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Executive Summary Report

The Middle East is a volatile, uncertain, complex, and ambiguous environment. Comprising roughly two dozen nations, this region has been historically known for a seemingly incessant sequence of combusting flashpoints. Within this setting, some nations have endeavored to work collectively to enhance regional stability and security. One example is the GCC, or the Gulf Cooperation Council. Its six members- Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates- founded the council on May 25, 1981, due to numerous factors. The major ones include the Iran-Iraq War, the fall of the Shah of Iran, the Iranian Revolution and the Iranian Hostage Crisis, and the Soviet invasion of Afghanistan. To address diplomatic, political, economic, and social issues that challenge their sovereignty, resources, and shipping routes, the GCC nations coalesced into a collective group, which has remained intact for nearly 50 years.

The six member nations have much in common. This includes Arab identity through predominantly Sunni leaders, hereditary monarchical governments, small populations relative to surrounding powers, shared and similar concerns about internal instability, close commercial and tribal connections, oil- and gas-dependent economies, and dependence on secure maritime trade. The GCC provides a forum for consultation, collective action, and cooperation regarding defense, intelligence, border security, economics, infrastructure, and foreign policy.

Some facts help one understand the GCC. Their combined economy is roughly \$2.3 trillion, with a population of about 61.5 million, of whom about 55% are foreign workers. Energy is central to their economies, and they are expanding and diversifying through finance, logistics, tourism, technology, manufacturing, and aviation. All are Arab monarchies, though systems differ – Saudi Arabia and Bahrain are ruled by a king, Kuwait and Qatar by an emir, the UAE by a federation of seven emirates, and Oman by a sultan. All GCC nations border the Arabian (Persian) Gulf; as such, the Strait of Hormuz is vital. About 20% of global petroleum consumption and LNG trade passes through the Strait. All rely on bilateral defense security relationships with the United States, Britain, and France. The GCC's collective defense is coordinated through the Peninsula Shield Force (PSF) since 1984; the headquarters is in Saudi Arabia, while the militaries remain under their respective national commands. Nations rotate units and formations from their national militaries. In peace, active footprints are 4-10 thousand personnel; in crisis, full mobilization ranges from 40-100 thousand personnel.

GCC nations are not always aligned on policy or interests. Oman and Qatar tend to exhibit independent foreign policies; Saudi Arabia and UAE tend to be more assertive. The GCC is not OPEC. Saudi Arabia, Kuwait, and the UAE belong to both; Qatar left in 2019; Bahrain and Oman are not members; Oman participates in a broader OPEC+ arrangement (note that OPEC was formed in 1960 as a permanent, intergovernmental organization to coordinate and unify petroleum policies among member nations).

Iran is the GCC's main threat, promoting revolution and supporting the "Shia Sphere" through proxies in Syria, Iraq, Yemen, Gaza, and Lebanon. Despite this, it is interesting that some GCC members provide a shadow banking network for funding the Iranian Revolutionary Guard Corps (IRGC) to circumvent economic sanctions.

In short, the GCC is six exceptionally wealthy Arab Sunni countries collectively exercising national power to sustain and enhance their security and economic standing while retaining sovereignty, managing the relationship with Iran, handling internal rivalries, and promoting global trade.

Iran, Strategic Autonomy, and Recent Complex Security Constructs

The ensuing war between the United States and Iran is top of mind in most of the world, including the GCC. The fight for control of the Strait of Hormuz and the impact of the constrained oil supply is at the forefront of why this conflict matters in the near term. In the longer run, the potential for Iran to possess nuclear weapons and its likelihood of employing them poses an existential threat to nations regionally and globally.

This conflict has unquestionably increased awareness of and shifted relationships among the GCC nations and their allies and partners. Initially, the GCC left the fighting to the U.S. and Iran. However, Iran retaliated against U.S. strikes by attempting to close the Strait of Hormuz and conducting unprovoked attacks on GCC civilian infrastructure and U.S. military facilities. Iran's actions have also extended well beyond the GCC to include Jordan, Egypt, and shipping in the Red Sea through its Houthi proxies in Yemen.

GCC nations have consistently exercised strategic autonomy, yet they have many partnerships and few alliances, enabling them to pursue and shift national interests as necessary. For example, every GCC nation hosts a significant U.S. military presence, maintains U.S. access agreements, and purchases U.S. military equipment. Yet the GCC also has significant trade relationships with Russia, the People's Republic of China (PRC), and the European Union (EU). Adding to the complexity, GCC subgroups work with non-U.S. partners focused on coordination and defense. Some recent examples are the following:

The Regional Four (R4): In March 2026, in Riyadh, four countries- Saudi Arabia, Egypt, Turkey, and Pakistan formed a strategic consulting and coordination body to address shared concerns about regional instability associated with Iran, Israel, and the Red Sea. This group has brought into coordination and aligned the shared interests of Africa's largest military (Egypt), NATO's second-largest military (Turkey), Pakistan – a nuclear power and the 4th-largest military in Asia, and Saudi Arabia – the economic anchor of the Middle East and a key U.S. strategic partner in the region.

The Red Sea Maritime Coalition, or Multinational Maritime Defense Coalition: On July 30, 2026, Saudi Arabia initiated this pact, which includes the R4 and other regional nations. All GCC nations have joined (except Oman and the UAE), along with Bangladesh, Comoros, Djibouti, Egypt, Jordan, Nigeria, Pakistan, Somalia, Sudan, Turkey, and Yemen. The focus is deterrence in alignment with preexisting U.S. regional support and partnerships. This pact, intended to increase regional influence in decision-making and create greater stability and freedom of navigation, aligns with the U.S. National Security Strategy objective of greater burden sharing among allies and partners.

The Mecca Pact: On August 7, 2026, the R4 nations (minus Egypt) formed this pact (also called the Mecca Joint Defense Agreement) as a mutual defense agreement. This pact has similar provisions to NATO's Article 5, where an attack on any nation is tantamount to an attack on them all. While Egypt remains a key partner with the R4, it has refrained from joining this pact to retain greater autonomy and balance its relationships with the U.S., Israel, and the UAE. Iran publicly claims this agreement weakens U.S. regional influence, whereas the U.S. views this agreement as a positive move in burden sharing.

Examples of GCC security perspectives:

All have key U.S. relationships: Bahrain: U.S. Navy Fifth Fleet; Qatar: Al Udeid Air Base and CENTCOM HQ; Kuwait: UAE, SA, Oman: basing, security cooperation, and logistics.

Saudi Arabia is certainly the dominant military power within the GCC, with the largest standing army, air force, and navy in the GCC. The U.S. has a strong defense relationship with the Kingdom; however, there is no treaty or commitment to defend approved by Congress. The U.S. has military bases in Saudi Arabia and engages in significant foreign military sales, including Patriot missiles.

The UAE, referred to by some as "Little Sparta," has close ties with the United States and has taken an aggressive stance with Iran. It pulled out of OPEC in May of 2026, and despite a strained past relationship with Saudi Arabia, it has made a public effort to demonstrate solidarity as reflected by its July 21, 2026 "Joint statement of reconciliation." Despite this, it has refrained from joining Saudi Arabian efforts to rally defense cooperation in the Red Sea. With the UAE's signing of the Abraham Accords, Israel has been sending missile defense capabilities to the UAE to counter Iranian attacks.

Qatar is a U.S. strategic partner with military basing, including the largest base in the Middle East, Al Udeid. Oman has taken a neutral stance in the war with Iran. Its geographic positioning puts it as the "landowner" of the southern entrance to the Strait of Hormuz. Leaders have been negotiating with Iran about the terms and conditions for charging tolls to ships transiting the Strait. However, implementing a toll system or even "voluntary payments" would be a clear violation of the UN Convention on the Law of the Sea (UNCLOS).

Bahrain, Kuwait, and Qatar are all key partners within the GCC and the United States, and deeply dependent on freedom of navigation in and out of the Arabian Gulf. They have all been directly attacked by Iran. Failure to reopen the Strait of Hormuz under UNCLOS would, in essence, hold their economies, and the broader global economy, hostage to Iran.

Egypt, although not a GCC member, is a close Arab nation attempting to stay neutral in the war between Iran and the United States. It has experienced the economic repercussions of the Iranian proxy Houthis putting shipping at risk in the Red Sea, which slows commerce transiting the Suez Canal. On July 29, an Iranian drone struck the Egyptian port of Damietta in the Mediterranean Sea. So far, Egypt has not responded to the attack and has maintained its neutrality; however, further escalation will put shipping in the Mediterranean Sea at greater risk.

Jordan is not a member of the GCC and is officially neutral in the war between the U.S. and Iran.

However, U.S. military facilities and forces located in Jordan have been directly attacked by Iran. Jordan, along with Saudi Arabia and Qatar, has expressed support for the UAE and condemned the Iranian strikes on the UAE and other nations throughout the region.

Economic Implications

The GCC has significant financial influence on the global economy driven by its concentration of energy natural assets and oil production over the past 70 years, which enabled its member monarchies to accumulate substantial wealth. As of the end of the first quarter of 2026, the GCC, if treated as a single entity, would be in the top 10 world economies at over \$2.3 trillion GDP. However, the GCC's overall influence is greater given its Sovereign Wealth Funds (SWF), which collectively manage \$5.7 trillion of assets, representing 40% of SWF assets worldwide under management. Energy production, national resources, and SWF assets make the GCC a strong global financial power. The GCC's historical financial wealth is driven by oil and led by Saudi Arabia. Four of its members were also members of the Organization of the Petroleum Exporting Countries (OPEC), which effectively operates as an oil cartel to manage supplies and prices.

Over the past two decades, the U.S. has become the largest global oil supplier, producing at 13.2 million bbl/day. While energy market influence has been reduced for OPEC, it still plays a significant role in global pricing, and the Iran war highlights the dependence on the Strait of Hormuz for global energy market near-term supply. Today, Saudi Arabia and Kuwait, two GCC monarchies, remain in OPEC, with Qatar leaving in 2019 and the UAE in 2026, given rising tensions within the cartel and their stated purposes to diversify into other assets, including LNG. Additionally, Russia, the third-largest producer of oil and a member of OPEC, has also experienced supply disruption from Ukrainian attacks on its energy infrastructure, adding complexity and increased market volatility, especially for the PRC, which imports oil from Russia and the OPEC countries, including Iran. The PRC's oil transactions with IRGC are settled principally through Chinese banks in yuan, avoiding U.S. sanctions. However, for IRGC to convert into U.S. currency for global trade, it uses a complex shadow banking system that includes a few GCC financial institutions.

There are several reasons for this situation. The GCC financial institutions benefit from transactions for the IRGC both financially and by de-escalating tensions with the IRGC while strengthening relationships with the PRC. The de-escalation strategy is evolving now that GCC countries have been attacked by the IRGC. U.S. economic sanctions would be strengthened through the reduction or elimination of this shadow banking system.

The collective power of the GCC and positive economic and defense relationships with U.S. and free market nations is both economically and strategically important. The bilateral investment between the U.S. and GCC members' SWF funds is roughly \$2 trillion, including U.S. equities, fixed income securities, and other asset classes. UAE has pledged \$1.4 trillion and Qatar \$.5 trillion in future U.S. investment. The PRC is the GCCs leading trading partner, and mutual SWF investments are growing. Still, the U.S. remains the most significant leader in mutual investment and defense partnerships with the GCC, though individual relationships vary between each GCC member and the U.S., along with allies and partners.

Saudi Arabia is the largest economic power and most influential member in the GCC. Saudi

Arabia has not signed the Abraham Accords; it looked likely before October 7, 2023, but now it is problematic. In the latest turn of events, after consulting with President Trump, the Saudi Crown Prince initiated a series of attacks on Sana'a International Airport early in July — in an attempt to cut off a Houthi resupply from Iran. The Houthis then declared a maritime blockade of any ships porting in Saudi Arabia, further backed up by attacks on some Saudi-linked tankers. Saudi Arabia extensively used the Bab el-Mandeb Strait for its pipeline exports to its Red Sea ports, which was an economic lifeline prior to the temporary restoration of traffic through the Strait of Hormuz associated with the Memorandum of Understanding (which is effectively terminated). This led to Saudi retaliatory strikes against Houthi drone, missile, and command-and-control facilities. These strikes/counterstrikes continue, with Houthi targets now including Saudi oil infrastructure targets. Additionally, the Houthis made gains and threatened the Bab el-Mandeb Strait more than ever. More problematic is Iran's targeting of Saudi Arabia's pipeline to the Red Sea, which allowed it to largely circumvent the crisis in the Strait of Hormuz.

UAE is the second largest economy in the GCC and is a signatory of the Abraham Accords. The UAE has been developing and executing an economic and diversification strategy, which is focused on using its current energy wealth to invest more broadly with the United States. UAE recognizes its oil concentration risk and the evolving nature of the energy market; it is aggressively seeking economic diversification and bilateral investments. The UAE has early-stage bilateral investment agreements with Israel within the technology sector and is sharing intelligence.

Qatar is a significant global supplier of LNG, although its production facilities were targeted and damaged by Iran earlier this year, reducing capacity and exports. The impact of these attacks and the time required to rebuild will pressure exports over the next several years. Qatar had been investing in new LNG capacity and distribution networks before the attacks and is already resuming exports of LNG, although it is still dependent on navigation through the Strait of Hormuz. Qatar's policy has been to engage with Iran without confrontation; however, the attacks are an issue.

Kuwait and Bahrain host large U.S. military bases that have been targeted and attacked by Iran. Bahrain is the only other GCC nation that normalized relations with Israel by signing the Abraham Accords. While the smallest economy in the GCC, it is strategically important for the U.S. naval fleet. Kuwait remains in OPEC and has vulnerable civilian assets at risk, including water desalination plants.

Oman serves as a back-channel partner for the U.S. while having the closest relationship with Iran. Oman has been working on the most recent negotiations for reopening the Strait of Hormuz and is trying to mediate a negotiated settlement.

In summary, partnership with the GCC and its member nations is critical to the United States in the Middle East from a security and economic perspective. Each GCC nation has a key role to play now and into the future as the region evolves through investment diversification, changing energy markets, and security needs to gain and sustain regional peace. The GCC members recognize that changing the oil market demand and ecosystem will require stronger relationships to broaden their future economies with both the U.S. and PRC. Iran's aggression against members

of the GCC changes the relationships and dynamics in the region, potentially strengthening U.S. and GCC alignment given the common interests.

Key Takeaways

- All GCC nations exercise strategic autonomy to have a greater voice and influence in pursuing their future interests while deterring instability in the region.
- The Mecca Pact and Multinational Maritime Defense Coalition are seen as positive burden-sharing initiatives by the U.S.; it remains to be seen if they have teeth, should deterrence fail.
- The GCC is a financially powerful group of Arab monarchies that are critical to the stability of the Middle East diplomatically, militarily, and economically.
- Reducing GCC shadow banking network funding for the IRGC would provide significant leverage to the U.S. to further enforce economic sanctions.
- Each GCC member nation plays a unique role in the ecosystem of U.S. relationships in the region and builds a new power structure for bilateral investment, global trade, and regional peace.
- The GCC seeks to strengthen its ties with both the U.S. and PRC for economic diversification, growth, and regional stability.
- Negotiation and agreement to end the U.S.-Israel conflict with Iran will be critical for the future of the GCC and related Middle Eastern non-GCC countries.
- Iran's aggression toward GCC member nations changes the regional relationships and potentially strengthens alignment with the U.S.

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