

The EU's Balancing Act in the Middle East

How to Engage Iran Without Alienating GCC States

by Jan Hanrath

Introduction

The Middle East, and the Gulf region in particular, is witnessing fundamental challenges in political, economic and sociocultural terms. The finalization and subsequent implementation of the Joint Comprehensive Plan of Action (JCPOA) between Iran and the E3+3 (France, Germany and the United Kingdom + China, Russia, and the United States) have caused anxiety among Gulf Cooperation Council (GCC) member states. Hopes that this agreement would increase a regional sense of security, as the agreement blocks any pathway for Iran to develop nuclear weapons, have been dashed. GCC states openly voice concerns over the impact of Iranian–Western rapprochement. An end to the political and economic isolation of Iran, it is believed by many, necessarily endangers the Gulf countries' regional status and undermines their privileged partnerships

Executive Summary

Initial hopes that the nuclear agreement between Iran and the E3+3 would increase regional security and decrease political tensions have been dashed. Conflicts in the Middle East are escalating further, and tensions between GCC states and Iran are intensifying. In light of this regional tug-of-war, the EU needs to develop a policy that succeeds in integrating the Iranian position into regional affairs without alienating other allies in the region.

Against this backdrop, CARPO organized a conference with participants from the region and Europe to open a forum for dialogue and to outline potential EU–Middle East initiatives. The conference agenda included discussions on security, economics and environmental issues as well as on cultural and societal affairs. Throughout the controversial, yet constructive debates, the EU was seen as a trusted institution to (1) initiate and facilitate dialogue on various levels, (2) engage all regional stakeholders to identify vital interests and concerns and support the development of a regional security architecture, (3) help creating economic incentives to foster cooperation and overcome regional zero-sum mentality, (4) raise awareness and introduce regulatory measures to tackle environmental challenges, and (5) empower and enable local actors to develop long-term visions and measures.

with Western powers. Furthermore, the notion of Iran's 'expansionist regional policies' and 'sectarian approach' is stressed as a major security threat. By the same token, Riyadh-Tehran relations have been cut off. Officials of the Saudi Kingdom clearly explained that their military campaign in Yemen was a necessary step to counter Iranian influence in the region. In short, the JCPOA has made Iran seem even more intimidating to its regional neighbors.

While sharpening the rhetoric against each other, Iran and Saudi Arabia are investing enormous efforts in presenting themselves as the only reliable partner of the West in the region. Eventually, the Western states are expected to choose whom to regard as the more trustworthy partner. In light of this regional tug-of-war and intensifying rivalry, the EU has the challenge to develop a policy that succeeds in integrating the Iranian position into regional affairs without alienating other allies in the region. However, for a multi-faceted regional conduct, it is necessary for the EU to have a deeper understanding of the regional dynamics and to listen carefully to all voices.

Against this backdrop, the Center for Applied Research in Partnership with the Orient (CARPO) organized a conference¹ with participants from GCC countries, Iran, Yemen and Europe. The conference agenda included discussions on security, economics and environmental issues as well as on cultural and societal affairs. In closed-door discussions

with diplomats, analysts and security experts, the conference aimed to outline in which fields EU–Middle East initiatives need adjustment. Additionally, the conference was designed to open a forum of dialogue between actors from countries whose relations are currently defined by rivalry and mistrust. Meaningful dialogue must start with the exchange of perceptions. Perceptions are not based on empirical data. Yet, perceptions are very influential and need to be addressed before they can be changed.

The conference saw controversial, yet constructive and fruitful discussions. It is well beyond the scope of this publication to reflect on all the important aspects brought up during the conference. Instead, key areas where Europe (both at the EU and the member state level) can and has been invited to play an important role in the region will be highlighted.

The post-JCPOA context and its security implications

A common theme in the contributions made by participants from GCC countries was their concern over Iran's growing involvement outside its borders. This concern can be seen as the main reason for reservations regarding the Nuclear Agreement and Iran's new role on the regional and global stage. It can be argued that all regional security affairs, including the ongoing wars in Syria and Yemen, and the threat posed by the so-called Islamic

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State of Iraq and the Levant (ISIL) are viewed by the GCC states through the prism of growing Iranian influence. Hence, suggestions to resolve the conflicts varied significantly between Iranian interlocutors and their Arab counterparts.

Unsurprisingly, discussions on regional security issues exposed the deep distrust between both sides of the Gulf. While Iranian participants described their country as a peaceful, constructive, and defense-oriented nation, Arab participants made clear Iran is perceived as quite the opposite. To put it simply, each side blames the other for destabilization and sectarianism in the region.

Iranian speakers maintained Iran has no interest in weakening regional actors, as that would endanger the regional order. From their perspective, Iran is first and foremost interested in regional stability and seeks to strengthen central governments, rather than pursuing 'expansionist policies', as it is accused of doing. Furthermore, one Iranian speaker held that Iran's regional capabilities and military capacities are exaggerated and overemphasized. Based on its defense doctrine, it was stated that Iran only supports proxies (or rather "allies") because – unlike other regional actors – it has no security guarantor (e.g. the United States) but itself. And as long as regional rivals are supported and armed by Western states, Iran would have no choice but to pursue its 'forward defensive strategy', as one Iranian participant put it.

In this regard, many GCC participants lamented the gradual withdrawal of the United States in the region. It became apparent that Iran desires no US presence in the Middle

East while many GCC participants expect just that. There was a feeling among GCC participants – to varying degrees – that Iran gained disproportionately from the JCPOA, as its international isolation ends while its regional position regarding the ongoing challenges and conflicts improves.

Many Arab participants demanded that the EU needs to follow-up with Iran, and make sure Iran delivers beyond its commitments made in the nuclear agreement. GCC member states expect a critical dialogue between the EU and Iran to emphasize that Iran has not been granted a 'carte blanche' in the post-JCPOA era. Iranian participants countered with a call for the EU to engage in a more critical dialogue with Gulf monarchies on countering terrorist organizations, such as ISIL and Al Qaeda.

While only one GCC participant was fundamentally opposed to the JCPOA, most conference participants agreed that the deal does not solve all regional problems. Assessments varied on whether the JCPOA serves as a blueprint for other regional issues. Some saw it as a major success for diplomacy which may indeed have an impact on other conflict arenas, as it proved diplomacy can work when conducted meaningfully. Others challenged this assessment, and saw a strengthened Iran as an obstacle to any conflict resolution in the region if it continued its current behavior.

There was unity among all participants on one particular notion: the need for a functional regional security architecture. Although there is no current clear vision for the particulars, it was stressed that any framework

should lessen dependence on extra-regional guarantors and their interests, in combination with a willingness to learn from historic experiences in other regions, such as Europe. Participants concurred that any new regional security arrangement should start with confidence building measures to establish trust and to lower tensions, granting that, again, the particulars remained unclear. The group was in agreement that a struggle for power, rather than religious or sectarian conflicts, is at the helm of all the regional conflicts. Thus, any approach to defuse tensions would have to start with balancing power aspirations and mutual threat perceptions.

Conference participants voiced the need for more direct exchange, and to seek reconciliation in small, attainable steps. European actors were viewed as valuable moderators to facilitate exchange on state-to-state level, as well as via person-to-person initiatives. Security-oriented initiatives, most participants believed, should first focus on common interests such as counter-terrorism, counter-narcotics and measures against human trafficking. One Iranian participant emphasized that the EU is a natural partner for such regional initiatives: Europe has leverage on all sides in the Middle East, as well as its own national interests in countering terrorism, drug smuggling and human trafficking.

The debates on security issues also revealed that the GCC is by no means a monolithic bloc. Reservations vis-à-vis the nuclear agreement for the Saudi side are based on security issues while economic interests matter more to the UAE. Oman celebrated the nuclear agreement as an achievement, due

to the sultanate hosting backchannel talks, while the dismay of other GCC states regarding Oman's intervention became apparent during the sessions.

The post-JCPOA context and its economic implications

Even though regional cooperation appears to be easier and more tangible in the economic sphere, discussions showed that tensions, mistrust and rivalry extend to this field as well. While ideological, political or religious differences matter far less in economic issues, concerns about losing market shares and an overall zero-sum mentality prevails among regional actors. The prospects of a gradual end to economic, banking and financing sanctions – i.e. Iran's re-entry into the global market – is causing anxiety in the region. There is no sense of a regional economic benefit in the post-JCPOA environment. While Iranian participants tried to point to benefits for all regional actors, other participants argued the gains were ultimately on Iran's side.

The speakers from both Iran and Saudi Arabia agreed that there is a critical misperception of the Iranian economy and its assumed dependence on oil and gas. Unlike many GCC economies, the Iranian economy was described as service based, relatively diversified, and possessing significant flexibility to adjust to new business opportunities. The current economic opening is not just 'a project of the current administration', but reflects a shift across all political camps in Iran favoring integration into the world market, an Iranian expert clarified.

As its oil industry only makes up about 20% of the Iranian economy, regional competition in oil exports is less contentious. However, as Iranian and Saudi delegates explained, gas exports will be more important than oil in the coming decade, since all GCC countries will have to import gas in the near future. Both countries stressed that competition for Asian markets will increase in the years to come, and that regional cooperation can generate mutual gains once the zero-sum mentality is overcome and win-win approaches are developed.

Even though trade did continue during the sanctions era – particularly between Iran and the United Arab Emirates – the scope was strongly limited. Now, trade between the two countries is expected to grow; yet, the fear of Iran financing its regional proxies with newly generated, post-JCPOA state revenues remains salient among many Arab actors. Iranian speakers countered that Iran's focus is on creating jobs, and that improving economic conditions at home was the top priority of the current administration.

European businesses have been pushing for (re-)entry into the Iranian market, and Iran seems keen to welcome them. However, one European speaker warned, the lifting of sanctions will not automatically lead to more investment and an economic boom. Progress in other areas, such as the rule of law, transparency and fair competition needs to be ongoing. Thus, the speaker continued, continued European efforts to push for sustainable reforms in Iran are necessary.

In general, most participants agreed that there are good prospects for economic

cooperation in the region. Rivalry and competition are essential elements in finance and should not be politicized. The 'more rational spirit' of the economic sphere, as one speaker put it, should also be transferred to other areas of regional cooperation. Hence, economics was perceived as an entry point for more comprehensive dialogue. The interaction between entrepreneurs opens channels that may ultimately go beyond mere financial interests and send positive signals toward intensified exchange.

The post-JCPOA context and its impact on environmental issues

While at first sight environmental issues appear less political and conflict laden, many participants hinted at the dangers of environmental challenges in the region and the potential these bear for cross-border conflicts. A lack of access to water and increasing desertification may contribute to migration flows and put cities under tremendous distress due to uncontrolled urbanization processes, an Iranian participant explained. Dust storms, pollution and poisoning of rivers and seas already lead to grave health problems for many cities in Iran and other parts of the region. In the long term, conflicts over scarce resources may escalate both within and between countries. What most, if not all, environmental issues have in common, a Kuwaiti participant pointed out, is that they do not stop at national borders, irrespective of cross-border relations. All agreed that challenges such as pollution or desertification are cross-border phenomena that no country can tackle on its own. Therefore, these challenges require cooperation and could

potentially serve as prototype projects for regional (or local) cross-border governance.

All participants agreed that the whole region shares many environmental problems: From scarce water resources to pollution through oil drilling and the petro-chemical industry to the environmental consequences of the wars in Iraq. An Iranian expert highlighted that ongoing military conflicts also continue to harm the environment.

But as discussions showed, identifying common challenges is one thing, agreeing on joint mechanisms to tackle them is quite another. Currently there is minimal awareness regarding environmental issues throughout the region. Waste of energy and natural resources, all participants agreed, is seen in all Middle Eastern countries. A further widespread problem was subsidized energy costs, which clearly hinder more efficient energy consumption.

Due to its seemingly less political nature, this field was much more constructively discussed among the participants. It also brought the most concrete suggestions, alongside an invitation for European support and expertise.

Participants stated that EU involvement would be welcome in fostering awareness-raising initiatives, programs on water security, or capacity-building measures in water management. In the fields of energy efficiency, the EU could help introduce standards and regulations, an Iranian expert suggested. Instead of new technologies, the introduction and implementation of standards already in use in Europe (e.g. double-glazed windows or insulation standards) could prove effective.

Other suggestions included the orientation on European product standards and procedures regarding audits, as well as expertise on the maintenance of buildings. As an Iranian participant suggested, the EU could help set up energy saving companies to improve the energy balance of big construction projects, while at the same time produce financial benefits for investors, communities and owners of buildings.

All regional participants agreed that European expertise and active involvement in environmental issues would be very welcomed, since it is perceived as focusing on a rather technological level than on political and social issues. Building on this positive sentiment should be seen as a general entry point for dialogue between various actors in the region with a prominent role for Europe.

Discussions raised the idea to engage religious sources and seminaries for environmental awareness. Several initiatives by clerics from different faiths, sects and countries which sought to raise awareness for environmental issues and to promote ecological behavior were mentioned. It was concluded that future environmental programs should embrace religious figures.

The post-JCPOA context and its cultural and societal ramifications

An eclectic set of issues was raised when discussing the potential impact of the nuclear agreement on social and cultural affairs. Topics often referred to as 'soft politics' were discussed in a manner that showed that there is 'hard logic' behind 'soft power' calculations,

as the moderator put it. Discussions revealed that societal and cultural policies are often driven by security concerns.

Security concerns were evident when discussions touched on single conflict arenas, such as Yemen, Syria and the Kurdish regions; dealt with domestic issues such as participatory structures and women's rights; and in general questions of dialogue between conflicting parties in local wars in the region.

As in the sessions on regional security issues, the general cleavages between Iran and GCC states dominated the debates. Furthermore, differing positions among GCC States also came to the fore. Particularly with regards to the ongoing wars in Syria and Yemen and the root-causes for the emergence of ISIL, conference participants accused each other of having created the context of the conflicts by ideology promotion and sectarian policies. Support for religious and ethnic minorities by external actors (regional or extra-regional) was perceived as a means of destabilization and interference in internal affairs – a notion all participants stressed regarding their own domestic contexts.

When accusations reached a peak, one participant intervened: 'You have your sources. We have ours. Let's compare our sources and engage in fact-based discussions.' The participants agreed that a lack of reliable information and biased reporting lead to distorted perceptions of the respective other side. Misperceptions and stereotypes, it was concluded, can be deconstructed most effectively through dialogue meetings and personal interactions that overcome a lack of

knowledge about the perceptions and viewpoints of others. Instead, current media reports on both sides fuel existing binaries and deepen cleavages.

'Othering' and images of enmity often serve domestic goals and are used as rhetoric ammunition in regional power struggles. An urgent need for quality journalism and neutral reporting was thus highlighted by the Omani participant. Capacity-building and training in the fields of media and journalism would need to be designed with a long-term approach going beyond ad-hoc workshops, and focus on structures rather than individuals.

However, the critical issue of democracy and civil society promotion by external actors such as the EU was quickly mentioned. Discussions highlighted once again that extra-regional efforts to positively impact societal developments need to refrain from focusing on democracy or civil society promotion, but rather seek context-specific participatory measures and capacity-building in order to enable and empower local actors. It was recalled that in many parts of Middle Eastern societies the term 'democracy' is poisoned and associated with chaos and instability. Instead, participants requested European actors to promote and facilitate forums for face-to-face exchange and dialogue to build a positive environment for rapprochement between conflicting parties. Mutual understanding and avenues for dealing with conflicts in a peaceful manner need to be nurtured within the societies of the region and would then eventually lead to improved social and political contexts.

Recommendations

There was broad consensus among participants that the conference was an important step towards dialogue and exchange, and should be continued in various settings. The EU as a trusted institution can play a mediating role by hosting and facilitating such dialogues. Due to the current state of affairs, these meetings should currently continue to take place outside the region, and then later be held regionally when some steps in the right direction have been taken. There was widespread agreement that the time is right for new approaches to fight mutual distrust and to focus on dialogue initiatives.

In this regard, the following recommendations and suggestions were stated by the conference participants:

1. *Initiate and Facilitate Dialogue on All Levels*

As the region is in dire need of dialogue on all levels, the EU should widen its support for people-to-people exchange initiatives. Future political rapprochement between states will only hold if this process is embedded in and backed by the societies of the respective countries. All initiatives should have a mid- and long-term approach to stimulate long-lasting cooperation. Focusing on less controversial fields, such as economic cooperation, joint academic research or environmental issues, is recommended to create positive precedents of regional cooperation.

2. *Engage All Stakeholders in the Region to Identify Vital Interests and Concerns*

In the post-JCPOA context, the EU should engage all regional actors. Based on its historic experience in bridging gaps between former enemies (e.g. Germany and France), the EU can provide assistance for rapprochement between the main regional powers Iran and Saudi Arabia. It should support initiatives to identify vital interests and concerns of all stakeholders and define concrete confidence-building measures to reduce threat perceptions. By providing opportunities for deliberations on regional security architecture, it will be possible to develop mechanisms to resolve, manage and prevent regional conflicts.

3. *Help Creating Economic Win-Win to Overcome Regional Zero-Sum Mentality*

Economic cooperation between entrepreneurs automatically opens communication channels between pragmatic actors. Thus the EU should support inter-regional trade and economic exchange without sidelining any regional stakeholders. Zero-sum thinking has to be replaced by perceptions of mutual benefits through cooperation. European experiences can function as a model for how economic cooperation and trade can reduce political conflicts and decrease mistrust between (former) enemies.

4. *Raise Awareness, Introduce Standards and Regulations to Tackle Environmental Challenges*

Regional dialogue and cooperation on environmental issues and ecological challenges

is indispensable, since no state can tackle cross-border challenges such as pollution, water scarcity and desertification on its own. Hence, a shared sense of urgency is given. The EU should facilitate regional cooperation and build on the willingness of regional actors to learn and benefit from European expertise in this field. For example, European initiatives, support and expertise are most welcome regarding energy efficiency measures, renewables and green technology.

5. Empower and Enable Local Actors and Design Long-Term Projects with Long-Lasting Effect

EU support for democratic structures and civil society actors should focus on local participation and participatory practices in all societal and political affairs. Capacity-building programs on the local level should be long-term in nature in order to exert a long-lasting effect. In the media sector this would entail training journalists and promoting inclusive and conflict-neutral media, as well as help develop a media structure in which there is more economic profit in objective reporting than in serving as a propaganda tool.

About the author

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About CARPO

CARPO was founded in 2014 by Germany-based academics trained in the fields of Near and Middle Eastern Studies, Political Science and Social Anthropology. Its work is situated at the nexus of research, consultancy and exchange with a focus on implementing projects in close cooperation and partnership with stakeholders in the Orient. The researchers in CARPO's network believe that a prosperous and peaceful future for the region can best be achieved through inclusive policy making and economic investment that engages the creative and resourceful potential of all relevant actors. Therefore, CARPO opens enduring channels for interactive knowledge transfer between academics, citizens, entrepreneurs, and policy-makers.

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