

GCC- EU Relations

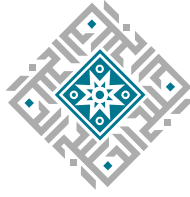
Euro-Arab Dialogue 1970-1991

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2004



The backdrop to the tangled relations between the European Economic Community/European Union and the countries of the Mediterranean littoral and the Gulf Co-operation Council is a chain of unsuccessful and successive initiatives on the part of the Europeans in respect of the Arab world. The entire process, now spanning a period of almost forty years, has been termed the Euro-Arab Dialogue.¹

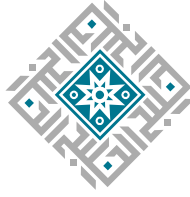
Paradoxically the initial stimulus for the Euro-Arab Dialogue was the Arab-Israeli War (6-24 October) of 1973 and the concerted, coordinated action against the West that followed. The Arab countries first began to use oil as a weapon in the Middle East struggle. For six months between October 1973 and March 1974, the Arab oil producing countries maintained an embargo on oil exports to countries in the West that showed a pro-Israeli stance. This action exposed a fundamental European economic vulnerability and at the same time forced the Europeans to re-examine their uncritical support for Israel in general and its expansionist policies in particular. Subsequently it also exerted considerable pressure on the countries of Western Europe not only to revise their policies *vis-à-vis* Israel but equally importantly, to have their views and opinions (thus far largely ignored by the Europeans), taken seriously into account.

In essence the Arab-Israeli War of 1973 and the oil embargo that followed brought about the realisation, on both sides, of the necessity to become engaged in a diplomatic search for solutions to their mutual concerns. The initiative to form a European platform to the Middle East came from France. It was based on successful contacts and negotiations that France managed to conduct with Libya after the outbreak of the Arab-Israeli War.

A common European platform *vis-à-vis* the Arab states emerged after the publication, in May 1973, of the Shuman Report. The report suggested that there was a need for an overall Israeli withdrawal from the Occupied Territories, advocated the internationalisation of Jerusalem, and recommended that Arab refugees should be given a choice of either returning to their home or being compensated.

On the 6 November 1973 the member states of the EEC adopted a Common Declaration on the Middle East for the first time. This declaration was significant for a number of reasons. For the first time it called for; the withdrawal by Israel from all the occupied territories; the preservation of the security and territorial integrity of all states within the region through the

¹ For a detailed analysis of the early dimensions of the process see for example: Saleh. A., Al-Mani, *The Euro-Arab Dialogue*, Frances Pinter, London, 1983. For analysis of developments during the past two decades consult H. A. Jawad, *Euro-Arab Relations*, Reading, Ithaca Press, 1992.



creation of demilitarised zones and the deployment of United Nations' forces; the internalisation of Jerusalem; and a solution of '*the legitimate rights of the Palestinian people*' through repatriation in stages or compensation under the supervision of an international commission'.²

The declaration also recognised for the first time the '*legitimate rights*' of the Palestinians. This represented a significant shift in the EEC position, which until then had treated the Palestinian question as merely a refugee problem. The EEC also stressed the need for a comprehensive settlement in the Middle East. By emphasising the importance of international guarantees, Brussels adopted a distinct position from that set out by Washington. Moreover, Europe moved from individually to collectively formulated positions, from participation in international negotiations with the superpowers to a regional forum divergent from that of the United States.³ For the Arab countries the Common Declaration constituted a major change in the established EEC position, consequently offering an opening for establishing negotiations with the Community's member states.

The issue of the Community's relations with the Arab states became subsequently one of the main areas of interest for France and Germany. President Georges Pompidou of France and Chancellor Willy Brandt of West Germany in November 1973

'reaffirmed European intentions to engage in a dialogue with the Arabs'.⁴

President Pompidou called for a Community summit to discuss the Middle East crisis. The EEC Copenhagen Summit that followed (15 December 1973) was also attended by the foreign ministers of the United Arab Emirates, Algeria, Tunisia, and the Sudan. The gathering, which facilitated initial exchange of views between the two sides, laid the

'foundations for a process of multilateral negotiations between the League of the Arab States and the member states of the EEC'.⁵

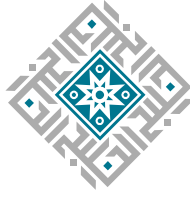
It is worth recalling that while the Copenhagen Summit was significant in terms of initiating first structured contacts between the two sides, its conclusions amounted to a general statement of interest and did not contain specific proposals for any future Euro-Arab Dialogue. The Summit did however amount to the attestation of EEC autonomy *vis-à-vis* the established

² Hans Maull, 'The Strategy of Avoidance: Europe's Middle East policies after the October War', in J. C. Hurewitz, (ed), *Oil, the Arab-Israeli Dispute and the Industrial World*, Boulder, Colorado, Westview Press, 1976. p. 118.

³ *Ibid.*

⁴ Saleh. A., Al-Mani, *The Euro-Arab Dialogue*, *op. cit.*, p. 48.

⁵ *Ibid.*



policy of the United States in the Middle East for the first time, indicating separate European interests in the region. Significantly the EEC member states committed themselves

'to assist in search for peace and the guaranteeing of a settlement,'⁶

In the following two months France lobbied other member states of the Communities hard and succeeded in convincing them to adopt a significantly independent approach from that of the United States, towards the Arab world. On March 4th 1974 a communiqué, adopted by the EEC Council of Ministers, proposed the opening up of contacts and dialogue with the Arab states. The aim of the dialogue was to start Euro-Arab cooperation in economic, technical, and cultural areas. Walter Scheel, at that time West German Foreign Minister and President of the EEC Council of Ministers, issued a six-point proposal, which called for

'political cooperation of the Nine and the European Economic Council'

in an effort to put into effect periodic meetings of experts. The proposal suggested a possible meeting of the two groups at the foreign minister level.⁷

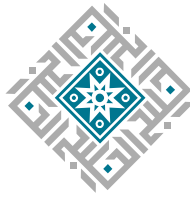
The League of Arab States responded positively to the European proposal and at the end of March 1974 established a nine-member delegation to negotiate with the EEC on forms and procedures of the proposed Euro-Arab Dialogue. Thus, slowly, community of interest began to develop between Arab officials and experts and their European counterparts through a series of quasi-official meetings that took place during 1974.

The first meeting of the Euro-Arab Dialogue took place in June 1974 at the headquarters of the League of Arab States in Cairo. On 31 July 1974 another meeting was held in Paris, where a number of organisational issues were settled. This was followed by a meeting of experts in Cairo (20 October 1974) to discuss the details of the forthcoming meeting of the General Committee, expected to be held in Paris on 26 October 1974. That meeting in fact did not take place. In 1975 two further meetings took place, one in Rome and another in Abu Dhabi. The latter decided to form a working group to deal with the questions relating to financial and investment institutions. The long awaited meeting of the General Committee of the EAD did not take place until May 1976 in Luxembourg. Contrary to previously agreed procedure it was not held at foreign ministers, but only ambassadorial level.⁸

⁶ *Bulletin of the European Communities*, 6/3 (1973), p. 10.

⁷ Saleh. A., Al-Mani, *The Euro-Arab Dialogue*, op. cit., p. 48.

⁸ *Ibid*, pp. 3-4



The Euro-Arab Dialogue was suspended in 1976, reactivated the following year and suspended again in 1978. Reactivated in the autumn of 1980 after the signing of the Egyptian-Israeli Peace Treaty (1979), the Dialogue was frozen throughout most of the 1980s. It received new impetus in 1989 after the demise of communism in Eastern Europe. The Euro-Arab Dialogue made very insignificant progress between 1989 and 1991 in formulating procedural arrangements for negotiations and the holding of joint seminars and conferences. The Dialogue was completely abandoned after the Iraqi invasion of Kuwait in 1990.

Organisationally the Euro-Arab Dialogue comprised of twenty-one Arab states and ten member states of the EEC. It was based on joint committees and working groups. The General Committee at the ambassadorial level met irregularly once or twice a year. Seven working committees, each of which was made up often to fourteen experts each side met, again irregularly, four-five times a year. The working parties included: industry, science and technology, infrastructure, financial cooperation, commerce, agricultural development, and labour, social, and cultural issues. The industry and infrastructure committees were further sub-divided into five and three subcommittees respectively. In addition, political committee was composed of three senior-level representatives and two or three junior aides.⁹

Meetings at the political level, attended by ambassadors, brought little substance as the ambassadors were only restating their foreign ministers statements or the declarations of summit meetings. Therefore such meetings were not more than a social gathering and no critical discussion were assisted. The reason behind this may be the absence of sufficient authority dealing with the political dimension and the character of the dialogue itself.¹⁰

All in all, the Euro-Arab Dialogue proved only a relatively important device for EC-Arab relations primarily because both sides appear to have been interested in achieving different objectives. The member states of the Communities were principally concerned with trade and economic issues and played down the political content of the dialogue. In essence, they wished to invest in industrial and agricultural development in the Arab world in exchange for an uninterrupted delivery of oil at reasonable prices.¹¹

For the Arabs the Dialogue represented an opportunity to emphasise

⁹ *Ibid*, p. 4

¹⁰ *Ibid.*, p. 35.

¹¹ B. Khader, 'The Euro-Arab Dialogue (1972-1992): Twenty Years of Multilateral Diplomacy', *Journal of Arab Affairs*, vol, 12, no. 1, 1993. p. 27.



political aspects of their relations with Europe and thus they attempted to concentrate on the various factors affecting the Arab-Israeli conflict. Western support for political settlement in the Middle East appears to have been a major objective of the Arab side in the Dialogue. As a means towards that end, the Arab delegates attempted to secure European diplomatic recognition of the PLO.¹² They succeeded in securing Palestinian representation at the Dialogue when in February 1975 agreement was reached allowing each side to be represented by a single delegation. The Arab side henceforth also included the PLO., This device, in the context of overall result of the Dialogue however proved relatively insignificant. In fact, one can venture to say that, bearing in mind the divergent agenda of the two sides it was virtually impossible to achieve any significant breakthrough. Saleh A. Al-Mani suggests that the EEC led the Dialogue and the Arab side found itself more on the receiving end as a rather passive partner. The coordination amongst the Arab group was rather weak and hasty.¹³ The Arab side began to question European intentions when it became apparent that the EEC was continuing to strengthen its political, economic and financial ties with Israel. The development of increasingly strong relations between the EEC and Israel ultimately signed the death warrant of the Euro-Arab Dialogue.

Unquestionably the other important aspect that contributed directly to the demise of the Euro-Arab Dialogue was the fact that during the late 1970s and the 1980s the EEC embarked on the construction of alternative designs and strategies; first, the Global Mediterranean Policy which overshadowed the Dialogue till the mid-1980s and later, following the Barcelona Conference of 1985, the Euro-Mediterranean Partnership.

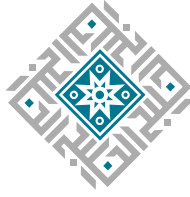
The Global Mediterranean Policy was primarily a commercial strategy, based on bilateral relations and aimed at facilitating the freedom of movement of industrial products. By its very nature it lacked an over-all coherence in respect of the Arab countries, According to Schlaim and Yannopoulos

'given the states involved and the unique conditions for regional cooperation, the apparently random and almost absentminded manner in which the community's policy toward the Mediterranean evolved is most striking. Indeed, the importance of these problems was almost matched by the incoherence of the policies'.¹⁴

¹² Saleh. A. Al-Mani, *The Euro-Arab Dialogue*, op. cit., p. 35.

¹³ *Ibid.*, p. 5.

¹⁴ A Schlaim and G.N. Yannopoulos, 'Introduction' in A Schlaim and G.N. Yannopoulos, (eds.) *'The EEC and The Mediterranean Countries'*, Cambridge University Press, Cambridge, 1976. p. 4.



In November 1995 EEC-Arab relations were brought under the Euro-Mediterranean Partnership. The critical shortcomings of the so-called Barcelona Process may be summarised as follows:

- a. The process is entirely economically driven;
- b. It is based in bilateral relations, rather than on comprehensive Euro-Arab strategy;
- c. It divides the Arab countries into two groups;
- d. It incorporates Israel, which has been the main recipient of EU aid and subsidies.

Policy during the 1990s developed increasingly towards a segmented approach to the Arab world, where the Arab states of North Africa and the eastern Mediterranean were subsumed into the Euro-Mediterranean partnership (which included non-Arab states also) and the Arab states of the Gulf Cooperation were treated separately. Under this structure, several Arab states were excluded entirely from either grouping: Iraq, Sudan, Libya and Mauritania. This approach has had divisive effects on the Arab world leading to an overall weakening of the position of the Arab states vis-à-vis Europe and a lessening of attempts to create an overarching Euro-Arab understanding. This approach is paradoxical in view of the processes of widening and deepening the EU, where it would have been hoped that there would have been more understanding of cultural unities elsewhere.

Jüremann argues

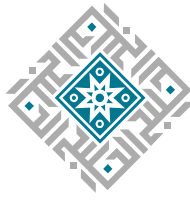
'that the Barcelona concept aims at a careful westernisation of the Mediterranean, gradually converting it into an area of economic and political influence' .¹⁵

The stalled Middle East peace process however has raised fundamental questions about the practicality of a partnership agreement that includes Israel, the Palestinian National Authority, Syria and Lebanon.¹⁶

Europe's south and south-eastern regions were now to include the countries of the Gulf Cooperation Council (GCC) for which new trade arrangements

¹⁵ A. Jünnemann, 'Europe's Interrelation with North Africa in the framework of Euro-Mediterranean partnership-A provisional assessment of the Barcelona concept', The European Union in a Changing World-Third ESCA-World Conference, 19-20 Sept. 1996. Brussels. Selection of papers published by the European Commission, Luxembourg, 1998. p. 383.

¹⁶ *Middle East Economic Digest*, vol. 41, no. 27, 4 July 1997. pp. 24-27.



were proposed but never finalised.¹⁷

The EU and the CGCC: 1979 - 1988

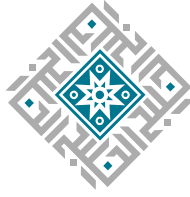
The first attempt by the European Community to begin a dialogue with the Arab Gulf States came through the German initiative in 1979. In December of that year, Count Lambsdorff, then German Minister for Economic Affairs, visited the Gulf States. During that visit, Count Lambsdorff held talks with the governments of these States, which were concerned, with the close co-operation of the Gulf States with the Community.¹⁸ He presented the European Council of Ministers with a proposal for bilateral agreements with the Arab Gulf States. The German Foreign Minister, who strongly advocated the establishment of close economic co-operation with the Arab Gulf States, then followed Otto Lambsdorff's attempt. Hans-Dietrich Genscher introduced his proposal for discussion to the European Council of Ministers during a meeting in Brussels on January 15, 1980. He suggested that bilateral co-operation agreements should be formed with the Arab Gulf countries, including Kuwait, Bahrain, Qatar, Oman, the United Arab Emirates, Saudi Arabia and Iraq. Genscher suggested that the co-operation agreements would cover wide areas such as co-operation in the energy sector (exchanges of information on world supply and demand forecast, Community energy policies, etc.), the encouragement of investment, economic and industrial co-operation to diversify the Arab Gulf States' industries, and technical and scientific co-operation. The co-operation agreements would also include granting the Arab Gulf countries the status of being termed,

*'Most favoured nation states. In the formal terms, the cooperation agreements with the Gulf Arab countries would, as suggested by the EEC, be signed in accordance with the same procedures as the ASEAN agreement, that is, the cooperation agreement between the EEC and the five members of the association of the South-East Asian Nations. The ASEAN agreement aimed to strengthen and diversity economic relations between the EEC and the five countries.'*¹⁹

¹⁷ E. Rein, 'Agreement with Gulf Cooperation Council: 'Promising if Difficult Beginning'', in G. Edwards and E. Regelsberger (eds.) *op. cit.* p.112.

¹⁸ Jawad, H. A. *The EEC-Gulf Dialogue*. Contemporary Strategic Issues in the Arab Gulf, December, 1989.

¹⁹ Wiczorek, Z. 'Report Drawn up on Behalf of the Committee on External Economic Relations on Trade Relations between the EEC and the Gulf States'. Working Documents (1980-1981), European Parliament, Luxembourg, 14 August 1981. (Second Edition).



The European Council of Ministers approved the German proposal on February 5, 1980. The Council also agreed, in principle, to hold negotiations with the countries concerned in order to conclude co-operation agreements.²⁰ Accordingly~ the European Council directed the European Commission (EC) to make the necessary preparations for sounding out the seven countries as to the,

possibilities for the following up the Community initiative.²¹

As a result, technical envoys from the European Commission were sent to the region to identify the interest of each Gulf Arab State. One such group visited Oman in June 1980 and others were scheduled for the autumn of 1980. The former mission confirmed that Oman was, to some extent, in favour of the Community initiative.²² Nonetheless, The European Community initiative to establish close economic co-operation with the Arab Gulf States did not go any further as it was blocked by the European Council of Ministers and in September 1990 the European Council decided to suspend the work, believing that any move towards co-operation with the Arab Gulf States was premature and inopportune. The reason given at that time by the European Council for the suspension was the Iraqi occupation of Kuwait.²³

The reaction from both sides towards the initiative was generally passive. Some of the European Community member states, France in particular, were reluctant to accept the proposal. The French government justified its reservation by explaining that, in view of the existence of the European-Arab dialogues, moribund though they might be, there would be no justification for this initiative.²⁴ Furthermore, the French government argued that the initiative might be viewed as an attempt by the European Community to divide the Arab countries. These reservations, on the part of some of the European Community member states, could also be viewed within the context of the tendency of some member states to adopt purely national policies regarding their oil supplies.²⁵

With regard to the Arab nations, the United Arab Emirates, Bahrain, , and Oman were positive in their response to the Community initiative. Iraq,

²⁰ Jawad, *op. cit.* p.7

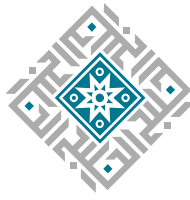
²¹ Office for Official Publications of the European Communities, 1981.

²² Office for Official Publications of the European Communities, 1982.

²³ Cova, C. *The Arab Policy of the EEC*. Brussels: Bureau d'Information Europeen, 1983.

²⁴ Jawad, *op. cit.*, p. 7.

²⁵ Cova, *op. cit.*, p. 108.



Kuwait, and Saudi Arabia, on the other hand, expressed their doubts and reservations. These initial reactions were substantiated at a meeting held in Brussels on June 4th, 1980, between the rapporteur of the European Parliament's Committee on External Economic Relations and representative of the Arab countries concerned.²⁶ During the talks, the representatives (of the Arab Gulf countries that expressed their reservations to the idea of having close economic co-operation with the Community) justified their reservations, arguing that the Community initiative towards the Gulf States was a short-term offer,

*'made only because of the EEC countries' present uncertainty about their oil supplies and one which totally disregarded the other aspects of co-operation hence this co-operation would be forgotten as soon as the oil question had been resolved with some degree of certainty.'*²⁷

The representative highlighted the significance their governments attached to having closer co-operation with the Community. Having highlighted that however, they asserted that the European Community should adopt a clear position in the Middle East, as the economic issues could not be separated from political matters. This was clearly indicated by the Iraqi representative, stating, during the talks, that

*'it was ridiculous to try to disregard the political problems which had already blocked Euro-Arab dialogue in a direct EEC-Gulf states dialogue.'*²⁸

The Iraqi representative also stressed that if negotiations between the EEC and the Arab Gulf States took place, the same problems would re-surface. Therefore, making separate arrangements would bring the European Community no political advantage. The representative, therefore, substantiated the fact that they would prefer to develop their own relations with the European Community through Euro-Arab dialogue and did not want to be deflected from the solidarity being achieved in this dialogue.²⁹

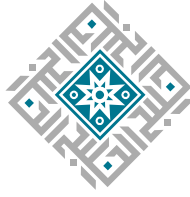
The Gulf Co-operation Council (GCC) was established officially in 1981, comprising six Gulf States; Saudi Arabia, Kuwait, Bahrain, Qatar, Oman, and the United Arab Emirates. A Secretariat-General was created for this aim. The Secretary-General of the GCC stated in a press conference in May 1981 that the GCC had an important role to play in the world and that it was not

²⁶ Jawad, *op. cit.*, p. 8.

²⁷ Wiczorek, *op. cit.*, p. 8.

²⁸ *Ibid.*

²⁹ *Ibid.*



exclusively a political body,³⁰ priority was given to economic affairs.³¹

The European Community welcomed the foundation of the Gulf Co-operation Council, and the Ministers for Foreign Affairs discussed the relations between the European Community and the newly founded Gulf Co-operation Council at the meeting in September 1981. The European Community decided to initiate informal preliminary contacts with the Secretariat of the GCC to examine the scope of the proposed cooperation with the GCC.³² The informal contacts with the GCC by the Commission's departments resulted in a visit by the Secretary-General of the GCC, Yacoub Bishara, to the European Commission on June 6th and 10th, 1982.³³ The Bulletin of the European Communities³⁴ described the visit as a step to

acquaint the Secretary-General with the aims, functions and structure of the European Communities with a view to his institution benefiting from the Community experience.

The Secretary-Generals also held talks during that visit, with the Community representatives, whereby more contracts on the technical level between the two sides would be informed, as the Bulletin of the European Communities³⁵ described it, to

'identify specific subjects on which concrete co-operation could be developed, including the despatch of personnel for training.'

Representatives from the European Commission then visited Saudi Arabia, upon an invitation of the GCC, between the 20th 22nd March 1983, with the principle goal of finding out

'more about the objectives and the functioning of the Gulf Co-operation Council,'

and during those talks the two sides agreed to

'inaugurate a technical co-operation programme in

³⁰ Jawad, op. cit, p. 8.

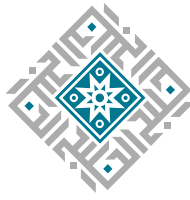
³¹ Ramazan~ R.K. *The Gulf Co-operation Council: Record and Analysis*, Richmond, The University Press of Virginia. 1988.

³² Office for Official Publications of the European Communities, 1982, p. 167.

³³ Office for Official Publications of the European Communities, 1983.

³⁴ Bulletin of the European Communities. 1982. No. 6.

³⁵ *Ibid.*



the areas of statistics, customs, information and energy.³⁶

The visit between the 29th and 31st March 1984 by the Assistant Secretary General for Economic Affairs of the GCC resulted in an agreement,

'on a continued and expanded programme of technical cooperation between the GCC Secretariat and the European Commission.'³⁷

In early November 1984 informal contacts between the two sides in Bahrain aimed to explore the possibility of beginning preparations, with a view to launching negotiations for co-operation agreement between the European Community and the GCC as a whole and further exploratory meetings were also scheduled at the beginning of 1985.³⁸ After these talks a joint communiqué was published in which both sides indicated that they,

'agreed that it was in their mutual interest to aim to finalise a comprehensive, mutually beneficial, all embracing agreement to foster the broadest possible commercial and economic co-operation between the GCC and the European Community.'³⁹

H. A. Jawad, who has written extensively on this subject and is probably the foremost Arab based authority on the EEC-GCC negotiations, maintains that the joint communiqué went on to:

'stress that such an agreement between a developing and a developed region would be of considerable importance and a clear indication of the economic interdependence which existed between the GCC states and the European Community Both sides emphasised that by coordinating their efforts on matters of common interest within the framework of an agreement, they would be able to improve their relations.'⁴⁰

Nonetheless, the issue of access for GCC exports to the Community market

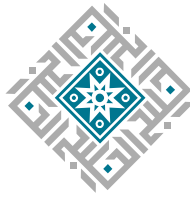
³⁶ Bulletin of the European Communities, 1983, p. 65.

³⁷ Bulletin of the European Communities, 1984, p. 55

³⁸ Office for Official Publications of the European Communities, 1985, p. 174.

³⁹ Commission of the European Communities, 1985, p. 3.

⁴⁰ Jawad, *op. cit.*, p. 9.



was one of subjects that proved to be a major source of friction between the two sides. The GCC states demanded preferential treatment for their industrial products, particularly the petrochemical products, in the Community market.⁴¹ According to Jawad:

*'The European Community declined to grant them such treatment. Instead, the Community offered a non-preferential agreement. The GCC countries rejected the offer as unacceptable and no agreement was reached on this subject.'*⁴²

The disagreement over this issue lay mainly in the terms of entry granted by the Community for GCC petrochemicals. In order to protect its petrochemical industry, the European Community insisted on imposing tariffs on the Gulf countries petrochemical products once the duty-free ceiling under the Community's Generalised Scheme of Preferences was exceeded.⁴³ The tariffs imposed by the European Community angered the petrochemical producers in the GCC countries, viewing this action as a direct threat to their infant petrochemical industry.⁴⁴ Richard Wilson reported Ibrahim Salamah, the Chairman and Managing Director of the Saudi Arabian Basic Industries Corporation (SABIC), as saying;

*'When some developed nations meet our entry into the petrochemical markets with calls for protectionism, we can only warn that this is a threat, as much to the world economic system as a whole, as to Saudi Arabia.'*⁴⁵

As a consequence, the GCC countries rejected the European Community's protectionist measures. They demanded that their industrial products, especially petrochemical products, should enter the Community market, if not for free, then at a reduced-duty rate which is applied to most dutiable goods imported to the Gulf.⁴⁶

The GCC countries justified this demand, arguing that, first of all, the EEC exports entered the GCC countries with either no duty, or at very low customs duties, (between 4 and 7 per cent). Jawad maintains that;

⁴¹ *Ibid*, pp. 9-10.

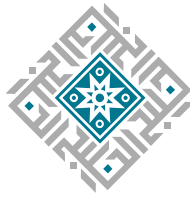
⁴² *Ibid*.

⁴³ Jawad, *op. cit*, p. 10.

⁴⁴ *Ibid*.

⁴⁵ Wilson, R. *Euro-Arab Trade: Prospects to the 1990s*. London, EIU Publications. 1988.

⁴⁶ Jawad, *op. cit*, p. 10



*'In 1984, most Community sales to the GCC countries, which were worth 22,759 million ECDs, entered the region duty free. Hence, the GCC governments expected comparable treatment from their European trade partner.'*⁴⁷

To this effect, the Kuwaiti Foreign Minister, Sheikh Sabah al-Ahmad Al-Jaber announced that;

*'We expect that our industries would find free access to the community markets in the same manner in which European industries flow into our markets.'*⁴⁸

Secondly, the GCC countries emphasised that the petrochemical products exported by the GCC states abroad were feedstock for final petrochemicals, which were in turn exported back from the European Community to the GCC countries. The third justification was that the most-favoured nation clause accorded by UNCTAD to the less developed countries, meant that the industrial exports of the less developed countries should find outlets in the more developed countries' markets. This must be undertaken without the less developed countries being under obligation to provide similar concessions on imports from the industrial countries. The GCC governments stressed that in the case of the GCC and the European Community the situation was the opposite. Fourthly and finally, the GCC asserted that failing to reach agreement on this subject might lead the GCC states to consider imposing similar customs duties on imports from the European Community.⁴⁹

Nonetheless, the European Community's response to the demands put forward by the GCC states was negative.⁵⁰ The Community clearly stated that there was no possibility of removing the extra tariffs imposed on the Gulf petrochemical exports to the Community market. The justifications were that;

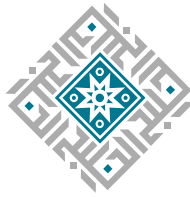
'Custom duties in the European Community were routinely applied according the legal regulations observed by the Community, within the context of the Community's international obligations, therefore it was not possible to offer preferential treatment to products imported from the GCC countries without offering the same treatment to all exporters, in compliance with the provisions of GATT.'

⁴⁷ *Ibid.*

⁴⁸ *Telex Mediterranean*. 1985a. October 22nd.

⁴⁹ *Wilson, op. cit*, pp. 89-90.

⁵⁰ *Jawad, op. cit*, p. 10.



The low cost of raw materials in the GCC states gave those states an 'unfair' advantage over the producers of petrochemicals in the European Community, who already had excess capacity.

The competitive position of the GCC petrochemical producers, Saudi Arabia in particular, would allow those countries to compete with other products within the Community market, even after the imposition of the customs duties. The Community maintained that the GCC sale price, and Saudi's in particular, was unbeatable even after paying the tariff duties.

The European Community was concerned that if the GCC petrochemical products were allowed to enter the EEC market without custom duties, a great disturbance would be caused to the EEC petrochemical industry, due to the proximity of the Arab producers to Europe.

According to Wilson⁵¹ the situation due to the last point can be further accentuated,

'by the loss of the European producers' market in the Middle East and Africa for these products, as a result of the competition from new producers. This might cause closure of European factories, aggravating the unemployment situation in the EEC countries.'

The European Community, instigated by the Netherlands, imposed in June 1984 its first 13.5 per cent tariff on Saudi Arabian exports of methanol to the Community Market. According to Wilson,⁵² Saudi Arabia's capacity of methanol amounted to 1,250,000 tonnes per year.⁵³ The reason for such protectionist measures was that Saudi Arabia had exceeded the ceiling limiting its exports of methanol to the Community.

The GCC states responded to the above measure with anger. The Saudi Minister of Industry and Electricity described the measure as 'unjustifiable', stressing that:

*'while we have always called for free trade, it is the very people who preached these ideas who started to put obstacles in front of us.'*⁵⁴

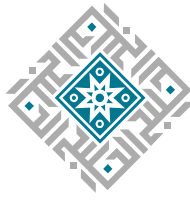
The Community imposed a further tariff of 13.4-14 per cent on imports of

⁵¹ Wilson, *op. cit.*, pp. 89-90.

⁵² *Ibid.*

⁵³ Jawad, *op. cit.*, Table 12, p. 31.

⁵⁴ The Arab-British Chamber of Commerce, 1985, p. 11.



Saudi Arabian polyethylene in August 1985. Saudi Arabia rejected the Community's justification that the Kingdom's exports of linear low-density polyethylene had reached 15 per cent of total community consumption.⁵⁵

The Community's protectionist measures did not help the ongoing exploratory talks on EEC-GCC co-operation, rather, they poisoned the negotiations between the two sides, making it impossible for them to reach an agreement on the terms of the economic cooperation pact.⁵⁶ To break the impasse of the negotiations, the Community decided to launch a manoeuvre aimed at soothing the discontent of the GCC states. On September 1st, 1985, Hans-Dietrich Genscher, the West German Foreign Minister, visited Kuwait, holding talks with the Emir, the Crown Prince, Prime Minister and the Foreign Minister, as well as holding a meeting with Abdullah Bisharah, the GCC Secretary-General. Before leaving Kuwait, Genscher indicated that talks needed a *'political push'*, and described the EEC and GCC as:

*'two regional organisations sharing close interests
complementary to each other.'*⁵⁷

Claude Cheysson, a member of the Commission with special responsibility for North-South relations, visited Saudi Arabia (8th to 9th September, 1985) and held discussions with the Minister for Foreign Affairs, Minister for Industry and Electricity and the Secretary-General of the GCC. His talks focused on the development of co-operation between the two sides and the possibility of holding a joint EEC/GCC ministerial meeting to give a political impetus to the negotiations. Following that visit, the way was opened for holding a joint ministerial meeting between the two groups.⁵⁸

A ministerial meeting was held between the two sides in Luxembourg (14th October, 1985). In the joint communiqué, issued at the end of the meeting, the Community representatives welcomed the rapid development of the Gulf Co-operation Council as a regional organisation aimed at achieving co-ordination and integration between its member states in all fields. The GCC representatives also acknowledged the significant role of the European Community as a factor of economic and political stability and as element of balance in international relations.⁵⁹ According to the Commission of the European Communities (1985), the GCC representative welcomes;

*'the outward looking character of this integration
as exemplified by the determination of the*

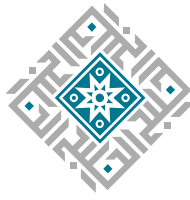
⁵⁵ Jawad, *op. cit.*, pp. 11-12.

⁵⁶ Jawad, *op. cit.*, p. 12.

⁵⁷ *Telex Mediterranean*. 1985b.

⁵⁸ Bulletin of the European Communities, 1985a, pp. 62-63.

⁵⁹ Jawad, *op. cit.*, p. 13.



Community to cooperate with regional organisations and particularly with the GCC.'

Both sides emphasised the economic and political importance they attached to the future development of their relations and their common will to deepen and strengthen this relationship. They also indicated their satisfaction with the improvement of their economic relations and their determination to deepen and substantiate these economic relations in the future.⁶⁰ The Bulletin of the European Communities⁶¹ stated that both sides declared that the discussions should move to a more vital stage;

'with a view to the conclusion of a comprehensive, mutually beneficial agreement to foster the broadest possible commercial and economic co-operation between the two sides.'

The joint communiqué also stated that the agreement should cover various aspects of future development, including energy, transfer of technology and training.⁶²

Nonetheless, in spite of the exchange of platitudes, the Luxembourg meeting did not succeed to resolve the thorny trade dispute, particularly the petrochemical issue, between the two sides, as little discussion took place relating to this issue during the meeting.

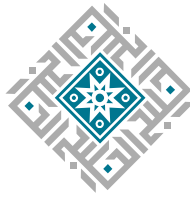
After that ministerial meeting, senior officials representing both sides met in Paris. That meeting was part of a new round of high-level talks agreed to at the ministerial meeting. However, little progress was made during that meeting. That round of talks was followed by another, when Claude Cheysson visited the United Arab Emirates (3rd-4th March, 1986) and held talks with the Minister for Foreign Affairs and the Minister for Petroleum and Mineral Resources. Cheysson then visited Kuwait (5th-6th March, 1986) and met with the acting Prime Minister and Minister for Foreign Affairs, the Minister for Oil and Industry, the Speaker of the National Assembly and the General-Secretary of OPEC as well as other senior officials from the region.

The high-level talks between the two sides revealed that there were still antagonistic views regarding a solution in terms of access for Gulf petrochemical products entering the Community market. In 1986, for example, the Community re-imposed tariffs on nine petrochemical products

⁶⁰ The Commission of the European Communities, *op. cit.*

⁶¹ Bulletin of the European Communities, 1985b, p. 64.

⁶² *Ibid.*



originating in the Gulf countries once low Community ceilings had been reached.⁶³ The GCC states believed that the only solution to the trade problem with the Community was by running a free-trade co-operation agreement.⁶⁴ While the European Community preferred an ASEAN type of co-operation agreement, based on the most favoured nation clause, the GCC states refused to accept this type of agreement and insisted that they should be treated on equal terms with other states in the region, for example, Israel and the Arab Mediterranean countries. The Community declined to offer the GCC states that status but insisted on the ASEAN-style agreement.⁶⁵

It seemed it was difficult to convince the Community member states of the advisability of such a free trade agreement with the GCC states. Some Community member states raised their concerns regarding possible US reactions should an agreement be reached with the GCC states. This was true, although the European Commission had assurances from the USA confirming that it would have no objections if the agreement were in accordance with GATT.⁶⁶

A tendency towards a free trade agreement with the GCC states emerged within the European Parliament, when, in December 1986, the Parliament's Committee on External Economic Relations adopted a report on EEC-GCC economic and trade relations. The report recommended a free trade co-operation agreement as an option, and suggested a number of areas for co-operation, including the transfer of technology, energy, science and technology, vocational training, after sales service and maintenance, agriculture and agro-industry, control of refuse and waste water, plants for desalination and the conveyance of sea water, urban public services and the transport infrastructure, joint participation in co-operation and assistance programmes for the less developed countries, and tourism. The report also suggested that the oil supply for the EEC should be guaranteed through direct agreements between the EEC and the GCC on behalf of the oil producing countries and that the Euro should be used as a reference currency for price fixing and as a means of payment for commercial oil transactions between the Community and the GCC states.⁶⁷

Nonetheless, the report failed to win the Community's consent. It was criticised by the European Commission, stressing that it lacked the precise

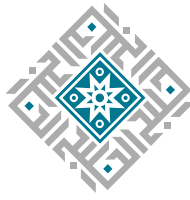
⁶³ *Telex Mediterranean*. 1986a.

⁶⁴ *Telex Mediterranean*. 1986b.

⁶⁵ Jawad, *op. cit.*, p. 14.

⁶⁶ Wilson, *op. cit.*, pp. 96-97.

⁶⁷ Jawad, *op. cit.*, p. 15.



definition as to what shape an EEC-GCC trade agreement should take.⁶⁸

Later, a second ministerial meeting was held, upon the request of the GCC states, in Brussels on 23rd June 1987. The aim of that meeting was to accelerate the negotiations between the two sides, and to provide a further political impetus to work on the projected co-operation agreement.⁶⁹ In this meeting, the GCC states renewed their demand for the type of agreement the Community has formed with certain Mediterranean countries, for example, Israel and the Arab Mediterranean countries but the Community's response was again negative and refused to offer such an agreement, though it promised to take note of the Gulf States' request.

The European Commission on the 8th October 1987 sent the European Council of Ministers a draft decision that would authorise it to negotiate a co-operation agreement with the GCC states.⁷⁰ On the 23rd November 1987, the European Council of Ministers approved directives authorising the European Commission to start negotiations with the GCC states with a view to settling upon a co-operation agreement.⁷¹ After a meeting in Brussels on 7th December 1987, the path was made clear for the conclusion of an agreement, and on 24th March 1988, representatives from both sides initialled a co-operation agreement between the Community and the Gulf states. It was intended to provide co-operation in the following fields: economic affairs, agriculture and fisheries, industry, energy, science, technology, investment, the environment and trade.⁷²

The agreement was officially signed in Luxembourg on 15th June 1988 by Hans-Dietrich Genscher⁷³ and Claude Cheysson,⁷⁴ on behalf of the European Community, and Prince Saud al-Faisal bin Abdul Aziz,⁷⁵ and Adbullah Bishara⁷⁶ on behalf of the GCC states.⁷⁷

Following the signature of the agreement, a joint political statement was issued on 15th June 1988, in which both sides stated, *inter alia*,:

⁶⁸ Wilson, *op. cit.*, p. 97.

⁶⁹ Bulletin of the European Communities, 1987a, p. 87.

⁷⁰ Bulletin of the European Communities, 1987b, p. 62.

⁷¹ Bulletin of the European Communities, 1987c, p. 71.

⁷² Bulletin of the European Communities, 1988a, pp. 93-94. Al-Khoury, 2000, p. 98.

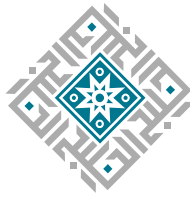
⁷³ Hans-Dietrich Genscher was at that time the Federal Minister for Foreign Affairs of the Federal Republic of Germany and President-in-Office of the Council of the European Communities.

⁷⁴ As member of the Commission of the European Communities.

⁷⁵ As Minister of Foreign Affairs of the Kingdom of Saudi Arabia and President-in-Office of the Ministerial Council of the Co-operation Council for the Arab States of the Gulf.

⁷⁶ As Secretary General of the GCC.

⁷⁷ Bulletin of the European Communities, 1988b, p. 97.



*'their determination to take necessary steps to ensure early entry of the co-operation agreement... and to pursue with vigour its subsequent implementation.'*⁷⁸

Current state of EU-GCC relations

Since the conclusion of the co-operation agreement on 15th June 1988 several ministerial meetings have been held and at the end of each meeting a joint communiqué were issued.

A Joint Communiqué issued at the end of the GCC-EU 10th Joint Council and Ministerial Meeting, held in Brussels on 23rd May 2000, said that the Council had listened to a report on the progress of the Arab Gulf and European agreement, stressing that the factors of commerce, investment and cooperation represented the major pillars for the support of economic relations between the two sides. It also recorded progress achieved in negotiations for setting up free trade exchange zone according to the report of Joint Cooperation Committee and agreed to begin negotiations on certain commodities., a senior Gulf Arab official said however on 29th April 2001 that the EU was *'not serious'* about forging a long-stalled free trade pact with the GCC. That official added that the EU

*'want to keep restrictions on our exports, tax our products and be nice to European producers of petrochemicals'.*⁷⁹

The GCC-EU 11th Joint Council and Ministerial Meeting, held in Manama, Bahrain on 23rd April 2001 issued a joint communiqué in which;

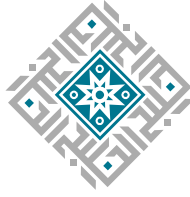
*'the Joint Council reaffirmed its view that Trade, Investment and Cooperation constituted the foundations on which to develop and improve EU-GCC economic relations.'*⁸⁰

With regard to Trade, the Joint Council welcomed the increase in trade between 1999 and 2000 between the two sides, whereby the total value of trade amounted to €51.5 billion in 2000, compared to €37 billion in 1999. The Joint Council noted however that, in spite of the increase in the value of trade and a decrease in the EU surplus, the trade balance remains

⁷⁸ *Ibid*, p. 119

⁷⁹ Reuters, Dubai, 29.4.2001.

⁸⁰ Joint Communiqué, 2001.



considerably in favour of the EU.⁸¹

As for the progress in the EC-GCC free trade negotiations, as reported by the Joint Cooperation Committee, it was noted that negotiations had been ongoing for over ten years without much progress. On the other hand, the Joint Council noted that in the past two years conditions for progress in negotiations were coming into place;

*'the GCC had presented its negotiating directives and lists of sensitive products and important decisions had been taken to establish the GCC Customs Union that would enter into force not later than March 2005. The structure of the GCC Customs Union's external tariff had also been transmitted to the Commission.'*⁸²

Consequently, it still appears that a free trade agreement between the two sides has not yet been finally concluded. The GCC wants a full free trade agreement not restricting petrochemicals access, while this creates a misgiving on the part of the EU. This issue has not been resolved, despite the fact that a Cooperation Agreement had been concluded in 1988, and entered into force in January 1990.

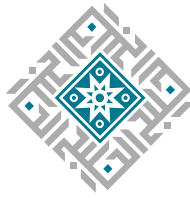
The co-operation between the EU and the GCC countries is founded on three pillars: political co-operation, free trade negotiations and economic co-operation.

Despite the fact that the cooperation agreement does not call for negotiation of common positions among the signatories, the forum provided by the sessions of the Joint Council has been used to discuss political issues of mutual concern and to arrive at common policy stances. Political statements make up the bulk in the communications issued by the Joint Council after each session. For the most part, these concern politics in the Middle East, however, in recent years political issues discussed included other areas such as Afghanistan, Kosovo, and the conflict between India and Pakistan. The importance of the Biological and Toxic Weapons Convention and support for the Chemical Weapons Convention were also aired.⁸³ In fact, the sessions of the Joint Council provide a welcome opportunity for the representatives of both sides to exchange views on various political issues.

⁸¹ *Ibid.*

⁸² *Ibid.*

⁸³ Saleh, N. . *The European Union and the Gulf States: A Growing Partnership*. MEPC Org. Journal. VII (1). 1999. p. 3.



The second pillar is the trade liberalisation talks. Progress in this particular area has been slow and this has tended to impair the relationship between the two sides and frustrate the signatories. This issue has been fully considered in the discussion above. Three constraints that have influenced the progress of trade liberalisation talks stand out;

- The costs of arriving at a common negotiating position often differ for different governments constituting an alliance. A compromise has to be found.
- The interests of national bodies that can directly or indirectly affect various governments prospects of staying in power represent an important factor influencing the position of the sides involved in negotiations.
- There may be other policy goals that are incompatible with trade liberalisation and enhanced cooperation.

All these factors apply to the relationship between the members of the GCC and the EU. One of the impediments to trade liberalisation has been the pressure exerted on the EU by its petrochemical industry. Another impediment is that the EU has pursued an environmental policy that is in glaring contradiction to the interests of the Gulf States.⁸⁴

The economic cooperation has covered the areas of energy, environment, industry, standards, customs, human resources and investment. These areas are of varied importance to the EU and the GCC. Economic co-operation has yielded some successful projects, including the Marine Wildlife Sanctuary in Jubail and several industrial conferences.⁸⁵

Conclusions

Despite many fundamental changes in the international system, Europe continues to be at the centre of the quest for international stability. As Richard Gillespie has pointed out;

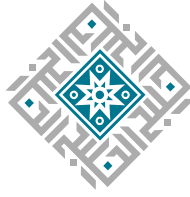
'the cold war began in Europe and ended in Europe and in the process it produced the most sophisticated security structures in the world.'⁸⁶

For many people from the Middle East and the Gulf region in particular,

⁸⁴ *Ibid.*

⁸⁵ *Ibid.* p. 10.

⁸⁶ Richard Gillespie, *The Euro-Mediterranean Partnership*, Frank Cass, London, 1997, p. 150.



Europe's current ability to prosper and enjoy stability rests on profound foundations and human and political values;

'The most striking of these values is the balance of configuration and exercise of power between the individual and the communal group to which he or she belongs (family, tribe, religion, ethnic group) and the state. This balance was achieved at a heavy price, over many centuries, but it is striking today in both its efficacy and universalism across the European continent. A second powerful asset for Europeans is the sensible balance they seemed to have achieved among the multiple identities, in particular, their local, regional, national and Euro-continental identities...

Europe is the place to which we should look for credible partners, sensible models and useful lessons in the business of nationhood, modernization, and civility in urban civilization.⁸⁷

The EU's increased awareness of security issues in its immediate neighbourhood and in the Middle East in particular, illustrates the rapidly shifting nature of Europe's security concerns. The Union's attempts to formulate Common Foreign and Security Policy should be seen in the context of its readiness to respond to concrete challenges rather than in a vacuum.

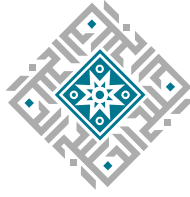
The US-led invasion of Iraq has further complicated the issue of Euro-Arab dialogue. It sharply divided the member states of the Union. Chris Patten, the EU Commissioner for External Relations has been a strong critic of what he calls the 'disregard' for international law and the UN over Iraq. He argues that the United States and its allies have squandered their moral legitimacy and risk a world where might is confused with right.

'Power and law are intimately connected, But it is equally important that Americans should remember that if power is to be accepted willingly and if it is to endure, it needs to be backed by legitimacy'.

He agrees that the lack of unity within the EU leaves Europe with a vital task to develop a more effective and integral foreign policy.

'That is not so easy - he argues - because the European Union is not a state. Nor do we aspire to become one'.

⁸⁷ Khorri, Rami G., 'Europe always enjoyable and instructive', <http://msanews.mynet.net/IScholars/Khouril>



The critical task is to learn gradually to sing in harmony.

After Kosovo, Sierra Leone, Afghanistan and Iraq invading a sovereign state is now common. Increasingly the objectives include regime change. In several of his speeches during 2003, President George Bush proclaimed his ambition of bringing democracy to the Arab countries. He described democratisation as America's mission for decades to come.

Americans believe that prosperous democracies will, over the decades, guarantee them reliable allies, security, and trading partners. Bush's critics fail to recognise that his foreign policy is in many respects as idealistic and visionary as Jimmy Carter's or the human rights agenda of Bill Clinton.

The invasion of Afghanistan and the war in Iraq have demonstrated the overwhelming superiority of American military power. Allowing the Americans to acquire such pre-eminence is a notable failure of European policy. Since the end of World War II Europe has relied on the United States for its defence and thus multiplied its military weaknesses. The EU's aspirations for common foreign and security policy as a counterweight to the United States seem something of an unrealistic pipe dream. Europe chose to compete for influence in a different way: by building a social market and welfare system that contrast with America's raw capitalism. These European achievements are to be proud of but in the cold context of a US dominated, twenty-first century uni-polar world, Europe's alternatives do not seem to match that of the neo-colonial superpower.

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