Europe Gulf Forum

POLICY BRIEF
INVESTMENT

The strategic rationale for closer investment ties between Europe and the Gulf

Jeff Lightfoot | September 2026

Bottom lines up front

- Europe needs investment in sectors where it is falling behind, and Gulf sovereign wealth funds have mandates to diversify into many of the same sectors
- Ukrainian defense tech, data center redundancy, and energy resilience are key areas to prioritize
- Success isn't guaranteed: Investments in the strategic sectors most in need are subject to extra screening, and the US market is still a powerful draw

Overview

In May 2026, senior leaders from across Europe and the Gulf convened in Greece for the inaugural Europe Gulf Forum, hosted by Antenna Group in partnership with the Atlantic Council. The meeting came at a moment when the Iran war's consequences transformed a longstanding partnership of convenience between the regions into one of strategic necessity.

Atlantic Council experts translated the insights from the gathering into policy briefs on four actionable tracks: (1) defense and technology, (2) energy and resources, (3) trade and connectivity, and (4) investment. The following policy brief identifies key opportunities for collaboration that the Europe Gulf Forum will continue to advance.

Geopolitics and regional insecurity incentivize strategic alignment between the European Union and the Gulf Cooperation Council. Both Europe and the Gulf states face a sharp deterioration in security in their immediate neighborhoods and share an interest in mutual investment in defense and dual-use technologies and energy and digital resilience. To counter Iranian aggression, the Gulf states aim to learn from Ukraine's prowess in unmanned systems and invest in Europe's wider re-armament.

For its part, Europe has been deeply impacted by the shutdown of the Strait of Hormuz and stands to benefit from investments that bypass the strait and which support a transition away from imported fossil fuels.

In both cases, rapid shifts in global trade dynamics and US foreign policy accentuate the urgency for Europe and the Gulf states to take a greater responsibility for their defense and to rebalance global trade and investment flows to ensure supply chain resilience and economic security.

In addition, Europe has an investment and competitiveness gap—and Gulf sovereign wealth funds (SWFs) need to diversify and hit investment targets in the sectors where Europe most needs investment.

Turbocharging industrial and digital competitiveness sits alongside defense at the top of the agenda for Brussels. Former European Central Bank head Mario Draghi's 2024 report for the European Commission identifies a gap of €750 to €800 billion per year required to support Europe's energy transition, defense reinvestment, and technological development. Each of these three segments offer areas of complementarity with sectors in which Gulf SWFs are currently investing or where the Gulf states have growing industrial expertise. Gulf SWF capital can fill this gap at a speed Europe's own stalled reforms—only 11 percent of Draghi's recommendations have been implemented—cannot.

Meanwhile, Gulf SWFs have a mandate to diversify economic returns from hydrocarbons into precisely the kinds of categories the Draghi report identified as underfunded. Gulf funds such as the Qatar Investment Authority (QIA) are already investing in European AI and defense startups.

Specific opportunities to advance GCC-EU investment ties

Turning this rationale into action requires bankable projects tied to a clear strategic logic. Some opportunities include:

- **Building out Gulf data center redundancy in Europe.** As the GCC states race to become a key node in the global competition for AI development, there is a major opportunity to build data center redundancy in Europe. The 2026 war between Iran and the US shows that data centers are now targets and that true data resilience can only be achieved through redundancy across borders. Expanded GCC investment in data centers in the EU could achieve two purposes: accelerating Europe's AI development to enable it to keep pace with the US and China, and supporting disaster recovery and resilience for the GCC's growing AI infrastructure.
- **Finalizing the EU-UAE Free Trade Agreement.** Negotiations between the EU and United Arab Emirates (UAE) on a free trade agreement began in May 2025. The EU is already a major investment partner in the UAE (sending €186 billion in outbound investment) and the UAE is home to long-term sovereign funds like the Abu Dhabi Investment Authority and Mubadala which are well suited to support Europe's investment gaps that the Draghi report recommends. The agreement's draft chapters on investment protection, green hydrogen, and critical raw materials chapters would provide the regulatory clarity and guarantees that could support expanded UAE investment in Europe's competitiveness and decarbonization agenda.
- **Investing in Europe's energy transition and resilience.** The crisis in the Strait of Hormuz has spurred an urgency in GCC states to develop infrastructure alternatives to the strait. Europe, too, requires investments in energy resilience, whether in jet fuel storage or in grid modernization to support an accelerated electrification agenda to reduce its dependence on imported fossil fuels. To finance Europe's green transition and AI development, for example, the EU Commission estimates that transmission networks require €477 billion in investment and €730 billion is needed for distribution. QIA's recent participation in German electricity company RWE's capital raise shows the potential for patient SWF capital from the UAE and Qatar to support a buildout of the European grid.
- **Accelerating innovation with Ukrainian defense tech.** An area of obvious alignment with Europe, the Gulf, and Ukraine is collaboration around rapid scaling of defense innovation, particularly in unmanned systems.

Ukraine has already signed agreements with the UAE, Qatar, and Saudi Arabia concerning collaboration on drone production, as GCC states seek to leverage the technology and battlefield data of Ukraine's experience in deploying and combating drones. For Europe, Ukraine, and the Gulf states to accelerate their defense capacity, they will need to procure from innovative defense startups, not just legacy prime producers. The EU should consider formalizing a trilateral Gulf-Ukraine-Europe co-production framework which anchors European startups as a technical bridge, provides the Gulf with manufacturing scale and benefits from early access to Gulf capital.

Possible obstacles to success

Despite the strong strategic case for more European investment in the Gulf and more Gulf investment in Europe, a number of potential stumbling blocks exist, including situations in which:

- **Gulf sovereign capital confronts enhanced EU investment screening regimes.** Europe's harmonized screening mechanism for foreign direct investment and Industrial Accelerator Act point to a desire by Europe to achieve greater strategic autonomy and better protect strategic sectors from national security risk. However, strategic sectors such as AI, semiconductors, critical infrastructure, and dual-use technologies are many of the same areas where the EU has major capital needs. Gulf SWF capital, with its strong state links, is precisely the kind of capital which will be screened carefully by EU regulators, setting up a tension between Europe's capital needs and the prospect of the GCC filling this gap to mutual benefit.
- **Europe's broader regulatory environment adds a second compliance layer.** Beyond national security screening, GCC digital investment must navigate the EU's digital legislation—AI Act, GDPR, NIS2, CSDDD—simultaneously which could deter additional GCC investment in Europe in both the high-tech sector and beyond. Europe's ongoing "Omnibus" simplification effort to reduce "regulatory burdens" acknowledges that regulation is a drag on competitiveness, but relief has largely come through dialogue and pressure from European and US businesses and not dialogue or sustained input from the Gulf investors and government leaders.
- **Gulf capital prioritizes investments at home or in the US.** GCC investments in the US dwarf those in Europe. In 2025 the largest Gulf sovereign funds invested $119 billion with much of this funding going to the US. This capital is attracted both by the promising investment returns of the US tech stack and the prospects of a partnership with the US to build out the AI infrastructure of the Gulf states. In addition to competing with the US market and an Asian growth story, European investment targets must also now compete with GCC funds renewing their focus on internal markets. And in the aftermath of the Iran war, the Gulf states will urgently prioritize investment in defense, new pipelines, desalinization and other forms of national resiliency.

About the author

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About the Europe Gulf Forum

Launched in September 2025, the Europe Gulf Forum is a platform bringing together the highest level of political and business leadership in Europe and the Gulf to advance greater strategic and economic engagement between the two regions.

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