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The GCC–EU Economic Bilateral Partnership: Strategic Opportunities and Economic Diplomacy

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2. Abstract

The European Union (EU) and the Gulf Cooperation Council (GCC) represent a strategically vital economic partnership with significant untapped potential. Despite strong fundamentals—with tens of billions of dollars' worth of bilateral trade and hundreds of billions of dollars' worth of investment flows—the relationship faces both opportunities and challenges in an era of global economic fragmentation.

This workshop examines the evolving dynamics of EU-GCC economic relations, building on the 2022 Strategic Partnership framework and decades of cooperation since the 1989 Cooperation Agreement. With the EU serving as the GCC's second-largest trading partner, the economic interdependence between these blocs continues to deepen through mutual investment flows, with Gulf sovereign wealth funds increasingly viewing Europe as a stable diversification destination.

Key focus areas include the stalled but potentially revitalizable Free Trade Agreement negotiations, the transformative India-Middle East-Europe Economic Corridor (IMEC)

initiative, and emerging opportunities in the green transition. The workshop explores how EU expertise in climate policy and technology complements GCC renewable energy resources and desalination capabilities, particularly in green and blue hydrogen development. The implementation of the EU's Carbon Border Adjustment Mechanism (CBAM) presents both challenges and opportunities for integrating energy-intensive GCC industries into European Global Value Chains. Research contributions are invited on bilateral trade patterns, non-tariff barriers, digital commerce, sovereign wealth fund strategies, clean energy partnerships, and the implications of regulatory frameworks like CBAM. This interdisciplinary examination aims to identify pathways for strengthening economic cooperation amid shifting global trade dynamics and shared sustainability objectives.

3. Context

The Cooperation Council for the Arab States of the Gulf (GCC) – comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates – represents one of the most strategically important regions for the European Union (EU). The GCC's political weight, economic prosperity, and role as a global energy hub directly influence Europe's security and stability. In parallel, the EU's growing emphasis on climate action, digital sovereignty, and supply-chain diversification creates new incentives to deepen ties with Gulf countries (Alquraish 2025). Against this backdrop, EU–GCC relations are increasingly framed as a mutually beneficial strategic partnership. Relations between the two blocs are rooted in the 1989 Cooperation Agreement (Nonneman 2006), which established trade, energy, environment, and research dialogue. Over the decades cooperation has intensified, most notably through the 2022 Joint Communication on a Strategic Partnership with the Gulf, endorsed by the Council of the EU. Economically, the EU and GCC are already close partners. The EU is the GCC's second-largest trading partner after China, accounting for 11 percent of the Gulf's total trade. In 2024, trade in goods reached €161.7 billion, reflecting a 33 percent increase over the past five years. EU exports to the GCC stood at €99.3 billion, dominated by machinery, transport equipment, chemicals, and agri-food products. Imports from the GCC, worth €76.3 billion, remain heavily concentrated in mineral fuels, comprising over three-quarters of the total, alongside chemicals and manufactured goods. Trade in services has also expanded, reaching €75.2 billion in 2023, with a positive balance for the EU. Investment ties mirror this depth. In 2023, EU foreign direct investment (FDI) stock in the GCC reached €215 billion, while GCC FDI in the EU was even higher, at €236 billion. Among the world's most significant, Gulf sovereign wealth funds increasingly see Europe as a stable and attractive destination for diversification. At the same time, European firms are drawn to the Gulf's ambitious diversification agendas, mega-projects, and leadership in renewable energy, logistics, and digital transformation. These mutual flows of capital underscore the interdependence and untapped potential of the partnership.

Despite strong economic fundamentals, negotiations for a region-wide free trade agreement (FTA) (Hashmi, Al-Eatani et al. 2014), first launched in 1989, have stalled since 2008 due to differences in ambition and approach (Kostadinova 2013). Recent summit commitments, however, signal renewed interest in revitalizing talks. Both parties are now exploring flexible frameworks – from bilateral strategic partnership agreements with individual GCC states to more ambitious preferential trade deals that could serve as building blocks for a future regional FTA. Such contracts could go beyond tariff reduction to address regulatory cooperation, digital trade, intellectual property, and sustainability provisions, thereby modernising and deepening the economic relationship. A further dimension shaping EU–GCC economic relations is the India–Middle East–Europe Economic Corridor (IMEC), announced at the G20 Summit in 2023. Envisioned as a multimodal network of railways, shipping routes, and energy and digital infrastructure, IMEC positions the Gulf as a central hub linking Europe and Asia. The initiative aligns with supply-chain diversification, connectivity, and energy transition goals for the EU (Khalfan). At the same time, it offers new opportunities for GCC states to expand logistics capacity, attract investment, and reinforce their role in global trade flows. The rationale for enhanced EU–GCC cooperation extends beyond trade and investment. For the EU, the Gulf is central to energy transition strategies, not only as a supplier of oil and gas but increasingly as a partner in renewable energy, hydrogen, and green technology (Bianco 2023, Alshawaf, van Haute et al. 2025). The EU as home for technological expertise in electrolyzers that are essential for the production of green hydrogen and as a bigger market for this production (Angelico, Giametta et al. 2025), finds a strong potential partner in the GCC countries endowed by solar energy resources and great desalination expertise. The potential exists as well for collaboration and trade in blue hydrogen as a clean hydrogen alternative for which the massive natural gas resources of the GCC provide a great incentive. The produced clean hydrogen could also help in integrating energy-intensive GCC manufacturing industries to European GVCs, especially with the implementation of the EU Carbon Border Adjustment Mechanism (CBAM) (Sabry 2024). Furthermore, the GCC states, in turn, benefit from European expertise in climate policy, digitalisation, and regulatory frameworks that can support their diversification goals. Both sides are also interested in addressing global challenges such as climate change, sustainable development, and multilateral stability.

4. Workshop Focus/Objectives

This workshop explores the dynamics of EU–GCC economic bilateral relations against global economic fragmentation and intensifying trade disputes. The objectives are to examine the determinants of trade between the two blocs, the prospects and obstacles for a Free Trade Agreement, and the impact of new initiatives such as IMEC. The workshop will also analyse the role of sovereign wealth funds and the European investments in Gulf diversification strategies. Specifically, it seeks research contributions on the following themes: trade and non-tariff barriers in EU–GCC relations; digital trade and e-commerce; sovereign wealth funds and cross-border investment; clean energy, hydrogen, and the green transition; and the implications of the EU's Carbon Border Adjustment Mechanism (CBAM) for Gulf economies.

The workshop invites original research papers examining the economic dimensions of the GCC–EU partnership as outlined. Contributions exploring other issues relevant to the evolving economic relationship between the GCC and the EU are also encouraged.

Main Themes

Theme 1: EU-GCC Bilateral Trade

• The potential economic impact of an EU–GCC Free Trade Agreement
• The India–Middle East–Europe Economic Corridor (IMEC) and its implications for EU–GCC trade, connectivity, and logistics.
• Non-tariff barriers and their role in shaping EU–GCC trade relations
• The growing role of digital trade and e-commerce in EU–GCC relations
• The role of trade liberalisation in advancing women's economic empowerment

Theme 2: Investment Opportunities and Relations

• The role of Gulf sovereign wealth funds and institutional investors as a pillar of economic diplomacy in the EU
• EU energy investments in the Gulf and their implications for clean energy and Europe's energy security
• Business opportunities and public–private partnerships for European companies in the GCC
• The role of European investments in supporting Gulf economic diversification agendas (e.g., Saudi Vision 2030, UAE Vision 2050)
• Opportunities and challenges for integrating Gulf producers in European-led Global Value Chains.
• The Gulf Artificial Investment (AI) aspirations, opportunities, and challenges for EU investments.

Theme 3: EU-Gulf and the Green Transition

• Renewable Energy EU-Gulf Public-Private Partnerships in Gulf States and beyond.
• Green and Blue Hydrogen, Investment and Trade between the EU and Gulf countries.
• Green trade opportunities and the implications of the EU's Carbon Border Adjustment Mechanism (CBAM)

5. Paper Focus/Topics

We invite paper proposals that explore the following themes:

Theme 1: EU-GCC Bilateral Trade
• The potential economic impact of an EU–GCC Free Trade Agreement
• The India–Middle East–Europe Economic Corridor (IMEC) and its implications for EU–GCC trade, connectivity, and logistics.
• Non-tariff barriers and their role in shaping EU–GCC trade relations
• The growing role of digital trade and e-commerce in EU–GCC relations
• The role of trade liberalisation in advancing women's economic empowerment

Theme 2: Investment Opportunities and Relations
• The role of Gulf sovereign wealth funds and institutional investors as a pillar of economic diplomacy in the EU
• EU energy investments in the Gulf and their implications for clean energy and Europe's energy security
• Business opportunities and public–private partnerships for European companies in the GCC
• The role of European investments in supporting Gulf economic diversification agendas (e.g., Saudi Vision 2030, UAE Vision 2050)
• Opportunities and challenges for integrating Gulf producers in European-led Global Value Chains.
• The Gulf Artificial Investment (AI) aspirations, opportunities, and challenges for EU investments.

Theme 3: EU-Gulf and the Green Transition
• Renewable Energy EU-Gulf Public-Private Partnerships in Gulf States and beyond.
• Green and Blue Hydrogen, Investment and Trade between the EU and Gulf countries.
• Green trade opportunities and the implications of the EU's Carbon Border Adjustment Mechanism (CBAM)

6. Publication Plans

The directors aim to publish a special journal issue titled:
"EU-GCC Economic Partnership: Trade, Investment, and Green Transition in a Multipolar World"

Potential Journals:
The World Economy, Journal of European Integration, International Economics and Economic Policy, Mediterranean Politics, Middle East Policy
If it is an edited volume, then the following Provisional Table of Contents applies:

Introduction: Redefining EU-GCC Economic Relations in the 21st Century (Rashad & Sabry)
Part I: Trade and Connectivity
Revitalizing the EU-GCC Free Trade Agreement: Lessons from Stalled Negotiations
IMEC and Regional Integration: The Gulf as Europe's Gateway to Asia
Digital Trade and E-commerce: New Frontiers in EU-GCC Relations
Part II: Investment and Financial Flows
Gulf Sovereign Wealth Funds in Europe: Strategic Diversification or Economic Diplomacy?
European Energy Investments in the Gulf: Balancing Security and Sustainability
Integrating Gulf Producers into European Global Value Chains
Part III: Green Transition and Climate Partnership
Green and Blue Hydrogen: EU-GCC Cooperation in Clean Energy
CBAM's Impact on Gulf Economies: Challenges and Adaptation Strategies
Renewable Energy Partnerships: Beyond Oil and Gas Relations
Conclusion: Future Pathways for EU-GCC Economic Integration.

7. References

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8. Workshop Directors

Dr. Ahmed S. Rashad is an Economic Advisor at the UAE Ministry of Economy and Tourism and an Associate Professor of Economics. He is currently a research fellow at the Mohammed bin Rashid School of Government and the Economic Research Forum and a professor at Zayed University. He earned his Ph.D. in Economic Development from Philipps University Marburg, Germany, and also holds an M.A. in Economics from the American University in Cairo. His research interests include Economic Diplomacy, Economic Development, Macroeconomic Policy, Forecasting, and Econometrics. A prolific researcher, Dr. Rashad has published more than 20 papers in Scopus-indexed journals and is ranked among the top 18% of authors in Africa over the past decade, according to RePEc. Beyond academia, he is an active public speaker, a frequent media commentator, and a regular contributor to policy discussions and high-level conferences worldwide.

Dr. Mohamed Ismail Sabry is a Postdoctoral Researcher at the Center for Near and Middle Eastern Studies (CNMS) at the Philipps University of Marburg and a Lecturer at the University of Applied Sciences of Europe in Amsterdam. He was a Postdoctoral Researcher in several European and Middle Eastern academic institutions such as the International Institute of Social Studies (ISS) of the Erasmus University of Rotterdam, Bremen University of Applied Sciences, and the Merian Center for Advanced Studies in the Maghreb (MECAM) (Tunis). He was as well commissioned as an expert consultant for the Friedrich Ebert Stiftung (FES) and the Arab Reform Initiative (ARI) to prepare research studies on MENA countries. Dr. Sabry obtained his PhD in Economics from the Philipps University of Marburg, while his Bachelor and Masters degrees were obtained from the American University in Cairo (AUC). His academic fields of interests are Institutional Economics, Economic Development, Political Economy, and the MENA region. The focus of his research is on state-society relations, industrial policy, and the Green Transition. He published several books in English and Arabic and several academic papers in different peer reviewed journals.