



The Withering of German-Saudi Relations?

By Cinzia Bianco

On 25 May 25, the international press reported the decision, taken by Saudi Crown Prince Mohammed bin Salman, to halt the granting of all government contracts to German companies. This is likely to substantially impact the German economy as Saudi Arabia is a significant trade partner for Berlin—which exported some €6.6 billion worth of goods to Riyadh in 2017 alone. In particular, major German companies such as Daimler, Bayer, Boehringer Ingelheim and Siemens stand to be affected. Last year, for instance, Daimler secured an order for 600 buses from Saudi Arabia's main bus operator, SAPTCO, and Siemens was awarded a \$400 million contract for five gas turbines destined to a combined heat and power plant being built in the Kingdom. Even Deutsche Bank, an institution that has several operations in the Kingdom, including a potential role in the historic initial public offering (IPO) of the energy major ARAMCO, could be impacted. However, even before last week's decision, German companies had already been subjected to added scrutiny when applying for Saudi tenders and a few German applications had already been suspiciously rejected.

In fact, the Crown Prince's decision is the latest event in a string of pressure-points between the two countries—signaling Saudi Arabia's irritation over Berlin's foreign policy in the Middle East. Last year Saudi Arabia summoned its Ambassador to Germany home for consultations over critical comments by (then) Foreign Minister, Sigmar Gabriel, about the political crisis in Lebanon. In November 2017, the German Minister had made an indirect accusation against the Kingdom stating that Europe 'could not tolerate the adventurism that has spread' in the Middle East, with a reference to the Yemen war and the Qatar crisis. Indeed, Gabriel took a controversial stance in the (June 2017) crisis between Qatar (on one side) and Saudi Arabia, Bahrain, Egypt and the United Arab Emirates (UAE) (on the other). From Berlin's perspective, the Qatar crisis constitutes an unnecessary complication and distraction for what should be a unified front in combating violent extremism, a goal that is deemed as an absolute priority. Saudi Arabia, instead, argues that the measures taken against Qatar would be

part of its policy confronting extremist groups, as the Saudi leadership accuses Doha of supporting extremism. Nearly one month after the GCC's diplomatic row erupted, Gabriel visited Saudi Arabia, the UAE, and Qatar, to encourage the parties to move toward a settlement. Soon after, Gabriel appeared in a joint press conference in Doha with his Qatari counterpart, stating that the sovereignty of Qatar must be respected, and hailed Doha's management of the crisis. Such statements were widely interpreted as signs of sympathy for Qatar.

German-Qatar relations rests on high-volume economic cooperation dating back to end of the 1990's and Doha's Sovereign Wealth Fund, the Qatar Investment Authority (QIA) has been a major investor in the German economy, investing in major German entities such as Volkswagen, Hochtief, Siemens, and Deutsche Bank, and has plans to step up investments in the country. Qatar is also an important business partner at large for Germany, with a bilateral trade volume of \$2.87 billion in 2015, and 64 German firms active in Qatar. However, economics alone does not explain Germany's such a one-sided posture, a point even more pronounced with the most recent decision announced by the new German government—a broad coalition between the incumbent centre-right party of Angela Merkel (the Christian Democratic Union) and its major opponent in the centre-left (the Social Democratic Party of Germany).

In fact, the governing coalition has taken already steps that are perceived as controversial in Saudi Arabia. In its coalition agreement (January 2018), the government included a provision to 'immediately' stop approving arms exports to any country participating in the war in Yemen. The move would, of course, include Saudi Arabia, a major purchaser of German weapons. As an indication of the economic significance of the measure, in 2017 alone, the German government authorised weapons exports worth €255 million to Saudi Arabia, including patrol boats produced at the Lürssen shipyard in north-east Germany. Overall, the Kingdom was sixth on Germany's list of export authorisations last year.

The reaction to that provision was overall bitter. Saudi Arabia's Foreign Minister, Adel al Jubair, described the decision as 'strange' and added that given how German authorities have vowed to make a distinction for 'legitimate wars,' this implied that they did not regard the war in Yemen as legitimate. This assessment is troubling for the Saudi leadership that not only regards the war in Yemen as legitimate but also as a necessary conflict against an existential threat. Finally, and provocatively, al Jubair said: 'We will not put ourselves in a position where we become a plaything,' in the country's domestic politics. 'If Germany has a problem in delivering weapons to Saudi Arabia, we do not want to put pressure

on Germany,' implying that Saudi Arabia would simply turn to other suppliers. At a more comprehensive level, a German-Saudi estrangement could have a bigger impact at the level of the European Union (EU). Germany is one of the most influential countries in the EU foreign policy-making, and could shift its influence even more on positions that are hostile to the core interests of Saudi Arabia. In turn, Saudi Arabia is a strongly influential country in the wider Middle East, including a key North African country such as Egypt. From their respective regions, Germany and Saudi Arabia are able to influence political currents for each other. The implications of the latest dynamics may be long-lasting and will likely extend beyond the realm of the German-Saudi bilateral relations.

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