



GCC-Iceland Relations

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Relations between the Gulf Cooperation Council (GCC) countries and Iceland remain quite underdeveloped although Iceland, a Nordic Island country, is receiving greater degrees of attention due to its strategic location and economic potential. Structuring their ties with Iceland, despite the nation's small size, is also part and parcel of the GCC's noticeable shift towards diversifying their diplomatic engagement in recent years. Concurrently, Iceland, with its unique position between Europe and North America, has equally pursued a diversified foreign policy approach including paying more attention to Gulf regional developments. Taken together, these factors hold the potential to stimulate mutual cooperation, leading to the evolving dynamics of GCC-Iceland relations in the future.



Iceland has established diplomatic relations with all six GCC states: Bahrain in 1978, Saudi Arabia in 1982, Oman in 1992, Kuwait in 1996, Qatar in 2002, and the United Arab Emirates in 2003. Active cooperation between the GCC states and Iceland has, however, been relatively limited. With enhanced cooperation between

the GCC and the Nordic Council of Ministers, there is now an opportunity to change this equation particularly as Iceland held the presidency for the 2023 term. The Nordic countries cooperate on foreign policy and security in the Nordic Defence Cooperation (NORDEF), on finance and investments in the Nordic Investment Bank (NIB), on the environment, climate change, and green transition in the Nordic Environment Finance Corporation (NEFCO), on development in the Nordic Development Fund (NDF), on culture in the Nordic Culture Point, and on health in the Nordic Institute for Advanced Education in Occupational Health (NIVA). All of these are areas of opportunity for cooperation with the GCC states.

In terms of security, EU Commission President Ursula von der Leyen clearly stated at the 2022 Manama Dialogue that Gulf security is also European security. The same holds true for the Nordic countries. Regarding maritime security, the Gulf continues to be threatened by piracy and tanker attacks on the region's waters between the Suez Canal and the Strait of Hormuz. These attacks directly affect the global economy, maritime safety, and transportation, given the Gulf's pivotal role in maritime trade, particularly in the field of energy supplies. Maritime security is equally crucial to the Nordic countries, as demonstrated by the explosion of the Nord Stream 1 and 2 pipelines in 2022. Further acts of sabotage are being seen in other parts of Nordic waters. Therefore, the GCC and Iceland would benefit from closer



naval collaboration, especially since GCC member states are developing their capabilities in coastal and naval protection. Moreover, both sides should emphasize intelligence sharing and information collaboration for enhanced maritime security.



Economic relations constitute the main aspect of GCC-Iceland ties. The GCC countries, which are undergoing transformations under their respective national visions, possess significant economic potential. Thus, there is a renewed focus on increasing trade relations between the two regions. Conversely, Iceland's economy thrives on diverse industries, such as renewable energy, tourism, and fisheries. The complementarity of their economic strengths could create avenues for collaboration with Icelandic companies exploring business opportunities in the GCC region, particularly infrastructure projects, renewable energy investments, and tourism development.

Trade and investment between the GCC and Iceland have steadily increased in recent years, albeit from a relatively low base. Table 1 below shows the trade data between Iceland and the GCC states in 2021.

Table 1: Iceland's Trade with the GCC, 2021 (USD)

	Exports	Imports	Total Trade
Saudi Arabia	1.19M	369K	1.56M
United Arab Emirates	4.43M	1.66M	6.09M
Oman	518K	16.2K	534.2K
Qatar	90K	30.7K	120.7K
Kuwait	489K	9.37M	9.86M
Bahrain	7.79K	35.6K	43.5K
GCC	6.72M	11.48M	18.21M

Source: The Observatory of Economic Complexity (OEC)

In order to enhance economic collaboration, Iceland should take advantage of the positive investment climate in the Gulf region. For the GCC states, investment priorities include small and medium enterprises (SMEs), education and training, entrepreneurship and innovation, modern technology, transportation and logistics, water treatment services, pharmaceutical industries, health and medical tools and equipment, e-commerce, and the further expansion of a free trade zone, which all contribute to economic diversification for the GCC. Moreover, there are additional opportunities in four areas of potentially more significant joint investments between the GCC and Iceland: the oil and gas sector; renewable energy, given the fact that GCC interest in this sector is growing; digital technology, including fin-tech industries; and agriculture and food industries where GCC countries are increasing their investment due to recent regional and global developments.



Regarding environmental cooperation, the impact of the COVID-19 pandemic and the Ukraine crisis on Europe brought crisis management, energy efficiency, and energy savings to the forefront of the climate debate. Climate action in the Gulf area is also gathering unparalleled momentum, as seen by the notable advancements in net-zero policies, carbon reduction targets, institutional frameworks, and governance techniques. For instance, the 2023 United Nations Climate Change Conference (COP28) held in the UAE led to closer cooperation between the GCC states and Iceland. At last year's COP28, [Green by Iceland](#) coordinated, in close cooperation with the Icelandic Ministry of Environment, Energy and Climate, the participation of the Icelandic business delegation, which comprised eighteen companies from the Icelandic energy, green solutions, and innovation sectors. These companies contributed to the climate dialogue, with [promising progress](#) on climate justice, energy transition, agricultural resilience, food security, and a wide range of other sectors closely associated with the 1.5°C target set in the Paris Agreement. Significant achievements of COP28 include the historic consensus on moving away from fossil fuels, and the Loss and Damage Fund launched at COP27 in Egypt becoming operational on the opening day.



Iceland thus has the opportunity to capitalize on the current momentum in the Gulf region and expand cooperation in stabilizing oil markets, cooperation in hydrogen development, and achieving increases in energy supplies and energy efficiency. The GCC countries and Iceland should develop partnerships among think tanks, universities, R&D centers, business-to-business forums, government-to-government entities, and training and exchange programs to address ways to enhance cooperation in these fields.

While economic and environmental aspects dominate GCC-Iceland relations, cultural and educational cooperation also emerges as a pertinent topic on which to enhance relations between the two sides. Both the GCC and Iceland have placed a significant focus on education as they allocate an extensive education budget to improving their education sectors. The GCC states, for instance, allocate 20-25% of their total government expenditure to education budgets. However, there needs to be more understanding between the two regions, which can be filled through increased interaction and education.

Here, Iceland can partner with the GCC to develop exchange programs, vocational training, summer programs, and language programs to provide both GCC and Icelandic students with opportunities and experiences that will benefit them professionally and positively shape their attitudes towards the region. Furthermore, tourism has promoted cultural exchange and enhanced mutual positive perceptions.



Increasing numbers of tourists from GCC countries have been visiting Iceland, attracted by its picturesque landscapes, unique geology, and natural wonders. Another recommendation is to push Icelandic citizens to visit the Gulf countries, since tourism is a major feature of the GCC states' various national agendas.



Looking ahead, the prospects for GCC-Iceland relations are promising. Building on the existing momentum, it is imperative to establish institutional mechanisms for cooperation across various sectors, including renewable energy, trade, investment, and education. Regular high-level exchanges, joint research projects, and cultural initiatives should be pursued to strengthen mutual understanding and trust. Additionally, the involvement of civil society organizations, academic institutions, and business communities would contribute to the sustainability and inclusivity of these relations.

In conclusion, GCC-Iceland relations have witnessed some progress in recent years, primarily driven by shared interests and the pursuit of mutual benefits. Political, economic, and cultural dimensions form the pillars of this multifaceted relationship.

While challenges exist, the growing cooperation and increased engagement between the two entities hold substantial potential. By capitalizing on their respective strengths and exploring avenues for collaboration, GCC-Iceland relations can further evolve, becoming a model for fruitful engagement between the Gulf region and countries beyond its immediate vicinity.



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