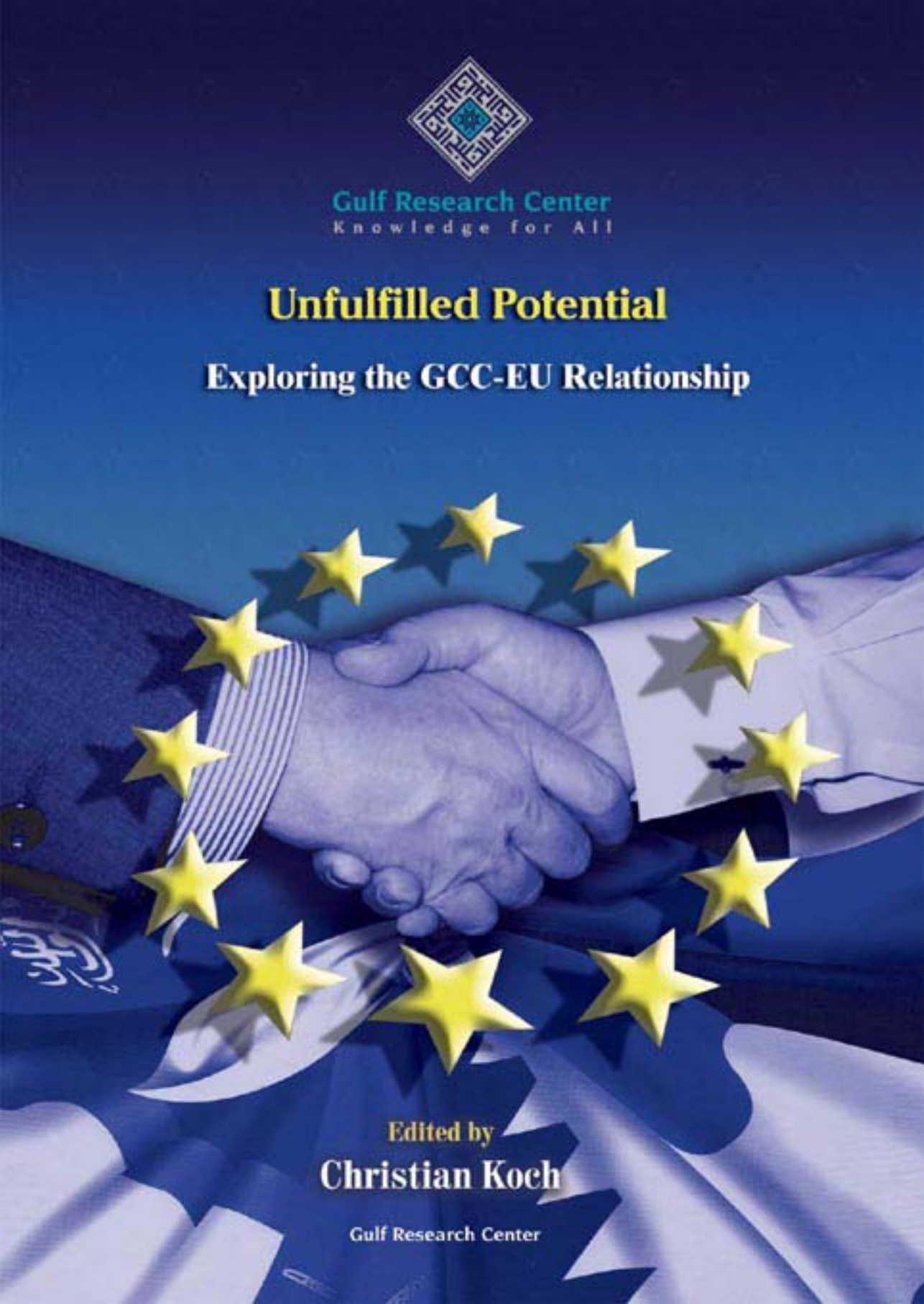
Gulf Research Center
Knowledge for All
Unfulfilled Potential
Exploring the GCC-EU Relationship
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By publishing this volume, the Gulf Research Center (GRC) seeks to contribute to the enrichment of the reader's knowledge out of the Center's strong conviction that knowledge is for all.

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Introduction

Christian Koch

The relationship between the Gulf Cooperation Council states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) and the now enlarged 25 member European Union is characterized by a strange dichotomy. On the one hand, the ties are strong and growing, specifically in terms of the trade relationship. Following the conclusion of the 1988 GCC-EU Cooperation Agreement, the EU has emerged as the largest commercial partner of the GCC with exports amounting to $27.9 billion and imports of $21.4 for 2002. The two-way trade accounted for almost 17% of the total GCC commercial exchange. This strength has also been somewhat translated into the political sphere, explained in part by the fact that EU member states have become increasingly aware of the overall direct strategic importance that the Gulf holds for Europe. In turn, attempts have been made in recent years to broaden the dialogue to include the wider strategic perspective. Issues of geographical proximity certainly play a role in this regard.

On the other hand however, the relationship has not developed as expected and there have been more obstacles and setbacks than overall advances. Geographical proximity has not brought about a free trade agreement (much sought after) where negotiations have been dragging on for over a decade without each side displaying the necessary will to bring such an agreement to fruition. All this despite the fact that the growing economic partnership would make such an agreement a natural expansion of the existing ties.

On the political level, the two sides appear to be talking different languages. They each used the same phrases and words, i.e. political reform, strategic partnership, dialogue between the Gulf and Europe but apparently have completely different perceptions of what each of these terms means in reality or how to translate them into practice. The European Initiative on Democracy and Human Rights is a prime example where the good intentions underlying a principled policy are being undermined by mutual suspicions and failure to truly communicate with one another. The bottom results are lingering misperceptions and an inherent inability to move the relationship to a higher qualitative level.

Thus, while GCC-EU relations are multi-faceted and multi-dimensional in character, the overall ineffectiveness and to some degree disappointment cannot be denied. Simply stated, up to this point the relationship has not progressed sufficiently for both sides to realize the full potential of inter-regional cooperation or to serve as the strategic rationale for mutually beneficial cooperation. In particular as far as development over the past years is concerned, the current status of GCC-EU relations stands in contrast to the historical, geopolitical and strategic considerations and interdependence that should lie at the heart of the relationship. In order to overcome this dichotomy, it is necessary to see political will re-activated, to re-energize a situation that has allowed ties to slide into a reactive instead of proactive state.

There are, no doubt, a number of factors that have impacted on the content and direction of GCC-EU relations. Certainly, the expansion of ties at the multilateral level have been complicated to a degree by the role played by the United States, both within the Gulf region and in the context of transatlantic relations. The EU is not about to replace the US as the pre-dominant force in terms of regional security in the coming years because it has neither the capacity nor the will to take on such a role. In terms of the factors and issues which determine Gulf security however, US policy is increasingly seen as problematic and there exists a sense of frustration on the European side about being able to counteract what they feel are faulty US approaches to begin with. The events related to Iraq since the US-led invasion in March 2003, as well the growing controversy over the Iranian nuclear programs, are just the two most recent examples where views between Europe and the US have been diverging. In conjunction, the realization has evolved, specifically in the aftermath of the events of 11 September 2001 that security issues are a topic of increased importance for the EU and that this field should not remain the exclusive domain of the United States. While recognition of the Gulf's relevance to the EU has been slow to materialize, there is an underlying sense that the Gulf today has to be seen as part and parcel of Europe's national security zone.

The Need to Upgrade Ties

Given these critical regional developments and the mutual importance with which the GCC states and the EU consider their relationship with one another and in view of the limited space that academic and scientific circles have allocated to the development of the GCC-EU relationship, the Gulf Research Center (GRC) organized a two day workshop in January 2004 entitled '*The EU Role in the Arabian Gulf*'. The main objective of the event was to shed some analytical light on Europe's role in the Gulf region in an attempt to understand the existing problem areas and to propose alternative strategies to move the relationship forward.

There were a number of concrete questions posed to participants at the outset that were seen as critical in terms of paving the way;

- Is there a single vision or a plurality of visions for a European role in the Arabian Gulf region?
- What factors determine, delimit and drive that role?
- How can intra-European divisions regarding the war on Iraq be understood and explained?
- How does the deterioration in transatlantic relations impact on Europe's role in the Gulf or will such rifts ultimately be overcome when it comes to a common strategic understanding about the Gulf?
- Would Washington allow a more independent European role in the region, including in security-related matters, where the onus of military security would necessarily remain with the United States?

Some of these questions are alluded to in the papers provided in this volume. Through the workshop deliberations, a tentative consensus emerged that, despite the fact overall progress has been slow, there is a growing awareness and agreement that the relationship between the Gulf States and the EU requires a new framework if it wishes to adopt a strategy promoting a robust and proactive course of action. Professor Werner Weidenfeld of the Center for Applied Policy Research, in a lecture delivered at the Gulf Research Center on 1 March 2004, stated clearly that;

> 'It is time to give a new impetus to GCC-EU relations, particularly in the sphere of a political and security dialogue, law, good governance and economic cooperation.'

Such a statement does not exist in a vacuum. Events over the past two decades, beginning with the 1979 Iranian revolution and culminating at this stage with the US-led invasion of Iraq in March 2003 have underlined emphatically the strategic significance of the Gulf to the European continent. These events have made it clear that the importance of the Gulf reaches far beyond the key role played by oil and its importance to the economic prosperity of the West. More recently the steady expansion EU to 25 members to the east and south has resulted in a heightened concern from European policymakers on the need for comprehensive security in the Gulf and reignited the discussion about the potential greater role for Europe in the Gulf region, outside its traditional business concentration. EU-Gulf relations are therefore at a crossroads where the minimalist approach to damage control is no longer sufficient to achieve fundamental and mutual long-term strategic goals.

In terms of what such a new impetus might mean in practice, there are numerous areas that may be highlighted including the areas of an expanded political and strategic dialogue, regional cooperation, the development of a sustainable economic partnership as well as collaboration in the areas of energy, the environment, cultural relations, budget and finance. In that context, the workshop identified a step-by-step process by which relations may be elevated to a more productive and cooperative level. First, both sides need to draw up separate agendas outlining respective interests, priorities and expectations. Second and based on such an agenda, both sides need to meet in order to debate and identify a mutually-acceptable working program. Third, in line with the strategy for action agreed upon, common mechanisms need to be established that will allow the common interests identified to become a reality.

The framework itself should be based on key parameters including;

- a political and strategic dialogue
- an agenda on political reforms in the Gulf region
- the establishment of a broad-based dialogue on energy and environmental issues
- the further development of the economic partnership, as well as cooperation, on items of social concerns, Iran, and budgetary and funding measures.

The fact that the number of identifiable issues was relatively easy to agree points not only to the multiplicity inherent in GCC-EU relations but also raises the hope that a common consensus and a more productive working relationship can in fact emerge and be developed.

In all of the above areas, the workshop produced some concrete recommendations. On the strategic level, it was agreed that the US, EU and Russia should jointly promote the idea of a Gulf Regional Framework for Cooperation between the GCC states, Iran, Iran and Yemen as this is seen as the only viable mechanism to ensure peace and stability in the region. Military assistance and the sale of weapons into the region should be made contingent on achieving such cooperation. Similarly, an effort should be made to develop political common ground for making the region free of weapons of mass destruction. Any Gulf state crossing the nuclear threshold would not only drive the region into another debilitating arms race but would threaten the stability of the world as a whole. The Gulf Research Center has long advocated such a step but there is an urgent need to promote the idea with sufficient and concrete political support.

With the Iraq crisis hanging over the region as a looming shadow of instability, it was also agreed that greater GCC-EU coordination would help break

the current cycle of violence and lay the groundwork for a more stable Iraq. The workshop took place prior to the transfer of power by the US provisional authority to the Iraqi interim government. In addition to calling for such a step however, participants also warned that the responsibility of the transition should be given to the United Nations to avoid the impression that the process as such was being manipulated by the occupation forces. Unfortunately, the US retains its central role within the political development of the country and as such the violence has tended to increase rather than abate. Under such circumstances, it has been difficult for the EU and the Gulf states to promote a more engaged role that would lead to tangible improvements for Iraqi society instead of merely being money consumed by the need for security. It became clear nevertheless that Iraq's need is immense and therefore the EU and the GCC have a central role to play. Among the contributions by the EU and GCC to Iraq deemed essential were;

- increasing commitments for financial/technical support to the reconstruction effort
- offers in terms of the rescheduling of Iraqi debt and reparation payments
- haring of experience in designing and building new political institutions
- providing fieldwork in democratization, human rights, civil conflict management
- support for a reform of the educational system
- advocating the opening of the Iraqi oil sector for international investment
- advising Iraq on issues of managing transitional justice.

Most importantly, it was agreed that Iraq should be integrated progressively into a Gulf regional security framework. Such a step would alleviate Iraq's perception that Iran poses a threat in addition to checking future attempts at imposing regional dominance.

While the issue of political reforms is considered one of the most delicate items on the GCC-EU calendar, there nevertheless emerged a consensus that this topic need to be made a central part of the overall Gulf-Europe discussions. Most directly, the EU can help extend their historical experience to the Gulf States in order to foment a course of political development that is seen increasingly as both inevitable and desirable by the different sections of the Gulf elite. It was seen as important that any dialogue on political liberalization and the opening of the process for greater participation not be seen as an insistence by the European states that certain steps towards reform have to be implemented. Rather, the discussions should focus on promoting an internal consensus within the Gulf societies about the political reform path to be pursued, supported by practical

guidelines from EU states on how to achieve such a consensus. Thus, for example, the EU experience in electoral design and implementation, constitutional reform and regional integration is seen as an area that would definitely be considered useful in the current Gulf discussions. Similarly, EU assistance in developing the GCC Consultative Shura Councils into full-fledged elected assemblies or its support for reform in the legal and law enforcement systems would prove equally beneficial. The key here, once again, is to find common ground between the two sides in order to collaborate on respective reform proposals and encourage closer relations, increase cultural affinity and begin to reduce the persisting sense of mutual distrust. As such, the inclusion of some GCC initiatives into the portfolio of the European Initiative for Democracy and Human Rights is seen as a worthwhile component for consideration.

All this does not preclude the need for deepening and developing the economic partnership between the two sides. The signing of the free trade agreement, without delay and further procrastination, is essential in this regard. In addition to sending a strong political message, the FTA will also have a broader impact in terms of the integration of the GCC into the globalized world economy as well as facilitating the entry of Saudi Arabia into the World Trade Organization. Furthermore, the Gulf region may once again utilize the European experience in a number of economic areas including; the enforcement of patent law and intellectual property rights, customs union and common markets and technical advice in such areas as standards, corporate governance, banking regulations, rating and surveillance, and central banking. This last issue is of particular importance as the GCC states have embarked on a project to establish a common currency by the year 2010, based on the Euro model.

Economic issues must also be extended to include a substantive dialogue on issues related to energy security and environmental protection. In addition to the natural areas of issue addressing oil price levels, stability of oil supply and ensuring physical security by establishing guidelines for investment, production levels, stockpiling, liquidation and transportation, discussions should also focus on the development of the gas sector and the connection of the GCC gas supply lines to the European power grid. In all these instances, vertical integration measures and joint venture projects should be encouraged. One area that will provide a natural focal point for the EU states is the linkage to be made between energy and the environment. The GCC states may make considerable progress by cooperating with European partners in order to help promote the protection of the global environment (as laid out in the Kyoto Protocol) in preventing waterways like the Gulf from becoming ecological disaster areas. One proposal would be for European taxation on oil products to be used to support environmentally-friendly joint ventures.

Other areas that were mentioned in the discussion include increased cooperation on a host of social issues as a means to counteract the challenges

posed by the current climate of terrorism, anti-Western and anti-Islamic feelings. There is a definite need to promote the understanding between the two cultures and civilizations and to promote the relationship between centers of learning and studies on both sides. Beyond the cultural context, specific programs in human resource management, the empowerment of women and healthcare training might be pursued. All the above programs may be supported by allocating a specific budget for the development of the partnership program to be jointly funded by both the European Commission and the GCC Secretariat-General. Due to the fact that the latter lacks financial independence, such funding would prove essential in establishing the GCC on a firmer and more solid basis from which to promote and pursue common projects.

In the end, both the GCC and the EU should view the relationship with one another as one of special importance based on common interests and where it is possible to engage in compromise to resolve conflictual issues. The key to achieving these aspirations lies ultimately in the political will of both sides to bridge the chasm that has led their mutual ties to stretch and distort from being proactive to reactive, rather than the other way around.

The contributions that follow this introduction all represent important aspects of the overall debate. They were instrumental in guiding the discussions that took place and in identifying some of the key issues that play a role in the GCC-EU relationship as it stands at present. While they represent a significant part of the overall framework, they can also be considered as separate articles in their own right. Most importantly, they reflect the view from both the Gulf and the European perspective. If the interested individual therefore finds himself to be stimulated and informed after reading them then the purpose of the workshop and this book will have been achieved.

Chapter One

EU-GCC Relations in the Framework of the Euro-Arab Dialogue 1970-1991

Bogdan Szajkowski

The backdrop to the tangled relations between the European Economic Community/European Union, the countries of the Mediterranean littoral and the Gulf Cooperation Council form a chain of unsuccessful and successive initiatives from the part of the Europeans in respect of the Arab world. This forty year old process has been termed the Euro-Arab Dialogue.[1]

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

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

In essence the Arab-Israeli War of 1973 and the oil embargo that followed brought about the realization, on both sides, of the necessity to become engaged in a diplomatic quest for solutions to their mutual concerns. The initiative to form a European platform to the Middle East came from France, based on its successful contacts and negotiations with Libya after the outbreak of the Arab-Israeli War. A common European platform *vis-à-vis* the Arab states emerged after the publication of the Shuman Report in May 1973. The report suggested that there was a need for an overall Israeli withdrawal from the Occupied Territories. It advocated the internationalization of Jerusalem, and recommended that Arab refugees should be given the choice of either returning to their home or being compensated.

On November 6, 1973, the member states of the EEC adopted for the first time a Common Declaration on the Middle East. This declaration was significant for a number of reasons for it called for; the withdrawal by Israel from all the occupied territories; the preservation of the security and territorial integrity of all states within the region through the creation of demilitarized zones and the deployment of United Nations' forces; the internalization of Jerusalem and a solution of 'the legitimate rights of the Palestinian people' through repatriation in stages or compensation under the supervision of an international commission.[2]

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

The issue of the Community's relations with the Arab states subsequently became one of the main areas of interest for France and Germany. President Georges Pompidou of France and Chancellor Willy Brandt of West Germany in November 1973 "reaffirmed European intentions to engage in a dialogue with the Arabs."[4] President Pompidou called for a Community summit to discuss the

2- Hans Maull, 'The Strategy of Avoidance: Europe's Middle East policies after the October War,' in J. C. Hurewitz, ed., *Oil, the Arab-Israel Dispute and the Industrial World* (Boulder, CO: Westview Press, 1976), 118.
3- Ibid.
4- Saleh Al-Mani, *The Euro-Arab Dialogue*, op. cit., 48.

Middle East crisis. The EEC Copenhagen Summit that followed (December 15, 1973) was also attended by the foreign ministers of the United Arab Emirates, Algeria, Tunisia, and the Sudan. The gathering, which facilitated the initial exchange of views between the two sides, "laid the foundations for a process of multilateral negotiations between the League of the Arab States and the member states of the EEC."[5]

It is worth recalling that while the Copenhagen Summit was significant in terms of initiating the first structured contacts between the two protagonists, its conclusions amounted to a general statement of interest but did not contain specific proposals for any future Euro-Arab Dialogue. The summit did however amount to the attestation of EEC autonomy *vis-à-vis* the established policy of the US in the Middle East for the first time, indicating separate European interests in the region. Significantly, the EEC member states committed themselves "to assist in search for peace and the guaranteeing of a settlement."[6]

In the following two months, France lobbied hard with other member states of the Communities and succeeded in convincing them to adopt a significantly independent approach towards the Arab world from that of the United States. On March 4, 1974, a communiqué, adopted by the EEC Council of Ministers, proposed the opening of contacts and dialogue with the Arab states. The aim of the dialogue was to initiate Euro-Arab cooperation in economic, technical, and cultural areas. Walter Scheel, at that time West German Foreign Minister and President of the EEC Council of Ministers, issued a six-point proposal, which called for "political cooperation of the Nine and the European Economic Council" in an effort to effect periodic meetings of experts. The proposal suggested a possible meeting of the two groups at the foreign ministerial level.[7]

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

The first meeting of the Euro-Arab Dialogue took place in June 1974 at the headquarters of the League of Arab States in Cairo. It was followed by a meeting in Paris on July 31, 1974, where a number of organizational issues were settled. A subsequent meeting of experts in Cairo on October 20, 1974 discussed the details of the forthcoming meeting of the General Committee, expected to be held in

5- Ibid.
6- Bulletin of the European Communities, 6/3 (1913), 10.
7- Saleh Al-Mani, *The Euro-Arab Dialogue*, op. cit., 48.

Paris on October 26, 1974. That meeting however never took place. Instead, two further meetings were held in 1975, one in Rome and another in Abu Dhabi. The latter decided to form a working group to deal with the questions relating to financial and investment institutions. The long awaited meeting of the General Committee of the EAD did not take place until May 1976 in Luxembourg. Contrary to previously agreed procedure, it was not held by foreign ministers but only by ambassadors.[8]

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

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

Meetings at the political level, attended by ambassadors, brought little substance as the ambassadors were only restating their foreign ministers' statements or the declarations of summit meetings. Such meetings were therefore no more than social gatherings and no critical discussions were undertaken. The reason behind this may be the absence of sufficient authority dealing with the political dimension and the character of the dialogue itself.[10]

All in all, the Euro-Arab Dialogue proved only a relatively important device for EC-Arab relations primarily because both sides appear to have been interested in achieving different objectives. The member states of the Communities were principally concerned with trade and economic issues and played down the

8- Ibid, 3-4.
9- Ibid, 4.
10- Ibid., 35.

political content of the dialogue. In essence, they wished to invest in industrial and agricultural development in the Arab world in exchange for an uninterrupted delivery of oil at reasonable prices.[11]

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

The other important aspect that contributed directly and unquestionably to the demise of the Euro-Arab Dialogue was the fact that, during the late 1970s and the1980s, the EEC embarked on the construction of alternative designs and strategies; first, the Global Mediterranean Policy which overshadowed the Dialogue until the mid-1980s and later (following the Barcelona Conference of 1985), the Euro-Mediterranean Partnership.

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

> …given the states involved and the unique conditions for regional cooperation, the apparently random and almost absentminded manner in which the community's policy toward the Mediterranean evolved is

11- Bichara Khader, "The Euro-Arab Dialogue (l972-1992): Twenty Years of Multilateral Diplomacy", *Journal of Arab Affairs* 12, no. 1 (1993), 27.
12- Saleh Al-Mani, *The Euro-Arab Dialogue*, op. cit., 35.
13- Ibid., 5.

> most striking. Indeed, the importance of these problems was almost matched by the incoherence of the policies.[14]

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

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

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

Jüremann argues "that the Barcelona concept aims at a careful westernization of the Mediterranean, gradually converting it into an area of economic and political influence."[15] The stalled Middle East peace process has however raised fundamental questions about the practicality of a partnership agreement that includes Israel, the Palestinian National Authority, Syria and Lebanon.[16] Europe's south and south-eastern regions were now to include the countries of the Gulf

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

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

16- *Middle East Economic Digest* 41, no. 27 (July 4, 1997): 24-27.

Cooperation Council (GCC) for whom new trade arrangements were proposed but never finalized.[17]

The EU and the GCC: 1979-1988

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

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

The Council of Ministers approved the German proposal on February 5, 1980. The Council also agreed, in principle, to hold negotiations with the countries concerned in order to conclude cooperation agreements.[20] Accordingly, the

17- Eberhard Rein, 'Agreement with Gulf Cooperation Council: Promising if Difficult Beginning,' in G. Edwards and E. Regelsberger , eds., *op. cit*., 112.
18- Jawad, H. A. *The EEC-Gulf Dialogue: Contemporary Strategic Issues in the Arab Gulf*, December 1989.
19- Wieczorek, Z., "Report Drawn up on Behalf of the Committee on External Economic Relations on Trade Relations between the EEC and the Gulf State," Working Documents (1980-1981), European Parliament, Luxembourg, August 14, 1981, Second Edition.
20- Jawad, *op. cit*., 7

Council directed the European Commission (EC) to make the necessary preparations for sounding out the seven countries as to the possibilities of following up the Community initiative.[21] As a result, technical envoys from the EC were sent to the region to identify the interest of each Gulf Arab State. One such group visited Oman in June 1980 and others were scheduled for the autumn of 1980. The former mission confirmed that Oman was, to some extent, in favor of the Community initiative.[22] Nonetheless, the EC initiative to establish close economic cooperation with the Arab Gulf States did not go any further as it was blocked by the European Council of Ministers and in September 1990 the European Council decided to suspend the work, believing that any move towards cooperation with the Arab Gulf States was premature and inopportune. The reason given at that time by the European Council for the suspension was the Iraqi occupation of Kuwait.[23]

Moreover, the initial reaction from both sides towards the proposal was generally passive. EC member states like France had been reluctant about accepting the initiative to begin with, arguing that, in view of the existence of the European-Arab dialogues, moribund though they might be, there would be no justification for such a proposal.[24], The French government argued furthermore that the initiative might be viewed as an attempt by the EC to divide the Arab countries. These reservations could also be viewed within the context of the tendency of some EC member states to adopt purely national policies regarding their oil supplies.[25]

With regard to the Arab nations, the United Arab Emirates, Bahrain, and Oman were positive in their response to the Community initiative. Iraq, Kuwait, and Saudi Arabia, on the other hand, expressed their doubts and reservations. These initial reactions were substantiated at a meeting held in Brussels on June 4, 1980, between the rapporteur of the European Parliament's Committee on External Economic Relations and representatives of the Arab countries concerned.[26] During the talks, the representatives of those Arab Gulf countries voicing reservations about closer economic cooperation justified their stance by arguing that the Community initiative towards the Gulf States was a short-term offer

> made only because of the EEC countries' present uncertainty about their oil supplies and one which totally disregarded the other aspects of co-

21- Office for Official Publications of the European Communities, 1981.
22- Office for Official Publications of the European Communities, 1982.
23- Cova, C., *The Arab Policy of the EEC* (Brussels: Bureau d'Information Europeen, 1983).
24- Jawad, *op. cit.*, 7.
25- Cova, *op. cit.*, 108.
26- Jawad, *op. cit.*, 8.

> operation hence this co-operation would be forgotten as soon as the oil question had been resolved with some degree of certainty.[27]

The representative highlighted the significance their governments attached to achieving closer cooperation with the Community. They asserted however that the European Community should adopt a clear position in the Middle East, as the economic issues could not be separated from political matters. This was clearly indicated by the Iraqi representative, stating, during the talks, that "it was ridiculous to try to disregard the political problems which had already blocked Euro-Arab dialogue in a direct EEC-Gulf states dialogue."[28] The Iraqi representative also stressed that if negotiations between the EEC and the Arab Gulf States took place, the same problems would re-surface. Making separate arrangements would therefore bring the EC no political advantage. The representative argued that the Arab states would prefer to develop their own relations with the European Community through the Euro-Arab dialogue and that they did not want to be deflected from the solidarity being achieved in this dialogue.[29]

The Gulf Cooperation Council (GCC) was officially established in 1981 comprising the six Gulf States of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. The Secretary-General of the GCC stated in a press conference in May 1981 that the GCC had an important role to play in the world but that it was not exclusively a political body[30] and that priority would be given to economic affairs.[31]

The European Community welcomed the foundation of the Gulf Cooperation Council. The Ministers for Foreign Affairs discussed the relations between the EC and the GCC at the meeting in September 1981 and decided to initiate informal preliminary contacts with the GCC Secretariat to examine the scope of the proposed cooperation with the GCC.[32] Meanwhile, informal contacts between the GCC and the Commission's departments resulted in a visit by GCC Secretary-General Abdullah Bishara to the European Commission in June 1982.[33] The Bulletin of the European Communities described the visit as a step to acquaint the Secretary-General with the aims, functions and structure of the European

27- Wieczorek, *op. cit.*, 8.
28- Ibid.
29- Ibid.
30- Jawad, *op. cit*, 8.
31- R. K. Ramazani, *The Gulf Co-operation Council: Record and Analysis* (Richmond: University Press of Virginia. 1988).
32- Office for Official Publications of the European Communities, 1982, 167.
33- Office for Official Publications of the European Communities, 1983.

Communities with a view to his institution benefiting from the Community experience.[34]

The talks conducted with Community representatives resulted in a decision to pursue expanded contracts on the technical level to "identify specific subjects on which concrete co-operation could be developed, including the dispatch of personnel for training."[35] Representatives from the EC then visited Saudi Arabia, at the invitation of the GCC, between the March 20-22, 1983 with the principle goal of finding out "more about the objectives and the functioning of the Gulf Co-operation Council." During those talks the two sides agreed to "inaugurate a technical co-operation program in the areas of statistics, customs, information and energy."[36]

The visit between the March 29 and 31, 1984 by the Assistant Secretary General for Economic Affairs of the GCC resulted in an agreement "on a continued and expanded program of technical cooperation between the GCC Secretariat and the European Commission."[37] In early November 1984, informal contacts between the two sides in Bahrain aimed to explore the possibility of beginning preparations for a formal cooperation agreement between the EC and the GCC. Further exploratory meetings were also scheduled at the beginning of 1985.[38] After these talks a joint communiqué was published in which both sides indicated that they "agreed that it was in their mutual interest to aim to finalize a comprehensive, mutually beneficial, all embracing agreement to foster the broadest possible commercial and economic co-operation between the GCC and the European Community."[39]

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

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

34- Bulletin of the European Communities. 1982. No. 6.
35- Ibid.
36- Bulletin of the European Communities, 1983, 65.
37- Bulletin of the European Communities, 1984, 55.
38- Office for Official Publications of the European Communities, 1985, 174.
39- Commission of the European Communities, 1985, 3.
40- Jawad, *op. cit*, 9.

Nonetheless, the issue of access for GCC exports to the Community market was one of the subjects that proved to be a major source of friction between the two sides. The GCC states demanded preferential treatment for their industrial products, particularly for petrochemicals.[41] According to Jawad;

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

The disagreement over this issue lay mainly in the terms of entry granted by the Community for GCC petrochemicals. In order to protect its own petrochemical industry, the EC insisted on imposing tariffs on the Gulf countries petrochemical products once the duty-free ceiling under the Community's Generalized Scheme of Preferences was exceeded.[43] The tariffs imposed by the EC, however, angered the petrochemical producers in the GCC countries who viewed such action as a direct threat to their infant petrochemical industry.[44] Rodney Wilson reported Ibrahim Salamah, the Chairman and Managing Director of the Saudi Arabian Basic Industries Corporation (SABIC), as saying "when some developed nations meet our entry into the petrochemical markets with calls for protectionism, we can only warn that this is a threat, as much to the world economic system as a whole, as to Saudi Arabia."[45]

As a consequence, the GCC countries rejected the EC's protectionist measures. They demanded that their industrial products, especially petrochemical products, should enter the Community market, if not for free, then at a reduced-duty rate which is applied to most dutiable goods imported to the Gulf.[46] The GCC countries justified this demand by arguing that EEC exports entered the GCC countries with either no duty or at very low customs duties (between 4 and 7 %). Jawad maintains that "in 1984, most Community sales to the GCC countries, which were worth 22,759 million ECDs, entered the region duty free. Hence, the GCC governments expected comparable treatment from their European trade partner."[47] To this effect, the Kuwaiti Foreign Minister, Shaikh Sabah al-Ahmad Al-Jaber announced that "we expect that our industries would find free access to

41- Ibid, 9-10.
42- Ibid.
43- Ibid , 10.
44- Ibid.
45- Rodney Wilson, *Euro-Arab Trade: Prospects to the 1990s* (London: EIU Publications, 1988).
46- Jawad, *op. cit*, 10.
47- Ibid.

the community markets in the same manner in which European industries flow into our markets."[48]

The GCC countries also emphasized that the petrochemical products exported by the GCC states abroad were feedstock for final petrochemicals, which were in turn exported back from the EC to the GCC countries. Furthermore, the most-favored nation clause accorded by UNCTAD to the less developed countries meant that the industrial exports of the less developed countries should find outlets in the markets of more developed countries. This must be undertaken without the less developed countries being under any obligation to provide similar concessions on imports from the industrial countries. The GCC governments stressed that in the case of the GCC and the EC the situation was the opposite. Finally, it was asserted that failing to reach agreement on this subject might lead the GCC states to consider imposing similar customs duties on imports from the EC.[49]

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

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

The low cost of raw materials in the GCC states gave those states an *'unfair'* advantage over the producers of petrochemicals in the EC, who already had excess capacity. According to the EC, the competitive position of the GCC petrochemical producers, Saudi Arabia in particular, would allow those countries to compete with other products within the Community market, even after the imposition of the customs duties. The Community maintained that the GCC sale price and that of Saudi in particular, was unbeatable even after paying the tariff duties.

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

48- *Telex Mediterranean.* 1985a. October 22nd.
49- Wilson, *op. cit*, 89-90.
50- Jawad, *op. cit*, 10.

producers to Europe. According to Wilson, the situation due to the last point can be further accentuated

> by the loss of the European producers' market in the Middle East and Africa for these products, as a result of the competition from new producers. This might cause closure of European factories, aggravating the unemployment situation in the EEC countries.[51]

Instigated by the Netherlands, the EC imposed its first 13.5% tariff on Saudi Arabian exports of methanol to the Community Market in June 1984. According to Wilson, Saudi Arabia's capacity of methanol amounted to 1,250,000 tons per year.[52] The reason for such protectionist measures was that Saudi Arabia had exceeded the ceiling limit pertaining to its exports of methanol to the Community. The GCC states responded to the above measure with anger. The Saudi Minister of Industry and Electricity described the measure as "unjustifiable" stressing that "whilst we have always called for free trade, it is the very people who preached these ideas who started to put obstacles in front of us."[53]

The Community imposed a further tariff of 13.4-14% on imports of Saudi Arabian polyethylene in August 1985. Saudi Arabia rejected the Community's justification that the Kingdom's exports of linear low-density polyethylene had reached 15% of total community consumption.[54]

The Community's protectionist measures did not help the ongoing exploratory talks on EEC-GCC co-operation. Rather, they poisoned the negotiations between the two sides, making it impossible for them to reach an agreement on the terms of the economic cooperation pact.[55] To break the impasse of the negotiations, the Community decided to launch a maneuver aimed at soothing the discontent of the GCC states. On September 1, 1985, Hans-Dietrich Genscher, the West German Foreign Minister, visited Kuwait, holding talks with the Emir, the Crown Prince and the Foreign Minister, as well as holding a meeting with Abdullah Bishara, the GCC Secretary-General. Before leaving Kuwait, Genscher indicated that talks needed a "political push," and described the EEC and GCC as "two regional organizations sharing close interests complementary to each other."[56]

Claude Cheysson, a member of the Commission with special responsibility for North-South relations, subsequently visited Saudi Arabia on September 8-9, 1985, holding discussions with the Minister for Foreign Affairs, Minister for

51- Wilson, *op. cit*, 89-90.
52- Ibid. Also, Jawad, *op. cit*,, Table 12, 31.
53- The Arab-British Chamber of Commerce, *op.cit*., 11.
54- Jawad, *op. cit.*, 11-12.
55- Ibid., 12.
56- *Telex Mediterranean*. 1985b.

Industry and Electricity and the Secretary-General of the GCC. His talks focused on the development of cooperation between the two sides and the possibility of holding a joint EEC/GCC ministerial meeting to give political impetus to the negotiations. Following that visit, the way was opened for holding a joint ministerial meeting between the two groups.[57]

A ministerial meeting was held between the two sides in Luxembourg on October 14, 1985. In the joint communiqué, issued at the end of the meeting, the Community representatives welcomed the rapid development of the Gulf Cooperation Council as a regional organization aimed at achieving coordination and integration between its member states in all fields. The GCC representatives also acknowledged the significant role of the European Community as a factor of economic and political stability and as an element of balance in international relations and welcomed "the outward looking character of this integration as exemplified by the determination of the Community to cooperate with regional organizations and particularly with the GCC."[58]

Both sides emphasized the economic and political importance they attached to the future development of their relations and their common will to deepen and strengthen this relationship. They also indicated their satisfaction with the improvement of their economic relations and their determination to deepen and substantiate these economic relations in the future.[59] The Bulletin of the European Communities stated that both sides declared that the discussions should move to a more vital stage "with a view to the conclusion of a comprehensive, mutually beneficial agreement to foster the broadest possible commercial and economic co-operation between the two sides."[60] The joint communiqué also stated that the agreement should cover various aspects of future development, including energy, transfer of technology and training.[61] Nonetheless, in spite of the exchange of platitudes, the Luxembourg meeting did not succeed in resolving the thorny trade dispute between the two sides, particularly the petrochemical issue, as little discussion took place relating to this issue during the meeting.

High-level talks continued in Paris following the ministerial meeting although little progress was reported. Claude Cheysson then visited the United Arab Emirates from March 3-4, 1986 and held talks with the Minister for Foreign Affairs and the Minister for Petroleum and Mineral Resources. Cheysson also went to Kuwait from March 5-6, 1986 where he met with the acting Prime Minister and Minister for Foreign Affairs, the Minister for Oil and Industry, the

57- Bulletin of the European Communities, 1985a, 62-63.
58- Jawad, *op. cit.*, 13.
59- The Commission of the European Communities, *op. cit.*
60- Bulletin of the European Communities, 1985b, 64.
61- Ibid.

Speaker of the National Assembly and the General-Secretary of OPEC as well as other senior officials from the region.

The high-level talks between the two sides revealed that there were still antagonistic views regarding a solution in terms of access for Gulf petrochemical products entering the Community market. In 1986, for example, the Community re-imposed tariffs on nine petrochemical products originating in the Gulf countries once the low Community ceilings had been reached.[62] The GCC states believed that the only solution to the trade problem with the Community was by reaching a free-trade cooperation agreement.[63] While the EC preferred an ASEAN type of cooperation agreement, based on the most favored nation clause, the GCC states insisted that they should be treated on equal terms with other states in the region, for example, Israel and the Mediterranean Arab countries. The Community declined to offer the GCC states that status but insisted on the ASEAN-style agreement.[64]

Overall, it appeared difficult to convince the Community member states of the advisability of such a free trade agreement with the GCC states. Some Community member states raised their concerns regarding possible US reactions should an agreement be reached with the GCC states. This was true, although the EC had assurances from the USA confirming that it would have no objections if the agreement were in accordance with GATT.[65]

A tendency towards a free trade agreement with the GCC states emerged within the European Parliament, when, in December 1986, the Parliament's Committee on External Economic Relations adopted a report on EEC-GCC economic and trade relations. The report recommended a free trade agreement as an option, and suggested a number of areas for cooperation, including; the transfer of technology, energy, science and technology, vocational training, after-sales' service and maintenance, agriculture and agro-industry, control of refuse and waste water, plants for desalination and the conveyance of sea water, urban public services and the transport infrastructure, assistance programs for the less developed countries and tourism.

The report also suggested that the oil supply for the EEC should be guaranteed through direct agreements between the EEC and the GCC on behalf of the oil producing countries and that the Euro should be used as a reference currency for price fixing and as a means of payment for commercial oil transactions between the Community and the GCC states.[66] Nonetheless, the

62- *Telex Mediterranean*. 1986a.
63- *Telex Mediterranean*. 1986b.
64- Jawad, *op. cit*., 14.
65- Wilson, *op. cit*., 96-97.
66- Jawad, *op. cit.*, 15.

report failed to win the Community's consent. It was criticized by the European Commission, stressing that it lacked the precise definition as to what shape an EEC-GCC trade agreement should take.[67]

A second ministerial meeting, held at the request of the GCC states in Brussels on June 23, 1987 had as its aim to accelerate negotiations between the two sides and to provide a further political impetus to work on the projected co-operation agreement.[68] In this meeting, the GCC states renewed their demand for the type of agreement the Community had formed with certain Mediterranean countries. While the Community promised to take note of the Gulf States' request, their response was once again negative.

The EC sent the European Council of Ministers a draft decision on October 8, 1987 authorizing it to negotiate a cooperation agreement with the GCC states.[69] On November 23, 1987, the Council of Ministers approved directives authorizing the EC to start negotiations with the GCC states with a view to settling upon a cooperation agreement.[70] After a meeting in Brussels on December 7, 1987, the path was cleared for the conclusion of an agreement leading to the initialization by representatives from both sides on March 24, 1988. The agreement was intended to provide cooperation in the following fields; economic affairs, agriculture and fisheries, industry, energy, science, technology, investment, the environment and trade.[71]

The agreement was officially signed in Luxembourg on June 15, 1988 by Hans-Dietrich Genscher[72] and Claude Cheysson,[73] on behalf of the European Community, and Prince Saud al-Faisal bin Abdul Aziz,[74] and Adbullah Bishara[75] on behalf of the GCC states.[76] Following the signature, a joint political statement was issued in which both sides stated, *inter alia* "their determination to take

67- Wilson, *op. cit.*, 97.
68- Bulletin of the European Communities, 1987a, 87.
69- Bulletin of the European Communities, 1987b, 62.
70- Bulletin of the European Communities, 1987c, 71.
71- Bulletin of the European Communities, 1988a,, 93-94. Al-Khouri, *op.cit.*, 98.
72- Hans-Dietrich Genscher was at that time the Federal Minister for Foreign Affairs of the Federal Republic of Germany and President-in-Office of the Council of the European Communities.
73- As member of the Commission of the European Communities.
74- As Minister of Foreign Affairs of the Kingdom of Saudi Arabia and President-in-Office of the Ministerial Council of the Co-operation Council for the Arab States of the Gulf.
75- As Secretary-General of the GCC.
76- Bulletin of the European Communities, 1988b, 97.

necessary steps to ensure early entry of the co-operation agreement ... and to pursue with vigor its subsequent implementation."[77]

The Current State of EU-GCC relations

Since the conclusion of the cooperation agreement in June 1988, numerous ministerial meetings have been held with each meeting resulting in the issuance of a joint communiqué. The communiqué released at the end of the 10th Joint Council and Ministerial Meeting, held in Brussels on May 23, 2000, stated that the Council had listened to a report on the progress of the Arab Gulf and European agreement, stressing that the factors of commerce, investment and cooperation represented the major pillars for the support of economic relations between the two sides. It also recorded progress achieved in negotiations for setting up a free trade exchange zone according to the report of the Joint Cooperation Committee and agreed to begin negotiations on certain commodities. A senior Gulf Arab official, said however, on April 29, 2001 that the EU was 'not serious' about forging a long-stalled free trade pact with the GCC, adding that the EU "wants to keep restrictions on our exports, tax our products and be nice to European producers of petrochemicals."[78]

The GCC-EU 11th Joint Council and Ministerial Meeting, held in Manama, Bahrain on April 23, 2001 issued a joint communiqué in which "the Joint Council reaffirmed its view that Trade, Investment and Cooperation constituted the foundations on which to develop and improve EU-GCC economic relations."[79] With regard to Trade, the Joint Council welcomed the increase in trade between the two sides from 1999 and 2000, a total value of €51.5 billion in 2000, compared to €37 billion in 1999. The Joint Council noted however that, in spite of the increase in the value of trade and a decrease in the EU surplus, the trade balance remained considerably weighted in favor of the EU.[80]

As for the progress in the EC-GCC free trade negotiations, it was noted that negotiations had been ongoing for over ten years, without much progress. Yet, the Joint Council did stress that in the previous two years conditions for progress in the negotiations were falling into place,

> the GCC had presented its negotiating directives and lists of sensitive products and important decisions had been taken to establish the GCC Customs' Union that would enter into force not later than March 2005.

77- Ibid, 119.
78- *Reuters*, April 29, 2001.
79- Joint Communiqué, 2001.
80- Ibid.

> The structure of the GCC Customs Union's external tariff had also been transmitted to the Commission.[81]

Such steps have however, proven insufficient for the conclusion of a free trade agreement. While the GCC wants a full free trade agreement with no restriction on petrochemicals' access, this aspect creates misgivings on the part of the EU.

Three constraints that have influenced the progress of trade liberalization talks stand out: the costs of arriving at a common negotiating position often differ for different governments constituting an alliance; the interests of national bodies that can directly or indirectly affect various governments prospects of staying in power represent an important factor influencing the position of the sides involved in negotiations; and that there may be other policy goals that are incompatible with trade liberalization and enhanced cooperation. All these factors certainly apply to the relationship between the members of the GCC and the EU.[82]

Beyond the free trade agreement negotiations, the relationship between the two sides also began to focus more on political issues of common concern. Despite the fact that the 1988 cooperation agreement does not call for negotiation of common positions among the signatories, the forum provided by the sessions of the Joint Council has been used to discuss political issues of mutual concern and to arrive at common policy stances. In fact, political statements make up the bulk in the communications issued by the Joint Council after each session. For the most part, these concern politics in the Middle East. In recent years however political issues discussed included other areas such as; Afghanistan, Kosovo and the conflict between India and Pakistan The importance of the Biological and Toxic Weapons Convention and support for the Chemical Weapons Convention were also aired.[83] In fact, the sessions of the Joint Council provide a welcome opportunity for the representatives of both sides to exchange views on various political issues.

Economic cooperation has continued meanwhile and expanded to cover the areas of energy, environment, industry, standards, customs, human resources and investment. These areas are of varying importance to the EU and the GCC but they have yielded some successful projects such as the Marine Wildlife Sanctuary in Jubail and several industrial conferences.[84]

81- Ibid.

82- Ibid. While the petrochemical issue had been the major impediment, the fact that EU has pursued an environmental policy that is in glaring contradiction to the interests of the Gulf States has represented another key obstacle.

83- Saleh, N., "The European Union and the Gulf States: A Growing Partnership," *Middle East Policy* 7, no. 1 (1999): 3.

84- Ibid., 10.

Conclusions

Despite many fundamental changes in the international system, Europe continues to be at the centre of the quest for international stability. As Richard Gillespie has pointed out: "the cold war began in Europe and ended in Europe and in the process it produced the most sophisticated security structures in the world."

For many people from the Middle East and the Gulf region in particular, Europe's current ability to prosper and enjoy stability rests on deep foundations and human and political values.

> The most striking of these values is the balance of configuration and exercise of power between the individual and the communal group to which he or she belongs (family, tribe, religion, ethnic group) and the state. This balance was achieved at a heavy price, over many centuries but it is striking today in both its efficacy and universalism across the European continent. A second powerful asset for Europeans is the sensible balance they seemed to have achieved among the multiple identities, in particular, their local, regional, national and Euro-continental identities ... Europe is the place to which we should look for credible partners, sensible models and useful lessons in the business of nationhood, modernization, and civility in urban civilization.[85]

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

Meanwhile, the US-led invasion of Iraq has further complicated the issue of the Euro-Arab dialogue as it sharply divided the member states of the Union. Chris Patten, the EU Commissioner for External Relations voiced his criticism for what he called the 'disregard' for international law and the UN over Iraq. He argued that the United States and its allies have squandered their moral legitimacy and risk a world where might is confused with right. "Power and law are intimately connected but it is equally important that Americans should remember that if power is to be accepted willingly and if it is to endure, it needs to backed by legitimacy." Patten agreed that the lack of unity within the EU leaves Europe with a vital task to develop a more effective and integral foreign policy. "That is not so easy because the European Union is not a state. Nor do we aspire to become one." The critical task is to learn to sing in harmony, gradually.

85- Rami Khouri, "Europe, always enjoyable and instructive," http://msanews.mynet.netlScholars/Khouril

After Kosovo, Sierra Leone, Afghanistan and Iraq, invading a sovereign state is now common. Increasingly the objectives include regime change. In several of his speeches during 2003, President George Bush proclaimed his ambition of bringing democracy to the Arab countries. He described democratization as America's mission for decades to come. Americans believe that prosperous democracies will, over the decades, guarantee them reliable allies, security, and trading partners. Bush's critics fail to recognize that his foreign policy is in many respects as idealistic and visionary as Jimmy Carter's or the human rights agenda of Bill Clinton.

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

Chapter Two

The European Union Role in the Arabian Gulf: A Regional Perspective

Jamil Mirdad

As is to be expected, the relationship between the regions of the Arabian Gulf and Europe has undergone significant shifts over the historical period. Colonial Europe, for example, dominated the Gulf from a mainly geo-strategic necessity and this colonial past played a major role in shaping how the overall relationship between the two sides was conducted. During the 20th century Gulf-Europe ties were marked by a preference for bilateralism, due mainly to the Cold War and the European need for a steady supply of oil.

Today however, the relationship is subject to different forces that have each created their own requirements in terms of the dynamics now guiding the overall relationship. While still important, geo-strategic interests no longer predominate. As a consequence of international development and global interdependence, political economy has assumed a national security dimension that is as influential in determining economic and trade relations as economic factors. The events of September 11th have expanded the relationship to include the phenomenon of terrorism in all its forms. This ranges from preemptive strikes against potential threats to the menace of weapons of mass destruction and the unilateral dominance of the United States in both Middle Eastern and international politics. In that context, Sept. 11th has brought about a new strategic era comparable to the impact of the fall of the Berlin Wall that signaled the end of the Cold War.

Common Interests … Basic Differences

Despite the fact that the European Union (EU) and the Gulf Cooperation Council (GCC) remain committed to a stronger relationship and deeper cooperation,

progress has been slow and current EU-GCC relations have not advanced towards a more institutionalized process.

Factors that might concretely impel both parties to give a stronger impetus to mutual cooperation are indeed manifold. Available economic data reveal that the volume of trade in goods and commodities between the EU and the GCC states stands at around 26 to 30% of the total volume of external trade undertaken by the GCC states. Furthermore, the Gulf markets are the largest and most important market for Europe in the Middle East region.

The EU, for its part, is the third largest destination for Gulf exports, after Japan and the countries of South East Asia. Oil and refined petroleum by-products constitute approximately 90% of overall GCC exports to the EU. In 2001, EU exports to GCC countries were double those of the imports, amounting to 29 billion euros.

The EU is also the second most important source of foreign investment in the GCC after the US. EU investments in the GCC states are the most diversified. They are spread through a number of industrial sectors, in contrast to US investment that is concentrated mostly in the petrochemicals sector. The EU is the second largest recipient of GCC overseas investment after the US.

Meanwhile, there is a common belief in both the EU and the GCC that the enlargement of the EU will continue and eventually increase the potential political and economic power of the EU in the region while at the same time providing for greater contact and cooperation with GCC states. This will, in turn, promote the integration process within the GCC, in particular as far as economic integration is concerned, a process from which the EU will ultimately benefit considerably.

Yet despite these economically developed ties and as mentioned at the outset, GCC-EU relations have failed to move towards a more institutionalized process. This situation may be attributed to a number of factors;

- **The Preference for Bilateralism**

Relations between the EU and the GCC states have been characterized by a preference for the bilateral instead of the multilateral approach. This is particularly the case as far as the UK and France are concerned, due in large part to their historic relations with the Gulf region. The tendency to bilateralism hampers the development of overall institutional relations with the EU.

- **The Advancement of Self- interest**

The EU and the GCC States, each in its own bloc, tend to compete with each other to secure and advance their own interests at the expense of those of their counterparts. The two sides have not reached a mutual understanding about their

common interests and as such, relations are viewed from a competitive rather than a cooperative perspective. This is also one of the main reasons why there has been little progress on the GCC-EU Free Trade Agreement over the past decade.

- **The Lack of Common Policy**

Neither the EU nor the GCC have a common foreign and security policy, preferring to rely on bilateral treaties with other states.

- **The Lack of Common Objectives and Institutions**

The reasons and forces behind the creation of the EU as an institution are different from those that led to the creation of the GCC. This has obviously resulted in different objectives, different policies towards the goals and different institutions to implement them. These differences play an important role in hampering cooperation between them.

- **Conflictive Interests**

The failure to sort out irreconcilable, sometimes competing interests of member states on both sides.

- **The Basic Differences in Societies**

The EU and GCC states are very different types of societies with different beliefs, cultures, economies and political systems.

A closer look at these concerns and perspectives from the GCC member states further elaborates these difficulties.

The GCC: Concerns and Fears

The GCC states' experience and observation during the crises of the First Gulf War in 1990-91, the events of September 11, 2001, the war on Iraq in 2003, and the Arab-Israeli conflict, led them to believe that the EU is unable to devise coherent and unified foreign and security policies to deal with such crises. From the Gulf perspective, the EU appeared divided and consistently adopted opposing positions and conflictive policies.

These crises have further demonstrated to the GCC states that cohesive action on the part of the EU requires basic agreement on long-term goals if it is to be effective. The absence of such agreement made a collective European foreign policy difficult to devise, develop and implement because of the inherent competition for influence between the European powers. As such, the absence of an independent EU foreign policy towards the Middle East is no exception. Europe tends to allow the American approach to dominate which is not always to its political and economic advantage. The EU is also perceived to lack the

common vision and shared approach that are the indispensable foundations for any kind of coherent foreign policy that has to deal with international problems and threats.

In the case of the Arab-Israeli conflict and in the wake of the US invasion of Iraq, the GCC countries voiced their concern and an increased sense of urgency to resolve the conflict that continues to divert attention away from the regional problems, strains the resources and continues to fuel terrorism. Many Arabs perceive the stand of the West towards the Arab-Israeli question as a prime example of the West's disregard for Arab interests and the West's double standards. As a result, although the document of the roadmap clearly bears the stamp of the EU (as a member of the Quartet: US, EU, Russia and the UN), it is widely believed in the region that the implementation of the roadmap will be dominated by the US at the expense of the EU.

Vision of an EU role in the Gulf

In order to counter this trend in the relationship, there is a need for a comprehensive European vision for the Gulf region. Such a vision can certainly be based on the previous collaborative experience that the EU has developed and maintained. For instance, the EU initiated a Mediterranean Partnership in 1995 to bring about political stability and economic development in the region. The recent radical changes in the Gulf may require the EU to develop a similar partnership in the Gulf region, a partnership based on established principles of EU foreign policy allied to the necessary political will to implement it.

The development of such partnership will require a thorough review of the EU's interests in the region and its ability to pursue them, based on the creation of a Free Trade Area. As such, the new concept of partnership should also be founded on a true spirit of partnership that avoids giving the impression of neo-colonial EU dominance. One particular aspect is the sharing of the European experience in the design of new political institutions, support for the reform of the legal and law enforcement systems, the fostering of the reconstruction of civil society and fieldwork in democratization practices, human rights, and civil conflict management.

The aspect of conflict management may be incorporated into the development of a regional security framework, based on the gradual integration of all the countries in the region, including Iran. This would allow threat perceptions to be alleviated and provide a mechanism whereby renewed attempts at regional dominance, be it from Iran or Iraq, may be controlled. The EU can thus play, along with the US, Russia and the UN, the role of facilitator in the establishment of a framework for peace and security in the region, in cooperation with the countries involved, to alleviate the misperception and mistrust in the region. This requires the creation of strong regional institutions and common interests.

On another front, the EU and GCC need to give serious consideration to the US' future plans and role in the region. In particular, those related to the US' reconstruction effort and design for Iraq and the issue of the promotion of political reform in the Middle East and the Gulf region, specifically in terms of how these developments meet the needs of the regional countries. There exists a need for the EU and the US to seek better ways to coordinate their activities as a means to achieve their objectives. At the same time, the EU needs to make its individual interpretations of its own interests in the Gulf that differ from those of the US. In the case of Iran for example, the EU can help initiate a political dialogue between the US and Iran and reestablish economic cooperation between the EU and Iran. The EU can also help the reform movement and its cause by institutionalizing the cooperation process within Iran rather than trying to promote it through military pressure, as is the present policy of the US.

In the case of Iraq, the EU needs to develop a cohesive strategy. It needs to advocate the maintenance of international legality as the guiding principle throughout the transition process. The EU should insist that the transition process be overseen by a Multinational Task Force, under the auspices of the UN and including domestic participant states.

In Iraq, the US and the UK are seeking to involve more countries in the management of Iraq in order to share both the burdens and the responsibilities. The political and economic ramifications of the Iraqi transformation process means that the EU will also have to become involved. This involvement needs to be addressed on the basis of a clear strategy, agreed upon by all EU states. The EU needs to extend its support for Iraq's reintegration into the international community, share its experience on how to design political institutions, foster the reconstruction of Iraqi civil society, support the reform of the educational system. It needs furthermore to assist in reopening the Iraqi oil sector to international investment and participation in order to upgrade and expand Iraqi oil production capacities. The EU should advocate the supreme authority of the UN and the Security Council throughout the transition process. Within this framework, the establishment of a Multinational Security Force should be considered, including possible contributions by NATO and the EU.

Finally, the EU may play a role in reengaging Syria in the peace process, as envisaged by the roadmap. The EU, in cooperation with its Quartet partners can help bring about a renewal of direct Syrian-Israeli negotiations, and US-Syrian cooperation. In the end, it is up to the Europeans to carve out a role for themselves based on a cohesive and sensible strategy, capable of making a convincing impression on the US and other international players and of providing a basis for cooperation in the region.

Conclusion

Developments in the Arabian Gulf have revealed the disturbing and half-hearted role played by the European Union. It is incomprehensible to many analysts, that the EU should take such a timid attitude while the US extends its hegemonic power over the world more so that the Gulf is an exceedingly important region for Europe. In light of such a development, it is increasingly evident that the GCC states and the EU need to work together to protect their common interests.

The EU has been quite concerned about the emergence of new challenges in the region that might threaten the security and stability of Europe itself, not to mention its interests in the region. European efforts to consolidate an independent, European-branded policy towards the Arabian Gulf have however stalled.

The existent imbalance in the relations linking the EU and the GCC states makes it imperative, in the face of current pressures and challenges for both parties, to evolve innovative approaches in a bid to sustain and improve their relations. Fortunately, relations between the GCC states and the EU have been and certainly still are, multi-faceted in character and multi-dimensional in scope. This not only reflects the depth of the common interests underpinning the relations but also calls for a serious and sustainable upgrading of these relations. The need to ensure and maintain international security and stability in the world demands that both the GCC states and the EU move to bridge the existing chasm between them.

Now that the world is almost entirely dominated by economic forces and economic regional integration, the GCC countries need to find the right ways and means to diversify their economic platform and extract greater benefits generated by the added value of their natural resources. Such a prospect could be achieved through establishing and activating a real and effective partnership with the EU. At the same time, the GCC states need to make use of their political and economic leverage to pressure Europe to adopt a stronger and more effective role in the power politics of the region.

In conclusion, there are a number of mechanisms and proposals that could be laid down in order to achieve durable and fruitful GCC-EU relations. These include:

1. Integrating common interests and reducing existing differences between the GCC states and the EU.

2. Pressuring the EU to play a more forceful and sustainable role in the resolution of the Arab-Israeli conflict.

3. Inviting and hosting European experts in the fields of economy, technology, science and administrative management with the aim of contributing to the development of the region.

4. Determining the nature and aspects of the relations binding the EU and the GCC states now that the Cold War and the Soviet empire are things of the past. The events that shook the world on 11 September 2001 and the subsequent *'war on terror'* are certainly elements that call on the EU and the GCC states to redefine their relations in view of the new political realities.

5. Defining a durable framework for a future EU-GCC strategic partnership.

6. Supporting Europe to act out its traditional role in world politics while recognizing the traditional economic, political, strategic and cultural role it assumed before it forfeited its role to the advantage of US hegemony in the Arabian Gulf.

Chapter Three

The EU-GCC Partnership: A New Way Forward for Inter-regional Cooperation

Abdullah Baabood

For many practitioners and observers, the result of the contractual EU-GCC relationship is a far cry from reasonable expectations. The relationship has neither progressed far enough for both parties to realize the full potential of inter-regional cooperation nor has it served the strategic rationale for a close and mutually beneficial cooperation. It certainly does not reflect the historical, geopolitical and strategic considerations. Nor does it reflect the strong interdependence of the two regions and their many crucial links. It is therefore fair to say that there is discontent, disillusionment and negotiation fatigue among the signatories.

The existing EU-GCC cooperation agreement of 1988 has failed essentially to help either shape the relationship or spark any meaningful cooperation. It is evident that even economic cooperation (soft cooperation) between the GCC and the EU has not intensified. It has been at best static for most of the GCC states and for some trade exchanges it has declined. This should be no surprise as the Cooperation Agreement is only based on non-preferential trading arrangements, using Article 113 of the Treaty of Rome and complemented by a strong political element based on Article 235. In terms of trade, this effectively places the GCC at the bottom of the pyramid of privileges offered by the EU to its international trade partners.

There are many reasons for the lack of development in the EU-GCC relationship. They range from a low start point to the institutional dialogue, inexperience, a devotion to bilateral relations, institutional incompetence, inadequacy and mismatch, the sabotage of strong sectional interests on the free

trade talks and the external environment. They descend to a stark lack of political will and the absence of a strategic vision that has hindered the natural development of this relationship.

Furthermore, the EU enlargement of May 2004 has captured most of the Union's energy and attention as it becomes even busier building the internal European house and assimilating the new members. It is expected that the EU, despite its will to engage in the area, will have less time to upgrade the EU-GCC relationship. Unlike the North African and Mediterranean states, the GCC states do not have someone to champion their cause inside the Union and there is no urgency for the EU to extend its cooperation. The GCC member states, especially Saudi Arabia, which is playing a leading role in the regional group and in its international dialogue, will have to use their bilateral relations skillfully to obtain support from some EU member states to upgrade their relations to that of a real partnership.

The Foundation for the EU-GCC Partnership

At the outset, it is proposed that the GCC-EU relationship requires a new departure and a new launch. The platform should be substantially if not radically different from the outmoded and somewhat redundant approach of an attempt to patch up or kick-start the existing model. This launch should be set within a new EU-GCC Partnership that accords to each party its due strategic weight, commensurate with their status, needs and aspirations. The partnership should overcome the existing '*dialogue of the deaf*' in the negotiations' stalemate and the interlocutors' fatigue.

The strategic rationale and foundation for this partnership should be based on strong regional interdependence, not least in energy and trade. It should however include the unfolding realities in the aftermath of the events of September 11; the regional realignment following the fight against terrorism and post-Saddam Iraq, the threat of terrorism and the concern of this pro-Western regional group with being marginalized. The underlining premise is that the two regions are mutually dependent. This interdependence (asymmetrical as it may be) is bound to increase in the 21st century.

Energy

Energy represents a classic case of interdependence where the GCC states account for 45% of global oil reserves and about 15% of natural gas reserves. The oil and gas production level is at present small compared to reserves although the GCC states have the ability to increase their production substantially, almost at will. The importance of the region is not limited to its oil reserves and production but also to the level of its oil trade and energy exports that stand above 40% of total world trade in oil. Moreover, the importance of the GCC region lies in its reserves

to production ration (R/P ratio) as an indicator of potential future production and capacity expansion in the long term. With the combined GCC reserves to production ratio of over 100 years (higher than any other region in the world), the GCC region, is bound to be of crucial importance to oil consuming regions in the medium to long term in the light of projected increases in world demand for oil.

On the other hand, Europe is energy deficient, especially as its reserves have peaked or are expected to peak in the near future. Half the EU's energy is imported and two-thirds of the EU total energy imports are in oil, a %age that is expected to increase. Currently the GCC states provide around 15% of EU oil imports (Saudi Arabia 13%; Kuwait 2%). These states are expected to meet most of the projected increase in EU oil imports but they will also find themselves drawn to meet increasing oil demand in the faster-growing Asian region.

The size of the EU as a destination for energy imports gives it significant influence on the international energy markets. Its influence is greatest in the economies of those energy exporters for whom the EU represents the pre-eminent market. In the case of the GCC, the EU is the closest destination for GCC oil exports and the largest importer of GCC oil after Asia. The EU imports over a quarter of the GCC states' energy exports. Oil dominates the GCC's economy and its importance, as a revenue earner for the Gulf governments, cannot be overlooked. Nearly all GCC governments are dependent on oil income and the stability of the oil markets. The GCC states are, therefore, equally dependent on the EU market. The EU energy dependence on Gulf oil, while it could be viewed as having an adverse impact on security of supply, is also something of a double-edged sword. The status of the EU as a trade partner, the dependence of the GCC states on oil revenues and the GCC's need for the EU's support for Gulf security further reinforces the interdependence between the two regions.

Geo-Politics and Gulf Security

The security of oil supplies is closely inter-linked with Gulf security and internal stability. Historically, the Gulf came under European dominance, initiated by the Portuguese and the Dutch, followed by the French and the British. Indeed, for most of the twentieth century *'Pax Britannica'* reigned supreme in the Gulf until the final British withdrawal from the region in the early 1970s only to be replaced by *'Pax Americana'*. Since then, the Gulf region has witnessed three major wars with all the devastation they entail. Today, the region continues to grapple with the repercussions and uncertainty of the demise of the Iraqi regime in 2003. Indeed, since 9/11, the Gulf region has become a focus of attention in the fight against terrorism and weapons of mass destruction, especially under the neo-conservative influences on the US administration of President Bush. In the aftermath of that devastating attack, the US, the only remaining superpower, has initiated regime change in Afghanistan and Iraq, threatened other regional states like Iran and Syria, and has attempted to meddle in the domestic affairs of pro-

western, GCC states. There is a danger that the hawkish US foreign policy doctrine on the fight against terrorism could be perceived as a fight against Islam and the clash of civilizations could become a self fulfilling prophesy.

On the other hand, the unresolved Palestinian/Arab-Israeli conflict is still a festering wound. It exerts great pressure on the GCC states' regimes and their populations and feeds more into anti-western feeling in the region. Globalization with all its ramifications presents a new challenge to the region, which has become even more closely linked to the international system because of oil. Gulf security is moreover threatened by internal instability. Population increase in the region has outstripped economic growth, resulting in more restive populations calling for economic, social and political reforms, abandoning the existing social contract and challenging the prevailing ruling systems.

The realities of Gulf and Middle East geo-politics requires the cooperation of all concerned and Europe cannot afford to distance itself from this vital and strategic region. Indeed, such testing times require that both regions remain engaged at the highest level to ensure peace, stability and security in the region, not least for oil supplies.

Trade

The EU and the GCC are not only two major regional trading blocs but both have contributed considerably to the volume and growth of international trade. The EU is the world's largest trade partner, accounting for over 20% of all exports in 1999, and, following completion of the '*internal single market'* in 1992, one of the world's most open markets. Its two main trading partners, the US and Japan, represent around 16% and 9% respectively. With 500 million citizens, it is now also the biggest single market in the world.

EU imports from third countries correspond to 18% of the world total. This is slightly less than the US share (21%) and almost three times the amount of Japanese imports (6.5%). The EU is also one of the most important sources of foreign direct investment, although its share of investment in the GCC has declined over recent years. The EU is, thus, the closest developed region to the GCC for trade, investment, technology and know-how.

On the other hand, the GCC states' economies are still developing and are more trade dependent. Their aggregate foreign trade was $181.5 billion in 1999, made up of exports of $96.8 billion and imports of $84.8 billion that made up over 68% of their GDP, which stood at $226.5 in the same year. Their GDP per capita, although higher than other Arab states, remains low compared to EU member states, and is vulnerable to changes in the oil price. The GCC countries have always followed the route of a free trade environment and as they become more integrated into the international system, they are progressively eliminating

those remaining tariffs originally intended to protect domestic investors. The region, for example, attracts a large share of world imports (higher than Africa), given its small population of 28.9 million (1998 figures).

EU-GCC trade, of around 50 billion Euros, remains significant to both regions, as the EU is indisputably the principal trade partner for the GCC. Importing around 29 billion Euros, the GCC states are Europe's foremost Arab partners, comprising over 40 % of total EU trade with the Arab world. The GCC is the EU's sixth largest export market and the EU is the largest supplier of GCC imports, supplying over a third of the total. Similarly, the EU is the third most important market for GCC exports of around 22 billion Euros. The trade balance of around 7 billion Euros, which has remained stable since the mid 1980s, is in favor of the EU.

Regional Integration

The EU is a successful attempt at regional integration. The transformation of the European Community (EC) into a single actor (union) has been the declared aim of the member states. Successive treaties, such as the Maastricht Treaty of 1993 or the Amsterdam Treaty in 1997 have marked new stages in the process of creating an ‘ever-closer union among the people of Europe’. The European Union has reached an advanced stage in its integrational development, and includes an Economic and Monetary Union (EMU) with a single currency, a nascent common foreign and security policy (CFSP) with areas of joint action, and, since Nice 2000, a putative security and defense policy with the potential, at least, of undertaking some humanitarian, rescue and peacekeeping tasks as well as taking on the role of combat forces in crisis management, including peacemaking. In June 2004, the EU agreed on the adoption of a common constitution which is now subject to ratification by all member states.

Following the war in Iraq, the EU announced its first-ever security doctrine which underlines the union’s belief in using diplomacy and the United Nations to fight off new threats but included "last resort" military action to combat terrorism, weapons of mass destruction and failed states. Combined with the expected nomination of the EU’s first fully-fledged foreign minister, the doctrine marks the coming of age of a more assertive and self-confident Europe.

Although there is no precise resemblance between the GCC and the EU, the GCC as a regional organization has survived the test of time and still represents the most successful attempt, relatively speaking, at regional integration in the Arab world. The GCC, despite its slow pace, has effectively created a free trade area between its member states with a common external tariff in 2003. It is also heading towards a custom union and a common market in 2007 and a common currency in 2010. The GCC thus offers not only a single interlocutor but also fits into the EU policy of supporting regional integration. It is only natural for the

GCC, as a pro-Western, regional group with strategic importance to Europe and the world and with many links with the EU, to expect to be recognized and to be accorded the right status. A Partnership with the EU would not only signal a strong support for this regional group but would also encourage further regional integration and give it the confidence to consider even the enlargement of the GCC itself.

Pillars of EU-GCC Partnership

The proposed new EU-GCC partnership should be based on several pillars and programs in order to make it successful:

1. Political and Strategic Dialogue

The EU-GCC political and strategic dialogue on international and regional issues has acquired dramatic urgency in the wake of the events of 9/11. It is still a fact that despite the EU's efforts at developing its foreign and security policy, the US remains the ultimate guarantor of Gulf security and it is the only remaining superpower that can effectively project power and guarantee security in the region. Long-term Gulf security and stability is however best achieved by good governance and cooperation within the Gulf States themselves and with their neighbors, on the one hand and with outside powers with strategic interests in the region on the other. In that context, the EU and the GCC political and strategic dialogue should concentrate on:

- Creating a Gulf Regional Framework for Cooperation (GRFC) between the GCC states and their neighbors Iran, Iraq and Yemen. The GRFC is aimed, among other things, at ensuring that the Gulf region and the Arabian Peninsula remains an island of peace and stability where inter-state conflicts may be resolved by peaceful means. Economic cooperation between the regional states should enhance mutual trust and make wars and armed conflicts unthinkable. The US, the EU and even Russia, all have strategic interests in the region and they should act as facilitators for the establishment of this framework and as observers of its proceedings. The GRFC could benefit from the experience of the Organization for Security and Co-operation in Europe (OCSE) and the Euro-Mediterranean Partnership (EMP) as well the overall EU experience in confidence building and regional integration. The EU as well as the US, should make their military assistance and the future sales of weapons systems to the region conditional upon achieving such cooperation.

- The EU and the GCC could develop a vision and a plan, working closely with the US, to end the occupation of Iraq, ensure its territorial integrity and help create a free representative government in the country. Both parties should

also help in the future reconstruction of Iraq and reduction and or elimination of debt.

- The two parties should develop shared political common ground and evolve plans and initiatives for supporting and working towards peace in the Middle East in particular and the Mediterranean, central Asia and the Horn of Africa in general. Both parties should make extra efforts, together with the US, to end the Palestinian tragedy, create a viable Palestinian state alongside Israel and enact a just resolution of the Arab-Israeli conflict. They should also cooperate to make the region free of weapons of mass destruction.

- The parties should also extend their cooperation in the fight against terrorism, money laundering, international crime and drug trafficking.

- For the GCC, engaging the EU in Gulf security arrangements would help it to counterbalance US dominance. The EU on the other hand, would have the opportunity to project its interests in the region, supplementing and moderating the US effort but not supplanting it.

2. Good Governance and Human Rights

Although the GCC governments have been undertaking reform for some time, the pace has been slow and gradual. The post 9/11 US policy of implanting western-style democracies in the Middle East threatens the Gulf regimes. In addition, the Arab public views it with suspicion. The EU and the GCC should develop dialogue and cooperation for progressive implementation of the necessary economic, social and political reforms in the region, as well as those in human rights, beyond the sluggish pace or the associated threat of democracy imposed by fiat or regime change. As a result:

- The principles of liberty, democracy, tolerance, respect for different cultures, human rights and the rule of law should form the cornerstone of EU and GCC relations.

- The EU might help the GCC states in building a vibrant civil society, civil law, NGOs and civil institutions that would enhance the democratic process and ensure its viability.

- The EU experience in electoral design and implementation, constitutional reform and regional integration would be useful to the GCC states at both national and regional levels.

- The EU might also offer support for reform of the legal and law enforcement systems and both parties might collaborate in judicial training and penal reform, (including training for judges, lawyers, as well as police and military

personnel,) in human rights' issues and civil-military and community-police relations.

- Both parties should encourage and support closer relations between their respective civil societies to identify common ground, reduce mutual distrust and increase cultural affinity. This should include for example; parliamentarians, young leaders, academics, journalists, other professionals, women's associations and NGOs.

- The EU should consider the inclusion of some GCC initiatives among the portfolio of the European Initiative for Democracy and Human Rights (EIDHR).

- The GCC might also think of developing the GCC Consultative (Shura) Council into a fully-fledged elected assembly with the necessary parliamentary powers. The EU might be of help with its wide European parliamentary experience. The benefits would thus percolate down to the national Shura councils.

3. A High-Level Energy Dialogue and Environmental Cooperation

Although the energy market is global in nature, a high-level EU-GCC regional dialogue on energy could go a long way towards improving the security of EU oil supplies and GCC states oil revenues. A regional dialogue must also address oil taxation and global environmental concerns. As such, it should be based on the following mandate:

- The EU and the GCC should agree on ways to address the physical security of the oil supply through establishing guidelines for investments, production-levels, stockpiling, liquidation and transportation as well as emergency procedures.

- Both parties should address oil price levels and stability, which affects both parties' economic security as well as future investments and the environment.

- The EU and the GCC, working together with other interested parties such as OPEC, the IEA and the new Saudi-based Permanent Secretariat to the Energy Forum, could work on making the oil market more transparent and more efficient.

- The energy dialogue should also encourage vertical integration and joint ventures in both directions. This would go a long way to enhancing oil supply security.

- As gas is increasingly becoming the energy of choice in Europe the EU could benefit by helping to transport GCC gas into the EU through the Mediterranean countries and connecting it to the European grid. This would

also help regional integration between the GCC, the neighboring states and Europe.

- Both parties should work to protect the global environment and minimize the effect of energy production and consumption on the environment under the guidelines of the Kyoto Protocol.

- The EU-and the GCC should also address the issue of oil taxation in Europe and find a viable solution. Perhaps some of these taxes could be used for supporting joint ventures between the two regions that would be environmentally friendly or helping further regional integration.

4. Economic Partnership

Since the signing of the cooperation agreement, the two parties have been negotiating a free trade agreement (FTA), accompanied by much delay and procrastination. From the experience gained from the free trade negotiations the two parties should have the basis to create a free trade zone, further enhancing the prospects for increased trade, joint ventures, technological and industrial cooperation and investments.

- The EU-GCC FTA should be viewed as a means to the much broader aim of integrating the GCC into the wider EMP and beyond to Europe and the globalized world economy.

- As all GCC states, except Saudi Arabia, are members of the WTO. The EU-GCC economic partnership could facilitate Saudi entry into the organization and find solutions to the outstanding problems associated with its accession. The FTA, that is going to be linked to the WTO framework, would strengthen the GCC institutionally and transform it into a sizable market, open to international competition and communication, eventually promoting economic reform and social change.

- The free trade area that covers all goods and services would increase trade exchange, enhance regional intra-industry integration and encourage cross investment and joint ventures. The two partners might also establish cooperation in the enforcement of patent law and intellectual property rights thus encouraging investment and joint ventures. They should also find the appropriate instrument to regulate and protect cross investments.

- The economic partnership should involve the private sector by establishing a business dialogue to foster business contacts, encourage economic exchange and share experience, especially in areas such as small and medium scale industries.

- The GCC states would benefit from EU experience in areas such as customs' union and common markets, as well as from technical advice and assistance in the areas of standards, corporate governance, legal frameworks, banking regulations, rating and surveillance, central banking, other financial intermediaries as well as in other administrative rules and procedures.

- The GCC states should start to think about the role of the Secretariat General by enabling it to have its own resources and funding. The EU experience would help greatly in this regard.

- The EU, with its vast experience, might help the GCC states to enhance the integration of the Gulf financial markets. Subsequently, with the markets of the EMP, Europe and world would facilitate the financing of investment projects in the Gulf, the Mediterranean and other industrializing countries with common interests.

- GCC Central banks could also benefit from the experience of the European Central Bank (ECB) in single currency and monetary union matters.

- The EU banking sector might assist in opening up the GCC banking services to European banks and other intermediaries, taking into account the rules of the WTO.

5. Social and human cooperation

Social and human cooperation including education, human resources' development, promotion of understanding between the different cultures and an exchange at the level of civil society are as important as other pillars of cooperation. The two parties should attribute the greatest importance to this aspect. Mutual understanding may be greatly enhanced by human exchanges and intercultural dialogue. There is no better proof than the events of recent times that persistently confirm the importance of cooperation in this field.

- The EU and the GCC should establish a wide range of cooperation between their peoples, not only in the world of politics and economics but also in culture, religion, education, media, as well as between trades unions and public, private enterprises and NGOs.

- Both parties should also recognize the challenges posed by current political and social trends, which include terrorism and anti-western feeling in the region. They should work together to eliminate not only the symptoms but also the fundamental cause of such trends. They should at all costs avoid any clash between their cultures and civilizations.

- The EU and the GCC should work on establishing dialogues between cultures and civilizations by such means as; dialogue between faiths, religions and

religious and social institutions thus encouraging greater interaction between the media of the EU and the GCC states; involvement of cities and regions in the partnership such as twinning of cities in the Gulf and Europe, cultural exchange programs and sponsored performances and co-productions.

- Moves to strengthen human resource development such as the training of lecturers and teachers and increased cooperation between universities, the exchange of students (on the Erasmus model) should be established especially the dispatch of more GCC students to European universities. Such arrangements should include offers of financial support, twinning arrangements between GCC and EU universities and exchange of lecturers where applicable. European and Gulf study centers should be created in the respective universities of the two regions. Subsidiaries of European universities in the region should be set up and cooperation initiated in distance learning and vocational training.

- The two parties should work on initiatives for cooperation in health care training and management to include the training of doctors, midwives, nurses, hospital technicians and managers.

- The EU and the GCC should also work on specific programs for women, such as training and development.

6. Budget and Funding

An issue that has bedeviled the EU-GCC dialogue is that of the lack of finance and funding for joint projects.

- As the EU opts for joint funding for projects with the GCC it is suggested that, as part of the partnership, a budget is allocated for partnership programs, funded jointly by both parties, divided between the different pillars of cooperation.

- The budget, which should be an integral part of the partnership program, should be managed and executed by the European Commission and the Secretariat General to ease decision-making and to ensure the swift implementation of projects. Some of the oil taxes discussed earlier might also be used to finance joint projects and initiatives that have failed in the past to gain financial support from both regions, despite their importance.

- The GCC Secretariat General, which lacks its own funding and financial independence, could also be supported by these taxes to enable it to start playing a role in financing and funding some joint inter-regional projects.

Conclusion

There is much to gain from EU-GCC cooperation and very little to lose but it requires political will on both sides. It will also depend on the GCC states' ability to put this partnership at the top of the larger agenda of the EU and the EU and their ability to recognize the strategic importance of this relationship.

Chapter Four

The EU and the Challenge of Iraq

Felix Neugart

The EU and the Iraq War[1]

The Iraq issue has long been excluded from the operations of EU foreign policy and the Community, as such, never had any contractual relations with Iraq. The topic was not among the Community's traditional areas of foreign policy for it was regarded as being too divisive for a common position and in addition, reserved for Britain and France with their privileged status as permanent members of the UN Security Council.

The European Parliament attempted, unsuccessfully, to fill the vacuum regarding Iraq in a resolution passed by the Committee on Foreign Affairs, Human Rights, Common Security and Defense Policy, based on a report prepared by MEP Baroness Nicholson. The resolution acknowledged the grave human rights' violations in Iraq as well as the prolonged suffering of the Iraqi population and called upon the European Council to formulate a common position as a first step towards a comprehensive strategy for the Gulf region.[2] The EU however, played a major role in bringing humanitarian assistance to Iraq's battered population. Between 1992 and 2003, it provided €157 million in humanitarian aid thus becoming the largest single external donor of humanitarian aid. The lion's share of this aid was channeled through the European Commission's

1- Parts of this text have been published in my chapter in Helmut Hubel and Markus Kaim, eds., *Conflicts in the Greater Middle East and the Transatlantic Relationship* (Baden- Baden, 2004).

2- European Parliament, Session document A5-0157/2002 final: *'Report on the situation in Iraq eleven years after the Gulf war'* (2000/2329 (INI)), April 26, 2002.

Humanitarian Aid Office (ECHO) whose task is to provide emergency assistance and relief to the victims of natural disasters or armed conflict outside the European Union. Additional funds were provided to several European NGOs active in Iraq to co-finance their activities.[3]

The approach to sidestep the political as opposed to the humanitarian dimension of the issue in order to avoid disagreement backfired when US pressure built up to solve the Iraq problem by enforcing regime change. The mounting tensions in the Security Council increasingly focused on the members of the European Union.

- **The United Kingdom**, traditionally a close ally of US in military operations against Iraq, was bound to participate in US-led operations against Iraq from the outset. British Prime Minister Tony Blair faced, stiff domestic resistance however, especially in his own Labour party and attempted in vain to pass a second UN resolution to enhance the legitimacy of the war. The British position was shared, in large measure, by Spain whose conservative Prime Minister Aznar was one of the favored European allies of US President Bush.

- **Germany**, out of a mixture of historical and pragmatic motivations, adopted a position that excluded active participation in any war scenario. The domestic discourse in Germany took place against the background of a federal election campaign in which the governing Social Democratic Party of Chancellor Schröder was trailing the conservative opposition by a substantial margin. In this situation, Schröder and his social democrats chose to adopt a principled anti-war position that dovetailed into a strong pacifist, non-interventionist tradition in German society.

- **France** attempted for some time to straddle the two extremes, insisting on the paramount role of the UN Security Council and the thorough implementation of Resolution 1441 to disarm Iraq while not excluding that, if all other options fail, the use of force might be necessary. In the run-up to the war, the French position hardened and she made clear that, in accordance with Germany and Russia, she would use her veto in the Security Council to block any resolution to legitimize military action against Iraq.

- **Italy**, an important founding member of the Union, which was not represented in the Security Council, emerged initially as a strong supporter of the US but took a more low-key approach, in the wake of strong domestic resistance against Prime Minster Berlusconi and a very candid critique on the part of the Pope.

3-See ECHO's homepage: http://europa.eu.int/comm/echo/field/iraq/index_en .htm.

- **Among the smaller countries of the EU**, we find a number of countries that, possibly out of a tradition of transatlantic solidarity, tended to adopt a reasonably supportive position towards the US (such as Denmark, Portugal and the Netherlands) while others tilted to the emerging Franco-German consensus of opposition to the war (Belgium, Greece).

- **The Eastern European countries** that were on the verge of accession to the European Union emerged generally as staunch supporters of the US position. Poland, the Czech Republic and Hungary signed the pro-American statement published in *the Wall Street Journal* while all other Eastern and South-Eastern European countries hurried to sign the Declaration of Vilnius which expressed support for the US in even stronger terms.

Despite these differences on the governmental level, the populations in all 15 EU member countries (expansion to 25 occurred in May 2004) united in their rejection of the war. Although many polls are not strictly comparable, it is clear that the overwhelming majority, some 70%-90%, opposed a war without an explicit UN mandate. The pollsters recorded no substantial difference between the current 15 EU members and the accession countries in Eastern and South-Eastern Europe (including Turkey). These numbers led some observers to enthusiastic conclusions about the 'Birth of a European Public'[4] or the 'Birth of a European Nation.'[5] The majorities shifted however if additional conditions, such as a second UN resolution or a possible Iraqi threat to neighboring countries were factored in.[6]

The chances for consensus-building among the different actors were seriously damaged at an early stage when key member countries adopted fixed positions without even informing their fellow partners, let alone consulting them. France and Germany announced the coordination of their efforts to prevent war at the fringe of the celebrations of the 40th anniversary of the Elysée Treaty at Versailles in January 2003.[7] This was perceived by many, somewhat exaggeratedly, as an

4- Former French minister Dominique Strauss-Kahn, Une nation est née, *Le Monde*, February 26, 2003.

5- Philosophers Jacques Derrida and Jürgen Habermas in *Frankfurter Allgemeine Zeitung*, May 31, 2003.

6- See International Crisis Survey issued by Gallup at www.eosgallupeurope.com. In fact, some data suggests that even the gap between European and US public opinion was not too large in many respects. Major differences however, were the majority support for military intervention in the US (over 60%) and the desire for the participation of allies rather international legitimacy. See, for example, the Pew Research Center's collection of various surveys at http://people-press.org/commentary/print.php3? AnalysisID=60

7- There was actually no common Franco-German declaration, as some claimed later, (the official document does not even mention Iraq) but rather a statement of French President Chirac at the press conference where he, in agreement with German Chancellor Schröder, stressed the centrality of the UN security council and the need to avoid war.

attempt of the famous *'Franco-German engine'* to pave the way for the Union as a whole in a vital foreign policy question. The supporters of US policy responded by publishing the so-called *'Letter of the Eight'* in the *Wall Street Journal* in which eight European countries (five members, three accession countries) pledged support for the American approach. Faced with a public debate on the multiple dimensions of the crisis, the Greek presidency as well as the CFSP apparatus headed by Javier Solana, proved to be too weak to channel diverging interests into a forceful decision-making process and were to all intents and purposes paralyzed. The Commissioner responsible for external relations, British conservative Chris Patten, made little secret of his personal opposition to the war, as did the President of the European Commission, Romano Prodi.[8]

The *'lowest common denominator'* on which everybody agreed was provided by Resolution 1441 (2002), approved by the UN Security Council in a unanimous 15-0 vote. The institutions of the European Union repeatedly expressed their support for the disarming of Iraq, its support for the inspections' operations of UNMOVIC and IAEA and stressed the paramount role of the Security Council for maintaining international peace and security.[9] When the crisis intensified and differences of opinion sharpened, an extraordinary meeting of the European Council (heads of state or government) was organized in February 2003 in Brussels to hammer out a common European position. This meeting managed to achieve agreement on four basic points:

- the UN should remain at the center of international order;
- the threat of proliferation of WMD
- the need for full and effective disarmament on Iraq
- the use of force as a last resort.[10]

This agreement without doubt constituted significant progress in formulating a common European position but it came too late in the day, suffered from lack of common interpretation on the part of important protagonists and most importantly, played no role in US considerations.

8- See Patten's interview in the *Guardian*, January 14, 2003 and his speeches to the European Parliament on January 29, 2003 and March 12, 2003, all available on http://europa.eu.int/comm /commissioners/ patten/ index_en.htm, for Prodi, see his statement on March 20, 2003 on http://europa.eu.int/comm/external_relations/iraq/intro/ip 03_419.htm

9- See General Affairs & External Relations Council (GAERC): Conclusions November 19, 2002 and European Council in Copenhagen, December 12-13, 2002, Presidency Conclusions, Annex IV: European Council Declaration on Iraq.

10- Conclusion, Extraordinary European Council, Brussels, February 17, 2003.

The Intra-European Debate on Iraq

The rationale for the war on Iraq developed into a hotly debated issue, laden with speculations about hidden motivations and full-blown conspiracy theories. It is beyond the scope of this paper to discuss this discourse in any detail but on a selective basis I would like to analyze the main questions around which the discussion in Europe circled. This analysis is based on public expressions of leading representatives of both camps (British, French, German and Spanish) who sought to explain their position to both supporters and opponents alike. I acknowledge that public statements may deliberately omit some considerations but I am reasonably convinced that these expressions do allow a much better grasp of the issue at hand than unproven allegations on hidden agendas.[11]

The debate on the justification for military engagement against Iraq was never one-dimensional but was characterized by the interaction of several lines of argument that made it complex and difficult to disentangle for the average citizen. At the risk of considerable over-simplification, I would distinguish between four dimensions that may be separated analytically*;*

- the interpretation of Resolution 1441 and the nature of the inspection process
- the threat of weapons of mass destruction and the threat of terrorism
- the domestic repression and regional aggression of the Iraqi regime
- the future of transatlantic and international relations.[12]

In the following pages, I shall discuss all of these dimensions in some detail.

First, I will examine the discourse between the countries of the war coalition and those who opposed it, focused on the nature of the UN-led inspections process under UNSC Resolution 1441 (2002), especially the *'burden of proof'* aspect. The US allies insisted that it is incumbent upon the Iraqis to account for all the WMD components and carrier systems it ever possessed, in one fell swoop. The inspectors' job, they argued, was merely to check the accuracy of Iraqi documentation and to establish Iraq's compliance or non-compliance. The government of Iraq to all intents and purposes failed to produce this evidence and,

11- Take, for example, the often-cited assertion that the main motivation for the French opposition to war was her business interests in Iraq. If this were the case, one should have expected France to shift her position to support war as it became clear that the US would go to war, even without a second UN resolution. Obviously, this did not happen, contrary to what many, if not most experts predicted.

12- All of these dimensions can be found, for instance, in the famous pro-US Statement of eight European leaders published in the *Wall Street Journal*, January 30, 2003.

accordingly, was accused of being in non-compliance with Resolution 1441. The British Foreign Secretary, Jack Straw explained;

> […] The inspectors are not a detective agency charged with seeking out Saddam's weapons. That is not what UNSC Resolution 1441 was about. Indeed, the chance that 300, or even 3000, inspectors could crisscross a country the size of France and successfully track down substances capable of being produced in an ordinary living room is absurd. The inspectors are there to verify the Iraqis' own surrender of this weaponry and its destruction and to fulfill their mandate they require full and active cooperation from Iraq, akin to that offered by South Africa when it abandoned its nuclear weapons programme at the end of apartheid.[13]

Closely linked to this interpretation of 1441 was the argument that only tough action against Iraq would uphold the authority of the United Nations and its security council after a long history of defiance on the part of Iraq. British Foreign Secretary, Jack Straw went one step further in comparing the UN with the League of Nations of the 1930s whose inaction in face of violations of its regulations rendered it irrelevant and contributed to the rise of Nazi Germany.[14]

In contrast, the anti-war allies, France and Germany, in collaboration with Russia, insisted on perceiving the disarmament of Iraq as a *process* of evolving cooperation. They conceded that Iraqi cooperation was not yet sufficient but claimed that progress was being made in some areas; such as the destruction of the Al-Samud 2 missiles and the interviews with Iraqi scientists. Therefore, German Chancellor Schröder concluded;

> The reports of the weapons inspectors prove that Iraq is cooperating better and more actively now under the pressure of the international community. The destruction of the Al-Samud missiles is a visible sign of real disarmament. This proves: the inspections and the inspectors are an effective instrument that must not be stopped now. With an enlarged inspections' regime we can achieve a sustainable and verifiable disarmament.[15]

France and Germany insisted that upholding the authority of the United Nations required respecting the principles of the UN charter and preserving the

13- British Foreign Secretary Jack Straw, Removing the Threat of Force is a Greater Danger to the Region, The *Independent on Sunday*, February 23, 2003.

14- Straw, A Moment of Choice for Iraq and the United Nations, Opening Speech in a Debate on Iraq, House of Commons, London, February 26, 2003 available at www.publications.parliament.uk/pa/cm200203/cmhansrd/cm030226/debtext/30226-05.htm#30226-05_spmin0

15- German Chancellor Gerhard Schröder, Courage for Peace and Courage for Change, *Deutsche Bundestag*, 15. Wahlperiode, 13. Sitzung, Berlin, March 14, 2003, my own translation, available at www.bundestag.de/plenargeschehen/ plenarprotokolle/15032.html

unity of the Security Council. France even offered a last-minute proposal to reinforce UN-led inspections that proposed the increase and diversification of staff and expertise of the UN teams, the establishment of mobile units to check trucks and a new system of aerial surveillance coupled with systematic data processing.[16]

Second, the threat perception played a considerable role in the discussion. Both camps agreed that the proliferation of WMDs poses a threat to international security and that Iraq was already subject to existing UN resolutions requiring it to destroy its remaining WMD potential. The supporters of the US position went one step further in adopting the idea that the possibility of a future combination of weapons of mass destruction and terrorist groups justified a pre-emptive strike against Iraq. Spanish Prime Minister José Aznar claimed;

> The contemporary world is characterized by three profound threats: terrorism that we know very well, weapons of mass destruction, that could fall into the hands of terrorists and beyond that, countries which do not fulfill the norms of legality and who have weapons of mass destruction and connections with terrorism which is presumably the case with Iraq.[17]

Elaborating on the nexus between the two threats, British Prime Minister, Tony Blair explained in a speech to parliament;

> Those two threats [i.e. WMD proliferating countries and terrorist groups] have, of course, different motives and origin, but they share one basic common view: they detest freedom, democracy and tolerance that are the hallmarks of our way of life. At the moment I accept fully that the association between the two is loose. But it is hardening. The possibility of the two coming together – of terrorist groups in possession of weapons of mass destruction or even of a so-called dirty radiological bomb – is now, in my judgement, a real and present danger to Britain and its national security.[18]

The opponents of military action agreed that Iraq should be stripped of its WMDs and that indeed a possible combination of WMD and terrorism would be very dangerous. Yet they maintained that the linkage constructed by the US and its allies between Iraq and the terrorist network Al-Qa'ida was weak at best and

16- See French non-paper on Iraq at www.diplomatie.gouv.fr/actu/impression/gb/asp?art=32306

17- Interview with Tele 5, March 10, 2003 on www.la-moncloa.es/web/asp/muestraDocImp.asp?Codigo=p1 003030, my own translation.

18- British Prime Minister Tony Blair, *'This is not the Time to Falter'*, House of Commons, London, March 18, 2003 at http://www.number-10.gov.uk/output/Page3294.asp

had not been substantiated by any hard evidence. Even worse, a war on Iraq would not only distract effort from the necessary fight against terrorism and weaken the global coalition against terrorist networks but also strengthen radical elements throughout the region. French Prime Minister Raffarin claimed in a speech in the French national assembly;

> La guerre, évidamment, affaiblirait la coalition contre le terrorisme. C'est un élément majeur de notre réflexion. Une communeauté internationale s'est créee au lendemain du 11 septembre contre le terrorisme. La guerre affaiblirait cette coalition. Elle provoquerait – que chacun y réfléchisse – la récrudescence de ce phénomène, alors qu'il s'agit justement de combattre ce fléau qui nous menace tous, là-bas comme ici.[19]

Third, the nature of the Iraqi regime in the domestic and regional context was the starting point for an additional dimension of the debate. Both camps basically agreed on the authoritarian and repressive character of the Iraqi political system, its enormous record of human rights' violations and its infamous history of two wars of aggression against neighboring countries within barely a decade. The supporters of the US position employed these well-known characteristic of the Iraqi regime as justification for military intervention. The British Foreign Minister, Jack Straw, singled out Iraq as a dangerous country which has to be faced down by the international community:

> So for the United Nations, the answer to 'Why Iraq?' is very clear. Iraq is the only country in such serious and multiple breach of mandatory UN obligations. It is the only country in the world to have fired missiles at five of his neighbours, the only country in history to have used chemical weapons against its own people and the only country in the region which has invaded two of its neighbours in recent years.[20]

The regional dimension was also employed in an attempt to link the Iraq question to the Israeli-Palestinian conflict, aimed at drumming up support from the Arab world. Foreign Secretary Straw admitted in parliament, at least implicitly, that the West is guilty of double standards in its handling of the Iraq case in relation to the Israeli-Palestinian dispute. He went on to claim that prospects for a peace settlement in the Middle East will be increased if UN resolutions against Iraq are *'fully implemented'*.[21]

19- Speech by French Prime Minister M. Jean-Pierre Raffarin to the National Assembly, February 26, 2003 at www.diplomatie.gouv.fr/actu/ impression.gb .asp?ART=32799
20- *'A Moment of Choice for Iraq and the United Nations'* opening speech by the Foreign Secretary, Jack Straw, in a debate on Iraq, House of Commons, London, February 26, 2003, at http://www.publications. parliament.uk/pa/cm200203/cmhansrd/cm030226/debtext/30226-05.htm#30226-05_spmin0
21- Ibid.

The British government attempted to substantiate its engagement on the Israeli-Palestinian front by organizing a much publicized conference in London on January 14, 2003 with representatives of the Palestinians, regional actors and the Quartet of international negotiators. In contrast, the anti-war countries claimed that if domestic repression and human rights' violations were to be made a standard justification for military intervention, the Westphalian International System based on sovereign countries will be turned upside down, given the fact that many countries featuring repressive political systems and human rights violations would be subject to military intervention.[22] German Foreign Minister Fischer pointed to the possible consequences of a war that would have to weighed against the advantages of dismantling a brutal dictatorship:

> Don't misunderstand me: If the brutal dictator Saddam were toppled tomorrow by his people, if he were to disappear or go into exile, the whole world, in the first place the Iraqis, would be very glad. Yet the question is: does this justify a war with all its risks, the humanitarian consequences, a regional destabilization and terror? This is what you have to consider. And there we arrive at a clear 'No'…[23]

On a different occasion, Fischer sought to differentiate by adding conditions that would have to be met to justify military action, most likely geared to his support of NATO's intervention during the Kosovo crisis in 1999;

> In my view, the most severe violations of human rights cannot be a reason for military intervention.[…] All peaceful means have to be exhausted and there should certainly exist a serious threat to freedom and stability or the danger of genocide.[24]

Regarding the regional impact of the crisis, the opposition countries took a pessimistic view. French President Chirac remarked that the region is fragile, traumatized for a long time and does not need a new war.[25] The Franco-German-Russian declaration suggested an alternative approach to the problems of the region which included progress in the peace process by publishing and implementing the *'road map'* and the establishment of a general framework on

22- See, for example, the interview with French President Jacques Chirac with Television *Channels TF 1 and France 2*, Paris, March 10, 2003, at http://special.diplomatie.fr/article87.html

23- Interview with German Foreign Minister in German weekly *Die Zeit*, February 20, 2003, own translation.

24- Interview with German Foreign Minister, in German weekly *Die Zeit*, May 8, 2003, own translation.

25- Interview with Chirac, *op.cit*.

the basis of security, stability, renunciation of force, arms control and confidence building measures.[26]

Fourth, the discussion touched on the very basic questions of the future structure of the international system in general and transatlantic relations in particular. This naturally involved a discussion of the nature of the transatlantic partnership and a vision of the role of the US and NATO in European and international security alike. The core question in this field is, of course, the need to deal with US hegemony in the framework of an international system based on parity (at least between the permanent members of the Security Council) and the equal applicability of international law. While both camps emphasized the special importance of transatlantic relations, their focus was quite different. Spanish Foreign Minister Palacio argued that the protection of values shared across the Atlantic required European cooperation with the US in the Iraq issue;

> Europe must work hand-in-hand with the US in this task [i.e. the disarmament of Iraq]. Let us not lose sight of the fact that Europe shares values and principles with the US that we would like to carry forward together. We need the Americans as much as they need us and together we have a vested interest in protecting the foundations of multilateralism embodied, not only by the UN but also by NATO. Indeed, NATO is an area in which we share the values of democracy, individual freedom, human rights and the rule of law and the resolve to protect these values from all forms of threat.[27]

Palacio's concern with the future nature of the transatlantic relationship was echoed by Tony Blair who added the importance of the crisis for shaping the future international system;

> So why does it matter so much? Because the outcome of this issue will now determine more than the fate of the Iraqi regime and more than the future of the Iraqi people who have been brutalised by Saddam for so long, important though those issues are. It will determine the way in which Britain and the world confront the central security threat of the 21st century; the development of the United Nations; the relationship between Europe and the United States; the relations within the European Union and the way the United States engages with the rest of the world.

26- French-Russian-German Declaration on Iraq, March 5, 2003 at www.auswaertiges-amt.de/www/de/infoservice/download/pdf/vn/ erklaerung-0305.pdf, my own translation.

27- Ana Palacio, EU divisions over Iraq can be mended, *Financial Times*, February 17, 2003. See also the 'Joint declaration of eight European states' published in the *Wall Street Journal*, January 30, 2003: 'The real bond between the United States and Europe is the values we share: democracy, individual freedom, human rights and the Rule of Law. These values crossed the Atlantic with those who sailed from Europe to help create the USA. Today they are under greater threat than ever.'

> So it could hardly be more important. It will determine the pattern of international relations for the next generation.[28]

France and Germany, in turn, emphasized the need for a multi-polar world, in which Europe would play it proper role. This order would be protected by international institutions and international law.[29] German Foreign Minister Fischer demanded that Europe should play a stronger role that would not be at the expense of the transatlantic partnership, but rather a means to strengthen it;

> Transatlantic relations are for us of central importance. Why? If we are convinced of multilateralism, that is, if we assume a world order that is based on the same rules, the same rights and the same international institutions which are able to settle conflicts – especially the United Nations – if we believe in that, then the transatlantic relationship is certainly a very important element. It would be absurd to question this. It must be strengthened in its ability for dialogue and cooperation. This requires in, our view, a strong Europe – not a Europe that can assert itself against the United States but a Europe that can look at itself as the point of reference. France and Germany have the same strategic idea of Europe and its role, without this being an obstacle to the transatlantic relations.[30]

The EU and the Transition Process

The differences in the Iraq question that prevented a cohesive EU position in the run-up to the war softened considerably in its aftermath but remained discernible. Several EU members (especially the United Kingdom, Italy, Poland, the Netherlands and Denmark deployed about 16.000 troops in Central and Southern Iraq. In contrast, the remarkable domestic development in Spain where the opposition Socialist Party scored a surprising electoral victory in March 2004 that led to the hasty withdrawal of Spanish troops from Iraq. The EU member countries in the UN Security Council had supported resolutions 1483 (2003) and 1511 (2004) that legalized the new institutions created by the coalition forces and envisaged a supportive task for the newly established UN mission (UNAMI). France and Germany supported both resolutions, in spite of reservations, in order to establish a credible international basis for the Iraqi people and to preserve the unity of the Security Council. In the wake of a deteriorating security situation in Iraq during the second half of 2003, the United States decided to transfer

28- 'This is not the Time to Falter', speech by the Prime Minister, Tony Blair, House of Commons, March 18, 2003 at http://www.number-10.gov.uk/output/Page3294.asp.

29- See, for example, the interview with French President Jacques Chirac in French Television *TF1 and France 2*, March 10, 2003 at www.elysee.fr/cgi-bin/auracom/aurweb/search/file?aur_file=discours/ 2003/IO30

30- Interview with German Foreign Minister Fischer in the French Daily *Le Monde,* April 4, 2003, my own translation.

sovereignty quickly to an Iraqi interim government. The decision found broad approval, given that the French government had suggested already in September 2004 the establishment of a provisional government that would be gradually invested with executive powers.[31] After prolonged negotiations resolution 1546 (2004) was approved in June 2004 that provided for an interim government until elections were held (January 2005 at the latest) and a mandate of the coalition forces until the completion of the political process (December 2005). The new interim government that took power in late July 2004 headed by Iyad 'Allawi was broadly supported by EU member countries, in spite of the fact the most important position were taken by members of the defunct Iraqi Governing Council and that UN Special Representative Brahimi ultimately played a rather marginal role in its formation.

Regarding the international reconstruction effort, the European Commission was a member, together with; the US, Japan, the United Arab Emirates, the EU Presidency, the UNDP, the World Bank and the IMF and of a Core Group in charge of the preparation of a Reconstruction Conference in Madrid in October 2003. At the conference, European Union member countries pledged €700 million, including €200 million from the EU Commission until the end of 2004. Over the four year period until 2007, the EU commitment totaled €1,300 million, excluding non-monetary forms of support such as training and technical assistance. This is slightly more than the EU aid package committed for Afghanistan.[32] Generally, neither the nature of individual pledges nor the time period covered were strictly comparable.[33] In terms of humanitarian assistance the European Union continued its 2003 approach that made it the single largest external donor in humanitarian aid in the last decade of Saddam Hussein's rule, contributing €7,315 million, including €1,005 million from the Community budget.

In the wake of the shock that the Iraq crisis represented for the development of a coherent European Foreign Policy, the European Commission undertook first, to take careful steps towards forging a common European position regarding the reconstruction of Iraq. Following the guidelines of the European Council of Thessaloniki (June 2003), the Commission prepared a comprehensive report that

31- See Dominique de Villepin, Iraq: les Chemins de la reconstruction, in *Le Monde*, September 13, 2003.

32- See Chris Patten, Iraq, Speech at the Madrid Donors Conference for Iraq, October 24, 2003.

33- See the statements made by the representatives of the various EU members at the donor's conference in Madrid, October 23-24, 2003 available at http://www.comisionadoiraq.org/donors/index_esp.htm and the breakdown of individual pledges available at http://www.comisionado iraq.org/noticias/iraqsummarytable-2.pdf.

discussed the implications of an EU engagement in Iraq.[34] The Council of Ministers established the EU's determination to play an important role in the political and economic reconstruction of Iraq.[35] It pointed to the following factors essential for the success of the reconstruction effort;

- An adequate security environment
- A strong and vital role of the UN in the transition process
- A *'realistic schedule'* for handing over political responsibility to the Iraqi people
- The setting up of a transparent multilateral donor fund to channel support from the international community, i.e. the Trust Fund for Iraq, established by the UN and the World Bank.

The Commission developed its approach carefully with a medium-term strategy presented in June 2004 which had the following goals:[36]

- The development of a stable and democratic Iraq
- The establishment of an open stable, sustainable and diversified market economy
- Iraq's economic and political integration into its region and the open international system.

The strategy proposes a number of actions to strengthen the democratic process, to support the reconstruction endeavor and to establish a political dialogue. In the medium term it envisages the inclusion of Iraq in the EU's Mediterranean partnership framework.

On the level of public opinion, a major survey released in November 2003 by the European Commission[37] revealed that some 42% believed that the EU's role in international relations had been weakened by the recent Iraq crisis while some percentage held that it remained basically unchanged. Regarding the justification of military intervention, 68% believed that military intervention was not justified,

34- See Communication from the Commission to the Council and the European Parliament. The Madrid Conference on reconstruction in Iraq. COM (2003) 575.
35- See 2533rd Council Meeting, External Relations. Luxembourg, October 13, 2003, 13099/1/03 REV 1 (en) (Presse 292).
36- Communication from the Commission to the Council and the European Parliament. *The European Union and Iraq. A Framework for Engagement.* Brussels, June 9, 2004. COM(2004) 417 final.
37- See *Eurobarometer*: *Iraq and the Peace in the World*. Full Report (Fieldwork, October 6-18, 2003, publication, November 2003).

a position that is shared throughout EU member countries, with the remarkable exception of Denmark. In regard to the management of the reconstruction and transformation process in Iraq, EU citizens preferred a deployment of the UN over that of the provisional government and the US. A comparable picture emerged regarding the maintenance of security during the transition period where 43% believed that UN peacekeepers should guarantee security in Iraq. The majority (86%) believed that the EU should support the re-establishment of an Iraqi government as quickly as possible. When it came to financing the rebuilding of Iraq however, 65% believed that this should be a primarily US responsibility. Nonetheless, a majority of Europeans (54%) favored their country's financial participation in the rebuilding of Iraq.

Defining an EU role[38]

The failure of the US and its allies to understand the dynamics of Iraqi society and the catalogue of mistakes that characterized the management of the transition process do not bode well for success in Iraq. Yet, the failure to establish a stable and legitimate political order in Iraq will have a huge impact on regional and international politics. The EU and its member countries simply cannot afford to ignore the immense importance of the transition process in Iraq to a region that is geographically situated on its south eastern borders. EU countries share four basic interests in Iraq;

- Ensuring a stable transition process that would help the integration of all significant groups and prevent the re-emergence of a repressive authoritarian system. An unstable Iraq is likely to descend into violence and may turn into a regional hub for terrorist activities, thus encouraging the intervention of neighbouring countries and fuelling migration into the EU.

- Supporting the reconstruction process of Iraq to combat widespread social dislocation and poverty and improve the standard of living of the population. A solid economic recovery is the key to building the necessary support for the political transition process.

- Securing the supply of oil at reasonable prices that requires a stable and secure environment to allow for uninterrupted exports and to attract the large investment necessary to upgrade existing capacities and develop new ones.

- Fostering long-term stability in the Gulf region. Any conflict in this area threatens to interrupt the stable supply of oil and gas and jeopardises the global

38- This chapter is largely based on Toby Dodge, Giacomo Luciani and Felix Neugart, "*The European Union and Iraq. Present Dilemmas and Recommendations for Action"*, Strategy Paper, Bertelsmann Foundation 2004.

economy. This implies that Iraq will be at peace with its neighbours and gradually integrated into a regional security framework.

Despite the intra-European disagreements of the past it is not difficult to see that there exists a very wide degree of convergence on the fundamental principles that Europe wishes to uphold for the future of Iraq. These are;

- Iraq's unity must be preserved. No partitioning or redefinition of boundaries is acceptable, either today or in the future.
- Iraq must be governed democratically. Nothing short of a democratic regime is acceptable. The test of democracy is: freely contested elections with one person (man and woman) one vote.
- The system of government in Iraq must be geographically decentralised to accommodate society's wishes.
- Iraq must be at peace with all its neighbours and renounce the use of military force as a solution to international disputes.

Provided that there is a European consensus on these basic interests and principles, the EU and its member countries should be prepared to commit substantial political and material resources to support the transition process. Crucially however this will require some tangible sign that the US administration is prepared to change course and correct some of the mistakes that have been made in the past. US decision makers cannot expect the international community to commit substantial resources to a process in which the UN role is limited to being a *'subcontractor'* to the Coalition. Real engagement on the part of the international community will only be available when it is matched by real participation in decision-making.

Clearly the single most pressing problem in Iraq is the general lack of security and the proliferation of armed militias that have been licensed by the CPA in an ad hoc and inconsistent manner. Given the complex and dangerous environment in Iraq and the lack of a truly multilateral framework, most states are understandably reluctant to commit troops to the country, even under a UN command structure and many of those on the ground face strong domestic pressure to withdraw. There are no indications that a large number of additional troops will be provided any time soon by the international community. This means that the Coalition and increasingly, the nascent Iraqi security forces, will have to try to guarantee the level of security necessary to embark successfully on the political process. Success in improving security conditions will also be crucial to any large-scale EU engagement on the ground.

The present problems have to be addressed through an inclusive political process that results in a general election and a legitimate Iraqi government,

provided for in the Transitional Administrative Law, no later than January 2005. The transitional period until national elections are held is fraught with risks, given the very narrow popular base of the emergent interim government and the continuing reluctance of the US to accept a truly multilateral framework. In this volatile environment the EU should concentrate on supporting the electoral process and the development of an inclusive and representative political system. The upcoming elections have to be made as free and fair as possible in order to establish a government with broad popular support and sufficient legitimacy to confront the difficulties ahead.

The establishment of a participatory political system cannot be confined to the holding of competitive elections. This needs to be complemented by the creation of a vibrant civil society that will help to establish a level-playing field, ensuring that the holders of executive positions, such as the current interim government, do not exploit their comparative advantage to augment their seizure of power by controlling the media, harassing civil society and rigging elections. The EU should foster the re-construction of Iraqi civil society by supporting non-governmental organisations and offering training in democratisation, human rights and civil conflict management. Special attention should be given to fostering the acceptance of democratic and pluralistic values within the Islamic religious discourse, by seeking for example the support of European Muslims on an organisational and individual level to promote the values of democratic pluralism and religious tolerance. The EU should foster the international integration of Iraqi civil society by establishing study programmes and exchanges for students, teachers, journalists, officers and other professionals to overcome the impact of the decade of isolation. All of this will naturally be complicated by the lack of a physical presence on the ground due to the security situation. Nonetheless, EU actors, both at the level of community institutions and member countries, should attempt to embark on an extensive dialogue with Iraqis, who should remain involved at all stages of the process in order to enhance their feeling of ownership.

A second area in which the EU could contribute in a meaningful way to improving stability in Iraq is institution building and the rule of law. The EU has among its member countries a great diversity of institutional settings coupled with rich expertise in institutional reform. The EU should offer to share European experience in designing new political institutions and making them work. In particular, a number of different models of devolution, regional autonomy and federalism aimed at decentralizing decision-making would be of tremendous value for those Iraqis drafting the new constitution.

A crucial but rather neglected dimension of the institution-building process is local government. Local elections are an important device to build up a truly democratic system by encouraging a new generation of leaders, rooted in Iraqi society and focused on daily problems of direct concern to citizens. The EU

should aim to support the development of local governance, starting with local elections. The establishment of the rule of law in its various dimensions (police, judicial system, prison system) will be of crucial importance for popular support in the interim period. The EU should support the training of police, border police and other internal security agencies, including education in human rights' issues and in civil-military and community-police relations. The EU should offer assistance for the reform of the legal and law-enforcement systems of Iraq by extending support for judicial training and penal reform, including professional training for lawyers in the courts, training in international law and training in human rights' law.

Special attention should be given to addressing the legacy of the crimes of the previous regime. Every transition process faces a conflict between the popular desire and moral necessity to punish the perpetrators and demands to bury the past, aimed at forging a new national consensus. The legal determination of individual guilt is a complex and time-consuming process that requires both universal and generally accepted standards, trained and experienced legal personnel and the careful preparation of evidence. EU member countries, especially the new accession states from Central and Eastern Europe, have rich and diverse experiences in confronting the crimes of past regimes and forging a national consensus on a democratic future. The EU should offer financial and technical support for this project that will have a crucial impact on the future political culture of Iraqi society.

A third and possibly most important, field for EU engagement is the regional environment where various EU policies are already in place. While these policies have formerly been pursued independently of Iraq and are clearly objectives in their own right, the regional environment will exert a powerful impact on the course of the transition process in Iraq. The cooperation of Iraq's neighbours is crucial to any effort to stabilize the situation in the country. Iraq is dependent on its neighbours in many ways, most importantly because of its narrow access to the sea, the vulnerability of its overland oil pipelines and its dependence on the uninterrupted flow of the Tigris and the Euphrates. It has a legacy of unsettled disputes with most of its neighbours, most notably Iran. It has started two wars of aggression in barely a decade (Iran 1980 and Kuwait 1990). The EU should establish an intensive dialogue on the future of Iraq with Iran, Turkey, Syria, Jordan and the GCC countries. This would include issues such as non-interference in Iraq's domestic affairs and the appropriate policing of borders, as well as commercial and economic cooperation.

In contrast to the US, the EU is uniquely positioned to engage all regional actors;

- Turkey is a candidate for EU membership and a date for the start of accession negotiations will soon be offered. This decision clearly has the potential of

either turning the EU into one of Iraq's neighbours or potentially alienating it from the regional stage.

- With Iran, the EU has engaged in the so-called *'constructive dialogue'* and recently began negotiations on a free trade and cooperation agreement to establish a stable platform for dialogue and cooperation.

- Syria, Lebanon and Jordan are partners in the Euro-Mediterranean Partnership (the Barcelona process) that is currently undergoing a process of reformulation in the light of the *'Wider Europe'* concept.

- The EU has had a cooperation agreement with the Gulf Cooperation Council (GCC) countries since 1988 and negotiations on a substantially upgraded free trade agreement are close to completion.

The EU should actively promote the idea of a multilateral Gulf security structure and proffer its good offices to facilitate contacts between all parties involved. The progressive integration of Iraq into a Helsinki-type Gulf regional security framework, encompassing Iran and the GCC countries, will alleviate its perception that Iran poses a threat and check any new attempts at regional dominance. A future *Gulf Conference for Security and Cooperation* (GCSC) should include all the Gulf states and be devolved into subject-specific working groups on issues such as; arms control, confidence building measures, resolution of territorial disputes, economic cooperation, energy and water. As the groups would cover different themes, their membership would be flexible. With the various issues being addressed in parallel, it may be easier to arrive at compromises and imaginative solutions to problems such as Iraq's access to the sea or the dispute over Abu Musa and the Tunbs. Yemen, Syria, Egypt, Jordan and Turkey should be given associate status at the conference and full participant status in the relevant working groups. The US, the EU, Russia and the UN Secretariat should function as facilitators for the establishment of this framework and as participants in its proceedings. The EU also needs to repeat forcefully that success in Iraq requires parallel progress towards a settlement of the festering Israeli-Palestinian conflict within the framework of the *'roadmap.'*

Chapter Five

The Gulf and U.S.-EU Relations

F. Gregory Gause, III

The conventional wisdom among Middle East analysts is that the United States and the countries of the European Union have more serious differences over the Arab-Israeli side of the Middle East problem than they have over Gulf issues. To be sure, Washington and Brussels (and the national capitals of Europe) have had serious differences over a number of Gulf issues, most recently the 2003 American war against Iraq. It is assumed by many however that the US and the EU share a basic common interest in the Gulf, a steady supply of oil at manageable prices that in the end provides a common basis for action. Broad European cooperation in the 1990-91 Gulf War, under American leadership, is seen as the proof of that common interest. Whereas on Arab-Israeli questions the differences between the American approach, tilted heavily toward the accommodation of Israeli interests and the more *'even-handed'* European approach, are seen as profound and perhaps unbridgeable.

I believe that the opposite is the case. The fundamental American and European goal in the Arab-Israeli conflict is the same: a stable two-state solution broadly acceptable to Israelis and Palestinians that will remove this difficult issue from the international agenda. To be sure the two sides' tactics are different but in many ways complementary. The EU supports the institutions of Palestinian governance and cultivates good relations with Syria, the last *'confrontation state'*. The US is intimately involved in Israeli politics and is the only outside power that can propel the Israelis towards compromise. One can question the sincerity of some members of various American administrations in their commitment to a two-state solution but the overall direction of American policy over the past decade, in Republican and Democratic administrations, is unmistakable.

It is true that the US and the EU share an ultimate common interest in the Gulf as a source of energy. Any major disruption of the energy trade with the Gulf

would be very harmful to them and the world economy. Now and for the foreseeable future however, there is no serious international threat to the free flow of Gulf oil and gas. There is no global Cold War that could bring conflict to the region. Saddam Hussein's regime, the prime disrupter of regional stability for 20 years, is no more. The Iranian government, while an ambitious regional player, does not seem set on regional conquest or military domination. Energy trade might be disrupted by domestic events in any of the major Gulf producers, to be sure but the kinds of international action that could impede the free flow of Gulf energy to world markets, on the model of Iraq's invasion of Kuwait, seem very unlikely.

Thus, the common European-American interest in the Gulf is not really at risk. There is no need to cooperate to secure it. With the Cold War over, there is really no need to cooperate militarily against a larger global threat that might lead to regional cooperation in the Gulf. The increasing divergence between Washington and most of Europe over Gulf issues in the 1990s is testimony to this fact. Without a credible common threat, the divergent commercial interests of the US and the EU will play a greater role in their Gulf policies, driving them apart. The increasing suspicion of Washington's intentions among European publics and in some European capitals will make security cooperation, if necessary, more difficult. Gulf issues will divide the two sides of the trans-Atlantic relationship more than they will unite them in the coming years.

Drifting Apart: the US and the EU in the Gulf, 1991-2003

Almost immediately after the Gulf War of 1990-91, the sense of common purpose between the US and the major European countries on Gulf issues began to dissipate. This was clearer on policy toward Iraq and Iran than toward the GCC states. All EU countries objected to some aspect of the American policy of *'dual containment'*. France withdrew from the American-British military policy of patrolling the skies over southern Iraq by 1993 and over northern Iraq in 1997. By the mid-1990s, Paris was urging a reconsideration of the sanctions on Iraq. French oil companies began to negotiate exploration deals with the Iraqi government, to be implemented on the lifting of sanctions. When the Clinton Administration pursued a more confrontational policy toward Iraq over the UN weapons' inspection crises in 1997 and 1998, France very publicly refused to support military action. French and German objections to the American war against Iraq in 2003 were the logical end result of the increasing divergence between Washington and the major Continental powers over Iraq.

If anything, EU differences from the American approach toward Iran were even greater during this period. Unlike policy on Iraq where Great Britain supported and participated in military actions against Saddam Hussein, the EU states were united in preferring a *'critical dialogue'* with Iran over the American policy of containment. That policy involved frequent visits to Iran by European

foreign ministers, concessions on the repayment of Iran's debts and encouragement of EU-Iran trade. In contrast, the US severed all trade and investment relations with Iran in 1995, preventing the American oil company Conoco from investing in the Iranian energy sector.

Despite Washington's adoption of the Iran-Libya Sanctions Act, imposing sanctions against foreign companies doing business with Iran (or Libya), the French oil company Total took Conoco's place in the deal. There were a few bumps in the road of *'critical dialogue'*. Ayatallah Khomeini's fatwa against Salman Rushdie remained a difficult issue into the early 1990s. The EU countries all temporarily withdrew their ambassadors from Teheran in the mid-1990s after German courts found evidence of high-level Iranian involvement in the 1993 assassination of four Iranian Kurdish leaders in Germany. Overall the EU as a whole exhibited much more willingness to engage Teheran than did Washington.[1]

These specific differences reflected increasing wariness in many EU capitals (with the notable exception of London) of the dominant American position in the Gulf region. Although no specific issues regarding the GCC states emerged as major bones of contention between the EU and the US during this period, the result was the increasing monopolization by the United States of both security and commercial relations with the GCC states. Washington made it clear that it needed no partners in its management of the Arab side of the Gulf.

US-EU Commercial Rivalry in the GCC

In the post-Iraq War period one can expect a sharp increase in the sense of commercial rivalry between the United States and the EU. That rivalry is already well in progress regarding Iraq and Iran, as discussed above. The American decision to exclude companies from countries not forming part of the Iraq War coalition from bidding on major reconstruction projects in Iraq is simply the most recent evidence of that rivalry. It should be noted however that the Bush Administration policy very specifically encourages companies from EU members who were in the coalition, Great Britain, Spain, Italy, among others, to join in the effort for Iraqi reconstruction. This not only rewards those EU governments who supported American policy but also introduces potential divisions into the one area where the EU has achieved the greatest degree of solidarity, economics.

This commercial rivalry, so clear on Iran and Iraq, has become more prominent in the GCC states in recent years. This is particularly true for Saudi Arabia. For decades US companies had preferential access to any large contract in the Saudi market. Only when, for political reasons, the US chose not to compete

1- For an account of US-EU differences on the Gulf during this period, see Simon Serfaty, "Bridging the Gulf Across the Atlantic: Europe and the United States in the Persian Gulf," *Middle East Journal* 52, no. 3 (Summer 1998).

could British Aerospace, for example, secure the enormous Al-Yamamah military aircraft deal with Riyadh in the 1980s. In the aftermath of September 11, with the new tensions in relations between Saudi Arabia and the US, there seems to be a conscious decision in Saudi Arabia to broaden its economic relations and in some American companies, to rethink the value of major investments in Saudi Arabia.

The most obvious indication of this re-thinking in Riyadh is the course, during 2003, of the *'Saudi gas deal'*. The *'Saudi gas deal'* had its origins in a 1998 meeting between Crown Prince Abdallah with the CEOs of the major American energy companies. The Crown Prince invited the companies to propose ideas for partnering with Saudi Arabia in the energy sector. Out of this initiative came three multi-billion dollar proposals to develop Saudi natural gas reserves, two headed by ExxonMobil and one by Royal Dutch/Shell but the momentum slowed as the Saudis and the companies dickered over terms, prices and profit margins. Saudi ARAMCO and the Saudi Oil Ministry, not anxious to give up their exclusive control over the Saudi energy sector, were not enthusiastic supporters of the projects.

After September 11, there was speculation, denied by all involved, that the political tensions in Saudi-American relations added another obstacle to the deal. One of the Exxon/Mobil proposals, a $5 billion project in the Red Sea, the most technically difficult of the three projects, was quietly dropped in January 2003.[2] In early June 2003, Saudi Oil Minister Ali Nuaimi informed ExxonMobil that its $15 billion proposal for the largest of the three megaprojects had been cancelled.[3] Agreement on the third proposal, for development of gas resources in the Empty Quarter, the only one of the three headed by a non-American company, was reached in July 2003. Royal Dutch/Shell will have 40% of that project, Total will have 30% and Saudi Aramco will have 30%. Conoco/Phillips, the American company originally involved in that project, dropped out.[4]

While commercial considerations were undoubtedly paramount in the failure of the Saudis and the American companies to come to terms, there are important political implications in the way that this occurred. First, it is clear that European companies were more willing to accept the terms offered by the Saudis than were American companies. This signals the greater willingness of these companies to take risks to get a foothold in the Saudi energy market and develop long-term stakes in Saudi Arabia. Second, the failure of American companies to take similar risks indicates a lower priority for Saudi Arabia in their plans. Third, the absence of major American companies from the Saudi gas fields means the loss of a

2- Jasim Ali, "New Saudi gas initiatives need to be attractive," *Gulf News*, July 6, 2003.
3- Peter Behr, "Saudi Arabia Scuttles $15 Billion Natural Gas Project," *Washington Post*, June 5, 2003.
4- *al-Hayat*, July 17, 2003, 1, 6; *Petroleum Intelligence Weekly*, July 21, 2003.

potentially important economic link between the two countries. If the deals had gone through, major American energy companies would have invested billions in the Saudi economy and revived the major American commercial role in the Kingdom's energy sector that American companies had held up until the Saudi takeover of ARAMCO in the 1970s. They would have revived the role of American energy companies as an important domestic American constituency supporting the Saudi-American relationship. The energy companies, the main proponents of close Saudi-American ties from the 1930s through the 1970s, largely abandoned that political role with the Saudi takeover of ARAMCO. The failure of such a large and high profile initiative in the Saudi-American relationship is symbolic of the changes that are occurring in the relationship since September 11, even if the failure was not directly caused by the political fallout of September 11. Conversely, the investments to be made in Saudi Arabia by Shell and Total will provide a new commercial link between Riyadh and three EU capitals.

There were other signals during 2003 that the EU was taking a more aggressive position on encouraging economic relations with Saudi Arabia, whilst United States companies were pulling back. In August 2003, Saudi and EU negotiators signed a trade agreement which will facilitate European investment in the Saudi infrastructure, end the Saudi practice of selling natural gas at below-market rates to domestic businesses and smooth the way to Saudi accession to the WTO.[5] (The EU is already Saudi Arabia's largest trading partner.) Negotiations on a similar trade deal between Saudi Arabia and the US have not reached a conclusion and are unlikely to be concluded, even by the end of 2004. In September 2003, Citibank announced an end to its management contract with the Saudi-American Bank (Samba), leading Moody's Investors' Services to announce a review to possibly downgrade the bank's investment rating. Both Citigroup and Samba said the end of the management relationship was a natural result of Samba's development and Citigroup did maintain its 20% ownership share of Samba. Last year Citigroup, holding 48% of Samba's shares, sold 28%.[6]

With the fall of the value of the dollar in 2003, speculation grew that OPEC might consider a change in its policy of pricing oil in dollars. Any change to pricing oil transactions in a basket of world currencies rather than in dollars would strengthen the role of the euro in its effort to rival the dollar as a reserve currency and global unit of accounting. Outgoing OPEC Secretary General Alvaro Silva raised this possibility in an interview at the beginning of December 2003. Saudi Oil Minister, Ali Naimi, denied that Saudi Arabia supported such a

5- Tobias Buck, "EU Deal Likely to Smooth Saudi WTO Entry," *Financial Times*, August 31, 2003.

6- James Drummond and Gary Silverman, 'Samba in Credit Rating Review,' *Financial Times*, September 25, 2003.

move, although he did say that the weak dollar justified higher oil prices.[7] Any signal that Saudi Arabia was considering a change in oil pricing from dollars to a currency basket would be a major blow to the dollar's dominant position in the world economy and a sign of a serious split between the countries.

There were no signals of a major shift in the position of the EU and the US in terms of commercial rivalry in the smaller GCC states during 2003. Kuwait continues to want to bring American and European (along with Russian and Chinese) energy companies into areas along its border with Iraq, the *'Plan Kuwait'* initiative. This is clearly aimed at tying the economic interests of as many great powers as possible into the security of that border. The Kuwaiti parliament has however objected to re-opening the country's energy sector to foreign investment and the future of Plan Kuwait remains uncertain.[8] During the second quarter of 2003, both Emirates Airlines and Qatar Airlines announced major aircraft purchases from Airbus, the European conglomerate, rather than the American aircraft producer, Boeing.[9] One may imagine that, ten years ago, Washington's political influence in Doha and Abu Dhabi would have persuaded these national airlines to *'buy American.'* (Emirates Air did in fact announce a much smaller leasing deal for some Boeing jets.). It would however be a mistake to read too much into these commercial decisions. The international market in passenger jets has shifted steadily toward Airbus in the last few years so the Gulf airlines are merely following market trends. It is interesting to note that, as the Saudi gas deal was collapsing in the summer of 2003, Conoco/Phillips, one of the American energy companies pulling out of the Saudi venture, committed itself to a $5 billion natural gas project in Qatar.[10] In October 2003, Exxon/Mobil signed deals with the Qatari company Rasgas that will more than double Qatari exports of natural gas over the next seven years.[11]

Commercial trends are not simply the reflection of politics. Sometimes they have more to do with dollars and cents (and euros) than with foreign policy. American companies' participation in the *'Saudi gas deal'* fell apart more because of business differences than because of 9/11. It is to be noted however that the EU as a political body and European energy companies seem much more anxious to complete deals with Saudi Arabia than do the United States government and the American energy companies.

7- Simon Romero, 'OPEC Holds Steady on Output, At Least For Now,' *New York Times*, December 5, 2003.
8- *Petroleum Intelligence Weekly*, December 1, 2003, 1, 4.
9- 'Qatar Deal Makes Airbus's Week,' *BBC News*, June 19, 2003; Rasha Owais, 'Emirates Signs $19b. Deal for 71 Aircraft,' *Gulf News*, June 17, 2003.
10- 'Qatar, US Firm Confirm LNG Deal,' *Reuters*, July 13, 2003.
11- *Petroleum Intelligence Weekly*, October 27, 2003, 1, 3, 4.

Gulf Security and the US-EU Relationship

The EU is an increasingly unified economic bloc, acting as a single actor on the world economic stage. It is an important economic competitor of the United States in the Gulf region as a whole and in the GCC states. The same cannot be said of the EU in the security realm, for two reasons. Firstly, the EU does not present a unified front on security issues. The splits among the major European capitals on the Iraq war were simply the most recent example of the lack of a common understanding of security interests within the EU. Secondly, none of the EU states, either individually or together, can match the United States as a provider of security to the GCC states. In a crisis, now and for the foreseeable future, only Washington has the forces, the bases and the strategic lift to defend the GCC against possible outside threats. A close defense relationship with the United States can create its own problems in terms of domestic security, as Saudi Arabia has found out and as the smaller GCC states may find out. In terms of defense against regional threats however, the EU cannot provide what the US can provide. For that reason, the EU is not a strategic competitor in the Gulf at present. Washington will do what it can to prevent it from emerging as a strategic competitor, in the Gulf or elsewhere. Given the obstacles in place to a coordinated EU security policy with the military strength to challenge the United States, it seems unlikely that the US will have to do much in that regard.

The root cause of EU foreign policy divisions in recent years, seen most clearly in the recent Iraq War, is the different perception of the UK and France on how to deal with the enormous power of the United States.[12] London sees a close link with Washington as the best way to influence the use of American power. Paris sees the need for more classic, balance-of-power actions to restrain American excesses. Other EU capitals add their weight to one side or the other, depending upon circumstances and the vagaries of their own domestic politics. As long as the two most important military powers in the EU have profoundly different visions of how to deal with the United States, in the Gulf or elsewhere, the hope that the EU might aspire to be a strategic competitor of the United States is a pipe dream.

Washington and in particular this Bush Administration, shed no tears over this fact. As early as 1992 Paul Wolfowitz, then serving in the first Bush Administration, drafted a strategic planning document that set out the major American security goal in the post-Cold War world as; the prevention of the development of any potential security rival. The public outcry over this document

12- An excellent account of the divergent views of London and Paris on security issues and the trans-Atlantic relationship can be found in Jolyon Howorth, 'France, Britain and the Euro-Atlantic Crisis,' *Survival* 45, no. 4 (Winter 2003-04).

(more over the bluntness of its language than its content, I believe) led President George H. W. Bush to disown it. The ideas that it embodies however, clearly guide the current administration of President George W. Bush. I do not find it unusual that the dominant world power seeks to prevent the emergence of challengers. It has been the stance of every great power in history, with the possible exception of a declining Great Britain in the first half of the 20th century. The United States is simply acting as other great powers have done before. Presumably it will, over time, be as unsuccessful as previous great powers have been, at preventing the development of great power rivals. For the foreseeable future however, the United States will remain unchallenged as the dominant foreign power in the Gulf.

This does not mean that European states are irrelevant to the Gulf security situation or to American strategic dominance there. Washington wants European (if not EU) support, even partnership, in its *'management'* of Gulf security. Having Great Britain, Spain (when the war began) and Italy supporting the Iraq War was an important public relations element of the Bush Administration's public relations' strategy for gaining domestic support for the war in the United States. The British military contribution was significant, both during the war and in the occupation. It is for this reason that the United States opened up the bidding process for contracts to be funded by American aid to Iraq to members of the coalition, not simply to American companies. (This step also aims to punish those states that did not join the coalition and further to prevent the emergence of a unified EU position on the Iraq question.) Contrast this policy to the use of American foreign aid in other countries, where bidding is normally limited to local and American companies, excluding all third country bidders. Washington would like to secure broader European support for the occupation and would like to see EU member states (particularly France and Germany) forgive Iraq debts. At a minimum, Washington would like to have Paris' vote on the UN Security Council to give international legitimacy to its actions.

So European leaders, if not the EU, do play an important strategic role in the Gulf, not as competitors to the United States (though some might want to be) but as actors who can either help or hinder American plans. It is in this regard that the Bush Administration faces problems with its Gulf strategy. It is pleased that the EU is not a strategic competitor and reserves itself the right to act unilaterally (not only in the Gulf) if it sees fit. That very unilateral assertiveness makes it less likely however that Washington will receive the assistance from European states that it seeks, on important political and strategic issues. This is true for two reasons;

- As was mentioned in the introduction to this paper, the core European interest in the Gulf, the free flow of oil, is not really at risk. The United States will guarantee that whether France, Germany or any other EU state cooperates with it or not. Why, then, should EU states accept junior partner status, at best, with

Washington in the Gulf, a position that brings along its own negative baggage, for the few economic gains that might ensue (some slice of Iraqi contracts)? Their major interests are already secured. Why kowtow to the United States to secure crumbs from the rich man's table?

- American unilateralism and assertiveness during the Iraq War was profoundly unpopular in EU countries. A Eurobarometer poll taken in October 2003 found that 68% of EU citizens continued to believe that the military intervention was not justified. Even in the two countries that contributed troops, Spain and Great Britain, majorities agreed with that sentiment (79% in Spain and 51% in Britain). Only 14% believe that the United States should manage the transition to a new Iraqi government; 66% prefer that the United Nations take that role.[13] To the extent that American policy in the Gulf and elsewhere continues to alienate European publics, democratic governments in the EU countries will find it harder to support Washington.

The EU cannot be a strategic challenger to the United States in the Gulf region for years, if not decades, to come. It is neither unified enough nor does it have the military resources to do so. The United States cannot however have its cake and eat it for too long as regards European cooperation in its Gulf policy. Both national interest and European domestic political realities will make it harder for Washington to attract the support of European governments for a junior partnership in the Gulf. Without giving the Europeans a real decision-making role on Gulf strategy issues (something that this Bush Administration does not want to do), it is hard to see why any European leader would long pay the price of playing a Sancho Panza to an American Don Quixote in the Gulf.

Conclusion: Is US-EU Rivalry in the Gulf Inevitable?

The current trajectory of American and EU positions on the Gulf is for increasing competitiveness in the commercial realm and for continued differences in strategic visions of the region. Given the realities of power and domestic politics on both sides of the Atlantic, it is hard to see how the increasing gap between the United States and most European countries on Gulf issues can be bridged.

Even within the ongoing commercial competition it is not however inevitable that US-EU relations need be conflictual on strategic issues in the Gulf. Jon Alterman, director of the Middle East program at the Center of Strategic and International Studies in Washington, suggests that there can be a common agenda on the reconstruction of Iraq and on advancing the cause of political reform in the Gulf region. He argues that a common agenda on these questions can be based on similar interests and values in both the US and the EU states, although it would

13- Eurobarometer poll results found at: http://europa.eu.int/comm/external_relations/iraq/doc/fl151_iraq_ full_report.pdf. See 5, 13, 43.

require compromises on both sides of the equation.[14] Indications of possible US-EU cooperation on an approach to Iranian nuclear proliferation issues, which emerged in October 2004, demonstrate that there could still be room for more US-EU coordination on some Gulf security issues. Yet, the obstacles to such coordination are considerable, as long as the Bush Administration remains in power.

14- Jon Alterman, "The Promise of Partnership: U.S.-EU Coordination in the Middle East," American Institute for Contemporary German Studies, Johns Hopkins University, Policy Report #10, 2003, http://www.aicgs.org/publications/PDF/mideast.pdf.

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