation efforts both regionally and internationally. Already, Bahrain and the United Arab Emirates, both signatories to the Abraham Accords, have significantly curtailed their ties to Israel as a result.

Particular concerns exist about the increase in terrorist organizations exploiting the growing frustrations in the







Photo Source: Saudi Gazette (2023)

region. The proliferation of weapons, the breakdown of security forces, and the displacement of populations are bound to harbor breeding grounds for extremism, posing a threat to regional and global security.

Saudi Arabia's Foreign Ministry has stressed that the failure of the international community to hold Israel accountable for war crimes committed in Gaza will only result in more violations, human tragedies, and destruction. It also reiterated the demand for the international community to assume its responsibility for intervening in Israeli attacks on civilians in the Gaza Strip and holding it accountable for the massacres that it has committed there. These principled positions have been consistently communicated to both the United States (and European partners) given the central role that Washington plays vis-a-vis its alliance with and immense military support for Israel. Their effective non-response to the repeated warnings coming from the grouping of Saudi Arabia, the UAE, Qatar, Egypt, and Jordan can be cited as another factor that allows the Gaza calamities to continue unabated.

On the other hand, Iran continues to use every opportunity to activate and utilize its non-state-actor network in the entire region to ensure that instability is maintained. Iran's actions in regional theaters such as Iraq, Syria, Lebanon, and Yemen undoubtedly contribute to the inherent regional chaos that undercuts the existing status quo, further weakening state

institutions and ultimately trapping the Middle East region in a prolonged period of conflict.

The rapprochement between Saudi Arabia and Iran signaled a clear effort by the Kingdom to avoid being stretched too thin between internal domestic (primarily economic) challenges and external security threats. Riyadh has displayed a degree of strategic pragmatism by properly balancing its domestic priorities and avoiding unnecessary regional confrontations. Yet, there is a clear disappointment discernible among Saudi officials that the fluctuations in Iranian policies persist and that the major aims of the agreement of March 2023 have not yet been achieved. For the moment, simply managing the Saudi-Iranian rivalry is a more likely scenario for the coming period than any move toward true deconfliction. Saudi Arabia is still not convinced that Tehran no longer harbors intentions to extend its hegemony over the entire region with the ultimate aim of ending the ruling order in the Gulf.

The continued difficulty in Saudi-Iran relations also reflects on the situation in Yemen where there is a clear feeling in Riyadh that Iran is uninterested in a permanent cease-fire and would rather keep the situation in limbo as a means of maintaining pressure on the Kingdom. The decision by the Houthis to interfere with shipping in the Red Sea poses a significant dilemma for the GCC states. On the one hand, they have no desire to see the conflict in Yemen and



its regional repercussions break out again and stand ready to make necessary compromises. On the other hand, the maritime attacks witnessed so far directly impact GCC security and thus require a concerted response. The GCC states see the protection of sea lanes as an international responsibility but are equally concerned that actions such as the US and UK bombings on Houthi positions, such as those of Operation Prosperity Guardian, will have negative consequences on the fragile cease-fire in place. Moreover, continued attacks against shipping in the Red Sea bring other international actors into the equation, including China and Russia, thus further complicating the situation.

The negotiations with the Houthis over a political process to end the Yemen civil conflict are proving difficult with the Houthis raising their demands vis-à-vis Saudi Arabia, even after initial agreements were made. The announcement of a pending deal by the UN Special Envoy to Yemen, Hans Grundberg at the end of 2023, proved short-lived as the Houthis once again retracted on previous commitments and raised the stakes for further concessions. This in particular involved the payments to civil service employees in Yemen by Saudi Arabia which the Houthis claimed would have to include their own fighters. Nevertheless, the determination of Saudi Arabia not to let fighting inside Yemen break out again on a large scale remains solid and intact.

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### The future of the regional order

Within the context of the ongoing crises, the big question dominating much of regional interactions is the future of the regional order. As of June 2024, the system is increasingly in flux with many different variables and moving parts. While the United States remains the most important and relevant security partner for the GCC states, there is a feeling in the Arab Gulf that a Cold War mentality prevails in Washington resulting in the GCC states being confronted with choices that do not necessarily serve their primary interest. While the United States sees much of the regional and international landscape as being binary, where having a relationship with

one side requires antagonistic ties to the other, the GCC states as underlined by their common vision see such an approach as leading to a dead end. While differences between actors might be acute and priorities remain mismatched, it is seen as essential that channels of dialogue and cooperation be kept open not only to communicate interests and positions but also to take advantage of opportunities that both the neighborhood and external markets and players can offer. Where others see primarily risk, the GCC states have begun to see opportunities with the potential to reap rewards which, for the moment and under present conditions, are being blocked.

While trust in the international system as a whole is eroding, the GCC states are determined to chart their own course in light of polarizing and shifting global dynamics. To be sure, this can be characterized as an opportunistic and largely transactional approach, but it is driven by available choices and the fact that regional leadership has determined that waiting for developments to overtake them is not an option.

For regional security to be achieved, there is a need for a regular, inclusive, and eventually institutionalized process of dialogue from which shared norms for regional relations can evolve. It must be further acknowledged that no regional security system was ever born fully formed. In addition, it is evident that without a clear political agenda to resolve regional issues and provide solutions, the situation will further deteriorate with extremists and rejectionists dictating the narrative which will then further contribute to the existing cycle of decay and mismanagement. This is a cycle that must be broken with the GCC states taking the needed first steps.

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1] The Cooperation Council for the Arab States of the Gulf, Secretariat-General, (2024). “Gulf Cooperation Council Vision for Regional Security.” Political Affairs and Negotiations. <https://www.gcc-sg.org/ar-sa/CognitiveSources/DigitalLibrary/Lists/>







## The Gulf and Its Place in the International Environment

Dr. Christian Koch, Director of GRC Research, Director of Gulf Research Center Foundation Office in Brussels

While grappling with the inherent instability of its own neighborhood, the states of the Gulf Cooperation Council have also been confronted with shifts and transitions at the broader global level. Given the close linkages to external powers and the deep involvement of international players in Gulf affairs, changes within the world order directly impact how Gulf foreign policies are shaped and enacted. What is clear is that the Arab Gulf states require a wider network of relationships that serve its national interests, but this results in a delicate game of managing complex relationships in an environment of changing priorities and situations. At the same time, the mantra of regional solutions for regional problems is gaining traction underscoring the growing sense in the GCC that international involvement continues to create more problems than solutions when it comes to the existing security environment. Sudden shifts in regional alignments are not to be expected, but the GCC states have made it clear in recent years that alternatives exist and that they are ready to test the waters to see where those opportunities might take them.

### GCC-U.S. Relations

Much of the discussion over the first half of 2024 has been dominated by the potential for a US-Israel-Saudi Arabia deal that would see the normalization of relations between Israel and Saudi Arabia in exchange for a security agreement between the Kingdom and the United States, Saudi access to continued high-value U.S. military technology, and a U.S. green light for plans of the Saudi government to proceed with a civilian nuclear program. While such talks were already underway prior to the October 7, 2023, attacks by Hamas on Israel, the subsequent vicious retaliation by the Netanyahu government in the Gaza Strip has drastically altered the scope of any such agreement. The Kingdom has reiterated its demand for a two-state solution to the Palestinian issue being paramount to any future deal it would consider involving Israel, stating “its firm position to the US administration that there will be no diplomatic relations with Israel unless an independent Palestinian state is recognized on the 1967 borders with East Jerusalem as its capital.” The Saudi statement also demanded that “Israeli aggression on the Gaza Strip stops, and all Israeli occupation forces withdraw from the Gaza Strip.”[1]

The U.S. Biden administration has invested a large amount of political capital to moving the negotiations forward, including numerous visits to the Kingdom by U.S. Secretary of State Antony Blinken and National Security Advisor Jake Sullivan. At numerous stages in late 2023 and early 2024, press reports indicated that a deal was imminent only to see the following weeks and months pass by without any further advancements.[2] From a Saudi perspective, a comprehensive deal involving all three parties can only come about, and is now contingent upon, ending the war in Gaza and providing a clear path forward to the establishment of a Palestinian state. The Netanyahu government, however, has made it equally and consistently clear that it is unwilling to take such a step and that it is ready to forgo normalization with Saudi Arabia under the proposed conditions. This, in turn, has raised the frustration level in Washington with its Israeli ties, turning what was long thought to be an invincible relationship, to the subject of increased scrutiny and tension. [3] In fact, Saudi Arabia is beginning to be seen as a more dependable ally than Israel, as far as the United States is concerned.

“The mantra of regional solutions for regional problems is gaining traction underscoring the growing sense in the GCC that international involvement continues to create more problems than solutions when it comes to the existing security environment”

In response to the intransigence by the Netanyahu government, the Kingdom has focused on coming to an agreement with Washington on a bi-lateral deal that would leave the door open to normalization should the position of the Israeli government change. What is important for Riyadh is the overall credibility of a US-Saudi defense pact and the level of commitment expressed by all parties as to the



substance and longevity of the agreement. One factor that continues to swirl in the background is the potential return of Donald Trump to the U.S. Presidency as a result of the upcoming elections in November 2024 and the implications this would have not only for US-Saudi relations but for overall U.S. policy towards the Middle East. Whether a more substantive deal would be on the table following a leadership change in the White House is very much debatable. Moreover, while the Biden administration has engaged in talks with Iran on numerous occasions during 2023 and 2024 in an effort to contain developments from spilling into a wider regional conflict, a Trump presidency is likely to be more confrontational thus threatening the de-escalation efforts being pursued by the GCC states, in particular with Iran.[4] All of this suggests continued debates with occasional fluctuations as far as the US-GCC relationship is concerned although the core of ties remains solid for the time being.

### The GCC and the Role of Asia

Although relations between the U.S. and the GCC remain, growing concerns over the U.S.'s reliability have resulted in Asia becoming an increasingly more attractive alternative partner for GCC foreign policy. Asia has been a significant resource for the Gulf's economic growth over the past decade and the trade and investment ties between the two regions are likely to grow further in the coming years. This provides a solid foundation for a relationship that will also likely take on a political and security component as well.

One major indicator of China's diplomatic prowess was its facilitation of an agreement between Saudi Arabia and Iran in March 2023. Since then, the GCC states have been keeping a close eye on China's role in the region, especially in terms of its potential influence on Iran. There is an expectation that China may use its current ties with Tehran to garner support for Beijing's security initiatives, including limiting its disruptive military activities that further inflame regional tensions. Beijing understands that any regional escalation between countries in the Middle East will also negatively impact China as it heavily relies on oil flow from the Gulf via the Hormuz Strait and other maritime chokepoints, as a vital strategic interest. Yet, from a GCC perspective, expanding diplomatic relations with China is not intended to be a replacement to the U.S. as its main partner, but rather a complementary partner to serve other interests that may not be fulfilled by the U.S. The current growth in Beijing's diplomatic role is certainly worthy of exploration as it may support stability and further de-escalation in the region.

While much of the attention has been focused on the role being played by China in the Middle East, the GCC states have actually diversified their ties to Asia on numerous fronts beyond China. This includes intensified ties to Japan and South Korea with both Japanese Prime Minister Kishida and South Korean President Yoon Suk Yoel visiting the Gulf and signing numerous agreements. The GCC also held a summit with leaders from Central Asian countries in 2023 followed by the second joint ministerial meeting held in Tashkent, Uzbekistan in April 2024.[5] Equally important is the fact



Photo Source: Ashari Al-Awsai (2024)



that there is an increased defense component playing a role in GCC-Asia ties. This has included joint naval exercises between Saudi Arabia and India, air combat drills between Oman and India, military training and defense deals between South Korea and the UAE, and UAE-Indonesia cooperation in defense industry related science and technology.

With both geoeconomics and geopolitics now situated at the core of GCC foreign policy, the development of ties to Asia is bound to advance. The formats will be varied with bilateralism dominating but complemented by flexible arrangements of a minilateral or multilateral nature. In this context, it could be argued that the strategic ambiguity that is characterizing the ties between the GCC states and the U.S. has opened the door for increased strategic autonomy for relations between the GCC and Asia.

### GCC and Europe

The big question mark in GCC international relations is subsequently the role of Europe. June 2024 marked the second anniversary of the European Union's Strategic Partnership with the Gulf region becoming an official policy of the 27-member countries of the EU. This policy makes the clear acknowledgment that "the security and stability situation of the Gulf region bears direct consequences for the EU" and that "the European Union stands much to gain from a stronger and more strategic partnership with the Gulf Cooperation Council (GCC) and its member states."

Since its release, numerous steps have been taken to implement the ideas first outlined in the document. This includes the appointment of a Special Representative of the European Union (EUSR) for the Gulf Region in the person of former Italian Foreign Minister Luigi Di Maio, who started his post in June 2023; bringing back the annual EU-GCC Ministerial Joint Council meetings with the last one held in Oman in October 2023; the holding of the first EU-GCC Security Dialogue in Riyadh in January 2024; and the first high-level GCC-EU Forum at the ministerial level held in Luxembourg on April 22, 2024. In October 2024, the first ever EU-GCC Summit meeting at the heads of state level is planned to be held in Brussels. The EU has also increased

its institutional profile in the GCC states with the opening of an EU delegation office in Qatar in 2022 and one planned for the Sultanate of Oman. It can therefore be argued that there is a lot of movement in the relationship between the two sides, which also suggests the potential for a continued deepening of ties on issues referred to in the GCC Vision for Regional Security.

Yet despite many common interests as well as a common identification of the challenges to be confronted, Europe is still not considered to be the solid political and security actor that the GCC would like to have in the region. Not only is Europe preoccupied with the crisis in Ukraine and the implications it has on the European security order as a whole, but it has yet to prove that it is a security actor in its own right or that it can provide the guarantees necessary for impacting the volatile Middle East regional security environment. The increased divergence has been particularly visible when it comes to the Gaza war where European positions of unconditional support for Israel were met with charges of hypocrisy, double standards, and moral failure when taken in contrast to Europe's position on Ukraine. As a result, the doubts GCC capitals about the EU as a relevant security actor have not only remained, but have actually deepened. The recognition of the state of Palestine by four EU member states including Ireland, Spain, Slovenia, and Malta in May 2024 was welcomed by the GCC but many argue that this is still a minor step considering the greater calamity that is occurring on the ground.

The GCC still looks towards Europe with a readiness to engage and to see where ties can be strengthened



Photo Source: BBC (2024)





The GCC still looks towards Europe with a readiness to engage and to see where ties can be strengthened. What Europe potentially brings to the table is a consequential political role that, coupled with the security function being fulfilled by the United States, could prove critical when it comes to seeing the GCC vision on regional security materialize. At the same time, the dichotomy of bilateralism vs. multilateralism in the framework of GCC-EU ties and the absence of a coherent European foreign and security policy on issues of core concern to the GCC states such as the settlement of the Palestinian cause acts as a brake on the emergence of strategic ties.

### he Gulf and International Order

Overall, it can be argued that the GCC states are grappling with the changes taking place at the global order level and carving out as much maneuvering space for themselves as possible, while at the same time maintaining their pre-existing trusted relationships. The traditional partners of the GCC states, Europe and the United States, have still not fully understood the depth of increased GCC agency when it comes to foreign policy and security matters and are only slowly beginning to acknowledge the changing circumstances. The GCC's ties with Russia are a case in point where the Arab Gulf states have been regularly criticized in Washington and European capitals for maintaining a relationship with Moscow despite Russia's violations of international norms in the case of the Ukraine. What needs to be understood here is that engagement with Russia by the GCC states is not a question of unequivocal support for the positions of Moscow, but rather, the realization that open communication channels are necessary to move the Russia-Ukraine conflict towards some form of resolution. In addition, the future trajectory of Russia-Iran relations is a matter of high concern for the GCC countries.

Another example highlighted involves the possible inclusion of Saudi Arabia and the UAE in the BRICS. While on the one hand, BRICS accession would be another element of the GCC's multi-alignment strategy and diversifying their international relationships, on the other, it should not be

exaggerated as implying that the GCC is giving up on their traditional partnerships with the U.S. and Europe. Suggestions that its ties to Asia or an inclusion in BRICS are synonymous with a de-dollarization of the GCC economies, have been continuously denied by Gulf policy officials. As of June 2024, Saudi Arabia for one has still not announced its decision to officially join the BRICS, underlining that the necessity of its inclusion in the organization was probably not as significant as some initially declared.

The GCC states have embraced the new multipolar reality that defines today's international environment. They are pursuing largely non-ideological and pragmatic policy directives that seek to advance their national interests and provide the GCC states with the choices that a still globalized but shifting world order provides. Given the overall complexity of international relations, the GCC states are involved in a delicate balancing act, but so far, they have positioned themselves well in the equation.

[1] Ministry of Foreign Affairs, (February, 2024). "The Ministry of Foreign Affairs states the discussions between the Kingdom of Saudi Arabia and the United States of America on the Arab-Israeli peace process." <https://www.mofa.gov.sa/en/ministry/statements/Pages/The-Ministry-of-Foreign-Affairs-stated-that-regarding-the-discussions-between-Saudi-Arabia-and-the-US.aspx>.

[2] Humeyra Pamuk and Simon Lewis, (March, 2024). "Blinken cites progress with Saudis on normalizing ties with Israel." Reuters. <https://www.reuters.com/world/middle-east/blinken-cites-progress-with-saudis-normalising-ties-with-israel-2024-03-21/>.

[3] Itamar Eichner, (May, 2024). "Netanyahu disappointed Jake Sullivan even before his arrival in Israel." Ynetnews.com. <https://www.ynetnews.com/article/hy1lrspxa>.

[4] The Cradle, (May, 2024) "Iran says indirect talks with US 'won't be the last.'" The Cradle. <https://thecradle.co/articles-id/24965>.

[5] Gulf Cooperation Council, (April, 2024). "Joint Statement Second GCC-Central Asian Ministerial Meeting on Strategic Dialogue." <https://www.gcc-sg.org/en-us/MediaCenter/NewsCooperation/News/Pages/news2024-4-15-2.aspx>.



Photo Source: Belgium MOFA (2024)



## Security and Defense Issues

Dr. Mustafa Alani, Senior Advisor & Director of the Security and Defense Research Program

The Gulf region continues to be confronted with major security threats, including one of the most significant and critical developments in recent decades: Operation Al-Aqsa Flood. The military wing of Hamas, the Al-Qassam Brigades, launched a startling cross-border attack on southern Israel on October 7, 2023. This operation has led to direct and indirect impacts on the security situation within the GCC countries in three significant ways.

First, the success of the Hamas attack in breaching Israeli borders and maintaining the element of surprise, despite Israel's massive investment in its military and intelligence capabilities, has exposed the vulnerability of Israel to attacks by low-capacity militias who lack access to the same cutting-edge military technology, and who are subject to intense political, military, and intelligence pressures. What this underlines is that a military and intelligence state as highly developed and superior as the State of Israel can have significant military and intelligence shortcomings.

In response to the Al-Aqsa Flood operation, Israel moved swiftly and forcefully, laying siege to the entire Gaza Strip. Additionally, it initiated Operation Swords of Iron, a massive and intense military operation (by land, air, and sea) with the goal of overrunning the entire Gaza Strip and demolishing

Hamas's infrastructure even though history has consistently demonstrated that destructive forces do not win easily.

Geographically, the Gaza Strip is no larger than a small or medium-sized city (40x10 kilometers with a total area of 365 square kilometers). This limited geographical area is besieged from all sides: the majority of its land borders are under direct Israeli control (51 kilometers). The same goes for the entire maritime border of the Strip (40 kilometers), while the Strip's border with Egypt (11 kilometers) is completely closed. Despite this, Israel's extensive military invasion has been unable to produce a swift and decisive victory.

As of June 2024, Israel's military operation has resulted in the death of over 36,500 Palestinian citizens and the demolition of 70% of the Gaza Strip's infrastructure with over 75 million tons of explosives. Yet, the vast military and intelligence capabilities that Israel gathered for the operation – in addition to the near unlimited support of its western allies - has failed to end the conflict or accomplish the stated goal of eradicating Hamas and its military wing. In fact, the Qassam Brigades remain active on the ground despite several months of continuous Israeli operations using all available Israeli capabilities. Israel's operation has also failed to achieve the goal of liberating all Israeli hostages.



Photo Source: Gulf News (2022)





A lesson to be drawn from Israel’s battle with Hamas is that military power, no matter how great, has limitations and frequently fails to achieve theoretically simple goals in comparison to the enormous military and security capabilities that they possess.

Another major impact of the war in Gaza has been the reaction of the marginal militia organizations, such as the Houthis in Yemen, who initiated attacks on shipping vessels in the Red Sea following Israel’s aggression in Gaza in a show of support for Palestine. This presents another lesson – that even smaller and less well-equipped militias can disrupt and threaten the freedom, security, and safety of international shipping lines, effectively paralyzing the movement of goods and basic materials across continents and influencing the status and safety of the global economy.

Moreover, traditional deterrence measures to address this threat have demonstrated limited effectiveness. Since November 19, 2023, the Iranian-backed Houthis have successfully compelled the international community to curtail international navigation through the Bab al-Mandab Strait and the Suez Canal, both waterways that constitute a crucial international navigation route connecting the continents of Asia and Europe.

The Houthis expanded their list of targets and maritime interception in March 2024 to include the Arabian Sea and Indian Ocean. In May, the Houthi leadership announced that they would further widen their operations to include the Mediterranean Sea under the slogan of “Supporting the Palestinian People in Gaza.” Just prior in February 2024, the United States classified Yemen’s Houthis as a “specially designated terrorist group” (SDGT), citing their practices as a threat to the security and safety of international navigation routes.

The persistent threats posed by the Houthis to international shipping lanes have exposed the shortcomings of the deterrence strategy employed by Western nations, spearheaded by the United States. This strategy, which sought to amass a substantial naval presence in the international waters surrounding Yemen, has proven ineffective. The Prosperity Guardian Coalition, established in December 2023 with over 20 participating countries, and the European Union’s Operation Aspides, launched in February 2024 with nine European participants, have both failed to deter Houthi attacks on commercial vessels and naval assets. Additionally, these initiatives have not provided adequate protection against such incursions.

The dual failure of deterrence and defense strategies has compelled Western nations, particularly the United States, to adopt an offensive approach. This strategy aims to address Houthi threats from their origins within Yemeni territory. On January 12, 2024, the United States announced the commencement of Operation Poseidon Archer, which encompasses preemptive offensive operations targeting threat

sites deep within Yemeni territory. However, despite several months of airstrikes conducted against Houthi positions, the United States and the United Kingdom have not succeeded in halting the Houthi offensive or eliminating the threat they pose to international maritime navigation.

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In early April 2024, the Houthi group asserted that its sites had been subjected to 424 US-British airstrikes over the preceding three months. These strikes targeted locations in the capital, Sanaa, the coastal city of Hodeidah, and most other cities in northern Yemen, including Saada, the Houthi movement’s capital.

Overall, it appears that the US-British military operations in Yemen’s interior are not intended to jeopardize the authority, safety, or control of the Houthi movement’s regime over northern Yemen. Instead, these operations are narrowly focused on neutralizing the sources of the threat to international shipping lanes without targeting the Houthi regime’s infrastructure.

The US airstrikes on Houthi militia sites were accompanied by similar US strikes on other Iran-linked militias operating in Iraq and Syria, which had targeted US military sites in Iraq, Syria, and Jordan. A prime example of this assertive US approach was the January 2024 airstrike on the positions of Kata’ib Hezbollah-Iraq, an armed group affiliated with Iran’s Revolutionary Guard Corps and designated as a “Foreign Terrorist Organization” by the US. The airstrike destroyed the group’s headquarters and other facilities, following earlier US airstrikes in December 2023. In February 2024, the US acknowledged responsibility for the drone strike that killed a senior leader of Kata’ib Hezbollah-Iraq in the streets of Baghdad.

Overall, the US decision to directly and decisively engage with regional militias linked to Iran’s Revolutionary Guard appears to have deterred Iran’s strategy of pressuring US forces in the region. Leaked information suggests that high-level Iranian leadership has issued directives to regional militia commanders to cease attacks on US military locations.



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The failure of “Operation True Promise,” representing Iran’s direct threat to Israel, and the failure of the strategy of employing Iran-linked regional militias, representing Iran’s indirect threat, to inflict significant harm on Israel, have demonstrated Israel’s defensive and preventive capabilities in absorbing and effectively dealing with these threats  
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The third, and possibly the most startling and significant, impact of the “Al-Aqsa Flood” Operation has been the realization of the limits to Iran’s military capabilities to threaten Israel. Following years of Iranian threats to “destroy Israeli cities” and “remove Israel from the map,” Israel finally got the actual test it had been waiting for—a direct confrontation between Iran’s missiles and Israel’s defenses—on the night of April 13, 2024.

That night, Iran launched a massive missile assault on Israel dubbed “Operation True Promise,” as a form of retaliation for Israel’s attack on the Iranian consulate’s headquarters in Damascus, the capital of Syria, on April 1 that killed seven senior Iranian Revolutionary Guard leaders. Over 300 ballistic and cruise missiles were fired during the Iranian attack simultaneously targeting Israeli territory with 130 highly advanced ballistic missiles, representing the pinnacle

of Iranian military manufacturing. With the assistance of its allies, Israel claimed to have been able to intercept 99% of them. It also declared that very little damage had been done as a result of the Iranian attack.

The Iranian deterrence strategy against Israel, which has allegedly been in place for years, failed, just like the direct Iranian attack on Israel. Furthermore, the failure of Iran’s direct attack on Israel was preceded by other failed indirect attacks aimed at putting significant strain on Israel’s defense capabilities. Since mid-October 2023, Iran has mobilized its regional proxies, namely the armed sectarian militias linked to the Iranian Revolutionary Guard Corps in Lebanon, Yemen, Iraq, and Syria, to launch continuous and coordinated missile and drone strikes on Israeli sites, as well as some attacks on US forces in Iraq and Syria. These attacks, however, have caused minimal damage.

The failure of “Operation True Promise,” representing Iran’s direct threat to Israel, and the failure of the strategy of employing Iran-linked regional militias, representing Iran’s indirect threat, to inflict significant harm on Israel, have demonstrated Israel’s defensive and preventive capabilities in absorbing and effectively dealing with these threats. This, in practical terms, signifies the end of the presumed “mutual deterrence” theory between Iran and Israel and may herald the beginning of Israel’s “unilateral deterrence” against Iran.

### The situation in Yemen

Regardless of the developments taking place in the Israeli-Palestinian context, Yemen remains a source of regional security threat. Despite a ceasefire being in effect, with only limited breaches, the situation on the ground has not seen any drastic changes. The political settlement for the conflict is still facing obstacles and difficulties, preventing a real end to the fighting. The problems associated with the Yemeni people’s suffering also continues.



Photo Source: Bloomberg (2024)



The agreement reached in Beijing in March 2023 to restore Saudi-Iranian relations seems to have had a limited impact on efforts to reach a peaceful resolution in Yemen, even though Saudi Arabia has shown genuine desire and willingness to reach a political settlement.

Recently, a clear consensus has emerged among all regional and international actors that there is no military solution to the conflict in Yemen. Instead, it was agreed that the focus needs to be on a political settlement and a formula of agreement that respects the demands of all parties involved in the Yemeni conflict.

Yemen's current political landscape is characterized by a de facto division into two distinct entities or states, roughly corresponding to the former boundaries of North Yemen (Yemen Arab Republic) and South Yemen (People's Democratic Republic of Yemen) that existed prior to the 1990 unification. This de facto partition has been in place since the Houthi movement seized power in 2014.

The prevailing ceasefire agreements have inadvertently reinforced this division, creating two separate entities governed by rival administrations vying for legitimacy. This situation raises concerns that the de facto partition could solidify into a permanent border, effectively dismantling the unified Republic of Yemen established in 1990.

In addition, in the first part of 2024, there was a noticeable increase in the activities of the terrorist group Al-Qaeda in some regions of Yemen. For example, in April 2024, Al-Qaeda attacked a military patrol in the Abyan governorate, resulting in the death of six soldiers and injuring eleven others. This attack was the eighth of its kind on Yemeni armed forces' sites since the beginning of 2024, following a series of terrorist strikes in 2023.

### **The Bahraini-US Security Agreement--The Comprehensive Security Integration and Prosperity Agreement (C-SIPA).**

In recent years, the traditional security and defense connections between the United States and its Gulf Cooperation Council allies have become an increasing cause of concern among Gulf leaders. This unease has been prompted by several factors, including the ambiguity of the US position, the unpredictability of US policy, shifts in US interests, and differing interpretations of the US president's obligations to the Arab Gulf countries. This uncertainty has led to skepticism and uncertainty about the true nature of the longstanding US-Gulf security partnership. As a result, calls have emerged from both sides of the alliance to re-evaluate the security links between the US and the Gulf. This should be seen as an effort to either restore these relations to their original state or adapt them in response to evolving national security interests and changing circumstances.

Meanwhile, the United States and Bahrain reached a security

agreement titled "Comprehensive Security Integration and Prosperity Agreement" (C-SIPA), with documents signed on September 13, 2023. The agreement marks the first step in the Gulf region's efforts to redefine its security and defense relations with the United States.

The main security and strategic challenge for the GCC countries in mid-2024 lies in the goal of containing the threats emanating from the Houthi group and its association with the Iranian Revolutionary Guard's regional strategy

The US-Bahrain security agreement does not represent a radical change in the nature and substance of US security and defense commitments to the Gulf Arab countries. The most important clause in any security agreement is the nature of the commitment to dealing with external aggression. The agreement states that "any external aggression or threat of external aggression against the sovereignty, independence and territorial integrity of any of the parties shall be a matter of grave concern to the other parties."

The US commitment to Bahrain is to impose the "principle of immediate consultation" in the event of aggression. The agreement states that "the parties shall, in accordance with their constitutions and laws, meet immediately at the highest level to determine additional defense needs and to develop and implement appropriate defense and deterrent responses as agreed by the parties." This means that the US does not commit to defending and intervening automatically and immediately in the event of aggression.

Article II of the Agreement (Defense and Security Cooperation) states as follows: "The Parties' cooperation in the areas of defense and security is based on their shared commitment to stability and peace in the Middle East region. It is the policy of the Parties to work together to help deter and confront any external aggression against the territorial integrity of any of the Parties. Any external aggression or threat of external aggression against the sovereignty, independence, and territorial integrity of any of the Parties shall be a matter of grave concern to the other Parties. In the event of external aggression or the threat of external aggression against one Party, the Parties shall, in accordance with their respective constitutions and laws, immediately meet at the most senior levels to determine additional defense needs and to develop and implement appropriate defense and deterrent responses as decided upon by the Parties, including in the economic, military, and/ or political realms. The Parties stand ready to



**Iran's Regional Affiliates**

■ Notable Iran-backed militias as of October 2023



Main area of activity	Militia	Iranian influence	Estimated size
BAHRAIN	Al-Ashtar Brigades	Strong	Unknown
IRAQ	Kata'ib Hezbollah	Strong	20,000-30,000
	Badr Organization	Strong	10,000-30,000
	Asa'ib Ahl al-Haq	Strong	5,000-15,000
LEBANON	Hezbollah	Strong	30,000-45,000
	Hamas	Moderate	30,000-40,000
PALESTINIAN TERRITORIES	Palestinian Islamic Jihad	Moderate	1,000-15,000
	Fetemyoun Brigade	Strong	10,000-15,000
SYRIA	Zainabiyoun Brigade	Strong	2,000-5,000
	Quwat al-Ridha	Strong	3,000-3,500
	Baqir Brigade	Strong	3,000
	Houthi movement	Moderate	10,000-30,000

Sources: Financial Times; International Institute for Strategic Studies; CFR research.

COUNCIL ON FOREIGN RELATIONS

Photo Source: Council on Foreign Relations (2023)

immediately share available and appropriate information and intelligence in response to such an event.”

The US envisioned the agreement as a model for advanced security arrangements with the US that other Gulf or broader Middle Eastern states could join and expressed a desire to extend the form of the US-Bahrain security agreement to other Gulf states. However, most Gulf Arab states have sought a more binding set of security commitments from the US. They desired an agreement that included a mutual defense obligation with terms closer to Article 5 of the North Atlantic Treaty Organization (NATO) treaty.

In general, Article 8 of the agreement, titled “Additional Parties to this Agreement,” confirmed its openness to membership by other countries. The article stated, “The Parties may by unanimous agreement invite any other State in a position to further the aims of this Agreement and thus contribute to Middle East security integration and prosperity to accede to this Agreement.” However, to date, no Gulf Arab state has expressed interest in joining the agreement.

**The Challenge of Non-State Actors**

In the Middle East, three main types of non-state actors can be identified: terrorist groups, armed ideological militias, and armed criminal groups. The activities of organized terrorist groups have significantly decreased in recent years compared to previous periods; this is especially true of Al-Qaeda and the Islamic State in Iraq and Syria (ISIS).

It is no longer common or acceptable for terrorist groups to control entire cities, run training facilities, or have a cohesive organizational structure. The terrorist organizations’ command centers and safe havens have been eliminated in the last few years. Large-scale, highly organized terrorist operations have become rare but are still possible. They have been replaced by individual and dispersed operations that may not have a direct link to the leadership of terrorist groups. Most of these operations rely on personal initiatives from individuals who hold extremist ideology, known as “lone wolf” operations.

For example, in early May 2024, Kuwaiti authorities arrested a citizen on charges of planning to bomb US camps in the country and inciting others to learn how to make explosives. The Kuwaiti Public Prosecution stated in a statement published on its X platform account that it had “ordered the detention of a citizen accused of joining a banned organization and planning terrorist acts within the country.” The statement added that the defendant “posted audio and video recordings of the organization’s activities and news on social media sites in support of it, and also learned how to make explosives and incited other defendants to learn them in order to blow up camps belonging to the US armed forces.”

In another incident, at the beginning of January 2024, a statement by the Kuwaiti Ministry of Interior announced that the State Security Service had foiled a plot by a terrorist cell to target Shi’a places of worship. At the time, the statement reported that “three elements of Arab nationality belonging to a terrorist organization were arrested.”

As mentioned above, Yemen has also witnessed continued activity by terrorist organizations; this is particularly true of Al-Qaeda, which remains active in parts of Yemeni territory. Yet, despite the occurrence of scattered attacks attributed to terrorist groups in the Gulf Arab and Arabian Peninsula countries, these groups are no longer considered a primary threat to regional security. Instead, their operations have evolved into manageable risks and threats.

The primary threat at this stage lies in the activities of armed ideological militias, most or all of which are linked to the leadership of the Iranian Revolutionary Guard Corps (IRGC) and its external arm, the Quds Force.

Notably, these militias, which receive financial, armament, and organizational support from Iran, are distinguished by their extensive geographic expansion, possession of training facilities, cohesive leadership, administrative structures, and effective media presence. More significantly, the newest





Iranian weaponry—which is not even part of the official armed forces of many other countries—has been supplied to these militias. This artillery includes medium- and long-range ballistic missiles, cruise missiles, and drones of all kinds.

The dangers of such militias lie in their wide geographical spread within the Middle East region, as they are effectively operating in Lebanon, Syria, Iraq, Yemen, and Palestine. Recent developments in the region have highlighted important facts about the role of these militias and their capabilities in destabilizing regional security as an integral part of Iran's grand strategy. As part of the Iranian leadership's declaration to punish Israel, Iran has activated the role of its affiliated militias to generate pressure on Israel through long-range missile attacks on targets inside Israeli territory under the slogan of "Islamic Resistance Organizations" operations. The IRGC coordinated between these militias to carry out more than 100 missile and drone attacks deep into Israeli territory so far. These attacks involved Hezbollah (Lebanon), the Popular Mobilization Forces (Iraq), the Harakat Ansar Allah al Awfiya (Houthi-Yemen), and Iran-linked militias in Syria. A group calling itself "The Islamic Resistance in Bahrain" (Al Ashtar Brigades) claimed in a statement to have carried out two attacks against the Israeli city of Eilat on April 27 and May 2, 2024, as reported by the official Iranian news agency (IRNA). The veracity of the Al Ashtar Brigades' statement has not been verified, as this group does not have a presence in the Kingdom of Bahrain. They are believed to operate under the protection and sponsorship of Popular Mobilization Forces factions within Iraqi territory.

Ideologically-aligned militias affiliated with the Iranian Revolutionary Guard (IRGC) have been actively engaged in operations across the region under the leadership of the so-called "Axis of Resistance" (Miḥwar al-Muqāwamah). This term encompasses a network of armed groups linked to the IRGC and shares a common goal based on the principle of "unity of operational fields." This principle calls for centralized control and planning by the IRGC command, ensuring a coordinated and synchronized approach to operations.

Iran's decision to activate regional militias affiliated with its leadership to strike Israeli targets underscores the significant central control exerted by the IRGC over these groups' decisions and activities. This centralized command structure ensures that militia operations align with Iran's broader regional strategy in turn promoting a high level of coordination, planning, and timing in their operations. The tasks and roles are meticulously distributed within the vast network of regional militias, ensuring a cohesive and effective approach to achieving objectives.

In conclusion, the key takeaways from the collective and coordinated entry of Iran-linked militias into the confrontation following Hamas's Operation Al-Aqsa Flood is that the impact of these militias on the regional military

balance during the comprehensive and open confrontation with Israel has been limited. This is despite Iran's substantial long-term financial, political, and military investments in building these militias, and the strict centralized control by the IRGC command including developing their capabilities and appointing their leaders. With the support of its allied Western powers, Israel managed to absorb the pressure exerted by these militias, effectively countered their missile and drone attacks, and contained or thwarted the damage caused by most of these attacks on the ground.

In addition, and in line with the current policy of the six GCC countries to maintain friendly relations with Iran and ending the state of conflict, the direct Iranian threat to the GCC has decreased significantly. This is in part due to the existence of a corresponding Iranian interest in the continuity of the state of detente in Gulf-Iranian relations. However, it should be noted that the indirect Iranian threats and pressures generated by the armed ideological militias associated with the Iranian Revolutionary Guard Corps (IRGC) still exist and will continue to exist in the foreseeable future. The Gulf-Iranian diplomatic agreement has not been extended to include ending the pressures and threats of these militias whether on the southern and northern borders of the Arabian Peninsula in Yemen and in Iraq or in the Arab Mashreq in Lebanon and Syria.

The main security and strategic challenge for the GCC countries in mid-2024 lies in the goal of containing the threats emanating from the Houthi group and its association with the Iranian Revolutionary Guard's regional strategy, which has resulted in serious threats to the borders and territories of a number of Gulf Arab countries. It has further threatened the freedom, security, and safety of international navigation through the Bab al-Mandab Strait and the waters of the Arabian Sea and the Red Sea.

One additional lesson that has emerged from the Al-Aqsa Flood is the state of coordination and cooperation that emerged between all the militias based in Yemen, Iraq, Lebanon, and Syria under the control of the Iranian strategic umbrella including support by Iran's long-range missile weapon capabilities to develop synchronized and multi-front threats targeting Israel since October 2023. The same coordination strategy could be directed to any Gulf country in the future, whose security could be threatened by synchronized operations from multiple geographical fronts carried out by militias linked to the IRGC. This would be based on a central decision taken in Iran to serve Iran's interests and goals of imposing hegemony and regional expansion. The GCC countries do not possess the effective defense capabilities that Israel possesses, which have been employed to try to contain the threat of coordinated and simultaneous attacks by IRGC-affiliated militias. As a result, the threat of these militias may pose an even greater danger to the GCC countries than they do facing Israel.





## An Era Beyond Oil – Reshaping Gulf Economies

Dr. John Sfakianakis, Chief Economic and Program Director - Economic Research

*The Gulf economies' importance is in the spotlight again with rising tensions in the Middle East in both the Israel-Hamas conflict and the Red Sea shipping interruptions. Hosting the COP28 climate conference and receiving an invitation for its two largest members to join the 'BRICS' group of emerging nations are also raising its profile. What will the coming months and an approaching era of peak oil demand hold for the region?*

- Growth in the Gulf economies will witness a modest rebound in 2024. The outlook remains positive on the region due to public sector spending, a strong demographic profile, and reform progress. The non-oil economy will continue to perform, while the oil economy is contingent on the supply cuts executed by OPEC.
- In the GCC economies (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates), growth will improve to 2.8 percent in 2024 and 4.7 percent in 2025, driven mainly by higher oil output due to the phasing out of oil production cuts and robust growth in the non-oil sector linked to diversification efforts and reforms.
- The challenging global outlook from high interest rates, uncertainties around the war between Israel and Hamas - which includes disruption to shipping in the Red Sea - and an unlikely reversal in oil production cuts could derail the recovery.
- Volatility in oil prices is consistent with sound fiscal and external balances despite the recent slowdown in oil production. Budget surpluses in the UAE, Qatar, and Oman will narrow this year compared to 2023. Kuwait's fiscal deficit is projected to widen in 2024 but the government deficits of Saudi Arabia and Bahrain are expected to narrow marginally. The region's USD peg arrangements look well supported.
- Diversification away from hydrocarbon production will be key to the region's prospects for the post-oil day. It remains to be seen in the coming years how National 'Visions' will act as catalysts for coordinated investments into non-oil and gas sectors.
- While the Israel-Hamas conflict is fueling some concerns over the region's outlook, the GCC countries are ultimately striving to avoid regional escalation and maintain current oil output. Just like oil markets, GCC economies are more insulated from geopolitical events in the region in a counter-intuitive way. Oil prices are more immune to regional geopolitical turmoil and the Gulf economies growth momentum is more sustainable despite external concerns.

The Gulf Cooperation Council nations – Saudi Arabia, the United Arab Emirates (UAE), Kuwait, Bahrain, Oman, and Qatar – punch above their weight economically. They account for less than 1% of the global population but around 2% of global GDP, and over 10% and 20% of gas and oil production respectively. Curbs on Russia's trade in hydrocarbons have increased their clout as alternative suppliers in energy markets, and their hosting of events such as the FIFA World Cup, the Dubai Expo, and [COP28](#) have boosted their status as international hubs. The GCC countries are making efforts to maintain strategic flexibility despite a decoupling of global geopolitical blocs led by the US and China. Saudi Arabia and the UAE were [asked to join the 'BRICS'](#), a geopolitical club that loosely joins some of the world's largest and fastest-growing economies including China – although the former has yet to formally accept joining the pact.





### Growth uptick in 2024

The Gulf Cooperation Council economies will grow at a faster pace in 2024 than the year before, despite expectations of weak global growth hurting oil demand and inflation in the region being well anchored. Multiple cuts in oil production - a major driver for growth in Gulf economies - led to a slowdown in the region last year, with Saudi Arabia growing slower than expected. Still, Saudi Arabia's economy is set to grow around 3% after contracting 0.9% in 2023. Growth in the non-oil sector was robust but was not enough to compensate for the decline in oil activities. The countries' focus on strategic flexibility is clear from their intervention in the oil market. With oil and gas their economic mainstay and Russian supply reduced, 2022 saw stellar growth for many GCC nations: real GDP grew 8.7% in Saudi Arabia and 8.2% in Kuwait, for example. As global growth has slowed down, the Organization of the Petroleum Exporting Countries plus key non-members (OPEC+), including five GCC nations, have cut oil production. Saudi Arabia made additional voluntary output cuts.



Real GDP per capita growth arguably better reflects changes in living standards than real GDP growth. Gulf economies' GDP per capita growth in 2024 is projected to be 1%, a significant improvement from the 0.9% decline in GDP per capita in 2023. Among GCC economies, GDP per capita is projected to grow in 2024 by 0.5% in Saudi Arabia and 1.9% in Kuwait—sharp improvements over the previous year's 2.8% contraction in Saudi Arabia and 1.0% decline in Kuwait. In Saudi Arabia, the non-oil private sector is forecast to grow by 4.8% as the fiscal authority takes an expansionary stance. In Kuwait, the oil sector is projected to grow 3.6% because of an expected ramp-up in production, while the non-oil sector is expected to grow by 2.1%.

The slowdown in activities will have a limited impact on the GCC countries' medium-term outlook. The extended output cuts have increased the likelihood of crude oil prices remaining around USD 85 per barrel in the summer months of 2024, above the levels needed by Qatar and the UAE to balance government books across the region but not for Saudi Arabia. Since these levels ('fiscal breakeven

prices') are generally higher than those required to balance the countries' current accounts, GCC countries will be able to either maintain twin surpluses (UAE, Qatar) or limit fiscal deficits arising from a slower economy (Saudi Arabia, Kuwait).

“ Just like oil markets, GCC economies are more insulated from geopolitical events in the region in a counter-intuitive way. Oil prices are more immune to regional geopolitical turmoil and the Gulf economies growth momentum is more sustainable despite external concerns ”

Inflation in Gulf countries was lower in 2023 than in the preceding year. The year-on-year change in the consumer price index (CPI) as of January 2024 was lower than a year before. In fact, inflation was below 5% in January 2024--this was the case for Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia. During 2023, inflation decelerated in Bahrain and Qatar, primarily due to lower commodity prices and tighter monetary policies, while Oman benefited from subsidies on basic food and domestic petroleum. Kuwait and Saudi Arabia contained inflation through tight monetary policies and extensive subsidies on food and energy, reflecting a broader trend toward easing inflation in the region. As noted in previous work, inflation has been lower in countries with currency pegs.

### National visions, giga projects, and steady reforms

The pursuit of goals laid out in their national economic transformation agendas will be the main driving force for the GCC countries' policies in the years to come. All six member states have announced long-term economic plans with specific targets for economic diversification, human capital development, and greening of energy supply. Political commitment to these plans looks solid as the region faces challenges from the global shift toward electric vehicles and clean energy. Expected peak oil demand in the next decade is a potent challenge for the GCC countries where 40-60% of GDP is related to the hydrocarbon sector. For this reason, financing and facilitating projects in the national visions will be prioritized and one can expect the region's oil price sensitivity to be particularly high in the



coming years. Oil prices will have to remain relatively high, around \$80-90 per barrel, in order to support many of these visions without jeopardizing delivery deadlines and risking loss of credibility.

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Investments in the projects outlined in the various national agendas will grow depending on the fiscal ability of the state to support such massive undertakings and the inflow of foreign investor appetite. Saudi Arabia's investments in the tourism and entertainment sectors have already been accelerating. Those for even larger 'giga-projects' such as NEOM, a vast new sustainable city in the desert, and King Salman International Airport are underway and plans are in the works to build one of the world's largest airports in Dubai. Public sector investments have jumped in the UAE in the past two years and the country leads the region in solar energy investment. Yet, the perils of investing in the same sectors by the wealthier countries in the region are omnipresent. The other GCC countries will need to take their cues from their larger neighbors, although the scope for public investment will vary. There is a renewed industrial drive throughout the region, especially in areas outside of the natural competitive advantage of the downstream oil and gas sector. This could be an opportunity but could also potentially lead the region down a path of revenue loss as global industry is becoming more technologically infused and automated. Innovation is the missing link for the region and it requires careful examination when devising industrial strategies. The role of the private sector in many of these strategies and visions is an imperative as state-capitalism has limitations through crowding out effects.

How effectively these projects are carried out will depend heavily on reforms of fiscal frameworks, the energy sector, foreign investments, and labor market structures. While much work still needs to be done, some concrete improvements can be seen here in recent years. Fiscal dependence on the oil sector has been decreasing due to the introductions of value-added and corporate income taxes (e.g. Saudi Arabia). Caps on retail fuel prices are beginning to be adjusted to reduce the gap with market prices, and electricity output from solar

and wind sources has been growing at 61% per year since 2015. In addition, female labor force participation rates have risen sharply in Saudi Arabia. A continued uptrend in labor force participation rates would brighten the long-term outlook for these countries, especially since they have the best demographic profiles among emerging markets.

Oil prices have declined by 9.5% since October 2023 and are expected to continue to do so in 2024, as global growth weakens and oil production increases. Oil futures indicate generally higher medium-term prices compared to those in June and December 2023, but lower than those in September 2023, with futures trading at \$71.41 per barrel for the end of 2026. Natural gas prices have also declined—by 36%—since October 2023. Natural gas futures generally indicate lower medium-term prices than in futures in 2023. Gas futures are trading at \$4.42 per 10,000 million British thermal units. Food prices are expected to decline amid ample supplies for the major crops but remain higher than before the COVID-19 pandemic.

#### Reasons to hope for the strategic status quo

The conflict between Israel and Hamas is fueling some concern on the region's outlook, but one still sees reasonable grounds to assume that the GCC countries will ultimately opt for the strategic status quo. Their long-term development plans require the continued avoidance of a new geopolitical conflagration in the region, and any punitive spike in oil prices could harm the region's oil industry by accelerating global electrification trends even more. The unpredictable nature and scale of the conflict will, however, require close monitoring.

The conflict in the Middle East and the crisis in the Red Sea have also affected the insurance sector in the region; reinsurers have reduced their presence in the Middle East. In recent months, following the increased instability, global reinsurers reintroduced cancellation provisions into policies as a precaution against potential escalations in the Middle East conflict. Such clauses would remove reinsurance coverage of assets if, for example, they were damaged or destroyed by military attacks. The insurance market has signaled a combination of higher premium prices coupled with reduced coverage to clients. These developments also carry important fiscal implications for countries already grappling with fiscal rigidities in the region, because they could generate contingent liabilities, in which the private sector could expect to be bailed out by the public sector, because of inadequate or excessively costly insurance coverage.

The effects of the conflict on the MENA region are uncertain, and to an extent depend on whether the conflict expands. Tourism in the region has been hurt, which can be significant because it is an important sector for many MENA economies. The onset of the Israel-Hamas conflict in the Middle East in



October 2023 initially had little effect on shipping routes—until mid-November, when Houthis in Yemen began attacking commercial vessels in the Red Sea. The number of ships moving through the Suez Canal plummeted as a result, while the number of ships traversing a longer route around the Cape of Good Hope rose. The spot price of container shipping has subsequently gone up globally, especially for routes from the East to Europe. Diversion of trade is costly because more ships are required for longer routes. Broadly, the overall effects regionally at this point are unclear. Oil and food prices have been declining, which helps oil-importing economies in the region. At this point there are several potential scenarios of escalation and de-escalation that are hard to assess.

The challenge for Gulf economies is one of economic and fiscal-revenue diversification given the structural change in global oil markets and the rising demand for renewable sources of energy. The balance of risks remains tilted to the downside and uncertainty has risen markedly since October 2023. The conflict in Gaza and Israel remains geographically contained, but its duration and scope for escalation continue to be highly uncertain. Disruptions in the Red Sea highlight the unpredictability of the conflict's potential spillovers. Additional downside risks include persistent inflation and financial stress, disruptive fiscal adjustment and debt distress, the potential worsening of geoeconomics conditions, an abrupt global slowdown (including China's recovery faltering), and recurrent climate shocks. In a scenario where the conflict escalates, neighboring economies would be impacted by reduced tourism and continued trade disruptions.

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For all Gulf economies, nonhydrocarbon activity is projected to remain the primary contributor to growth in the years ahead. The voluntary oil production cuts—most notably by Saudi Arabia—are expected to continue putting a damper on growth this year. Ambitious plans to diversify economies are expected to reduce dependence on relatively volatile hydrocarbon production and bolster stability, rendering nonhydrocarbon activity the main driver of growth going forward for Oman, Saudi Arabia, and the United Arab Emirates. Over the medium term, adjustments to the ambitious growth plans will have to reassess both as hydrocarbon revenues fall in real terms and climate change adds various challenges to the non-hydrocarbon sectors.





## The Gulf and Energy Issues

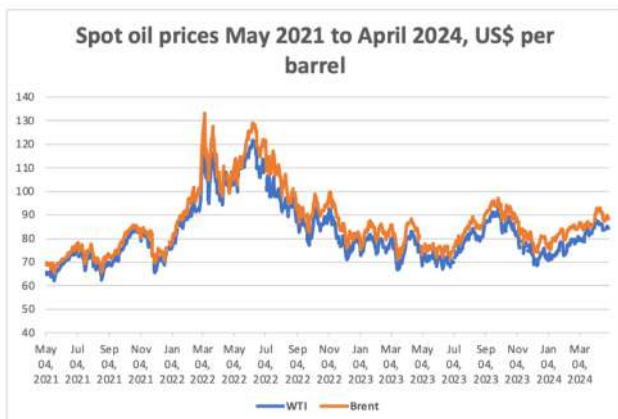
Prof. Giacomo Luciani, Member of the Board of Trustee,  
Gulf Research Center Foundation

Following a year of extreme price volatility in 2022 and profound shifts in patterns of international energy trade, 2023 witnessed the gradual evolution towards new equilibria, in a world in which geopolitical considerations and the concern for climate change play a growing role in shaping the energy policies of major energy users. In view of their high dependence on exports of oil and gas, the countries of the Gulf continue to face challenges in the pursuit of their development goals in the new economic and political landscape.

### Evolution of the global oil market and the role of OPEC+

#### Evolution of oil demand, supply, and prices

Global oil demand continued its historical upward trend in 2023, increasing by 2.3 million barrels per day year on year. Supply increased by 1.8 million barrels per day, thanks entirely to increased production from outside the OPEC+ group. Consequently, the year concluded with a drawdown in stocks, which was ultimately insufficient to stimulate a clear upward trend in prices. The latter started the year at around 85 dollars per barrel (for Dated Brent), then oscillated between a minimum of 75 dollars per barrel and a maximum of close to 100 dollars per barrel, closing the year at the lower end of the band.



Source: EIA

While prices remained below the level desired by major oil exporters, and Saudi Arabia, they were high enough to allow

oil companies to realize a second year of record profits. This led to a reconsideration of green targets on the part of some of the European-based international oil companies, notably BP and Shell, which had announced targets to significantly reduce their output of oil and gas in the coming years. American oil companies maintained their production targets in a context of continued investment discipline and large redistribution of value to shareholders.

#### Increased production in the US and other non-OPEC+ countries

The relatively high prices have encouraged companies to increase production, notably of shale oil in the United States. Non-OPEC+ production increased by 2.2 million barrels per day in 2023, two-thirds of which comes from the United States. US crude oil production averaged close to 13 million barrels per day, consolidating the country's position as the largest global oil producer. When total liquid production is considered (including natural gas liquids) rather than just crude oil, US production reached 21.91 million barrels per day. Other significant production increases were achieved in Brazil and Guyana.

Saudi Arabia today enjoys (or suffers) an excess oil production capacity of 3.2 million barrels per day. The latter figure is crucial for understanding the dynamics within OPEC+ in the coming months and years





Photo Source: AP-OM (2023)

Production increases in non-OPEC+ countries were partially offset by decreases in the production of the OPEC+ group, as detailed below. The net result has been some drawdown of commercial stocks, but falling short of a significant tightening of the market.

### Sanctions against Russia

At the end of 2022, the OECD countries started implementing sanctions against Russian oil exports, in response to Russia's military aggression against Ukraine. The design of the sanctions was carefully crafted in order to limit the revenue that the Russian government receives from oil exports while avoiding affecting the volume of Russian crude oil exports. The concern has been – and remains for the time being – that restricting the volume of Russian exports might cause an increase in the price of oil, an outcome that the US Administration has been especially keen to avoid in the runup to the presidential elections of November 2024.

Initially, as was discussed in last year's Annual Strategic Review, the United States resorted to drawing down the Strategic Petroleum Reserve and requested Saudi Arabia to increase its oil production and exports in order to balance the envisaged decrease in Russian exports. However, the Kingdom refused to act in accordance with the American request, tightening its alliance with Russia within OPEC+, rather than facilitating the imposition of sanctions.

In the end, sanctions were imposed primarily affecting the seaborne transportation of Russian crude and the availability of insurance to vessels transporting it, with the imposition of a

price cap at 60 dollars per barrel that buyers of Russian crude were requested to enforce. Initially, this caused Russian crude to be sold well below the price of Dated Brent (a discount of 30 dollars per barrel) for several months, but progressively the discount was eroded and toward the end of the year it was reduced to less than 20 dollars per barrel, and Russian crude was sold above the imposed price cap.

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The price of gas was more volatile in 2022 than the price of oil, but in 2023, the situation changed. In fact, ex-post one can safely say that the adjustment of the gas market to the new political realities has been rapid beyond all expectations, and a clear new pattern has already emerged  
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While Russian seaborne exports to the EU collapsed entirely, other countries were keen to increase their purchases to profit from selling petroleum products on the international market while purchasing crude at a significant discount. India recorded the greatest increase in imports of crude from Russia, while China increased its imports only limitedly. Some increase in



imports from Russia was also recorded in the Gulf region, using discounted Russian crude for domestic consumption while freeing domestically produced barrels for export at full international prices, and pocketing the difference.

### Elections in the USA

It is clear from the above that the market in 2023 and 2024 was, and remains, profoundly influenced by political considerations in the runup to the November US presidential elections. The outcome of those elections will be decisive for the behavior of the United States and all OECD countries in the following months. At the same time, it is perceived that the Biden administration must at all costs avoid an increase in the price of crude oil before the election, as this would erode the already uncertain support that the incumbent President enjoys.

It is therefore a rather foregone conclusion that in 2024 very little will be done to seriously enforce the sanctions on Russian oil. Rather, the United States will continue encouraging abundant oil supply, both by supporting its domestic production and pressuring other producers to maximize theirs.

But the situation might well change in the aftermath of the election. It is not easy to predict what might happen if Donald Trump is returned to the White House. Support for domestic American producers and international oil companies will certainly be maintained or reinforced, but whether sanctions would be maintained is unclear.

In contrast, if President Biden is re-elected, it is highly likely that the implementation of the sanctions against Russia will be significantly toughened, especially if military developments on the ground in Ukraine continue to be relatively favorable to Russia. A Russian military victory in the war is an unacceptable outcome for the United States and the EU, and secondary sanctions may well be imposed on India and all countries that continue to facilitate Russia's access to the global market.

### The response of OPEC+

As mentioned, in the months following the invasion of Ukraine, Saudi Arabia refused to accommodate the American preference for higher production and lower prices and instead moved to keep the OPEC+ alliance together and push oil prices higher. Officially, the Kingdom does not have an explicit price target; however, the IMF believes that, in view of the massive expenses related to the implementation of Vision 2030, the oil price required to achieve fiscal balance in Saudi Arabia is now close to 100 dollars per barrel.

OPEC+ announced an output cut of 2 million barrels already in October 2022. This, however, was not sufficient to precipitate the desired price response. Persistent weakness in oil prices led to the announcement in April 2023 of further voluntary cuts by Saudi Arabia of 500,000 barrels per day, while Russia simultaneously announced that it would extend a purported cut of 500,000 per day - that simply corresponded

to its inability to maintain export volumes. Five other OPEC+ countries also announced voluntary cuts for a total of 1 million barrels per day.

The regular June 2023 OPEC conference concluded with a complex agreement that saw OPEC members accept the independent evaluation of the maximum production capacity of each in view of redefining more realistic quotas for 2024 (i.e. reducing the quota of countries that in practice are unable to fill them because of insufficient capacity). In this context, the quota of the UAE, which had long complained about being unable to exploit its increasing capacity, was raised by 250,000 barrels. At the end of the conference, Saudi Arabia announced a surprise further unilateral cut of 1 million barrels per day, initially only for the month of July, but later extended indefinitely.

Prices increased, but only temporarily, again sliding lower towards the end of 2023. At the OPEC meeting on November 30, further cuts of a total of 2.2 million barrels per day were announced effective January 1, 2024. The announcement initially did not much impress the market, because it was not a collective decision, rather the sum of supposedly independent national decisions, and strains within the organization were only too evident. To mark disagreement, Angola quit OPEC altogether. However, at the beginning of 2024 prices recovered to above 85 dollars per barrel, the level they had been at the beginning of 2023.

The November cuts, which were later extended beyond the first quarter of 2024, have left Saudi Arabia producing 9 million barrels per day, while Russia is producing 9.4 million barrels per day. Before 2020, the United States, Saudi Arabia, and Russia were producing similar volumes of oil, but at present global market shares have drastically shifted. Consequently, Saudi Arabia today enjoys (or suffers) an excess oil production capacity of 3.2 million barrels per day. The latter figure is crucial for understanding the dynamics within OPEC+ in the coming months and years. In fact, Saudi Arabia may at any moment in time decide to increase its production making use of its unused capacity, thus precipitating a price war, as it has done at various points in the past, to enforce discipline within OPEC+. Several countries, including countries in the Gulf such as the UAE, Iraq, and Iran, are not at all happy with restricting output growth, but could hardly bear a period of very low prices. A price war would surely affect production in the United States (unless policy actions were taken to differentiate the US from the global price), but the impact on many OPEC governments' finances would be rapid and devastating.

It is, therefore, to be expected that Saudi Arabia will maintain a good deal of discipline within the OPEC+ group but will face increasing opposition unless global oil demand increases significantly faster than non-OPEC+ production, and the cuts can start to be reversed. At the end of 2023,



the share of OPEC+ in total world oil production slid to 49 percent, which remains substantial. Further losses of market share may not create a problem for discipline within the group if global oil demand keeps increasing. However, if, as many predict, a peak in global oil demand is reached, OPEC+ might need to cut further and an extended price war might be unavoidable.

In this context, Saudi Aramco was directed by the government to scrap the envisaged investment in expanding Saudi production capacity. The decision was justified by the already abundant unutilized capacity currently available, obviously with the expectation that demand dynamics would not allow for rapid reabsorption of the excess.

### Evolution of the global gas market

The Russian aggression against Ukraine precipitated a reorganization of the global natural gas trade even more dramatic than for oil. The price of gas was more volatile in 2022 than the price of oil, but in 2023, the situation changed. In fact, ex-post one can safely say that the adjustment of the gas market to the new political realities has been rapid beyond all expectations, and a clear new pattern has already emerged.

### Rapid increase in the role of LNG

The most striking development has been the rapid decline of the international pipeline gas trade and the increase in reliance on LNG. Russia almost completely lost the Western European market and has no possibility of balancing this loss with increased exports to other markets due to a lack of the necessary pipeline connections. While China offers, in theory, a market of almost equivalent size to Europe, the Chinese government is wary of increasing its dependence on Russian pipeline supplies, and no progress has been made on the

implementation of the Power of Siberia 2 project. Gazprom, formerly a key source of finance for the Kremlin, recorded a loss of close to 7 billion dollars in 2023.

The United States consolidated its position as the largest global natural gas producer, and largest global source of LNG (with a capacity of 88 million tons per annum), surpassing Australia (with 87 million tons) and Qatar (with 77 million tons).

### Prices return to normal

In the context of a reorganized global gas industry, prices in Europe and the Far East gradually declined throughout the year, and in the early months of 2024 were back to “normal” levels, i.e. levels that were common before the Covid pandemic. In the United States, Henry Hub prices remained very low; on hubs with more limited access to pipeline transmission capacity, prices were at times even negative.

“ While the concept of circular carbon economy was accepted at the Riyadh meeting of the G20 in 2020, very little actual progress has been made to support the credibility of the concept ”

## Gas prices fell below their pre-crisis levels in Q1 2024

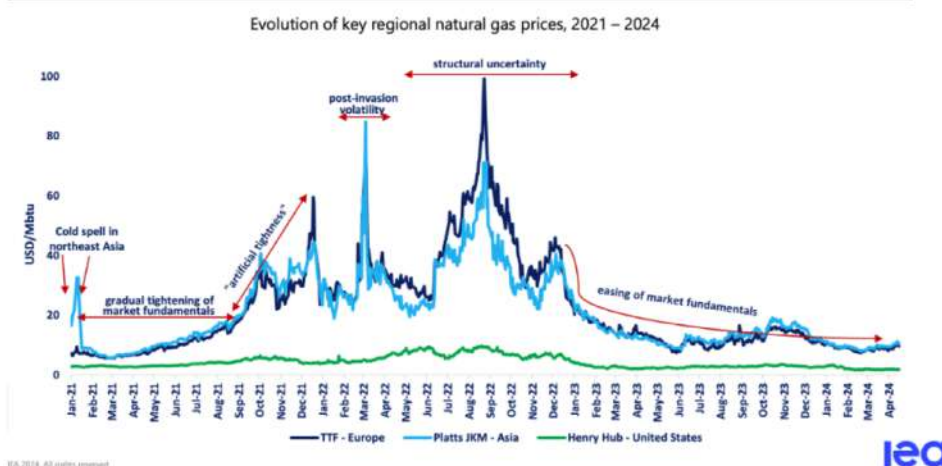






Photo Source: Bloomberg (2023)

Two fundamentally important features emerge. The first is that the United States economy enjoys a very significant competitive advantage relative to Europe and the Far East, because US gas prices are bound to remain lower than in the rest of the industrial countries, and also lower than in a good many emerging countries. Even in the Gulf region, the cost of locally produced gas may not be as low as the price of gas at Henry Hub, thereby affecting the competitiveness of gas-intensive globalized industrial sectors, such as petrochemicals.

The second is that the growth of the market share of US gas in global LNG trade is not to be reversed any time soon. The United States is bound to increasingly dominate LNG trade. Liquefaction projects elsewhere in the world will need to be benchmarked against the cost of producing LNG in the US to prove their competitiveness.

### The US moratorium

Against this backdrop, the Biden administration announced in January 2024 that it would temporarily pause the approval of new liquefaction export projects. This approval is needed if the LNG is to be sent to countries not having signed a free trade agreement with the US. The decision was widely interpreted as a pre-electoral move to recover the support of voters concerned with the environment, who had been irked by the approval of ConocoPhillips' Willow oil project on federal land in Alaska.

The moratorium caused some concern in Europe and more so in the gas industry in the US, although its immediate impact is limited. In fact, the US has a pipeline of already approved projects totaling some 73 million tons per annum, an 83 percent increase over the existing capacity of 88 million tons.

There are at least a further 16 projects waiting for approval.

Unless global LNG demand starts declining soon, it is unlikely that the moratorium will last long. US gas producers would suffer because of ongoing low prices if exports cannot be increased, and Europe still needs to eliminate imports of Russian LNG and some Russian pipeline gas. Past the November election, if Trump is elected the moratorium will be lifted immediately; if Biden is elected, it is likely that approvals will also start again, possibly at a slower pace.

### Qatar's big bet

In contrast with prudence in the US, Qatar announced in February 2024 that it will increase its liquefaction capacity to 142 million tons per annum by 2030, an 85 percent increase relative to its current capacity. While this would still fall short of US capacity, once all projects are approved and up and running, the decision represents a major bet on the future of LNG. It should be recalled that Qatar also invests internationally, and one of the projects under construction in the US is a joint venture between QatarEnergy and ExxonMobil.

All in all, it is clear that LNG will be abundantly available in the coming years and possibly decades, and the global market will remain highly competitive, in contrast with the oil market under the influence of OPEC+. Asian countries are still highly dependent on coal and may feel comforted in knowing that switching to gas in power generation and the heating of buildings is feasible without endangering the security of supply – while still allowing important benefits in terms of the abatement of GHG emissions.



Photo Source: Reuters (2023)

### Clean energy developments in the GCC

Considering the level of dependence on oil and gas of the GCC countries, it would be reasonable to expect that they would be investing heavily to diversify their domestic energy sources, notably with clean and renewable sources. With the sole and limited exception of the United Arab Emirates, this is, however, not the case. A 2023 study by IRENA shows that renewable electricity accounted for 9 percent of total power generation in the UAE in 2020, 7 percent in Qatar, 6 percent in Oman, and barely 1 percent in Saudi Arabia.

By 2022, the UAE also obtained 13 percent of its electricity from nuclear power, a share that will increase further in 2024 with the start of commercial operations from the third unit of the Baraka power plant, and the connection to the grid of the fourth unit. It is expected that the country will launch a new tender to have a second nuclear complex of equivalent dimensions to Baraka built in the coming years.

Saudi Arabia has been considering investing in nuclear energy, but no progress has been made so far in this direction, for essentially political reasons (Saudi Arabia refuses to sign an agreement with the United States limiting its right to enrich uranium, similar to the agreement signed by the UAE). At the same time, the Kingdom does not appear to be ready to acquire a nuclear power plant from Russia, China, or anywhere else that would not impose the same conditions as the United States.

### The debate on the future of fossil fuels

COP28 took place in the UAE in 2023, attracting global attention and focusing the debate on the future of fossil fuels. The GCC countries were opposed to include in the Conference's final agreement a statement to the extent that the use of fossil fuels needs to be terminated, insisting that its

continued use can be made compatible with containing global warming through carbon capture, sequestration, and/or reuse.

While the concept of circular carbon economy was accepted at the Riyadh meeting of the G20 in 2020, very little actual progress has been made to support the credibility of the concept. No major CCUS project has been launched in the Gulf region, and very little progress has been achieved in the rest of the world, undermining confidence in the effective role that this technology can play in global decarbonization.

The consequence is that, notwithstanding opposition from fossil fuel producers, policies are increasingly focused on reducing and eventually eliminating the use of all fossil fuels. Attention in the industrial countries and international fora is increasingly focused on speeding up the peak and subsequent decline in global demand for fossil fuels.

The International Energy Agency and the vast majority of international energy companies expect that the demand for oil will peak around 2030. OPEC, in contrast, expects oil demand to keep growing until at least 2045, while ExxonMobil also refuses to predict a peak in oil demand. These divergent views support radically different perspectives on the future of international energy markets and the economies of the Gulf countries.

If indeed the industrial economies succeed in accelerating the decline in their reliance on fossil fuels, expected demand increases in emerging economies might not be sufficient to avoid a global peaking of demand. Restricting production to support higher prices necessarily encourages further demand destruction. Once a global peak is reached, it is likely that new discoveries will continue in new and old oil-producing countries, and the attitude toward production restraint may change radically, with more of the competitive spirit that is seen in the gas market prevailing for oil.





# SECTION II

# FOCUS ISSUES



## Re-establishing Red Sea Security

Layla Ali, Researcher, Gulf Research Center

The Red Sea, a critical maritime corridor linking Europe, Asia, and Africa, has long been a focal point of global strategic interest. Its significance is underscored by vital shipping lanes, rich natural resources, and its role as a gateway for global trade. As such, ensuring the security and stability of the Red Sea region is paramount for regional and international stakeholders. This piece delves into the multifaceted efforts to re-establish security in the Red Sea, examining the economic vision and impact, maritime security concerns, and the internationalization of this vital region. Despite the overall importance of the Red Sea, Saudi Arabia still needs to formulate a coherent, cross-regional plan to address the growing instability extending from the Red Sea to the Gulf of Aden and the Bab el-Mandeb Strait.

### An Economic Vision

Due to the interaction of internal, regional, and global factors, Saudi Arabia's foreign policy has placed the Red Sea at its core. Overlooking the Arabian Gulf and the Red Sea, the Kingdom of Saudi Arabia sits at a strategically advantageous location as a significant hub for land, air, and

sea transportation and an essential link between the three continents of Asia, Europe, and Africa. Saudi Arabia's Vision 2030 has sought to take advantage of this connectivity in its aim to diversify its economy away from oil through pioneering programs and projects that will transform the Kingdom into a global logistic hub.

Various factors make the Red Sea a strategic and vital inlet for political and economic reasons. It is an essential maritime trade and transportation route between three major continents and a gateway for more than 15% of world trade. The Kingdom has 13 ports on the Arabian Gulf and Red Sea that contribute to the access of 70% of Saudi Arabia's imports and 95% of its exports through 291 docks. Any crisis or threat to the canal impacts the region's business, maritime transportation, and the global economy. Solidarity and collaboration on international and regional levels are necessary to safeguard this international gateway.

As part of its National Transport and Logistics Strategy, the Red Sea is seen as an essential component for the Kingdom from an economic investment and infrastructure point of



Photo Source: Naval News (2023)



view. Specifically, this pertains to the National Industrial Development and Logistics Program (NIDLP), which the Kingdom introduced to improve the technological and human resources in the transportation and logistics services industry. In December 2023, more than 120 NIDLP initiatives were completed two years before the scheduled deadline, including renewable energy, factories, logistical platforms, logistical licenses, and military industry licenses.

The qualitative achievements accomplished by the NIDLP during 2023 include the launch of four special economic zones (SEZs) to stimulate the development of logistical centers and attract new specific industries. The plan aims to elevate the Kingdom as a worldwide hub for logistics and transport services and to increase the sector's present 6% GDP contribution to 10%. This would also strengthen the Kingdom's ties with the international economy and allow it to further capitalize on its strategic location between the three continents.

### Maritime Security Concerns

For a long time, maintaining Red Sea maritime security has been a concern. Yet, while Saudi Arabia's economic vision requires a stable region to ensure its sustainability and success, an economy-centered focus is insufficient to addressing the numerous factors causing instability in the Red Sea. The instability is the result of complex, intertwined geopolitical events, not the least of which is the Gaza war that, since October 2023 has led to increased instability throughout the entire region. For Saudi Arabia to successfully expand on its economic diversification agenda therefore, it urgently requires a stable and secure region, above and beyond the Red Sea.

“ One direct result of the heightened instability in the Red Sea is the fact that the region has become increasingly internationalized and is faced with the temporary presence of multiple great powers, various naval presence, and military bases ”

On January 6, 2020, the Council of Arab and African Border States of the Red Sea and the Gulf of Aden was founded under the leadership of Saudi Arabia, with headquarters in Riyadh. Its creation was primarily driven by the recognition of the strategic importance of the Red Sea and Gulf of Aden, as well as the pressing need for coordinated efforts to address the diverse challenges and opportunities it presents. The Council's envisioned role encompasses several key functions, which include fostering regional cooperation that promotes collaboration among member states to address shared challenges and leverage opportunities for mutual benefits. In addition, the Council aims to act as a platform for dialogue and conflict resolution to maintain peace and

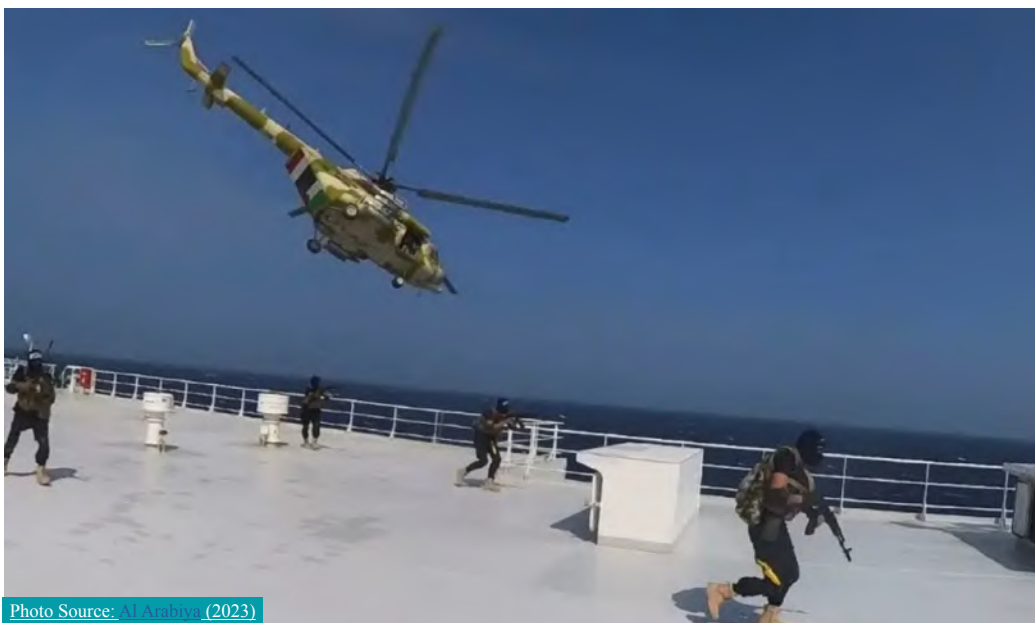


Photo Source: Al Arabiya (2023)

## Houthi Maritime Attacks in the Red Sea

January 2024

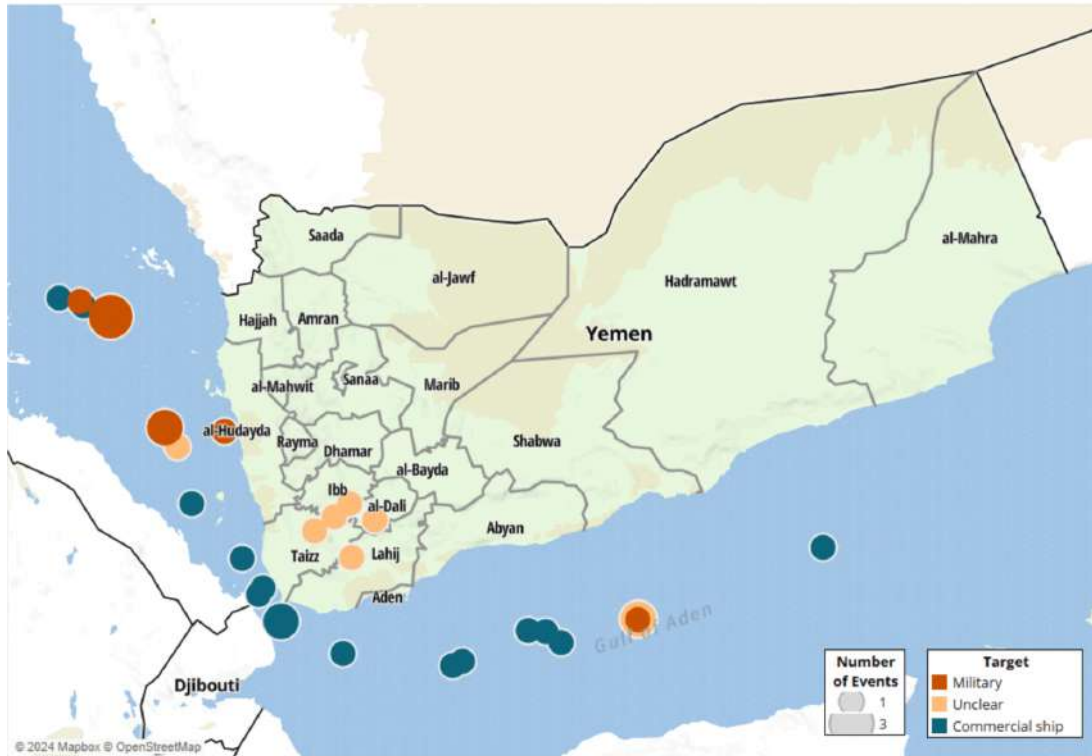


Photo Source: [ACLED \(2024\)](#). Events displayed on the map represent Houthi missile launches aimed at the Red Sea that fell short and crashed in Yemeni territory.

stability in the region. To develop fresh, practical initiatives, the organization has to take advantage of the attention of regional and global organizations. For instance, it should build on Saudi Arabia's progress, diffuse the tension between the Ethiopia-Somaliland crisis, and advocate greater cooperation between the Gulf region and the countries overlooking the Red Sea and the Gulf of Aden.

The Red Sea is approximately 400 kilometers wide, and international waters are just over 100 kilometers from Saudi Arabia's ports. Therefore, malign activity by state or non-state actors can easily infiltrate Saudi Arabia if necessary maritime capabilities and strategic alliances are not effectively developed and implemented. As a result, the strategic issue of maritime security has not only emerged as an essential and critical priority moving forward but in fact has become the first trend in the Kingdom's policy towards the region in the near term. Saudi Arabia's efforts to preserve the stability of its borders and maintain the security of its adjacent maritime corridors for the free movement of goods is a critical component of Saudi national security. Saudi Arabia is a semi-landlocked country with no access to the open seas, yet it also relies heavily on participation in international trade. The three maritime corridors, the Suez Canal, Bab el-Mandab, and Hormuz Strait, are the only

access points for Saudi Arabia to open waters. As such, these international corridors are also paramount to the global economic and geopolitical arena due to the concentration of trade, particularly hydrocarbons, which flows from the region.

Tensions in the Red Sea have continued to expand significantly in recent years. As such, Saudi Arabia recognizes the region's dire need for collective action to protect and preserve its stability. Defense and national security interests are jeopardized when the region becomes increasingly beset by various security threats, such as transnational crime networks that continue to smuggle drugs from points of origin in Syria, Lebanon, and Jordan to Saudi Arabia via the Red Sea.

The key threat remains the Houthi targeting of Saudi territory and the Kingdom's maritime activity. Since the 2022 national truce in Yemen, as well as the October 7, 2023 Hamas attack on Israel and subsequent Israeli military operations in Gaza, the Houthis have expanded their operations by turning to attack commercial shipping vessels 'in solidarity' with Gaza, to which Western navies have been deployed as part of a multinational coalition to combat these threats. Still, the Houthis have launched more





than 50 attacks on shipping vessels, seizing one and sinking another, since November 2023, according to the United States Maritime Administration.

Because trade routes now frequently avoid the Suez Canal to avoid the southern Red Sea flashpoint, Egypt, with no other route, is severely impacted by the Houthi attacks on shipping vessels. Egyptian revenue from the Suez Canal decreased by almost 50% between January and late February 2024. Furthermore, piracy is increasing off the Horn of Africa due to the concentration of international naval operations on the southern Red Sea. The instability in Somalia is an additional uncertainty introduced by the ongoing conflict in Sudan, which has over 450 miles of Red Sea coastline. Although Port Sudan, the central coastal city, has managed to avoid most of the conflict, fighting did flare up there in September 2023 and could quickly start up again.

The January 2024 agreement between Ethiopia and Somaliland that permitted Ethiopia to construct a port facility in Somaliland infuriated Somalia and sparked an outbreak of hostilities. Taken together, all of these issues pose concerns for the Kingdom as they raise the prospects of further extremist activity in its neighborhood.

### Internationalization of the Red Sea

One direct result of the heightened instability in the Red Sea is the fact that the region has become increasingly internationalized and is faced with the temporary presence of multiple great powers, various naval presence, and military bases. From Saudi Arabia's perspective, this increased international presence in the region has largely proven beneficial as the Kingdom is not a significant naval power. The current Red Sea task force members have well-established maritime capabilities in the Red Sea region and, therefore, do not require additional capabilities from the Kingdom.

In addition, the current escalation in the Red Sea is an issue that, as far as Saudi Arabia is concerned, should be addressed collectively by the international community. Here, the international community is seen as primarily being responsible for dealing with this escalation, as referred to in the United Nations Conventions on the Law of Seas in 1981, binding for 154 states and the European community (as of 2008).

At the same time, the international presence also holds drawbacks for the Kingdom. To be sure, Saudi Arabia is not interested in any military escalations in the Red Sea corridors as this increases the risk of further regional reactions and instability. Saudi Arabia certainly does not want to undermine or threaten the peace talks and negotiations with Yemen's Houthi, developments which are essential to ending the prolonged conflict in Yemen.

The bottom line is that the Kingdom is caught maintaining a delicate balance. The Red Sea cannot be isolated from the broader concerns of the world's leading countries

Solidarity and collaboration on international and regional levels are necessary to safeguard this international gateway.

What has become equally clear to Saudi policy officials is that areas such as the Horn of Africa and other parts of the continent are becoming areas of increased international geopolitical and geostrategic competition. Global powers such as China, Russia, the US, France, and, to a lesser extent, the UK have sought to expand their geopolitical and economic presence, resulting in competing spheres of influence in the region. This has been accompanied by regional powers such as Turkey, Iran, and the UAE expanding their footprint through trade, investment, foreign aid, establishing ports, and growing military bases. In addition to the issue of great powers' involvement, Saudi Arabia has particular objections to increased regional power competition in the Red Sea as it views this as a significant destabilizing element in the region.

In response, Saudi Arabia is also looking to increase international dialogue and cooperation, for example, with US-led coalition task force members to pressure the Houthis and prevent more attacks. The bottom line is that the Kingdom is caught maintaining a delicate balance. The Red Sea cannot be isolated from the broader concerns of the world's leading countries. It serves as both a crucial commercial route and an international corridor. Therefore, it is necessary to unify regional efforts first and foremost, along with global efforts, to preserve the region's security for the good of its people and the peoples of the world as a whole. This includes maintaining supply flows, ensuring the safety of navigation, and combating maritime criminal activities like drug smuggling and piracy. Here, the Council of Arab and African Border States of the Red Sea and the Gulf of Aden must be activated in response to the current security tensions in the region.



## After COP 28 - GCC Energy Transition and Climate Change

Dr. Mohamed Abdelraouf, Director of the Environment and Sustainability Research Program

With 17% of the world's proven petroleum reserves, the Gulf region is among the largest oil and gas producers in the world. While energy exports remain the backbone of the region's economy, the oil and gas industry faces uncertainty in times of global recession, climate change, and the aftermath of the COVID-19 pandemic. Against this backdrop, economic diversification in the non-oil sector has emerged as a core element of GCC countries' transformation in recent years.

The energy transition is at the same time increasingly seen as a driver for addressing climate change. To be sure, the region is compelled to undertake an energy transition in order to address the challenges of increasing vulnerability to the negative impacts of climate change and fulfill the international obligations of the Paris Agreement. At the same time, the region's energy consumption and growing population demand more reliable energy sources. Renewables are thus seen as an opportunity to diversify not only energy sources but also jobs. Studies show that the localization of renewable energy will create jobs through direct, indirect, and induced channels[1].

The good news is that GCC countries are situated in one of the most ideal geographical locations for the production of solar and wind energy. Thus, there is an important opportunity to invest in the energy transition in a way that supports the GCC vision policies including the implementation process to encourage the shift towards renewable projects. The Kingdom of Saudi Arabia has set the most ambitious target in the Gulf, with a goal to generate 50% renewable energy for electricity by 2030, followed by the United Arab Emirates, which has set its clean energy target at 44% by 2050.

The key elements of a low-carbon energy transition in the GCC countries consist of pursuing low-carbon energy systems, expanding renewable energy production, increasing energy efficiency, and investing in technology like hydrogen and carbon sequestration.

In terms of energy efficiency, standards are being set for the industrial, building, and land transportation sectors which account for 90% of energy demand. Energy efficiency measures have been highlighted in several initiatives such as the Saudi Energy Efficiency Program (SEEP), created in 2010 in partnership with UNDP. This

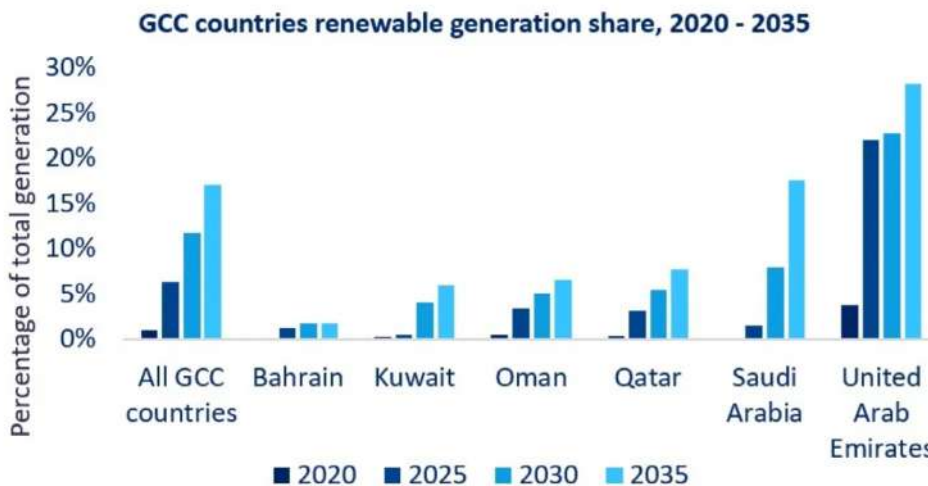


Photo Source: Power Technology (2023)



program has succeeded in improving energy efficiency in public buildings, establishing regulatory frameworks, implementing renewable energy products, and capacity building.[2]

Furthermore, hydrogen is emerging as a central component in the energy transition in countries such as the UAE and Saudi Arabia. The reduction of the dependence on fossil fuels and the promotion of hydrogen could increase resilience and energy security both as an export commodity and for domestic use. For instance, Saudi Arabia's flagship project, NEOM, is expected to produce 650 tons/day of green hydrogen by electrolysis and 1.2 million tons per year of green ammonia[3], making it the largest hydrogen production facility being built globally. Overall, the implementation of new, low-carbon energy technologies is as important as better energy efficiency and decarbonization solutions to conventional hydrocarbon-based energy sources.

Nevertheless, technical (necessary technical infrastructure) challenges and economy/market-related issues, especially the lack of investment security and return on investment for potential investors, persist. Moreover, the low energy costs of oil and gas render solar and wind energy less competitive in the current market. Other obstacles include the complex governmental bureaucratic process and a certain mentality, especially from Arab investors, that prioritizes short-term financial returns over long-term gains from research and entrepreneurship. Public knowledge about renewable energy is also lacking, contributing to the numerous obstacles to developing a comprehensive renewable energy system in the region.

### The COP28 Climate Breakthrough

The 2023 United Nations Climate Change Conference (COP28) in Dubai concluded on December 13, 2023. The two-week international climate summit produced numerous important outcomes. While some items on the agenda did not see final decisions, promising progress was made on climate justice, energy transition, agricultural resilience, food security, and a wide range of other issues closely associated with the 1.5°C target set in the Paris Agreement (see Table 1).

“The region is compelled to undertake an energy transition in order to address the challenges of increasing vulnerability to the negative impacts of climate change and fulfill the international obligations of the Paris Agreement”



Table 1. Progress and results of key topics at COP28

Topic	Item	Progress and result at COP28
Overarching agenda	First Global Stocktake	Agreed
Finance	Loss and Damage Fund	Agreed with more than USD 700 million pledged
	Green Climate Fund	Current total amount reaching USD 12.8 billion from 31 countries
	Least Developed Countries Fund and Special Climate Change Fund	New pledges together totaling USD 174.2 million
	Adaptation Fund	New pledges totaling early USD 188 million
	Post-2025 finance goal	Agreed on drafting a post-2025 finance target ahead of COP29
	UAE Leaders' Declaration on a Global Climate Finance Framework	Signed by 13 parties
Implementation platform or framework	Santiago Network for Loss and Damage	UNDRR and UNOPS selected as hosts; the 1st meeting of the Advisory Board to take place in Q1 2024
	Global Goal on Adaptation	Agreed on targets and their framework
	Articles 6.2, 6.4, and 6.8 of the Paris Agreement	No agreement achieved, but piloting projects will continue
	Global Roadmap for Achieving SDG2 without Breaching the 1.5°C Threshold	Launched by FAO
Pledges and declarations	Coalition for High Ambition Multilevel Partnerships (CHAMP) for Climate Action	Signed by 71 parties
	Global Methane Pledge	Joined by 155 countries
	Declaration on Climate and Health	Signed by 143 parties
	Declaration on Climate, Relief, Recovery and Peace	123 signatories
	Declaration on Sustainable Agriculture, Resilient Food Systems, and Climate Action	Signed by 159 parties
	Gender-Responsive Just Transitions and Climate Action Partnership	Signed by 68 parties
	Global Cooling Pledge for COP28	Signed by 61 parties
	Freshwater Challenge	Joined by 37 countries
	Joint Statement on Climate, Nature and People	Signed by 18 parties

Among the highlights were two ground-breaking achievements: a consensus on the transition away from fossil fuels and the operationalization of financial and technical systems for tackling climate loss and damage. While it will take time to see the outcome of these agreements, it is an indication that the members of the international community are ready to respond to the increasing pressure on climate change and to actively embrace more diverse and sustainable means of energy.

[1] Roland Berger Middle East W.L.L and Dii Desert Energy. (2021). The potential for green hydrogen in the GCC region. <https://www.menaenergymeet.com/wp-content/uploads/the-potential-for-green-hydrogen-in-the-gcc-region.pdf>.

Cian Mulligan. (2023). Employment Potential of Renewable Energy in Saudi Arabia: A Value Chain Analysis. KAPSARC.

[2] Santos, Tiago Q., Saudi Energy Efficiency Center, and UNDP. (2019). Final Evaluation Report National Energy Efficiency Program: Phase 2 (NEEP 2).





Photo Source: [IRENA \(2019\)](#)

[3] Kingdom of Saudi Arabia. (2021). Updated First Nationally Determined Contribution, 2021 Submission to UNFCCC. <https://unfccc.int/sites/default/files/resource/202203111154---KSA%20NDC%202021.pdf>.

At COP28, the GCC countries managed to demonstrate climate action in water, agriculture, and energy as well as youth leadership through 25 sessions, seminars, and workshops hosted at the GCC pavilion.[1] The UAE also enhanced the engagement of the private sector. For example, in addition to the pledge to the Loss and Damage Fund, the UAE launched Alterra, a private investment fund of USD 30 billion aimed at empowering climate projects in developing countries.[2] UAE banks also agreed to provide 1 trillion dirhams (around USD 270 billion) for green finance.[3]

Since 2022, GCC countries have released a series of climate pledges and initiatives, including the CO<sub>2</sub> reduction target of 278 million tonnes by Saudi Arabia, the net-zero strategy of Oman, and the 2050 carbon neutrality goal of Kuwait. [4] Nevertheless, with oil and gas playing a vital role in the economy and politics, some GCC nations are suspected of blocking a potential agreement on eliminating fossil fuels. Specifically, Saudi Arabia voiced its steadfast opposition to any phase-out or phase-down and urged other countries to take into consideration the “perspectives and concerns” of Riyadh.[5] Likewise, before the climate conference came to an end, Kuwait’s Oil Minister H.E. Dr. Saad Al Barrak stated Kuwait’s firm opposition to any fossil fuel phase-out in the final decision of COP28 at the 12th Arab Energy Conference held on December 11-12, 2023.[6]

“  
The implementation of new, low-carbon energy technologies is as important as better energy efficiency and decarbonization solutions to conventional hydrocarbon-based energy sources  
”

The COP28 results urge GCC countries to change their stance on fossil fuels from defensive to actively engaged in the global energy shift. A long-standing climate paradox in the Gulf region is that oil and gas play an indispensable role in enabling GCC countries to deal with challenges caused by rising temperatures and other climate crises.

In addition to the vicious cycle of air conditioning and fossil fuel consumption, the Gulf region is also one of the most water-stressed areas in the world. The vast majority of freshwater in this region is derived either through the



desalination of seawater or the extraction of deep aquifers. [7] Holding more than 50% of the global desalination capacity, the GCC region faces huge energy demand to operate desalination plants, which has long been satisfied by fossil fuels. [8] Furthermore, the local water shortage goes hand in hand with a heavy dependence on imported food to maintain food security. [9] Food imports account for 85% of the total food supply within the GCC region but are mainly financed by energy exports. [10]

Entering the post-COP28 era, the GCC countries should set the priority on scaling up innovations and moving towards resilient economic structures driven by a cleaner energy system. This trend brings with it both challenges and opportunities for the Gulf region which has long been struggling with a climate paradox. For GCC countries, a transition away from fossil fuels is, in essence, a transition away from an oil-dominated economy toward diversified development strategies. Therefore, the GCC countries have to continue to accelerate the expansion of clean-energy innovations across multiple intertwined sectors, including but not limited to electricity generation, water supply, and food security.

“  
Entering the post-COP28 era, the GCC countries should set the priority on scaling up innovations and moving towards resilient economic structures driven by a cleaner energy system  
”

[1] “HE the GCCSG: Organizing COP28 in the UAE Reflects Its Global Stature and Pioneering Role in Finding Solutions to Climate Challenges,” GCC News, December 12, 2023, <https://www.gcc-sg.org/en-us/MediaCenter/NewsCooperation/News/Pages/news2023-12-1-1.aspx>. Focus Content Squad, “GCC Pavilion at COP28 Hosts 25 Events,” HiDubai Focus, December 11, 2023, <https://focus.hidubai.com/gcc-pavilion-at-cop28-hosts-25-events/>.

[2] AFP, “UAE Launches New \$30 Billion Climate Investment Fund at COP28 - ET EnergyWorld,” ETEnergyworld.com, December 1, 2023, <https://energy.economictimes.indiatimes.com/news/renewable/uae-launches-new-30-billion-climate-investment-fund-at-cop28/105655768>.

[3] Reuters. (December 4, 2023). “UAE Banks Pledge \$270 Bln in Green Finance at COP28 Climate Talks,” Reuters, <https://www.reuters.com/sustainability/sustainable-finance-reporting/uae-banks-pledge-200-bln-green-finance-cop28-climate-talks-2023-12-04/>.

[4] Abeer Abdulkareem and Amgad Ellaboudy. (2023). “Saudi Arabia: COP 28 Recommendations for Strengthening Country Climate Ambition,” Climate Scorecard, <https://www.climatecorecard.org/2023/11/saudi-arabia-cop-28-recommendations-for-strengthening-country-climate-ambition>.

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[5] AFP, “Saudis, Iraq Stand Firm as COP28 Targets Fossil Fuels,” France 24, December 10, 2023, <https://www.france24.com/en/live-news/20231210-urgency-of-action-pressure-grows-for-cop28-climate-deal>.

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[6] Fatemeh Salari. (December 12, 2023). “OPEC Arab Ministers Convene in Qatar as COP28 Talk Fossil Fuel Abandonment,” Doha News. <https://dohanews.co/opec-arab-ministers-convene-in-qatar-as-cop28-talk-fossil-fuel-abandonment/>.

[7] Saroj Kumar Jha. (October 23, 2023). “Advancing Water and Energy Security in Gulf Nations,” World Bank Blogs. <https://blogs.worldbank.org/arabvoices/advancing-water-and-energy-security-gulf-nations>.

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[9] Mohammad Al-Saidi and Sally Saliba. (2019). “Water, Energy and Food Supply Security in the Gulf Cooperation Council (GCC) Countries—a Risk Perspective,” Water 11(3). 455. <https://doi.org/10.3390/w11030455>.

[10] Rob Bailey and Robin Willoughby, (2013). Edible Oil: Food Security in the Gulf. Chatham House.

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## Does the Organization of the GCC Need Reform?

Prof. Saleh Al-Khathlan, Senior Advisor, Gulf Research Center

Article 4 of the Charter of the Cooperation Council for the Arab States of the Gulf declares that the goal of the Council is “to achieve coordination, integration, and interdependence among the member states in all fields, leading to their unity.” The preamble to the Charter states that the establishment of the Council reflects “the realization of the special relations, common features, and similar systems that bind them together, based on the Islamic faith, and a belief in the common destiny and unity of purpose that unites their peoples...and the completion of their efforts in various vital fields that concern their peoples and realize their aspirations toward a better future and the unity of their states.”

Despite this clear vision of integration, forty-three years after the establishment of the GCC, the organization still retains and remains confined to its cooperative character. Successive summit statements confirm that GCC leaders have not abandoned this goal despite the challenges the Council has faced. The phrase “working to develop the system of joint Gulf action” has become a constant in every statement issued after a summit.

In 2011, Saudi Arabia’s then-King Abdullah proposed an initiative aimed at moving from cooperation to a federation, which was welcomed by GCC leaders, who directed the formation of a specialized body to study it. Thirteen years after the initiative, it is still the subject of research and consultations. Until the last session of the Supreme Council

held in Doha in December 2023, the Council directed “to continue to pursue efforts to move from the stage of cooperation to the stage of union, and to task the Ministerial Council and the head of the specialized body to complete taking the necessary measures for this and submit what is reached to the Supreme Council at its next session.” This formula for dealing with the initiative began when it was first proposed and continues to this day.

During its thirty-sixth session in December 2015, the Supreme Council of the GCC endorsed the vision of Saudi Arabia’s King Salman to reinforce efforts aimed at enhancing joint Gulf action. The vision seems to have met the same fate as King Abdullah’s initiative, as the statements of the Supreme Council continue to “emphasize the full, accurate and continuous implementation of the vision of the Custodian of the Two Holy Mosques, including completing the components of economic unity and the joint defense and security systems, and coordinating positions in a way that enhances the solidarity and stability of the GCC countries, preserves their interests, avoids regional and international conflicts, meets the aspirations and ambitions of their citizens, and enhances their regional and international role through unifying political positions and developing strategic partnerships with the international community, regional and international organizations, and brotherly and sisterly countries.”



Photo Source: Arab News (2024)



The Council requires reform to bolster its capabilities in addressing shared threats autonomously, rather than relying on external powers or engaging in arrangements that could impact the national sovereignty of member states

There is no doubt that the list of achievements of the GCC is extensive, and enumerating them is unnecessary. In addition, the GCC has also succeeded in confronting regional and inter-regional challenges, perhaps the most prominent being the Gulf crisis in 2017, which led to the severing of diplomatic relations between four GCC countries. This crisis impacted various fields and was marked by intense negative media campaigns. Despite the severity of the crisis, the GCC remained intact and continued its operations, holding meetings and summits, all highlighting the member countries' desire to shield joint efforts from the fallout of bilateral relations.

The Council's resilience during the crisis underscores member states' conviction regarding its importance, considering it better than having no organization at all. However, it is evident that the Council still falls short of achieving its goal of integration and unity, as outlined in Article 4, remaining more of a benchmark for measuring progress after nearly five decades.

For example, despite the adoption of the customs union, the common economic market, and the single currency, none of these have yet been implemented and will all require more time to complete, according to statements made by the Council. In addition, there has been a tendency lately for some GCC countries to move unilaterally by entering into free trade agreements with external countries, in contradiction to the Council's decisions.

There are also still manifestations of divergence in the foreign policies of the GCC countries on several regional issues despite the continuous affirmations of their coordination and "the crystallization of a unified and effective foreign policy of the Council that preserves its interests and gains, avoids regional and international conflicts, and meets the aspirations and ambitions of its citizens."

GCC leaders recognize that the existing level of cooperation is not sufficient to face "emerging and future challenges (which) require upgrading and developing the mechanisms of joint action." (Riyadh Statement, December 2019). In the same statement, they also called for "benefiting from integration models in the world and effective tools that have proven successful, including a commitment to the specific timetables for the implementation of all steps of integration among the GCC countries and addressing what challenges they may face, as well as strengthening the capabilities and role of the General Secretariat to achieve these goals by developing financial and administrative governance mechanisms, transparency and accountability." (Riyadh Statement, December 2019). These decisions confirm the clarity of the vision and the full conviction of the GCC leaders to develop the GCC and move to the stage of integration.

Hence, comprehending the reluctance to execute announced commitments poses a challenge for observers. Could the hindrance be attributed to a genuine lack of political will to engage in integration arrangements, which entail member states making concessions and transferring some national decision-making authority to the Council? Judging by the Supreme Council's statements, its leaders express dissatisfaction with the present state and aspire to deeper integration. The Council has survived the Qatar crisis and now has two options: (1) to continue its current state with a limited level of cooperation, or (2) to take steps toward integration and perhaps a merger that would give it a larger role and correspond to the aspirations of its leaders and citizens.

The Council needs reform for at least three reasons: (1) to be consistent with its Charter and the decisions issued by the Supreme Council since its establishment, (2) to respond to the aspirations of its citizens, and (3) to be able to face the accumulated challenges and overcome the differences in the positions and policies of member states, which may harm everyone.

The Council requires reform to bolster its capabilities in addressing shared threats autonomously, rather than relying on external powers or engaging in arrangements that could impact the national sovereignty of member states. The need for reform is also evident to complete the process of full Gulf citizenship and overcome persistent obstacles despite the resolutions issued in this regard.

There is also a need for reform to enable the Council to move swiftly to contain and address any manifestations of disagreement between its member states to prevent them from turning into division or conflict. Finally, the Council needs to be reformed to enable its member states to adopt a common foreign policy, commit to it, and act by it to serve the interests of all.





Reforming the GCC is not an impossible task. Several changes have been introduced, such as the establishment of the Advisory Board of the Supreme Council in 1997, the Unified Military Command of the GCC states, and the creation of the GCC Police Force in 2014. The key question now is the extent and nature of the reforms required to achieve genuine integration.

Reform can be defined as those measures taken to move from cooperation to integration by empowering the various organs of the Council, primarily the General Secretariat, to assume a greater role in carrying out the tasks assigned to it by the Council's Charter and to meet the aspirations of its leaders and citizens.

There are three options for the GCC to reform: (1) amending the GCC Charter to reflect the internal, regional, and international changes that have occurred since its establishment four decades ago, and to explicitly stipulate the core areas of security, defense, and foreign policy; (2) delegating greater powers to the General Secretariat; (3) establishing new organs such as a position responsible for Gulf common foreign policy, and establishing a Gulf Legislative Council; (4) activating the Commission for the Settlement of Disputes and turning it into a permanent mechanism to settle any disputes that may arise between member states, and broadening its powers to enable early action to contain any manifestations of crises.

The GCC's announcement of its Vision for Regional Security in March 2024 can be seen as an indication of a move toward greater coordination and a departure from the current state of affairs to enhance the Council's efficiency in facing current and future challenges and threats and overcoming deficits. While the announcement of the vision represents an advanced step by the council, its broad language and lack of clear mechanisms also reveal the limits of the expected change in the council.

Reform can be defined as those measures taken to move from cooperation to integration by empowering the various organs of the Council

The content of this much-celebrated vision does not differ much from the GCC summit statements on regional and international issues. Hence, considering it to be an indicator of the Council's potential development does not paint a

promising picture. When combined with the Council's handling of the two initiatives proposed by the Saudi leadership, the prospects for reforming the Council appear highly constrained, despite promises that have been made and aspirations announced.

Perhaps ironically, the chances of moving toward integration were greater a decade or two ago, when the level of trust was higher and the ambition of some members to play a leadership role in the region was limited. The Qatar crisis has revealed that the GCC faces the duality of a trust deficit and ambition surplus, which is the most prominent obstacle to any regional organization, whatever the aspirations of its members may be. Because the GCC is operating in a difficult and volatile regional and international context, one is unlikely to see a way out of this dilemma in the near future. This dilemma, of course, relates to areas of sovereignty, specifically defense, foreign policy, and finance, so one should expect further reform and development to promote integration in non-sovereign areas that do not raise or impinge on the sensitivities of members.

The Council cannot be isolated from the regional environment; therefore, any future developments will not necessarily lead to further integration, as was expected at the beginning of the Arab Spring, prompting King Abdullah to put forward his initiative. These developments present common challenges, but they also offer opportunities for some GCC members to strengthen their presence and assert their ability to influence events, which may require unilateral action that collective action does not permit.

The irony lies in the longstanding assumption that regional developments and resulting threats would compel GCC countries to deepen integration. However, the reality is that these developments have led to conflicting policies among member states that widen the divide and foster competition rather than unity.

In conclusion, it appears that some members perceive the mere survival of the GCC and the maintenance of a minimum level of cooperation as sufficient evidence of its success, especially considering the failures of other regional groupings. Consequently, they do not see the necessity to progress to the stage of full integration.





## (GLMM) Programme

*With contributions from Françoise De Bel-Air (GLMM Senior Fellow), Dr. Magdalena Karolak (GLMM Non-Resident Fellow), Froilan Malit (GLMM Senior Research Associate), and Sharique Umar (GLMM Non-Resident Intern).*



In line with the Gulf states' ambitious socio-economic transformation goals to diversify and decarbonize their economies and transition towards knowledge-based, high-value-added economies, more measures aiming to attract and retain foreign talents were implemented from 2023 through May 2024. Among the Premium Residency "products" proposed by Saudi Arabia's Premium Residency Center,[1] the Special Talent Visa caters to executives and professionals who specialize in healthcare, science, and research and aims to attract individuals with unique skills and experiences who can contribute to knowledge and technology transfers. The Saudi Arabian Premium Residency Program was also implemented for the gifted, investor, entrepreneur, and real estate owner offering residency schemes and opportunities for settling in Saudi Arabia.[2] Other incentives such as a possible review of the dependent fees for skilled expats are also envisaged, to "enhance their stability and productivity." [3] After introducing amendments to its Golden Residency initiative to simplify the eligibility criteria and expand the categories of beneficiaries in 2022, the UAE further removed the down payment requirement to attract more investors under the Golden Visa scheme.[4] This residency-by-investment program has continued to become a central domestic and foreign policy tool of the UAE to increase both foreign investors and exceptionally skilled talents to increase their long-term economic competitiveness in the Gulf and beyond.

The Regional Headquarters Program, an initiative by the Ministry of Investment and the Royal Commission for Riyadh City (RCRC), came into effect in Saudi Arabia to attract

multinational companies by offering a range of benefits and premium support services including a 30-year tax break. This is likely to enhance Saudi Arabia's attractiveness to highly skilled foreign talents.[5]

Ongoing and planned megaprojects and ensuing FDI growth,[6] regional projects promoting better mobility between Gulf states (GCC common tourist visa,[7] intra-GCC rail),[8] together with global-scale events such as the Asian Winter Games and Expo 2030 being awarded to Saudi Arabia[9] are bound to further enhance the appeal of the region to migrant workers at all skill levels.

The Gulf states' strengthening of diplomatic ties and multilateral relations with some major labor-sending countries, in the framework of bilateral and global trade agreements such as the India-UAE trade corridor agreement,[10] along with the demographic and economic pressure faced by poorer origin countries,[11] such as Sub-Saharan African states, also contributes to sustaining immigration to the GCC's labor markets and to diversifying migrants' countries of origin.[12]

In response to the lack of multilateral migration diplomacy dialogues on the Africa-Middle East corridor, Qatar launched the Doha Dialogue (DD) on labor mobility between Gulf countries and African nations on May 21-22, 2024, with participation from 33 countries representing the Gulf Cooperation Council (GCC) states, Jordan, Lebanon, and 25 African countries. Its aim was to enhance regional cooperation and partnerships and implement best practices to ensure fair labor mobility between the two regions.[13]

In February 2024, the Abu Dhabi Dialogue (ADD) among the Asian sending countries and GCC receiving countries of migrant workers resumed its meetings, after a 3-year hiatus, with the 7th Ministerial Consultation.[14] Instead, the Colombo Process of the Asian countries of origin of migrants to the Gulf has not shown recent activities.[15] Finally, the GCC countries and Asian countries of origin of GCC-based migrants are planning to engage in a joint review of the Global Compact for Migration under the name of the Doha Initiative. These rising multilateral dialogues reflect the deepening corridor engagements between the GCC and major sending countries from Asia and Africa.



“ Increased compliance with international regulations is also reflected in the improvements in the labor and social protection schemes in the region ”

Gulf states’ increased compliance with international laws and regulations may also affect current stocks and further inflows of certain categories of expatriates, as seen in the progressively fading appeal of the UAE’s banking system to Russian expats since the country was removed from the Financial Action Task Force’s (FATF) grey list.[16] The new influx of Russian expatriates along with others from the region, has imposed some economic impacts on the UAE and other Gulf states’ long-term economic growth and development.[17]

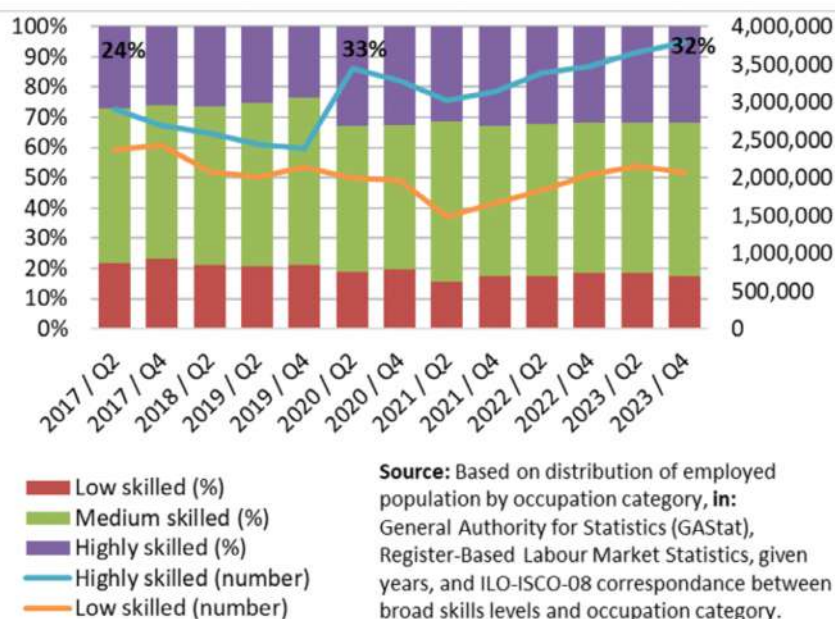
Increased compliance with international regulations is also reflected in the improvements in the labor and social protection schemes in the region. Bahrain’s General Authority for the Social Insurance Organization (SIO) enacted Resolution No. 109 of 2023, which entails that the SIO should collect end-of-service contributions from employers and distribute them directly to insured migrant workers in the private sector.[18]

A similar path was followed by Oman,[19] as part of the ambitious reforms that reshaped the social protection landscape in the country. Royal Decree No. 53 of 2023 introduced a new labor law for private sector workers in Oman that encompasses provisions for migrant workers entangled in labor disputes to stay in the country, and other notable alterations. This legislation follows a succession of reforms undertaken this year, such as the enactment of the Wage Protection System, the introduction of a new social security law, and the commencement of a mandatory health insurance scheme rollout.[20]

In Saudi Arabia, Ministerial Decision No. 40676 of 2 October 2023 (03/17/1445 AH) on domestic workers, to come into effect in September 2024, introduces an explicit ban on passport confiscation, the establishment of maximum working hours, and the introduction of occupational safety and health regulations for the first time, but does not address the important issue of minimum wage.[21] On December 25, 2023, the Saudi Ministry of Human Resources and Social Development (MHRSD) also unveiled a new policy effective from February 1, 2024. All new employment contracts for domestic workers recruited through Musaned — the online platform for streamlining recruitment — will be insured for the initial two years. During this period, insurance coverage is compulsory, with the option for employers to extend coverage thereafter.[22] The MHRSD also launched the Wage Protection Service for domestic workers’ salaries, effective July 1, 2024.[23]

**Total employed non-Saudi population (registered in the General Organization of Social Insurance, in Civil Service and as domestic workers), by broad category of skills**

(Q2 2017-Q4 2023)





In the UAE, Ministerial Decision No. 496/2023 covers workers' entitlements in the event of death, providing clear guidelines on the actions and responsibilities employers must undertake following the loss of an employee.[24] Qatar, in the meantime, opened visa centers in Bangladesh, India, Nepal, Pakistan, the Philippines, and Sri Lanka where applicants would not be charged any recruitment fees. [25] These extraterritorial migration management controls reflect Qatar's growing commitment to addressing labor exploitation in Qatar and source countries in the Asia region.

Nonetheless, in parallel, administrative control over foreign workers' residency conditions and numbers continued tightening. Bahrain's Members of Parliament (MPs) unanimously endorsed amendments to the Identity Card Law of 2006, to integrate migrants' smart identity cards (CPR),[26] and possibly, driving licenses,[27] with their residence permits.

Bills also tackled the taxation of expats' remittances[28] and amended Bahrain's 2012 Labor Law to cancel the indemnity of domestic workers who abscond from their workplace.[29] Arrests[30] and sometimes deportations of foreign residents in irregular administrative situations were conducted in every GCC country.[31] More generally, the according to an ILO report on Qatar. While mobility in the labor market improved, the No Objection Certificate (NOC) is required in practice, despite its legal abolition.[32]

Gulf policymakers are also facing the growing challenge of supplying enough workforce to the private sector, even in Kuwait where the limitation of foreign workers' numbers remains a top priority policy. Decision No. 234 of August 2023 allowed for the annual renewal of work permits for expatriate employees over 60, or with lower education levels, provided they are covered by comprehensive health insurance.[33] The Qatari Ministry of Labor launched the "Istamer" platform to employ retirees in the private sector. [34] As part of ongoing endeavors to facilitate procedures and reduce recruitment expenses for Saudi employers, the MHRSD disclosed on January 16, 2024, its decision to decrease the maximum price threshold for hiring domestic labor services from various countries. Previously, Saudi Arabia had imposed caps on recruitment costs for domestic workers of particular nationalities to prevent exorbitant pricing.[35]

In May 2023, the Saudi Ministry of Human Resources and Social Development introduced a revised table of violations, marked as Ministerial Decision No. 75913. This update notably reduces fines for a range of labor violations, with some penalties reduced by over 90 percent compared to the 2021 labor penalties schedule. This adjustment officially aims to encourage compliance among businesses while offering relief to employers,[36] but such measures may also raise concerns that lowering fines could incentivize some employers to violate regulations. Increased digitalization of

The creation of highly skilled positions to streamline the employment of citizens remains the prime concern of GCC policymakers

procedures also aims to streamline workforce management procedures for employers while encouraging compliance. [37]

The creation of highly skilled positions to streamline the employment of citizens remains the prime concern of GCC policymakers. The Saudi HQ law will potentially benefit every economic sector (real estate, financial services, tourism, and communications, etc.) and provide employment opportunities to Saudi workers. In the UAE, Ministerial Resolution No. 455 of 2023, outlines Emiratization targets for small establishments, defined as those with 20-49 employees across 14 key sectors, effective from 2024.

The resolution imposes significant penalties for non-compliance.[38] The nationalization of jobs by profession and sector also continues in every country.[39] By the end of Q2 2024, citizens' unemployment rates were at their lowest levels yet in Saudi Arabia, especially among women.[40]

The reorganization of statistical apparatuses in all Gulf states, following the 2020-2022 census rounds based on administrative sources, underlined the importance of data quality, comprehensiveness, and dissemination between actors to support economic and social planning. The downward revision of the Saudi population's estimates following census 2022 should lead to a revision of the major economic and employment indicators (activity rates, per-capita income, etc.). The Saudi General Authority for Statistics (GASat) plans to engage in a subsequent revision of data and statistics extracted from Labor Force surveys conducted since 2017, for instance. This would hold major implications regarding achieving the goals of Vision 2030.

Gulf states have adapted both their domestic and international migration management schemes to address unethical and illegal migration practices





In conclusion, the following trends and challenges can be listed:

### Trends

- Latest developments confirm Gulf states' workforce needs and resumption of inflows at all skill levels
- Influx of wealth and skilled migration and mega events (i.e., Expo2030, Asian Games) to the GCC
- Economic growth and migration policy incentives and programs (i.e., Premium Residency and Golden Visa, skilled visa) are bound to attract more highly skilled workers and create attractive employment opportunities for Gulf citizens
- Gulf states have adapted both their domestic and international migration management schemes to address unethical and illegal migration practices (i.e., visa centers) related to recruitment but effective implementation of policies remains a challenge.
- Growing institutionalization of migrant protections within Gulf domestic labor markets (i.e., wage protections, social protection).
- Digitalization of migration management processes is expanding across the Gulf
- International pressure on improving migrants' rights persists
- Gulf states' increasing multilateral efforts and engagements for both Asian and African migrants

### Challenges

- Effective implementation of policies
- Long-term sustainability of infrastructural and other projects
- How to streamline compliance from private sector actors
- Persistence of concerns about the severity of police actions towards migrants and de facto refugees
- Strong presence of 'hidden' corruption related to migrant recruitment in source countries
- Making digitalized migration and labor market processes accessible to migrant populations, specifically the unskilled
- Developing more inclusive and effective multilateral implementation of the ADD, Global Compact, and Doha Dialogue
- Securing the quality, comprehensiveness, and dissemination of relevant data for evidence-based,

effective policies

- [1] <https://pr.gov.sa/>
- [2] <https://www.khaleejtimes.com/world/gulf/saudi-arabia-launches-5-new-visas-to-attract-talents-investors-entrepreneurs>; <https://saudigazette.com.sa/article/643169/SAUDI-ARABIA/Features-of-Premium-Residency-Program-highlighted-at-Dammam-workshop>.
- [3] <https://www.arabnews.com/node/2471466/business-economy>
- [4] <https://www.thenationalnews.com/business/money/2024/01/24/golden-visa-dubai-property/>
- [5] <https://www.thenationalnews.com/business/economy/2024/01/02/saudi-arabias-new-regional-headquarters-regulation-takes-effect-what-will-be-its-impact/>
- [6] <https://www.arabnews.com/node/2451506/business-economy>; <https://www.novatr.com/blog/top-10-upcoming-projects-in-uae>
- [7] <https://www.timeoutdubai.com/news/gcc-common-tourism-visa>
- [8] <https://www.muscatdaily.com/2023/11/19/gcc-railway-opening-date-set-for-dec-2030/>
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## Is the Gulf Turning East?

Prof. Saleh Al-Khathlan, Senior Advisor, Gulf Research Center

The concept of “pivoting” initially arose as a result of the redirection of US policy focus away from its conventional spheres of interest—Europe and the Middle East—toward Asia. This shift was spurred by China’s remarkable ascent on the global stage and its perceived strategic challenge to the United States. The extent and significance of this redirection, along with its repercussions for nations with longstanding connections to the US, continue to be subjects of ongoing debate.

One of the consequences of this American shift toward Asia has been the growing discourse among its traditional partners, namely those in the Gulf region, over the need to re-evaluate their own international relationships to adapt to the new geopolitical reality. Some of the manifestations of this grew out of Washington’s reactions (or lack thereof) to certain events in the region, most notably to the attacks on oil facilities in Abqaiq in Saudi Arabia in 2019 and the targeting of Abu Dhabi airport and a UAE oil refinery by the Houthi militias in 2022.

Although Washington condemned the attacks, its reaction to them was perceived as weak compared to what one would expect from a historically strategic partner. The hesitation of the US to take a stronger position has prompted GCC

countries to re-think the future of their relations and the reliability of their strategic partnership. “We expect our partners, whether in NATO, in the Middle East, or the Pacific — to take a direct and meaningful role in both strategic and military operations, and pay their fair share of the cost,” former US President Trump stated in February 2017.[1]

While his statements about America’s commitments to its traditional allies have reinforced this concern not only in the Gulf but also in Europe and East Asia, indicators reveal that the idea of reducing foreign military commitments seems to be a general trend shared by US political elites, as the idea originally took hold during the era of President Barack Obama. This was evident in former U.S. Secretary of State Hilary Clinton’s famous October 2011 article, “America’s Pacific Century,” when she stated: “As the war in Iraq winds down and America begins to withdraw its forces from Afghanistan, the United States stands at a pivot point. Over the last 10 years, we have allocated immense resources to those two theaters. In the next 10 years, we need to be smart and systematic about where we invest time and energy, so that we put ourselves in the best position to sustain our leadership, secure our interests, and advance our values. One of the most important tasks of American statecraft over the next decade will therefore be to lock in a substantially



Photo Source: [The Intelligence](#), (2024).



increased investment—diplomatic, economic, strategic, and otherwise—in the Asia-Pacific region.”[2]

In addition to the changes in US policy toward the region, the shifts in the international system have prompted some GCC governments to think about further hedging their bets by seeking other international partners and upgrading their relations with them in the hope of providing guarantees to mitigate any negative impact of further shifts in US policy. “Since 2015, Gulf relations with China, as well as Russia and India, began to witness further development, as the volume of trade exchange and economic cooperation increased, diplomatic communication intensified, and agreements were signed in various fields.

China has emerged clearly in this “new” Gulf orientation and has become the first trading partner for most of the GCC countries. In 2022, the total trade exchange between China and the six GCC countries was estimated at \$315 billion. The cooperation between China and the GCC countries stands out in the oil sector where the GCC states supply China with nearly 40% of its oil requirements. These figures are sufficient to confirm the comprehensive economic partnership between China and the GCC countries, which is expected to culminate in the signing of a free trade agreement, the negotiations for which have been prolonged since they began nineteen years ago.

The statement of the Riyadh-GCC-China Summit for Cooperation and Development in December 2022 affirmed the determination to “strengthen the existing strategic partnership between the GCC and China and push it toward new horizons in various political, economic and cultural fields, and adopted the joint action plan for the next period

(2023-2027) to achieve this...The leaders also emphasized the importance of mutual support to achieve the common interests of the two sides, as China supports the efforts of the GCC countries to maintain their sovereignty and territorial integrity, preserve their security and stability, and achieve integrated development, and the GCC countries support China’s efforts to develop its economy and maintain its sovereignty and territorial integrity....”

It should be noted here that the statement did not address military cooperation within its call for deepening

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cooperation that includes energy, trade, investment, finance, industry, advanced technology, space, health, culture, education, tourism, media, and sports. For its part, China’s motives for developing its relationship with the GCC countries are primarily related to energy and economics and fall within the Belt and Road Initiative. China has signed



Photo Source: [Sinh UZ](#) (2022)





Photo Source: Asia News Network (2022)

comprehensive strategic partnerships with all of the GCC states with Bahrain being the last country to sign on in May 2024.

Additionally, China is strengthening its relationship with the GCC countries to gain their support on the issue of the Uighur Muslim minority, where it faces accusations of discrimination and harassment. China is also keen to gain the support of the GCC countries in its strategic competition with the United States, which is expected to become increasingly fierce as a result of the growing American concern over China's tremendous growth and expansion throughout the world.

One of the challenges in the relations between the GCC countries and China is China's ties with Iran. Beijing is actively cultivating its relationship with Iran, having signed a comprehensive strategic partnership in March 2021.[3] Unlike its relationship with the GCC countries, China and Iran share their vision of changes in the international system, their continued criticism of US hegemony, their push toward a re-defined multilateralism, and their membership in the Shanghai Cooperation Organization (SCO).

Therefore, Beijing faces the issue of maintaining a balance in its relationship with the GCC countries and Iran. This fact became clear following the issuance of the communiqué from the 2022 GCC-China summit, which included items related to supporting the UAE's position on the islands occupied by Iran and implicitly criticizing Iran's interference in the affairs of the GCC countries. The Iranian government was quick to protest the Chinese position, which made Beijing rush to prevent a diplomatic crisis with its strategic partner by sending the Chinese vice president to visit Tehran, where he met with the Iranian president, who made sure to hear

him criticize Beijing by saying that "some Chinese positions raised the resentment and criticism of the people and the government in Iran." Interestingly, those protests did not prevent China from issuing a similar statement following the China-Arab Cooperation Forum which included the participation of President Shaikh Mohammed bin Zayid Al-Nahyan of the UAE.[4]

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When one asks about the Gulf's orientation toward China, one is looking for possibilities of developing military relations that would enable the GCC countries to reduce their dependence on the United States. This would entail political coordination on regional and international issues, and possibly support China in its strategic competition with the United States. China's military sales to GCC countries in recent years, mostly drones, remain quite limited compared to military purchases from the United States and Europe,



which are estimated at hundreds of billions of dollars. The defense systems and military doctrine of all GCC countries, which have evolved as a result of a long history of Western military procurement, represent a constraint on the level of military cooperation between them and China.

Compared to the United States and its Western partners, there is no significant Chinese military presence in the GCC countries. In 2021, Abu Dhabi announced that it would stop construction of a Chinese military facility on its territory following US pressure. It must also be acknowledged that despite the occasional changes in GCC relations with the US, the latter still maintains a significant military presence in the region and there seems to be no intention to reduce it, especially amid renewed regional tensions resulting from the war in Gaza.

If one goes beyond cooperation in the fields of economy and energy, which seems to have evolved to strategic levels, military cooperation, and political coordination are nothing more than a card used by the Gulf states to pressure Washington to fulfill its obligations toward them. One may recall the missile deal between Saudi Arabia and China in the mid-1980s, known as the East Wind, after Congress refused to approve the sale of advanced weapons to Riyadh. The Gulf states recognize the depth of their relationship with the United States and do not appear to be looking for an alternative. They are also aware of Washington's ability to exert pressure on them if they develop their military relationships to levels that Washington does not approve of, as happened with the Chinese military facility project in the United Arab Emirates.

Washington is clearly concerned about any development in the GCC countries' relations with China that could strengthen the latter's position on the strategic front.<sup>[5]</sup> This may explain its willingness to give incentives to GCC countries to discourage them from deepening military cooperation with Beijing, as evidenced by the talks with Saudi Arabia on a defense pact.

China, for its part, and despite the growth of its economic and diplomatic activity in the region, does not seem willing to enter into real competition with the United States in its

traditional areas of influence. As noted above, the GCC countries are motivated to upgrade their relations with China by a desire to hedge their bets due to the uncertainty of US positions. What limits the shift is the GCC countries' realization that China, because of its strategic relations with Iran, will not get involved in supporting them against Iran in the event of a conflict despite the fact that Iran remains the main source of threat to the GCC states due to its interventionist activities and its network of affiliated militias in Iraq and Yemen. On the other hand, the United States, despite the lack of clarity and indecision in its policy toward the region in recent years, continues to share the GCC countries' views toward Iran and would not hesitate to participate in confronting Tehran if it becomes a real threat. Therefore, there seems to be no reason to worry about a shift toward China that would upset the balance in the Gulf; there is no alternative for GCC countries to maintain their relations with Washington, whatever the level of disagreement between them.

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## Exploring Evolving Dynamics: GCC-South Korea Relations

Noriko Suzuki, Senior Advisor, Tokyo - Japan

In recent years, South Korea has sought to expand its influence in the Gulf region. Yet, its active involvement in this region is not related to Seoul's pursuit of the South Korea-US alliance, but rather, it is rooted in its own security motives, reflecting a new feature of Korean diplomacy. As a result of this emergence, South Korea may have the potential to become a new external power in the Middle East.

### Overview of South Korea-Gulf relations

During the Cold War, South Korea became a member of the Western camp, led by the United States, and prioritized building relations with Middle Eastern countries from a pro-Western stance, which facilitated the establishment of relations with the Gulf states. In 1962, South Korea successively established diplomatic relations with Saudi Arabia (1962) followed by Qatar (1974), Oman (1974), Bahrain (1976), Kuwait (1979), and the United Arab Emirates (1980).

After the 1973 oil crisis, South Korean construction companies particularly expanded their activities in the Gulf region. At the time, the oil crisis had quadrupled the price of crude oil, and the Gulf states used their abundant oil revenues to finance an increasing number of construction projects. South Korea, on the other hand, had built social infrastructure at home and was faced with declining domestic demand for construction, compelling them to find their way into the Middle East market where they began to win contracts to build highways, ports, and factories in various countries throughout the region.

Three decades later, when the oil price hikes of the 2000s triggered a new construction boom in the Gulf countries, South Korean firms again focused on the Gulf market. Abu Dhabi's Emirates Nuclear Energy Corporation (ENEC) awarded the contract of the Barakah Nuclear Energy Plant to a consortium of Korean companies in December 2009. The Barakah contract was a successful model of South Korea's public-private partnership strategy for exporting



Photo Source: KED Global (2023)



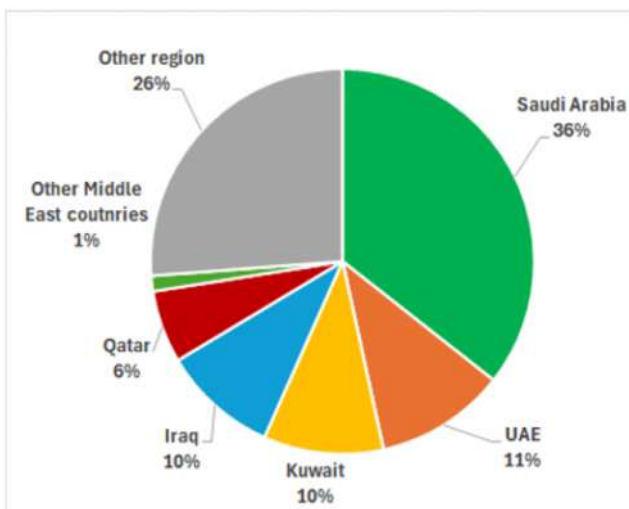
infrastructure systems. In 2013, the value of orders received by Korean firms in the GCC states accounted for more than half of its total value of overseas construction orders, recording approximately USD 17.3 billion.

**South Korea’s energy dependence on the GCC countries**

For South Korea, sourcing energy from the Gulf region is a national priority. Like Japan, South Korea imports most of its energy resources from the Gulf. In particular, South Korea’s dependence on the GCC states for crude oil is very high. According to statistics from the Korea International Trade Association, Saudi Arabia was the largest supplier of crude oil to South Korea in 2023 (36% of total imports), followed by the UAE (11%), Kuwait (10%), Iraq (10%), and Qatar (6%) (see Figure 1).

South Korea’s push to import crude oil from the GCC states in recent years has been driven by the deterioration of South Korea-Iran relations. Following the implementation of the Joint Comprehensive Plan of Action (JCPOA) on the Iranian nuclear issue in January 2016, South Korean President Park Geun-hye became the first South Korean president to visit Iran. She strengthened bilateral relations between the two sides with the aim of importing additional Iranian crude oil. As a result, South Korea’s imports of Iranian crude oil more than tripled between 2015 and 2017 and accounted for 12% of total imports in 2017. In 2018, however, following the US Trump administration’s withdrawal from the JCPOA and the imposition of sanctions on Iran, South Korea was forced to refrain from importing Iranian oil. As a result, it attempted to source additional crude oil from the GCC states.

**Figure 1: South Korea’s crude oil imports by country (2023)**

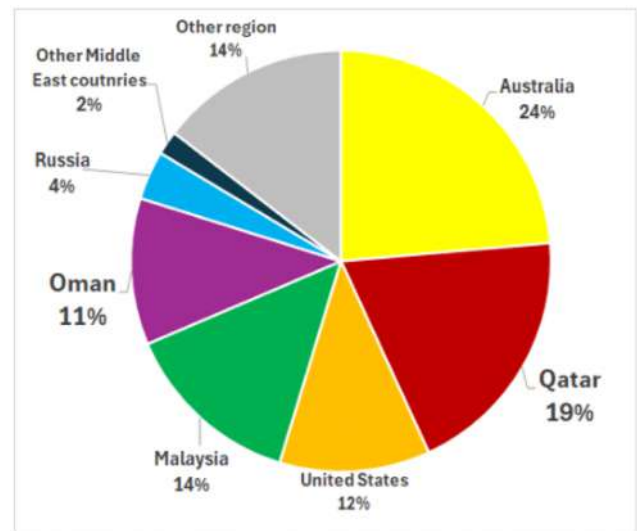


Source: Korea International Trade Association

The GCC states have also become increasingly important in terms of South Korea’s natural gas imports: in 2023, Qatar

occupied second place (21%) in terms of liquefied natural gas (LNG) imports, after Australia (24% of total imports). Oman occupied the fourth position (10%) (Figure 2). In recent years, South Korea has attempted to source additional gas from the Gulf, partly because it is shifting from coal-fired to gas-fired power generation to reduce greenhouse gas emissions.

**Figure 2: South Korea’s natural gas imports by country (2023)**



Source: Korea International Trade Association

**South Korea-GCC security cooperation**

A notable trend in South Korea-GCC relations has been South Korea’s increasing military involvement. South Korea sent troops to the Middle East during the 1990-1991 Gulf War and the 2003 Iraq War mainly due to the request of its US ally, or as part of peacekeeping operations based on UN Security Council resolutions (UN Interim Force in Lebanon ‘UNIFIL’ in 2006). Since 2010, however, it has begun to dispatch its troops for its own purposes.

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First, the nuclear agreement between South Korea and the UAE triggered South Korea's military involvement in the region and created a flow of military cooperation between the two countries. South Korean troops have been stationed in Abu Dhabi since 2011 and are responsible for training UAE special forces, as well as protecting South Korean citizens in the UAE in case of an emergency.

Second, following a series of attacks on oil tankers in the Gulf of Oman near the Strait of Hormuz in 2019, South Korea extended the operational area of its naval forces deployed in the Gulf of Aden to include the Strait of Hormuz. This objective has been to ensure the safety of South Korean expatriates in the event of an emergency and to ensure freedom of navigation in the Strait of Hormuz, a key energy shipping route. As South Korea seeks to strengthen its economic and energy ties with the GCC states, the support of the Korean government is seen as essential for its companies to continue to operate in the Gulf region.

South Korea is also trying to gain a foothold in the Gulf's lucrative defense markets. The South Korean defense industry is positioned as a national strategic industry not only for its own security but also to support Seoul's economy. In 2022, Korean companies signed contracts with the UAE to export a surface-to-air missile (SAM) system known as Cheongung II worth \$3.32 billion. When South Korean Defense Minister Shin visited Saudi Arabia in February 2024, the Korean Ministry of Defense announced an export contract worth \$3.2 billion for Cheongung II to Saudi Arabia.

### Obstacles to South Korea-GCC relations

The South Korea-Iran situation could play a role in the further development of South Korea-GCC relations. In 2019, South Korea froze Iranian assets held in a Korean bank (about \$7 billion) in response to US-led sanctions against Iran. This was detrimental to South Korea-Iran relations and increased anti-Korean sentiment in Tehran. Furthermore, President Yoon Suk Yeol visited the UAE in January 2023 and said that the security environment between South Korea and the UAE is very similar, implying that while South Korea faces its greatest threat, "enemy" North Korea, the UAE faces Iran. Iran reacted contentiously to this statement, further deepening the rift between the two countries.

In contrast to the deterioration in South Korea-Iran relations, there have been signs of easing tensions between the GCC states and Iran since Saudi Arabia and Iran agreed to normalize relations in March 2023. For South Korea, the establishment of stability in the Middle East is desirable for the business activities of its companies. Yet, Iran's hostile attitude toward South Korea and the military exchanges between Iran and North Korea are of great concern. In addition, if Iran perceives South Korea's arms exports to the GCC states as a threat, it may take some measures to curb their arms export business.

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### Future cooperation between South Korea and the GCC states

South Korea has gained the trust of the UAE and Qatar by constructing a nuclear power plant and LNG carriers. In the future, South Korea will also seek to further strengthen its relationship with Saudi Arabia.

As far as the UAE is concerned, it is currently engaged in decarbonization efforts to reduce greenhouse gas emissions while meeting the country's growing demand for electricity. In this context, nuclear power plants, which can generate inexpensive electricity with a small amount of fuel and do not emit carbon dioxide, are gradually gaining importance. Another advantage to introducing nuclear power plants is that natural gas can be allocated for export by reducing domestic gas consumption for power generation, thereby increasing resource revenues. South Korea has been able to promote its presence in the UAE by contributing to solving the UAE's energy problems. Qatar meanwhile plans to expand its LNG production capacity, with plans to increase its annual production capacity from the current 77 million tonnes to 142 million tonnes by 2030. In anticipation of increased gas exports in the future, Qatar is also preparing to procure LNG carriers, which are essential for transport. Korean companies have already won a number of shipbuilding contracts by actively promoting their LNG carrier's production capacity and high technological capabilities to Qatar.

In Saudi Arabia, South Korea is focusing on gaining market shares in new areas such as hydrogen and electric vehicles. President Yoon paid state visits to Saudi Arabia and Qatar in October 2023. During his first stop in Saudi Arabia, the

president met with Crown Prince Mohammed bin Salman and discussed cooperation in the areas of hydrogen, smart cities, the defense industry, and startups. Korean Hyundai Motor Company and Saudi Arabia's Public Investment Fund (PIF) signed a \$500 million agreement to establish an automotive plant to produce electric vehicles (EV). In addition, both countries signed the Hydrogen Oasis Initiative to strengthen partnerships and support project developments in clean hydrogen.

### Conclusion

The GCC countries have become important economic and energy partners for South Korea. In recent years, the suspension of Iranian oil imports due to sanctions against Iran and the trend toward decarbonization have further increased South Korea's energy dependence on the GCC states. This has led South Korea to add a security dimension to the relationship including stationing troops in Abu Dhabi and sending troops to the Strait of Hormuz to protect its own companies operating in the Middle East and to ensure stable energy supplies from the Gulf states. By establishing a certain level of military presence in the Gulf region, South Korea has demonstrated to the GCC states that it can be a cooperative partner in the security field as well. The trust established with the GCC states through defense cooperation is also seen as supporting Korea's state-led economic activities, which would be an important factor for Korean companies to win business projects in the future

*This article was written in close collaboration with Masahide Takahashi, Middle East Research Institute of Japan*



## The Summit for the Future and Reforming Global Governance

Dr. Mohamed Abdelraouf, Director of the Environment and Sustainability Research Program

The UN Summit of the Future will be hosted by the United Nations General Assembly (UNGA) on September 22-23, 2024. It is a timely initiative by the United Nations as humanity faces unprecedented threats and challenges at national, regional, and global levels.

The proposal for a Summit of the Future originated in the “Our Common Agenda” report issued in response to a call from UN member states for ideas on how to better respond to current and future challenges.[1] The report calls for a renewal of trust and solidarity at all levels-between peoples, countries, and generations. It makes a strong case for a fundamental re-evaluation of our political, economic, and social systems so that they deliver more fairly and effectively for everyone. It also recommends a corresponding renewal of the multilateral system, with the Summit of the Future as a defining moment in establishing the most critical improvements needed. Member states agree that the Summit will deliver a Pact for the Future by consensus through intergovernmental negotiations and endorsed by Heads of State/Government at the Summit.

In fact, many of the policies, decisions, and actions taken today, will not only affect current or future generations, but will have irreversible effects on our ecosystems and human

health. For instance, geo-engineering experiments that are currently ongoing in many quarters and which intervene on a large scale in the Earth’s natural systems--the oceans, soil, and atmosphere--that without the proper governance, face catastrophic consequences.

It is therefore of utmost importance to address the long-term impacts of our policies, decisions, and actions. The main question to be addressed is how a well-designed global governance system that covers all aspects of our economic, security, and ecological life can be constructed and implemented. In this context, the UN Summit of the Future aims to provide multilateral solutions for a better tomorrow with organizers calling it a “once-in-a-generation opportunity” aiming to strengthen global governance for the sake of present and future generations.

Conveners articulate the overarching purpose of the Summit and the Pact includes reaffirming the UN Charter; reinvigorating multilateralism; boosting implementation of existing commitments; agreeing on solutions to new challenges, and restoring overall trust and confidence in the global system to tackle existing and coming challenges.





The last few years have clearly shown that amid the mounting global challenges facing the international community, the existing multilateral system does not function effectively

### Global Governance

The Summit of the Future is therefore an opportunity to enhance cooperation on critical challenges and address gaps in global governance. The last few years have clearly shown that amid the mounting global challenges facing the international community, the existing multilateral system does not function effectively. Major global shocks in recent years such as the COVID-19 pandemic, the war in Ukraine, the Gaza War and ongoing Israel-Palestinian conflict, the triple planetary crisis of climate change, including biodiversity loss, pollution, and food security issues, have been more than the current international institutions can manage. The lack of solidarity in response to these global crises has further eroded trust that countries will come together to equitably respond to these challenges.

In fact, the world is falling behind on the Paris Agreement goals, the Sustainable Development Goals (SDGs), and many other international commitments, including providing financial support to emerging markets and developing economies. Yet it is obvious that one cannot have proper global governance unless well-functioning, fair, and transparent global governance exists in the first place. Such earth governance ensures that one is managing the planet's natural assets in a sustainable and equitable way.

As time passes and challenges become more global, more complex, and more impactful, the gap between the needs of humanity and the capacity of intergovernmental collaboration to fulfill them grows ever wider. The need to transform global governance is becoming increasingly apparent, so that the gaps between what humanity needs, what the planet needs, and what the UN system is able to provide can be reconciled.

Stronger institutions of global governance, including regional and international courts with participation of all stakeholders and not only limited to governments, are prerequisites to providing protection of environmental and human rights and the stewardship of the earth system, as well as necessary global public goods. Overarching institutional, legal, and structural changes are needed, especially related

to enhancing executive, legislative, and judicial capacities at the global scale and their direct engagement with peoples irrespective of their current geographic location. This includes overcoming fragmentation and building a more effective, coherent, integrated, multilayered, and transparent global order. In terms of the judicial field, the strengthening and expansion of domestic, regional, and international courts is needed to boost accountability and compliance, and enhance the rule of law.

The main question to be addressed is how a well-designed global governance system that covers all aspects of our economic, security, and ecological life can be constructed and implemented

The Summit of the Future not only has to assess the past and analyze the current situation, but it needs to be forward-looking. It must become a guide to how the global community can work together effectively to meet common targets and tackle the most pressing issues while preparing for a more resilient future. The bottom line is that there are enough policies and plans already out there but how to effectively implement them on the ground remains the key question.

In order to build trust and form a foundation for good global governance, principles such as reducing harm taking precedence over achieving benefit; there being no good global governance unless there is strong earth governance; and the need for common but differentiated responsibilities between developed and developing countries must be adhered to.

The GCC countries are becoming global players on many fronts but their broad representation, inclusiveness, and accessibility to the UN going beyond the dogma of intergovernmentalism will increase the organization's legitimacy and build trust in its overall effectiveness. Global governance structures must reflect principles of democracy, trust, cooperation, de-colonialism, transparency, accountability, law, interdependence, and equitable power distribution to fundamentally transform the global order. It is thus vital that GCC countries ask for a Security Council seat to represent their growing influence at the level of global politics, energy, sports, and economy.

[1] United Nations, (September 2021). "Our Common Agenda." <https://www.un.org/en/common-agenda>.





## The GCC and the G20

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The 2023 G20 Summit, held on September 9 and 10, 2023, in New Delhi, India, marked an important juncture in global governance as world leaders convened to discuss prevalent global challenges and formulate strategies to foster sustainable and inclusive growth. The Summit exceeded expectations by seeing a consensus reached on the joint declaration by the group's leaders: [all](#) 83 paragraphs of the Declaration were passed unanimously, including by China and Russia, who did not attend the summit. The 2023 G20 led to five primary outcomes: the launch of the India-Middle East-Europe Economic Corridor (IMEC) by Saudi Arabia, the UAE, India, France, Germany, Italy, the US, and the EU; the establishment of the Global Biofuels Alliance (GBA) by India, the UAE, Bangladesh, Italy, the USA, Brazil, Argentina, and Mauritius; the inclusion of the African Union (AU), a continental body consisting of 55 member states, as a permanent member of the G20; enhanced GCC-India ties; and strengthened Saudi-India ties, as the two countries co-chaired the inaugural meeting of the India-Saudi Strategic Partnership Council after the Summit.

From the Gulf's perspective, the GCC states have significantly increased their engagements with numerous countries via meetings on the sidelines of the Summit and announcements of projects such as the IMEC and the GBA. Additionally, the 18th G20 Summit had a substantial effect on the Gulf region, as half of the GCC (Saudi Arabia, the UAE, and Oman) were represented. PM Modi's invitation to the UAE and Oman once again highlighted the rising relevance of the GCC in the international community. One can only expect the same, or even increased, focus this year in the 2024 G20 Summit in Rio de Janeiro, Brazil, on November 18–19, 2024.

### Brazil's Presidency of the G20

Similar to the G20 meeting in India, Brazil's presidency of the G20 will tackle a complex environment that includes multiple geopolitical tensions and growing polarization at both the global affairs and individual state levels. The 2024 Summit will be held around the same time as the



Photo Source: Brookings, (2024)



Photo Source: Prime Minister's Office of Japan (2023)

2024 United Nations Climate Change Conference (COP29) and the US 2024 presidential elections. The Summit also comes at a time when there is a globally declining interest in multilateralism, in favor of more bilateral approaches, as well as a rise of populist parties. Concurrently, the gap between the rich and the poor continues to widen, exacerbating social and economic inequalities and further challenging established political and economic order. These trends collectively contribute to a more fragmented and polarized global environment, with significant implications for international stability and cooperation.

Brazil's primary objective for its G20 presidency is "building a fair world and a sustainable planet," and its [priorities](#) for the G20 include significant issues for the Lula administration, such as:

1. Fighting hunger, poverty, and inequality
2. The three dimensions of sustainable development (economic, social, and environmental)
3. Global governance reform

Advancing these objectives will require managing sharp visions among the G20 membership, especially in terms of the crises in Palestine and Ukraine. Yet Brazil under President Lula, could be well placed to mend some divides and mediate existing conflicts by leveraging its connections with various countries and blocs. Brazil already has close connections with countries from both the Global North and South, especially within Latin America and the BRICS alliance. Additionally, President Lula has strengthened relations with the Gulf region, particularly Saudi Arabia. According to [Dr. Abdel Aziz Aluwaisheg](#), the GCC Assistant Secretary-General for Political Affairs and Negotiation, President Lula "managed to assert Brazil's leadership in South America and globally, including in the Gulf and the wider Arab world. His economic, political, and diplomatic successes were unprecedented in Brazil's history."

Overall, Brazil hopes to reach a consensus on topics such as supporting sustainable development, combating poverty, inequality, and hunger, as well as reforming international governance frameworks. On each of these key issues, the GCC can contribute to finding potential solutions. This will primarily center around Saudi Arabia, the only official GCC member of the G20, but will also involve other GCC states, given the increased agency they have played in the past years.

### The Role of GCC Countries in the 2024 G20 Summit

The GCC countries are expected to play a relevant role in the Summit on several key issues. Although not part of the stated Brazilian priorities, the geopolitical environment in the Middle East will necessarily dominate part of the G20 discussion, and any progress achieved will have to include addressing and confronting the regional tensions. Without a tangible outcome that aims at reducing violence in the region, little progress elsewhere can be achieved. It

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is, therefore, the primary area that the GCC should focus its attention on and in which it can play an effective role. Brazil and the GCC are already on the same page when it comes to calling for a ceasefire and an end to military operations as far as the current violence on the Palestinian-Israeli front is concerned. Combined with President Lula's active support, the GCC states now expect the rest of the international community to make this a priority, engage more effectively with the region, and listen to their concerns. This includes warnings that unless an end to the occupation takes place immediately, even more devastating consequences could spill into the broader region as stated in the Doha Declaration of the 44th Session of the Supreme Council of the Gulf Cooperation Council (Doha Summit), held in December 2023 where it [warned](#): "of the dangers of expanding confrontations and the spread of the conflict to other regions in the Middle East, unless the Israeli aggression stops, which will lead to dire consequences for the peoples of the region and for international peace and security."

The same applies to the conflict between Ukraine and Russia. The GCC has been able to play a constructive role in advancing the dialogue on ending the crisis in Ukraine, as was demonstrated by Saudi Arabia's hosting of the Ukraine peace talks in early August 2023 in Jeddah, which included senior officials from around 40 countries. In addition, Saudi Arabia has sought ways to contribute to achieving peace in Ukraine, evidenced by its role in arranging for a prisoner exchange between Ukraine and Russia. With Brazil equally maintaining open dialogue channels with both parties, the prospects for a joint approach are hopeful.

In addition, the Gulf will play a pivotal role in advancing the Brazilian G20 priorities by actively participating in discussions and promoting collaboration toward achieving shared economic priorities. As a leading oil exporter, Saudi Arabia for one, has a significant influence on global economics and will continue to contribute its expertise to promote and preserve medium and long-term energy stability globally. This includes initiatives to support trade, encourage investment, and foster entrepreneurship, all crucial elements of Brazil's G20 economic priorities. This was evident in the Kingdom's presidency of the 2020 G20, which included themes such as empowering people, safeguarding the planet, and shaping new frontiers. Aside from these themes, the Saudi G20 presidency endorsed a "platform to reduce carbon emissions and ensure cleaner, affordable, and more sustainable energy."

The UAE will also make an impact when it comes to the climate and sustainability agenda, given its recent hosting of the COP28 in November 2023. As the host nation, the UAE pushed to advance the climate agenda regionally and internationally and increased private sector involvement. More generally, the GCC states showcased climate actions in water, agriculture, and energy, as well as youth leadership, through twenty-five sessions, seminars, and workshops hosted at the GCC pavilion. Thus, The GCC will promote and advance Brazil's goal of a more "sustainable planet" by supporting initiatives to combat climate change and participating in dialogue on renewable energy and environmental preservation.

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The GCC states are well-placed to make substantive contributions to fighting hunger, poverty, and inequality. In this context, the GCC states have been firmly establishing themselves as important political and economic power brokers not only regionally, but also at the international level. This is evident in the GCC states' role in mediating and de-escalation efforts including with Syria, Türkiye, Iraq, Sudan, and Yemen, as well as in Gaza and between the Ukraine and Russia, where prison exchanges have benefitted from Arab Gulf involvement. Moreover, the Gulf states have been very prominent donors over the years. Before the COVID-19 pandemic (between 2013 and 2017), aid from the Gulf represented 12% of international humanitarian aid and 60% of aid for non-OECD countries. These factors all position the GCC states in a pivotal role in fostering global sustainable development.

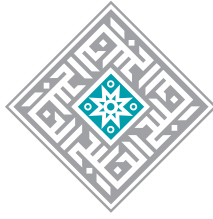
A final area where the GCC states can make an impact is in global governance reform. In January 2022, President Lula [stated](#) that “the UN should be restructured so that progress can be made regarding major issues such as the creation of a Palestinian state.” The GCC countries have also long supported UN reform, especially in areas like enhancing accountability and transparency, strengthening

conflict prevention, and encouraging more inclusion and representation, especially for developing countries. [The Gulf's position](#) was particularly highlighted after the US vetoed UN resolutions demanding a ceasefire in Gaza, even though 13 of the 15 members supported the resolution and one abstained. The right of permanent member states (which are China, France, Russia, the United Kingdom, and the United States of America, and were selected in 1945 when the UN was created) to retain veto power is a testament to the flawed current system within the operational structure of the UN Security Council.

All of the above points to the fact that with the Gulf region's increasing engagement and participation in global governance, particularly in the G20, there are new avenues to progress on key political and economic issues. Under Brazil's presidency of the G20, the GCC can assist in moving forward and advancing the G20's priorities, particularly in promoting sustainable growth and global stability. As the world faces simultaneous geopolitical tensions and crises, it is critical to focus efforts on shared priorities. All of this presents an opportunity for greater collaboration and cooperation.







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