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British policy in the Gulf in the wake of Brexit

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INTRODUCTION

It was almost two years ago. English Prime Minister Theresa May did a very noteworthy tour around Gulf countries, just a few months after the announcement of Brexit in June 2016. For the United Kingdom, the objective was then to renew ties with its historical partners in an attempt to prevent the economic cost of Brexit and prove that divorce with its European partners will not result in a British withdrawal from the international scene. At the Manama Forum in Bahrain in December 2016, the then Secretary of Foreign Affairs, Boris Johnson, announced the United Kingdom's shift back to the "East of Suez", nearly 45 years after its withdrawal from the region.

However, the UK's open alliance with the Gulf countries, and in particular Saudi Arabia, is facing many controversies. Despite a charm offensive launched towards Western countries, Saudi Arabia, the first client of the British arms industry, is unable to hide its involvement in Yemen, where it is accused by some NGOs of war crimes. In addition, the Saudi Kingdom and its Emirate ally have adopted very aggressive and unpredictable policies in recent years, both on the external front with the embargo on Qatar, the intervention in Yemen, and the kidnapping of Lebanese Prime Minister Saad Hariri in Riyadh; and in the increasingly aggressive repression of any form of internal opposition. At a time when the United Kingdom is seeking to deepen its cooperation with the Gulf countries, the succession of scandals places London in a delicate position, but also questions the reliability of its allies in the region.

The murder in October 2018 of Saudi journalist Jamal Khashoggi forced the British government to take a firm stand, contrasting sharply with its usual reservations. However, the upturn was short-lived and the unity with France and Germany quickly shattered, revealing intra-European divisions and the inevitable decline of British influence in the Gulf, while the region turned to new powers such as China and Russia.

What is the current state of relations between the United Kingdom and the Gulf countries? What happened to the promises of contracts and investments made two years ago? What leverage does the United Kingdom have in the region at a time when Gulf countries are increasingly turning to new powers such as Russia and China?

I – Brexit: new economic opportunities?

Economic relations between the United Kingdom and the Gulf countries are long-standing and strong. Trade between the United Kingdom and the Gulf Cooperation Council (GCC) countries amounts to almost £30 billion per year. This makes the region the second largest non-European importer of British goods. The Gulf countries are also major investors in the British economy, particularly in the London real estate sector. As the Brexit deadline approaches, the Gulf countries will most likely gain in importance in British foreign trade. As early as April 2017, the UK government announced that the GCC countries would be one of the main destinations for its investments, and identified investment opportunities estimated at £30 million for the next five years.

For Theresa May's government, developing trade with the Gulf countries is not just an economic issue, but part of a broader political and strategic relationship. Secretary of State for International Trade Liam Fox told the House of Lords in 2017 that trade, development aid, security, political and social stability "*are parts of the same continuum*", and that trade is "*a way to deepen strategic relationships over the long term*".

While the EU had failed to establish a free trade agreement with the GCC since the negotiations were launched in 1990, Brexit is presented by Theresa May's government as an opportunity for the United Kingdom to "*forge a new trade agreement for the entire Gulf*", predicting that this could "*ensure a new level of prosperity*" for future generations².

While the United Kingdom cannot formally sign an agreement as long as it remains a member of the European Union, its government has positioned itself to start preparing treaties ready for signature. British Secretary of State for International Trade Liam Fox was again visiting the Emirates and Oman in February 2019 to discuss the details of a possible treaty once the United Kingdom had emerged from the EU common market.

However, the wavering about Brexit and the absolute lack of clarity as to what the United Kingdom's situation outside the EU will be, have so far limited the progress of the negotiations. In a May 2018 report from the British Parliament, officials of the Department of International Trade point to a clear lack of resources and staff dedicated to the establishment of these new free trade agreements, thereby slowing down treaty negotiations³. Moreover, while the initial objective was to sign a first free trade agreement with the entire GCC, the Qatar crisis is now making the task even more difficult.

¹ <https://publications.parliament.uk/pa/ld201617/ldselect/ldintrel/159/15911.htm>

² GCC Summit in Bahrain in December 2016.

³ <https://publications.parliament.uk/pa/ld201617/ldselect/ldintrel/159/15911.htm>

On the Gulf side, the confusion among their British partner raises a lot of perplexity, but also suggests the possibility of reaching interesting conditions given the United Kingdom's vulnerable position in the negotiations.

Beyond the issue of the Free Trade Agreement, the British government has also focused on the need to continue to secure new bilateral trade agreements and contracts with the Gulf countries. The last few years have been marked by very active economic diplomacy.

In March 2018, the visit to London of Saudi Crown Prince Mohammed ben Salmane resulted in the signing of some 20 economic agreements worth £1.5 billion in various fields such as education, pharmacy and finance. The Kingdom of Saudi Arabia then lured the UK with the promise of the opportunities generated by its ambitious economic reform plan "Vision 2030". The Saudi economy's diversification ambitions open up new opportunities, particularly in sectors where the United Kingdom has specific expertise, such as healthcare, education, financial services, infrastructure and construction.

2 – Economic promises that are slow to materialize

A year later, however, the promises made are slow to materialize. For a Foreign and Commonwealth Office official, it is common for GCC countries to announce more investments and contracts than they actually do, and the record in recent years remains disappointing for the United Kingdom.

This is partly due to the fact that the Gulf economies are facing difficulties that are forcing them to reduce their projects. In Saudi Arabia, three years after the launch of the economic reform project "Vision 2030", the results remain very mixed. Despite a partial rebound in 2018, the fall in oil prices is leading to large budget deficits and deflation since January 2019 in several countries in the region. Although Saudi Arabia continues to announce investment projects, the Kingdom's projected deficit in 2019 is \$35 billion. Several infrastructure megaprojects such as the futuristic city of Neom are slow to emerge. The alternative sectors to hydrocarbons that Vision 2030 sought to develop remain very limited due to the lack of an adequate skilled workforce. As for the Emirates, the government remains very discreet about the real situation of its economy, but several studies report that GDP growth, at 1.9% in 2018, is at its lowest level since 2009. In addition, the rising cost of living in Dubai is driving more and more foreign companies and workers away.

Beyond the economic difficulties linked to the fall in oil prices, the Gulf countries are also facing a decline in foreign investment. In Saudi Arabia, these have increased from nearly \$7.4 billion per year before 2016 but dropped down to \$2.4 billion in 2018. This fall is interpreted by some observers as the result of the aggressive and unpredictable policy pursued over the past two years by Crown Prince Mohammed ben Salmane, which has reportedly disheartened investors, particularly British investors. In October 2018, the "Davos of the Desert" economic conference held in Riyadh just weeks after Jamal Khashoggi's murder was ignored by many leading British and international business and political figures, including Secretary of State for Trade Liam Fox, HSBC and Standard Chartered bosses, as well as representatives from the *Financial Times* and *The Economist*. In the same month, an English investment fund, Pharo Management, publicly returned \$300 million to Saudi Arabia in protest against the journalist's murder, a rare and symbolically strong gesture.

The authoritarian excesses of the Saudi regime have indeed greatly affected the Kingdom's international image, and some British investors are privately expressing growing doubts about Saudi leadership that is increasingly unstable and unpredictable. However, in general, most companies have maintained their links with the Kingdom and continue to consider the Gulf countries as a source of important economic opportunities.

3 – The British military shift back to the "East of Suez"

The wish for revived economic relationship between the United Kingdom and the Gulf countries is accompanied by a broader project to strengthen political and military cooperation with the region. Since its withdrawal from the Persian Gulf in 1971, the United Kingdom has maintained a significant military footprint in the region through the training of a very large proportion of military personnel in British training centres such as Sandhurst. The Persian Gulf has remained a crucial region for British interests, and the desire to strengthen military cooperation with the Gulf countries has accelerated sharply in the wake of the Arab Spring of 2011.

Between 2005 and 2009, the Royal Air Force was already using the Al-Udeid base in Qatar to support operations in Iraq and Afghanistan. In 2009, it was granted the right to use Emirati facilities in Al-Minhaj, south of Dubai, which now hosts Panavia Tornado and Eurofighter Typhoon squadrons. However, this military shift back to the "east of Suez" has accelerated with the signing of defence cooperation contracts with both Bahrain and the United Arab Emirates in 2012. The partnership with Bahrain led in 2016 to the establishment of the first permanent British base in the region, the Juffair naval base, in the Bahraini port of Mina Salman.

At a side meeting during the GCC summit in Bahrain in 2016, Theresa May said that the United Kingdom wanted to invest more than £3 billion in the region's defence budget over the next ten years. This very proactive attitude materialized in the years that followed. In September 2017, the United Kingdom strengthened its defence cooperation with Saudi Arabia by signing a new Military Cooperation Agreement⁴. The agreement provides for increased cooperation in the areas of counter-terrorism, intelligence, training and logistical support. More recently, in February 2019, the signing of the Framework Agreement for Military Cooperation with Oman provides for the development of a naval base in Duqm providing a British access to the Indian Ocean. Some rumours in November 2018, although denied by the British government, mentioned that the United Kingdom was also negotiating the construction of a naval base in Kuwait.

This increased British military presence in the Gulf serves several purposes. First of all, it aims to reassure the regimes in the region which have watched the Arab Spring uprisings with great concern. The United Kingdom considers that the stability of these regimes is important for the stability of the region. It also aims to rely on the Gulf countries to combat Iran's regional influence and cooperate in the fight against terrorism.

⁴ <https://www.gov.uk/government/news/new-agreement-strengthens-uk-saudi-arabia-defence-relationship>

4 – The Khashoggi case and the war in Yemen: a turning point in traditional British policy of reinsuring Gulf regimes?

The British desire to increase the United Kingdom's economic, political and military cooperation with the Gulf countries is hampered by the thorny issue of human rights. This issue is a recurring theme in the British political debate. London maintains a traditional policy of reinsurance for its Gulf partners, refusing to attack them head-on and publicly on the issue of human rights, with the hope of maintaining good relations with them and influencing them in a positive way over the longer term.

In a statement to the House of Lords in May 2017, Liam Fox explained that cooperation in the field of trade and security was conceived as a way to establish a long-term relationship and while doing so to be able to influence political systems in order to lead partner countries to improve their respect for human rights⁵.

This policy has been the subject of much criticism when London, for example, gave its support to the Bahraini regime despite the repression of demonstrations in 2011, and refused, in 2017, to support a United Nations declaration denouncing the human rights violations perpetrated by the Kingdom⁶.

Similarly with Saudi Arabia, the United Kingdom has sought to circumvent the thorny issue of human rights by insisting on cooperation in the fight against terrorism or on societal progress, such as women's right to drive.

Great Britain has long considered that the Gulf powers play an important role in moderation and stabilization for the region, and that it is therefore important to support the stability of their regimes, despite their authoritarian dimension. If British arms sales to the Gulf countries increased sharply during the Arab Springs, it was because British interests were then to maintain the relative stability of the authoritarian regimes in the region.

However, the murder of Saudi journalist Jamal Khashoggi in October 2018 provoked an unprecedented global reaction, reviving the debate on arms sales to Saudi Arabia and the United Arab Emirates, and forcing the British government to take a firm stance with its usual discretion. The United Kingdom took part in a joint statement with

⁵ <https://publications.parliament.uk/pa/ld201617/ldselect/ldintrel/159/15911.htm>

⁶ <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CDP-2018-0197#fullreport>

France and Germany strongly denouncing the journalist's murder and calling for an independent investigation⁷.

5 – The difficult balance between influence and firmness towards the Gulf regimes

The Khashoggi case is part of a broader trend of tightening authoritarian regimes, mainly in Saudi Arabia and the United Arab Emirates for several years, which is a growing concern in British decision-making circles. In Saudi Arabia, the rise to power of the young Crown Prince Mohammed ben Salmane was accompanied by several episodes of violent arrests and repression of the political, religious and intellectual opposition, including within the royal family itself. In the Emirates, the arrest in May 2018 and the life sentence – before his release – of the young British researcher Matthew Hedges had a profound impact on Anglo-Emirian relations, reflecting in particular a transformation in the balance of power between the two countries.

In parallel with these authoritarian tightening measures, the British government is also accused of selling weapons to coalition countries in Yemen, with the risk that they may be used in circumstances that would violate international humanitarian law or human rights. The United Kingdom is the second largest arms exporter to Saudi Arabia after the United States. Since the beginning of the conflict in Yemen, the country has sold £4.7 billion in arms licences to Saudi Arabia and £860 million to its allies in the Arab coalition. However, the coalition is suspected of war crimes and human rights violations in Yemen.

A report by the House of Lords' Committee for International Relations in February 2019 found that arms sales to countries involved in Yemen were illegal because the British government did not take sufficient steps to establish with certainty that the arms sold were not being used in conditions that violated international law⁸.

Following the media tsunami triggered by the Khashoggi affair, this issue of human rights and arms sales to Gulf countries has been highly politicised by the British opposition, and in particular Labour Party leader Jeremy Corbyn, to destabilise Theresa May's government. Some activists and associations have also tried to use this political opportunity to push the British government to put pressure on its Gulf partners to reach a peace agreement in Yemen more quickly.

⁷ <https://www.gov.uk/government/news/joint-uk-france-and-germany-statement-on-jamal-khashoggis-death>

⁸ <https://www.theguardian.com/world/2019/feb/16/uks-saudi-weapons-sales-unlawful-lords-committee-finds>

However, the issue of arms sales and human rights poses a major dilemma for the British government. Beyond the purely economic and commercial dimension, this issue is at the heart of the UK's key strategic interests.

Arms sale is a way for the United Kingdom to continue to project itself as a military power abroad even though it faces a decline in its international influence. Sales are indeed accompanied by an important dimension of strategic cooperation and are, by their very nature, part of a long-term process that encourages the establishment of long-term relationships.

In addition, the British government's argument in recent debates was that arms sales and military cooperation were the best way to maintain leverage with Gulf countries and push them to negotiate a peace treaty in Yemen. The United Kingdom has an important role in the negotiations since the United Nations Special Envoy to Yemen, Martin Griffiths, is British, and the United Kingdom is part of the negotiating quartet with the United States, Saudi Arabia and the United Arab Emirates.

However, it is above all the firm position coordinated with France and Germany following the murder of Jamal Khashoggi that pushed the Saudis to make compromises in Yemen and led, the following month, to the Stockholm Agreement.

This influence/firmness arbitration is becoming increasingly difficult to institute for the United Kingdom and its European allies in front of Gulf regimes that do not hesitate to diversify their relations with new powers such as China and Russia. In fact, Gulf States view their relations with Western countries from an increasingly transactional angle. The sometimes unpredictable and virulent reactions of the young Saudi Crown Prince, particularly towards Canada and Germany in 2018 following strong criticism of the human rights situation in the Kingdom, make the British very concerned not to offend their interlocutor. For many observers, the Matthew Hedges case in the United Arab Emirates reveals the loss of real United Kingdom pressure on the Gulf countries and a transformation in the balance of power between London and its former colonies.

The short moment of European communion that followed the Khashoggi affair quickly eroded with the return of national interests. While the United Kingdom and France refuse to join Germany in its decision to suspend arms sales to Saudi Arabia, both countries have even put pressure on their German ally to ensure that this decision does not affect orders for Eurofighters Typhoon, some of whose components are produced in Germany.

On his last trip to Riyadh in early March 2019, Secretary of State for Foreign Affairs Jeremy Hunt was more conciliatory in his speech, referring to the importance of the partnership with Saudi Arabia to "*preserve the security of the United Kingdom*" and "*bring*

peace to Yemen"⁹, thus returning to the traditional United Kingdom alignment in the region.

6 – Intra-European divisions, American withdrawal and the rise of new players in the region

The Khashoggi case, the conflict in Yemen and developments in the Gulf countries in recent years mark an important turning point in relations between the United Kingdom and the region. This tells us about the profound shifts in the balance of power at work. As the United States shows increasing signs of disengagement and new powers emerge, the question of the United Kingdom's leverage in the region becomes crucial.

While the United States remains the key power in the region, signs of its gradual withdrawal have prompted Gulf countries to diversify their relations with new emerging powers in the region, such as Russia and China. These two countries currently have neither the means nor the desire to replace the policing role that the Americans have assumed in the region, but their economic and security footprint continues to grow. China has become the world's largest oil importer, with Saudi Arabia as the largest supplier since 2018. Its New Silk Roads project, in which the Arabian Peninsula occupies an important place, is leading Beijing to make massive investments in the region's ports and logistic infrastructures, with inevitable political and security implications – although still difficult to predict – in the coming years.

In addition, the Gulf countries are increasingly seeking to achieve a form of autonomy and ensure their own regional security, including the development of their national defence industry. In recent years, the Emirates in particular have shown an increasing capacity to project their military presence into external theatres such as Yemen and Libya, or into bases in the Horn of Africa.

In terms of arms sales, the United Kingdom's strategy of using arms as an important instrument of influence towards the Gulf countries could be challenged by growing competition from Russia and China. Although Europe and the United States continue to supply 98% of Saudi weapons, Moscow and Beijing are increasingly emerging as attractive and less expensive alternatives. Qatar and Saudi Arabia are currently negotiating the purchase of the Russian S-400 missile system, against which the United States is threatening to impose sanctions. Similarly, China -which has become the fifth largest arms dealer in the world, just ahead of the United Kingdom- has agreed on

⁹ <http://english.alarabiya.net/en/News/gulf/2019/03/02/Jeremy-Hunt-Strategic-partnership-with-Saudi-Arabia-helps-keep-UK-safe.html>

selling drones to the Gulf countries whereas the United States and Europeans still refuse doing so.

This growing cooperation between the Gulf countries and China could in the long term pose a challenge to the United Kingdom's interests in the region. Beijing's increasing technological penetration could prove problematic, in particular for the sharing of intelligence and sensitive information with some Gulf countries. Several British diplomats privately express some concern about the long-term strategic consequences of China's presence in the region, and denounce the lack of serious measures taken by their government to assess these repercussions.

This ongoing transformation of the security architecture in the Persian Gulf and Arabian Peninsula, and the growing empowerment of GCC countries' foreign policy, marginalizes the influence of the United Kingdom and its European allies in the region. The Qatar crisis, which began in June 2017 with the Doha blockade by its neighbours (Saudi Arabia, UAE, Bahrain, Egypt), revealed, for example, the total inability of the British to effectively influence their partners to force them to adopt a more reasonable position. In the Horn of Africa and the Red Sea, where rivalries between the Emirates, Saudi Arabia, Qatar and Turkey threaten the stability of the region, the British are struggling to play a proactive role despite the security and energy interests at stake. Finally, in southern Yemen and Syria, the Emirates are showing signs of rapprochement with Russia potentially marginalizing British or European interests.

For the time being, the diversification of alliances with new players such as China and Russia is seen by the Gulf countries as additional leverage. However, this does not mean that they are ready to turn their backs entirely on their American and European partners, who remain crucial. Indeed, the United Kingdom must take into account the profound transformation of the balance of power that is under way.