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# Gulf-Asia Cooperation: Prospects, Challenges, and Implications for Europe

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# Introduction

**Philipp Dienstbier,**
*Director of the Regional Programme Gulf States, Konrad-Adenauer-Stiftung*[1]

Relations between the Gulf Cooperation Council (GCC) and Asia are no novel phenomenon. However, the Gulf's connections with key Asian countries have significantly deepened since China's accession to the World Trade Organisation (WTO). Rapid growth and development in Asia, burgeoning energy imports not least from the Gulf and a boom of manufacturing exports emanating from East and Southeast Asia to every corner of the globe, including the GCC, have strengthened economic ties. While the exchange of hydrocarbons for manufactured goods remains at the heart of this relationship, it now extends beyond energy, with growing Asian investments in the GCC's infrastructure and technology sectors, complemented by sovereign wealth funds (SWF) in the Gulf pouring liquidity into Asian equity markets.

While being driven by economic links primarily, the evolving relationship between the GCC and Asia also spans economic, political, and cultural aspects. Politically, both regions have launched a plethora of strategic collaboration and dialogue formats. High-profile meetings between GCC and Asian leaders are as common as summits with representatives from Europe or the US. No longer do these strategic dialogues only cover energy cooperation but they have expanded into policy coordination regarding regional security, counterterrorism, and technology. They bear witness that the GCC perceives Asia as an essential partner in addressing regional complexities and navigating global changes.

On the cultural and social front, interactions between Asia and the GCC have also risen significantly. The influence of Korean or Japanese pop culture is palpable in the Gulf, and partnerships in higher education are thriving. The growing presence of Asian expatriates residing and working in GCC countries – increasingly as high-skilled labour migrants – is a unique socio-cultural connective tissue between both regions, having the potential to foster deeper understanding and respect.

## Asia Eclipsing Europe-GCC (Economic) Ties

With relations between the GCC and Asia deepening, these ties have, concurrently, gained in importance compared to the Gulf's relations with European nations, at least in relative terms. This partly has to do with a structural evolution in the energy field, decreasing the appetite within the European Union (EU) for fossil fuel imports from the Gulf as the continent transitions towards cleaner green energy. This has changed partly after Russia's invasion of Ukraine and the cessation of most Russian energy exports to Europe has created renewed demand especially for liquified natural gas (LNG) from the Gulf. But as GCC countries are diversifying their economies under their multiple "Visions", the more diversified nature of non-oil trade relations between Europe and the Gulf, spanning financial services, machinery, high-end electronics, agricultural products and luxury goods could increasingly become an asset, too.

In political, cultural, and social terms, ties between the GCC and Europe have lost less in significance compared to Gulf-Asia relations, as is the case in the energy field. There are long-standing cultural ties, with Gulf nationals studying in Europe's universities or European tourists frequenting places like Dubai or Oman. Due to its shared neighbourhood, the EU's political role – and especially that of individual member states such as France – has remained strong, too. With the EU's "Strategic Partnership with the Gulf", launched in 2022, the EU has also intensified its outreach to the GCC. However, the EU's political role in the Gulf still falls short of its potential, probably not for a lack of diplomatic engagement but because of sluggish implementation of initiatives like the GCC-EU-FTA or mutual visa liberalisation due to inertia, siloed decision-making, and missing political will in the EU.

The deepening relations of Gulf States with key Asian actors raise the question what implications Europe should draw from the growing Asian clout in the Gulf. While Gulf-European relations might have existed at this level for a longer time, they are increasingly eclipsed by the intensifying ties from GCC countries to Asia. It is true that trade flows with Asia are still largely driven by energy exports, and still mostly dominated by one single country – China. They also had had limited spill-over in the diplomatic and security realm, so far. But the sands are shifting.

## Opportunities for Win-Win-Win Scenarios?

Against the backdrop of evolving geopolitical dynamics, the three-sided relations of the Asia-Europe-Gulf-nexus could foreshadow increasing competition but also might offer opportunities for all sides involved. While GCC-Asia-relations have strengthened, Europe and key Asian states like South Korea, India, and Japan have also fortified their bonds. Bolstering its relationships with Asian counterparts, the EU maintains a series of frameworks, including an economic partnership agreement (EPA) with Japan, a strategic partnership with South Korea, and, with India, a joint trade and technology council. On security issues, Japan, India, and South Korea also collaborate with the EU through its "Enhancing Security Cooperation in and with Asia Project" (ESIWA).

This offers avenues for trilateral and mini-lateral cooperation frameworks that might create a win-win-win scenario for Europe, the GCC, and Asia. In 2021, the EU introduced the Global Gateway, an initiative akin to China's Belt and Road Initiative (BRI), committing the EU to broadening global connectivity. And in 2023, the India-Middle East Corridor (IMEC) was launched during the G20 summit, aiming to enhance connectivity among India, the Middle East, and the EU. These projects could enhance connectivity across all three regions providing a blueprint for a new type of collaboration with all sides.

## Views from the GCC, China, India, Japan, and Korea

With so many interlinked, overlapping, and competing mechanisms at play, this publication explores several key questions to analyse growing Gulf-Asia relations and its implications for Europe. It delves into the question of how relations between the GCC and four Asian countries, China, India, Japan, and South Korea, have progressed and whether they complement or compete with one another. The publication also investigates how the ties between all sides might evolve in light of geopolitical shifts and regional conflicts, and what potential for joint collaboration exists, both in the economic but also in the political realm.

In the first chapter, Omar Al-Ubaydli examines the influence of growing GCC-Asia ties on EU-GCC relations through an assessment of economic, diplomatic, and security trends. He contrasts a "complementary" and "substitution effect" between EU-GCC ties and Asia-GCC ties, concluding that progress in GCC-Asia relations is unlikely to yield similar benefits for EU ties. In the second chapter, Shigeto Kondo explores the expansion of Japanese partnerships with Gulf states beyond traditional energy cooperation, suggesting that Japan's strengthened partnership with the Gulf provides mutual advantages for Japan and the EU. The third chapter features Munsu Kang's insights into the evolving economic ties between South Korea and the Gulf, revealing how their relationship has moved beyond traditional energy and construction partnerships into strategic areas of mutual interest, such as AI and EV manufacturing, suggesting these could serve as fertile ground for EU-Korea-Gulf triangular cooperation. In the fourth chapter, Narayanappa Janardhan highlights that India and the GCC are fostering collaboration in areas such as energy, food security, and connectivity, similarly advocating for enhanced trilateral partnerships between the EU, the GCC, and India. Finally, Chuchu Zhang examines China's growing economic and energy partnerships but also political interests in the Gulf region while arguing that Beijing avoids direct challenges to EU influence in the GCC.

The analyses by these renowned experts help to cast a light on a highly complex phenomenon in global affairs. While the Gulf plays an increasingly central role on the world stage, its eastward turn shifts geopolitical dynamics. Understanding why and how will remain crucial for experts and policymakers alike. This volume is an important contribution to this effort. I wish you an informative and stimulating reading.

1 The author would like to thank Adel Abdel Ghafar (Middle East Council on Global Affairs) for his central role in bringing this publication about. Without his guidance and efforts this volume would have not been possible. The author also thanks Aylin Salahifar (Stanford University), Marah Jamous and Michele Curzi (Konrad-Adenauer-Stiftung) for their help and support in producing this publication.

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# The GCC Perspective on Asia-GCC Relations and Implications for EU-GCC Cooperation


**Omar Al-Ubaydli,**
*Director of Studies and Research at the Bahrain Center for Strategic, International and Energy Studies (DERASAT)*

**Maryam Albinfalah,**
*Research Intern at the Bahrain Center for Strategic, International and Energy Studies (DERASAT)*

## Introduction

The European continent has a long history of interacting with the Arabian Peninsula, affording the European Union (EU) and its progenitors the upper hand over East and South-East Asian countries when it comes to relations with the Gulf Cooperation Council (GCC) countries across economic, diplomatic, and security domains. A key turning point in this nexus was China's 2001 accession to the World Trade Organisation, which put the Asian giant on an unprecedented path of rapid economic development. The GCC countries' relationships with it and other Asian economies have grown considerably due to the former's dependence on foreign trade for agricultural and manufacturing products, and their ability to serve Asia's energy needs. This, combined with Asian countries acquiring the ability to manufacture advanced goods, including arms, has raised the possibility of growing Asia-GCC relations being a substitute to EU-GCC relations. However, multidimensional international relations are not a zero-sum game. There exist many non-linearities and feedback loops that imply that the GCC deepening its ties with Asia may lead to a strengthening of EU-GCC ties.

This chapter seeks to answer the question: what effect do growing Asia-GCC relations have on EU-GCC relations? The upheaval experienced since the Arab Spring and the multiplication of security threats in key maritime choke points (Bab el-Mandeb, Straits of Hormuz) are manifestations of the need for a new security architecture for the region. Asia and Europe can both potentially play an important role. Accordingly, it is important to understand how each continent's relations with the GCC interact. Our analysis suggests that the changing political landscape in the EU, characterised by right-wing, nationalist sentiment and isolationist foreign policy, means that growing Asia-GCC ties are less likely to bring about an improvement in EU-GCC ties.

## The GCC Countries' Foreign Policy Goals

The GCC countries differ considerably in their foreign policy goals despite the significant degree of social, cultural, and economic homogeneity that the six states exhibit. Nevertheless, to fully understand the implications of Asia-GCC relations for EU-GCC relations, it is worth briefly examining the main pillars of the GCC countries' foreign policies, as there exist significant commonalities that merit exposition.

One of the primary goals of the GCC countries' foreign policies is national security, due to their natural resource wealth and their geostrategically valuable location. These states have previously been invaded [1] and subjected to attempted coups [2]. Another key foreign policy goal for the GCC countries is creating markets for their exports, and securing access to critical imports, due to the high levels of dependence on foreign trade [3]. Notably, these two goals are intertwined in the domain of maritime security [4]. Additional foreign policy goals for the GCC countries include cooperating on global issues such as climate change [5].

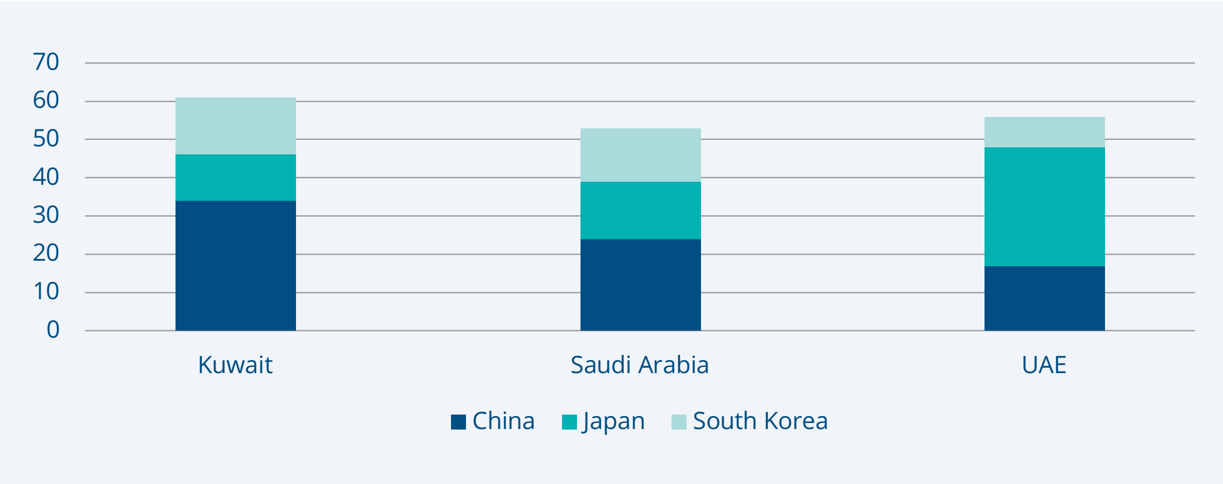
## The Current State of Relations

### Asia-GCC Relations

In the interests of parsimony, we focus exclusively on relations with East and South-East Asian countries, to the exclusion of Central and South Asian countries. On the economic front, an important symbiotic energy relationship has long existed between Asia and the GCC countries, where Asian countries are the largest importers of energy from the Gulf [6]. The economic growth and prospects of Gulf states are also greatly linked to the hydrocarbon sector. In 2019, the state revenues of GCC countries from hydrocarbon exports represented between 65% and 90%, with the exception of the UAE [7](40%). In addition, Gulf exports of oil products, crude oil and natural gas to Asia constitute more than three-quarters of their total energy sales [8]. **Figure 1** demonstrates the strength of this relationship in the context of crude oil.

Liquefied natural gas is also an important part of trade between the two blocs, and it includes significant joint ventures, while the same is true of petrochemicals, too. In 2018, Saudi Arabia was the top exporter of petrochemicals, representing 13.8% of global exports compared to 4.42% in 2008 [9]. China accounted for up to 35% of the petrochemical exports of GCC countries [10]. These relationships are likely to remain strong for the medium-term future at least.

**Figure 1: Crude oil exports of GCC countries to selected countries in Asia, 2022 (% of total crude oil exports)**




*Source: OEC Data (2022)*

The Gulf region is also an important export market for Asian products. In the past year, GCC demand for their goods has been beneficial to countries such as China and Japan at the expense of the US and to some extent, the EU [11]. GCC imports from China formed 20.6% of their total imports in 2021, making it the biggest exporter for GCC countries [12]. Their main imports are electrical machinery and equipment (36.3%), machinery and mechanical appliances (18%), as well as motor vehicles and their parts [13] (4.3%).

In the context of China's "Look East Policy", the Gulf region represents one of the most crucial areas to attain China's global interests due to the financial and economic weight of GCC states [14]. South Korea and Japan also export large volumes of goods and services to the GCC [15]. The ASEAN countries remain major players in global trade, with key exports to the GCC [16]. During bilateral meetings between the two sides over the past two decades, there was great interest in the issue of free trade and economic cooperation.

Diplomatic ties between Asia and the GCC are increasing alongside economic relations. Notable visits include Saudi Arabia's King Salman visit to China in 2017 to sign deals worth up to $65 billion to set up cooperation in various areas such as energy, space, and other sectors [17]. In 2019, Saudi Crown Prince Mohamed Bin Salman also visited Beijing to secure a $10 billion petrochemical refinery deal with two Chinese firms[18]. China has deepened its involvement through initiatives like the Belt and Road Initiative (BRI), positioning itself as a strategic partner for GCC countries. China's mediation in the 2023 Saudi-Iran reconciliation underscores its rising diplomatic role in the Gulf. The GCC and China share mutual interests, particularly in maritime security, with China investing in Omani ports to strengthen the Maritime Silk Road.

However, diplomatic ties between the GCC and other Asian nations, like Japan, are less prominent. Although Japan has sought to build strategic partnerships with GCC countries, recent years have seen a decline in its focus on the region [19]. Japan's energy dependency on the Gulf and competition from the EU may reignite its interest.

Meanwhile, GCC-ASEAN relations have developed slowly, with meetings in 2009 and 2010 leading to strategic dialogues, but practical progress lagging due to internal regional issues. The 2023 ASEAN-GCC summit aimed to reinvigorate cooperation, emphasising renewable energy, food security, and regional stability, although future success remains uncertain.

## EU-GCC Relations

The importance of EU-GCC relations lies in their high degree of energy and economic interdependence, particularly in terms of trade and investment. The relationship between the two blocs is steered by the 1989 cooperation agreement, which aimed to ultimately implement an EU-GCC Free Trade Agreement (FTA) [20]. The negotiations between the EU and the GCC for the establishment of an FTA were set in motion in 1991. However, in 2008, negotiations were unilater-ally suspended by the GCC due to various disagree-ments. Therefore, despite a desire from both sides to strengthen relations, expressed through prolonged negotiations and joint councils, there has been mini-mal progress towards a formal economic agreement between the EU and the GCC [21]. However, a joint communication on a "Strategic Partnership with the Gulf" was released in 2022, which aims to develop economic cooperation and convergence and revive FTA talks between the two sides [22].

Although the FTA talks have stalled up to 2022, economic exchange between the two blocs remains significant. The EU is the GCC's second largest trade partner, representing 11.1% of the GCC's total trade in goods with the world in 2023 [23]. It is also the GCC's fourth main export destination, constituting 7.5% of its total exports [24]. Additionally, 16.2% of total goods imported in the GCC come from the EU, the second after China, from which the GCC imports 20.8% [25]. As for the EU, its exports to the GCC account for 3.48% of its total exports in 2022.

The main goods exported by the EU to the GCC in 2023 were machinery and transport equipment (41.4% of total exports), chemical products (16.3%), as well as agriculture and raw materials (10.9% [26]). As for EU imports in 2023, they are dominated by mineral fuels and petroleum products (76.4%), manufactured goods (7.6%), as well as chemicals (6.9% [27]).

Other important dimensions of the relationship include tourism, especially pilgrims heading to Saudi Arabia and conventional tourists going to the UAE. Moreover, research and education are also rapidly growing, with European universities opening branches in the GCC, as well as attracting thousands of GCC citizens to their EU-based branches [28]. Additionally, the Erasmus+ Programme, an EU-funded international exchange programme to improve the international mobility of higher education students, has expanded to include the Gulf region.

Scholars often criticise the EU for its limited influence in the Middle East, focusing on short-term, transactional policies. However, the EU retains leverage, particularly through arms sales [29]. Since the Cold War, the Middle East has been one of the largest importers of arms, mainly from the US and the EU. Saudi Arabia and Qatar were major recipients between 2019 and 2023, with France being a key supplier [30]. Arms sales serve EU strategic interests, influencing regional power dynamics and preserving domestic defence industries.

Despite significant arms sales, the EU's influence in the Gulf remains limited. The 1989 EU-GCC Cooperation Agreement aimed to foster relations, but progress has been slow. Efforts to enhance cooperation on economic, trade, and, security issues in the 1990s and 2000s achieved little. In 2022, the EU launched a "Strategic Partnership with the Gulf," focusing on energy, trade, investment, and security, though critics argue the strategy is vague due to the absence of clear objectives that go beyond general goals such as diplomatic dialogue and economic cooperation [31].

Energy cooperation between the EU and GCC has lagged, primarily due to the EU's focus on renewables and reluctance to engage deeply on fossil fuels. The new partnership attempts to balance the EU's short-term need for hydrocarbons with its long-term transition to clean energy. Maritime security and counterterrorism are also key areas of focus. However, internal EU disagreements, particularly on issues like Palestine, and the growing rightward political shift in Europe have reduced the EU's diplomatic and security footprint in the Gulf region.

## The Evolution of Relations: Substitutes vs. Complements

### The Prevailing Trajectory

Data on the value of total merchandise trade between the GCC and the EU and, the GCC and the three largest East Asian economies (China, Japan, South Korea) for the period 2001–2021 reveals two notable features. First, GCC trade with both blocs is increasing, albeit with a blip in 2016 caused by the collapse in oil prices. Moreover, since the GCC's trade with Asia is more hydrocarbon-centric than its trade with the EU, the impact of the oil price collapse on total trade with Asia was larger than it was on total trade with the EU. Second, the rate of growth of the GCC's trade with Asia is faster than that of its trade with the EU, confirming the rise in Asia's importance vis-à-vis the EU during the 21st century. Moreover, it is also evident in terms of investment flows, service trade, and other economic variables[32]. As explained above, it is also true in the diplomatic and security domain, where the frequency of high-level visits from Asia has increased far more quickly than for the EU. China is beginning to play an unprecedented diplomatic role in the region at a time when European countries are struggling to maintain credibility as security partners.

Several factors together account for this broad trajectory. In the economic domain, in line with the standard model of trade, the gravity model [33], the most important cause is the growth of the Asian economy outstripping that of the EU.

Furthermore, there has been a shift in Western voter preferences towards pro-nationalist, anti-immigration policies [34]. Western governments, including those in the EU, are being asked by their electorates to pursue more isolationist foreign policies that involve steering clear of armed conflicts in distant lands [35]. Accordingly, the GCC states are witnessing a decrease in the West's willingness and ability to realise the GCC states' national security goals, though the EU has new initiatives in this vein, such as Operation EUNAVFOR Aspides. This development forces the GCC countries to look elsewhere, including Asia. The most prominent illustration is the China-mediated Iran-Saudi Arabia reconciliation in 2023 [36]. The Covid-19 pandemic and the war in Ukraine have both accentuated the attractiveness of East and South-East Asia vis-à-vis Europe.

## The Substitution Effect

As GCC relations shift towards Asia, a potential negative second-order effect on GCC-EU relations could emerge, driven by economies of scale or long-term "lock-in" effects. Energy is a key area where this might occur, as GCC countries increasingly favour long-term contracts for fossil fuel deliveries with Asian buyers, who are more willing to commit than their EU counterparts. EU regulations on energy transition and emission targets make such deals with the GCC less likely, even as the war in Ukraine pushes the EU to reconsider its energy strategy. Infrastructure investments, such as the GCC-Iraq electricity grid connection, further reinforce this trend.

The shift towards Asia may also accelerate the EU's long-term move towards clean energy as GCC energy exports head east, potentially reducing the EU's effective demand for GCC hydrocarbons. Additionally, carbon taxes on EU imports could push the GCC economies further eastward. Maritime disruptions, exacerbated by the Gazan war, have also made trade routes to Asia more appealing.

Trade agreements between the GCC and Asian countries, such as China and Japan, may intensify this substitution effect, especially given stalled EU-GCC FTA negotiations and the political shifts in Europe. In the security domain, arms sales politics further strain EU-GCC ties, with Asia, particularly China, emerging as a more attractive arms supplier due to its non-conditional approach. In diplomacy, China's growing influence could deepen the GCC's ties with Asia, potentially limiting its engagement with the EU and the US, although China's future foreign policy remains uncertain.

## The Complementarity Effect

Under certain conditions, deepening Asia-GCC relations could strengthen EU-GCC ties. A key mechanism is the positive economic effect, where growing GCC-Asia trade boosts the GCC economy, leading to increased demand for EU imports. For example, between 2001 and 2021, Saudi exports to China surged from $2.2 billion to $48.9 billion, enabling a parallel increase in Saudi imports from the EU. As the GCC's wealth grows, it drives greater demand for EU high-end goods and services, such as electronics and tourism.

Additionally, sectors like hydrogen, where Asia, the EU, and the GCC share common interests, may further integrate their economies. Investments in hydrogen technology by countries like Japan, South Korea, Germany, and Saudi Arabia could foster trilateral cooperation, benefiting EU-GCC relations as these technologies mature.

In the diplomatic and security realms, improved Asia-GCC relations could also spillover to the EU. As China helps fill the security gap left by the US, the GCC may become a more secure trade partner, boosting EU-GCC economic and political cooperation. For example, greater stability in the Red Sea could ease disruptions in EU-GCC trade.

Lastly, if Asia-GCC cooperation strengthens multilateralism and the international rule of law, the EU, which favours such systems, may invest more in its relationship with the GCC. While this is less likely given the global decline in multilateralism, it remains a theoretical possibility if regional cooperation increases. An example is China and Japan's role in the counterpiracy operations in the Gulf of Aden, which could motivate further EU engagement.

## Conclusion

The rapid, sustained growth of the Chinese economy during the 21st century – a trend that looks set to continue – has had a profound impact on the existing global order. One manifestation is the growth of the GCC's relationship with Asia, and the concomitant relative decline in the importance of the GCC's relationship with the EU. Despite these developments, the impact of growing Asia-GCC relations on EU-GCC relations is not linear, as there exist many mechanisms that could lead to further substitution, or that might have a complementarity effect. This chapter has exposed the major channels through which Asia-GCC relations feedback on EU-GCC relations, leaving us uncertain regarding the nature of the second-order effect. Nevertheless, on balance, the election manifestos put forward by the European politicians who are gaining most votes seem to indicate a bleaker future for EU-GCC relations, and the expectation that growing ties with Asia will make the GCC less likely to develop its long-standing relationship with the EU. Despite this potential macro-trend, the EU remains a key player with much to offer the GCC and the world more generally, meaning that the GCC countries should be wary of an organic abatement in their relations with the EU. With this in mind, GCC policymakers may wish to consider the following recommendations.

**Recommendation 1**: Direct GCC knowledge institutions to gain a more scientific understanding of the current and future path of the EU, politically, economically, and socially, to ensure that opportunities for mutual benefit are not overlooked, and that strategic GCC investments align with the emerging global order. At present, GCC knowledge institutions exhibit limited in-depth knowledge of the EU across different domains.

**Recommendation 2**: Act as the fulcrum for trilateral (Asia-EU-GCC) research and development in the area of renewable energy. Each region has important and mutually complementary comparative advantages in this domain, combined with a shared interest in developing cheap, reliable clean energies.

**Recommendation 3**: Collaborate trilaterally on the development of a shared language for classifying armed conflicts to aid in the affirmation of the importance of the international rule of law. Prevailing inconsistencies in the framing and description of various armed conflicts undermine the legitimacy of efforts to hold accountable those who violate international law and disrupt security and sovereignty.

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# Gulf-Japan Cooperation and Implications for the EU

**Dr Shigeto Kondo,**
Senior Researcher at the JIME Center of the Institute of Energy Economics, Japan (IEEJ)

## Introduction

Japan is the only Asian member of the G7 grouping and has shared interests with the European Union and its member states in many areas, including politics and the economy. At the same time, Japan has also been strengthening its relations with the Gulf countries because of its dependence on oil, whereas EU countries have various relationships with the Gulf countries due to their relative geographical proximity. Though approaches to the Gulf by Japan and the EU may differ, there is great potential for all three to work more closely in the coming decades.

The world is now amidst major political and economic upheaval fuelled by great power competition and energy transition. Japan's cooperation with the Gulf countries is beginning to show a new dynamism in line with these global trends. This chapter will first review the traditional areas of cooperation between Japan and the Gulf states, and then examine the three emerging areas: the India-Middle East-Europe Economic Corridor (IMEC), energy transition, and security and regional affairs. The implications of cooperation between Japan and the Gulf states for the EU countries will also be analysed throughout the chapter.

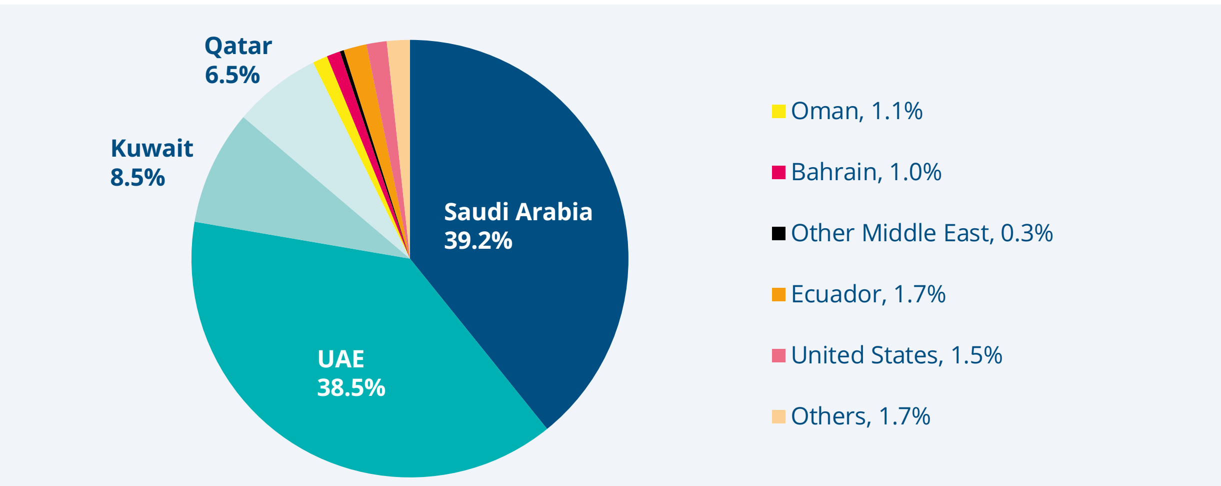
## Traditional Areas of Cooperation

Japan relied on imports from the Gulf countries for 95.2% of its oil in 2022 **(Figure 1)** [1], a higher percentage than its Asian neighbours China and South Korea. Oil accounts for 36.1% of Japan's energy usage [2], indicating that Japan depends on the Gulf countries for more than 34.4% of its primary energy needs. Although Japan's dependence on oil is expected to decline due to progress in energy transition, the Institute of Energy Economics forecasts that Japan will still be 21–30% dependent on oil in 2050 **(Figure 2)** [3]. As for natural gas, the Japanese company JERA did not extend its long-term LNG purchase contracts with Qatar in 2021, but the value of long-term purchase contracts are being re-evaluated after the Ukraine crisis, and there is a possibility that new long-term purchase contracts will be signed with Qatar again [4].

Because of this apparent dependence on oil and natural gas, the Japanese government has emphasised its relationship with the Gulf region and has also supported the entry of Japanese companies into the region to deepen economic relations with partner countries. For example, in 2016, Japan established the "Japan-Saudi Vision 2030" framework with Saudi Arabia to support the country's economic reform. Japan's Ministry of Economy, Trade, and Industry (METI) is at the forefront of economic cooperation with these Gulf countries. In November 2023, METI announced a target of 13 billion dollars (two trillion yen) in public and private investment in the Global South, including the Middle East, over the next five years [5].

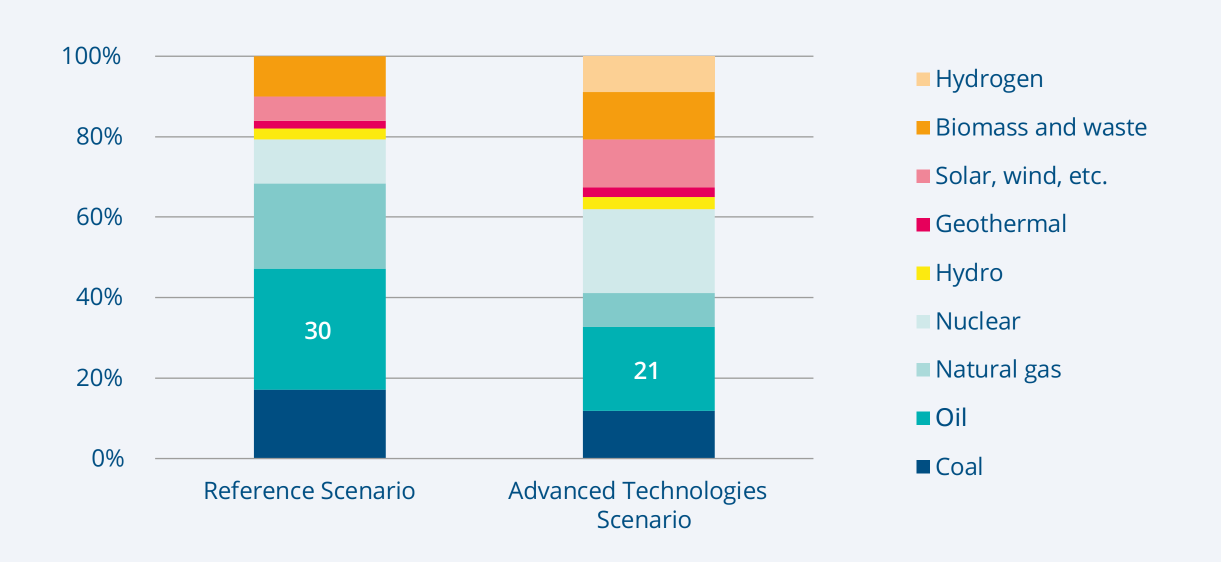
With the support of the Japanese government, Japanese companies have been expanding into the Gulf region. Japan's largest oil concessions in the Neutral Zone in Saudi Arabia and Kuwait were lost in the

**Figure 1: Japan's crude oil imports in 2022**



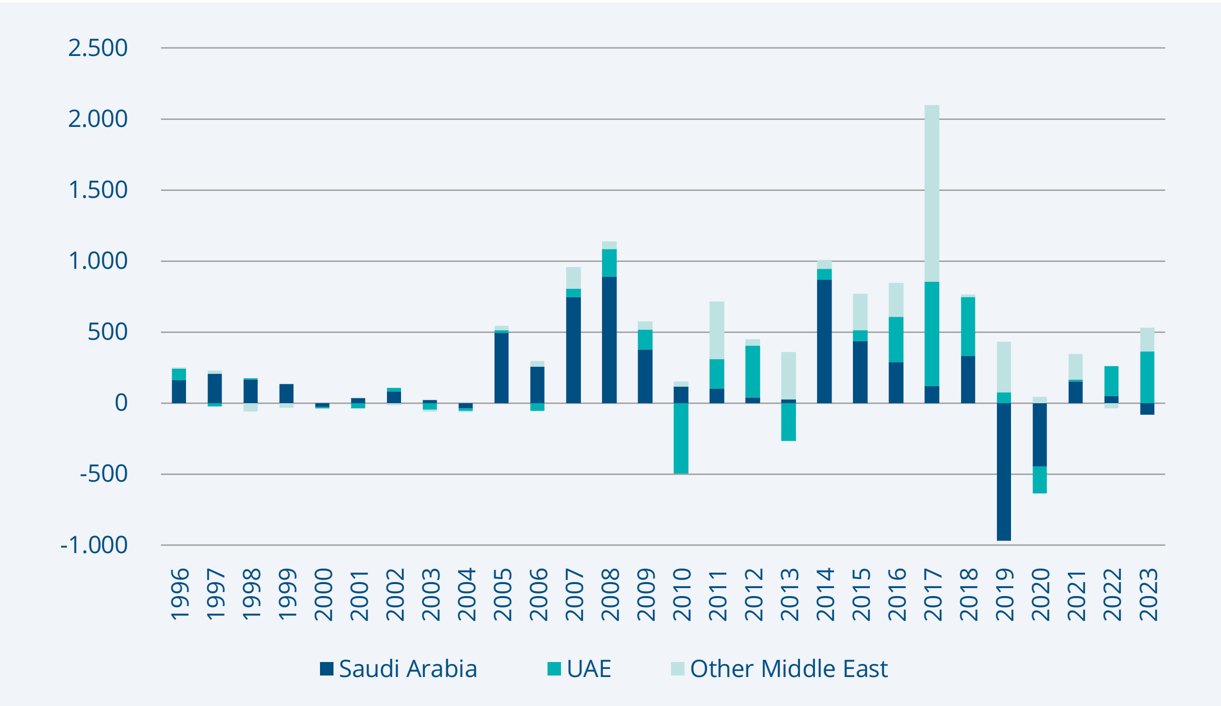

*Source: Ministry of Economy, Trade and Industry of Japan*

**Figure 2: Share of Japan's primary energy consumption in 2050**




*Source: The Institute of Energy Economics, Japan, IEEJ Outlook 2024*

**Figure 3: Net foreign direct investment flows from Japan to the Middle East (million $)**




*Source: Japan External Trade Organisation*

2000s, but the concessions in UAE—the second most important country in terms of oil concessions—were successfully extended from 2015 to 2018 with government backing. Within the petrochemical industry, Sumitomo Chemical, a major Japanese petrochemical company, established a joint venture with Saudi Aramco in western Saudi Arabia in 2005. Japanese companies have also entered various other fields, including power plants, desalination, railroads, and, renewable energy, increasing Japan's direct investments in the region during the 2000s and 2010s **(Figure 3)**[6]. The Japan Bank for International Cooperation, a government-affiliated bank, and private banks have financially supported many of these projects [7].

## India-Middle East-Europe Economic Corridor (IMEC)

IMEC is a highly ambitious economic corridor concept including the Gulf and Europe that was conceived against the backdrop of competition between the US and China. IMEC was announced at the G20 Summit in September 2023 and will link India and Europe by shipping and rail via the UAE, Saudi Arabia, Jordan, and Israel, while also laying power cables, data cables, and hydrogen pipelines. The US, India, Saudi Arabia, the EU, the UAE, Germany, France, and Italy are the signatories to the memorandum of understanding for this initiative.

Although Japan is not a signatory to the IMEC memorandum of understanding, possibly due to its geographical distance from the assumed corridor, the initiative was originally nurtured in the framework of the Global Infrastructure Investment Partnership (PGII) announced by US President Biden at the G7 Summit in Elmau, Germany in June 2022, and was supported by the G7 countries, including Japan. Japan hosted a side event of the PGII at the Hiroshima Summit in May 2023, showing its willingness to enhance its cooperation [8]. Japanese Prime Minister Kishida also attended the September 2023 meeting where IMEC was announced and said that Japan has contributed to the development of India's rail infrastructure [9]. Japan emphasised the importance of quality infrastructure investment when it hosted the G20 Finance Ministers and Central Bank Governors' Meeting in 2019[10] and has sought to differentiate its investment stance from that of China.

In this context, Japan could play an important role in IMEC by showing its willingness to contribute to it and/or by applying to become a signatory to its memorandum. In 2021, Japan's Hitachi Energy was awarded a contract for a large-scale, long-distance power cable connecting Saudi Arabia and Egypt [11]. With this track record, Japanese firms could also contribute to the installation of power cables between the Middle East and Europe, an important component of IMEC. In addition, if Japanese firms can get involved in IMEC-related projects, they can expect generous financing from Japanese governmental and private banks for projects in the Gulf countries, as they did before.

Thus, while IMEC is primarily an economic corridor linking India and Europe, Japan is a natural and important partner for IMEC as it promotes PGII with Europe. While IMEC is not currently on track to move forward due to the ongoing Israel-Gaza conflict, Washington remains committed to resolving the conflict and trying to promote Saudi-Israeli normalisation, and thus has not given up on the IMEC project. In anticipation of this initiative moving forward again, it would be beneficial for related countries, including Japan, to discuss preparations for the initiative.

## Energy Transition

The global trend towards stronger climate action is forcing Japan and the Gulf countries to redefine their traditional relationship through trade in fossil fuels. In other words, both Japan and the Gulf countries are moving forward with their energy transitions and hence, their energy relationships are gradually shifting from fossil fuels to new energy sources, such as renewable energy, clean hydrogen, and ammonia [12]. For example, Japan is now promoting cooperation with Saudi Arabia in the clean energy field under the framework of the "Lighthouse Initiative", established in July 2023 [13].

In the area of renewable energy, Japan has already ceded its position as a producer of solar modules to China and has fallen far behind in the production of wind turbines, but Japanese trading companies are actively involved in renewable energy projects in the Gulf countries as investors. For example, Marubeni Corporation, a Japanese trading company, is one of the major players in renewable energy development in the Gulf, along with other competitors such as ACWA Power in Saudi Arabia, Masdar in the UAE, and Engie in France. Recently, Marubeni achieved the world's lowest cost for onshore wind power generation in Saudi Arabia [14]. As Samsung C&T won the bid to build Qatar's largest solar plant in 2022 [15], South Korea is also increasingly becoming a competitor for Japan in renewable energy development in the region.

As for clean hydrogen and ammonia, Japan and Saudi Arabia conducted the world's first transportation of blue low-carbon ammonia demonstration in 2020 [16]. Saudi Aramco and SABIC received certification for blue ammonia from TÜV Rheinland of Germany in August 2022 [17] and exported it commercially to South Korea and Japan. In July 2023, it was even reported that Japan and Saudi Arabia would jointly produce blue ammonia [18]. Japan is also pursuing cooperation with the UAE, and in May 2024, the UAE's Abu Dhabi National Oil Company announced that it had shipped large quantities of third-party certified low-carbon ammonia to Japan [19].

If the Japan-led export of blue ammonia could achieve commercial success, the Gulf countries will probably invest more in this resource rather than in green ammonia using renewable energy. This would be beneficial for companies like TÜV Rheinland in Germany, which are only partly involved in the production of blue ammonia. However, since there are companies like ThyssenKrupp Nucera in Germany that are playing a core role in the production process of green ammonia by providing their electrolysers at NEOM in Saudi Arabia, it would be more beneficial for the EU if the Gulf countries were to focus their financial resources on green ammonia rather than blue ammonia.

Japan is also increasing its interest in green hydrogen and ammonia, especially in Oman, where the potential for renewable energy is abundant. Two Japanese companies, Marubeni and J-Power, are involved in these green hydrogen and ammonia projects. The Japanese gas industry also has high expectations for green hydrogen since it aims to make e-methane produced from green hydrogen and CO2, which is expected to constitute 90% of the gas supply in Japan in 2050 [20]. Japanese gas companies are looking for suitable e-methane production sites around the world, and Oman, which already has gas liquefaction facilities and abundant wind and sun for renewable energy production, could be one of the most promising sites.

The clean hydrogen and ammonia business is still in the developing stage and requires policy support from the governments, but Japan and the EU have approached the Gulf states separately so far. For example, the Fraunhofer Institute, a German leading applied research organisation, helped develop the UAE's hydrogen strategy, which was announced in July 2023 [21], whereas Japan's former Prime Minister Kishida launched a "Global Green Energy Hub" concept which tried to make UAE a centre for green energy development. As has already been discussed, both the EU and Japan have their own advantages in the development of clean hydrogen, and the Gulf countries need both. Therefore, if the EU and Japan collaborate more, the Gulf countries' hydrogen strategy may become more consistent, and it would help both EU and Japanese companies to further expand their business opportunities in the Gulf states by complementing each other.

Japan and the Gulf countries are also looking to cooperate in establishing supply chains for critical minerals that will be needed in the energy transition. For example, in December 2023, Japan's METI and Saudi Arabia's Ministry of Industry and Mineral Resources signed a memorandum of understanding to consider joint investments in Saudi Arabia, Africa, and Latin America to secure essential minerals needed to manufacture electric vehicles [22]. If this cooperation develops, both countries could play an important role in building the global supply chain for crucial minerals. Critical minerals are one of the areas of cooperation under the aforementioned Japan-Saudi Lighthouse Initiative, and both countries are reaching out to partners to join the initiative [23]. Therefore, by joining this Japan-Saudi initiative, the EU can also be expected to strengthen the security of critical minerals.

## Security and Regional Affairs

Japan has been dependent on the US for security including maritime security around the Gulf states. However, as the US reduces its military presence in the Gulf region, there is gradually more room for Japan to become proactively involved. For example, Japan dispatched the Maritime Self-Defense Force (MSDF) to the Middle East for the first time in 2019 after a Japan-related vessel was attacked in the vicinity of the Strait of Hormuz. The force is still gathering intelligence in the Gulf of Oman, Gulf of Aden, and northern Arabian Sea, and since 2023, is also keeping a close watch on attacks on ships by Houthi groups in Yemen.

Regarding regional and international affairs, Japan is trying to cooperate as much as possible with the Gulf states. For example, during former Prime Minister

Kishida's visit to Saudi Arabia in July 2023, the two countries agreed to establish a Strategic Dialogue at the foreign ministerial level [24], with the aim of coordinating their positions on regional and international affairs. The establishment of the Strategic Partnership Council, chaired by both leaders, was also agreed upon during the virtual summit between Kishida and Crown Prince Mohammed in May 2024[25].

Although Japan and the Gulf states have sometimes disagreed on regional affairs, Japan has nevertheless tried to overcome their differences. For example, in October 2023, Japan abstained from UN General Assembly Resolution ES-10/21 regarding a humanitarian truce between Israel and Gaza, causing some discomfort in the Gulf countries. However, in March and April 2024, Japan dispatched a Special Envoy for Middle East Peace to Saudi Arabia, Qatar and, the UAE. Further, on 18 April 2024, Japan voted in favour of a UN Security Council resolution to admit Palestine to UN membership, which was supported by the Gulf states [26].

Japan also plays a unique role in coordinating the positions of Asian countries regarding the situation in the Middle East. For example, Japan established the framework of the Conference on Cooperation among East Asian Countries for Palestinian Development in 2013, and the latest meeting was held in July 2024 with representatives from Southeast Asian countries [27]. The reconstruction in Palestine is also important for the Gulf countries, and the EU could become more effectively involved in the reconstruction by cooperating with this Japan-led framework.

In terms of arms exports, Japan has growing opportunities to strengthen relations with the Gulf states. Japan has long banned arms exports under its Peace Constitution, but in 2014 it lifted the ban on arms exports in principle [28], allowing Japan to export arms to countries with which it has signed transfer of defence equipment and technology agreements. Among the 15 countries with which Japan has signed the agreements so far, the UAE is the only country in the Middle East, but there are no concrete moves towards transferring arms, yet. It is expected that Japan might expand the signatories of those agreements to other Middle Eastern countries, particularly Gulf countries, given their strong demand for arms.

Japan is currently working with the UK and Italy on The Global Combat Air Programme (GCAPS), a joint development programme for sixth-generation jet fighters, and there is potential that the Gulf countries —which are among the world's largest arms importers—will become large buyers of these fighters in the future. GCAPS is Japan's first attempt to develop defence equipment with countries other than the US and could serve as a basis for Japan to play an even greater role in international security.

## Conclusion

Japan and the EU have the opportunity to coordinate their approaches to the Gulf states. The IMEC initiative, a Western-led infrastructure initiative with China in mind, could facilitate significant collaboration in infrastructure development. India, a signatory to IMEC, is a country where Japan has a proven track record in infrastructure development. Energy transitions have sparked a focus on new energy and critical minerals, which Japan is considering to be a new pillar in its relations with the Gulf states. The EU is also interested in developing clean energy in the Gulf region, and by cooperating, the EU and Japan could build a complementary relationship that makes the most of their strengths. The escalation of US-China competition has also made Japan more proactive in its security policy, expanding the scope for cooperation with the Gulf states.

Closer ties with Japan will also benefit the EU in deepening ties with other Asian countries. In the area of clean energy, for example, Japan is now collaborating with South Korea to build a supply chain for hydrogen and ammonia [29]. Therefore, if European companies can cooperate with this move, they will be able to deepen their relationships not only with Japanese companies but also with Korean companies. In the area of international and regional affairs involving the Gulf countries, Japan, as a member of the G7, is the closest country in Asia to the EU, and this makes it an important intermediary for building cooperation between the EU and other Asian countries. Thus, positioning Japan as an important partner in its engagement with the Gulf countries will be beneficial to the EU in various fields, and that collaboration would greatly benefit the Gulf countries, too.

In the EU, the existence of voters and the media with a negative view of the Gulf countries due to concerns about human rights limits strategic engagement with them, but in Japan, such views are limited, partly because there is not much news about the Gulf countries in the first place. Japan is also a democratic country, and journalists occasionally cover human rights issues in the Gulf countries in the media, but there is a constant view within the Japanese government not to lose the Gulf countries, which are rich in energy resources, and there are almost no hesitations in strengthening strategic relations with them. If EU governments also want to build more strategic relations with the Gulf countries, they need to have the same unwavering strong will as the Japanese government, and this would help make the relationship much more stable and robust.

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# 3

# Korean Perspectives on Asia-Gulf Cooperation and Implications for Europe

**Dr Munsu Kang,**
*Associate Research Fellow at the Korea Institute for International Economic Policy (KIEP)*

## Background

Since the global community agreed to reduce carbon emissions in the 2015 Paris Agreement, Gulf countries have been pursuing sustainable economic transformation using revenues from fossil fuels. The energy rivalry among the GCC countries has expanded to competition in economic diversification, hosting international events, and a focus in transportation and business hubs (e.g., airlines, ports) under the respective national visions [1]. Gulf countries started to open their economies to attract FDIs and to become regional hubs. Particularly, the UAE and Saudi Arabia are leading the charge with future visions to strengthen their economic and diplomatic influence. For instance, Saudi Arabia's Vision 2030 includes the implementation of so-called megaprojects such as NEOM and the Red Sea project. The vision strategies also encompass ambitions to become global transportation hubs, as seen in examples like the UAE's Jebel Ali and Saudi Arabia's Oxagon in the Red Sea [2].

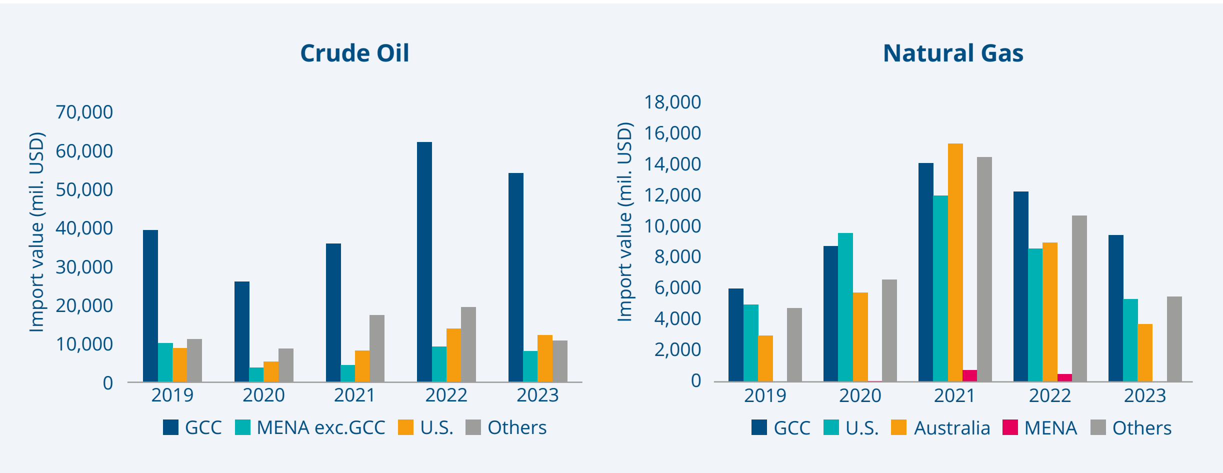
While political and regional stability, the absorption of advanced technology, and external physical investments are required for all Gulf countries to achieve their goals, the U.S. has been increasingly focused on the Indo-Pacific region since the Obama administration. At the same time, China announced the 'One Belt, One Road' Initiative (BRI), aiming to connect China's global value chains from Asia to Europe. Gulf countries have also appeared to cooperate more closely with Asian countries.

Over the past two decades, economic integration between the Gulf and Asia has also increased. The oil and gas trade used to be the main economic cooperation between Asian countries (e.g., Korea, China, Japan, and India). For example, around 72% of total oil export from GCC countries went to four Asian countries as of 2021 [3]. However, recent efforts for economic diversification of GCC countries are leading the economic relationship between GCC and Asian countries to be more diversified from an oil-dominant relationship to advanced technology and manufacturing such as AI, digital transformation, mobility, and aerospace.

This chapter investigates Korea's motivations to cooperate with GCC countries and its lessons for the EU. It delves into the bilateral economic relationship between the GCC and Korea to identify Korea's perspectives of why the GCC is an important partner in terms of economic growth and assesses the implications for Europe.

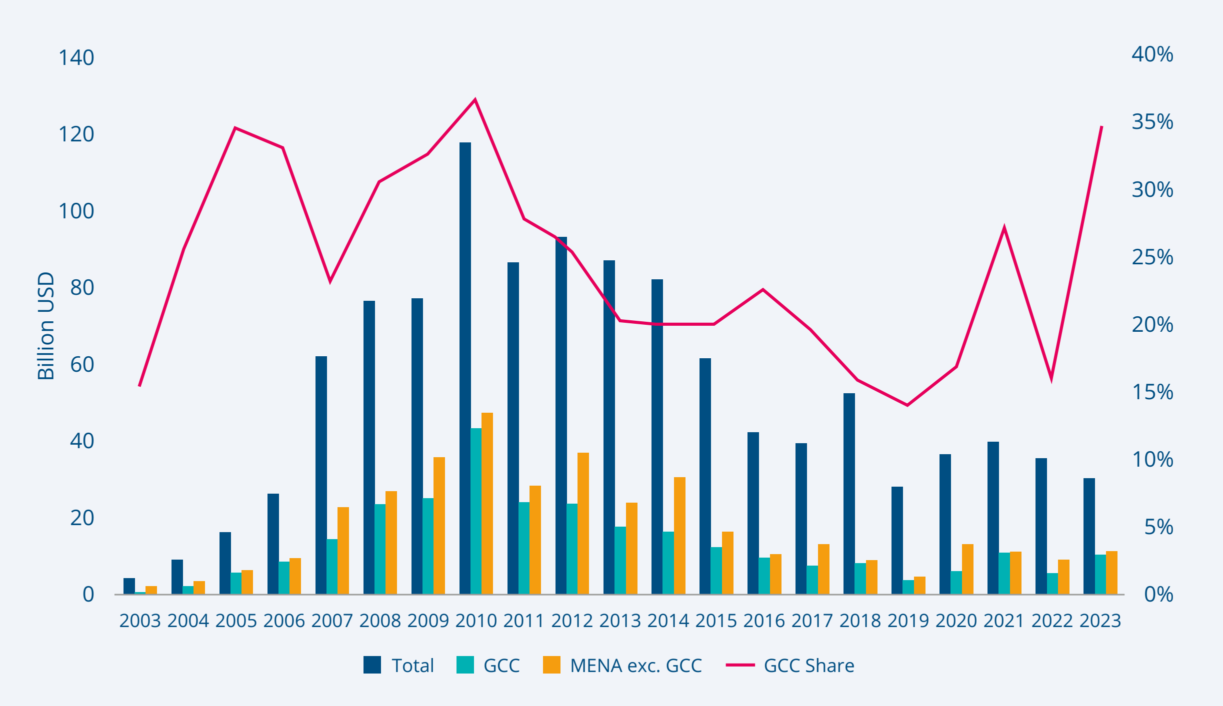
The traditional pillars of Korea-Gulf cooperation have been energy and construction contracts [4]. For example, the import value of crude oil from GCC countries has increased since the Covid-19 pandemic and reached 63.5% of Korea's total crude oil imports in 2023. Though the import share of natural gas from the US and Australia is high, Korea's natural gas import share from the Gulf region (e.g., Qatar and Oman) is the highest it has been since 2022. This highlights the continued importance of the Gulf region as a key energy supplier for Korea.

**Figure 1: Korea's crude oil and natural gas import trends (2019-2023)**




*Source: KITA.*

**Figure 2: Major construction projects contracted by Korean companies**




*Source: Overseas Construction Information System.*

Regarding construction contracts, the proportion of Gulf region contracts secured by Korean companies varies from 15% to 35%. While the number of construction contracts between Korea and the Gulf countries has declined since 2012, the two regions remain important business partners, especially in light of the Gulf countries' plans to build smart cities across the region. Even though the overall volume of construction contracts has decreased, the strategic importance of these projects for both Korea and the Gulf countries persists. The Gulf's ambitious plans for developing smart infrastructure present continued opportunities for Korean construction and engineering firms.

## Importance of Korea for Economic Diversification of the Gulf

As Asian and GCC countries are becoming mutually beneficial partners through economic cooperation, South Korea is one of the countries actively pursuing the expansion of this partnership based on shared interests. Historically, the relationship between Korea and the GCC has been founded on energy imports and construction contracts [5]. Even though former President Lee Myung-bak sought to diversify the economic relationship between the two regions, the import of fossil fuels and construction contracts, aside from nuclear and aerospace cooperation, remain the main drivers of cooperation between Seoul and the Gulf.

Over the past decade, Korea and the Gulf countries continued to strengthen their ties, which included the establishment of a future-oriented Strategic Partnership with Saudi Arabia in 2023 [6], a Comprehensive Strategic Partnership with Qatar in 2023, and the updating of a Strategic Partnership with the UAE in 2024 [7]. As a result, Saudi Crown Prince Mohammed bin Salman and UAE President Mohamed bin Zayed each have signed investment deals worth $30 billion with the Korean government. Korea and Saudi Arabia have also been operating the Korea-Saudi Vision 2030 committee since 2017, focusing on several sectors.

Why have Gulf countries started to cooperate more actively with Asia, including Korea [8]? First, it is critical for GCC countries to acquire advanced technologies to achieve their economic diversification strategies. As is shown in previous literature, absorption of technology can be one significant determinant for countries to diversify their economies [9]. As GCC countries strive to diversify their economies, the technology gap is still significant, and cooperation with technologically advanced countries is required. According to the WIPO (World Intellectual Property Organisation), the top five science and technology clusters are located in [10] China, India, Korea, and Japan [11]. As GCC countries are seeking technology leaders, Asian countries also explored potential partners to export their technologies, which brought GCC and Asian countries closer.

Furthermore, Asian countries such as Korea are more open to transferring advanced technologies compared to Western countries. For example, the UAE and Korea started cooperating in the space sector in 2006, when Emirati youth visited Korea for knowledge transfer [12]. In 2017, this cooperation expanded, as the Mohammed bin Rashid Space Centre and the Korea Aerospace Research Institute (KARI) signed an agreement for transferring expertise, and the UAE finally launched its national space programme.

Second, the involvement of Asian frontrunners in developing the advanced manufacturing sector could stimulate Gulf countries to diversify their collaboration partners and reduce potential uncertainty. This indicates that the GCC's diplomatic ambivalence also manifests in their economic cooperation. As Gulf countries aim to develop advanced manufacturing sectors, including mobility and AI chips, they are using Asian countries to complement their current economic partnerships. For example, Naver started to cooperate with Aramco to construct large language models in Arabic, while Kakao Mobility decided to cooperate with Saudi's SDAIA (Saudi Arabia Data and Artificial Intelligence Agency) to work on autonomous driving, robotics, urban air mobility, and digital twin projects. Saudi Arabia and the UAE also sought to produce AI chips, and Aramco invested in one Korean AI chip start-up called Rebellions Inc., and Aramco and Rebellions became partners in the AI sector. Hyundai Motors has decided to invest in building a vehicle production plant in Saudi Arabia's King Abdullah Economic City (KAEC), while Hyundai Motors also agreed with the Saudi Transportation Agency to build a hydrogen mobility ecosystem in Saudi Arabia. As Gulf countries pursue exporting manufactured goods such as EVs to neighbouring countries in the near future, collaboration with leading countries to fill the technology gap, as well as importing producer goods for advanced industies, are in demand.

Gulf countries are also attempting to cooperate with Korea in service sectors like gaming, entertainment, digital payments, medical services, and digital government services in order to fulfil local demand [13]. As a result, Seoul and the Gulf have included digital service sectors in the Korea-UAE Comprehensive Economic Partnership Agreement (CEPA) and the Korea-GCC Free Trade Agreement (FTA) to deepen their cooperation.

Third, as the share of foreign workers in the labour force ranges from 94.4% (Qatar) to 68.8% (Oman) [14] as of 2023, the escalation of geopolitical instability and uncertainty in the Middle East could cause high-skilled labour to leave that region. Furthermore, more than 60% of youth in the GCC prefer public sector jobs to private employment. As a result, the mismatch between education and the labour market, as well as the competitive income level in the public sector, are major economic challenges that GCC countries face [15]. As a result, Gulf countries are eager to cooperate with Asian countries to attract high-skilled labour from those regions.

Fourth, Asian countries are also important for Gulf countries in terms of the energy sector. Most notably, Asian countries have become major customers for Gulf countries to export hydrocarbons after the US became a global major oil supplier. As Gulf countries attempt to transition to a technology-based economy, the UAE and Saudi Arabia are attracting foreign investments to achieve their national visions. However, oil and gas sales are the biggest source of government revenue for the Gulf, and it is crucial to maintain continuous energy partnerships with Asian countries to achieve their goals.

Low oil prices remain a looming challenge for Gulf countries. Even though OPEC+ members strive to control the price level to mitigate government revenue shocks, it is also important to have secure trade partners. The major oil-importing countries for the Gulf are in Asia, and oil supply stability is crucial for the economic growth of both the Gulf and Asia. In this regard, Asian countries, including Korea, are important oil trade partners for the Gulf.

Another aspect is the development and utilisation of hydrogen. Korea and Japan are both highly interested in utilising hydrogen, as their companies aim to develop hydrogen utilisation for the energy and mobility sector and consider the GCC countries as potential hydrogen suppliers. Japanese companies in the Middle East consider hydrogen as a promising business opportunity in the future. Korea also has launched the "H2 Korea" initiative to diversify its energy sources for the mobility and shipping sectors to include hydrogen. Since Korea is attempting to adopt hydrogen as an energy source, Gulf countries may find Korea a favourable partner to export their hydrogen production. Furthermore, Korea and Gulf countries have the potential to cooperate on building hydrogen plants. This could be a mutually beneficial arrangement, as the Gulf countries have abundant natural resources to produce hydrogen, while Korea has the technological capabilities and market demand to utilise it.

The last point is the growing demand for nuclear power plants in the GCC region. Korea and the UAE made an agreement to build a nuclear power plant in 2009, and as a result, four power plants in the Barakah region were constructed with a 5,600 MW capacity. The energy supply diversification for the Gulf countries is important to achieve nationally determined contributions for decarbonisation. GCC countries, and especially Saudi Arabia and the UAE, depend on fossil fuels for power generation and seek to diversify their energy sources. With the successful operation of the Barakah nuclear power plant, nuclear cooperation demand from the GCC is increasing, especially towards Korea.

## Korean Perspectives on Korea-Gulf Cooperation

The relationship between Korea and the GCC is expected to expand, as the Korea-GCC FTA and the Korea-UAE CEPA open up more opportunities for both partners. Korea is the second country to agree to an FTA with the GCC after Singapore. One reason why Korea aims to expand and diversify its economic relationship with the Gulf countries is the polarisation of the global economy. As US-China competition disrupt the global value chain, the Korean government is seeking alternatives to maintain its robust value chain. The recent increase in geopolitical uncertainty within the Gulf region highlighted the need to build a more secure relationship. Most importantly, the Gulf is crucial for Korea in terms of securing its energy value chain. Korea has made an agreement to initiate a joint crude oil storage project in preparation for emergency situations, with the UAE and Saudi Arabia participating consecutively after the Russia-Ukraine war [16].

With the trade route between Korea and European countries passing through the Suez Canal, it is crucial for Korea to have a secure environment in the Red Sea region. The recent crises in the Red Sea led commercial ships to reroute through the African continent, which has resulted in soaring prices for raw materials. As Korea is an export-oriented country, geopolitical security within the Middle East directly affects its economic growth. Ensuring the security and stability of this crucial maritime passage has become a strategic priority for Korea, driving it to deepen its engagement with the Gulf states. For this reason, the Korean government is also interested in participating in the multilateral cooperation related to the Red Sea stability and geopolitical stability of the Middle East.

The second aspect of Korea's cooperation is in the area of advanced technology. As Gulf countries are preparing for the post-oil era by diversifying their economic structure from energy to advanced technology, Korea considers this as an opportunity to increase its appearance in the Middle East. The Korean private sector has invested in the digital and AI sector to respond to the rapid industrial transition. As AI is one of the prominent sectors that Gulf countries have initiated to invest in, the Gulf region could be an arena for Korean firms to enter. The digital service sector is also attracting Gulf countries, and there is an increasing number of firms striving to enter the Gulf market.

Moreover, the sovereign wealth funds (SWFs) of Gulf countries have started to invest in new industries such as batteries, bioeconomy, and healthcare. This pattern is distinctive from the early 2010s, when SWFs primarily invested in the energy and construction sectors in Korea. Since 2020, companies like NCSoft, Nexen, SK On, and Osstem Implant have received investments from the Gulf-oriented SWFs, indicating the growing interest of GCC countries towards Korea [17]. Additionally, the Korean software company, NAVER, has also started to cooperate on the digitalisation of government services with the UAE and Saudi Arabia.

The final point is the increasing demand for sectors where Korea has a comparative advantage. As was mentioned, Korea Hydro & Nuclear Power Co. led the construction of the Barakah nuclear power plant. The trade volume between Korea and the GCC for the defence sector and digital-related sectors also started to increase. Because nuclear energy, the defence sector, and the digital sector are areas that require intergovernmental negotiation, the Korean government has sought to coordinate with the relevant ministries and related organisations to increase its economic engagement in those sectors. In 2023, the Korean government announced the "Middle East 2.0" initiative for future cooperation with Gulf countries, the key aspect of this initiative is diversification based on mutual interests. For example, GCC countries are investing in the aerospace sector with a purpose of geopolitical stabilisation and to become a leader in the space sector. At the same time, both the UAE and Saudi Arabia are involved in the international aerospace project called the Artemis Programme [18]. The Korean government is interested in industries where there are mutual interests. The complementary strengths and interests between Korea and the Gulf countries are driving the expansion of their partnership into new areas beyond the traditional pillars of energy and construction.

## Implications for Europe

There are several policy implications for Europe. First takeaway is the importance of private industry engagement, supported by the government. As high-level government officials in the Gulf region serve as the key decision-makers for national development, GCC officials are actively promoting cooperation with Korea with Korean private firms functioning as practical enablers that implement this Korea-GCC cooperation. Accordingly, it is important for Korea to cooperate with the governments of GCC states to agree on which sectors to focus on for further cooperation, and how Europe could feed into such cooperation.

For this reason, the Korean government also formed 'One Team Korea' to cooperate with Gulf countries, and hundreds of private sector companies accompanied the President's visit to the GCC in 2022. 'One Team Korea' is an initiative that government and private sectors are engaged in to achieve more economic cooperation with foreign countries. The Deputy Prime Minister is leading the initiative to negotiate with partner countries for industrial and economic cooperation, including trade and investments.

As the GCC is changing rapidly, establishing public-private communication channels could improve decision-making processes, allowing for quicker responses to the emerging demands from Gulf countries. One advantage of the formation of the 'One Team Korea' could be the enablement of the quick decision-making process. Several ministries, including the Ministry of Land, Infrastructure, and Transport (MoLIT), the Ministry of SMEs and Start-ups (MSS), and the Ministry of Trade, Industries and Energy (MoTIE) are participating in the team. Private sector companies such as the Korea Enterprise Federation (KEF), the Korea Federation of SMEs (KFS) and the Korea International Trade Association (KITA) also provide information through the 'One Team Korea' channel. This private-public cooperation is the channel for information sharing and decision-making of the government for further economic cooperation. The private sector from Korea is engaged in the Gulf region on the basis of trust between the two sides, and this could increase the probability of successful project implementation.

Second, the EU and Korea could identify sectors for triangular cooperation in the GCC. The Korea-UAE CEPA and Korea-GCC FTA include tariff exemption for automobiles, steel, machines, and food products. However, the most important implication is the GCC's decision to open its service sector to industries such as film, healthcare, international law, and construction. Korea and the GCC also decided to cooperate on renewable energy supply chains, smart farming, the bioeconomy, and advanced technology under the Korea-GCC FTA framework. This agreement implies that there are more opportunities for the Korean private sector to enter the GCC market. It also means that Korea and the EU can engage in the GCC market together through joint ventures or by building supply chains for the bioeconomy and advanced technology sector.

AI- and automobile-related supply chains could also be a potential cooperation area for the EU and Korea. The EU and Korea have already built the semiconductor supply chain, while Gulf countries aim to build the AI supply chain within the region. This indicates that the EU, Korea, and GCC countries could build the AI-chip and AI industrial supply chain together under triangular cooperation. The automobile sector is another potential cooperation area for the EU and Korea. The EU and Korea already have the automobile supply chain in North Africa. As Gulf countries are heading to develop the EV industry within the region, a new supply chain related to the EV is emerging in the GCC. It means that the EU and Korea could cooperate together to enter the GCC EV market by participating in the ecosystem.

The third implication for the EU is the enhancement of technology cooperation among academic and policy research institutions. Gulf countries are interested in technology transfer to improve their technological capacity in terms of advanced industries. For this reason, GCC countries are more likely to cooperate with countries that are willing to transfer technologies and contribute to localisation. However, it is difficult for the private sector to enter the GCC region and take the risk even if Gulf countries have high development potential. For this reason, academia and research institutions in the GCC and EU could initiate the technology cooperation followed by the private sector for commercialisation.

One example of Korea-GCC cooperation is that academic institutions in Saudi Arabia and the UAE are discussing with KAIST (Korea Advanced Institute of Science and Technology) and UNIST (Ulsan National Institute of Science and Technology), both of which are leading universities specialised in science and technology, to facilitate student exchanges and to implement joint programmes. Another example is the collaboration between governmental think tanks. As the Korean government has adopted policy ideas from public think tanks to guide national development, Saudi Arabia is also interested in initiating public think tanks that can advise on national economic and social policy. As a result, Korea and KSA have collaborated on the establishment of public think tanks. For example, the Ministry of Economic Planning of the KSA requested the Korean government to build the Saudi Development Institute (SDI) modelled after the Korea Development Institute (KDI).

The final implication for the EU is that it is crucial to cooperate with the GCC on the development of knowledge-based economies. As GCC countries aim to transform their economies by incorporating advanced technologies, the Korean government has sought to identify areas of common interest through governmental meetings. As a result, Korea and the Gulf have expanded their areas of cooperation to include digital transformation, smart farming, defence, and renewable energy. Notably, economic cooperation on digital transformation and smart farming is also included in the Korea-GCC FTA. This indicates the possibility of new technology cooperation with GCC countries could emerge, an area where the EU could also focus its engagement, particularly in advanced technology and related service sectors.

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4

# The Scope for the EU to Dovetail into GCC-India's Multifaceted Engagement

**Dr Narayanappa Janardhan,**
*Director of Research and Anaylsis at the Anwar Gargash Diplomatic Academy*

## Introduction

The last two decades have witnessed intensive and successful efforts to navigate the relationship between the Gulf Cooperation Council (GCC) countries and India beyond the 'buyer-seller' relationship that had marked their previous ties. Spanning across economic, diplomatic, and security spheres; 'strategic' partnership has been the new mantra.

This chapter identifies the imperatives that shaped this relationship and how the governments have moved out of their comfort zones to explore uncharted terrains. It focuses on the governments' pursuit of pragmatic foreign policies to fulfil their respective strategic goals and achieve strategic convergence of the Gulf's 'Look East' and India's 'Think West' policies. Finally, alluding to the European Union's 'Strategic Partnership with the Gulf' and the India-EU strategic partnership, the chapter concludes by providing a policy outlook that the GCC-EU relationship could benefit from taking a leaf out of the thriving GCC-India template and even exploring GCC-India-EU minilateral arrangements for a win-win synergy.

## Interests vs Values

In an increasingly multipolar world, India has pursued an interest-based 'multi-aligned' foreign policy, balancing ties among competing powers, for example, the United States and Russia, Israel and Palestine, and the GCC and Iran. This has increased its strategic autonomy. Similarly, some of the GCC countries, after a security-driven West-centric approach, have also shifted towards a multi-aligned and multi-networked policy, especially evident in their ties with China, Israel and Iran, as well as membership in the BRICS and Shanghai Cooperation Organisation, with India in both groupings [1]. Together, both the GCC countries and India have added to the growing influence of middle powers.

The unique approach of these countries is their particular focus on factors associated with capital, commerce, collaboration, connectivity, cyber (technology), climate, and compromise. This tactic of putting interests ahead of values has enabled the GCC-India relationship to grow stronger over time.

The GCC is India's largest regional bloc trading partner. The six-country grouping made up 15.8% of India's total trade in the 2022–23 financial year, compared to 11.6% with the EU. While oil products are a significant part of the mix, the GCC is also India's "third non-oil regional-bloc trading partner, after the North American Free Trade Agreement (NAFTA) and the EU, representing 10% of the country's non-oil trade [2]." This translated to GCC-India trade totalling 184.55 billion dollars in 2022–2023, compared to a mere seven billion dollars in 2000–2001[3]. While Saudi Arabia and the UAE are major crude oil suppliers, Qatar and India signed a 78 billion dollar deal in 2024 to import liquefied natural gas from Doha until the end of 2048 [4]. Beyond energy imports, the UAE was the fourth-largest investor in India in 2023 and the seventh-largest source of Foreign Direct Investment overall (15.3 billion dollars) [5]. Furthermore, a total of nine million Indians work and reside in the six countries, the largest expatriate community in the region[6].

## Strategic Cooperation

While oil, trade, and expatriates have been constant factors in GCC-India relations, 'strategic' economic engagement has been an innovative value addition that has opened new opportunities in a transitioning world. Several examples, spanning food security, logistics, and maritime security demonstrate this newfound strategic cooperation.

Moving away from being a mere recipient of foreign capital, India has deepened its financial engagement with the UAE through robust cross-border ventures. In 2018, a group of three Indian public sector companies acquired a 10% stake in the UAE's Lower Zakhum offshore oilfield. Similarly, in 2021, India's Reliance Industries tied up with the Abu Dhabi National Oil Company (ADNOC) to develop a new chemicals facility in Ruwais in a deal worth two billion dollars [7].

The 'farm-to-port' project, developed with Emarati investment, addresses the food security issue by envisaging a special corporatised farming zone where crops are grown specifically for the UAE in India, along with dedicated logistics infrastructure for the port [8]. In 2019, 17 UAE companies invested about seven billion dollars in this sector[9]. This complements the UAE-India energy tie-up, thus making it a strategic 'food security-for-energy security' collaboration.

DP World and India's National Investment and Infrastructure Fund (NIIF) additionally teamed up to invest three billion dollars in the transport and logistics sectors in India in 2018. This followed the NIIF signing a billion-dollar investment deal with Abu Dhabi Investment Authority in 2017 [10]. Saudi and Abu Dhabi sovereign wealth funds invested three-and-a-half billion dollars in Reliance Industries' Jio (digital) Platforms in 2020 [11], with Mubadala investing more in India in 2020 than the previous 19 years combined, which encapsulates the changing South-South investment milieu [12].

Furthermore, India and the UAE, along with Israel and the US, are now part of the I2U2 minilateral grouping, which became possible after the signing of the Abraham Accords in 2020. This partnership focuses on evolving synergies in technology and infrastructure projects. During a virtual summit in 2022, these countries announced plurilateral collaborative ventures valued at nearly two-and-a-half billion dollars, targeting food security projects in India, which adds to the farm-to-port project [13].

In yet another example, the UAE and India sealed a Comprehensive Economic Partnership Agreement (CEPA) in 2022, India's first in the Middle East and North Africa, which is expected to nearly double bilateral trade and services by 2027. Expanding engagement beyond trade, the agreement covers 11 service sectors and over 100 subsectors, including innovation, aviation and tourism [14].

The 2010 Riyadh Declaration and the 2017 Comprehensive Strategic Partnership Agreement with the UAE have also provided tactical impetus in the security domain. Against the backdrop of the US' "pivot to Asia" and the resulting perception of American disengagement from the region, security concerns have evolved. The focus has shifted from regime security to supply-chain security, as India becomes part of the Gulf's diversified security architecture. Furthermore, Oman granted India access to the strategic Duqm Port in the Indian Ocean in 2018 [15].

Furthering the security cooperation agenda, India began joint naval exercises with the UAE in 2018 and with Saudi Arabia in 2019 [16]. India-Saudi [17] , and India-UAE military exercises [18] were included in the mix in 2024. During the volatility in and around the Gulf region since 2019, including the Red Sea crisis since 2023, in which several tankers have been attacked, India has independently deployed several warships and surveillance aircraft, without joining the US-led coalition [19].

## EU in the Mix

India and the EU are exploring ways of intensifying their ties. This could include the Middle East, where they could find common ground for collaboration on several issues. In an innovative diplomatic template aimed at coping with the new world (dis)order, India, the UAE, and France unveiled in 2023 an ambitious roadmap for a geographically non-congruous 'minilateral' initiative to undertake joint ventures in energy, technology, and defence sectors [20].

First pushed by the US during the Cold War, minilateralism has again found traction among like-minded countries that seek to avoid geopolitical conflict and push their economic agenda. Minilaterals are narrower in scope, usually informal, address specific problems, and bring together fewer countries that share the same interest. They are task oriented and capable of overcoming barriers to multilateral action that fail to achieve consensus [21].

In the case of the France-India-UAE trilateral, stressing the need to deepen cooperation in the Indo-Pacific, they prioritised regional infrastructure, connectivity and clean energy via the International Solar Alliance, food security, supply chain resilience, and maritime security. They have committed to developing sustainable, resilient and quality infrastructure and are keen to work together through the Coalition for Disaster Resilient Infrastructure in advancing these goals. Other areas of cooperation include counterterrorism, cyber security, and critical technology. The three countries have also been engaging in trilateral naval exercises to test combined combat skills in the Gulf waters since 2023 [22], and have added air exercises in 2024 [23].

In another endeavour, 10 years after China announced the Belt and Road Initiative (BRI), a new multilateral connectivity initiative – India-Middle East-Europe Economic Corridor (IMEC) – was announced in late 2023 to influence geopolitics through geoeconomic means. The IMEC ushers in a new era of connectivity with a railway, linked through ports. It will also include electricity cables, high-speed data cables, and a hydrogen pipeline, thus contributing to green and digital economies. This project, involving India, the UAE, Saudi Arabia, Israel, Jordan, Greece, Italy, France, Germany, and the US, brings a fresh impetus to the long-discussed notion of Eurasia.

While comparisons between IMEC and BRI are natural, the former is not a potential alternative to BRI. The two are incomparable in terms of scale and efficiency. IMEC is another infrastructure project in a series of connectivity projects that are mushrooming globally after the trendsetting BRI. The IMEC and International North-South Transport Corridor – the other project India is pursuing with Iran, Azerbai-jan, and Russia – serve India's interests as it seeks to expand its economy and footprint around the world.

The divide between Indian and Chinese economies is too big to bridge via such connectivity projects. However, what this project and others like the US's 'Build Back Better World,' the EU's Global Gateway Initiative, and the 2024 Türkiye-Iraq-UAE-Qatar's 'Development Road' accomplish is to dilute China's near-monopoly in the supply-chain world. These connectivity projects make 'corridorisation' an important gameplan in an era driven by geoeconomics [24].

Though the IMEC has received a jolt by the Israel-Gaza War, it is most likely a temporary setback because the project is too strategically important for most countries involved to let political disagreement scuttle the evolving economic partnerships of the future. "The IMEC is for the long term. While short-term glitches can cause concerns and occupy our minds, we will keep engaging with all stakeholders," New Delhi has said [25].

## Conclusion

Some aforementioned diplomatic and security cooperation efforts are a 'shift' away from the region's reliance on the decades-old US-centric protection net and can be viewed as the 'real' strategic shift in the region. Along with economic diversification, these developments showcase that the GCC countries have also successfully experimented with foreign policy and security diversification, including de-escalation with rival powers in the region.

These have impacted GCC-India ties as well. India's new 'Think West' policy now aligns with the GCC's 'Look East' policy. This is a positive development because, although the GCC countries started looking East nearly two decades ago, India only reciprocated more recently because it was busy improving relations with Western countries. In 2015, India acknowledged, "If the eastern front is building upon long-standing policy, the western one is relatively more recent conceptually, even if India has had a historical presence in the Gulf … 'Act East' would be matched with 'Think West'"[26].

Since then, over his two terms as prime minister, Indian Prime Minister, Narendra Modi, has visited all the countries on either side of the Gulf, at least once. He has visited the UAE seven times, the last in February 2024, after no Indian premier had made the trip for more than three decades. Most of the GCC leaders have made reciprocal visits to New Delhi. With Modi returning to power for a third term in 2024, India's foreign policy is expected to see continuity.

It is indeed significant that a Hindu right-wing government, which thrives on anti-Muslim sentiment in the domestic arena, has achieved its greatest foreign policy success in the Middle East region, including the GCC countries, Iran, and Israel. Further, despite both sides being partners of the United States, India made its first crude oil payment to UAE in Indian rupees in 2023. These certainly underpin the non-ideological and strategic autonomy-driven tenets of their relationship.

With India's economy expected to grow at 7% over the next few years and become the world's third-largest economy by 2027, with a GDP of five trillion dollars, the GCC-India engagement is likely to remain robust, both in the oil and non-oil sectors, thereby positively impacting diplomatic-security domains as well.

## Policy Outlook

In this milieu, the EU could dovetail into the multifaceted GCC-India engagement. While actively re-engaging with both India and the GCC, the EU – both collectively and its individual members – could find new ways of looking beyond just bilateral partnerships. One formulation for a potential minilateral or trilateral synergy could be to combine GCC capital, EU-Indian technology, and the African market, where all three entities have substantial presence, influence and interests. For this, the EU and its members could study the India-UAE-Ethiopia tele-education project template announced in 2019 [27].

Another collaborative option is exploring aligning some components of the India-EU strategic partnership with the GCC-EU strategic partnership. As the world faces major geopolitical inflection points, the EU sees India as a key partner in implementing its strategy for the Indo-Pacific, according to EU Special Envoy for the Indo-Pacific, Richard Tibbels [28]. This is reflected in the 2022 EU's Strategic Compass, where India is specifically mentioned. The first India-EU joint naval exercise took place in the Gulf of Guinea in October 2023. Efforts could be made to rope into this any or all off the GCC countries. The India-UAE-France trilateral could serve as a useful template for this endeavour, especially in the maritime security domain.

Iran could be another area of trilateral convergence. While India has strategic ties with Iran, the GCC countries have also mended ties with their neighbour in recent years. Tehran too has sought dialogue to resolve differences with the EU in late 2024. This coincides with Saudi Arabia and the EU launching a global coalition for Palestinian statehood. A creative and collective approach could strengthen de-escalation, thereby contributing to enhanced security, stability and prosperity in the Gulf, Middle East and beyond.

A few other out-of-the-box options include: having the three chambers of commerce and industry or their equivalents meet to explore potential trilateral projects; and studying collaboration in the blue economy sector, which combines energy, trade, technology, food, infrastructure connectivity, and logistics.

However, to achieve some of these possibilities, it would be useful for the EU to introspect its approach of excessively emphasising on values, which has left its free trade agreement negotiations with the GCC unfulfilled since 1990 (and with India since 2007), thus hurting its economic interests [29].

Finally, while bilateral ties among the three players will sustain on their own strengths, they are unlikely to face substantive direct competition given the divergence in their respective engagement portfolios and convergence on many political issues. Even the possibility of undue competition could be mitigated by adopting some of the aforementioned collaborative trilateral economic, political and security policy options that tap the complementarities, thus potentially yielding more benefits than losses for the GCC, India and the EU.

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# 5

# The Chinese Perspective on Asia-Gulf Cooperation

**Dr Chuchu Zhang,**
*Associate Professor of International Relations in the School of International Relations and Public Affairs at Fudan University*

## Introduction

Today, the Gulf is emerging as a premier arena for global geopolitical dynamics in a multi-polar world order, particularly as regional powers seek to renegotiate their historical relations with Western normative powers. Initially driven by energy needs, Beijing's interest in the Gulf is diversifying, making China a key player in the region's swiftly evolving landscape. Beyond China, other Asian powers, including South Korea, Japan, and India, are gradually extending their reach towards the region, drawn by its strategic location, vast energy resources, and burgeoning markets.

This chapter outlines the interplay of competition and complementarity among Asian powers in the Gulf region, comparing their approaches as emerging players and assessing the implications of their expanding presence for the EU. It argues that Asian powers have strategically embraced a pragmatic, measured approach, effectively leveraging their strengths to pursue mutual interests while contributing to the diversification of the region's geoeconomic and geopolitical dynamics. This chapter highlights areas of overlapping interests, such as economic development, energy transition, and peace-building between European and Asian powers, emphasising the need for complementarity to jointly promote sustainable development in the region.

## Asian States' Competition in the Gulf

### Homogenous Competition in Hard Power Influence

Given that China and its Asian neighbours have built their economic success on similar models, relying heavily on oil imports and the export of manufactured goods and services to drive economic growth, they inevitably face homogenous competition on multiple fronts. In certain instances, some Asian powers seek to align with EU powers to counter their regional rivals, as exemplified by the proposal of the India-Middle East-Europe Economic Corridor (IMEC) as a counter to the BRI.

First, the Gulf's rapid urbanisation and industrial expansion have made it one of the largest markets for infrastructure development. European firms have historically been leaders in this sector, but in recent years, Asian powers, particularly China, have emerged as vigorous competitors. China's Belt and Road Initiative (BRI) has enabled it to become the second-largest infrastructure contractor following the EU in the Gulf, with a 24.7% market share. Through the BRI, China has partnered with Gulf Cooperation Council (GCC) states on major projects such as the Hassyan Clean-Coal Power Project in the UAE, the Lusail Stadium in Qatar, and Kuwait's Health Assurance Hospitals Construction Project.

Unlike China, which adopts a holistic approach that includes construction, operation, and maintenance to ensure its strength in constructing large-scale projects, South Korea has positioned itself as a key player through a strategy emphasising localisation and technology transfer. This is evident in Seoul's smart city initiatives with Riyadh, where South Korea is transferring know-how in technology and urban management [1]. South Korea's focus on providing high-tech infrastructure while fostering long-term partnerships gives it a competitive edge, particularly in projects related to urban planning and smart cities. Japan has taken a different route by promoting its High-Quality Infrastructure Partnership. This framework emphasises sustainability, quality, and long-term benefits, which have helped Japan secure major contracts such as the Dubai Metro and Bahrain's Al Dur II Independent Water and Power Project (IWPP). Japan's approach appeals to Gulf countries looking for durable infrastructure with high-quality standards and low environmental impact.

India, meanwhile, has incorporated its infrastructure development efforts in the Gulf into its broader Indo-Pacific strategy. India's focus on strategic infrastructure, particularly port development, is exemplified by its investment in Iran's Chabahar Port, which counters China's influence through its investments in Pakistan's Gwadar Port. Additionally, India's involvement in Oman's Duqm Port highlights its ambition to strengthen maritime connectivity with the Gulf while indirectly challenging China's dominance [2]. However, recognising its limitations in funding, efficiency, and technological capacity in the global infrastructure arena, India has strategically sought partnerships with European countries to counter China's growing influence in the Gulf region. A notable initiative in this regard is the IMEC, which aims to provide an alternative to China's BRI.

Second, new energy has become another facet of competition. China has established itself as a powerhouse in solar and wind energy in the Gulf, with a substantial focus on large-scale, cost-effective projects. Chinese companies such as JinkoSolar and China Three Gorges Corporation have secured key contracts for solar parks and wind projects in Saudi Arabia and the UAE. China's dominance in solar panel manufacturing—accounting for over 70% of global production—allows it to offer competitively priced solutions. This price advantage, combined with the speed of deployment, has made China a crucial competitor to European and other Asian companies in the region.

China has rapidly expanded into green hydrogen, leveraging its expertise in manufacturing affordable electrolysers to produce hydrogen efficiently. With Gulf states like Saudi Arabia envisioning themselves as global hydrogen hubs, China has positioned itself as a reliable partner, offering cost-effective solutions for large-scale hydrogen infrastructure development. China's Sinopec is collaborating with Saudi Aramco on hydrogen projects, and Chinese companies are leading in the deployment of electrolytic cells.

However, South Korea, Japan, and India also see immense potential in the hydrogen market, competing with both China and Europe. South Korea has been particularly proactive, building intergovernmental clean energy cooperation frameworks with the UAE and Saudi Arabia, focusing on hydrogen fuel cell infrastructure. South Korean companies like Hyundai are also pioneering hydrogen-powered vehicles and transport networks, including hydrogen buses and charging stations in the Gulf.

Japan, meanwhile, is investing in high-tech hydrogen solutions. Through companies like JERA Energy, Japan is collaborating with Abu Dhabi's ADNOC to build a robust hydrogen and ammonia value chain. Japan's emphasis on long-term benefits and sustainability in hydrogen production complements the European approach of providing technologically advanced, high-efficiency systems. Like Europe, Japan also focuses on sustainable technology, although at a more competitive price point than many European counterparts. While India lags behind in hydrogen technology compared to the other Asian powers, it is aggressively catching up. India offers low-cost electrolysers and benefits from substantial government subsidies for hydrogen projects, allowing it to compete on the pricing front with China.

Despite this intense competition, complementarity between Asian powers and European countries is also apparent. For instance, European firms often lead in hydrogen technology development, while Chinese and Indian manufacturers excel in scaling production at a lower cost. This dynamic allows Gulf states to benefit from both high-tech European innovations and the mass-production capabilities of Asian countries. Joint ventures between European and Asian firms are increasingly common, as they recognise the value of combining their strengths to address the Gulf's energy needs.

Last, Asian economies vie for a share of the lucrative Gulf defence market. In the context of the Russia-Ukraine conflict and the Israeli-Palestinian conflict, the demand for diversified security in GCC countries has risen rapidly. Given the US and EU's reluctance to sell precision-guided munitions, and sophisticated advanced military drones to non-NATO allies, regional powers have significantly increased their demand for low-cost missiles and drones from Asian states. Against this backdrop, China's arms exports, particularly drones and missile systems, to the Gulf monarchies have grown substantially, with significant sales to Saudi Arabia and the UAE. Meanwhile, South Korea, India, and Japan have strengthened their defence cooperation with regional powers, each focusing on different areas.

Similar to China, South Korea seeks multi-dimensional arms trade by leveraging flexible trade policies, high cost-effectiveness, and fast delivery, making it an attractive defence partner for regional actors. The competition between Seoul and Beijing is exemplified by South Korea surpassing China to secure the most-valuable arms deal at Saudi Arabia's Second World Defence Show earlier this year [3]. As a traditional major arms importer, India has been actively participating in bilateral and multilateral joint military exercises, such as anti-piracy operations with Bahrain and Qatar. These exercises showcase light weapons and military equipment made in

India, including machine guns, artillery, and portable radars. Japan, historically constrained by its pacifist constitution, has been exploring high-tech weapon research and development cooperation opportunities.

Compared with the other sectors, the competition between Asian powers and Europe in the defence trade with Gulf monarchies is less adversarial. European firms often provide high-end defence systems that integrate well with the mass-produced drones and missiles supplied by China or South Korea. For example, while Saudi Arabia and the UAE purchase Chinese drones, they rely on European technologies to integrate these platforms into a broader command-and-control framework. Additionally, as Gulf states push to localise their defence industries under initiatives like Saudi Vision 2030, both Asian and European companies have become critical partners in technology transfer and capacity-building projects.

## Heterogeneous Competition in Soft Power Projection

For decades, European countries wielded significant soft power in the Gulf region, shaping the cultural, educational, and consumer landscapes. This influence in the Gulf mirrored Europe's historical and political ties with the region, established during the colonial and post-colonial periods. However, in recent years, the rise of Asian powers has started to reshape the Gulf's soft power dynamics. Unlike their competition in hard power influence, Asian powers employ different strategies and leverages to build their soft power in the Gulf.

Among them, South Korea has effectively utilised its cultural exports, known as the 'Korean Wave' or 'Hallyu', to enhance its soft power. Since the 1990s, South Korea has exported its pop culture, including K-pop, dramas, and films, to Southeast Asia and East Asia. In recent years, this cultural penetration has expanded to the Gulf region, driven by government initiatives and high-profile cultural events. Notably, during former President Moon Jae-in's visit to the UAE, he and the First Lady attended a K-pop concert at the Dubai World Expo Park, showcasing popular boy bands like 'Lost' and 'Golden Boy'.

Japan has focused on anime as a primary vehicle for its cultural diplomacy in the Gulf region. By training Saudi anime artists and collaborating with local animation companies like Manga Productions, Japan has promoted the localisation of anime in the region. Notable works, such as 'The Woodcutter's Treasure', have resonated with regional audiences. Feedback from Starzplay subscribers indicates that a significant portion of young local viewers have engaged with Japanese anime, with many expressing strong interest in comics and role-playing. As Japanese cultural products have captivated younger Gulf audiences through anime and manga, sushi cuisine and Japanese-inspired aesthetics have become increasingly popular, marking a shift in cultural preferences.

India's soft power strategy in the region is grounded in its substantial diaspora population. With around 8 million Indian migrant workers in Gulf countries like Saudi Arabia, the UAE, and Qatar, Indians form one of the largest ethnic groups in these nations. Prime Minister Narendra Modi has actively engaged with the Indian diaspora, viewing them as an extension of India's foreign policy [4]. By mobilising expatriates to promote India's interests and encourage host country investments in India, Modi has leveraged the diaspora's influence to enhance India's soft power. This active promotion by Indian expatriates has led to significant cultural integration in the region, with Bollywood films dominating Gulf cinemas and Hindi becoming the UAE's third official language.

Despite its capacity for hard power projection, China's weak soft power has constrained its international influence, especially compared to its Asian neighbours. In recent years, China has gradually increased efforts to enhance its soft power through digital entertainment, particularly mobile games and apps. A prime example is the popularity of Chinese mobile games in the region. The game 'Clash of Kings', developed by the China-based tech company Elex Wireless, gained immense popularity in the region due to its engaging gameplay and effective localisation strategies [5]. The game was tailored to meet the preferences of local players, including Arabic language support and culturally relevant content. This approach not only made the game more accessible but also fostered a positive perception of Chinese digital products and cultural exports.

Today, while European luxury brands and universities still hold significant, long-standing prestige, the rise of Asian powers marks a shifting landscape where new actors carve out their own spaces, and create a new soft power narrative that resonates with Gulf societies' aspirations for modernisation, diversification, and global integration.

## Comparison between Asian States' Roles in the Gulf

Despite their certain competitive actions, the rising Asian powers have similar strategic calculations when exploring new approaches to dealing with the Gulf states. As emerging extra-regional players pursuing commercial interests, sustainability of relationships, and risk-aversion, they play comparable roles in the region.

Above all, the rising Asian powers all strive to become conditional supporters of the prevailing regional order. As emerging powers with adaptable 'core interests' in the Gulf, they neither intend nor have the capacity to challenge the established Western-dominant regional order by formalising security relationships with local actors or replacing established powers as shapers of the leading order. India, Japan, and South Korea are less motivated than China to change the current state of international politics in the region, given their growing alignment with Washington. However, being latecomers, these Asian powers are no longer satisfied with playing the role of 'yes men', exerting limited influence on the political dynamics in the region. For example, sanctions on Iran have affected the Asian economies' trade with Iran, especially their need for Iranian oil. Therefore, the Asian powers are keen to change their unfavourable and passive position in the region to better protect their own commercial interests.

The rising Asian powers also intend to play as reciprocal transactional partners of the Gulf. A common approach taken by China, India, South Korea, and Japan is differentiating themselves from the Western powers, whose roles are often associated with quasi- or neo-colonial policies that adversely affected the region. Notably, while these Asian powers reiterate their commitment to not imposing political conditions, such as encouraging liberalisation reforms or improvements in human rights in the region, this does not mean that they have no expectations of their regional partners. Their frequent mention of 'mutual benefit' and 'mutual interest' indicates that they do expect material or non-material returns. Unlike the established powers, they are more interested in short-term, simpler deals, ranging from infrastructure construction contracts and energy supply deals to political benefits such as gaining support in a United Nations vote on human rights issues or securing support from the Middle Eastern states on the Kashmir matter, as anticipated by Beijing and New Delhi. Unlike the EU, which faces protracted FTA negotiations with the GCC due to its value-driven political and regulatory framework, South Korea's greater diplomatic flexibility and transactional foreign policy have facilitated the successful signing of South Korea-GCC FTA. Notably, despite adopting a similar pragmatic approach, China has yet to achieve favourable outcomes in its own FTA negotiations with regional actors. This is primarily driven by concerns among GCC countries, particularly Saudi Arabia, about the potential influx of Chinese products, which might reduce their trade surplus with China and affect local industrial development.

Moreover, each of the emerging Asian powers aims to act as a proactive regional balancer in the Gulf and broader Middle East region, driven by their reliance on Middle Eastern oil and gas imports and a desire to avoid the economic disruptions that might result from antagonising regional powers. Unlike EU states, which have historically pursued more interventionist and often partisan policies in the Middle East, frequently aligning with specific regional actors and interest groups, the Asian powers prioritise diplomatic strategies that foster balanced relationships across the region. China is not the only actor carefully managing its ties with both Iran and the Arab Gulf states. By a similar token, during the most recent outbreak of violence between Israel and Hamas, Japan and South Korea have navigated their Middle Eastern diplomacy with great caution. Japanese Prime Minister Fumio Kishida condemned Hamas' attacks on Israel while expressing concern over civilian casualties in Gaza [6], and South Korean President Yoon Suk-yeol denounced Hamas' 'indiscriminate' attacks without overtly siding with Israel. Compared to its Asian partners, China has gone further in asserting its political influence in the region.

Its role in brokering the Iran-Saudi deal in 2023 and facilitating rapprochement among various Palestinian factions in 2024 is a testament to its growing political leverage. This influence stems from China's extensive investment capacity, its position as a permanent member of the United Nations Security Council, and its expanding military-industrial base, which together empower it to take on a more assertive diplomatic role in the region.

## Asia-Gulf Cooperation's Impact on the EU

As the Asian powers establish a growing foothold in the Gulf region, competition between these newcomers and the normative powers represented by the EU for resources and influence might intensify. The comparable roles of the Asian powers in offering a non-Western option might also impact the EU's ideological diplomacy towards the region, which is based on Western values. However, there are notable areas of overlapping interests that can foster cooperation and strengthen the 'complementary effect' between European and Asian powers in the region.

First, while Asian powers have strong advantages in production capacity, cost control, and supply chain management, the EU member states excel in design and technology, particularly in the construction sector. By leveraging these complementary strengths, China's proposed 'third-party market cooperation'—which involves collaboration between Chinese and other countries' businesses to develop third-party markets along the BRI—has the potential to open new markets for both Asian and European businesses. This approach would also help alleviate the increasingly fierce competition in the region's infrastructure market. In 2015, France became the first country to engage in third-party market cooperation with China. In the following years, several EU members, including Austria, Belgium, Italy, the Netherlands, and Spain, signed Memoranda of Understanding (MoUs) on third-party cooperation with China [7]. For example, in a China-EU third-party cooperation project in the Gulf, Shanghai Electric, as the general contractor, formed a consortium with BrightSource Energy from the United States and, EI Design Institute and Abengoa Company from Spain, to undertake the Dubai Solar Power Project.

Second, as major global players, both Asian economies and the EU have a vested interest in promoting new energy initiatives in the Gulf region, which is historically known for its vast fossil fuel reserves and is now poised to play a critical role in the global transition to new energy sources. Dialogue on climate change and energy transition in multilateral frameworks such as the Asia-Europe Meeting (ASEM), as well as joint investment between the EU and Asian states in the region's capacity building and knowledge sharing, can contribute not only to the sustainability and success of local new energy projects, but also to the global fight against climate change.

Third, despite the different approaches adopted by Asian countries and the EU states, the two sides share a common goal of maintaining regional stability. Given that Asian powers and EU countries are mostly energy importers, both sides are concerned about the spillover effects caused by the escalation of the Middle Eastern conflict. Acting as neutral partners with zero enemies in the region provides the Asian powers with unique leverage to play the mediating role. Beijing's mediation of the reconciliation between Saudi Arabia and Iran is a prominent example. At this point, the Asian powers' interests align with those of the EU, and through policy coordination, both sides could work on cooling down the sectarian proxy conflicts in Yemen, Syria, and Sudan, while in the interim also preventing the escalation of tensions between Iran and Israel.

## Conclusion

In sum, although the Asian powers entered the Gulf much later than their Western counterparts, China, South Korea, Japan, and India have sought to establish themselves by offering a non-Western alternative. Without the deep-rooted historical influence that the EU powers enjoy in the region, these Asian states have learned to leverage their strengths while minimising risks. As they expand their presence, they focus on immediate mutual interests, emphasising the importance of maintaining commercial, cultural, and political diversity to secure their growing roles. Consequently, their approach does not lead to a zero-sum game, neither among themselves nor with the established Western powers, whose influence in the region remains significant. As both European and Asian powers share common concerns regarding economic development, energy transitions, and peace-building, there is considerable potential for collaboration, fostering complementarity between these established and emerging actors in the Gulf.

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Contact:
Philipp Dienstbier
Director
Regional Programme Gulf States
philipp.dienstbier@kas.de

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