

The Rivalry between Iran and the GCC States in the Eurasian Context

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Series Introduction

With Europe and Asia growing closer, particularly through economic integration, it is no longer sufficient to see Iran as a *Middle Eastern* nation. This series of *Insights* will examine Iran's bilateral relations from a Eurasian perspective, drawing out the understudied and underappreciated economic and political considerations that increasingly shape the Islamic Republic's conception of its place in the international system and the power it is able to exercise in that system. This research project is a collaboration between MEI and Bourse & Bazaar, a London-based think tank focused on the economies of the Middle East and Central Asia, especially Iran.

Abstract

Iran's deepening partnerships with Russia and China and renewed ties with the European Union since the signing of the Iran nuclear deal have given the GCC states added reason to expand their own cooperation with these Eurasian players. The GCC states were already looking increasingly towards Eurasia for their security and economic needs, concerned that the US "pivot to Asia" was effectively an American retreat from the Persian Gulf region. The resulting scramble between Iran and the GCC for influence in Eurasia is likely to continue to affect the geopolitics of the Persian Gulf region for decades to come.

Iran does not view itself as a Middle Eastern country; instead, it views itself as a West Asian country. In recent years, it has reformulated its foreign policy strategy, taking advantage of its geostrategic position at the centre of the wider Eurasia to go beyond its pure focus on regional security and catch up with the fast developing political and economic trends in this multipolar continent. Likewise, the member states of the Gulf Cooperation Council (GCC) — Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates — have come to realise that they cannot be left out of the growing trend towards co-operation and partnerships in Eurasia. Consequently, in developing their respective foreign policy strategies, Iran and the GCC member states, having long been in a struggle to achieve some sort of balance of power in the Persian Gulf region, must now also take into consideration the web of relations each has with players in Eurasia.

Geopolitics of the Persian Gulf

Iran's engagements with Western Europe and especially with the United States have long been limited owing to its policy of non-alignment. Also, it has been subjected to nuclear-related sanctions for several decades. This isolation compelled Iran to prioritise relations with countries in Eurasia, notably Russia and China. However,

the 2015 signing of the nuclear deal, the Joint Comprehensive Plan of Action (JCPOA), has had serious repercussions for the geopolitics of the Persian Gulf. Since negotiations for the agreement began two years earlier, the Eurasian signatories — China, Russia and the three EU members, the United Kingdom, France and Germany (or E3) — have been renewing their ties with Iran. It must be noted, however, that although one foreign policy camp in Iran seeks to expand relations with the European Union as well as China and Russia, Iran’s decision-makers seem more inclined towards the other, more powerful camp, which is wary of the European Union and calls for focusing on relations with countries in the east of Eurasia, specifically Russia, China and India.¹

While most of the GCC countries openly welcomed the Iran nuclear deal, it became clear that some — particularly Saudi Arabia — were concerned that the subsequent removal of a number of multilateral sanctions on Iran and the country’s re-integration into the international community could affect the balance of power in the region.² The GCC states have traditionally relied on the United States as well as Western Europe for their security and forged military and economic partnerships with these players. They have since realised that overreliance on the United States for their security needs is no longer a viable policy option. The US “pivot to Asia”, which was accelerated during the Obama administration, coupled with the growing energy independence of the United States, added to the GCC states’ “worries that Washington has downgraded the [Persian] Gulf region and that the pivot is really a retreat”.³ The Trump administration’s policies have not assuaged those concerns. Consequently, the GCC states have been expanding their bilateral as well as multilateral relations with countries across Eurasia. They have established security arrangements with countries such as Turkey, France and the United Kingdom, even allowing some of these players to set up military bases in the Arabian Peninsula. In addition, some GCC states have begun to look to Russia for their arms supplies.⁴

The enhancement of Iran’s relations with Russia and China in the post-JCPOA era, which, significantly increased Iran’s influence across the region, gave the GCC added reasons for expanding their own relations with these powers. Farajirad notes that the scramble by the GCC states to expand relations with Russia and China involved “enticing them with large investments and trade deals” and was intended to “limit Iran’s influence and strategic partnerships with these countries”.⁵

Although the GCC was established in the midst of the Iran–Iraq war in 1981 with the objective of bringing “weak and vulnerable like-minded states under a single protective umbrella”,⁶ it does not have a common foreign policy; each member state has its own understanding of its national interests and charts its own foreign policy course. In this context, it must be emphasised that the GCC states do not have a monolithic view of Iran. While Iran has had an outstanding relationship with Oman, its relations with Saudi Arabia and Bahrain have witnessed more hostility than amicable interactions. Iran’s relations with Kuwait, Qatar and the UAE, on the other hand, have oscillated, depending on external circumstances and the different factors that shape their bilateral relations. Iran and Qatar, for example, share the world’s largest gas field in the Persian

¹ Abdolreza Farajirad, former Iranian ambassador to Norway, Hungary and Sri Lanka, and associate professor of Geopolitics at the Faculty of International Relations, Ministry of Foreign Affairs, Iran, in interview with author, 26 January 2020.

² David Kenner, “Why Saudi Arabia hates the Iran deal”, *Foreign Policy*, 14 November 2013,

<https://foreignpolicy.com/2013/11/14/why-saudi-arabia-hates-the-iran-deal/>;

William Hartung and Ben Freeman, “The Saudi Lobby’s Scheme to Destroy the Iran Deal”, *The American Conservative*, 23 May 2018,

<https://www.theamericanconservative.com/articles/the-saudi-lobbys-scheme-to-destroy-the-iran-deal/>.

³ Abdullah K Al Shayji, “The GCC–US Relationship: A GCC Perspective”, *Middle East Policy* 21, (no. 3, Fall 2014),

<https://mepc.org/gcc-us-relationship-gcc-perspective>.

⁴ Luciano Zaccara, expert on Iran and the Persian Gulf Region and assistant professor at Qatar University, in interview with author, 27 January 2020.

⁵ Farajirad, interview.

⁶ Anoushiravan Ehteshami, “GCC Foreign Policy: From the Iran–Iraq War to the Arab Awakening”, in *The New Politics of Intervention of Gulf Arab States* (Middle East Centre, London School of Economics and Political Science, April 2015),

<http://eprints.lse.ac.uk/61772/1/The%20new%20politics%20of%20intervention%20of%20Gulf%20Arab%20states.pdf>.

Gulf; Iran and Kuwait have transnational connections that predate the Islamic revolution in Iran and the creation of the GCC; and the UAE has had, until recently, the largest trading relationship with Iran and is host to one of the largest Iranian expatriate communities in the region (and the world). These factors have been instrumental in each of the GCC countries' decision-making calculus vis-a-vis Iran and are a major reason for the lack of a unified GCC policy towards the Islamic Republic. Thus, rather than aiming for one another's annihilation, Iran and the GCC states are taking their rivalry to the Eurasian arena to secure their respective interests.

The frictions within the GCC itself have also contributed to the growing differences in their individual foreign policy approaches. Notably, the June 2017 land, sea and air blockade imposed by Saudi Arabia, the UAE and Bahrain (as well as Egypt) on fellow GCC member Qatar for its alleged involvement with terrorist organisations, among other reasons, has called into question the continued existence of the GCC. The blockade forced Qatar to rely on Iranian airspace and shipping routes, constituting a blow to the objectives of Saudi Arabia and the other blockading countries.⁷ Moreover, as Iran and Turkey — another key player in Eurasia — became the two central actors facilitating the post-blockade food and goods markets in Qatar, the three countries signed a transportation pact in November 2017 to boost trilateral trade and ensure the smooth transfer of goods to Qatar through Iranian territory.⁸ As a result, the blockade has led to a significant shift in the balance of power in the region, with Qatar diversifying its foreign relations and seeking new strategic partners in Eurasia, which in turn has prompted the other GCC states to do likewise.

Relations with the European Union

The signing of the JCPOA and the removal of sanctions against Iran paved the way for the European Union, especially the powerful E3, to normalise ties with Iran and develop them in a way that had been inconceivable before. Businessmen, corporate executives and tourists began rushing to Iran. Led by the E3, the European Union, soon initiated a new approach to Iran that has endured despite strong pressures from some GCC states, Israel and the United States under Donald Trump. Concerned that they were being sidelined because of these real and perceived new partnerships between Iran and the E3, the GCC countries mounted a reinvigorated effort to elevate and strengthen their own partnerships with the E3 and other European countries.

The E3, and the European Union in general, are keen to have a balanced approach in dealing with Iran and the GCC states, but this has not always been possible considering the rivalries and differences between the Persian Gulf littoral states. As two regional blocs, the GCC and the European Union have had several multilateral forums for economic co-operation and strategic partnerships, including the annual GCC–EU Joint Council and Ministerial Meetings, which were strengthened as EU–Iran relations intensified. However, the Economic Cooperation Agreement between the European Union and the GCC, signed in 1988, has still not yielded the much sought-after free trade agreement between the two blocs.⁹ Nevertheless, the European Union was the largest trading partner of the GCC states in 2018, accounting for 14.6 per cent of the latter's total trade. More significantly, while the total trade in goods between the European Union and the GCC amounted to

⁷ Mohammed Sergie, "Embattled Qatar is rich enough to get by for another 100 years", Bloomberg Business, 6 June 2018, <https://www.bloomberg.com/news/articles/2018-06-06/a-year-later-iran-is-the-big-winner-of-the-qatar-embargo>.

⁸ Sanam Vakil, "Iran and the GCC: Hedging, Pragmatism and Opportunism", Chatham House, 13 September 2018 <https://www.chathamhouse.org/publication/iran-and-gcc-hedging-pragmatism-and-opportunism>.

⁹ Ramola Talwar Badam, "EU says it is open to free trade deal with GCC", *The National*, 18 February 2019, <https://www.thenational.ae/uae/government/eu-says-it-is-open-to-free-trade-deal-with-gcc-1.827284>.

€143.7 billion in 2017,¹⁰ the European Union’s post-JCPOA trade with Iran amounted at its peak in the same year to €18.4, a mere fraction of that level.¹¹

Interestingly, the European Union managed to establish three delegations in the GCC countries — in Saudi Arabia, the UAE and most recently Kuwait — something that it has so far been unsuccessful in establishing in Iran. At the opening of the delegation office in Kuwait, the EU High Representative for Foreign Affairs and Security Policy stated that “the European Union is increasing its presence and its engagement in the Middle East and the [Persian] Gulf — because we are neighbours, we share the same region and we are tied to one another.”¹² That the European Union considers the Persian Gulf and Europe to be part of the same region — Eurasia — suggests bilateral and multilateral relations could deepen.

While the European Union has a unified policy with regard to the GCC, each EU member state has an independent approach,¹³ shaped by its energy needs, trade and investment goals, as well as its geopolitical and geostrategic considerations. Likewise, each of the GCC states has a preferred European partner. Although each has historically had close relations with Britain, greater priority is now being accorded to relations with the other European countries. Qatar, for example, has been persistently strengthening its strategic, economic and military relationship with Germany, particularly since the imposition of the Arab blockade on the sheikhdom.¹⁴ The UAE, for its part, has been keen on expanding military relations with France, particularly in the face of growing tensions between Iran and the United States in the Persian Gulf.¹⁵ Notwithstanding these different emphases among the GCC countries, Iran, and its relations with countries across Eurasia, is one of the primary reasons for this reconfiguration of their respective foreign policies.

In spite of their expanding ties with Europe, none of the GCC countries believes that the European Union has a significant footprint on the geopolitics of the Persian Gulf region. As bin Nahar argues: “The reality is that Europeans have not occupied a pivotal position on the most important regional issues” and “the EU and its member states have been unable to shift the balance of power in the region”.¹⁶ Nevertheless, and as part of their strategy of diversifying their foreign relations, the GCC states have been compelled to expand relations with the European countries.

Relations with Russia

Rivalry for the expansion of relations with Russia is also significant and has a serious impact on the geopolitics of the Persian Gulf. Iran and Russia have greatly expanded their strategic, military and economic co-operation in the past decade, particularly since the Arab uprisings — a co-operation especially notable in Syria — and the implementation of the JCPOA. This trend has been a source of concern for the GCC states and has propelled them into serious competition with Iran for influence and partnerships with Russia. The GCC states had long

¹⁰ “EU–Gulf Region Trade Relations”, website of European Commission, accessed 11 January 2020, <https://ec.europa.eu/trade/policy/countries-and-regions/regions/gulf-region/>.

¹¹ EU–Iran Trade Relations. European Commission, website of European Commission, accessed 11 January 2020, <https://ec.europa.eu/trade/policy/countries-and-regions/countries/iran/>.

¹² “EU marks peace building partnership with new delegation in Kuwait”, European Union External Action, 14 July 2019, https://eeas.europa.eu/headquarters/headquarters-homepage/65427/eu-marks-peace-building-partnership-new-delegation-kuwait_km.

¹³ Zaccara, interview.

¹⁴ Nayef bin Nahar, “Mapping European Leverage in the MENA Region: View from Qatar”, European Council on Foreign Relations, accessed 2020, https://www.ecfr.eu/specials/mapping_eu_leverage_mena/qatar.

¹⁵ “UAE and France sign military cooperation agreement”, *The National*, 24 November 2019, <https://www.thenational.ae/world/mena/uae-and-france-sign-military-cooperation-agreement-1.941953>.

¹⁶ Bin Nahar, “View From Qatar”.

been wary of Russia's intentions and regional policies. While most opposed Russia's interference in the Syrian conflict, all have gradually begun to realise that strengthening relations with Russia is of significant value.¹⁷ As such, Russia and the GCC states have strengthened their relations since 2013, with Saudi Arabia, the UAE and later Qatar gradually expanding diplomatic, economic and military relations. Unlike the Europeans, Russia feels that its interests are better served by engaging the GCC states individually rather than as a bloc.

However, as Kozhanov argues, "the rivalry between Iran and the GCC is a headache for Russia", which needs both — Iran for geostrategic interests and the GCC states for economic reasons, particularly to draw GCC investments and to co-operate with the GCC states within the Organization of the Petroleum Exporting Countries (Opec).¹⁸ Kozhanov also contends that Russia feels the critical need to be more engaged with the GCC states, particularly Saudi Arabia, because 20 per cent of the Russian population are Sunni Muslims.¹⁹ Moreover, the Persian Gulf region has traditionally been considered the backyard of the United States, and that reason adds to Russia's motivation for greater involvement in the region.²⁰ Russia has, therefore, actively sought to forge a new security architecture in the Persian Gulf region, proposing a number of, largely unsuccessful, initiatives, since 2007, the most recent being its 2019 proposal to the United Nations for "Collective Security in the Persian Gulf".²¹

Russia has had to engage in a diligent balancing act between Iran and the GCC states, without compromising its own interests or those of its Iranian and Arab counterparts. Russian President Vladimir Putin's trip to the Persian Gulf in October 2019 signalled Russia's interest in engaging the GCC states, especially Saudi Arabia and the UAE. His trip was preceded by lucrative trips to Russia by Saudi Arabia's King Salman (2017) and Crown Prince Mohammad bin Salman (2018) and by Abu Dhabi's Crown Prince Mohammed bin Zayed (2017 and 2018). On the other hand, Putin has travelled to Iran three times since 2015, most recently in 2018. In addition, Iranian President Hassan Rouhani has travelled to Moscow five times since 2014 on top of engagements between the two countries within multilateral forums, including the Russia–Iran–Turkey trilateral meetings on the situation in Syria, the Caspian Summit, the Shanghai Cooperation Summit and the Eurasian Economic Union Summit (where Iran signed a free trade agreement with the union in late 2019).²²

Relations with China

Forging relations with this rapidly growing Eurasian power is also of great importance to both Iran and the GCC states. China has become a strategic partner of Iran. Since the turn of the century, their partnership has expanded across a variety of fields in direct opposition to the United States as both countries (as well as Russia) encounter US hegemonic actions, including unilateral sanctions and tariffs. China's veto-wielding power in the UN Security Council, as well as its role as a signatory to the JCPOA, has given cause for Iran to prioritise expanding relations with China. And, China has become Iran's primary economic benefactor since the US withdrawal from the JCPOA and the re-imposition of US sanctions on Iran.²³ One significant, yet undervalued,

¹⁷ Courtney Freer, "GCC–Russia Relations: Looking beyond Syria and towards Investment", London School of Economics and Political Science, 1 May 2018,

<https://blogs.lse.ac.uk/mec/2018/05/01/gcc-russia-relations-looking-beyond-syria-and-towards-investment/>.

¹⁸ Nikolay Kozhanov, expert on Russia's relations with Iran and the GCC States, and associate professor at Qatar University, in interview with author, 28 January 2020.

¹⁹ Kozhanov, interview.

²⁰ Kozhanov, interview.

²¹ "Russia presents to UN its concept of collective security in Persian Gulf", TASS, 30 July 2019.

²² Omid Rahimi and Aveek Sen, "Iran trade deal with Russia-led bloc warrants cautious optimism", *Bourse and Bazaar*, 22 October 2019,

<https://www.bourseandbazaar.com/articles/2019/10/21/iran-joins-russian-led-trade-bloc-with-cautious-optimism>.

²³ Michael B Greenwald, "The Silk Road and the Gulf: A new Frontier for the RMB", Atlantic Council, 18 March 2019,

factor that gives the China–Iran relationship a strategic depth that the China–GCC relationship lacks is the shared sense of pride that China and Iran have as ancient civilisations. Nevertheless, the GCC states have become more accommodating to China’s regional ambitions across Eurasia — particularly with regard to China’s priorities, namely, successfully pushing through its Belt and Road Initiative (BRI) and ensuring unimpeded oil and gas supplies from the Persian Gulf.

In its Persian Gulf policy, China has been careful not to entangle itself in regional contentions. As such, China has also expanded its relations with the GCC countries while developing ties with Iran. Similar to Russia, Beijing engages the GCC states bilaterally rather than as a bloc, and it has prioritised relations with Saudi Arabia and the UAE. Apart from making a state visit to Iran in 2016, President Xi Jinping travelled to Saudi Arabia the same year and to the UAE in 2018. While Rouhani has travelled to China three times since 2014, the heads of state of Saudi Arabia, Kuwait and Qatar visited China once each between 2017 and 2019; Mohamed bin Salman and Mohammed bin Zayed also each made a visit to China in 2019.

The GCC states’ deep partnership with the United States has always been the elephant in the room when the sheikhdoms attempt to forge ties with other major powers. As Farajirad argues, “if the growing relations between the GCC states and China are seen as countering Iran”, the United States has typically “turned a blind eye”.²⁴ However, when these relations directly affect Washington’s national interests and global policies, the GCC states have been left with no choice but to change course. The US–China rivalry in the region came to the fore in the Duqm port project in Oman. While China had planned to invest billions of dollars in the project with a view to establishing a base in the Arabian peninsula, the United States signed an agreement with Oman with the primary objective to “limit Chinese commercial and logistical expansion”.²⁵ This is only one example of US influence over the GCC states but it is illustrative of how the GCC states may have to strike a balance in their relations with the United States and other major powers.

Conclusion

Iran and the GCC states have recognised that the Eurasian framework offers vast opportunities to advance their respective national interests. However, the Eurasian powers — the E3, China and Russia — have their own approaches and visions of how to engage Iran and the GCC states. Nonetheless, these powers’ willingness to engage both Iran and the GCC states is a slight improvement over the United States’ one-sided approach to the Persian Gulf region. Yet, we are still not at a point where the Eurasian vision offers a perfect way out from contentions between Iran and the GCC states. Rather, this new vision has exacerbated their rivalries. The thrust towards Eurasia will continue to shape relations between Iran and the GCC states for decades to come, and one hopes that this realm will eventually see healthy competition rather than zero-sum contentions.

About the Author

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<https://www.atlanticcouncil.org/blogs/new-atlanticist/the-silk-road-and-the-gulf-a-new-frontier-for-the-rmb/>.

²⁴ Farajirad, interview.

²⁵ Camille Lons, “Onshore Balancing: The Threat to Oman’s Neutrality”, European Council on Foreign Relations, 3 April 2019, https://www.ecfr.eu/article/commentary_onshore_balancing_the_threat_to_omans_neutrality.