



CHINA'S ENERGY POLICY DYNAMICS IN THE PERSIAN GULF REGION

Implications for the EU's energy security in the transition era



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Disclaimer

In order to complete this working paper, interviews were conducted with 15 experts, including university professors, former diplomats, and researchers, whose names have been kept anonymous, except in a few cases where they have been quoted in the acknowledgements section with their explicit consent. It is important to note that the opinions expressed in this report are solely those of the author and do not necessarily reflect the views of SEI Tallinn, Mistra Geopolitics, or the interviewees.

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EXECUTIVE SUMMARY

Recently released facts have shown that the European Union (EU) has increased its energy import from the Persian Gulf region in the wake of the Russian invasion of Ukraine to rapidly cut off its dependence on its eastern neighbour. However, this has coincided with facing complexities that can potentially affect the EU's security of energy supply from the Persian Gulf region. Therefore, this study aims to comprehensively assess what challenges the EU faces to protect its security of energy supply from the Persian Gulf region, with a focus on Iran and Saudi Arabia, and the effectiveness of the EU's policies, considering historical, political, and economic factors. The research methodology involves a mixed-methods approach, including content analysis and expert interviews, to gain insights into the EU's energy security challenges and potential solutions.

The study results show that during the 1990s, the EU played a significant role in shaping its energy policy in the Persian Gulf region. The EU's approach was characterised by diplomatic engagement, multilateralism and a commitment to norm-based global governance. The EU sought to establish itself as an independent actor capable of maintaining its independence in cooperation with different parties in the Persian Gulf, extend its energy regulatory norms globally, and benefit from the United States' strategy of institutional cooperation in the region, particularly to safeguard its energy security interests. This approach allowed the EU to influence international energy regulations and standards while recognising the importance of the US military presence for ensuring a continuous oil supply from the Persian Gulf.

Compared to the 1990s, the EU's normative approach proved to be impractical in safeguarding its interests in the Persian Gulf region during the turbulent years from 2003 to 2022. While the EU was reducing its dependence on energy imports from the Persian Gulf, the region's changing dynamics, security concerns, and the EU's focus on its norms while dealing with the region constrained its active involvement and extension of the relations. Additionally, the EU faced significant challenges due to the US doctrine of 'Pivot to the East', especially in the aftermath of the power vacuum caused by the US invasion of Iraq in 2003. These combined factors ultimately led to the EU's diminishing regional influence. The situation was further exacerbated when the US

unilaterally breached the Iran nuclear deal and withdrew from it, making it difficult for the EU to revitalise its ties with Iran as the EU found itself unable to save the deal practically.

The EU decided to reassess its energy policy and external energy engagement in response to the 2021 energy crisis, which was aggravated by the Russian invasion of Ukraine. While the EU was considering its energy cooperation with both the Gulf Cooperation Council (GCC) and Iran, recent developments, including Iran's alleged support for Russia in the Ukraine conflict and human rights violations, have complicated the bilateral relationships. The future of the EU's relationships with the GCC and Iran remains uncertain, with a growing emphasis on security considerations.

Compared to the EU, China has strategically expanded its cooperation with the Arab states of the Persian Gulf, primarily for economic growth, energy security, and to counterbalance US influence in the Middle East. China has also enhanced its relations with Iran, aiming at protecting its energy security interests and asserting its influence in the region without military involvement. The recent normalisation of relations between Iran and Saudi Arabia, mediated by China, further solidifies China's role as a significant diplomatic player in the Middle East, contributing to regional stability.

The relationship between China and Saudi Arabia has evolved significantly over the years, encompassing various dimensions of cooperation focusing on energy security and economic development. China has found a secure and trustworthy petroleum supplier for its growing energy needs. At the same time, Saudi Arabia has found a partner to actively contribute to its Vision 2030 ambitions and diversify its economy and foreign partnerships. This multifaceted cooperation includes various sectors such as infrastructure, civil nuclear programs, high-tech fields and digital connectivity under the Belt and Road Initiative (BRI), benefiting both nations regarding energy security, economic growth, regional mediation and technological advancements.

On the other side of the Persian Gulf, Iran's relationship with China has evolved significantly over the years, particularly with a focus on economic cooperation, energy trade and the

strengthening of strategic ties. Iran perceives China as a valuable partner for its economic resilience, ideological alignment and shared concerns about US influence on the global stage. This multifaceted relationship reflects Iran's strategy to safeguard its national interests in the changing international landscape.

When it comes to understanding the situation for the EU in dealing with the existing circumstances in the Persian Gulf, this research suggests that the Persian Gulf region resembles a constantly shifting chessboard with various state and non-state actors forming a volatile, constantly changing transitional status, as the above elaborated scene proves. The EU's current stance in the Persian Gulf and its challenges, including historical oversights, cognitive biases and internal constraints, have arguably affected its energy security interests. The findings underscore the importance of the EU recalibrating its perceptions and strategies for more effective engagement in the region, especially in the energy sector, to secure its energy supply by 2030 or 2035.

This suggests the EU faces significant challenges in playing a proactive role in the Persian Gulf due to internal constraints, including a lack of unanimity among its member states in foreign policy's priorities and interests, and pressure from both left- and right-wing groups within the EU's influential entities. Additionally, the EU's historical and structural nature as an economic bloc limits its ability to function as a security actor in the region, an actorness, or role, that the Persian Gulf power dynamic necessitates for all the agents aiming to influence there. This study also suggests that the EU's capacity to exert security influence in the Persian Gulf remains limited, even in the aftermath of the Russian invasion of Ukraine, which has highlighted the security dimension of foreign policy for the Union.

The shifting behaviours of regional actors are also another challenge to the EU's actorness in the Persian Gulf. Saudi Arabia's changing perspective on security arrangements and its decreased reliance on the US, along with China's growing influence in the region, have implications for the EU's energy security interests. Additionally, Iran's anti-Western stance and the EU's passive response to that have further complicated the EU's role-crafting in the Persian Gulf, making the EU more of an observer rather than an influential player in the region. Against this backdrop of competition, the EU has clung to its normative approach in its dealings with the region and appears to lack an alternative cooperative model beyond its conventional "modular and project-based" agreements. Regrettably, these traditional

approaches have not evolved into strategic collaborations but have predominantly remained transactional. Unlike the EU, China's flexible and versatile approach to cooperation is gaining ground in the region, and the EU's inability to adapt hinders its ability to compete effectively and ensure regional energy security.

Considering the abovementioned situation, this study has concluded its recommendations as follows:

- **Reframing EU-Persian Gulf Relations:** The EU should redefine its relations with the Persian Gulf, particularly in the energy sector. This redefinition must be based on a clear understanding of the EU's current position in the region, its priorities and objectives. The EU should identify its interests and aim to advance and assess the strengths, possibilities and limitations it has for securing these interests, including energy security. Achieving a transparent understanding of its role in the Persian Gulf is essential for the EU to adapt its strategies effectively and move beyond broad frameworks that may not lead to practical action. This includes addressing the existing EU's cognitive bias in dealing with the Persian Gulf region as elaborated in this research, achieving policy coherence, and ensuring a unified approach, especially in energy deals with the region.
- **Managing tensions with Iran:** The EU should avoid making assumptions that the Islamic Republic has irreversibly weakened or that halting oil and gas imports from Iran has eliminated the possibility for Tehran to challenge the EU's energy security in the Persian Gulf. The study has shown that Iran's security policy is influenced by its threat assessment, and during security challenges it may adopt non-rational and ideology-driven patterns. Thus, the EU should consider the importance of 'managing tensions with Iran', as this approach still has support in Tehran as well. While official diplomatic initiatives are currently politically challenging, the EU should maintain official and informal diplomatic channels, especially through public diplomacy, to prevent the escalation of tensions. Additionally, the EU can explore technological cooperation, environmental collaboration, and cultural and academic interactions with Iran to maintain diplomatic connections and contribute to regional stability. The EU should also review the possibilities of technological and, particularly, environmental cooperation possibilities with Arab states of the Persian Gulf to maintain its footprint in the region.

- Keeping all options for tension management in the Persian Gulf region alive: The security of energy supply from the Persian Gulf region has been safeguarded not through a perpetual peace but amid a managed level of tension in recent decades. Thus, it is far from reality to believe that the resumption of relations between Saudi Arabia and Iran can eliminate regional tensions entirely; instead, it is reasonable to expect a certain level of tension remaining in the region. The EU may evaluate the possibility of limited contact and engagement with China to help maintain the tension in the region, especially

as China appears inclined to maintain controlled pressures to safeguard its regional interests. While this approach is complex and challenging, it presents a potential option for the EU to consider. Such an idea is not unprecedented, as China has been asked by the US to contribute to tension management in the region in the wake of the recent Hamas-Israel tension.

Such recommendations aimed to explore all available options to enhance energy security in the Persian Gulf region for the EU and adapt to evolving geopolitical dynamics.

INTRODUCTION

Although some European Union (EU) members have accelerated their decarbonisation efforts in the wake of the Russian invasion of Ukraine and the energy crisis, it is undeniable that fossil fuels are projected to remain a necessary energy carrier in the medium term (i.e., up to 2035) for the EU. For instance, EIA predicted that in the 2030 perspective, the EU would need 7.7 million barrels per day (mb/d) in the Stated Policies Scenario, or 6.5 mb/d in the Announced Pledges Scenario compared to the 2021 demand level of 9.2 mb/d (IEA, 2022). Such a situation has prompted the EU to seek alternative sources of oil and gas. Amid the EU's effort to find alternative sources, it turned to the Persian Gulf again even though the EU had reduced its import level and oil dependence on the Persian Gulf region since the 2000s. This is conceivable in Germany's renewed interest in Qatar for liquefied natural gas (LNG) imports (Reuters, 2022) and the increasing share of oil and petroleum product imports from Saudi Arabia to the EU (Fattouh & Economou, 2023).

The Persian Gulf region has long been characterised by a complex web of geopolitical tensions and frequent shifts influenced by a multitude of internal and external factors. Considering these dynamics, the EU's efforts to mitigate its dependence on Russian oil imports by turning to the Persian Gulf region raise a critical question: does such a decision potentially expose the EU's energy security to more threats, at least in the short term? Consequently, follow-up questions arise: what considerations must the EU consider when engaging with the Persian Gulf region to safeguard its energy security interests—until it can attain a confident level of energy security through reliance on renewable resources? Is the EU compelled to formulate new policies, or can it adhere to previously established approaches and strategies (e.g., those employed in the 1990s)? If adaptations are deemed necessary, what specific adjustments are required? This study aims at finding a comprehensive assessment of these questions and the formulation of a well-considered response.

While this study centres on the topic of the EU's energy security in the Persian Gulf region, it is essential to acknowledge the intricate interplay between energy interactions, particularly in the vicinity of the Strait of Hormuz, and their reciprocal influences on political, economic and military developments. To fulfil the research objectives comprehensively, a thorough examination of these multifaceted energy-related, economic and political dynamics within the region is imperative. However, for the

sake of precision and clarity, this research will narrow its focus to key actors in the Persian Gulf region and their trans-regional implications. Specifically, the study will scrutinise the roles of Saudi Arabia, Iran and China in this context. Therefore, the central research question under investigation is formulated as follows: *“With a particular emphasis on the EU's interactions with Saudi Arabia and Iran, what challenges does the EU face to effectively safeguard its security of energy supply from the Persian Gulf region, particularly in light of China's expanding influence in the region?”*

While the EU's energy security as a net energy importer has traditionally been a paramount concern, the current EU energy policy in the Persian Gulf region goes beyond its immediate impact on energy security, as it also plays a crucial role in the ongoing energy transition. While it may seem that disruptions in fossil fuel supplies would incentivize EU member states to increase investments in renewable energy sources, a counterargument is also conceivable, meaning that sudden and substantial disruptions in fossil fuel supply security or spikes in energy prices can create an opportunity for right-wing groups, often comprised of climate change sceptics, to exploit the situation. They may endeavour to establish a connection between our energy security vulnerabilities and environmental policies, thus undermining the imperative of transitioning to cleaner energy sources¹. Moreover, when these threats to supply security stem from a (re)dependency on the volatile Persian Gulf region, pro-Russian lobbies may seize the occasion to critique EU policies. Other political parties could argue that such policies have steered the EU out of the frying pan into the fire². This potential shift could lead to a carbon lock-in, representing a direct threat to the ongoing energy transition. Therefore, preserving the security of oil and gas supply is justified not only based on the short-term perspectives, but also for maintaining the transition.

Additionally, as energy is a system (i.e., an interconnected set of elements that is coherently organized to follow a purpose), its elements cannot be well analysed if perceived individually but need to be seen holistically. It has been demonstrated that considering energy only in one term, e.g., technical aspects, development projects can paradoxically just add more drudgery unless policies consider energy within the context of the whole social, political, economic and environmental system (McIntyre & Pradhan, 2003). Therefore, while this study concentrates on

oil and gas, it does not overlook the mutual effects of cooperation, competition and conflicts presenting or emerging in other energy sub-systems, e.g., renewables. Instead, it hopes that such an approach can open up paths for further research and investigation, potentially under another project, by raising key questions at the end of our research that can delve deeper into the challenges and opportunities presented in the renewable energy industry.

As evident from the research question, the focus of this study is on the EU's interactions with Saudi Arabia and Iran. The main claim of this research is that rapid and far-reaching developments in the Persian Gulf region have taken place to such an extent that the EU can no longer ensure the security of its energy supply from the region will remain untouched while sticking to previous approaches in dealing with the region. Therefore, the EU must adopt ad hoc solutions tailored to the dynamic conditions of the region to safeguard its oil and gas supplies. Such an argument stands on three premises. Firstly, the behaviour of regional actors, specifically Iran and Saudi Arabia, has undergone significant changes compared to the past, especially in the 1990s. Secondly, in previous decades, the security of and the continuity of oil flow from the Persian Gulf region were supported by the United States. However, the US invasion of Iraq in 2003 and the declaration of the 'Pivot to East' doctrine have shifted the focus of the US towards China, leading to a changing US presence in the region. Additional developments including but not limited to the Arab Spring in 2011 and Iran's nuclear issue have all contributed to altering the regional landscape. These changes have consequences for the EU that cannot be ignored. Finally, in parallel with these changes, China has shown greater interest in the region and has now become an active player in the Persian Gulf, welcomed by Iran in particular, but also by Arab states as well.

At the same time, given the historical EU's reliance on Russia for its energy security, the Persian Gulf seems to have been of little priority for EU policy makers and vice versa as the EU has been sidelined compared to other power players in the region such as the US and Russia (Bianco, 2020). Indeed, some scholars speak of 'neglect' when it comes to the EU's activities in the Persian Gulf region in the beginning of the 21st century (Youngs & Echagüe, 2007) but also more recently, think tanks have assessed the relationship between the EU and the Persian Gulf states as being 'on life support' (Behr & Genugten, 2022). There is some truth to this assessment since in the past, the EU has focused more on its Southern Mediterranean borders with what is usually called the MENA (Middle East and North African) region and did not lend the same strategic importance to the Ara-

bian peninsula (Colombo, 2016) as compared to countries like Libya and Algeria, where a significant amount of oil and gas imports come into the EU. Indeed, instruments such as the European Neighborhood Policy (ENP) or the Union for the Mediterranean (an intergovernmental organization between the EU and countries of the MENA region) do not include Persian Gulf countries.

Considering the above facts, the study stands on the belief that it is not possible to merely examine EU approaches and policies in the region by taking a snapshot of the current constellation of actors. Instead, a historical-analytical approach is considered necessary to build a compelling argument for our claims, and especially the routes and the implications of such 'neglect' for the EU. Moreover, to demonstrate the changes that have occurred in the Persian Gulf region and the behaviour of the involved actors, it is essential to extract facts from the course of political, energy and strategic developments among the actors, as discussed in the first two chapters of this working paper. Applying theories of international relations, these facts can illustrate, for example, how the behaviour of a player transitions from an 'identity-driven' to a 'pragmatic' actor. Relying on the dynamic picture that emerges, we can subsequently understand what the European Union can do to safeguard its energy security interests in the region.

To investigate the research question of how the EU can improve its energy security in the Persian Gulf region, a mixed-methods approach has been employed. This approach involves both content analysis and interviews with experts in the field. The content analysis was conducted using primary and secondary sources to gather and analyse data, adopting the mentioned historical-analytical approach. This enabled interpreting and examining primary sources, like politicians' statements, declarations and official documents, with consideration for the specific temporal conditions in which they were created. This includes but is not limited to the Saudi Vision 2030, I.R.Iran's energy strategy, and EU documents such as the EU's Strategic Partnership with the Persian Gulf. Secondary sources include academic articles and reports related to the EU's energy policy and energy security in the Persian Gulf region. This approach provides a broad understanding of the subject matter and helps identify key factors that have impacted the EU's ability to achieve its energy security objectives in the region.

Since the pace of events is rapid in the region, and as not everything is reflected in official documents, it was vital to have interviews with experts in the field to provide a more in-depth and critical understanding of the subject matter. These experts have been selected based on their knowl-

edge and expertise in the field, including energy security in the Persian Gulf region, China's external energy policy, Saudi Arabia's energy diplomacy, oil market dynamics, EU external policy priorities, and familiarity with the EU's energy policy. The interviews were structured and based on a set of predefined questions designed to elicit information about the effectiveness of the EU's external energy policy in the region, particularly in relation to China's expanding influence. Particularly, experts were asked about the key factors and challenges that have affected the EU's ability to achieve its energy security objectives in the region and their recommendations for future policy development and implementation.

The limitations of this methodology include potential bias in expert selection and the limited scope of the study due to the short timeframe of four months. Additionally, access to strategic documents such as the Iran-China 25-year cooperation document was restricted. To address these limitations, a purposive sampling method was applied to select experts based on their knowledge and expertise in the field. This means that the interviewees have been recognized by online searching, including but not limited to checking Google Scholar profiles and snowball sampling. Another method was convenience sampling, which involved selecting experts who were readily available and willing to participate in the study. These additional methods ensured that a diverse range of experts were included in the study, providing a comprehensive understanding of

the subject matter. The pre-existing networks of the researchers were also considered when approaching different scholars.

The analytical-historical approach adopted in this study aims to provide a comprehensive understanding of the dynamics in the Persian Gulf region by offering a structured foundation for examining the behaviour of both regional and transregional actors. By furnishing historical data, this approach facilitates the analysis of changing behaviours, limitations and potential objectives of these actors within the framework of international relations theories and their role-crafting in the region. Without reliable historical data, it becomes challenging to attribute the European Union's actions to specific theoretical perspectives, such as realism, neoliberalism or constructivism. This approach not only narrates history but equips us with the necessary tools for effective analysis of the EU's actions and the formulation of meaningful conclusions.³

The working paper is structured as follows: Chapter one provides an overview of EU-Persian Gulf relations, tracing their evolution from the early years of oil shocks to the current circumstances, highlighting significant situational changes in the region. Chapter two explores the factors driving China's evolving role in its bilateral relations with Iran and Saudi Arabia. In the final chapter, the working paper evaluates the current position of the EU in the Persian Gulf region, identifying weaknesses that inform the development of recommendations aimed at safeguarding the EU's energy security from the Persian Gulf in the coming years.

1. THE EU-PERSIAN GULF ENERGY RELATIONS EVOLUTION: WHERE DOES THE EU STAND?

1.1 FROM THE EARLY YEARS TO THE END OF THE COLD WAR

Energy has been a central area of EU (or then European Community, EC) policy from the very beginning, as reflected in the establishment of the European Coal and Steel Community and the European Atomic Energy Community Treaty in the 1950s. However, this did not entail the creation of a unified energy external policy, particularly across all energy sectors. It was believed that the oil market was managed by transnational companies, and natural gas did not play a significant role in Europe's energy mix during the 1950s and 1960s (Talus & Aalto, 2017). It was only after concerns arose due to the first oil shock in 1973 that European governments began to move towards coordinating their energy policies for the first time. However, during this period, differences emerged between Europe's approach and that of the United States in dealing with interactions in the Middle East, which was the origin of the first oil shock. In contrast to the United States, France proposed the Euro-Arab Dialogue as a means to enhance European energy security by strengthening ties with Middle Eastern countries (Youngs, 2009).

Europe had not yet recovered from the first oil shock when the second shock occurred at the end of the decade following the Iranian Islamic Revolution in 1979. The consequences of this revolution for the politics and then the energy market of Europe gradually became apparent, especially when in September 1980 Iraq invaded Iran and started an eight-year war. From this point on, Europe's foreign (energy) cooperation with the Islamic Republic of Iran on the one hand and with the Arab states of the Persian Gulf on the other hand took a different approach. While Europe was striving to organize its energy collaborations with the Arab countries of the Persian Gulf, particularly through various institutionalisation efforts, cooperation with the Islamic Republic of Iran declined compared to the period before the 1979 revolution (Moshaver, 2003).

This divergence in approach reached its peak with the signing of the cooperation document between the European Economic Community (EEC) and the GCC in 1988. Article 1(1)(b) of this agreement aimed to "broaden and consolidate

economic and technical cooperation relations and also cooperation" across various sectors, including energy (ECC, 1989). Notably, Article 6 of the agreement is relevant as it focuses on cooperation in the energy sphere. According to this article, the parties committed to conducting a joint trade analysis in crude oil, natural gas and petroleum products. Information exchange in these areas was agreed upon, and the agreement's final provisions highlighted the significance of educational and scientific collaboration in the energy field. Later, in 1989, they established a Joint Council via a cooperation agreement. Three concrete instruments of cooperation building on this initial agreement were introduced over time, namely the EU-GCC Clean Energy Network, the EU-GCC Dialogue on Economic Diversification, and the Enhanced EU-GCC political dialogue, cooperation and outreach, which gradually took shape.

On the other hand, Europe reduced its relations with Iran while simultaneously supporting Iraq in the 1980s for several reasons. European countries were concerned that the revolutionary Islamic Iran could destabilize the region, particularly the Arab states of the Persian Gulf which were crucial suppliers of oil to Europe and significant trading partners. In order to maintain their standing among Arab nations and demonstrate trans-Atlantic solidarity with the United States, European states refrained from forging close ties with Iran. The EC aligned itself with the US by imposing an arms embargo after the Tehran hostage crisis⁴ and declaring neutrality in the Iran-Iraq conflict, albeit quietly supporting Iraq, despite Iran's accusations that the US and its Western allies were behind Iraq's September 1980 attack. Such behaviours provoked anti-imperialist and revolutionary sentiments in Tehran, which condemned the expansion of relations with Europe (Moshaver, 2003).

In general, one can understand the primary aspect of European energy policy in the Persian Gulf region established in the 1980s: a difference in the energy relationships between the EC and the Islamic Republic of Iran compared to the other nations in the Persian Gulf. This is crucial to recognize as such a difference has continued to exist, even though with different motivations.

1.2 BETWEEN THE TWO PERSIAN GULF WARS

The 1990s held profound significance with respect to comprehending the energy policy of the EU in the Persian Gulf region, viewed through multiple dimensions.

Firstly, from a macroscopic perspective, the initiation of this decade coincided with the disintegration of the Soviet Union and the gradual establishment of a new world order, dominated by the United States. Shortly thereafter, the EU, having been formalized through the ratification of the Maastricht Treaty, embarked upon a strategic endeavour to secure its access to Central Asian energy resources, notably through the execution of specific agreements such as the Energy Charter Treaty (ECT) (Konoplyanik, 2017). Concurrently, collaboration with Russia, notably during then-President Yeltsin's tenure, expanded through contractual engagements and pipeline initiatives for the importation of natural gas from Russia. Thus, the EU endeavoured to mitigate the concentration of its energy procurement sources, although both the European Parliament and the Council considered the probability of encountering energy supply disruptions as exceedingly remote. This sentiment was notably echoed in the EU Commission's 2000 report which characterised Russia as a "dependable partner within the energy sector", underscoring the deepened cooperation (Knodt & Ringel, 2020).

Secondly, the Persian Gulf War precipitated the isolation of Iraq and the imposition of international sanctions by the United Nations Security Council (UNSC). Concurrently, the Islamic Republic of Iran articulated a doctrine of "economy-first" (or the so-called Reconstruction Period) within its domestic policy framework during the post-war era (Masoudnia & Najafi, 2011). This Reconstruction provided an opportune moment for the EU to assert its presence within Iran's energy sector reflected in the EU's response to the executive orders 12957 and 12959 issued by US President Bill Clinton⁵, when the EU promulgated regulatory measures aimed at safeguarding European corporate interests against the adverse repercussions of US sanctions. The EU asserted that the Iran-Libya Sanctions Act (ILSA) contravened established principles of international law. Consequently, leading European energy conglomerates, including Total and Shell, were able to actively engage in developmental endeavours within Iran's South Pars gas field (Dryburgh, 2008).

Thirdly, the EU continued its cooperation with the Arab states of the Persian Gulf on energy issues, including the formulation of structured energy dialogues and cooperation frameworks with the Arab states situated in the Persian Gulf region. The EU-GCC Energy Cooperation Initiative, launched in 2001, facilitated deliberations encompassing energy policy, market stability, and investment frameworks. These collaborative initiatives were ex-

pected to transcend the confines of oil and gas domains, encompassing realms such as energy technologies, energy efficiency enhancement, and renewable energy sources. In the early 2000s, 31.7% of the EU's oil imports emanated from the Middle East. Furthermore, it was envisaged that the Middle East's share of EU imports would persistently expand (European Commission, 2007).

How can the outlined EU's behaviour in the Persian Gulf be described in the 1990s, especially in relations with Iran and GCC/Saudi Arabia? In the 1990s, the EU's behaviour in the Persian Gulf region can be elucidated by applying a spectrum of international relations theories, particularly those associated with the school of interdependence. Particularly, liberal institutionalism argues for greater emphasis on soft power and cooperation through "the forms and procedures of international law, the machinery of diplomacy and general international organisation" (Donahue & Nye, 2000).

Following a period of cold relations in the post-1979 revolution and tension which peaked in the early 1990s (Tarock, 1999), such as in the recalling of European ambassadors after the Mykonos incident⁶, the EU and I.R.Iran tried to find a solution to overcome the distrust, resolve cooperation issues, and address mutual concerns for mutual benefit, especially with the advent of a reformist president in Tehran (Ayatollah Khatami) in 1997 and the Islamic Republic's policy of de-escalation (Torabi, 2010). This was when the EU was involved in developing international regimes⁷, positing itself as a normative actor who could address the challenges through legal and diplomatic solutions to international conflicts, human rights, foreign aid and ecological rationality, and could set the agenda of cooperation with Iran based on diplomatic negotiation. This put the EU in stark contrast to the more militaristic approach often adopted by the United States, which Tehran had to stand against (Lee, 2005; Manners, 2002; Hill, 1990). In fact, against the US who still pursued the sanction policy against Iran during this time, Europeans believed that dialogue with Iran would be more efficient (Katzman, 2000).

Another concept which can help to explain the situation better is 'socialization' of the 'revolutionary' states. Revolutionary states are those who want a fundamental change in the international norms, principles and structures as the current ones are not fair. The usual assumption among different IR theories, from the English school, to realists, and even implicitly liberalists and constructivists, is that revolutionary states gradually 'learn' how to deal with the rules and principles of the existing system instead of working against it, as they become more realistic. Waltz believes that the structure found through competition and sociali-

zation drives the behaviour of the states towards unity as it limits and shapes their behaviour (Waltz, 1979, pp. 74-75, 127). Armstrong (1993), by defining socialization as a mechanism through which the international community influences the revolutionary states, believes that the revolutionary states achieve conformity with the custom of social society in this way.

As liberal constitutionalists argue, multilateralism and regimes could facilitate bringing those who have been marginalized back into world affairs (Devitt, 2011). At the same time, the Islamic Republic's leaders changed their approach in accepting global norms and playing a role in the existing global order, which means that Iran's revolutionary system was actually 'learning' and 'socialized' (Moshirzadeh & Jafari, 2012). Therefore, both parties found a platform of cooperation on which each side could gain benefits and protect its interests. In fact, the EU believed that although the Islamic Republic of Iran was initially a revolutionary state that opposed the unjust and un-Islamic assumption of the existing world order in its implicit and explicit forms, its foreign policy behaviour, especially with the rise of the reformists, is changing.

Such a learning/norm-setting platform made it possible to expand economic cooperation so that both sides could underpin and accelerate this learning process, which could, in addition to economic benefit, and even more importantly, have positive security results for the region. As functionalist Mitrany (1971) argued, the states could overcome conflict by initiating cooperation on specific areas such as trade or environmental protection and agreeing on common institutions. These cooperations were expected to strengthen political and economic connections and then be leveraged to support the reformist agenda, rebalance interests, promote moderate policies, and facilitate the process of democratization within Iran. In other words, the EU sought to expand its cooperation with Iran beyond economic sights and reach a mutual recognition interest. Accordingly, in 2000, the EU extended an offer of a Trade and Cooperation Agreement (TCA) to Iran to foster deeper economic and diplomatic ties (Kaussler, 2008). At the same time, the EU listed the MEK⁸ as a terrorist group for the first time in May 2002, following the US, which had done the same in 1997, listing the MEK under its 1996 Anti-Terrorism law (Smith, 2016).

Looking at the other side of the Persian Gulf, the EU tried to act as a normative actor who was underpinning the es-

tablishment of institutions, structuring energy dialogues and cooperation frameworks with Arab countries in the Persian Gulf at the same time. Initiatives like the ECT and the Euro-Mediterranean Partnership signify the EU's faith in the power of diplomacy, cooperation and norms to manage international relations. Additionally, as exemplified by the extension of its energy regulatory framework, the EU's regulatory ambitions signify a commitment to shaping the global energy governance architecture based on shared rules and standards, granting the Union the role of a normative and agenda-setter actor who actively promotes its regulatory norms and standards as a model for others to follow (Sjursen, 2006). Moreover, by actively participating in these forums and agreements, the EU aimed to apply a liberal international order based on the rule of law and collective decision-making to preserve its interests in the Persian Gulf region in the 1990s.

In sum, the EU's engagement in structured energy cooperation and its commitment to multilateralism, international institutions, and regulatory initiatives align with the tenets of functionalism, highlighting the EU's role as a proponent of diplomacy, cooperation and norm-based global governance. In fact, during the 1990s, the EU tried to epitomize itself as:

- **An independent actor** who has the capacity to preserve its independence in cooperation with different parties, for instance, in establishing its energy cooperation with Iran even against the ILSA act.
- **A norm- and agenda-setter**, especially to extend the purview of its energy regulatory norms beyond its internal jurisdiction. This aspiration finds manifestation in the EU's proposition of the ECT framework to external regions, thereby delineating the EU's aspiration to influence energy regulations and standards on a global scale.
- At the same time, the EU tried **to benefit from the United States' strategy of institutional cooperation towards Europe** in this decade (Peterson, 1993), including preserving its energy security interests. As the EU was aware of its lack of military capacity in the Persian Gulf, the US military presence was vital for ensuring a continuous oil flow from the region to the West.

1.3 TURBULENT YEARS (2003-2022)

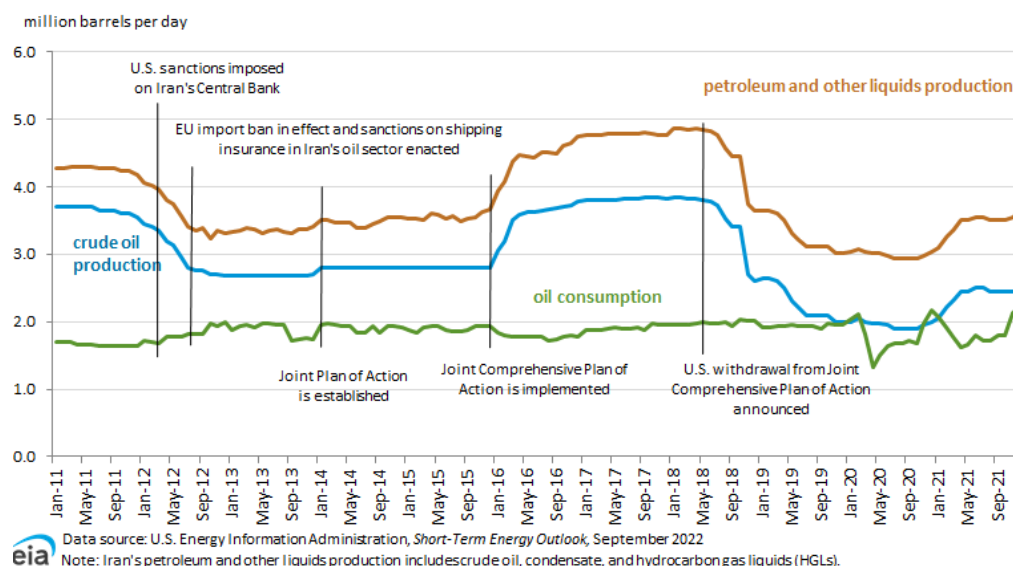
On the one hand, despite the presence of Saudi citizens as the main culprits of the September 11 attacks, the Riyadh-West relationship was not significantly affected, contrary to some expectations. On the other hand, during this decade, relations between the EU and Riyadh did not improve substantially despite Saudi Arabia's vital role in securing energy supplies for Europe (Youngs, 2009). Even actions such as establishing an office of the EEAS in Riyadh in 2004 failed to bring about substantial changes in these relationships (EEAS, 2022). Although Saudi Arabia's accession to the World Trade Organization in 2005 could positively facilitate Brussels-GCC negotiations regarding establishing free trade zones, no substantial progress was made either. The EU wanted the GCC countries to raise energy prices to the EU level, while the GCC criticised the EU's petrochemical products protectionist policies in their domestic markets. When these demands went unanswered, the GCC described the EU's calls for internal market expansion as "hypocritical" (Interviewee-3, 2023). In fact, the necessary political will to conclude such an agreement was never established. This remained one of the principal obstacles to enhancing energy relations between the two sides (Youngs, 2009).

Additionally, structural and inherent differences between the GCC and EU also contributed to the existing divide. Most specifically, human rights issues and occasional criticisms from the European Union towards Saudi Arabia have hindered broader cooperation. This became particularly prominent during events such as the assassination of journalist Jamal Khashoggi in the Saudi consulate in Istanbul,

the Kingdom's involvement in the Yemen war, and its propagation of the ultra-conservative Wahhabi interpretation of Islam through schools, mosques and cultural forums worldwide. From Riyadh's perspective, the European Union has primarily been a player seeking to secure oil purchases and a presence in Saudi Arabia's energy sector. However, its exercise of soft power and conflicting interests in free trade have made it cautious about elevating their relations (Interviewee-13, 2023).

On the other side of the Persian Gulf, the situation became complicated with Iran. While in the early 2000s, European energy companies maintained their presence in Iran, the increasing tensions between Iran and the United States following the September 11 attacks gradually overshadowed EU-Iran relations. Furthermore, the revelation of Iran's nuclear program added complexity. Despite several rounds of negotiations between Iran and the E3/EU3+3⁹ on its nuclear program, no conclusive outcome was reached. Instead, these negotiations resulted in the imposition of stricter sanctions against Iran, especially targeting its energy industries, significantly altering the landscape of the situation when foreign companies started to withdraw from Iran's oil and gas industry. The sanctions regime expanded in 2012 to encompass any technological, financial or informational cooperation with Iran regarding the country's energy sector, crude oil imports, gasoline or petroleum derivatives from Iran, and the import of precious metals from Iran was strictly prohibited. Even the Central Bank of Iran was subject to sanctions. This led to a drastic reduction in Iran's oil production (see Figure 1) and exports to the European Union, nearly reaching zero for the first time since the Islamic Revolution.

Figure 1. Iran's oil production and consumption 2011-2021. Source: EIA.



Difficult conditions between the parties remained until Iran and E3/EU+3 reached an agreement, the Joint Comprehensive Plan of Action (JCPOA), in 2015. Iran and the EU resumed their bilateral relations, and the officials declared the necessity of a political dialogue between the EU and Iran. At the same time, the High Representative of the Union for Foreign Affairs and Security Policy (HR/VP) stated the possibility of opening the European Union External Service Mission in Iran. Both sides declared the importance of a dialogue on human rights, and the EU considered extending its Third Country Loan Mandate to Iran. The parties expressed willingness to start a technological and informational exchange in green energy, sustainable development, transport and fossil fuels. The EU even considered the possibility of Iran participating in its anti-terrorist, anti-drug and educational programs (The Joint Statement 2016). However, such a promising beginning could never be materialized. In fact, the conditions at the time differed significantly from previous periods of cooperation, such as the 1990s, as follows.

First, the JCPOA was implemented in January 2016. Still, when Trump, with his 'anti-JCPOA' stance, stepped into the White House just one year later, European companies had practically not yet found the opportunity to enter Iran's energy market, which had been cut off from global energy markets for at least three years.

Second, in the early 2000s, when Iran's nuclear program emerged as a concern for the West for the first time, the Islamic Republic and the European Union both desired a more active role of the EU in managing the crisis, albeit with different motivations. The Islamic Republic sought to highlight the EU's role in resolving its nuclear issue to counteract the US unilateralism (Taremi, 2014; Keynoush, 2022), which had just concluded its wars in Afghanistan and Iraq with swift victories. Therefore, the EU's actorness could help Iran to avoid being the third target of the US and buy some time. On the other hand, the EU could also benefit from the situation to epitomize itself as a significant international actor in resolving a global conflict that could directly affect its security. Such conditions were non-existent in 2018 when Trump withdrew from the JCPOA. The 'untrustworthy Europeans' frame was frequently repeated by the I.R.Iran's Supreme Leader¹⁰.

In fact, contrary to the late 2010s when the EU actively played a role in making unanimity among partners in nuclear negotiation, both within the EU and within the E3/EU+3 (Tabrizi & Kienzle, 2020), it could not practice such capacity in the aftermath of Trump's withdrawal from the JCPOA. Thus, the EU's support for the JCPOA remained mainly to political and verbal levels, with little tangible economic benefit to Iran. For example, one can refer to the EU's financial Instrument in

Support of Trade Exchanges with Iran (INSTEX) that was designed to facilitate transactions but eventually ceased operations in March 2023, with only a single transaction without any significant results (France Diplomacy, 2023). This effectively reinforced the perception that the EU could not provide any practical assistance to preserve the JCPOA. Consequently, unlike the 1990s when cooperation with the EU (both economically and regarding energy) was well-received by reformists in Tehran, this time the moderates could not find any ground to justify deepening relations with the EU.

Thirdly, relations between the EU and Iran underwent significant changes and became mainly security-oriented in the 2010s instead of its economy-driven essence in the 1990s. In fact, the Islamic Republic grasped the power vacuum created by the United States in the aftermath of the invasion of Iraq to expand its regional influence. This influence intensified with the emergence of ISIS in the region and the proliferation of Iran's proxy forces (Tierney, 2022; Ladier-Fouladi, 2022). While the Islamic Republic considered its proxy forces a deterrence tool aligned with its asymmetric defence doctrine that needed to be preserved even after eliminating the ISIS threat in the region, these proxy forces became a source of security concern for the West (Azizi, Golmohammadi, & Vazirian, 2020). Thus, the EU's perception of Iran changed as if Iran were a 'security problem and not an economic opportunity'. Such a perception then was exacerbated by non-proliferation issues caused by Iran's nuclear and missile program (Kaussler, 2012; Erästö, 2017). The implication of this could mean that the EU's functionalist outlook could not be applied anymore, especially as economic cooperation failed to ease tensions between the two sides after the JCPOA, but instead a one-dimensional security-focused perspective dominated itself continuously (Interviewee-7, 2023).

Such concerns have also intensified with Tehran's response to the maximum pressure policy of Trump. Despite the EU's desire to moderate negotiations between Iran and the US, tensions have continued to escalate between Tehran and Washington. As witnessed in 2011–2012, the more the Islamic Republic perceived a threat, the more it used the Strait of Hormuz as a geopolitical tool to confront what it saw as an existential threat. Employing a neo-classical realist interpretation of Iran's behaviour in the Persian Gulf, Divsallar (2022) contends that Tehran has demonstrated a willingness to gradually employ the Strait as a geopolitical instrument, incurring costs, instilling fear, and targeting the psyches of its adversaries depending on the level of perceived threat. Additionally, in times of heightened tensions, Tehran's strategies in the Strait of Hormuz could range from: i) conducting a psychological campaign highlighting potential insecurities in the Strait; ii) slowing down maritime traffic through sporadic inspections; iii) increasing the costs of safe passage by imposing tolls or security-related expenses, such as higher insurance premiums; iv) en-

gaging in low-profile disruptions of international shipping; or v) delaying oil shipments through naval exercises conducted in threat-based scenarios.

In terms of EU energy policy in the Persian Gulf, the EU's normative actorness backfired in this era. In the 1990s, when the Persian Gulf region was almost stable, the EU's normative approach worked in its favour, accompanied by the US military presence. However, significant changes occurred in the region following the US invasion of Iraq in 2003 and its subsequent 'pivot to the East' doctrine, which created a power vacuum. In this new landscape, the EU's merely normative actorness, favouring diplomacy, persuasion, negotiation and compromise, was not sufficient to protect its regional (energy) security interests, in contrast to more militarily inclined actors like the United States (Hyde-Price, 2006). This was an especially relevant issue for EU-Iran relations as they shifted from 'an economic cooperation opportunity' to 'tackling security concerns' (as discussed before). This meant that the EU was expected to play in the Persian Gulf within a field where it did not have the upper hand, i.e., the security realm.

Additionally, even the way the EU wanted to follow its global normative actorness constrained its active involvement in the Persian Gulf region. This was primarily rooted in the EU's pursuit of recognition for specific norms, notably those related to free trade, human rights and climate change, as reflected in the TFEU and the Paris Agreement. While the energy interests were declining, in a broader context, only France and the United Kingdom closely monitored political developments in the region, with Germany concentrating on economic ties rather than political ones¹¹. The remaining EU member states were content with continuing to procure oil from the area (Baabood, 2007). Therefore, the EU lacked the necessary political will to enhance its energy relations with Saudi Arabia and the GCC¹².

In summary, during this era, the EU was unable to expand its energy cooperation with the GCC and Saudi Arabia, and regional developments also resulted in the EU losing ground in its interactions with Iran. This was evident in the EU's response to Iran's scaling back of its nuclear commitments following the US withdrawal from the JCPOA, especially as it was perceived by I.R.Iran's authorities (Tehran Times, 2020), which primarily consisted of issuing condemnatory statements, aligning with the findings of this research. As a result, one can argue that the EU gradually lost its position in the Persian Gulf region while China was rising there, as will be elaborated later.

1.4 CURRENT SITUATION (AFTER RUSSIAN INVASION OF UKRAINE)

The protracted energy crisis of 2021, exacerbated by the Russian invasion of Ukraine, has prompted EU politicians to re-evaluate the EU's energy policy. This includes a reconsideration of the level of oil imports from the Persian Gulf (Fattouh & Economou, 2023). Shortly after Russia's invasion of Ukraine in the spring of 2022, the EU Commission unveiled its plans to overhaul the EU's energy sector and re-assess its external energy engagement. This was outlined in both the REPowerEU Plan and the European Union External Energy Strategy in the Changing World Order, both released concurrently. Moreover, the EU published its plan for extending energy cooperation with GCC under "A Strategic Partnership with the [Persian] Gulf" as a Joint Communication (European Commission, 2022). These documents addressed the issue of cooperation in both fossil and renewable energy.

While the EU initially showed its interest in energy cooperation with Iran under the circumstances that the JCPOA was revived, the situation grew more intricate during the summer of 2022. In August, reports emerged regarding the sale of Iranian drones to Russia for use in the Ukrainian conflict. Shortly thereafter, social unrest erupted in response to reports of the death of an Iranian girl named Mahsa Amini at the hands of the moral security police in Tehran. Despite efforts to quell the uprisings, the EU released the "Conclusions on Iran" report (European Council, 2022). This report strongly condemned human rights violations, the brutal suppression of protests, and the arbitrary use of force against dissidents in Iran. Furthermore, it denounced Iran's missile program and its support for Russia in the Ukraine war. The EU asserted its right to take necessary measures to prevent Iran from aiding Russia or obstructing the Iranian missile program.

The document also underscored the importance of the non-proliferation treaty and urged Iran to adhere to the provisions of the JCPOA. Additionally, on December 12, the EU introduced a new sanctions package that imposed restrictions on Iranian officials and entities found to be supporting Russia in the Russian-Ukrainian war (European Council, 2022). Iran was also condemned for violating the JCPOA. The situation became further complicated by EU leaders' meetings with certain Iranian opposition leaders (RFI, 2022). Consequently, the relationship between the EU and Iran reached its lowest point, with little prospect of engaging in energy dialogue or trade relations (Interviewee-9, 2023).

Finally, it is premature to ascertain the trajectory that the EU-GCC relationship, specifically with Riyadh, will take. A preliminary examination of EU-released documents pertaining to collaboration with the GCC, particularly Saudi Arabia, fails to reveal any noticeable shift in their status. In practice, these documents maintain a degree of ambiguity and remain at a general level of terms and outlines while attempting to encompass the various areas of potential cooperation. Nevertheless, the release of reports suggesting Iran's involvement with Russia in the Ukraine conflict has heightened the security aspect of any prospective partnership between Tehran and Brussels, rendering it more intricate than ever before.

2. CHINA

China's sustained economic growth has propelled it to become the world's largest oil importer in 2013. Therefore, China's extension of cooperation with Persian Gulf States has not been unexpected (EIA, 2018). Beijing's framework for cooperation with Arab states in the Persian Gulf region is apparent in China's Arab Policy Paper, released concurrently with Xi's visit from Saudi Arabia in early 2016. The paper states that China is willing to coordinate development strategies with Arab states, leverage each other's advantages and potentials, promote international production capacity cooperation, and enhance cooperation in various fields including infrastructure construction, trade, investment facilitation, nuclear power, space satellite, new energy, agriculture and finance. This aims to achieve common progress, development and mutual benefits for all involved parties (China's Arab Policy Paper, 2016). Consequently, relations with Arab states serve China's objectives of strengthening trade while ensuring energy security, among other things.

On the other hand, China recognizes that it can secure its energy security interests in the region through strategic collaboration with Iran. The 25-year agreement with Iran includes oil supply and insurance that can provide China with discounted and substantially guaranteed energy for its growth (Saleh & Yazdanshenas, Iran's Pact With China Is Bad News for the West, 2020). Moreover, Iran's inability to attract direct foreign investment for energy infrastructure development in recent years due to sanctions made it an attractive opportunity for Chinese companies to engage under specific economic terms (Interviewee-4, 2023). Additionally, Beijing is confident that Iran will not support separatist movements in Xinjiang, reinforcing Tehran's role as a stable and reliable energy supplier. Lastly, China values Iran's political influence in the region, particularly in Syria, Iraq, Lebanon and Yemen (Saleh & Yazdanshenas, 2023).

China's closer relationship with Iran can be also explained from an energy security perspective. China aims to balance and control US influence in the Middle East without resorting to military actions or deploying forces in the re-

gion, a decision that has gained prominence due to heightened competition between China and the United States in recent years (Ghiselli & Giuffrida, 2020). In this approach, China faces countries like Saudi Arabia that have traditionally been aligned with the United States but are now diversifying their partners. Beijing seeks to leverage its improved relations with Saudi Arabia and other GCC members to exploit gaps created by reduced US involvement in the Middle East, thereby increasing the divide between Washington and its regional partners, on the one hand. This means that China views the network of US allies and partners as a threat and is actively seizing opportunities to weaken it. On the other hand, given that China does not yet have the necessary military capacity (and perhaps even the necessary motivation yet¹³) to expand its military footprint in the Persian Gulf, strengthening its relationship with Iran, as a security actor in the Persian Gulf, can be perceived as beneficial for China's energy security in the region (Interviewee-10, 2023).

China's involvement in the Persian Gulf region gained even greater prominence when an unexpected and pivotal development occurred on March 10, 2023, with Iran and Saudi Arabia normalizing relations, mediated by China in Beijing. This marked a diplomatic achievement for China, underscoring its strategic efforts to foster positive relationships with both nations. The joint announcement signified the re-establishment of diplomatic ties, the reopening of embassies within two months, and a commitment to state sovereignty and non-interference in internal affairs. It also outlined enhanced cooperation in various fields, including security, economics, trade, investment, technology, science, culture, sports and youth. All three nations were dedicated to actively contributing to regional and global peace and security (FMPRC, 2023). This agreement solidifies China's position as a global power capable of exerting significant influence throughout the Middle East. External support for this agreement paves the way for Iran to normalize its relations with other Arab countries, such as Egypt, Bahrain and Jordan, contributing to regional stability, which is particularly beneficial to China (Interviewee-10, 2023).

2.1 CHINA-SAUDI ARABIA RELATIONS: ENERGY SECURITY FOR DEVELOPMENT AMBITIONS

The relationship between China and Saudi Arabia developed gradually before the establishment of formal diplomatic ties in 1990 (FMPRC, 2000). According to Al-Tamimi (2014, p. 14), these three phases began in the 1970s through what is known as the ‘Hajj diplomacy’ whereby the Communist Chinese state allowed its citizens to travel to the Kingdom for Islamic pilgrimage. After the opening of the Chinese economy towards the end of that decade, the relationship between the states flourished through increasing economic interaction in the 1980s. Later in 1990, Prince Bandar, the then Saudi Ambassador to the US, was sent to Beijing to negotiate the establishment of full diplomatic relations between the states. Catering to the Chinese concern over Saudi Arabia’s formal recognition of Taiwan, the Kingdom decided to downgrade its diplomatic mission to Taipei into a representative office, resulting in the establishment of full diplomatic relations between the countries on July 21, 1990 (FMPRC, 2000; Fulton, 2020).

The energy relationship started to grow when on 31st October 1991, Saudi Arabia and China signed a MoU on partnership in the energy sector (FMPRC, 2002)—the agreement aimed to enhance collaboration in petroleum, refining, and exchanging scientific and technological advancements. The MoU recognised Saudi Arabia as a significant, trustworthy and secure petroleum supplier, while China was acknowledged as a substantial and dependable consumer. Both parties expressed their mutual desire to establish a long-term, friendly and cooperative relationship in the field of petroleum. This became more important when China turned to a net oil importer by 1993 due to its rapid economic growth. Saudi Arabia, which contributed 2% of China’s energy imports in 1995, had reached 17% by 2003, surpassing smaller energy partners like Yemen and Oman (Lai, 2007). Such energy relations continued to grow through bilateral visitations like in 2006 and then China’s president’s visit from Riyadh in 2006. Saudi Arabian fossil fuel exports to China had reached USD 25 billion from USD 1.5 billion in 2000 (Fulton, 2020).

Bilateral cooperation did not remain within energy carriers’ trade. Saudi Arabia’s state-run oil company Aramco signed an agreement with China’s Sinopec to build an oil refinery in Yanbu, Western Saudi Arabia (Aramco, 2022). Further, Aramco opened its Aramco Asia in Beijing to cater to Asian markets with a long-term partnership with China’s state-owned oil enterprises (SOEs). In addition, another MoU was signed towards collaboration in developing a civil nuclear program (Shamseddine & Merriman, 2017). Infrastructural

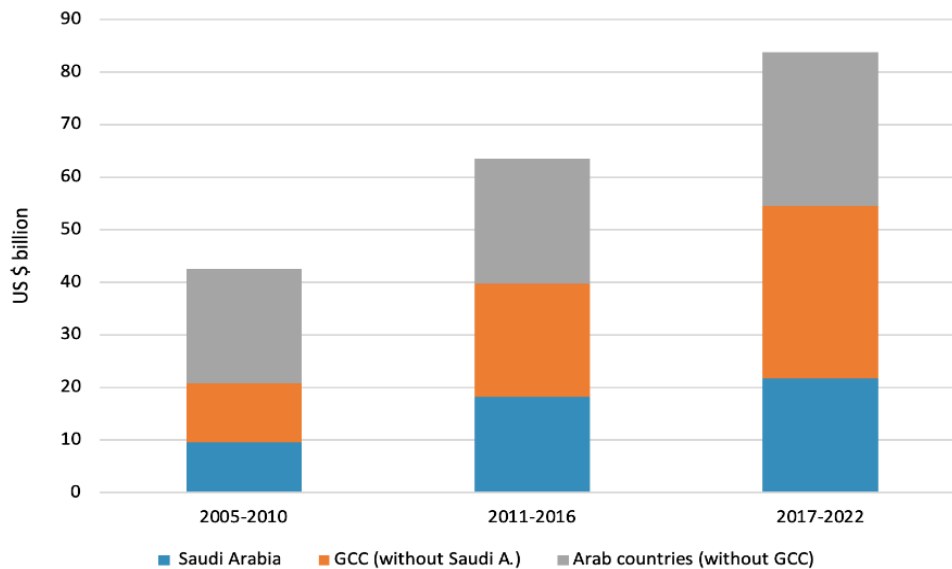
cooperation peaked when Chinese President Xi Jinping met with then Crown Prince Salman Bin Abdul-Aziz Al-Saud and invited Saudi Arabia to participate in the Belt and Road Initiative (BRI) within high-tech fields such as aerospace and new energy. The leaders also agreed to cooperate in defence and combat terrorism while promoting regional peace and stability (Government of China, 2014).

The year 2016 was eventful in China’s relations with the Middle East. The year began with Chinese President Xi Jinping’s travel to the region between 19 and 23 January. The Chinese leader met with the heads of state in Saudi Arabia, Egypt, Iran and the headquarters of the Arab League (Government of China, 2016). During his meeting with King Salman, China established a Comprehensive Strategic Partnership with Saudi Arabia, the highest recognition of a state by Chinese diplomatic standards (Fulton, 2020). President Xi explained that through the Kingdom’s participation in China’s BRI, new levels of cooperation could be achieved in trade, investment, energy, education, science, technology, information security and other areas (FMPRC, 2016). China and Saudi Arabia also signed a memorandum of understanding on strengthening cooperation in building the “Online Silk Road” (Digital Silk Road or DSR), whereby Saudi Arabia would become part of a Chinese-led international digital connectivity.

President Xi also presented China’s ‘1+2+3’ cooperation pattern through its Arab Policy Paper. Here, the ‘1’ refers to energy cooperation, which has been the long-time pillar of the relationship between the states. ‘2’ refers to infrastructure construction and trade, which are the major objectives of China’s BRI project. ‘3’ refers to nuclear energy, space technology and renewables, two of which are incorporated in Saudi Vision 2030 (FMPRC, 2016). While catering to the infrastructure deficiency in the Kingdom, China aims for bigger. For example, the Digital Silk Road or DSR attempts to elevate China as a global digital superpower by “creating a Chinese-centric digital infrastructure, exporting industrial overcapacity, facilitating the expansion of Chinese technological corporations, and accessing large pools of data” (Cheney, 2016).

Saudi Arabia invited investments from foreign players, where China, as a strategic partner, invested up to USD 52.12 billion by 2021 in the Kingdom, excluding the BRI project amount—the energy sector was allocated USD 24.73 billion of this investment (AEI, 2023). For instance, in 2019, Saudi Aramco and Norinco joined hands to build a USD 10 billion refinery in Liaoning during a visit by Crown Prince Mohammad bin Salman to China. Aramco also completed a purchase of a 9% stake in a Zhoushan refinery as well as the

Figure 2. China's investment in Arab World, 2005-2022. Source: AEI, 2023



use of crude oil storage facilities for Aramco's other Asian markets (Fulton, 2020). Figure 2 shows how Saudi Arabia has a special place in China's investment in the Arab world in recent years.

From an investment perspective, Saudi Arabia has perceived a dual need for China. On one hand, the Kingdom's ambitious plans, such as Vision 2030, could be potentially jeopardised by the insecurity resulting from the ongoing conflict in Yemen. This situation prompts the Kingdom to seek mediation with regional actors, particularly Iran, where China can serve as a valuable intermediary given its financial and technological influence in Iran's energy sector while Tehran has faced the US sanctions. This mediation is essential for managing regional conflicts and, most importantly, persuading Houthis to step into a ceasefire. On the other hand, Saudi Arabia requires China's expertise to expand its industrial sector rapidly and efficiently, especially in ambitious projects like the 'Neom' city development (Interviewee-13, 2023; Interviewee-15, 2023). This presents an opportunity for Chinese construction and manufacturing sectors to expand their operations within the Kingdom, offering a lifeline to construction companies grappling with a sluggish real estate sector in China (CNBC, 2023). Consequently, China's involvement holds the potential to facilitate the realization of Vision 2030 objectives.

While one could argue that China has taken significant strides towards improving and strengthening its relations, particularly economic ties, with Saudi Arabia in recent years,

political changes within Saudi Arabia have also played an essential role in facilitating this alignment with China. Traditionally, the Saudi government was known as an 'identity-oriented regime' rooted in the Wahhabism narration of Islam, which underpinned the political continuity of the House of Saud and served as a crucial source of political legitimacy (Atai & Mansouri Moghadam, 2013). However, with the rise of Mohammed bin Salman, Saudi Arabia has shifted its focus to encompass not only military security but also economic security. This implies that Riyadh is now actively seeking to diversify its sources of revenue, primarily by reducing dependence on oil-related income, and is exploring new trade partnerships. This shift is also reflected in Saudi Arabia's domestic security, where Riyadh aims to mitigate ideological challenges, control dissenting minorities and promote a new form of state-sanctioned Wahhabism (Pirzadi, 2022).

At the same time, bin Salman pursues an ambitious modernization plan reflected particularly within the 2030 Vision document, notably through expanding the role of various sectors in non-oil exports, job creation and government revenue. It encompasses structural changes especially in the oil industry, adopting renewable energy sources, and diversification into various industries including services, manufacturing, tourism, petrochemicals, advanced manufacturing in energy storage and distribution, pharmaceuticals and agriculture (Interviewee-11, 2023). The overarching objective is to establish a foundation for future research and development while strengthening resilience, competitiveness

and living standards (Hvidt, 2013; Havrlant & Darandary, 2021). Such approaches have given rise to a transformed Saudi Arabia with a distinct identity in both domestic and foreign policy, as Riyadh strives to represent itself as an independent and proactive nation on the global stage. Within such a storyline, Riyadh is experiencing a paradigm shift from a 'conservative identity-oriented' to a more 'ambitious and pragmatic' actor (Pirzadi, 2022).

Hence, it comes as no surprise that in light of the mounting external pressure posed by Iran's nuclear aspirations and Vision 2030's imperative to diversify its energy sources, including through nuclear energy, Saudi Arabia has increasingly turned to China. This shift becomes more evident when considering that Riyadh's longstanding partner, the United States, has rebuffed its nuclear requests so far. This strategic reorientation is prompted by the streamlined and bureaucratically less encumbered processes that align with Saudi Arabia's interests when engaging with Beijing (Habboush, 2018). Despite discussions regarding nuclear energy with China essentially remaining at the memorandum stage, Saudi Arabia perceives China as a valuable lever that fortifies the Kingdom's negotiating position with the United States, which has yet to fulfil Riyadh's nuclear requirements. It is noteworthy that Saudi Arabia has traditionally preferred securing its nuclear ambitions through the United States, even to the extent of offering to participate in the Abraham Accords with Israel in an attempt to convince the US to provide nuclear technology (Crowley, Nereim, & Kingsley, 2023).

Such a multifaceted approach underscores Saudi Arabia's willingness to collaborate with China as a means to exert pressure on the United States for nuclear cooperation, underscoring the evolving dynamics in Riyadh's nuclear policy (Interviewee-14, 2023). For instance, despite objections from the US, Saudi Arabia embraced membership in the Asian Infrastructure Investment Bank in 2016, an initiative led by China. Furthermore, in 2021, Saudi Arabia departed from its usual practices by initiating oil sales to Chinese tea-pot refineries (Interviewee-4, 2023). On the other hand, Riyadh has remained acutely mindful of the importance of not crossing well-defined red lines established by its traditional security ally, the United States. These red lines, though expected to evolve over time and remain flexible (Interviewee-14, 2023), encompass aspects such as the Petrodollar Agreement¹⁴, high-tech collaborations with China, especially in the realm of 5G technology, substantial cooperation in artificial intelligence, and considerations related to permitting China to establish a military base. Additionally, Mohammed bin Salman is well aware that securing a peaceful transition to the throne depends on gaining the support of the US, particularly given the initial lack of enthusiasm from the

White House for his ascent as crown prince, alongside the enduring power struggles within the House of Saud (Interviewee-7, 2023).

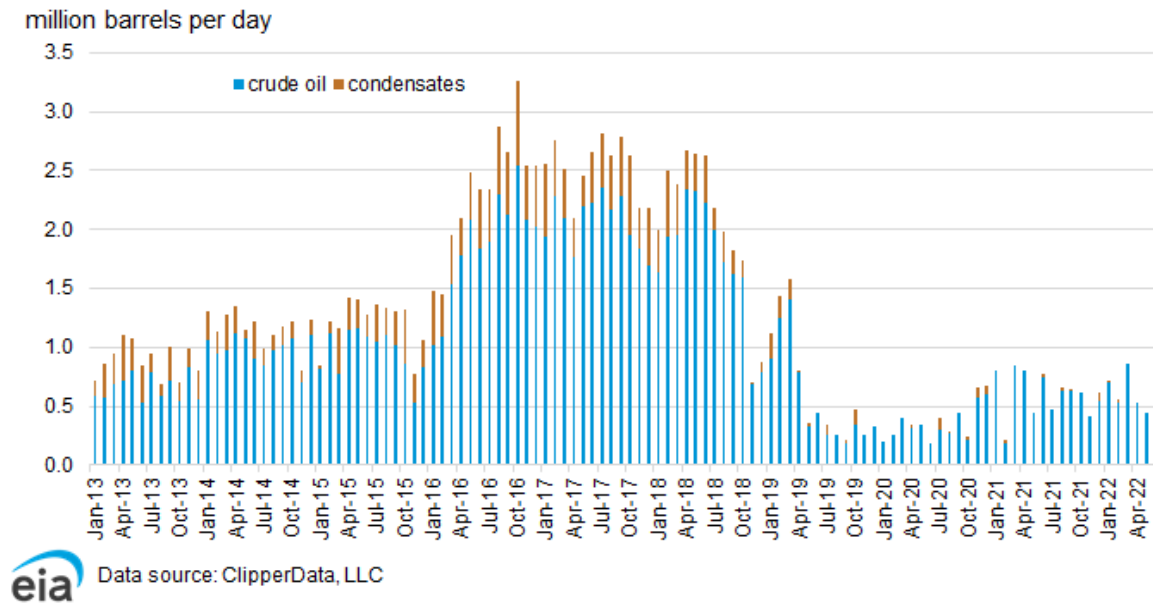
In summary, the relationship between China and Saudi Arabia has evolved significantly over the years, encompassing various dimensions of cooperation. While China has gained access to a secure and trustworthy petroleum supplier, addressing its growing energy needs as a net oil importer, Saudi Arabia has found a new partner who can actively contribute to Vision 2030 ambitions and diversify the Kingdom's economy and foreign partners. Such cooperation has not remained within the energy field. Both states expanded their collaboration into various sectors, including infrastructure development, civil nuclear programs and high-tech fields like aerospace and new energy, especially under the 1+2+3 initiative. The BRI enhanced trade, investment and digital connectivity between the two countries. The multifaceted cooperation between China and Saudi Arabia has brought substantial benefits to both nations, encompassing energy security, economic growth, regional mediation and technological advancements. This partnership is expected to play a crucial role in shaping the future of both countries.

2.2 CHINA-IRAN RELATIONS: REGIONAL SECURITY FOR RESILIENCE AND SURVIVAL

The Iran-China relationship, which commenced in 1961, experienced notable phases of development. Initially driven by political factors such as Iran's recognition of China and economic cooperation in the 1960s and early 1970s, their connection deepened following the Islamic Revolution in 1979. Despite fluctuations in trade during the Iran-Iraq war, bilateral trade exceeded USD 1.6 billion in 1989. Iran and China's solid political alignment and shared ideological goals led to robust ties. For instance, in 1988, when the US downed an Iranian passenger plane, China condemned the US, and Iran reciprocated by supporting China's response to the Tiananmen Square protest (Huwaidin, 2003).

In the late 1990s, the Iran-China energy partnership solidified as China's rapidly growing economy exceeded its domestic oil production, establishing Iran as a vital energy supplier. Chinese oil imports from Iran surged to 270,000 bpd by 2000, significantly bolstering China's energy security. Despite the initially promising cooperation, the political changes in the 2000s and, in particular the international sanctions, led several Chinese oil companies to suspend their activities in Iran to avoid potential repercussions from their American counterparts. Notably, a significant agreement in 2004 aimed at supplying 2.5 million metric tons of

Figure 3. Iran's oil export 2013-Apr 2022. Source: EIA.



LNG annually for 25 years (which never materialized). This situation strained Iran's expectations for more extensive political and economic support from China and Russia, causing Iran to perceive China as a "fair-weather" partner rather than the presumed "all-weather" partner (Wuthnow, 2016).

Following the conclusion of the JCPOA, Chinese President Xi Jinping's visit to Tehran marked a significant milestone, ending a 14-year gap in high-level visits. During this visit, China and Iran solidified a Comprehensive Strategic Partnership and signed agreements to enhance collaboration across multiple sectors, including energy, military, nuclear, the Belt and Road Initiative, and cultural exchanges (China Daily, 2016). In contrast to European companies, which faced various challenges, and many US firms constrained by the Foreign Corrupt Practices Act and primary sanctions prohibiting commercial dealings with Iran, Chinese companies like Sinopec and CNPC resumed their operations in Iran's oil and gas industry (Chen Aizhu, 2015). Furthermore, China and Iran entered into a USD 10 billion agreement to construct two nuclear plants in southeast Iran and collaborated on the redesign and modernization of Iran's heavy water reactor at Arak (Rogers, 2016).

The fundamental difference between China's relations with Iran and the EU's relations with Iran during this period begins here. Despite the US withdrawal from the JCPOA in 2018, China, along with other remaining JCPOA signatories, reaffirmed its commitment to the agreement's objec-

tives in a Joint Ministerial Statement dated September 25, 2018, in New York (MFAPRC, 2018). They emphasized the importance of lifting sanctions, establishing secure payment channels with Iran, and sustaining the export of Iranian oil, gas condensate, petroleum products and petrochemicals. However, in practice, despite the EU's efforts to reaffirm its commitment to the nuclear deal in a statement on September 25, 2018, European companies rapidly reduced their business interactions with Iran. Iran's oil exports quickly fell, as depicted in Figure 3. However, China's smaller companies continued to purchase oil from Iran, which proved vital for Tehran to withstand the unprecedented sanctions pressure, including Trump's maximum pressure policy against Iran. This was notably reflected in the statement by Iran's Foreign Minister, Mohammad Javad Zarif, who remarked, "We have a Ph.D. in sanctions busting" (De Luce, 2019). China did not fully comply with US sanctions against Iranian oil during this period, primarily because, as of the writing of this working paper, the US sanctions on Iran's oil exports lacked legal binding internationally, unlike the ones imposed in the early 2010s by the UNSC. As a result, Beijing continued to import a modest yet significant quantity of Iranian oil through third-party countries and ship-to-ship transfers to circumvent sanctions (Martelli, 2020).

Throughout this phase, the Islamic Republic adopted a 'strategic patience' approach, echoing the Supreme Leader's doctrine of 'neither war nor negotiation' (Fararu, 2018).

Iran refused negotiations with the US, especially regarding the JCPOA, while simultaneously pursuing a two-pronged military-diplomatic strategy to prevent direct military confrontation with the US. Iran sought to consolidate its deterrence strategy, including exerting influence through proxy groups in the region, showing its readiness in protecting national security in the Persian Gulf (see section 1.3, where 2003–2021 was discussed, especially the 2019 Iran-US tensions segment). Simultaneously, through diplomatic efforts, Tehran aimed to prevent the formation of a unified international consensus that could potentially legitimize the use of force by the US and its allies against Iran. Amidst this complex landscape, maintaining these limited oil exports to China proved crucial for Tehran's economic resilience (Interviewee-4, 2023).

In such circumstances, Iran's relations with China did not remain limited to oil trade. Conversely to the EU and many other partners and allies, and amid the COVID-19 pandemic, Iran and China inked a long-term 25-year cooperation agreement in March 2021¹⁵. This cooperation agreement expanded cooperation across energy, infrastructure, military and security sectors, formally integrating Iran into China's Belt and Road Initiative (Reuters, 2021). However, it raised significant controversies due to the undisclosed details. While proponents of the agreement saw it as crucial for enhancing Iran's resilience against Trump's 'maximum pressure' policy, critics warned of Iran becoming economically dependent on China. Various claims circulated regarding the "lease" and "full delegation of authority" of two Iranian islands in the Persian Gulf, Kish and Qeshm, to China as part of this Cooperation Program, initially suggested by two members of the Iranian parliament even though it was later denied. Even before that, the London-based Petroleum Economist in the summer of 2019 had made multiple allegations regarding this agreement, including the claim that "five thousand Chinese security personnel would be stationed in Iran to protect Beijing's new \$280 billion investment in Iran's oil, gas, and petrochemical sectors." (Watkins, 2019) While Iranian government officials consistently denied these claims, there remained less controversial speculations about China's increased presence in the Persian Gulf region, guarantees for purchasing Iranian oil (likely at discounted rates and over the long term), and Chinese investments in various sectors of Iran's energy industry¹⁶. This policy aligns with Iran's earlier approach. Furthermore, while Western regulations impose various post-sale inspection requirements on many technologies sold by Western companies, China does not impose such restrictions, leading Iranians to perceive that the Chinese are more inclined to accommodate Iran's requirements and methods (Garver, 2018).

The advent of Ebrahim Raisi's presidency marked a significant shift in the landscape. During the same session in which he sought a vote of confidence from the Iranian Parliament, then-nominated Foreign Minister, Amir-Abdollahian, asserted, "We will never avoid engaging in rational negotiations while preserving our authority and wisdom. However, we will not bind the Ministry of Foreign Affairs to the JCPOA" (Mehrnews, 2021). This indicated that the new government views the JCPOA as a short-term solution to alleviate the relative pressure of sanctions on the country's economy. Moreover, it believes an agreement that entrusted key levers to the United States and its allies cannot protect Iran's national interests (Saleh & Yazdanshenas, 2020). The new government officially embraced a foreign policy doctrine branded as 'look to the East' (Soleimani, 2022), with a strong emphasis on strengthening ties with China. Such a doctrine was also backed by believing in the emergence of a new world order in which China is a major power instead of a unipolar world, especially in the aftermath of Russian invasion of Ukraine: "The recent events in Ukraine should be viewed in a deeper context, within the framework of the emerging new global order, which is likely to entail complex and challenging processes", Ayatollah Khamenei stated in April 2022 (IRdiplomacy, 2022).

Given the current Iran leaders' perspective about the international order, one can argue that the most significant factor drawing Tehran and Beijing closer is their shared opposition to US hegemony in the international system amid the ongoing transformations. Such a perception can be traced back to the 2009 Shanghai Cooperation Organisation summit when China's President Hu Jintao stated that Tehran and Beijing should assist each other in shaping global developments in their favour, lest those responsible for current international challenges regain control of the world (ISNA, 2009). While the importance of other motives including mutual economic interests also plays a role, Tehran has adopted a more 'identity-oriented' foreign policy in its relations with China aligned with a constructivist interpretation which argues that international relations and statecraft can be understood as being based on norms and values and that the societal structures and institutions flowing from these norms are essentially constructed (i.e. not fixed but amenable and subject to change) (Wendt, 1992). Constructivists also place emphasis on the political identity and values that would influence how states would act on the international stage (Hobsbawm & Ranger, 1992; Anderson, 2020). As a result, one can argue that the Islamic Republic perceives a commonality between its political identity, defined in opposition with the Western liberal democracy values but more aligned with China, which also aims to challenge the US hegemony.

Nevertheless, such a constructivist approach does not deny I.R.Iran's security actorness in the Persian Gulf in a broader perspective which also provides a common ground for cooperation with China. To elaborate, from a realist perspective, Tehran's decision to cultivate a strong partnership with China can be interpreted as a calculated move to enhance its national security and survival in a turbulent geopolitical landscape. Tracing its roots back to Greek thought on statecraft (Clark, 1993), realism posits that states, as the major actors, primarily pursue self-interest and power within an anarchic international system to secure themselves (Snyder, 2009). Iran's strategic priorities align with realist principles as it emphasizes economic resilience, support from regional proxy forces, and control over the strategically vital Strait of Hormuz. The Strait of Hormuz is essential for Iran's security, as it plays a pivotal role in ensuring the uninterrupted flow of oil and gas supplies, not only for Iran but also for other actors, including the US and EU. Iran's active efforts to maintain control over this critical chokepoint can be viewed as a realist strategy to consolidate its power and secure its vital regional interests, as outlined by Morgenthau (1948).

Within the same perspective, Iran and China also share similar perceptions of threat about the United States rooted in geographical realities. Major General Bagheri, the Chief of Staff of the Iranian Armed Forces, highlighted these commonalities during his 2020 visit to Beijing, stressing the shared security dynamics of the Persian Gulf and the South China Sea. Iran and China find themselves encircled by American allies in both regions, further solidifying Iran's strategic pivot toward the East as China extends its influence into the Persian Gulf. Shortly after this visit, Iran, China and Russia conducted a collaborative military manoeuvre in the Persian Gulf of Oman, in close proximity to the crucial Strait of Hormuz. Once more, it marked the inaugural joint exercise of this nature and was per-

ceived as a bold strategic move by Iran to counterbalance the presence of the United States in the Persian Gulf (Shariatinia & Kermani, 2023). In other words, these shared perceptions of the US threat reinforce cooperation and contribute to Iran's welcoming of China's presence in the Persian Gulf region, including but not limited to the realm of military collaboration, as already described.

In conclusion, one can argue that Iran envisions deepening its relationship with China, underpinned by a multifaceted approach. While economic interests remain significant, Iran can leverage its long-term oil sales, access to certain goods, and technology transfers as outlined in the 25-year agreement with China. In the eyes of Iranian policymakers, this agreement bestows a unique degree of economic resilience against US sanctions. Iranian leaders view this resilience, especially in the face of economic pressures, as pivotal. It empowers Iran to maintain its economic stability and strategic autonomy, reducing vulnerabilities to external pressures, notably those imposed by the United States. In essence, the 25-year agreement augments Iran's economic strength and ability to navigate the challenges posed by sanctions.

Furthermore, Iran's pursuit of economic cooperation with China aligns with its foreign policy identity, which is defined by opposition to Western liberal democracy and alignment with China's challenge to US hegemony. This convergence of interests, anchored in shared geopolitical realities, reinforces Iran's strategic orientation towards China and solidifies their collaboration, particularly in military domains. This means that while economic considerations play a crucial role, Iran's comprehensive strategy, underscored by its resilience-building efforts and ideological alignment, positions China as a vital partner in navigating the complex international landscape. This multifaceted relationship reflects Iran's strategic outlook and determination to safeguard its national interests amid its perception of the evolving world order.

3. THE EU ON THE PERSIAN GULF ENERGY SECURITY CHESSBOARD

In the preceding two chapters, the evolving interactions between the EU and China with the Persian Gulf region, and behavioural shifts of the two major regional actors, i.e. Iran and Saudi Arabia, were elucidated while fundamentals of international relations theories were applied. This chapter embarks on an exploration of the current EU's stance within the Persian Gulf landscape. It is imperative to acknowledge that the regional dynamics in the Persian Gulf, particularly in the present climate, remain remarkably dynamic and mercurial. Such a landscape resembles a constantly changing chessboard¹⁷, with state and non-state actors as the pieces while all the actors must be attuned to each other's strategic manoeuvres.

With the overarching objective of presenting mid-term (e.g., by 2030 or 2035) solutions to secure the EU's energy supply, this section situates the Persian Gulf landscape within the EU's purview. It commences by addressing the challenges that the EU grapples with internally regarding the formulation and coordination of a unified energy foreign policy. Moreover, it elucidates how the behaviours and behavioural changes of other actors have presented challenges to the EU in safeguarding its energy security interests. Following this, the analysis sheds light on the limitations and opportunities at the disposal of the EU, laying the groundwork for forthcoming strategic recommendations aimed at ensuring the security of the EU's energy supply within the Persian Gulf region.

3.1 THE EU'S INTERNAL CONSTRAINTS IN THE PERSIAN GULF

One of the foremost challenges impeding the EU's ability to take on a proactive role in the Persian Gulf stems from internal and structural constraints. These constraints encompass both structural and situational aspects, with a notable emphasis on the recurring issue of a lack of unanimity among its member states and the absence of a unified voice (Keypour & Ahmadzade, 2022). This absence of 'one voice' has been a persistent concern, primarily due to the inherent diversity of interests among EU member states in various contexts, creating a hurdle for the EU to project a unified stance. This disunity not only complicates the EU's attempts to formulate and coordinate a

consistent external energy policy but also inhibits its ability to assert itself as a coherent and effective actor in the Persian Gulf region. As such, it has compromised the EU's actorness and its potential to present a unified front in its external engagements.

In the current situation, the EU finds itself entangled in a more complicated situation in dealing with the Persian Gulf. On the one hand, left-wing groups and liberal tendencies within the EU exert pressure to pursue normative issues openly in its collaborations with the countries surrounding the Persian Gulf. This pressure is evident in their push for the EU to take a firm stance on human rights and democratic values, even if it means cutting ties with the Islamic Republic (Euronews, 2023) (Interviewee-6, 2023). Moreover, the increasing activities of Iranian opposition groups in Europe over the past year have intensified pressure on EU institutions, making it increasingly challenging for the EU to engage in overt interactions with the Islamic Republic and adopt more stringent policies (Interviewee-7, 2023; Interviewee-8, 2023).

On the other hand, the EU perceives itself as compelled to engage with the Persian Gulf states due to concerns over energy prices. The EU is acutely aware that if energy prices skyrocket due to reduced supply resulting from sanctions against Russia or escalating tensions in the Persian Gulf region with potential global oil price spill-over effects, right-wing groups, particularly Eurosceptics, could seize the opportunity to strengthen their influence and jeopardize the EU's existence. This scenario is particularly concerning given the recent strengthening of populist sentiments, including far-right ideologies, among European voters while the EU Parliament election is approaching (Hnley, 2023; Interviewee-8, 2023). Such a dilemma has curtailed the EU's strength, and unity, in effectively playing a role in protecting its interests in the Persian Gulf.

On the other hand, the historical context of the Persian Gulf region has traditionally served as a 'security' backdrop, with the region in a constant state of rivalry, reconciliation, unity and division between both regional and trans-regional actors. This has rendered the geopolitical stage of the Persian Gulf highly volatile and transitional.

Notably, the aftermath of the US invasion of Iraq in 2003 and the power vacuum arising from the chaotic state of Iraq, followed by the White House's declaration of the pivot to the East doctrine, exacerbated such a situation, ushering in a state of constant transition. Under such circumstances, active involvement in the Persian Gulf region necessitates a specific level of 'security agency'. However, the EU, by its structural nature, lacks the capacity to function as such, but it is instead an economic bloc (Interviewee-9, 2023; Interviewee-7, 2023).

In a broader security and foreign policy context, Iran's nuclear issue presented a pivotal challenge to the E3/EU3+3. It simultaneously provided the EU with an opportunity to establish itself as an influential actor in a security-oriented issue, particularly during the era of US unilateralism in the early 2000s. The EU managed to showcase not only its internal cohesion but also played a central role in forging consensus among the E3/EU3+3 group, leading to sanctions against Iran (Saleh & Yazdanshenas, 2023). However, over time, and especially in light of subsequent events such as Russia's invasion of Ukraine in 2014, Brexit and the United States' withdrawal from the JCPOA in 2018, the capabilities of the E3/EU3 format encountered significant challenges and weakened. It becomes apparent that the E3/EU3 never truly had the opportunity to practice, consolidate and demonstrate the capabilities of a security actor (Keypour, 2018).

Even if one were to accept the argument presented by certain scholars that the developments resulting from Russia's full-scale invasion of Ukraine are expected to enhance the EU's security dimension in the future, it remains premature for the EU to exert substantial security influence in the Persian Gulf region (Interviewee-6, 2023). The following section, which analyses the behaviour of the surrounding environment, will revisit this issue. However, up to this point, it can be affirmed that active engagement in a security environment, such as the Persian Gulf, necessitates prerequisites that the EU cannot fundamentally fulfil.

3.2 EU REPERCUSSIONS OF TWO DECADES OVERLOOKING THE PERSIAN GULF

The EU confronts a second significant challenge in the Persian Gulf region revolving around the shifting behaviours of regional actors. While the previous two chapters endeavored to articulate how this happened, this section delves deeper into the specific implications of these changes on the EU's energy security interests within the region.

Concurrently with Saudi Arabia's recent shift from its traditional identity-driven approach to a more pragmatic one (as discussed in Section 2.1), and although a complete US withdrawal from the Persian Gulf remains unlikely, the United States' military presence transformation in the Persian Gulf has prompted the Kingdom to reconsider their security arrangements. Such concerns have been particularly exacerbated by the Obama administration's efforts to broker a nuclear agreement with Iran and continued when Trump did not make a severe reaction to the 2019 attacks on Saudi Aramco¹⁸ against his maximum pressure policy on Iran. In this context, Riyadh has come to recognise that a simple 'oil-for-security' arrangement with the West, primarily the United States, no longer aligns with its evolving perspective on the global and regional order (Interviewee-8, 2023). Consequently, Saudi Arabia's trust in the United States as a security provider has gradually eroded, prompting Riyadh to engage with new foreign policy partners (Interviewee-7, 2023; Interviewee-8, 2023).

Although Saudi Arabia traditionally prefers higher oil prices, it has historically shown readiness to comply with Washington's requests for increased oil supply, especially during significant events like US elections. However, the dynamics shifted when the United States sought to reduce Russian oil exports during a global economic recovery and rising oil demand. In this context, Washington's reliance on Saudi Arabia, one of the few entities capable of rapidly boosting oil production, became evident. Yet Biden's trip to Saudi Arabia accomplished little and generated worse feelings as Washington's pleas went unheeded shortly after in October 2022. This development was interpreted as a clear signal that "Saudi Arabia is no longer an automatic partner to the United States" (Gause III, 2023).

While the Saudi Arabia-US relationship was not working as it used to, China expanded its footprint in the Persian Gulf region and strengthened its ties with Saudi Arabia and Iran. China's actorness in the Persian Gulf peaked by its recent mediation efforts to facilitate the re-establishment of diplomatic relations between Tehran and Riyadh. On the one hand, resumption of relations between Iran and Saudi Arabia can benefit all the actors who look for peace and security in the Persian Gulf region. On the other hand, this has strengthened China's role and relations with these two regional actors, particularly with Saudi Arabia who has been the major ally to the West in the region. Such a conclusion holds unfavourable implications for the EU, which relies on the cooperative role of the United States to complement its position in the Persian Gulf region. This resulted in the EU lagging in competing with China in the Persian Gulf region (Interviewee-2, 2023).

On the other side of the Persian Gulf, namely Iran, conditions have not been conducive to the EU's presence and influence. As elaborated in sections 1.3 and 1.4, the Islamic Republic has recently leaned towards a more identity-oriented foreign policy, particularly with the ascent of President Raisi, exhibiting a steadfast commitment to an anti-Western identity. This stance is notably reflected in Iran's reluctance to engage in conciliatory measures with the West concerning the nuclear issue. The EU has grappled with an Islamic Republic that has substantially curtailed its obligations under the JCPOA and openly challenged the EU's security by reportedly providing military assistance to Russia in the Ukraine conflict (despite unconfirmed official reports).

In response, the EU's approach to Iran's conduct has been rather restrained and passive. Confronted with Iran's reduction of commitments under the JCPOA, the E3/EU3 have not transcended beyond issuing denunciatory statements as their primary response, recognising that triggering a snapback mechanism would be counterproductive (Interviewee-7, 2023). Furthermore, the EU, has to a significant extent restricted its engagement with Iran to security matters, overlooking diplomatic channels and individual interactions with Iran. This study has uncovered compelling evidence indicating that certain European universities have received warnings from relevant authorities mandating them to restrict and, in some cases, cease the admission of Iranian students applying for postgraduate degrees and curtail their academic collaborations with Iranian institutions in the wake of such general policy. In a similar vein, even as the EU introduced its "EU strategic partnership with the Gulf" in May 2022, it conspicuously omitted Iran, Iraq, and Yemen from its scope, focusing exclusively on the GCC. In essence, the EU is striving to disregard the potential for cooperation with Iran and refrains from acknowledging the significance of such engagements (Interviewee-6, 2023).

In the wake of the elaborated EU approach towards Iran, there are certain problematic aspects that require addressing. Firstly, the EU's decision to restrict communication channels has significantly undermined its potential to gain a nuanced understanding of internal developments in Iran. This self-imposed isolation leaves the EU exposed to the influence of opposition groups of the Islamic Republic operating in Europe, thus creating a one-sided narrative. This was evident in the case of Turkey and the recent elections, as discourse analysis on some media streams shows how some EU decision-makers seemed convinced that Erdogan

would not win, mainly influenced by opposition groups (Interviewee-7, 2023).

Furthermore, the EU's approach creates an impression that the reduction of economic interactions, especially in terms of oil and gas imports from Iran, has made the EU less vulnerable to Tehran's behaviour in the Persian Gulf. However, historical experience has shown that while Iran's regional influence may be weakened, it remains relevant (Interviewee-8, 2023). For instance, its behaviour in the Strait of Hormuz can still be a potent tool, particularly when Iran perceives an existential threat and exhibits non-rational behaviours, as discussed in section 1.3.

Lastly, one can argue that the EU's failure to safeguard the JCPOA and engage with all the Persian Gulf states has inadvertently empowered Iranian hardline elements. These are the same elements that had based their political capital on normalising relations and increasing trade with Europe. This setback has allowed the hardliners to consolidate their power in the executive and legislative entities, thus setting the stage to shift their foreign policy focus towards the East. Similarly, the EU's passive stance in equating the Persian Gulf with the GCC and its disregard for Iran further tilts Tehran's balance eastward. This will underscore the EU's energy security interests further in the future (Mamedov, 2023).

Additionally, a key characteristic, and more precisely the weakness, of this document is its generality. It appears to amalgamate Brussels' aspirational objectives for the Middle East without necessarily having a concrete action plan in compliance with the field facts (Interviewee-1, 2023; Interviewee-3, 2023; Interviewee-6, 2023). As previously outlined, it's undeniable that Brussels has experienced a decline in its influence in the Persian Gulf region over the past two decades. This decline can be attributed to a combination of deliberate choices and rapidly changing regional dynamics. It was only after the Russian full-scale invasion of Ukraine that the EU seemed to reassert its presence and announced its willingness to expand its engagement with all regional actors, employing a gradual approach to do so. Nonetheless, owing to the EU's limited foothold in the Middle East, it has struggled to establish a lasting and influential presence in this geopolitical landscape. Consequently, the EU now predominantly assumes the role of an observer, watching as China takes a more significant role in the Middle East underpinned by Beijing's policy of "talk to all sides and back it up with economic muscle" (Mamedov, 2023).

3.3 EU'S COGNITIVE BIAS IN ITS RETURN TO COOPERATION WITH THE PERSIAN GULF REGION

The two challenges mentioned earlier, i.e., overlooking the Persian Gulf region in the last two decades on the one hand and the behavioural changes of regional actors on the other hand, create a context to address the macro-level challenge that the EU is facing: cognitive bias in dealing with Persian Gulf actors while competing with China. This challenge stems from the difficulty faced by the EU in aligning its desired cooperation models, based on its experiences or views, with the demands of the conditions in the Persian Gulf region.

The EU's interaction with the Persian Gulf states has been predominantly formed on a project-based cooperation model in which the counterparts have been expected to adopt the offered outlines and modules and implement them. In other words, the EU typically adopts a 'mechanical' cooperation model encouraging the local counterparts to comply with its pre-defined standards and framework despite fully recognizing existing operational frameworks or contextual differences from a macro perspective. While this may not always work in all cases, the EU anticipates that repeating project-based and modular collaborations across various domains will spill over to other fields, resulting in strategic partnerships (Interviewee-6, 2023). However, the experience has shown that such a perception is not always correct. Such failed cooperation cases have already been elaborated in sections 1.2 and 1.3 how they backfired on the extension of relations (the failed Trade and Cooperation Agreement with Iran and unfulfilled Brussels-GCC negotiations regarding establishing a free trade zone, respectively).

In contrast, China's approach to international cooperation is marked by flexibility, with a three-tier framework comprising regular cooperation, strategic cooperation, and comprehensive strategic cooperation (Interviewee-15, 2023). These levels indicate partnership quality, with regular cooperation involving lower interaction to assess future prospects, while strategic cooperation and comprehensive strategic cooperation involve profound, deeper and more formal collaboration (Zhongping & Jing, 2014). Thus, China pursues a versatile approach to cooperation by offering a comprehensive possible range of collaboration models. This allows China to tailor its cooperation ideas to the local context, acknowledging the 'field realities' of Middle Eastern nations and enabling the establishment of comprehensive cooperation models. This forms a cornerstone of China's pragmatic foreign policy, setting the stage for a comprehensive cooperation plan based on the possibilities each side has and the goals each partner aims to pursue. It also extends the coop-

eration from one domain to another, thereby enhancing the scope of collaborations.

In comparison to the EU, China possesses the capability to collaborate with all parties and actors in the Persian Gulf region. A prominent example of this policy was in January 2016 when Xi Jinping, after visiting Saudi Arabia, flew to Tehran and established another Comprehensive Strategic Partnership, effectively balancing the regional rivalry between the states. China's approach involves establishing strategic partnerships without forming alliances, thereby adeptly managing the expectations and cooperation of its regional partners. This aligns with China's foreign policy of being a 'friend of all; enemy of none' (Fulton, 2020). However, it is worth noting that China has been acting cautiously to avoid confrontation with the United States, even in disclosing its oil import levels from Iran.

Additionally, Iran and Saudi Arabia find more commonalities with China in high-level cooperation compared to what the EU may offer, as the historical experience shows. To elaborate, China's economic collaboration aligns with Tehran and Riyadh's interests, unlike the EU's approach, which is seen as potentially threatening their identity. In the aftermath of the failure to extend energy when Saudi Arabia joined the WTO (see section 1.3), in the eyes of Saudi Arabia and the Arab states of the Persian Gulf in general, the EU has been viewed as an unreliable partner, accused of double standards and hypocrisy (Interviewee-3, 2023). Similarly, for Iran, China's cooperative endeavours are primarily driven by economic interests rather than the imposition of values, in stark contrast to the EU's approach aiming to impose its values, which Iran perceives as a potential threat to its identity (Interviewee-10, 2023).

In a nutshell, while the behaviour of regional actors has changed in the absence of an effective EU presence in the region in the last two decades, a new actor, i.e., China, has appeared, with which the EU must now experience stiff competition. While the EU has offered nothing more than its own transactional collaboration models which has been perceived as ineffective, China is extending its regional ties, benefitting from its flexible cooperation model outlines. More precisely, in understanding the issue of cooperation with the Persian Gulf and the rapid changes that have occurred in the region in recent years, the EU is committing a kind of 'cognitive bias' that challenges its capabilities to compete with China and to protect its regional energy security. Such an approach has even caused some researchers to question the seriousness of the EU in paying attention to the Persian Gulf again, even in a cross-sectional and sectoral manner like in the field of energy cooperation (Interviewee-12, 2023).

3.4. RECOMMENDATIONS

Based on the findings of this study, the following recommendations are proposed to enhance the EU's energy security:

1. Reframe EU-Persian Gulf relations

The EU's external policy in the Persian Gulf, including in its energy dimension, suffers from significant misperceptions, including one-dimensional views (perceiving relations based on issues of human rights or non-proliferation), confusion (stemming from a conundrum between the pressure of left and right-wing groups within the Union's entities), the absence of a unified approach (lacking a one-voice and policy coherence) and cognitive bias especially in dealing with regional actors.

To break free from this situation, the EU must first achieve a proper understanding of its position and objectives in the region. This includes making it transparent to itself what interests it aims to advance within the framework of the EU, rather than the member states, and what strengths, possibilities and limitations it has for securing those interests, including maintaining the security of the supply. For example, a critical question is if the EU has the capability and willingness to take on a role as a security actor. This helps the EU re-evaluate its understanding of regional conditions instead of remaining within the broad frameworks of documents that may not necessarily lead to an action plan.

Experience has demonstrated that, despite encompassing 27 countries with diverse security priorities, the unity of the EU in the realm of foreign policy is not an insurmountable challenge. Instances such as the EU's successful regional policy in the Mediterranean or its consensus on non-proliferation in the Iran nuclear case illustrate the potential for cohesiveness. While discrepancies in viewpoints among member states may arise over time concerning the management of specific issues, the EU can pinpoint and establish its priorities in the Persian Gulf region by adopting a more pragmatic approach that takes into account the varying perspectives of its member states. It is imperative to distinguish between the EU's role in the Persian Gulf region, which this research aims to address and refer to as the EU's actor-ness, and the prevailing situation in the area according to which, instead of the EU itself, ad-hoc coalitions or task forces performing specific functions for each issue come into being.

2. Manage tensions with Iran

As previously discussed, crafting EU policy with the assumption that the Islamic Republic is irreversibly weakened or that the cessation of oil and gas imports from Iran equates to the Islamic Republic's incapability to posing any threat to the EU's energy security from the Persian Gulf are inaccurate perceptions that do not align with the facts on the ground. Iran's security policy in the Persian Gulf is influenced by its assessment of threats, and during periods of security challenges, it tends to follow non-rational and ideology-driven patterns. Therefore, the EU must take into consideration the notion of 'managing tensions with Iran', which also still has its supporters in Tehran despite the hardliners being in power.

Although any new diplomatic initiatives with Tehran have become politically prohibitive for EU governments due to the intricacies of the current situation, and EU-Iran relations have reached an all-time low, it is still crucial for the EU to maintain official diplomatic channels and, more importantly, informal contacts through public diplomacy. Nearly all interviewees believed that blocking informal contact channels will strengthen 'radical voices' on both sides in the medium term and allow radical perceptions to gain ground, ultimately escalating tensions, which is potentially costly for both sides and the EU's security of energy supply from the region, considering Iran's geographical situation there.

Recognizing bilateral difficulties at the official level, this study recommends sustaining technological cooperation, particularly in environmental matters, humanitarian aid, and cultural and academic interactions. Additionally, keeping diplomatic communication channels open at a minimum level is essential to prevent tension escalation. Simultaneously, it is recommended that the EU tries to contribute to greater security and stability in the region, significantly leveraging its traditional 'norm-setting' role in setting the maritime security cooperation agenda among regional parties. Such discussions and contacts, mainly focused on security matters, are less likely to attract significant public attention and thus offer a way to maintain the EU's minimal presence in the region concerning critical issues like maritime and energy security without requiring getting involved in the direct military patronage or deploying troops.

Furthermore, recent developments suggest the possibility of deeper cooperation between the EU and Saudi Arabia in climate change and energy transition (Interviewee-11, 2023). While concrete achievements in cli-

mate change and decarbonization are rare, emerging prospects indicate that renewable energy and green hydrogen pathways could serve as fruitful areas of future cooperation between the EU, its individual member states, and the Persian Gulf countries. While the EU's relationship with the Persian Gulf countries has been rather unidirectional—the EU simply buying oil and gas—cooperation on renewables could offer a more bi-directional relationship on equal footing where technologies and best practice examples are exchanged, and know-how and competencies are co-created between the two blocs. Here, genuine cooperation on science, technology and innovation could replace a simple buyer-seller collaboration model.

3. Keep all options for tension management in the Persian Gulf region alive

Finally, it's worth noting that energy security in the Persian Gulf region has often been maintained through a form of 'managed tension' (Interviewee-5, 2023). Even though the renewal of relations between Saudi Arabia and Iran is unlikely to eliminate regional tensions entirely, it is reasonable to expect a certain level of tension in the

region shortly, provided it remains below a critical threshold. In the current landscape, China appears more inclined to maintain controlled tensions between Iran and the US to safeguard its interests. This presents an opportunity for the EU to evaluate the possibility of limited contact and engagement with China in preserving the level of tension in the region. Obviously, realizing this opportunity is complicated, challenging, and problematic, given Western considerations in dealing with China. However, China's proximity to both Iran and Saudi Arabia makes this an option to be considered, if needed, because politics operates in the realm of possibility, not impossibility. Such an idea is not unprecedented, as on one recent occasion, in late October 2023, the US urged Beijing to modulate its relationship with Iran and other countries in the Middle East to temper Iran's response to the Israel-Hamas war (Financial Times, 2023).

These recommendations aim to provide the EU with a more nuanced and practical approach to enhancing its energy security in the Persian Gulf region. Each recommendation should be reevaluated and elaborated meticulously in light of the region's complex dynamics and evolving security challenges.

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ENDNOTES

- 1 For example, the leader of Estonia's right-wing party, attributing the energy crisis of 2022 to, among other things, the more expensive electricity from renewable sources, suggested that not only should Estonia withdraw from Nord Pool power exchange, but instead of investing in renewables, it should focus on building oil shale and nuclear power plants. See: <https://news.err.ee/1608700126/helme-we-need-another-oil-shale-plant-start-building-nuclear-power-plant>
- 2 For instance, AfD's election program European elections 2024 argues that the Paris Climate Agreement and all EU measures that justify the reduction of CO2 emissions by protecting the climate should be rejected. Also, they promise to revive the idea of Nord Stream II.
- 3 Additionally, this approach goes beyond historical narration, as it provides a structured foundation for a clear understanding of the final recommendations. For instance, when the working paper recommends 'tension management' with Iran in the context of the discussed regional tensions, readers can distinguish this from 'de-escalation' and comprehend the potential consequences of these tensions for the EU. This historical perspective helps readers contextualise the recommendations within the region's historical experiences and the perceptions of regional actors regarding tension potential.
- 4 The Tehran hostage crisis in 1979 was a pivotal event in Iran-US relations history, where 52 American diplomats and citizens were held captive for 444 days in the aftermath of the US Embassy seizure in Tehran by Iranian militants who supported the Islamic Revolution. The militants argued that the US was plotting to orchestrate a coup in Iran by admitting the Shah to its territory, similar to the one in 1953 when the CIA played a role in ousting Prime Minister Mohammad Mossadegh and reinstating the Shah. The crisis strained US-Iran relations and had far-reaching consequences, significantly impacting diplomatic ties between the two nations. It also played a crucial role in shaping the perceptions and foreign policies of both countries in the decades that followed.
- 5 US President Bill Clinton's executive orders 12957 and 12959 targeted Iran's oil trade and intensified sanctions against the country. These executive orders were complemented by the Iran and Libya Sanctions Act of 1996 (ILSA), which imposed restrictions on non-US companies engaged in business with Iran, including severe penalties for investments exceeding USD 40 million in the Iranian oil industry. The extraterritorial jurisdiction claims made by the US, asserting authority over non-US companies involved in business with Iran, sparked a protracted dispute with the EU.
- 6 The Mykonos incident, which occurred in 1992, was a significant event that took place in a Berlin restaurant. During this incident, several prominent Iranian-Kurdish opposition leaders were assassinated, leading to a diplomatic crisis between Germany and Iran.
- 7 Regimes in its broader definition, i.e., the rules, norms and principles that help govern the interaction of state and non-state actors on issues such as human rights (Devitt, 2011)
- 8 The People's Mojahedin Organization of Iran (PMOI), also known as the Mujahedin-e Khalq (MEK), is an Iranian opposition group that has been designated as a terrorist organisation by Iran and some other countries. The MEK was founded in the 1960s and aimed initially to overthrow the Iranian government. It was involved in violent activities and bombings in Iran during the 1970s and 1980s. In the early 2000s, the group claimed to be a political organisation and had renounced violence, although such a claim has remained highly questionable. While the MEK has gained some support from Western politicians, it remains a contentious and polarising group, with critics pointing to its violent history and authoritarian structure.
- 9 E3/EU3+3, or EU3+3, more commonly referred to as the E3+3, refers to a grouping which includes three EU member states (the pre-Brexit UK, France and Germany) in addition to the High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the European Commission (HR/VP), and China, Russia, and the United States. It was coined when these states joined the EU diplomatic efforts with Iran in 2006.
- 10 For instance, in February 2019, Ayatollah Khamenei stated: "My advice is not to trust the Europeans [...] For the past two or three years, during these nuclear negotiations, I have always said that I don't trust them. Don't trust them; don't be confident in them; don't trust their words, their promises, their signatures, or their smiles; they are not trustworthy [...]. Officials should have recognised this lack of trustworthiness from the beginning and acted accordingly. Today, I say about Europe, 'They are not trustworthy.'" He also reiterated similar positions in September of the same year: "The Europeans come as intermediaries, negotiate, make contact, call, talk so length, [but in the end] they make empty promises." For similar quotes, see: <https://farsi.khamenei.ir/news/part-index?tid=14177&npt=1> (in Persian).
- 11 In the aftermath of the political instabilities in the Middle East since 2003, even Germany prioritized bolstering its gas relations with Russia over importing LNG from the Persian Gulf.
- 12 It is also worth mentioning that the EU's energy policy towards the Persian Gulf region and cooperation with the GCC on fossil fuels was influenced significantly by growing concerns about climate change and the need for sustainable energy solutions in the 2000s.
- 13 Even with a slightly realist perspective, one can argue that even though economic considerations currently drive China's regional policy in the volatile and contentious Persian Gulf region, it may evolve into more pronounced political and security orientations as China's power continues to burgeon.
- 14 The Petrodollar Agreement, established between the United States and key oil-producing Arab states in the 1970s, marked a significant development in the global economy. This agreement allowed these Arab states to price and sell their oil exclusively in US dollars, ensuring a steady demand for the currency. In return, the United States provided military protection and security guarantees to these states. The Petrodollar Agreement played a pivotal role in reinforcing the dominance of the US dollar in international trade and finance, as well as strengthening economic and political ties between the US and the oil-rich Arab nations. This arrangement had far-reaching implications, impacting global energy markets, currency dynamics, and the broader geopolitical landscape.
- 15 It is important to note that China has entered into specific types of partnerships with various countries, which can be categorized into three main tiers: regular cooperation, strategic cooperation, and comprehensive strategic cooperation. These partnerships vary in terms of "level," "importance," and "formality," serving distinct purposes.

Regular cooperation typically involves relatively low levels of interaction and primarily serves as diplomatic efforts to assess the feasibility of future collaboration. These agreements often lay the groundwork for more substantial and formalized relationships in the future.

In contrast, "strategic cooperation" and "comprehensive strategic cooperation" generally occur at higher levels and involve more extensive plans and formal

mechanisms for collaboration. While strategic cooperation may still focus on specific key areas and often includes closer economic ties, comprehensive strategic cooperation agreements often encompass relatively detailed plans for bilateral cooperation and establish dedicated channels of communication to facilitate regular exchanges between leaders.

China exercises caution, especially regarding the establishment of comprehensive strategic partnerships. Therefore, before reaching an agreement on comprehensive strategic cooperation, three essential conditions must be met: political trust, dense economic relations, and cultural exchanges, as well as positive relations in other areas. Moreover, Chinese diplomats view these countries as potential comprehensive strategic partners, meaning nations that play crucial roles in the global economy and international politics. This approach aligns with China's practical policy. In fact, top Chinese leadership, the Ministry of Foreign Affairs, and diplomats engage with their counterparts from these potential comprehensive strategic partners before, during and after significant events such as meetings at the United Nations Security Council.

Considering this, it is evident that Iran falls into the category of comprehensive strategic partners with China, indicating that Iran meets the three necessary conditions for comprehensive strategic cooperation as outlined by China (Zhongping & Jing, 2014)

- 16 Ultimately, since the final text of this Cooperation Program was never made public, this study cannot independently verify or refute such claims.
- 17 However, this does not imply that we are dealing with a 'game' as strategic realism describes international relations. This is mainly because, against strategic realism, not all the actors in the Persian Gulf behave rationally.
- 18 The attacks on Saudi Aramco in 2019 were a series of drone and missile strikes on two major Saudi Arabian oil facilities, Abqaiq and Khurais. These attacks, which took place in September 2019, resulted in a significant disruption to Saudi Arabia's oil production and exports. Yemen's Houthi rebels claimed responsibility for the attacks, but many countries, including the United States, pointed to Iran as the likely source of the weapons used. The incident heightened tensions in the region and underscored the vulnerability of critical energy infrastructure to potential attacks, impacting global energy markets and geopolitics. It serves as a notable example of the challenges in maintaining stability in the Middle East, where energy security remains a key concern for both regional and international stakeholders.



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