

PEACE AND SECURITY

INTO THE GULF

The Strategic Implications of Germany's New Energy Relationship with the Gulf Monarchies

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The ongoing Russian war of aggression against Ukraine has spurred the search for alternative energy suppliers, and for Germany, Gulf oil and gas is the most logical alternative.



To date, Germany's engagement with the energy-rich Gulf monarchies has been limited, but ongoing global developments and the need for energy resources require Berlin to engage strategically with the shifting geopolitical dynamics in the region.



Although public debate in Germany has focused on reconciling the notion of a values-based foreign policy with expanding political and commercial relations with the Gulf region, Berlin must act to formulate a concrete, strategic Gulf policy.

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1

INTRODUCTION

Days after Russia launched its war of aggression against Ukraine on 24 February 2022, German chancellor Olaf Scholz announced a *Zeitenwende*,¹ a paradigm shift, in German foreign, defence, and security policy. Debate on what exactly this should entail will likely continue for years to come, but Berlin already appears to be heading in a new direction in one area – its engagement with the Gulf monarchies of Qatar, the United Arab Emirates (UAE), and to a lesser extent Saudi Arabia. The three together with Bahrain, Kuwait, and Oman constitute the Gulf Cooperation Council (GCC).

The impetus for Germany's newfound interest in upgrading relationships in the Gulf is energy and the urgent need for Germany, and the rest of Europe, to find alternatives to Russian oil and gas imports. Qatar is one of the world's leading exporter of liquefied natural gas (LNG); Saudi Arabia and the UAE are among the few oil producers with the spare capacity to pump more oil and therefore to bring down global energy prices; and all three states are also poised to become major hydrogen producers. Thus it comes as no surprise that Robert Habeck, Germany's vice chancellor and minister for economic affairs and climate action, visited Doha and Abu Dhabi 19–21 March,² and when Qatari emir Tamim bin Hamad al-Thani visited Berlin on 20 May, energy concerns topped the agenda.³

One of the main lessons Germany has surely learned from Russia's war against Ukraine is that energy-trading relationships are, by definition, also geopolitical relationships and cannot be divorced from security contexts. The expansion of

energy relations with the Gulf monarchies should therefore be embedded in a broader strategic approach and the formulation of a discrete German Gulf policy. While this strategy must consider Germany's economic interests, that is, energy, it should also include a clear-eyed appraisal of the geopolitical challenges that come with increased engagement in the Gulf and the broader Middle East. In addition, this strategy will need to address such questions as how expanded relations with the fossil fuel-producing Gulf monarchies can be reconciled with Germany's climate change objectives and the coalition government's ideals of a foreign policy based on liberal democratic values.

In May, the European Union issued "A Strategic Partnership with the Gulf,"⁴ a policy paper published alongside the strategy paper "EU External Energy Engagement in a Changing World."⁵ Together, the two documents mark a point of departure for EU-Gulf relations. They do not offer answers to all the big questions, but instead establish a foundation for strategic policymaking going forward. The German government will undoubtedly take direction from this EU-level approach, and its contribution to the strategy's implementation will be crucial to its success. This does not, however, relieve Berlin of formulating its own, national Gulf policy or from engaging in an open and honest debate about what greater engagement between Germany and the Gulf monarchies, especially Qatar, Saudi Arabia, and the UAE, can and should look like. This paper aims to contribute to that discussion.

1 German Federal Government, "Policy Statement by Olaf Scholz, Chancellor of the Federal Republic of Germany and Member of the German Bundestag, 27 February 2022 in Berlin," 27 February 2022, <https://www.bundesregierung.de/breg-en/news/policy-statement-by-olaf-scholz-chancellor-of-the-federal-republic-of-germany-and-member-of-the-german-bundestag-27-february-2022-in-berlin-2008-378>, accessed 14 July 2022.

2 German Federal Ministry for Economic Affairs and Climate Action, "Minister Habeck Visits Qatar and the UAE – Focus on Energy Security Matters," press release, 18 March 2022, <https://www.bmwi.de/Redaktion/EN/Pressemitteilungen/2022/03/20220318-minister-habeck-visits-qatar-and-the-uae-focus-on-energy-security-matters.html>, accessed 14 July 2022.

3 German Federal Government, "Federal Chancellor Scholz Receives the Emir of Qatar in the Chancellery," 20 May 2022, <https://www.bundesregierung.de/breg-en/news/qatar-emir-chancellor-2042342>, accessed 14 July 2022.

4 European Union External Action Service, "Joint Communication on a 'Strategic Partnership with the Gulf,'" 18 May 2022, https://www.eeas.europa.eu/eeas/joint-communication-%E2%80%9CStrategic-partnership-gulf%E2%80%9D_en, accessed 14 July 2022.

5 European Commission, "Joint Communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: EU External Energy Engagement in a Changing World," 18 May 2022, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=JOIN%3A2022%3A23%3AFIN&qid=1653033264976>, accessed 14 July 2022.

2

TAKING STOCK: GERMANY-GULF RELATIONS TO DATE

The Gulf region has rarely been a focus for German foreign policy nor has Germany featured as one of the Gulf monarchies' more important partners. Among European states, France and the United Kingdom generally maintain the closest ties with the Gulf, with the latter having played a substantial role in the creation of the region's modern state-system in the nineteenth and twentieth centuries. Yet, even British and French engagement pales in comparison to that of the United States. Although relations between Gulf capitals and Washington have frayed considerably over the past decade, the United States remains the dominant external power in the Gulf. In recent years, Russia and Asian countries, especially China, have intensified their exchanges with the Gulf monarchies, both politically and economically.

Nevertheless, German-Gulf relations are not starting from scratch. In 2021 Germany and the six GCC states had trade relations worth around €18.9 billion; the UAE alone accounted for nearly €8 billion of that, more than any other Arab state and slightly more than Israel.⁶ The overall German and GCC figure should increase as global trade flows recover with the subsidence of the Covid-19 pandemic. Several Gulf states are major investors in German companies through their sovereign wealth funds. Qatar, for example, holds stakes in Deutsche Bank, Hapag-Lloyd, Siemens, and Volkswagen and has declared its intention to invest more in the coming years.⁷

In recent years, Germany began to wade into regional politics in the Gulf. In September 2017, Chancellor Angela Merkel was the first European leader to host Qatar's emir after Bahrain, Saudi Arabia, and the UAE months earlier declared a political and economic boycott of the sheikhdom.⁸ Although Berlin did not explicitly take sides in the dispute, only resolved in January 2021, the visit signalled that Ger-

many, and other European states, did not support the attempt to isolate Qatar. Since 2018, Germany has maintained a partial export ban on weapons to countries involved in the war in Yemen, specifically Saudi Arabia and the UAE,⁹ and the coalition contract of the current German government (2021–25) reiterated the ban.¹⁰ Most importantly, for nearly two decades, Germany has been part of the so-called P5+1 – that is, the five permanent members of the UN Security Council plus Germany – which has worked to contain Iran's nuclear programme through a diplomatic solution. This has effectively made Germany a stakeholder in one of the most contentious geopolitical issues in the Gulf and broader Middle East.

In general, however, Germany's engagement with the Gulf states to date has been tactical and without a consistent focus. If relations are to be expanded, this needs to change, both to harness opportunities and to avoid and manage emerging risks. This has relevance beyond the confines of German-Gulf relations. Over the past decade, Qatar, Saudi Arabia, and the UAE have emerged as much more assertive and consequential geopolitical actors in the wider Middle East than in the past. Berlin's dealings with the Gulf states therefore also have bearing on Germany's engagement with the entire region and vice versa.

⁶ Statistisches Bundesamt (Destatis), "Rangfolge der Handelspartner im Aussenhandel", 13 June 2022, https://www.destatis.de/DE/Themen/Wirtschaft/Aussenhandel/Tabellen/rangfolge-handelspartner.pdf?__blob=publicationFile, accessed 14 July 2022.

⁷ Auswärtiges Amt, "Deutschland und Katar: Bilaterale Beziehungen" [Germany and Qatar: Bilateral relations], 19 May 2022, <https://www.auswaertiges-amt.de/de/aussenpolitik/laender/katar-node/bilaterale-beziehungen/202286>, accessed 14 July 2022.

⁸ "Qatari Emir Meets with Angela Merkel in First Trip Abroad since Crisis," DW, 15 September 2017, <https://p.dw.com/p/2k255>, accessed 14 July 2022.

⁹ Heiner Kiesel, "German Ban on Arms Exports to Yemen Conflict Called into Question," DW, 20 January 2018, <https://p.dw.com/p/2rE9j>, accessed 14 July 2022.

¹⁰ SPD, Grüne and FDP, "Mehr Fortschritt Wagen, Bündnis für Freiheit, Gerechtigkeit und Nachhaltigkeit" [Daring more progress, cooperation for freedom, justice and sustainability], November 2021, https://www.spd.de/fileadmin/Dokumente/Koalitionsvertrag/Koalitionsvertrag_2021-2025.pdf, accessed 14 July 2022.

3

ENERGY PUSHES GERMANY INTO THE GULF

The driving force behind the German government's new-found interest in the Gulf is the same one that has led other countries to engage with the region for the past hundred years: energy.

In recent decades, only a fraction of the oil and none of the natural gas imported by Germany has come from the Gulf. In 2021, Germany bought 34 percent of its oil and 55 percent of its natural gas from Russia.¹¹ The United States, Kazakhstan, Norway, the United Kingdom, Norway, and the Netherlands, respectively, were the next most important oil and gas suppliers. Russia's aggression against Ukraine laid bare that this situation could not stand.

Germany and many of its European neighbours are now working to urgently end their dependence on Russian oil and gas, both to avoid effectively paying for President Vladimir Putin's war and to reduce the damage Moscow can cause by following through on its threats to halt exports in retaliation for sanctions or other support for Ukraine. Russia has already stopped supplying gas to Poland, Bulgaria,¹² Finland,¹³ and Latvia¹⁴ and it significantly reduced deliveries to Germany and other European states.¹⁵ On 30 May, the Euro-

pean Council had agreed to end most imports of Russian oil by the end of 2022.¹⁶ Additional steps, including on imports of Russian gas, are likely to follow in the coming months.

Germany's long-term objective remains to replace Russian (and most other) fossil fuel imports with green and renewable sources of energy; the war in Ukraine should provide additional motivation to accelerate decarbonisation efforts. In the meantime, however, Germany and the rest of Europe will still have to import oil and gas, meaning the governments in Berlin and elsewhere have a vital interest in stable and affordable international energy prices, which can only be guaranteed by the world's oil- and gas-producing countries fulfilling global demand. In this context, it makes sense for Germany to turn to the Gulf, at least in theory.

The Gulf monarchies – especially Qatar, Saudi Arabia, the UAE – are veritable energy superpowers. Qatar is one of the largest natural gas producer and exporter in the world. Notably, most of Qatar's gas is transported to customers around the world as LNG and on ships, rather than through pipelines. Doha is currently working to significantly expand its production capacity by around 60 percent,¹⁷ which will make it the world's most prolific LNG exporter by 2027, at the latest. Meanwhile, Saudi Arabia, the UAE, and Kuwait all rank in the top ten of global oil producers. Moreover, Saudi Arabia and, to a lesser extent, the UAE have generally accounted for most of the world's spare production capacity, defined by the U.S. Energy Information Administration as "the volume of production that can be brought on within 30 days and sustained for at least 90 days."¹⁸ In short, they are among the few oil producers that can ramp

¹¹ Bundesamt für Wirtschaft und Ausfuhrkontrolle, "RohoelINFO Dezember 2021 (Rohoelimporte)" [Crude oil info, December 2021 (crude oil imports)], 21 February 2022, https://www.bafa.de/Shared-Docs/Kurzmeldungen/DE/Energie/Rohoel/2021_12_rohoelinfo.html, accessed 14 July 2022; Bundesamt für Wirtschaft und Klimaschutz, "FAQ-Liste LNG-Terminal in Deutschland" [FAQ list LNG terminal in Germany], 6 March 2022, https://www.bmwk.de/Redaktion/DE/Downloads/F/faq-liste-lng-terminal-in-deutschland.pdf?__blob=publicationFile&v=8, accessed 14 July 2022.

¹² "Ukraine War: Russia Halts Gas Exports to Poland and Bulgaria," BBC News, 27 April 2022, <https://www.bbc.co.uk/news/business-61237519>, accessed 14 July 2022.

¹³ "Russia Halts Gas Supplies to Finland," BBC News, 21 May 2022, <https://www.bbc.co.uk/news/world-europe-61524933>, accessed 14 July 2022.

¹⁴ "Russia suspends gas supplies to Latvia," France 24, 30 July 2022, <https://www.france24.com/en/live-news/20220730-russia-suspends-gas-supplies-to-latvia>, accessed 1 August 2022.

¹⁵ Melissa Eddy and Stanley Reed, "'We Are in a Gas Crisis.' Germany Raises Emergency Level," *New York Times*, 23 June 2022, <https://www.nytimes.com/2022/06/23/business/germany-russia-gas-emergency.html>, accessed 14 July 2022; and Christoph Seitz and Nina Chestney, "Russia cuts gas flow further as Europe urges energy saving," Reuters, 27 July 2022, <https://www.reuters.com/business/energy/physical-flows-through-nord-stream-1-pipeline-dip-2022-07-27/>, accessed 1 August 2022.

¹⁶ European Council, "European Council Conclusions on Ukraine, 30 May 2022," 31 May 2022, <https://www.consilium.europa.eu/en/press/press-releases/2022/05/31/european-council-conclusions-on-ukraine-30-may-2022/>, accessed 14 July 2022.

¹⁷ "Qatar to Raise LNG Production to 126 MTPA by 2027," *Peninsula*, 23 February 2022, <https://thepeninsulaqatar.com/article/23/02/2022/qatar-to-raise-lng-production-to-126-mtpa-by-2027#:~:text=Amir%20H%20H%20Sheikh%20Tamim%20bin%20Hamad%20Al%20Thani%20said%20yesterday,North%20Field%20production%20expansion%20projects>, accessed 14 July 2022.

¹⁸ U.S. Energy and Information Administration, "Energy & Financial Markets: What Drives Crude Oil Prices," <https://www.eia.gov/finance/markets/crudeoil/supply-opec.php#:~:text=EIA%20defines%20spare%20capacity%20as,had%20the%20greatest%20spare%20capacity>, accessed 28 July 2022.

up production at short notice. The International Energy Agency calculates that Saudi Arabia and the UAE can rapidly add around 2.8 million barrels per day (bpd) to the market.¹⁹

Resolving Europe's energy shortfall, however, will not be as easy as simply shifting from Russian oil and gas imports to Qatari gas and asking Saudi and Emirati leaders to pump more oil to stabilise prices.

¹⁹ Alex Lawler, "How Much Extra Oil Could OPEC+ Pump to Cool Prices?," Reuters, 11 March 2022, <https://www.reuters.com/business/energy/how-much-extra-oil-could-opec-pump-cool-prices-2022-03-11/#:~:text=According%20to%20the%20International%20Energy,bpd%20of%20such%20capacity%20available,> accessed 14 July 2022.

4

QATARI GAS: NOT A SHORT-TERM FIX

Putting in place the technical elements to import Qatari gas to Germany will take time. To date, gas has arrived in Germany via pipelines. Importing LNG will require new infrastructure, including terminals to convert the LNG from its liquid form back into gas and pipelines connecting these terminals to the existing national grid. The government in Berlin is moving fast. The first chartered floating storage and regasification unit (FSRU) should come online in Wilhelmshaven later this year, and red tape is being cut to accelerate the construction of more permanent terminals in Brunsbüttel, Stade, and Wilhelmshaven.²⁰

Yet, even as Germany attempts to rapidly turn itself into an LNG consumer, it will take time for producers to be able to meet demand. At present, there is hardly any spare capacity in the global gas market, and much of the gas being produced has already been spoken for as most LNG is sold on long-term contracts designed to give producers and consumers alike the certainty required to make the necessary infrastructure investments. For example, more than 90 percent of Qatar's current LNG production has already been sold, mostly to buyers in East Asia.²¹ What little gas remains on the spot market therefore sells at a premium price, particularly under the current market conditions. Over the coming years, Qatar plans to further increase its production and export capacity faster and more substantially than other producers (e.g., countries in North Africa and the Eastern Mediterranean). Foreign Minister Mohammed bin Abdulrahman Al-Thani suggested in May that some LNG from a Qatari-owned facility in Texas could be shipped to Germany as early as 2024.²² Ultimately, it will likely take until the second half of the decade until Qatar is fully able to respond to increased European demand.

Besides technical constraints, there are also political challenges to consider. For Qatar, the German and broader European markets are interesting but far from its only op-

tion; demand in Asia is also growing. To protect future market share and secure long-term planning certainty, Qatar wants to sell the additional gas it plans to produce through similar 20-year arrangements it has with other customers. For the German government, however, committing to importing natural gas – or any other fossil fuel for that matter – for the next 20 years or more is difficult to reconcile with its pledge to make Germany carbon-neutral by 2045. There may, however, be room for some creative solutions.

Qatar may be more willing to accept slightly shorter and more flexible agreements if they are linked to attractive investment opportunities. Doha is always looking for ways to expand its sovereign wealth fund's investment portfolio not only in the energy sector but also beyond it. It seems particularly keen to enter joint investment arrangements that expand and solidify bilateral political relations. It also wants countries like Germany, or rather companies from Germany, to invest in Qatar, thereby supporting its economic diversification and development. It may also be possible to find a way to construct an agreement that initially focuses on natural gas, but eventually transitions to greener fuels, like hydrogen. The German LNG terminals on the North Sea coast will be future-proofed to handle green hydrogen in the form of ammonia. German companies are well-positioned to become one of the leading exporters of hydrogen know-how and technologies,²³ which will be of great interest to the Qataris. Qatar Petroleum, a national company, recently rebranded itself Qatar Energy, signalling its intention to explore and invest in green and renewable energy as well.²⁴ Of note, however, Saudi Arabia and especially the UAE look to be more promising partners for collaboration on hydrogen as they have already taken steps in that direction. In 2021, Germany signed hydrogen-related agree-

²⁰ Guy Chazan, "LNG Revolution: Germany's Plan to Wean Itself off Russian Gas Takes Shape," *Financial Times*, 6 June 2022, <https://www.ft.com/content/6c6352c3-cb60-48e5-aa5e-7cf02328f544>, accessed 14 July 2022.

²¹ Chazan, "LNG Revolution."

²² "Germany Could Receive LNG from Qatar as Early as 2024, Sheikh Tells Handelsblatt," Reuters, 20 May 2022, <https://www.reuters.com/business/energy/germany-could-receive-lng-qatar-early-2024-sheikh-tells-handelsblatt-2022-05-20/>, accessed 14 July 2022.

²³ Isabelle Huber, "Germany's Hydrogen Industrial Strategy," Center for Strategic & International Studies, 28 October 2021, <https://www.csis.org/analysis/germanys-hydrogen-industrial-strategy>, accessed 14 July 2022.

²⁴ Yousef Saba and Davide Barbuscia, "Exclusive: Major Gas Supplier Qatar Energy Plans 'Green' Bonds – Sources," Reuters, 28 October 2022, <https://www.reuters.com/world/middle-east/exclusive-major-gas-supplier-qatar-energy-plans-green-bonds-sources-2021-10-27/>, accessed 14 July 2022.

ments with Riyadh and Abu Dhabi,²⁵ and Vice Chancellor Habeck's visit to the UAE in late March took place within this context.

Germany and the rest of Europe increasingly view natural gas as the most suitable bridge fuel while green and renewable energy production continues to grow. Moreover, just as Germany had planned to be a hub for distributing Russian gas to other countries in Europe, it will not necessarily consume all the Qatari LNG it imports over the coming decades. Qatar wants to insert destination restrictions in an agreement to sell gas to Germany to preserve opportunities to sell gas to other European countries, but this is a point on which Berlin cannot compromise; to do so would undermine the essential integration of the European energy market. In sum, whatever solution Berlin, Doha, and the involved energy companies work out will inevitably require difficult decisions and trade-offs.

²⁵ Federal Ministry for Economic Affairs and Climate Action, "Minister Altmaier Signs Memorandum of Understanding on German-Saudi Hydrogen Cooperation," 11 March 2021, <https://www.bmwk.de/Redaktion/EN/Pressemitteilungen/2021/03/20210311-altmaier-signs-memorandum-of-understanding-on-german-saudi-hydrogen-cooperation.html>, accessed 14 July 2022; "Germany Partners with UAE to Develop Green Hydrogen, Synthetic Fuels," *Clean Energy Wire*, 3 November 2021, <https://www.cleanenergywire.org/news/germany-partners-uae-develop-green-hydrogen-synthetic-fuels>, accessed 14 July 2022. For Habeck's visit, see note 2.

5

GULF ENERGY AS GEOPOLITICS

Forging an energy partnership with Qatar or any of the other Gulf monarchies is not just a matter of reconciling commercial with environmental interests; it is also a strategic geopolitical undertaking and must be accompanied by a thorough assessment of implications and risks. As Russia's war against Ukraine has dramatically demonstrated, long-term energy deals are much more than commercial transactions. They give both the buyer and the seller a stake in each other's long-term security and prosperity, in the stability and security of each other's broader region, particularly key shipping routes, and crucially in each other's domestic and foreign political conduct.

Geopolitical considerations are also key to understanding the ambivalent response of Saudi Arabia and the UAE, and indeed other Middle Eastern states, to Russia's invasion of Ukraine. Their position, or lack thereof, has caused significant consternation in Western capitals, including Berlin. Thus far, the Gulf states – with the exception of Kuwait and Qatar – have been reluctant to condemn Russia, much less break ties with Moscow or join Western sanctions regimes. The UAE infamously abstained from the 27 February UN Security Council vote condemning the attack.²⁶ All GCC states joined the 2 March General Assembly resolution that “deplores in the strongest terms” Russia's aggression,²⁷ but their governments have remained careful not to sharply criticise Moscow's actions. Furthermore, Saudi Arabia, the UAE, and other Gulf oil producers have resisted calls from the US and European countries to significantly increase oil output to curtail soaring prices following the launch of Russia's invasion. They have agreed to only limited production increases, most recently on 2 June,²⁸ while taking care to keep Russia in the OPEC+ framework.

OPEC+ consists of the Organization of the Petroleum Producing Countries (OPEC), informally led by Saudi Arabia, and several non-OPEC oil producers, including Russia. OPEC alone accounts for around 40 percent of global oil production. Together, OPEC+ members produce more than 55 percent of

the world's oil, giving it significant sway over oil prices as they decide to jointly increase or decrease production. The grouping coalesced in 2016 to halt a fall in global oil prices, and it instituted dramatic production cuts in April 2020 when prices collapsed due to the Covid-19 pandemic. In August 2021, OPEC+ agreed to gradually increase production as the world economy began to emerge from the pandemic, and amid skyrocketing prices since February 2022, members have insisted on sticking to the plan. A marginal additional production increase agreed to in June 2022 was primarily designed to compensate for some members, including Russia, failing to meet their quotas.

Ultimately, Saudi Arabia, the UAE, and other OPEC members want to keep Russia in the tent to maintain the ability of OPEC+ to influence global oil markets, including once the current price boom abates. Of course, many producers are grateful for the opportunity the high oil prices provide to replenish state coffers depleted by the pandemic, but there is more to the Gulf monarchies' reluctance to break with Russia than energy politics.

Over the past decade, the Gulf states and other countries across the Middle East and North Africa have improved relations with Moscow. While many disliked Russia's intervention in Syria to prop up the regime of President Bashar al-Assad, they respected Moscow's commitment to protect its ally; from many Gulf states' perspective, Russia's actions stood in sharp contrast to those of the United States and Europe during the so-called Arab Spring uprisings of 2010/11, when supposed Western allies, such as Egyptian president Hosni Mubarak, were allowed to fall. Growing increasingly disappointed, frustrated, and angry with US policy in the region, they did not oppose Russia's re-emergence as a strategic security actor in the region.

Successive presidents from Barack Obama to Donald Trump to Joe Biden have sought to “rightsize” US involvement in Middle East security in response to the failure of the Iraq War and to shift the focus of US foreign policy to other regions of the world where American interests appear more at stake.²⁹

²⁶ United Nations, “Security Council Vote Sets Up Emergency UN General Assembly Session on Ukraine Crisis,” 27 February 2022, <https://news.un.org/en/story/2022/02/1112842>, accessed 14 July 2022.

²⁷ United Nations, “General Assembly Resolution Demands End to Russian Offensive in Ukraine,” 2 March 2022, <https://news.un.org/en/story/2022/03/1113152>, accessed 14 July 2022.

²⁸ Organization of the Petroleum Exporting Countries, “29th OPEC and Non-OPEC Ministerial Meeting,” 2 June 2022, https://www.opec.org/opec_web/en/press_room/6882.htm, accessed 14 July 2022.

²⁹ Becca Wasser and Elisa Ewers, “Rightsizing in the Middle East: The U.S. Military Should Pull Back but Not Pull Out,” *Foreign Affairs*, 16 December 2021, <https://www.foreignaffairs.com/articles/middle-east/2021-12-16/rightsizing-middle-east>, accessed 14 July 2022.

From the perspective of the Gulf states, however, this rebalancing resembled abandonment, an abrogation of US commitments to their national security and upholding regional security. They saw Washington's actions as empowering Iran, which they accuse of stoking regional instability and conflict, including by endangering shipping lanes in the Gulf and the Red Sea, through which much of the world's trade, including energy, travels. Riyadh, Abu Dhabi, and others in the region argue that the United States (and other international powers) are not doing enough to contain the threat of Iranian missiles, which have repeatedly struck targets in Saudi Arabia and the UAE in recent years. The lack of response to the 2019 missile and drone attack on the Saudi Aramco oil facilities in Abqaiq and Khurais widely attributed to Iran represented a watershed moment in this regard.³⁰ Put simply, in the eyes of the Gulf states, the United States and European nations are not taking their security concerns seriously enough, so they are reluctant to aid the West against Russia over what they view as a primarily European conflict in Ukraine.

Finally, and perhaps most fundamentally, Saudi Arabia and the UAE, as well as Qatar and the other GCC states, are determined to resist pressures to choose sides in an increasingly competitive and multipolar global environment. While GCC states may be able to manage the impact of more tense relations with Russia, they are increasingly concerned by the prospect of having to side with either the United States, their most important security partner, or China, the region's single most important trade partner. From their perspective, this dilemma represents an existential threat. Consequently, the Gulf states and countries across the Middle East have concluded that they must find balanced positions between the global powers, however uncomfortable that may be at times.

The above situation is the context in which Germany's increasing engagement with the Gulf must be understood. To avoid a repeat of the political and economic debacle with Russia, Germany's expanding energy ties with the Gulf states must be underpinned by a clear-eyed assessment of the geopolitical implications and couched within a strategic approach to the region.

³⁰ Ben Hubbard, Palko Karasz, and Stanley Reed, "Two Major Saudi Oil Installations Hit by Drone Strike, and U.S. Blames Iran," *New York Times*, 14 September 2019, <https://www.nytimes.com/2019/09/14/world/middleeast/saudi-arabia-refineries-drone-attack.html>, accessed 14 July 2022.

6

GERMANY'S NEW STAKE IN GULF SECURITY

Germany has always had a stake in the security of the Gulf, especially in the maritime realm. Very little of the oil and gas produced in the Gulf made its way into the German grid, but the globally integrated, export-driven German economy has always relied on Gulf fuel to power the world economy and remains deeply dependent on the safe passage of container ships carrying German imports and exports in the waterways surrounding the Arabian Peninsula. Tankers transporting LNG and eventually hydrogen from Qatari, Emirati, or Saudi ports to German terminals will only strengthen this reliance. To date, Germany and Europe have mostly counted on the United States to lead on maritime and wider regional security issues, essentially treating the Gulf as an “American lake.”³¹ Washington has long made clear that it would like others to take on more substantial roles, but aside from the United Kingdom and France, European states have mostly abstained.

In early 2020, Germany and several other EU members backed the French-led European Maritime Awareness in the Strait of Hormuz (EMASOH) mission to contribute to security and de-escalation in the Gulf.³² EMASOH was established in response to what Europeans perceived as the United States’ overly escalatory approach to Iran, but the mission has remained anaemic, with few of its backers (Germany included) willing to contribute materially. Consequently, the Gulf states tend to view European interests and engagement, or lack thereof, in the region as little more than an appendage of the United States. The current nadir in relations between Washington and the Gulf capitals therefore also casts a shadow on European standing in the region. Moreover, while Germany and the EU may be comfortable with much of the current US government’s foreign policy, the Trump era demonstrated that harmonious transatlantic ties cannot be taken for granted. There is

no doubt that, wherever possible, Germany and Europe have a strong interest in cooperating with the United States, including in the Gulf, particularly as Russia, China, and others are also pushing into the region. German and European concerns and interests, however, will only be taken seriously in Washington and Gulf capitals alike if their independent positions are backed up by credible capabilities.

In expanding trade links with the Gulf states, Germany is not only increasing its stake in the regional and maritime security of the region, it is also engaging more closely with Gulf rulers. Covering Vice Chancellor Habeck’s visit to the Gulf in March, the German daily *Bild* lamented that Berlin was cosying up to the “terror sheikh” and ‘blood sheikh,’³³ the paper’s nicknames for Qatari emir Tamim and Saudi Arabia’s crown prince, Mohammed bin Salman, respectively. This parallels German public discourse about the Gulf states, which is dominated by topics such as the murder of the Saudi journalist Jamal Khashoggi by Saudi government agents and the mistreatment of migrant workers employed to build Qatari stadiums for this year’s FIFA World Cup. Hyperbolic and sensationalist rhetoric aside, Berlin must be clear-eyed about with whom it is dealing if it concludes energy deals with rulers in Abu Dhabi, Doha, or Riyadh.

In terms of the Gulf monarchies’ foreign policies, and aside from their ties with Russia and China, developments over the past two years or so have arguably made it easier for Germany to find common ground with them. Qatar, Saudi Arabia, and the UAE have mended fences, ending the 2017–21 intra-GCC crisis that had a destabilising impact on the wider region. They have also sought a rapprochement with Turkey and more open relations with Israel. The UAE

31 Cinzia Bianco and Matteo Moretti, “Europe’s Role in Gulf Maritime Security,” Middle East Institute, 9 May 2022, <https://www.mei.edu/publications/europes-role-gulf-maritime-security>, accessed 14 July 2022.

32 French Ministry for Europe and Foreign Affairs, “European Maritime Awareness in the SoH (EMASOH): Political Statement by the Governments of Belgium, Denmark, France, Germany, Greece, Italy, the Netherlands, and Portugal,” *France Diplomacy*, 20 January 2020, <https://www.diplomatie.gouv.fr/en/french-foreign-policy/europe/news/article/european-maritime-awareness-in-the-soh-emasoh-political-statement-by-the>, accessed 14 July 2022.

33 Ralf Schuler, Benedikt Weimer, and Johannes Bockenheimer, “Ist Wirtschaft Wichtiger als Moral?” [Is the economy more important than morals?], *Bild*, 22 March 2022, <https://www.bild.de/bild-plus/politik/inland/politik-inland/habeck-als-bittsteller-beim-terror-scheich-ist-wirtschaft-wichtiger-als-moral-79527144,view=-conversionToLogin.bild.html>, accessed 14 July 2022; Johannes Bockenheimer, “Sind Mullahs und Blut-Scheich ploetzlich wieder unsere Freunde?” [Are mullahs and blood sheikhs suddenly our friends again?], *Bild*, 17 March 2022, <https://www.bild.de/politik/ausland/politik-ausland/angst-vor-oel-mangel-sind-mullahs-und-blut-scheich-ploetzlich-wieder-unsere-freu-79488978.bild.html>, accessed 14 July 2022.

and Qatar significantly dialled back their support for opposing factions in Libya, while Qatari and Saudi funding for Syrian opposition groups with extremist leanings is now a thing of the past.³⁴

Saudi Arabia and the UAE are eager to end their large-scale military intervention in the war in Yemen. For the past seven years, Germany and its European partners have rightfully deplored the Saudi and Emirati intervention in the Middle East's poorest country that has killed thousands of civilians and contributed to one of the worst humanitarian crises. The war has also contributed to the long-standing debate on whether Germany should grant export licenses for military equipment to the Gulf and if and how such exports have contributed to a militarisation of the Gulf monarchies' foreign policies. From 2012 to 2020, Germany sold €4.5 billion worth of military equipment to Saudi Arabia and the UAE, €770 million of it during the period 2018 to 2020.³⁵ Although Russia's war in Ukraine is fundamentally different from the conflict in Yemen, echoes of that debate can also be detected in the ongoing discussions about providing arms to Ukraine. Yet, while the German government should of course be judicious in decisions about whom to provide access to German weaponry, the Yemeni war demonstrates that solely focusing on defence sales as a driver of military escalation in the Middle East oversimplifies matters and potentially avoids serious engagement with the complex security dilemmas in the region.

Germany's policy, adopted in 2018, to halt the export to Saudi Arabia and the UAE of arms with potential offensive military use in Yemen stands as an understandable expression of criticism of how the two countries have conducted the war, but Berlin has done next to nothing to address the dynamics of the conflict itself. Yemen's civil war will not be solved by ending Saudi airstrikes; it instead requires intense and creative international diplomacy to broker a political settlement that all Yemeni factions can buy into. Moreover, a sustainable solution must also address the very real national security concerns Saudi Arabia and its neighbours have with regards to the Houthis that generally appear to have been underappreciated by most in Europe. The armed, militant non-state actor, equipped with Iranian missiles and drones, has repeatedly hit strategic targets in the Gulf monarchies, including oil and gas infrastructure and airports, and has threatened shipping passing through the Bab al-Mandeb Strait. Ending Saudi Arabia's perceived need to militarily intervene in Yemen therefore requires countering the Houthis' ability to jeopardise the kingdom's fundamental national security interests.

The ongoing mediation efforts led by UN special envoy Hans Grundberg, a former EU ambassador to Yemen, represent one of the best chances yet to bring the war to an end. The Gulf states are on side, and the process can only benefit from the concerted engagement of Germany and other European states. That should include support for diplomacy, initiatives to alleviate Yemen's humanitarian crisis, and plans to rebuild the country. It must also involve a serious discussion about regional security and about how Germany and Europe can help foster an environment in which the drivers of conflict, and not just the availability of arms, are sustainably addressed.

In this context, the most substantive foreign policy concern of the Gulf states remains Iran. From their perspective, Iran has for decades pursued a regional policy designed to destabilise the Arab states of Iraq, Lebanon, Syria, and Yemen, building up and empowering armed non-state actors to expand Tehran's reach. This perception has driven the Gulf monarchies, most of all Saudi Arabia, to respond. The Saudis intervened militarily in Yemen; in Iraq, Lebanon, and Syria, they oscillated between competing with Iran through their own allies, often exacerbating proxy conflicts, and disengagement, which left these states in the lurch.

For the past decade, Germany and Europe have maintained a constant but ineffective approach to the regional conflict involving the Gulf states (and Israel) versus Iran. They have prioritised negotiations with Iran to place constraints on its burgeoning nuclear programme, arguing the necessity of such an agreement for dealing with broader regional security issues. Yet, for the Gulf states, Iran's nuclear ambitions are of secondary concern. They certainly do not want a nuclear Iran, but Tehran's network of armed groups and its missile and drone programmes presents the much more immediate threat to their security and regional stability. Consequently, with the uncertain future of the Iran nuclear deal, the Joint Comprehensive Plan of Action, the time has come for a different approach. The importance of nuclear non-proliferation notwithstanding, Germany and its European partners should expend more effort on supporting and encouraging regional dialogue initiatives, such as the series of talks between Saudi and Iranian representatives that have taken place in Baghdad over the past two years and the growing diplomatic and economic engagement between Abu Dhabi and Tehran.³⁶ The road towards regional détente will likely be long and rocky, but they are the best hope for improving regional stability.

³⁴ Aron Lund, "How Assad's Enemies Gave Up on the Syrian Opposition," Century Foundation, 17 October 2017, <https://tcf.org/content/report/assads-enemies-gave-syrian-opposition/?session=1&agreed=1>, accessed 14 July 2022.

³⁵ Yannik Hüllinghorst and Stephan Roll, "German Arms Exports and the Militarisation of Arab States' Foreign Policies," *SWP Comment* 6, January 2021, https://www.swp-berlin.org/publications/products/comments/2021C06_GermanArmsExports.pdf, accessed 14 July 2022.

³⁶ Ali Mamouri, "Iraq Helps Broker Iran-Saudi Negotiations," *Al-Monitor*, 28 April 2022, <https://www.al-monitor.com/originals/2022/04/iraq-helps-broker-iran-saudi-negotiations>, accessed 14 July 2022; Maziar Motamedi, "UAE's Top Security Official Visits Iran to Develop 'Warm Ties,'" *Al-Jazeera*, 6 December 2021, <https://www.aljazeera.com/news/2021/12/6/uaes-top-security-official-visits-iran-to-develop-warm-ties>, accessed 14 July 2022.

7

PRAGMATIC VALUES-BASED ENGAGEMENT

Within the German political environment, the conduct of Gulf rulers at home represents the most controversial aspect of Berlin's initiative to expand relations with the Gulf states. The Gulf rulers are monarchs, not democrats, and they have no intention of changing that. To secure their grip on power, they rely on intrusive surveillance and security apparatuses, severely restricting freedom of speech and unleashing harsh crackdowns on dissent. Combined with other human rights concerns, such as persistent gender inequality and the mistreatment of migrant workers, the Gulf monarchies' authoritarian character gives opponents of building closer ties with them plenty of ammunition. Yet, showing the Gulf states the cold shoulder is hardly going to make a difference either. Reconciling engagement with the Gulf monarchies with the German government's ideal of a values-based foreign policy requires a nuanced and pragmatic approach.

There is no denying that the Gulf states are in the midst of a dramatic transformation process. Over the past five years, Saudi Arabia in particular has undergone economic and especially societal changes at a rate no one would have predicted a decade ago. Driven by the need to diversify and modernise their economies away from an almost exclusive reliance on fossil fuel production, Emirati, Qatari, and Saudi leaders along with other GCC rulers have launched ambitious top-down reform programmes. As summarised in national "visions," they aim to strengthen the private sector, boost entrepreneurship, and increase the rate of female participation in the workforce. There is no political liberalisation – if anything, power is being ever more centralised – but Gulf citizens enjoy more and more social freedoms. In Saudi Arabia, for example, the monarchy has disempowered the once ubiquitous ultra-conservative religious police, and young Saudi men and women can now socialise openly and attend cinemas, concerts, and sports events. A German values-based foreign policy should not abandon its democratic political principles and focus on human rights, but it can pragmatically acknowledge, endorse, and further encourage such liberalising reforms in the economic and social spheres.

One area in which the Gulf states' domestic reform processes may offer opportunities for Germany to both promote its values and pursue its interests is, perhaps paradoxically, energy. In the short and medium terms, Germany and Europe need the Gulf states' oil and gas to decrease their energy

dependency on Russia. In the long-term, Germany, and any other country committed to combatting climate change, will want the Gulf monarchies to leave their fossil fuels in the ground and rely on other economic outputs. Given Saudi Arabia and its neighbours' extensive experience in the energy markets, and considering their potential for generating solar power and hydrogen, it makes sense for them to transition from exporting fossil fuels to producing and exporting green and renewable energies. Germany can support this process through joint investment initiatives, offering to share and transfer technological know-how and equipment, as noted above, and by partnering with the Gulf states to support small and medium-sized businesses and improve educational and vocational training opportunities for their young populations to make them employable in the future economy. Ultimately, combatting climate change and decarbonising the global economy requires that all countries, regardless of their political systems, be both willing and able to take action. With regard to the Gulf monarchies, that is sooner achieved through enabling and cajoling than lecturing or refusing to engage.

8

CONCLUSIONS AND RECOMMENDATIONS

Building relations with non-democratic governments inevitably involves balancing interests and values, and engaging with the Gulf monarchies is illustrative of this. The interests driving the German government's efforts to expand relations with Qatar, Saudi Arabia, the UAE, and their neighbours are obvious: In the face of Russia's war of aggression against Ukraine, Germany and Europe urgently need to diversify their energy imports while ideally keeping prices from spiralling out of control. Abu Dhabi, Doha, and Riyadh are logical partners in this. Beyond energy, the Gulf states' domestic development programmes offer attractive opportunities for German businesses, and they have a significant role to play in dealing with many of the conflicts and crises that characterise instability in the broader Middle East. Meanwhile, the dissonance is apparent between the liberal democratic values theoretically guiding the German government's foreign policy and the nature and conduct of the authoritarian Gulf monarchies. It is also emphasised in the highly critical public discourse about the Gulf in Germany.

Yet, reducing engagement with the Gulf states to a binary choice between interests and values is counterproductive. At worst, it could result in a policy that sacrifices one for the other or that rests on flawed assumptions, such as the view that energy trade can be isolated from the wider bilateral relationship and its geopolitical contexts. For Germany to craft a Gulf policy that does justice to both protecting and furthering its interests, and upholding and promoting Germany's values, it must be rooted in a thorough understanding of the strategic environment, including the dynamics shaping regional security in the Gulf and the wider Middle East and the foreign political and domestic conduct of the Gulf states themselves.

As with the announced *Zeitenwende* in Germany's foreign, defence, and security policy and its broader implications, such a process requires an open and honest debate within government and beyond that moves past outdated clichés, prejudices, and black-and-white thinking. The discussion here seeks to contribute to the debate. Its scope and analysis inevitably leave some important issues untouched, and its assertions may attract criticism. Further perspectives from a range of different corners are needed to ensure that the expansion of German energy relations with the Gulf monarchies is part of a sustainable and strategic approach to the region.

Besides the case for a policy-making approach that invites and encourages critical debate, the analysis here suggests five additional policy recommendations and takeaways.

DEVELOP AND ARTICULATE A CLEAR GERMAN POSITION

German foreign policy lacks a tradition of producing publicly available strategy documents, for example, in contrast to regularly published national security strategy papers in the United Kingdom and the United States. Yet, as the government in Berlin opens a new chapter in German-Gulf relations, it would be invaluable to set out a clear and coherent articulation of why Germany seeks such engagement, what it wants to achieve, and what it is and is not prepared to do. Such a statement should be as comprehensive as possible, encompassing strategic and political issues as well as ambitions for economic and cultural engagement. It should also include an unambiguous clarification of the rules for arms exports to the Gulf states as well as other regions and contexts. A clear articulation of Berlin's position would serve to guide the policy-making process in Germany, but also help its allies and partners – most of all the Gulf states – understand what Germany stands for and what can and cannot be expected from it.

WORK ALONGSIDE PARTNERS

Building on the foundation of a clearly articulated position and policy towards the Gulf, Germany should look to work with allies that are already (or seek to be) involved in the region. "A Strategic Partnership with the Gulf," the EU's recently published policy paper, offers an excellent framework for this, but other opportunities exist as well. Besides France, the United Kingdom is the European country with a significant presence, standing, and experience in the Gulf. Brexit has made bilateral cooperation more difficult, but partnering on issues such as maritime security and promoting climate action in the Gulf may be a way for Germany (and the EU) and the United Kingdom to open a new chapter. Likewise, as long as there is a pro-European administration in the White House, there is also a strong case for Germany to work with the United States, which remains the single most influential external power in the Gulf region. It is important, however,

to monitor how US-Gulf relations develop and even when collaborating with the United States, Germany and Europe need to clearly define and present their own positions.

PRESENT A CONFIDENT CASE OF WHAT GERMANY CAN OFFER

Germany's engagement with the Gulf monarchies is driven by energy security needs. Yet, Germany should also be confident in what it has to offer to the Gulf states. In pursuing economic diversification agendas, the Gulf states regard Germany – its companies, industrial and technological know-how, and education sector – as an attractive partner. Hydrogen technology is only the most obvious example of an asset that Germany can bring to the table. The Gulf states are also interested in greater economic engagement with the EU, for which German support would be invaluable.

BUILD CREDIBILITY THROUGH ACTION

Germany and Europe have a credibility deficit in the Gulf, particularly in regard to their commitment to supporting regional security. With the partial exception of France and the United Kingdom, Europe – Germany included – is regarded either as an appendage to US policy in the region or as strategically irrelevant. Openly recognising and articulating the German and European stake in the regional security of the Gulf and the wider region and one that exists independently of US policy constitutes an important first step, but credibility can only be built through concrete action. One step in this direction would be to turn Germany's rhetorical endorsement of the EMASOH mission into material participation by contributing ships to the coalition effort. This could also serve to strengthen the German position on arms exports, sending the signal that while Germany is not willing to provide arms for offensive military operations, for example, in the war in Yemen, it is committed to supporting regional security and working with partners to prevent military escalations, including undertaking activities contributing to regional security and assuming a more active role in dialogue and mediation initiatives.

FOSTER BETTER MUTUAL UNDERSTANDING

As noted above, there is an urgent need for more nuanced and informed German discussion about relations with the Gulf monarchies and the relevance of regional security in the Middle East to German economic and security interests. Yet, the need for better understanding exists on both sides; familiarity with German politics and geopolitical concerns, and also with German history and culture, remains limited in the Gulf. Berlin should therefore invest in fostering better mutual understanding at all levels, ranging from cultural exchanges to high-level diplomatic encounters to wider engagement among the policy-making and analysis communities in Germany and the Gulf states.

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INTO THE GULF

The Strategic Implications of Germany's New Energy Relationship with the Gulf Monarchies



Spurred by Russia's war of aggression against Ukraine to search for alternative energy suppliers, the German government is working to expand relations with Gulf states, focusing primarily on Qatar, the United Arab Emirates, and to a lesser extent Saudi Arabia. To date, Germany's engagement with the Gulf monarchies has been limited and tactical, devoid of guidance by a defined and articulated policy. This must change, however, as Germany seeks to deepen energy ties with the Gulf—by definition a geopolitical endeavour—and as the Gulf states have emerged among the most assertive and consequential regional powers in the Middle East, Europe's strategically significant neighbour.



The Gulf monarchies remain veritable energy superpowers: Qatar will soon be the world's leading liquefied natural gas exporter; Saudi Arabia and the UAE can exert significant influence over the global oil market; and all three are seeking to become major hydrogen producers. Yet, for the Gulf monarchies, producing and selling energy is about more than economics, and by forging energy partnerships with Abu Dhabi, Doha, and Riyadh, Berlin inevitably increases its stake in the geopolitics of the Gulf region and the broader Middle East and ties itself more closely to authoritarian rulers there.



Such geostrategic undertaking requires a clear-eyed approach by Germany based on a detailed understanding of regional dynamics (including, for example, the role of Russia), an openness to new policy ideas (particularly on Iran), and clearly articulated parameters for what it is and is not prepared to do to bolster regional security. Moreover, Germany's approach should eschew the simplistic values-versus-interests dichotomy and pursue a nuanced, pragmatic engagement that adheres to Germany's values and principles while safeguarding its interests. Berlin's initiative to expand engagement with the Gulf states comes just as the European Union has published its new Gulf strategy. Germany can take direction from this EU-level approach and contribute to its successful implementation, but it should also formulate its own national strategy and encourage an honest debate in Germany about the future of German-Gulf relations.

Further information on the topic can be found here:

<https://mena.fes.de>