

# The three E's: Enhancing a multidimensional model for economic cooperation between the Gulf states and the European Union

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In 2020, the EU was the [second largest trade partner](#) for the member countries of the Gulf Cooperation Council (GCC) with 12.3% after China (15.8%) and ranks the most important import partner. In total, the trade volume between the EU and GCC amounted to EUR 97.1 billion in 2020 with a focus on imported fuel and mining products and exported machinery and transport equipment as well as agriculture and raw materials.

*EU-GCC Trade in goods 2018-2020 (in billion EUR)*

Year	EU imports	EU exports	Balance
2018	47.1	74.1	27.0
2019	43.3	78.0	34.7
2020	29.6	67.5	37.9

Source : [https://webgate.ec.europa.eu/isdb\\_results/factsheets/region/details\\_gcc-6\\_en.pdf](https://webgate.ec.europa.eu/isdb_results/factsheets/region/details_gcc-6_en.pdf)

However, potential for a [comprehensive economic cooperation](#) model between the EU and the Gulf on a multilateral level remained untapped so far: Normative differences in crucial sectors, from trade regulations to human rights, an over-bloated administrative EU bureaucracy or lacking capacities in terms of expertise oftentimes [hampered closer economic cooperation](#) with the Gulf states. Since [formalization of relations in 1988](#) between the EU and the GCC, the objective to realize a Free Trade Agreement (FTA) envisioned the same year is still unlikely. From a Gulf perspective, the EU has also lost [relevance](#) as it is considered as a fractured and dysfunctional apparatus suffering from internal fragmentation caused by the “Brexit”.

Nonetheless, the EU is engaging on several levels with the Gulf states in order to improve political and economic relations as was shown by different projects such as the [“Enhanced EU-GCC political dialogue, cooperation and outreach”](#) launched in 2021 or the [“EU-GCC Dialogue on Economic Diversification”](#) initiated in 2018. Both projects aim to establish closer institutional ties in different sectors with specific Gulf states by promoting EU instruments and tools, organizing network events, creating business contacts and improving people-to-people contacts. In addition, the EU has signed cooperation agreements (CA) several Gulf states and runs delegations of the European External Action Service (EEAS) in Kuwait, the United Arab Emirates (UAE) and Saudi Arabia. Driven by those concrete projects and activities, the EU aims to develop a more coherent and comprehensive strategic approach in cooperating with the Gulf states.

In fact, the Gulf is considered as a relevant regional and global hub for technical advancement and digital industry driven by a new and young generation of tech-savvy young professionals who are well-educated and motivated to transform their societies into highly diversified post-oil economies. Such a spirit has become a general trend in all Gulf societies inspired by new and challenging realities. The Gulf states are undergoing a fundamental socio-economic transformation that is re-shaping and re-assessing the respective models of social contracts: Economic diversification remains key in most of the Gulf states in order to overcome the dependence on fossil resources and to establish an efficient public sector and a

strong and competitive private sector.<sup>1</sup> Creating jobs, fostering [nationalization of job markets](#) that are still heavily relying on labor migrants from Asia, Africa or Europe and developing new business sectors such as entertainment, tourism, clean energy, fin-tech or digital services are featured prominently in all Gulf states so-called development visions. In times of COVID-19, economic, social and health challenges are heavily affecting both the Gulf states and the EU. Furthermore, regional crises tremendously undermined the regional security and the reputation of the Gulf as a stable and attractive location for international investments.

Indeed, it seems that the region is currently entering a period of conflict fatigue shown by the solution of the Gulf rift or initial direct talks between Iran and Saudi Arabia facilitated by Iraq. Both the EU and the Gulf states are highly interested in social stability, economic growth and diversification. Therefore, the current period of a sense of de-escalation offers a historical window of opportunity to address joint challenges, identify mutual interests and create inclusive business partnership models. Such a cooperation should be based on a comprehensive nexus between economic interests and social sustainability to overcome dependencies on fossil resources and to foster ongoing economic diversification. Thus, a focus in EU-Gulf economic cooperation on three sectoral E's – energy, empowerment and entrepreneurship – could aim to establish such a nexus.

- **Energy:** As all Gulf states are undergoing a process of energy diversification, renewable energy, climate change and [environmental issues](#) are discussed more prominently in the public and political discourse.<sup>2</sup> The entire region retains an enormous solar power potential, and EU actors have acquired [outstanding technological expertise](#) to be leading partners. The EU-initiated [Green New Deal](#) which is supported by the European Commission and the launch of European organizations such as [WindEurope](#) and the [Centre for Renewable Energy Sources \(CRES\)](#) show the dire interest of the EU to establish itself as a global green energy champion. In terms of closer cooperation with the GCC, the EU initiated the [EU-GCC Clean Energy Technology Network](#) in 2010 by focusing on renewable energy sources, energy efficiency, clean natural gas, market integration and carbon capture and storage. So far, the network did not reach its expected results but could serve as a platform to revive coordination and exchange. In turn, the Gulf states introduced several outstanding initiatives to promote green energy as a business model and a catalysator for job creation in the private sector. More and more, Gulf states are integrating a commitment to achieve the [Sustainable Development Goals \(SDG\)](#) into their business portfolios. For instance, the [Green Middle East Initiative](#) launched by Saudi Arabia in March 2021 explicitly addresses the regional and transboundary challenge of climate change, environmental protection and alternative energy as the kingdom has already expressed during its G20 presidency in 2020 by promoting a "[circular carbon economy](#)". Furthermore, the [German-Saudi partnership on hydrogen](#) also indicates a stronger political commitment to extend economic cooperation in this field. Thus, enhanced cooperation in terms of knowledge transfer and joint business projects could combine long-term issues such as environmental protection with more short-term business-related interests.
- **Empowerment:** In recent decades, more than 75% of all non-official development assistance (ODA) was pledged and disbursed by Saudi Arabia, Kuwait, Qatar and the UAE. So far, however, cooperation between the EU and Gulf developmental actors has remained limited. From a Gulf viewpoint, the critical European perspective on human rights or its opposition against the war in Yemen have resulted in spreading mistrust. From a European perspective, the engagement of the Gulf states in terms of development cooperation is still considered as mostly driven by [religious indoctrination through Islamic charities](#). However, in recent years, the Gulf states are undergoing a significant shift from providing mostly humanitarian aid to more technical assistance in sectors such as education, vocational training and youth and women empowerment. In addition, strict control measures have been introduced to better monitor financing mechanisms and donation flows of Gulf charities to external partners.<sup>3</sup> They also report better to international organizations such as the [OECD](#). In all Gulf states, numerous NGOs and foundations established by business tycoons or members of the respective ruling families have emerged. Those institutions are aiming to support entrepreneurship, academic research, SMEs and

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<sup>1</sup> Cinzia Bianco, Sebastian Sons, Domestic Economic Plans and Visions in the GCC and Opportunities for Cooperation with Europe", in: Colombo, Silvia, Abdul Ghafar, Adel (eds): The European Union and the Gulf Cooperation Council. Towards a New Path, London: Palgrave Macmillan 2021 (forthcoming).

<sup>2</sup> Tobias Zumbrägel (2021), Environmental cooperation in the Gulf region: Why it matters and why it is failing. In: Luigi Narbone and Abdolrasool Divsallar (eds.), Stepping away from the Abyss: A Gradual Approach Towards a New Security System in the Persian Gulf, European University Institute: pp. 174-183.

<sup>3</sup> Marie J. Petersen, "Islamizing Aid. Transnational Muslim NGOs After 9.11.," *Voluntas* 23(2011)1: 126-155.

other private businesses. Institutions such as [Education Above All \(EAA\)](#) or [Qatar Foundation \(QF\)](#) in Qatar, the [Kuwait Foundation for the Advancement of Sciences \(KFAS\)](#), the [MiSK Foundation](#) established by the Saudi Crown Prince Muhammad bin Salman or [Dubai Cares](#) in the UAE are generally interested to engage more with EU organizations in order to develop and implement joint projects in countries of mutual interest such as Jordan, Lebanon, Iraq, Palestine or Tunisia. Multilateral Arab organizations such as the [Islamic Development Bank \(IsDB\)](#) also offer tailor-made programs for youth empowerment. Those players are acting as implementers and developers and could serve as interesting partners to enhance joint efforts with the EU to promote youth and women empowerment, foster job creation and skills development in different sectors such as STI, health, digitalization and education.

- **Entrepreneurship:** The over-bloated public sector cannot absorb large numbers of national graduates anymore and the decline in oil prices together with the negative repercussions of COVID-19 exert tremendous pressure on the rentier state system. Youth unemployment is, thus, increasing. Against this backdrop, the private sector needs to be strengthened in order to create jobs for the young nationals. In this regard, a variety of [start-ups](#) and [MSMEs](#) in different sectors, Gulf accelerators, incubators and angel investors have developed mostly supported by respective governments. In all Gulf [development visions](#), empowering and stimulating entrepreneurship in the private sector constitutes a key feature. In this regard, high potential exists to foster the EU-Gulf entrepreneurial cooperation in sectors such as cultural and ecological tourism, digital services, fin-tech or online educational services. In 2013, the EU launched the [Mediterranean Initiative for Jobs \(Med4Jobs\)](#) focused on private sector job creation by enhancing employability among graduates and fostering an entrepreneurial culture. Further EU initiatives such as [Erasmus for Young Entrepreneurs](#) or the [Entrepreneurship Competence Framework \(ECF\)](#) from 2016 aim to boost the entrepreneurial spirit across Europe. Such cooperation formats could serve as an additional stimulus and blueprint to engage with the entrepreneurship in the Gulf to set up joint programmes and projects in order to foster privatization and diversification: Exchange programs, coaching programmes, European-Gulf pitching events and start-up competitions could improve people-to-people exchange formats, develop mutual business cases and create inter-regional networks of young entrepreneurship. Interesting pilot projects have been initiated by the [Konrad Adenauer Foundation and the German-Saudi Arabian Liaison Office for Economic Affairs](#). In addition, closer cooperation in terms of entrepreneurial empowerment could foster regional integration with [non-GCC countries](#) such as Iraq, Jordan or Lebanon and even contested players such as Iran that also need to create a comprehensive and efficient start-up landscape in order to preserve social cohesion. Against this backdrop, interesting exchange formats such as [Tafahum](#) have been already established.

## Conclusion

In principle, EU-GCC cooperation could not only generate return of investment and enhanced business opportunities but also create a win-win situation by fostering knowledge transfer, creating new partnerships based on joint efforts in research and development and establishing new personal and institutional networks and mutual trust. Despite remaining challenges, such a multidimensional approach based on the three E's links economic interests with issues of ecological sustainability, youth empowerment and socio-economic development. Thus, more EU-Gulf cooperation in those fields could contribute to a comprehensive nexus between business interests and social transformation which could result in more social cohesion, regional integration and stability.

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