

**TECHNICAL UNIVERSITY OF LIBEREC
ECONOMIC FACULTY**



BACHELOR WORK

**ECONOMIC RELATIONS BETWEEN GULF
COOPERATION COUNCIL (G.C.C.) AND THE
EUROPEAN UNION (E.U.)**

2001/2002

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**TECHNICAL UNIVERSITY OF LIBEREC
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Number of Pages: 52

Number of graphs: 3

Number of Tables: 5

2001/2002

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TECHNICKÁ UNIVERZITA V LIBERCI

Hospodářská fakulta

Katedra podnikové ekonomiky

Akademický rok: 2000/01

ZADÁNÍ BAKALÁŘSKÉ PRÁCE

pro **Hassan Al-Araibi**

obor č. 6208 R Podniková ekonomika

Vedoucí katedry Vám ve smyslu zákona č. 111 / 1998 Sb. o vysokých školách a navazujících předpisech určuje tuto bakalářskou práci:

Název tématu: **Economic Relations Between Gulf Cooperation Council (G.C.C.) and the European Union (E.U.)**

Pokyny pro vypracování:

1. What is G.C.C. and E.U.
2. The importance of G.C.C.-E.U. relations.
3. G.C.C. inter-dependence and the need for stronger relations.
4. Strengthening the G.C.C.-E.U. political and economical dialogue.
5. Strengthening the framework of E.U.-G.C.C. energy and economical interests.
6. Promoting increased reciprocal knowledge and understanding.

KPE/PE-EK
521.

V 16/02 Hb

Rozsah grafických prací:

25 - 30 stran textu + nutné přílohy

Rozsah průvodní zprávy:

Seznam odborné literatury:

Koppers, S.: Economical Analysis and Evaluation of the G.C.C, Peter Lang publishing, U.S.A. August 1995

Emile A. Nakhleh: Gulf Corporation Council: policies, problems and prospects, Greenwood publishing group, U.S.A. June 1998

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http://europa.eu.int/comm/external_relations/gulf_cooperation/intro/

www.defenselink.mil/pubs/allied-contrib98/gcc96.html

www.medeia.be/en/index063.html

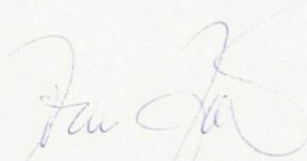
Vedoucí bakalářské práce: doc. Ing. Ivan Jáč, CSc., TUL HF


Konzultant: doc. Ing. Ivan Jáč, CSc., TUL HF

Termín zadání bakalářské práce: 31.10.2001

Termín odevzdání bakalářské práce: 24.5.2002




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In Liberec 4.1.2002

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Acknowledgment

I would like to express my thanks to all who assisted me in completing this project especially to Doc. Ing. Ivan Jač, CSc., head of the Department of Business Administration in the Technical University of Liberec for being very helpful and for his guidance all throughout the Project. And to my Dear parents who had really motivated me in writing it.

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INTRODUCTION

Historically, soon after the formation in 1981 of the gulf Cooperation Council by the original and present 6 member countries (Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates and Oman), the GCC took the initiative to establish a close relationship and free trade agreement with the European Community. The Community's response was positive, recognising the vital importance of these countries for the supply of oil to its economy and, more widely, of their role as energy suppliers to the international economy. The Community also recognised the significance of a regional grouping of these countries for promoting stability in the strategically vital gulf area.

The institutional framework for EC-GCC relations was provided in 1988, when the European Community and member countries of the GCC concluded a Cooperation Agreement. The EG-GCC Cooperation Agreement was the first of a new generation of EC international agreements which included provisions for complementing and strengthening relations by providing for the negotiation of a free trade agreement. With the conclusion of the Cooperation Agreement the two sides recognised the objective importance of their relations based on economic and energy interdependence.

1. THE COOPERATION COUNCIL FOR THE ARAB STATES OF THE GULF (GCC) AND EUROPEAN UNION

1.1 The Cooperation Council for the Arab States of the Gulf (GCC)

DATE OF ESTABLISHMENT On May 25th of 1981, the heads of states of the six Gulf Arab countries, i.e., the United Arab Emirates, the Sultanate of Oman, the State of Bahrain, the State of Qatar, the State of Kuwait and the Kingdom of Saudi Arabia, met in UAE, announced the establishment of the Cooperation Council for the Arab States of the Gulf (GCC), and signed the Charter of GCC.

OBJECTIVES To effect coordination, integration and inter-connection between Member States in all fields in order to achieve unity between them, to deepen and strengthen relations, links and areas of cooperation between their peoples, to promote the development of industry, agriculture, science and technology, to establish scientific research centers, set up joint ventures and encourage economic and trade cooperation by the private sector.

SECRETARY-GENERAL Jamel Ibrahim Al-Hojeiran, citizen of Saudi Arabia, appointed Secretary-General in December 1995, took office in April 1996 and renewed his post in December 1998.

HEADQUARTERS The Secretariat-General of GCC is in Riyadh, Capital of Saudi Arabia.

ORGANIZATIONS (1)The Supreme Council: the highest authority, composed of heads of member states. Its presidency is rotated yearly in the Arabic alphabetical order of the names of the member states. The president of this year is Sheikh Zayed bin Sultan Al-Nahyan, President of UAE. (2)The Ministerial Council: composed of the Foreign Ministers of the member states or other delegated Ministers. The Council's Presidency is rotated yearly in the Arabic alphabetical order of the names of the member states. (3)The Secretariat-General: taken charge by a Secretary-General and three Assistant Secretaries-General in charge of political, financial and military affairs respectively. The position of the Secretary-General is rotated in the Arabic alphabetical order of the names of the member states and appointed by the Supreme Council during the summit meeting with a term of 3 years in office .

MAIN ACTIVITIES Ever since the establishment of GCC, the Supreme Council has held meetings yearly in November or December rotatorily in the capitals of the six member states. Altogether 21 summit meetings have been held by the end of 2000. It was decided at the 19 the Summit Meeting to call an informal consultation meeting in between the annual summit meeting. So far, 2 meetings have been held (May, 1999 and Apr, 2000). Ministers of Foreign Affairs, Defense, Interior, Oil and Finance of the six states also held the Ministerial Council meetings regularly or if necessary. The meetings mainly discuss important political, economic, foreign, security and military affairs faced by the six states or the Gulf and Middle East region, exchange information, coordinate stances, seek common policy and adopt concerted actions.

The 21st summit meeting was held in Manama, capital of Bahrain, from December 30 to 31, 2000. Attending the meeting were heads of state of Oman, Kuwait, Qatar and Bahrain, Crown Prince of Saudi Arabia, UAE Vice President and Premier and the GCC Secretary-General. The meeting discussed the strengthening of GCC's economic and military integration and coordinated positions on the Iraq question, questions between UAE and Iran's "three islands", the relationship between GCC and Iran and the Middle East peace process. The meeting issued a Closing Communiqué and the.

FOREIGN POLICY The six GCC countries adopt a neutral and non-aligned foreign policy, and take a moderate and practical measures. Faced with the present new world situation, the six countries of GCC have increasingly shown a tendency of participating in international and regional affairs in the capacity of GCC as a whole, developing pluralistic foreign relationship and emphasizing on achieving equilibrium between major powers. On major world and regional affairs, they adopt a unified stand and play a collective role, reflecting the unity and integrity of the foreign policies of the six countries.

1.2 The European Union:

The European Union (EU) is the result of a process of cooperation and integration which began in 1951 between six countries (*Belgium, Germany, France, Italy, Luxembourg and the Netherlands*).

After nearly fifty years, with four waves of accessions (1973: *Denmark, Ireland and the United Kingdom*; 1981: *Greece*; 1986: *Spain and Portugal*; 1995: *Austria, Finland and Sweden*), the EU today has fifteen Member States and is preparing for its fifth enlargement, this time towards Eastern and Southern Europe.

The European Union's mission is to organise relations between the Member States and between their peoples in a coherent manner and on the basis of solidarity.

The main objectives are:

- *to promote economic and social progress* (the single market was established in 1993; the single currency was launched in 1999);
- *to assert the identity of the European Union on the international scene* (through European humanitarian aid to non-EU countries, common foreign and security policy, action in international crises; common positions within international organisations);

- *to introduce European citizenship* (which does not replace national citizenship but complements it and confers a number of civil and politic rights on European citizens);
- *to develop an area of freedom, security and justice* (linked to the operation of the internal market and more particularly the freedom of movement of persons);
- *to maintain and build on established EU law* (all the legislation adopted by the European institutions, together with the founding treaties).

There are five institutions involved in running the European Union: *the European Parliament* (elected by the peoples of the Member States), *the Council* (representing the governments of the Member States), *the Commission* (the executive and the body having the right to initiate legislation), *the Court of Justice* (ensuring compliance with the law), *the Court of Auditors* (responsible for auditing the accounts). These institutions are supported by other bodies: *the Economic and Social Committee* and *the Committee of the Regions* (advisory bodies which help to ensure that the positions of the EU's various economic and social categories and regions respectively are taken into account), *the European Ombudsman* (dealing with complaints from citizens concerning maladministration at European level), *the European Investment Bank* (EU financial institution) and *the European Central Bank* (responsible for monetary policy in the euro-area).

2. STARTING THE RELATIONS

2.1 Starting The Relations

Political Context

The Cooperation Council for the Arab States of the Gulf (GCC) is a regional organisation created in May 1981 by **Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates**. Behind the creation was a general perception by these states of their vulnerability arising from their oil wealth in contrast to their small and dispersed populations (28 million), their vast surface area (2.6 million km²) and their limited military capabilities in a generally instable region.

In 1989 the EC and the GCC concluded a Cooperation Agreement under which the EU and GCC Foreign ministers meet once a year at a Joint Council/Ministerial Meeting. The objective of this agreement is to facilitate trade relations and market access, as well as more generally to contribute to strengthening stability in a strategic part of the world. Working groups have been established in the fields of industrial cooperation, energy and environment. In 1996, decentralised cooperation (university cooperation, business cooperation and media cooperation) was added to the agenda.

The 1989 Cooperation Agreement also contains a commitment from both sides to enter into negotiations on a Free Trade Agreement between EC and the GCC. The negotiating mandate from the Council of the European Union adopted in 1991, states as condition for signature of such an agreement the constitution of a GCC Customs Union.

In November 1999, at the annual GCC summit, the GCC countries decided on a GCC Customs Union that would enter into force in 2005. A formula for a Common External Tariff with three categories was also agreed: duty-free items, basic products with a 5.5 percent duty and luxury goods with a 7.5 percent tariff. The common External Tariff will be gradually introduced and be fully in effect by March 2005.

Economic situation

The last 30 years' oil exports have made rapid modernisation of the GCC economies and infrastructures possible. The GCC holds 45 percent of the world's oil reserves and supplies 20

percent of global crude production. They are all members of OPEC, apart from Bahrain and Oman.

The prices on crude oil have risen and stabilised since the OPEC, and other major producers, decided on output cuts of March 1999, that finished the period of low crude oil prices of 1998-99. Even though the oil prices have gone up, the period of low prices made the Gulf countries pursue policies to create new sources of revenues, facilitating foreign investments and cutting back on national subsidies. The drop in crude oil prices of 1998-99 clearly showed that the need to diversify the economies, including privatisation of public enterprises, remains paramount, as it is estimated that only Kuwait and Qatar can hope to survive on oil/gas income alone.

Trade relations

Apart from the strategic importance of the Gulf region, the GCC remains the EU's fifth largest export market. Furthermore the EU consistently has an export surplus in the trade balance with the GCC. In 1999, the EU exports revenue from the GCC doubled the imports; exports amounting to 25 billion euro and imports amounting to 12.4 billion euro. Crude oil represents almost two thirds of EU imports from the GCC.

The EU exports to GCC are diversified, but the main weight remains on large machinery such as power generation plants, railway locomotives and aircrafts, electrical machinery items and mechanical appliances. These product groups make up about one third of the total exports. Medicaments and medical equipment make up another large part, leaving the remaining exports to a wide variety of products.

EU Member States are the second most important foreign investor in the GCC after the United States. In contrast to US investment which is almost exclusively within the petrochemical sector, EU Member States investment is more widely spread through other capital intensive and technology intensive sectors.

2.2 The European Union And The Gulf States:

2.2.1 A Growing Partnership

The European Union (EU) pursues a three-tiered approach with regard to the Arab countries of the Middle East. On a general level, it entered into the so-called Euro-Arab Dialogue with the Arab League. This dialogue has not been very effective and has even been pronounced dead by some authors. On a more specific level, the EU tries to realize a policy of integration with regard to the countries of the southern Mediterranean. This policy is based on cooperation agreements with several southern Mediterranean countries on the one hand, and on the Euro-Mediterranean partnership launched with the 1995 Barcelona Declaration on the other. Third, since 1988 the EU has engaged in a dialogue with the member states of the Gulf Cooperation Council (GCC): Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. While European policy vis-à-vis the Mediterranean countries has received a great amount of scholarly attention, literature on the relations between the EU and the GCC is scarce.

This essay seeks to address the relationship between the two regional alliances as it has evolved since 1988, when the EU-GCC cooperation agreement was signed. Trying to shed light on the partnership, I will first discuss the 1988 agreement, which laid the groundwork for future relations. As a second step, I will concentrate on the stakes that the signatories have had in strengthening their ties. I will then trace how the relationship has developed and analyze the levels of cooperation.

The Agreement

During the mid-eighties the European Community and the member-states of the GCC entered into discussions aimed at furthering cooperation. In 1988 these talks resulted in a Cooperation Agreement, which entered into force in January 1990. This agreement, comprising the institutional framework for the relationship between the European Union and the GCC, states three general objectives: Relations between the European Community and the GCC countries shall be strengthened by placing them in an institutional framework; economic and technical cooperation relations are to be broadened; and development and diversification in the GCC countries shall be promoted, thus reinforcing these countries' role in contributing to peace and stability in the region.

On the one hand, these goals are to be realized through economic cooperation. This entails promoting efforts of the GCC countries to develop their productive sectors and diversify their economies. It also means encouraging technology transfer and development, particularly through joint ventures. In addition, cooperation in the fields of standards and measurements is to be pursued. The diverse economic sectors covered include agriculture and fisheries as well as industry and energy. The agreement addresses trade relations between the signatories and their part in the realization of the general objectives. Here the agreement calls for discussions ultimately leading to the signing of a free-trade agreement.

To achieve the stated objectives, a Joint Council was established which "shall periodically define the general guidelines of cooperation." Composed of representatives of both contracting sides, this Joint Council acts according to mutual agreement. It is to meet at least once every year, and its decisions are binding. To facilitate its work, the agreement provided for a subsidiary structure, the Joint Cooperation Committee. In addition, the Council may set up any other committee it deems necessary.

Since the agreement entered into force, the Joint Council has convened as planned once every year, with the exception of 1995, when the two sides met in Granada, Spain, in Troika formation, marking a turning point in the relationship. In addition to the sessions of the Joint Council, foreign ministers met in April 1998 in London, and in September 1995 and 1998 at the margins of the U.N. General Assembly in New York. For the Joint Council sessions, the rank of government representatives varies between senior official and foreign minister: In 1996 a majority of governments were represented by their foreign ministers. In 1998, a year in which the decisions that were to be made were less fundamental, the governments on both sides were represented by ministers as well as by senior-level officials. This indicates that these meetings have relatively high priority for the signatories. It is important to note the difficulty in convening a meeting for 21 ministers, each of whom has a diverse range of policy obligations.

The Stakes

Why have the two sides wished to strengthen their ties and negotiate a free-trade agreement? Generally speaking, while the European Union is a major diversified trading bloc that relies heavily on the export of manufactured products, the economies of the GCC countries are dominated by the energy sector. In fact, oil and petroleum make up 95 percent of total exports by GCC countries. Therefore, for these countries, high world energy prices lead to high profits. For the EU the opposite is true; since energy is an input that contributes to

production costs, the EU favors low energy prices not only for itself, but also for those economies with which its fate is inextricably linked through trade. This signifies two things: First, since developing countries' demand for oil is bound to increase, production facilities need to be expanded to meet world demands without considerable rise in price. Secondly, it is in the interest of the trading nations to raise the stakes that the GCC countries have in their economic fate. This can come about either through GCC economic diversification or through investment in EU industrial sectors.

On the side of the GCC it is worth mentioning that their trade relations with the EU are highly skewed - the GCC countries tend to have a trade-balance surplus with the world, but a trade balance deficit with the EU. When they have a deficit with the world, it tends to be lower than the deficit with the EU. Also, while exports to the EU are a small percentage of their exports to the world, the share of imports that comes from the EU is relatively large. At the same time, the population growth rate of these states is very high. According to Cordesman¹³ it has ranged between 1.78 (UAE) and 4.1 (Kuwait) in 1998. Large investment is needed to keep up with this growth and meet the demands that the population of these countries will place on their welfare states, if political instability is to be avoided.

Economic cooperation and trade liberalization with the European Union in the field of petroleum products is highly desirable for the GCC. Not only is the European Union an important trading partner, but the flow of goods has also been very uneven, causing a trade balance deficit on the side of the Gulf states. In addition, GCC economies are heavily dependent on the export of oil and suffer from highly volatile world prices, which render economic planning difficult and can lead to high budget deficits. Cooperation with the EU thus helps the Gulf states in achieving three major goals:

- 1) Through trade liberalization they can secure duty-free access for their petroleum products to the EU common market;
- 2) being a recognized political and trade partner renders lobbying efforts more legitimate and thus facilitates protecting GCC trade against possible EU tax increases;
- 3) European investment in the GCC states brings about the much coveted technology transfer that will help these countries diversify their economies and reduce their dependence on world oil prices. Furthermore, a closer relationship with the EU provides the additional advantage of strengthening the solidarity of a political partner that shares the Gulf states' interest in regional stability. This might, for example, be helpful for the United Arab Emirates, which finds itself in a dispute with Iran over the islands of Abu Musa and the Greater and Lesser Tunbs.

On the side of the EU there are important advantages to a close partnership as well. For one, it provides an ally in the region that is interested in political stability and in keeping shipping routes open. In addition, the Gulf states can act as brokers between EU member-states and other Middle Eastern countries with which these states are on different terms. Saudi Arabia, which mediated the Lockerbie negotiations between Libya and the United States, might provide a bridge to Iran, for instance. Further, greater investment of Gulf-state nationals in the EU creates a business class in the Gulf states that has a vested interest in a sound European economy. When the EU economy is suffering due to high oil prices, these individuals can be counted on to exert pressure on their governments to ease the situation.

As Luciani points out, there are important reasons for cooperation between European oil companies and the national oil companies of the Gulf states, which should lead to vertical re-integration through cross-investment.

The governments of the oil-exporting countries have an incentive to diversify and acquire other assets, such as downstream facilities at home and abroad. However, this cannot be done without granting refining and distribution companies access to the lucrative upstream business. Representatives of the refining sector will not be willing to grant access to their side of the business without gaining similar concessions from the oil producers. Also, unless downstream companies are able to invest upstream, the governments of the importing countries, trying to maintain competition, will resist downstream integration of the major producers.

According to Luciani, another argument that should induce producing countries to grant access to firms active in the downstream sector is the fact that the upstream industry is characterized by huge non-retrievable development costs. This means that it is in the producers' interest to prevent new competitors from developing their discoveries and entering the market. Since development costs are sunk, i.e. non-retrievable, keeping a new discovery in production is reasonable even if prices drop below the break-even point of zero profit, as long as direct costs are recovered. Thus development of a new oil field may mean that competition between the new market entrant and the established producer, which takes place only on the basis of direct cost, not on the basis of development expenses, leads to losses for the latter. Therefore, by allowing European companies to engage in upstream activities in the Gulf, the Gulf states can prevent them from developing new discoveries elsewhere in the world and driving their profits down. Oil-importing countries, for their part, have an interest in stable oil prices and will be willing to stick with an energy source which may be costlier at times but which is more stable.

The European Commission follows such a line of argument when it states that "there is no doubt that the underlying realities of energy interdependence would be reinforced by greater cross-investments, with more GCC investment in EU refining and downstream activities, accompanied by EU countries' investment in GCC upstream and downstream energy and energy-related activities." Cross-investments thus help secure the EU's future energy supply and are, therefore, very much in its interest. Additionally, research or other cooperation projects in the Gulf region that benefit the members of the GCC help maintain goodwill and faith in the partnership.

2.2.2 The Three Pillars Of Cooperation

The cooperation between the EU and the members of the GCC rests on three pillars: political cooperation, free trade negotiations and economic cooperation. Two of these are specified in the agreement, and one has been added.

Political Cooperation

Even though the cooperation agreement does not call for negotiation of common political 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. In fact, in the communications issued by the Joint Council after each session, political statements make up the bulk. For the most part, these concern politics in the Middle East. In 1998, for example, the participants stressed their desire for regional stability. They declared their intention to promote the creation of a zone free of nuclear and other weapons of mass destruction in the Middle East. They committed themselves to the unity, territorial integrity and sovereignty of Iraq. At the same time, they called for the full implementation of all Security Council resolutions pertaining to Iraq and discussed the situation of Kuwaiti prisoners of war. In the 1998 communiqué, the ministers also addressed the latest developments in Iran and the current state of the dispute between Iran and the UAE over the three disputed islands in the Strait of Hormuz. They repeated their support for a peaceful resolution of that dispute in accordance with international law, which is consistent with the UAE strategy of having the dispute settled by the International Court of Justice in the Hague. They deliberated on the latest developments in the Middle East Peace process and called upon Israel to withdraw its forces from Southern Lebanon.

Yet the discussions of the 1998 Joint Council did not revolve solely around the Middle East. Regarding the civil war in Afghanistan, the ministers urged all governments to cease

intervention in the conflict. And on the issue of Kosovo, they emphasized the absolute urgency of improving the humanitarian situation in that region. This is consistent with the policies pursued by the Gulf states, which have been very active in sending provisions and installing facilities aimed at improving the condition of the Kosovo refugees.

The ministers also addressed the conflict between India and Pakistan and voiced their grave concern about the nuclear tests conducted by these two countries in May 1998. They urged all states to sign the Comprehensive Test Ban Treaty and welcomed the Ottawa Convention aiming at a universal ban on antipersonnel mines. The importance of the Biological and Toxic Weapons Convention and support for the Chemical Weapons Convention were also aired.

Finally, they reaffirmed their opposition to all forms of terrorism. The GCC ministers, "while noting the diversity of systems of values, which should be taken fully into consideration, joined the EU ministers in reiterating their continuing commitment to the promotion of human rights."

Several of these statements, such as those on the dispute between the UAE and Iran, the wish to establish a zone free of weapons of mass destruction in the Middle East as well as the declaration regarding human rights, appear in almost identical form in earlier communications issued by the Joint Council. Others are new.

Originally the Joint Council was created for the purpose of enhancing economic cooperation as well as promoting trade negotiations. However, the fact that it has been used for political, non-economic purposes is not amazing: One track along which the member-states of the EU have sought to further integration is foreign policy. A common foreign policy, or a common stance vis-à-vis the outside world, enhances the political leverage of the Union and, as a consequence, its members. This has been recognized and is laid down in the Maastricht and Amsterdam treaties. Achieving this objective has been rather elusive, for it is not one government that has to arrive at an issue position, but fifteen. This creates the need for extensive communication, bargaining and the making of side-payments to those countries that have less political capital but oppose issue stances favored by the stronger ones. The issue becomes even more complicated when these 15 states have to negotiate positions with several other countries at the same time, as is the case for the political alliance that constitutes the GCC. From this perspective, the sessions of the Joint Council provide a welcome opportunity for the representatives of both sides to exchange views on various political issues.

Trade

The second pillar on which EU-GCC cooperation has rested is the trade liberalization talks. Progress in this particular area has been slow, and this has tended to impair the relationship between the two blocs and frustrate the signatories.

While arguments for consolidating the relationship between the two alliances, both in terms of trade and economic cooperation, are compelling, representatives of national governments are under multiple constraints when making their decisions, and the implementation of an international agreement is only one of them. Among the constraints that have influenced the progress of trade-liberalization talks, three stand out. First, for the different governments constituting an alliance, the costs of arriving at a common negotiating position often differ, and a compromise has to be found. This takes time and delays negotiations with the other side. Second, the interests of national lobbies that can directly or indirectly affect the governments' prospects of staying in power are an important factor influencing the position of one side. Lastly, there may be other policy goals that are incompatible with trade liberalization and enhanced cooperation.

All these factors apply to the relationship between the members of the GCC and the EU, and they have impeded progress in the trade-liberalization talks considerably. One precondition on which the European Union has based its willingness to negotiate a free-trade agreement has been the creation of a GCC customs union. As of now, free trade exists for goods that originated in one of the GCC member-states, but external tariff structures differ widely. The UAE has traditionally depended on foreign trade. It is therefore in favor of lowering tariffs throughout the region. Saudi Arabia, on the other hand, tries to protect local industry by levying high external tariffs of 12 to 20 percent. This divergence in tariff structures complicates trade with the region by increasing transaction costs. Enterprises importing into the GCC region have to familiarize themselves not only with one set of customs procedures and tariffs, but with six. In addition, once they have entered the GCC, the flow of their goods across GCC borders is subject to restrictions, raising costs of transportation, storage etc.

Another reason the EU has insisted on a customs union is that the absence of a common external tariff renders negotiations difficult, as each of the six GCC countries operates from a different starting point. Finding agreement on a common tariff structure has been a long process on the part of the GCC countries, and real progress has been made only recently.

A second impediment to trade liberalization has been the pressure exerted on the EU by its petrochemical industry. A strong lobby, represented by the European Council of Chemical

Manufacturers' Federation and backed by influential labor unions, this industry demands protection against competitive imports from the oil-rich countries. As Commissioner Cheysson pointed out in a 1987 interview, this resistance ran counter to the more strategic interests of the European Community:

The Gulf is the [European Community's] third largest trading partner after [the European Free Trade Association] and the United States. The services industry is largely responsible for this surplus. Only one Gulf country - Kuwait - is a member of GATT. The others are therefore totally free, from a legal point of view, to suddenly increase duties or take discriminatory measures against us. This market, which is highly important for our services and industrial sectors, is therefore vulnerable. Should we continue to stay in a vulnerable position to protect them and to give our petrochemical industry enough time to restructure? We think that this is a dangerous game to play. The Community is therefore divided on this point.

Third, the EU has pursued an environmental policy that is in glaring contradiction to the interests of the Gulf states: In conjunction with the U.N. Framework Convention on Climate Change, the Union has been trying to stabilize CO² emissions at the 1990 levels by the year 2000 and improve energy efficiency. For this purpose, the European Commission proposed the introduction of a mandatory Community-wide energy and carbon dioxide tax. The matter is still under discussion, as the European Council has not been able to reach an agreement on this proposal or alternative suggestions. Of course, inducing Europeans to consume less energy by raising its price runs counter to the interests of the GCC governments, as does any policy geared towards the reduction of dependence on oil. After all, a high demand for oil is vital for the GCC governments. The European Commission recognized this when it wrote in 1995: "The [European Community] has tended to consider GCC objections to issues such as a possible EC carbon-energy tax as concern with the shadows rather than the substance of energy interdependence."

These problems have obstructed the free-trade negotiations, and by the mid-1990s this led to considerable frustration among the partners. Therefore the two sides decided to postpone the 1995 session of the Joint Council. A ministerial meeting in Troika formation took place in its stead.

Economic Cooperation

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. Energy cooperation has been of particular interest to the EU, and industrial-cooperation projects serve both sides' interests. The EU benefited from the promotion of joint ventures, thus helping realize the goal of increasing economic interdependence through cross-investments. At the same time, by advertising investment opportunities it catered to the GCC's desire for technology transfer through investment. Standards and customs cooperation helped render the standards of the two blocs more compatible and reduce their roles as non-tariff barriers to trade. Also, by familiarizing each other with the different customs procedures, transaction costs were lowered. Environmental cooperation, on the other hand, mainly benefited the GCC countries, which suffer heavily from environmental problems such as fish deaths and water pollution.

This third pillar comprises diverse projects that have been compatible with the goals of the cooperation agreement without carrying the political weight of the free-trade negotiations. The free-trade negotiations require a sincere commitment on both sides and the willingness to compromise. At the same time, they constitute a big step towards the goal of institutionalizing interdependence. Economic cooperation constitutes the "low-budget" piecemeal, second-best alternative. The political cost of these projects is lower, as they can be pursued without alienating domestic lobbies or offsetting the impact of broader goals such as EU environmental policy. On the other hand, their contribution to institutionalizing interdependence is much smaller. Instead of a genuine commitment, they are a gesture of goodwill. This is preferable to no cooperation at all, as it helps maintain faith in the future of the relationship.

The projects pursued in the areas of energy, environment, industry, standards, customs, human resource development and investment, have covered a wide range of approaches, and the input of the private sector has been given serious consideration.

Energy

In the field of energy, a working group was created that met for the first time in 1992 in Brussels and for the second time in 1993 in Abu Dhabi. It reported directly to the Joint Cooperation Committee. Among other things, it suggested organizing a conference on natural gas, which was held in Doha, November 17-18, 1996 and setting up a conference on advanced oil and gas technologies in Bahrain, October 13-17 1997.

The private sector was involved in the implementation of the energy-related projects, as seen from the example of the Joint EU-GCC symposium on energy policy that took place in Muscat, Oman, April 19-20, 1994. The Ministry of Petroleum and Minerals of Oman

organized this event in conjunction with the Directorate General for Energy of the European Commission, and it addressed both governmental representatives and top-level business executives from both regions. The issues it covered in its five sessions included the institutional framework of EU-GCC cooperation, energy developments in both blocs, the future of oil, the future of gas, and EU-GCC cooperation in the energy field.

Environment

In the environment sector, a working group was established as well. It met for the first time in 1992 in Brussels to explore the potential for environmental projects.

One of the most outstanding and often cited projects in this sector was the marine habitat and wildlife sanctuary for the Gulf region, in Jubail, Saudi Arabia. In 1991, in the aftermath of the Gulf War, the European Council asked the European Commission to initiate support for the authorities in the Gulf in clearing the oil spills and combatting environmental pollution. In the spring of the same year the Commission decided to install the Jubail project, which aimed at restoring the marine wildlife areas and allocated two million ECUs. The Senckenberg Research Institute, Frankfurt am Main, Germany, was commissioned with the execution of the project in cooperation with the Saudi National Council for Wildlife Conservation and Development. In October 1991, an international, interdisciplinary team of scientists from six EC countries along with Saudi Arabia and Kuwait began its work. The project was repeatedly praised as a success and served as a model for later ventures.

In 1993, the European Community sent an exploratory mission to the Gulf, in the course of which the GCC proposed joint environmental science and technology workshops. As a result, the Joint Cooperation Committee approved proposals for workshops to be held on marine environment, plant protection, material science, management of water resources and desalination. Workshops held in 1998 include an EU-GCC Marine Pollution Workshop November 2-4, 1998, which made recommendations for future cooperation projects, and a workshop on hazardous waste management in Saudi Arabia October 11-13, 1998.

In 1998, the Joint Council supported the creation of a network of marine protected areas in GCC countries, based on the Jubail experience. This follow-up project is currently under preparation by the GCC. And "as far as marine pollution is concerned, the technical phase of the feasibility study on marine port reception facilities in the Gulf is nearing completion." Finally, the ministers expressed their desire to implement activities in the new area of air pollution.

Industry

As is the case for the energy and the environment sectors, a working group was established on industrial cooperation. It met for the first time in 1992 in Qatar. The most important component of industrial cooperation, and the one which has served the goal of increasing economic interdependence as well as that of technology transfer most immediately, has been the organization of industrial conferences. To date, three of these have been held in: Granada, February 18-22, 1990; in Doha, October 25-27, 1992; in Muscat, October 16-18, 1995. These industrial conferences have been lauded by the Joint Council, and in a press release pertaining to the Industrial Conference in Doha it noted that more than 180 European business executives as well as about 200 businessmen from the Gulf had registered. The Qatari minister of energy and industry participated as well as Martin Bangemann, European commissioner for the internal market and industrial affairs, and ministers from EU member countries. The conference offered a forum for business leaders "to initiate practical talks on all aspects of doing business." Post-conference site visits to industrial zones in Kuwait, Qatar, Saudi Arabia and the UAE were organized, and another such event is planned for 1999.

Following the recommendation by the conference to extend gas cooperation, the GCC secretariat and the EU Commission decided to launch a joint study to examine the prospects for trade in natural gas. This indicates how seriously these industrial conferences and thus the input of the private sector have been taken. Also, a proposal based on a recommendation by the Muscat conference led the 1996 Joint Council to decide on an increase in the number of business conferences and meetings.

Standards

A meeting between representatives of the GCC and European standards organizations took place in Brussels in March 1993. At this meeting the GCC delegates invited the European side to visit the Standards and Metrology Organization of the GCC (GSMO) the following October. As a result of this exchange, the GSMO and the European Commission signed a memorandum of understanding in 1996. It covered a three years Standards Cooperation program. This program focused on training for and assistance to the GSMO and was coordinated by a resident European specialist. In 1998, the Joint Council voted to prolong the Standards Cooperation Program for a fourth year. The GSMO requested additional activities, and the Joint Council opted to include telecommunication standards into standards cooperation.

Customs

The Joint Cooperation Committee decided that a representative of the European customs organization "Euro-douane" should visit the GCC secretariat in Riyadh and discuss possibilities for cooperation in the training of GCC customs officers. In light of the GCC's intention to create a customs union, the Committee members considered EC experience in dismantling frontiers to the Common Market as particularly valuable for cooperation purposes. The resulting cooperation program began in 1994 and ended in 1997. At its 1998 meeting the Joint Council called its implementation successful.

Human Resources

As it does not fall within the category of customs procedures, human-resource cooperation took the form of seminars. An EC-supported conference on human-resource development was held in Oman December 14-15, 1992. It made recommendations for further cooperation, especially in the field of middle-management training, to the Joint Cooperation Committee that met in 1993. April 26-30, 1993, a seminar took place at the Institute of Public Administration in Maastricht. It addressed issues of European and regional integration and focused on the role of public administration in the integration process.

Investment

While investment could be subsumed under the broader category of industrial cooperation, it deserves being mentioned independently, for the GCC countries have long criticized the low level of European investment, which they badly need to keep up with their rapid population growth. This led the Joint Cooperation Committee to request a study on reciprocal investment conditions. By October 1998, the consultant in charge had finished the report and presented its results to the Joint Cooperation Committee, which set out to examine its policy recommendations.

GCC Mission

The GCC opened a mission to the European Union in 1994.

2.2.3 The Turning Point

In 1995, discontent among the signatories to the cooperation agreement loomed large. GCC countries complained about the lack of European investment in the Gulf region.

Economic cooperation did not fulfill their expectations. For its part, the Commission assessed the progress of EU-GCC cooperation as unsatisfactory, saying that "in parallel to the free-trade negotiations, concrete results deriving from the Cooperation Agreement have been slow."

Therefore, 1995 marks a turning point in the relationship. Trying to instill the alliance with new life, the two sides postponed the session of the Joint Council until the next year, and in its stead an EU-GCC ministerial meeting in Troika formation took place in Granada. To ensure progress in the relationship, the Troika ministers made the following recommendations:

- 1) The EU-GCC political dialogue was to be strengthened.
- 2) Solutions should be found for ending the stalemate in the free-trade negotiations.
- 3) Economic cooperation should be increased.
- 4) Cooperation aimed at raising reciprocal understanding, especially in culture and science, was to be introduced.

These recommendations were approved by the EU-GCC foreign ministers meeting in New York on September 24, 1995. Supporting this new élan, the Council of EU Foreign Ministers in Brussels asked the European Commission in January 1996 to open a legation in Riyadh.

In April 1996 the Joint Council debated the proposals put forth by the Granada Troika. The importance that both sides attached to reinvigorating their relationship was underlined by the fact that this time mostly foreign ministers, rather than senior officials, led the government delegations. The Joint Council endorsed the recommendations made by the Granada Troika. Specifically, it was agreed that the political dialogue should be promoted, and, for this purpose, meetings at senior-official level should be held twice a year. To increase economic cooperation, the Joint Council decided to transcend "traditional" areas in which joint projects had been carried out - environment, industry, standards, customs, human resources and investment - and establish decentralized cooperation in the field of business relations. Regarding cultural cooperation, the Council urged the Cooperation Committee to implement the proposals aimed at establishing cooperation among press, radio and television officials of the two regions. Also, it asked the Cooperation Committee to bring forward a program of decentralized cooperation in the field of university and professional training. In particular, the ministers recommended cooperation between the Arab Gulf University in Bahrain and the Euro-Arab Management School in Granada to improve management training in the GCC region.

From 1995, a shift in emphasis occurred away from free-trade negotiations. Economic cooperation and political dialogue, the two other pillars of the partnership, were expanded in scope and highlighted in importance. Thus, the free-trade negotiations no longer occupied center stage. This is understandable in light of the fact that it was primarily the trade relations which had led to consternation between the two sides. And in view of the commitment necessary to overcome the hurdles that had caused the deadlock in the first place, focus on overcoming the stalemate in the free-trade negotiations could have led to further estrangement. It was therefore necessary to emphasize other aspects of the relationship and try to unblock the negotiations in the background.

In addition to stepping up economic cooperation and political dialogue, cultural cooperation was introduced to enhance mutual understanding on the level below government, i.e. parliaments and other non-governmental actors such as the media, which escape governmental control and may counteract its strategy. The introduction of cultural cooperation has to be viewed in light of the ongoing criticism by European media and European parliaments of social practices prevalent in the Gulf states, which has tended to cause alienation on the part of the targeted governments. The 1997 row between the UAE and the European Parliament is a case in point. In September it criticized the UAE courts for having passed the death sentence on two individuals who were convicted of murder and other crimes. As a result, the UAE government summoned the ambassadors of the European Troika and expressed "deep anger and resentment" over what it considered an interference in internal affairs. According to *The Emirates News Bulletin*, Sheikh Hamdan bin Zayed al Nahyan, minister of state for foreign affairs, stated, "The UAE respects the sovereignty of the European Union countries, their freedom to choose their religious beliefs and does not interfere in their internal affairs. Likewise, we reject any interference in our internal affairs, our religious beliefs and our Islamic Shariah."

Cultural cooperation, therefore, serves the more tactical purpose of bolstering the success of the three other pillars of cooperation. A statement by the European Commission is telling:

GCC countries should be encouraged to become signatory parties [to international human rights conventions] and fully apply international instruments in relation to human rights ... More openness and transparency on these issues would help counter reflexive European media and parliamentary critics of GCC practices.

Developments in the New Fields

Since this decisive session of the Joint Council, progress has been made in the fields of decentralized business relations, management training and university as well as media cooperation, which now supplement the more traditional areas of economic cooperation.

Decentralized Business Cooperation

The 1996 Joint Council endorsed the proposal for a study examining the establishment of an EU-GCC Technology Information Center (TIC) in Muscat, Oman. Its purpose is to ensure the "collection, analysis, and dissemination of data on commercially relevant EU technology which would assist the economic development and diversification of GCC economies." By October 1998 the concept study for the project was carried out, and the EU agreed to finance an implementation study for the project. In addition to carrying the financial burden of the analysis, it also "offered a significant contribution to the overall financial arrangements."⁵¹ The 1998 Joint Council expressed its hope to soon agree on the financing of the Center and to quickly implement the project.

In addition, the Joint Council decided to introduce several instruments into the Gulf region that the European Union has used to promote cross-border cooperation among small and medium-sized enterprises (SMEs). These instruments are Interprise, BRE and BC-Net and ECIP.

Interprise

Traditionally, the purpose of the Interprise program has been to support local, regional and national initiatives that further transnational cooperation between SMEs in Europe. Under the program, one main organizer and two partners from three different member-states of the EU organize events where leaders of SMEs engage in a number of prearranged bilateral meetings with potential business partners from other countries. The goal is to stimulate transnational business activity through the conclusion of cooperation agreements across borders. An approved Interprise event can receive a financial contribution from the European Commission of up to 60,000 euros.

Interprise was adapted to EU-GCC cooperative relations for the first time in May 1997, when an EC-GCC sectoral business meeting took place in Riyadh, Saudi Arabia. The 1998 Joint Council supported the agreement between the European Commission and the Federation of GCC Chambers of Commerce to organize a second event from November 29 to December 1 this year in Dubai. The sectors covered include energy, communications and information

technology, healthcare, environmental industries and services, wood products and furniture, construction materials, and food and beverages. The event will be offered in combination with an Industrial Conference.

BRE/BC-Net

BRE (Bureau de Rapprochement des Entreprises or Business Cooperation Center) and BC-Net (Business Cooperation Network) are information networks designed to broker cross-border business partnerships between SMEs both within Europe and outside. With the help of business counsellors, enterprises interested in partnership develop cooperation profiles. These are entered into a central database administered by the European Commission, and the information on these firms is retrieved and disseminated by BRE correspondents or BC-Net members at other ends of the network. The BRE correspondents or BC-Net members are private and public organizations, professional organizations, regional development agencies, consulting firms, banks etc., which have signed an agreement with the Commission. While there is overlap between BRE and BC-Net, distribution of opportunities through the BRE can take forms other than the Internet. The BC-Net, on the other hand, is based on online access to the computerized database.

Also, BC-Net members commit themselves to providing consultancy services to interested enterprises, which is not required for membership in the BRE. Composed of around 500 organizations located in more than 70 countries, the geographic scope of the BRE network is much larger than that of BC-Net, which is composed of around 300 organizations located in 39 countries.

In order to provide the infrastructure necessary for decentralized business cooperation, the 1996 Joint Council agreed to introduce both BRE and BC-Net into the GCC. In 1997 the Commission informed the Joint Council of its intention to identify potential correspondents for BRE or BC-Net members in the area of the Gulf states, and the 1998 Joint Council called upon GCC chambers of commerce to become correspondents of the BRE network in the region.

ECIP

While BRE and BC-Net serve to disseminate information on investment opportunities, ECIP (European Community Investment Partners) is a financial instrument that facilitates the creation of joint ventures between SMEs located in the European Union and those in a diverse range of developing countries. ECIP provides financing not easily found on the market. By

doing so, it enhances access to private sources of finance. ECIP support is given to investment projects in which EU and local companies cooperate either in joint ventures or through licensing agreements or in privatization or private infrastructure projects. Such support is provided through a number of financing facilities, which cover the various phases of an investment project. Access to the ECIP fund is possible through financial intermediaries that have signed a framework agreement with the European Commission. In May 1997, the only financial intermediary located in the GCC was the Bahrain Development Bank.

In 1996 the Joint Council supported the proposal to strengthen ECIP presence in the GCC region. In 1998 the Council was informed that there were five partner institutions in the GCC countries and that the Commission receives financing requests for projects in the GCC on a regular basis.

Cultural Cooperation

Decentralized Cooperation in Professional Training

In April 1997, the Euro-Arab Management School in Granada and the Arab Gulf University in Bahrain organized a joint workshop on how to improve management training in the GCC region. In 1998, the Joint Council expressed its wish to see cooperation in the field of management training intensified. Acknowledging the role of the Euro-Arab Management School in this cooperation, it supported plans to arrange a visit to the school by the heads of GCC public and private management institutes.

University Cooperation: Regional Studies

Kuwait University arranged a workshop in April 1997 to study ways of introducing European studies to Gulf universities and Gulf region studies to European universities. Subsequently, the European Commission issued a "call for expression of interest" in its Regional Studies Cooperation for qualified PhDs. The program is described as follows:

The European Union and the countries of the Gulf Cooperation Council ... have decided to establish programs of decentralized cooperation between universities. The program on Regional Studies Cooperation will consist mainly of a program of lectures by visiting professors in Gulf Region Studies at a number of universities in the EU and in European Studies at a number of GCC universities. The aim is to introduce Gulf Region Studies at universities in the EU and European Studies at universities in the GCC. For the purposes of the program, "European Studies" includes primarily the

construction of the European Community and its related institutional, legal, political, economic and social developments as well as the history of the cooperation/integration process in Europe since 1945.

University Cooperation: Science and Technology

The 1998 Joint Council agreed on the proposal for a pilot phase program of 4-6 cooperation projects in the fields of joint research and academic cooperation. These projects include efforts to develop mutually recognized curricula and diplomas.

Media Cooperation

The 1998 Joint Council agreed to conduct an assessment study on the needs of GCC media. This study is to be followed up through the arrangement of two workshops, one on printed media and a second on audio-visual media. These workshops will recommend project proposals in areas such as training, technology, distribution, exchange of information and co-production.

3. IMPROVING RELATIONS BETWEEN THE EU AND THE GCC

Improving relations between the EU and the GCC

Historically, soon after the formation in 1981 of the Gulf Cooperation Council by the original and present 6 member countries (Saudi Arabia, Kuwait, Bahrain, Qatar, United Arab Emirates and Oman), the GCC took the initiative to establish a close relationship and free trade agreement with the European Community. The Community's response was positive, recognising the vital importance of these countries for the supply of oil to its economy and, more widely, of their role as energy suppliers to the international economy. The Community also recognised the significance of a regional grouping of these countries for promoting stability in the strategically vital Gulf area.

The institutional framework for EC-GCC relations was provided in 1988, when the European Community and member countries of the GCC concluded a Cooperation Agreement. The EG-GCC Cooperation Agreement was the first of a new generation of EC international agreements which included provisions for complementing and strengthening relations by providing for the negotiation of a free trade agreement. With the conclusion of the Cooperation Agreement the two sides recognised the objective importance of their relations based on economic and energy interdependence.

Confirming the EC's commitment to developing free trade relations with the GCC, the Commission obtained from the Council a first negotiating directive in 1990. The Gulf War in 1991/91 was a traumatic experience for the GCC countries. It prompted immediate European solidarity and participation in the international alliance which enabled the liberation of Kuwait. Following the Gulf War, at the request of the GCC countries, the European Community modified its first negotiating directive to provide more balance and a reduced transitional period. The second negotiating directive included comprehensive provisions on tariff dismantling and transitional measures to take account of particularly sensitive sectors in the EU, and of infant industries in the GCC.

However, since the adoption of the second negotiating directive, the negotiations for a free trade agreement have not progressed at all. The GCC side have not offered a comprehensive response to the EC proposals. In April 1993, they insisted instead that the free trade negotiations should concentrate first on priority sectors and put forward proposals for the

energy sector, the effect of which would have limited the EC ability to introduce a carbon energy tax, a proposal which the GCC side considers would harm their energy interests.

In parallel to the free trade negotiations, concrete results deriving from the Cooperation Agreement have been slow and limited to:

- Cooperation in the field of customs and from this year in the field of standards.
- Energy cooperation with the holding of a number of EC-GCC Energy Working Group meetings, an EU-GCC Energy Symposium in Muscat in April 1994, and the EU-GCC Ad-Hoc Group's Joint Report on Interrelated issues of Energy and the Environment.
- EC-GCC Industrial Conferences (Granada, 1990; Doha, 1992, and in Muscat from 16-18 October 1995)

Environment cooperation with the setting up of a marine and wildlife sanctuary in Jubail (Saudi Arabia)

This year's scheduled Joint Council- Ministerial Meeting was postponed and a first-ever EU-GCC troika Ministerial meeting was held in Granada on 20 July 1995 to assess relations between the two groups. In agreeing to hold this meeting, the two sides recognised, in effect, that special attention was required if new political impetus and momentum were to be given to their relationship.

The Importance Of Eu-Gcc Relations

The original premises of EU-GCC cooperation, namely a high degree of economic and energy inter-dependence, have not changed.

3.1 The importance of the GCC for the EU

Despite a small total population of just over 21 million inhabitants, the GCC is the 5th largest market for EC exports, larger than China and the CIS and the only one of the 5 with which the EC has, consistently, an export surplus. Total EC-GCC bilateral trade reached over 30 billion ECU in 1994. EC exports amounted to 19.3 billion ECU and the EC trade surplus was 7.9 billion ECU. It is important to recognise, however, that since crude oil represents 70% of EC imports from the GCC, the level of the EC trade surplus is to a large degree a reflection of low oil prices. The weakness of the US dollar compared to EC currencies is another factor influencing the size of the EC trade surplus.

European Union: Exports to Arab and Mediterranean countries (1997)

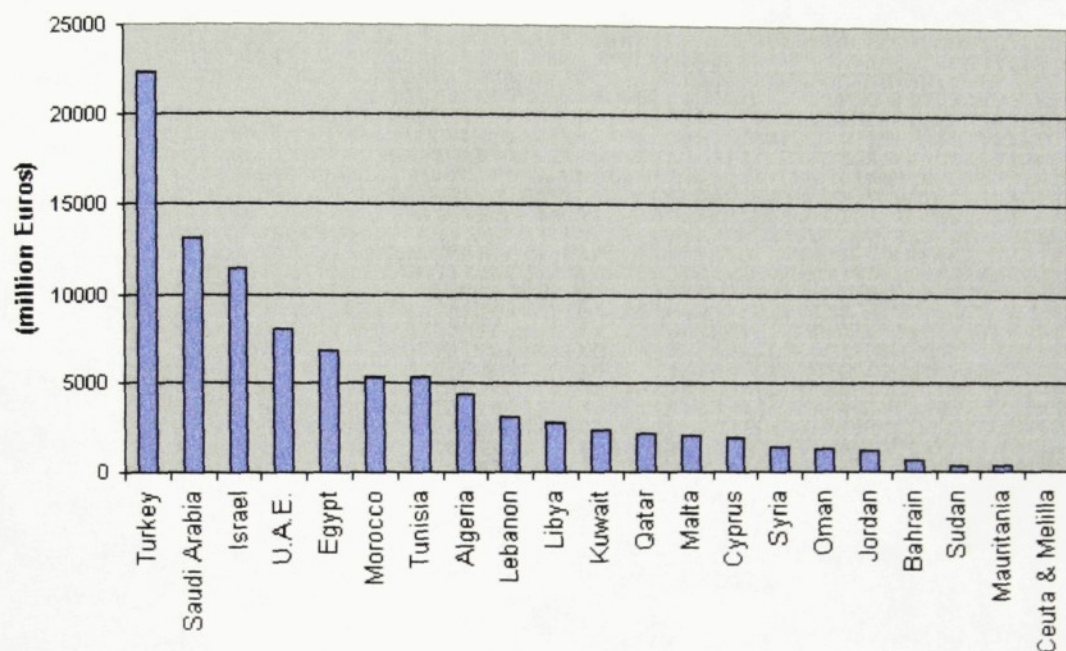


Fig. 1.

EU-GCC trade 1985-1997 (billion ECU)

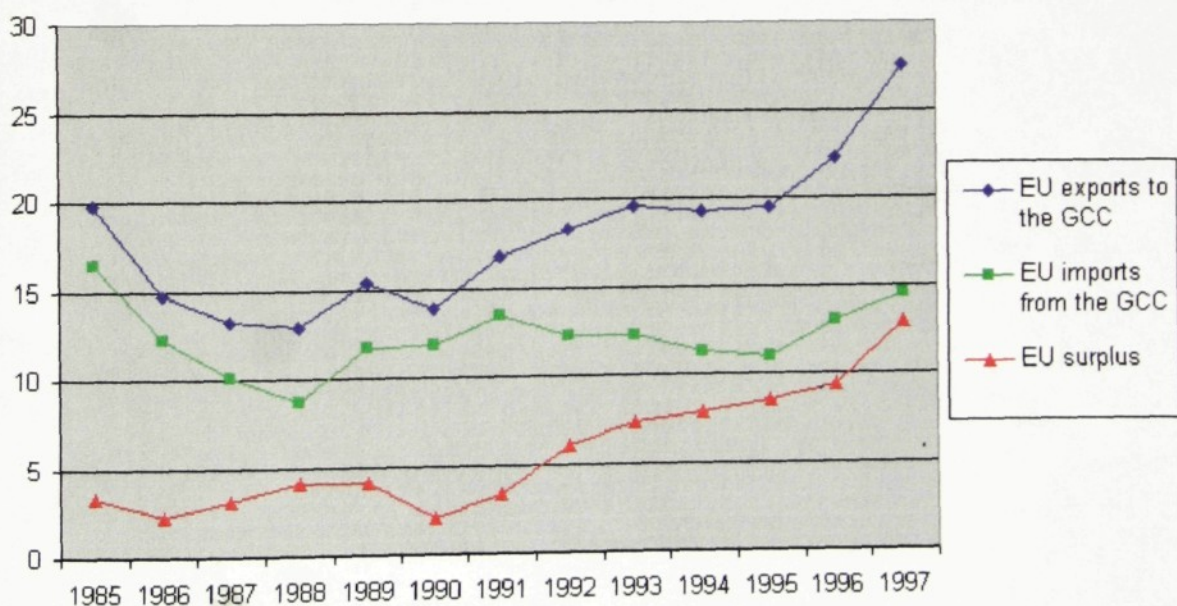


Fig. 2.

European Union: Imports from Arab and Mediterranean countries (1997)

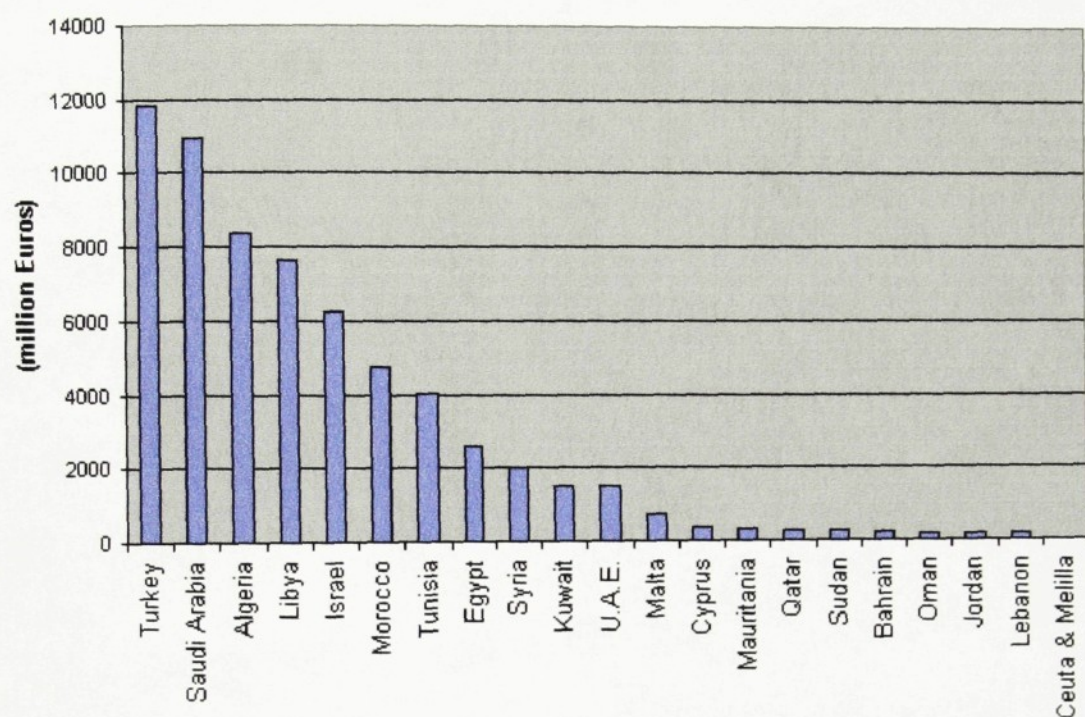


Fig. 3.

Oil continues to be the most important component of EC energy consumption: 45%. In 1994 the GCC countries were the single most important source of EC oil supplies, accounting for 23.7% of total imports. EC external energy dependence is estimated to increase from 50 to 60% by 2010. By then, oil and gas will be the most important components of energy consumption. GCC countries have the largest oil reserves in the world 47%, and 14.5% of world natural gas reserves. EC energy dependence on the GCC in the medium term is therefore bound to increase.

3.2 The importance of the EU for GCC countries

Although Asia is the single most important destination for GCC oil exports, the EC is the second most important market, accounting for some 15% of GCC oil exports in 1992. Whereas some minor spot LNG sales to some Member States took place recently, the GCC does not yet supply natural gas to the EC on a contractual long-term basis, but as EC demand for gas increases, GCC gas production plans will inevitably lead to significant GCC gas exports to the EC in the future. Overall, and leaving aside the question of future EU enlargement, the importance of the EC energy market for the GCC should increase in relation to increasing EC external energy dependence.

In terms of diversification of GCC exports, the EC absorbs a major share of GCC exports of refined petroleum products, petrochemical products and aluminium.

EU Member States are also the second most important foreign investor in the GCC, ahead of Japan and second only to the US. In contrast to US investment, which is concentrated in one sector, petrochemicals, EU Member States investment is widely spread through industrial sectors. For example, in Saudi Arabia the EU Member States are the principal foreign investor in 6 out of 7 industrial sectors and second in the one sector, petrochemicals, in which the United States leads. On the other hand, the EU Member States are the second destination of GCC outward investment. While there is considerable direct GCC foreign investment in the Member States, in particular in refining and distributing automotive fuels, the bulk of GCC investments in the EU Member States are portfolio investments in deposits, bonds and equities.

3.3 Eu-Gcc Inter-Dependence And The Need For A Stronger Relationship

As the above paragraphs indicate, the key word in describing EU-GCC energy, trade and investment relations is inter-dependence. An annex provides full statistical details. But close relations cannot be based simply on a strong trade and investment foundation, although this is

a vital pre-requisite. To ensure progress towards a dynamic, mutually beneficial and strategically important relationship, it is necessary that EU-GCC relations should be based on shared political and security interests, a framework for their strong trade, energy and economic interests, good cultural relations and cooperation between civil societies. The Granada Troika Ministerial meeting of 20 July 1995 addressed all three areas and made the following recommendations:

- to strengthen the EU- GCC political dialogue;
- to increase economic cooperation and propose solutions for unblocking the ongoing free trade negotiations;
- to develop instruments of cooperation which will promote increased reciprocal knowledge and understanding, especially in the culture and scientific fields.

These recommendations were endorsed by EU and GCC Foreign Ministers meeting in New York on 29 September 1995. The two sides are now committed to decide in the implementation of these recommendations on the occasion of the 6th EU-GCC Joint Council-ministerial Meeting which it has been agreed to hold under Italian Presidency on 22-23 April 1996 in Luxembourg.

It is the purpose of this Communication to review these recommendations and prepare for their successful implementation.

3.4 Strengthening The Eu-Gcc Political Dialogue

Events in the political and security spheres in recent years ought, if anything, to have strengthened the objective, economic basis for a stronger EU-GCC relationship. During the Iran-Iraq war EU countries helped ensure, by their naval presence, that the Gulf, through which 45% of world oil supplies pass, remained secure for shipping oil to export markets. More dramatically, in 1990-91, the important role of EU countries in the US- led alliance to liberate Kuwait from Iraqi invasion demonstrated Europe's commitment to GCC security and independence. Joint EU-GCC support for the middle East Peace Process, and a common desire to see a balanced approach to resolving the most dangerous and recurrent cause of conflict in a region directly bordering on GCC territory, ought also to have confirmed the underlying convergence of EU-GCC political and security interests.

One of the shortcoming of the EU-GCC relationship, however, has been the absence of a forum apart from annual, formal ministerial meetings, where these common interests could be

acknowledged, discussed and effectively developed. On the EU side there is, correspondingly, the absence of an appropriate place for relations with the GCC in the Common Foreign and Security Policy (CFSP). Lack of active affirmation at an EU level of interest in GCC security has led to the impression in the GCC that the United States plays an almost exclusive role in the political and security spheres. This impression is erroneous. Experience has amply demonstrated, that no international alliance in support of the GCC would be complete or effective without the backing of EU countries. Lack of active affirmation of EU interest in GCC security has also helped companies in the United States to benefit economically from the perceived US position as sole champion of GCC security, not only with regard to military sales but also in key sectors such as civil aviation and telecommunications.

The establishment of a regular, senior-official level, reinforced “political dialogue”, as recommended by the EU-GCC Ministerial Troika in Granada on 20 July 1995, should therefore provide an opportunity for both sides to better appreciate the extent of their shared political and security interests. The EU should in this context consider GCC security concerns. Events of the past decade have identified the GCC-Iran-Iraq triangular relationship as one of the key issues for international security. The EU should therefore use the machinery of CFSP to study the issues and examine them with its GCC partners in the framework of the strengthened EU-GCC political dialogue.

Another area in which both sides should benefit from a reinforced political dialogue is the Middle East Peace Process. The important roles played by the EU and GCC in the Peace Process, notably the economic aspects, demonstrate that a new Middle East region requires an active economic role by both the EU and the GCC. GCC energy and capital combined with EU Member States private investment and the large EU market will be decisive elements in determining the economic future of the region. These roles and shared interests should be subject to much greater discussion and exchange and, where possible, co-ordination. The reinforced political dialogue should greatly assist such a process.

A further area in which the EU should seek to benefit from a reinforced EU-GCC political dialogue is in relation to EU Mediterranean policy. As the above discussion of security issues underlines, an EU vision to promote security and stability in the Mediterranean should not stop at the frontier of Saudi Arabia and the edge of the Arabian Peninsula. Equally, GCC political and security interests cannot be confined exclusively to the geographic area of the

Gulf. The GCC countries are as much interested in the Mediterranean area between them and Europe as Europe is. They stand to gain as much from our efforts to create a vast Euro-Mediterranean free trade area as Europe and Mediterranean countries themselves. Strengthened political dialogue will enable the two sides to better appreciate their common interests in the Mediterranean area.

The importance of the GCC in the political field is not confined to the Gulf and the Mediterranean regions. The GCC countries play a major role in international organisations such as OPEC and the Islamic Conference Organisation. They have important energy markets in Asia. They have been actively interested in developments in Central Asia since the end of the Soviet Union and they have followed with great concern events in former Yugoslavia. It is for this latter reason that the EU wishes to enlist their support for the reconstruction of Bosnia. All of these issues could be usefully discussed on the framework of a strengthened political dialogue.

Finally, a strengthened political dialogue would enable the two sides to discuss questions of human rights and democracy which are of importance both at the international level and the level of relations between the EU and GCC. Discussion of these questions and other such as prevention of terrorism is essential if the two groups are to establish a closer political relationship. Frank and constructive discussion would also promote increased reciprocal knowledge and understanding as recommended by EU and GCC ministers in Granada.

To implement the recommendation to strengthen the EU-GCC political dialogue the EU should quickly propose modalities for holding twice-yearly meetings at senior official level to discuss all aspects of EU-GCC and international political and security issues of common interest.

3.5 Strengthening The Framework Of Eu-Gcc Energy And Economic Interests

By virtue of its importance to national economies and the international economy generally, oil is not just a commodity like any other. Its key role requires that EC-GCC energy inter-dependence should be accorded its full significance. Because EC-GCC relations have not developed the full potential of early aspirations, the significance of this inter-dependence has been sidelined in recent years by other considerations. The GCC countries have tended to consider that by means of its European Energy Charter initiative, the EC and its Member

States are giving priority in its external energy policies to Russia and the former as a possible EC-carbon energy tax, as concern with the shadows rather than the substance of energy inter-dependence.

Energy policy is intimately connected with economic policy. For example, there is no doubt that the underlying realities of energy inter-dependence would be reinforced by greater cross-investments, with more GCC investment in EU refining and downstream activities, accompanied by EU countries investment in GCC upstream and downstream energy and energy-related activities. Already important downstream investments in Europe, in particular in the refining industry, have been made by Kuwait, Saudi Arabia and the United Arab Emirates. Furthermore, European companies have carried out upstream investments in several GCC countries (UAE, Qatar and Oman, in particular) and in the refining industry in Saudi Arabia. However, this process would be greatly assisted by an improved framework for EC-GCC energy and economic relations.

Regarding future trade trends, GCC countries are as concerned today, or possibly even more concerned, to diversify their industrial base and prepare for the post-oil age as they were when taking their initiative to approach the EC for a preferential trade agreement in the mid-1980s. An EC-GCC free trade agreement would give duty-free access for the products of GCC industrial diversification to a huge, geographically close market of some 500 million inhabitants by early next century.

For the EC, given the continuing importance of the GCC market as described above, a free trade relationship is as much in our interest today as it was the time of the adoption of the first negotiating directives in 1989. It is obviously of interest to secure duty free access for EC exporters in the 5th most important EC export market. In terms of reciprocal concessions which would be made to secure a free trade agreement, the basic considerations are as follows:

On a large volume of trade, EC exporters pay GCC duties which are on average higher than EU duties, whereas 79% of GCC exports to the EC enter duty free under MFN arrangements and a further 15% could currently benefit from GSP advantages.

Finally, for both the EC and the GCC, a free trade relationship would provide their economic operators a permanent framework for developing cross-investments, vertical integration and

industrial alliances which it is clear from experience that the EC-GCC Cooperation agreement alone does not provide.

The key to strengthening the framework of EC-GCC economic interests therefore could lie in the conclusion of a free trade agreement. Such an agreement could be, objectively, in the interest of the two sides. As to the World Trade Organisation the Community would ensure that such an agreement would cover essentially all trade between the two parties and all sectors. Since the harmonised reduction of duties on petro-chemical products in the Uruguay Round, the concerns of this important European industry should also be more easily met. Finally, with the progressive graduation of GCC countries from the EC's Generalised System of Preferences, it is urgent to avoid what could become, in future, increasing trade friction between the two groups.

Among GCC countries, Kuwait, Bahrain and Qatar are members of the WTO. The UAE are still negotiating their accession. Saudi Arabia has applied for WTO membership and Oman has declared its intention to do so.

The group of Commission and GCC experts proposed at the Granada meeting to study the unblocking of the ongoing negotiations should make every effort to overcome the obstacles which have so far prevented progress in these negotiations. Concrete proposals should be finalised by April 1996 to enable decisions by ministers at the 6th EU-GCC Joint Council. If these proposals lead to the conclusion of a free trade agreement, this would be perhaps the single most important contribution possible to ensuring a close permanent EC-GCC relationship. Of course, the speed and the concrete steps with which we wish to achieve a Free Trade Zone, must always depend on careful examination of the advantages and disadvantages that could occur with each further step in those industrial sectors of both sides which must be seen as particularly affected.

4. PROMOTING INCREASED RECIPROCAL KNOWLEDGE AND UNDERSTANDING

4.1 Promoting Increased Reciprocal Knowledge And Understanding

The GCC countries have long enjoyed good bilateral relations with EU Member States and of course a number of GCC countries gained their independence from the United Kingdom just over 30 years' ago. Despite these advantages, EU-GCC bilateral and regional relations have not promoted sufficient contacts and exchanges to accompany and assist the development of official links between the two regions. In particular, the younger generations are not fostering bonds of contact and understanding which previous generations have done by virtue, mainly, of shared historical and educational backgrounds and experience.

The EU-GCC Troika Ministerial Meeting in Granada therefore rightly stressed the need to open new areas of cooperation and promote reciprocal knowledge and understanding. The scope for action at the EC level to correct these deficiencies is, of course, limited. Bearing in mind the principle of subsidiarity and the considerably greater opportunities for action at national level, it is mainly for Member States to adopt policies to expand the scope of contacts and exchanges with GCC countries.

Nonetheless, at the EU level, the Granada recommendations will be significant. As mentioned above in Section 4, strengthening political dialogue will contribute to these objectives by a more substantial discussion of human rights and democracy.

A commitment to human rights and fundamental freedoms is at the heart of EU policy worldwide. The EU believes that the espousal of international standards of human rights and their respect are essential for long-term social and political stability. In this framework, GCC countries should be encouraged to become signatory parties and fully apply international instruments in relation to human rights. The EU is ready to help the GCC countries to establish a civil society founded on the United Nations conferences such as Vienna (June 1993), Copenhagen (March-April 1995) and Beijing (September 1995).

These subjects have not been adequately discussed at ministerial level and there has tended to be a dangerous silence on sensitive matters which, if not properly handled, could affect the progress of relations. More openness and transparency on these issues would help counter

reflexive European media and parliamentary critics of GCC practices. The EU should seek through its relations with the GCC countries, which have a special position in the Islamic world, to obtain better insight and judgement on how tradition should also be used for understanding and appreciating democratic and constitutional developments. The breadth and diversity of EU experience could be valuable to GCC countries which are having to realise constitutional changes which have taken decades and longer in European systems.

But a key new area of cooperation to which Troika ministers referred in Granada was not at the official level but at decentralised levels of cooperation, involving civil society and non-governmental organisations. The possible participation of GCC countries in some horizontal programmes of cooperation on the model of those established for the Mediterranean countries could be very positive. They could lead to greatly increased grass root contact and cooperation in education, training and youth, as well as science, local government and press and television which in an essential accompaniment to the promotion of good official relations. This type of regional, decentralised cooperation would undoubtedly contribute to better regional relations and understanding.

The GCC countries should also be natural partners for collaborating with the Euro-Arab Management School in Granada. Economic development and diversification of GCC economies is producing the need for an increased supply of well-trained managers. Moreover, rapid GCC population growth makes it imperative to create productive job opportunities for new generations.

Information and communication technologies constitute a vital sector for modern economies and key conditions for the emerging information society. They are of particular relevance for the GCC countries due to the high technological level they have already reached and the challenges they face for the setting up of a post-oil economy. Such areas should offer a new field of cooperation focusing on the dialogue of the premises of the information society and aiming at the realisation of pilot projects to demonstrate the feasibility and the concrete benefits of the applications of these new technologies.

The intention of Troika ministers in Granada to increase scientific cooperation merits special attention. GCC scientific capacity is already significant in several sectors but could be strengthened in cooperation with European scientific institutions. Common interests are

numerous, ranging from global warming to urban and industrial pollution. Energy related subjects could be prominent, including renewable energy. The Arabian peninsula offer among the best available sites world-wide for the production of solar energy in the 21st century. Consequently, there are vast untapped opportunities for future cooperation between Europe and the Gulf in the field of solar energy. Scientific and technological cooperation between the EU and the GCC should start as of now to make these new resources fully available in due time. The Institute for Prospective Technological Studies in Seville could provide the framework for this cooperation.

Finally, it is essential to underline the fact that the pursuit of sustainable development is a factor underpinning EU relations with all third countries (or regional groupings). More specifically, four of the six GCC states (except UAE and Qatar) have ratified the Convention on Global Climate Change, which calls – *inter alia* – for a reduction in global emissions from fossil fuels. There is therefore a direct link between the GCC states' principal means of achieving economic growth – the export of oil – and the concern they and the EU share (with others) for the global environment. All GCC states formed part of the consensus at the Rio Conference in 1992 which adopted the Rio Principles.

Topics in the field of the environment where preliminary discussions indicated that the mutual interest could be further explored include marine pollution, hazardous waste management, nature protection, air pollution and international environmental cooperation policies.

If a joint commitment exists to cooperate together in these regional, decentralised, scientific and other programmes it should not be difficult for the EU and GCC to work out modalities and methods of co-financing as recommended by Troika ministers in Granada. The EU has experience of cooperating in such programmes with countries which have similar or higher levels of per capita income. Shared experience in these and similar EC-GCC cooperation activities should help significantly to consolidate and extend official-level relations.

The European Commission could itself make an important contribution to strengthening EC-GCC cooperation and promoting increased contact and understanding by opening a Delegation in Riyadh, capital of Saudi Arabia and seat of the headquarters of the Secretariat of the Gulf Cooperation Council. A Commission Delegation would be accredited to the governments of all six GCC countries.

In this third, general area, implementation of the Granada recommendations provides many possibilities:

- Promoting mutual understanding by discussing questions of democracy and human rights in the strengthened official political dialogue.
- Including the GCC countries in EC programmes of regional, de-centralised cooperation to increase contacts and grass roots cooperation in education, training and youth matters; and in science, local government, business education and the media, improving transport links and strengthening cooperation, scientific cooperation, especially in areas of common interest such as energy, cooperation in the field of management training, both private and public, through initiatives such as the Euro-Arab Management School.
- As result of establishing a Commission delegation in the GCC region, the EC could effectively promote these programmes of cooperation and effectively introduce a number of instruments to strengthen economic cooperation such as the Business Cooperation Network (BC Net), Bureau de Rapprochement des Entreprises (BRE) and the European Community Investment Partners (ECIP).

4.2 Towards A Qualitative Improvement In Relations

The intention of EU-GCC Troika ministers in Granada in making recommendations to strengthen political, economic and cultural and scientific relations was to provide for a qualitative improvement in EC-GCC relations. Indeed, strong economic inter-dependence and shared political and security interests, support the view that two regions should develop, over time, a strong, strategically important relationship.

This view of an evolving, strong relationship is not one which puts in question the present, pre-dominant role of the United States in GCC military security. This is a fact. It should not obscure, however, the role which Europe has played, and will, no doubt, continue to play in the broader context of GCC security in particular economic security. It is also a fact that since the original EC-GCC commitment to establish close relations, the EU is giving new emphasis to relations with countries to the south. This new emphasis in EU external policy, a direct result of the Cold War and a desire to balance the EU's East and South policies, implies increased importance for the EU of the GCC. The view of an evolving, strong EU-GCC relationship continues, of course, to be most firmly based on the present and future importance of EU-GCC economic and energy inter-dependence.

The above analysis has show, however, that an important relationship, such as the EU-GCC relationship, cannot be taken for granted and left to také care of itself. All important relationship must be worked at and given the correct attention and priority by both sides. In the case of the EU and GCC member states, there has been a tendency to look at the trade figures and at bilateral relations and to leave everything at the regional level to také care of it. The EU-GCC relationship provides complementary, regionaly added value to bilateral relations. But if regionl relations are neglected, or become the source of irritants, then region-to-region relations can spill over and have harmful effects on bilateral relations.

Of course, the development of the region-to-region relationship depends on the development of the regional struktures and competences of the two sides. It is therefore essential that the process of GCC cooperation and integration continues as its member countries have resolved. An economically, politically and militarily strong GCC, constituting a firm, independent pillar in the sensitive and strategically important Gulg area security systém is of major interest to the European Union. A weak and divided GCC would add dramatically to the potencial for instability in the area and the potential for interference by the GCC's powerful neighbours. In the context of the follow-up to the Granada Troika Ministerial Meeting and the desire for a qualitive improvement in EU-GCC relations, it is, therefore, important that the GCC should go on with its policy commitments to strenthen integration and the role of the GCC. This does not mean that, in parallel, bilateral relations with each of the Gulf countries should not be pursued and encouraged according to each country's specific characteristics.

Implementation of the recommendations of the Granada Troika Ministerial Meeting will constitute a test case for EU-GCC relation. Reinforcing the political dialogue, finding solutions to problems obstructing progress towards strengthening economic relation anddeveloping new cooperation and a meaningful cultural dimension to relations, it a realistic agenda. It as in line with the approachfollowed in the Euro-Mediterranean partnership framework. It does not require, either, a shift in GCC policies or orientations. If the agenda is implemented, it would provide for the desired qualitative improvement in realtions. The EU should therefore make a maximum effort to ensure that, in accordance with the recommendations of the Granada Troika Meeting, the relevant decisions can be prepared for a successful 6th Joint Council-Ministerial Meeting.

In the light of the above review of EU-GCC relations, the Commission recommends that the Council should, Reaffirm the strategic importance of a strong GCC regional group capable of playing a progressively more important role in the economic, political and security spheres, Reaffirm its commitment to the development of strong, mutually beneficial EU-GCC relations, Confirm the need to include the GCC countries in the EU's global strategy for improving relations with partners from other regions and in particular with the Mediterranean area.

Reaffirm its commitment to follow-up and implement successfully the recommendations and conclusions of the Granada Troika Ministerial Meeting and thereby achieve a qualitative improvement in EU-GCC relations.

In particular, the Council should agree to reinforce EU-GCC ministerial level political cooperation by holding a bi-annual meeting at senior official level to discuss all aspects of EU-GCC, and international, political and security issues of common interest.

For its part, the Commission will:

In accordance with the Granada Troika Ministerial meeting recommendations and its negotiating directive, identify with its GCC counterparts obstacles to progress in the ongoing EC-GCC free trade negotiations with a view to re-launching these negotiations, ensuring that a resulting agreement would be in conformity with the requirements of the WTO.

In liaison with its GCC counterparts and in the framework of the 1989 Cooperation Agreement, make proposals for a significant expansion of cooperation in areas of mutual interest.

Make proposals for increasing contacts and understanding in the fields of regional, decentralised cooperation, scientific and management cooperation and programmes to strengthen economic cooperation.

Study the suitability of presenting to the Council a complementary mandate for negotiation concerning services in line with the OMC disposition after having carried out the appropriate research into the legal and economic impact on the Free Trade Zone and taking into account the offers presented by the GCC within the GATS framework.

The Commission will keep the Council fully informed of its actions in following up the recommendations of the Granada Troika Ministerial Meeting, including developments in the free trade negotiations and make appropriate proposals in time for preparation of a successful 6th EU-GCC Joint Council-Ministerial Meeting to be held on 22-23 April 1996 in Luxembourg.

CONCLUSION:

On the part of the GCC countries, cooperation within the framework of the 1988 agreement was meant to serve both short- and long-term economic goals. In the short term, they have hoped to gain technology transfer through greater investment and the implementation of cooperation projects. In the long term, they aim to reduce dependence on oil revenues through diversification. In addition, they want to boost their revenues by achieving duty-free access to the European market. On the part of the European Union, securing future energy supplies by increasing interdependence through cross-investments is an important goal.

Until 1995, the relationship rested on trade liberalization talks, economic cooperation and political dialogue. Trade liberalization talks turned out to be a difficult undertaking. Three factors acted as major impediments. The GCC countries were not able to unify their widely differing tariff structures and thus fulfill the conditions that the European Community had set for engaging in free-trade negotiations. On the part of the EU the problems have been a strong petrochemical lobby and an environmental policy that aims at reducing CO² emissions and runs counter to the interests of the GCC.

Pursuing economic cooperation proved more feasible, and projects in the areas of energy, environment, industry, standards, customs, human resources and investment were carried out. However, economic cooperation has constituted a second-best alternative to free-trade negotiations. On the one hand, the political cost for the participants has been minimized, since this approach is piecemeal and does not require fundamental political concessions. On the other hand, the gains for both sides have been small as well.

By 1995, considerable frustration existed among the signatories, for progress in deepening the relationship was slow. As a consequence, the Granada Troika made several suggestions that the 1996 Joint Council endorsed. These suggestions entailed institutionalizing the political dialogue, increasing economic cooperation by adding decentralized business cooperation, and introducing cultural cooperation to enhance mutual understanding on the level of civil society. The effect has been a shift in emphasis away from the difficult and frustrating trade-liberalization talks through the increase in importance of the other pillars of cooperation. The introduction of cultural cooperation was an effort to create a climate of goodwill among the civil societies of both blocs and reduce the sort of criticism that has led to alienation among the governments.

The result has been a cooperative relationship that forms a tent-like structure and operates at multiple levels. Since 1988, the relationship has indeed deepened and become more institutionalized, even though not at the pace that had been envisaged originally. Political dialogue, practiced since the inception of the Joint Council, became a formal part of the relationship with the 1996 decision to not only pursue dialogue on the ministerial level, but to hold twice-yearly talks on the level of senior government officials as well. Thus ministerial meetings take place at least once a year, possibly supplemented by conferences at the margins of the U.N. General Assembly and meetings involving only the Troika on the European side.⁶³ In addition, prior to 1995, meetings at the senior-official level were held at least once a year in the form of Joint Cooperation Committee sessions. While these meetings have most likely been used to prepare the Joint Council sessions, the newly established dialogue among senior officials uniquely serves the discussion of political matters.

Economic cooperation has yielded some successful projects such as the Marine Wildlife Sanctuary in Jubail or the industrial conferences. These projects are likely to be repeated or followed up with new proposals. The newly added area of decentralized business cooperation is still in the beginning stages. While the 1997 Interprise event was successful and will be followed by another event later this year, the Technology Information Center to be built in Oman is still in the planning stage. The introduction of BRE, BC-Net and ECIP into the Arabian Peninsula has not yet made sufficient progress to warrant evaluation, but the importance of these services is likely to grow.

Cultural cooperation is in its infancy as well. The introduction of Gulf Region Studies in the EU and of European Studies in the Gulf has yet to begin, and media cooperation is still in its pilot phase. While any effort to enhance mutual understanding among societies is valuable, these projects will take a long time to yield results that help bolster the other pillars of cooperation. If Gulf Region Studies is indeed introduced as a major field of study in its own right, independently of the more traditional field of orientalism or Islamic studies, several years will pass before the first cohort of M.A. students graduates. If this new major combines knowledge of the area with other fields of study, such as international relations, economics or business relations, an elite of highly educated experts on the region will emerge who can then take positions as consultants to business enterprises or political leaders and assist in broadening business or governmental interaction. However, on the part of the general European population, which is not involved with Middle Eastern culture or Islam, reducing the widespread prejudice against Arabs and Muslims will be much more difficult to achieve and take a much longer time, as it requires a concerted effort on the part of opinion leaders to

convey images of the Gulf states that promote understanding rather than hostility. If this is a goal of cultural cooperation, the means provided for its realization are insufficient.

As far as trade negotiations are concerned, the 1998 Joint Council acknowledged progress made by the GCC countries in unifying tariff structures.

The communiqué then mentions:

the report submitted to it by the Joint Cooperation Committee on the informal discussions of the Draft Elements of a free-trade agreement. The Joint Council agreed in 1997 that the Elements could be a basis for future work ... The two sides should enter into the second phase of the negotiations consisting of the comparison of the respective negotiating directives in preparation of the final phase of the negotiation of arrangements for specific products.

What this means with respect to progress in the negotiations is difficult to ascertain. What we do know, though, is that the GCC countries continue to lobby against the energy tax, which is not off the table. In addition, Dubai, with the help of Bahrain Aluminium, is campaigning for the abolition of the European Union's 6-percent duty on Gulf exports of primary aluminium.

The Gulf countries have recently completed classification of 1,286 import items. Three categories have been created: goods exempted from tariffs, basic goods to be lightly taxed, and luxury items. An agreement has now to be found on the actual tariff ceilings for these three categories. Following a request by the GCC, the World Bank prepared a report on the unified customs tariff.⁶⁶ The target date for the customs union is March 2001. Whether this deadline will be met is uncertain, especially in light of the fact that past deadlines were missed as well. Yet, with categorization of goods still falling short of the EU requirement of a customs union, the GCC countries have demonstrated their seriousness in trying to unblock the negotiations and can therefore expect concessions from the other side. This means that the ball is now in the court of the Europeans. How they will react remains to be seen.

Appendix I

Trade of the GCC countries with the world and with the European Union
(Source: 1996 International Trade Statistics Yearbook-Volume 1: Trade by Country. United Nations, New York, NY, 1997, pp. 68 ,585 ,779 ,842 , 895, 1057.

Table 1 Export and Import between Kuwait and EU

Kuwait	1991	1992	1993	1994	1995
Trade Bal. Surpl: Wrld ¹	-2,401,940	-666,118	3,476,967	5,284,125	5,154,666
Trade Bal. Surpl: EU ²	-1,044,571	-2,408,002	-2,724,362	-2,261,977	-2,396,399
% of Exp.: EU ³	0.7	0.3	0.2	1.3	0.2
% of Imp.: EU ⁴	30.1	33.5	39.0	36.3	38.1

www.eu.int

Table 2 Export and Import between Oman and EU

Oman	1991	1992	1993	1994	1995
Trade Bal. Surpl.: Wrld ¹	1,679,536	1,682,000	1,185,468	1,503,263	1,668,833
Trade Bal.: Surpl: EU ²	-843,282	-877,377	-851,744	-887,316	-1,132,462
% of Exp.: EU ³	1.0	0.9	1.1	0.9	0.9
% of Imp.: EU ⁴	27.9	24.6	22.1	23.9	27.9

www.eu.int

Table 3 Export and Import between Qatar and EU

Qatar	1990	1991	1992	1993	1994
Trade Bal. Surpl.: Wrld ¹	1,946,338	1,489,712	1,825,298	1,354,719	1,285,577
Trade Bal. Surpl.: EU ²	-712,309	-646,261	-734,606	-615,115	-638,506
% of Exp.: EU ³	0.6	1.0	0.7	0.4	0.5
% of Imp.: EU ⁴	43.4	39.4	37.9	33.2	33.9

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Table 4 Export and Import between Saudi Arabia and EU

Saudi Arabia	1990	1991	1992	1993	1994
Trade Bal. Surpl.: Wrld ¹	20,347,348	18,716,409	17,032,881	14,193,846	19,271,443
Trade Bal. Surpl.: EU ²	-484,826	-548,763	-887,541	-289,720	1,528,150
% of Exp.: EU ³	18.4	21.2	22.0	23.0	22.6
% of Imp.: EU ⁴	35.9	36.8	36.0	35.6	34.7

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Table 5 Export and Import between U.A.E. and EU

U.A.E.	1989	1990	1991	1992	1993
Trade Bal. Surpl.: Wrl ¹	-8,636,496	-7,635,113	-9,622,674	-12,052,555	-10,000,625
Trade Bal. Surpl.: EU ²	-2,850,584	n/a	-2,556,685	-3,678,919	-3,325,470
% of Exp.: EU ³	9.4	n/a	16.3	25.2	11.3
% of Imp.: EU ⁴	31.1	32.3	25.8	30.2	27.2

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- 1: Trade-balance surplus with the world in current U.S. Dollars, calculated as exports minus imports.
- 2: Trade-balance surplus with the European Union in current U.S. Dollars, calculated as exports minus imports.
- 3: Exports to the European Union as a percentage of exports to the world.
- 4: Imports from the European Union as a percentage of imports from the world.

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