EUROPEAN UNION AND GULF COOPERATION COUNCIL RELATIONS: ARDUOUS CRUISE

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Abstract - EU – GCC Relations started thirty years ago, but proceeded very languishingly. After the first agreement between two institutions in 1998, EU transformed, GCC slowly changed, international system dramatically converted and rules between two parties were amended by ENP of the EU. Although both sides need each other, obstinate policies caused cessation several times. According to some scholars, GCC is becoming a periphery region for them, GCC still needs the EU as a first market in total trade. Bilateralism, cultural differences, GCC's loose integration, lack of EU's leverage in the Gulf could be lined up as some reasons of the unprogressive relations. Recent developments such as Trump's election, Brexit, Qatar crisis, 5+1- Iran Nuclear Deal and Russia's growing interest to the Gulf are effecting EU- GCC relations negatively. In this study, historical, and recent developments and their effects on the EU-GCC relations were examined; and in the end some solution alternatives are discussed.

Keywords - European Neighborhood Policy, EU-GCC Relations, GCC, GCC Integration, Gulf and Europe.

I. INTRODUCTION

European Union (EU) and Gulf Cooperation Council (GCC) relations are complex in the economic and political matters. Historically, they are the oldest bi-regional relations between EU and a sub-regional organization, however in same time the stubbiest and slowest one. In spite of the initial good intention and the conclusion of several bilateral agreements, the EU-GCC relations over the past few tumultuous decades have yielded very few concrete results.

Although bilateral relations between states go back to their mutual recognitions, bi-regional relations (EU-GCC) started in 1988, seven years after the creation of the GCC. Establishing such relationships was quite natural and even necessary for both sides since their economies were complementary. GCC was producing energy, but in need of manufacturing goods, while EU was supplying the industrial product to the other. In the past as now, the EU region is the largest market for the GCC, while the GCC region is generally the fourth or fifth largest market for EU products. In spite of this economic interdependence, EU-GCC relations cannot be reduced to the economic domain alone.

In the aftermath of World War II, the EU has evolved from a mere Coal and Steel Community and a European Economic Community (EEC) into a social, cultural, security and political institution. In other words, Europe has evolved from an intergovernmental organization (IGO) to a semi-supranational institution, while the GCC is still an IGO. Decision-making in the EU, is not in the hand of heads of state/government anymore (especially after 1991 Maastricht and 1997 Amsterdam Agreements) but in the collective decision-making of the independently elected European Parliament members and heads of state. In addition, it decides on external relations in accordance with the European Neighborhood Policy (ENP) which includes democracy, human rights and good governance (ENP, 2018) now. Perhaps the main obstacle of the inoperative relations between the two organizations lies on the matrix of idealist policies (not realist) of the supranational EU and slow provisions of the intergovernmental GCC.

II. HISTORICAL BACKGROUND- WHAT ACHIEVED WHAT OBSTRUCTED

During the Cold War, in 1987 the GCC decided to initiate negotiations with the EU and a year later a Cooperation Agreement was signed and came into force in 1990. With this agreement two tracks were planned: Implementation of the Cooperation Agreement and Trade Negotiations. The Cooperation Agreement includes economic cooperation, trade and general and final provisions specifically industry, trade, economic and technical cooperation, energy, services, fisheries, investment, science, technology, environment and industrial production (EU-GCC Cooperation Agreement, 1988, articles 1-12). Although almost all European scholars claim that the Cooperation Agreement included political dimension" (Colombo, 2017, 64) by indicating "all spheres", there is no reference about politics, human rights or good governance in the 1988 Agreement. This political terminology was introduced in the negotiations after the EU adopted ENP in 2004. It could be said that the 1988 Cooperation Agreement was much more pragmatic than today, but during the

slow preparation of the GCC, EU has amended new negotiation points with the GCC according to the ENP criteria by starting 2004 (unclear; redo entire phrase). In 1991, the EU requested the GCC to establish a GCC Customs Union and unification of the tariff for its members, because the EU had already achieved those provisions within its own members. Establishment of the Customs Union and unification of tariff of 5% took 12 years within the GCC. During this period, GCC-EU negotiations were suspended three times and restarted, the last one was in 2002.

In 2004, EU has launched the ENP and started to enlarge its economic relations accordingly with all far-regions, such as MERCOSUR (failed), GCC (low level), Korea (successful), India (mostly successful), ASEAN (partly successful), and Canada (successful). The EU reactivated negotiations with the GCC in 2003 according to the ENP criteria which it reviewed in 2011 and 2015. According to the ENP "Whereas a number of neighboring countries go through social and economic changes due to globalization and internal pressure reforms and security are preconditions for economic development in the medium and longer term. While continuing defending the EU values and human rights, the current Review also engages partners in increased cooperation on security matters… [I]n political terms, four main domains are at the heart of the new policy: (1) good governance, democracy, rule of law and human rights, (2) economic development for stabilization, (3) security and (4) Migration and mobility. (European Neighborhood Policy, 2018). Again, according to the new ENP, "it promotes the respect for the basic principles of dignity and equality, human rights and social and economic justice. These are embodied in democratic legal systems and rule of law and guaranteed by independent courts". (European Neighborhood Policy, 2018?). In its negotiation with the GCC, EU insisted on the importance of ENP's political provisions. In addition, it insisted on imposing heavy carbon tax on oil and its derivates as well as on petrochemicals. The environmentalist lobby within the EU fought against the trade liberalization with GCC and some EU members blocked duty-free access for petrochemical products imported from the Gulf. (Colombo, 2017, 65). According to the EU's website EU's Middle East policy has two main and clear objectives: Encouraging regional cooperation and encouraging political and economic reforms according to the ENP. (EU External Action, 2018, 1)

After establishing Customs Union and tariffs, GCC returned to the negotiation table with the EU, but was disappointed when they saw the political questions as preconditions of the agreement and denial of duty-free access to some EU members' market. As a result, GCC side suspended, in December 2008, the negotiations because of "absence of any progress." (GCC Website, Regional Cooperation, 2018). Both GCC and the EU were looking for pragmatic solutions to overcome their discords because of mutual benefits, but the EU's idealistic policies became obstacles to the institutional relations. By some EU states' pressures, negotiations started again in 2010 to follow the Joint Action Programme (JAP); which was supposed to put into force new and practical steps between two institutions until 2014. However, they could not reach any acceptable agreement in the Manama EU-GCC meeting. In 2013 EU Delegation Offices in Saudi Arabia (for five countries) and Abu Dhabi (for the Emirates) were opened to strengthen and follow up the relations between the two institutions. (EEAS, 2018, 1) In 2016, a Joint Cooperation Committee agreed to set up "a more structured informal dialogue" on trade and investment, providing a framework of issues of common interest. In May 2017, the EU and GCC launched a dedicated Dialogue on Trade and Investment issues with the participation of their respective private sectors. This Dialogue provides a platform to tackle trade and investment related issues and enhance cooperation on matters of mutual interest such as market access irritants, regulatory requirements and ways to encourage greater two-way trade and investment flows. (European Commission, 2018, "Gulf Region"). After EU put red-lines on political issues and GCC declined them by stating unacceptable "changing the rules after the game started", relations were semi-frozen. At the state level, both sides want to go further, but institutional decisions balked region-to-region relations. So, today GCC and EU continue their dialogue "informally". EU Commission has published a GCC Investment Report for market access and trade in 2017 (Service for Foreign Policy Instruments, 2017) to open new sparkling agenda, because the GCC and the EU have remained in a stalemate regarding the agreement so far.

III. THE ROOTS OF PROBLEM

First, the integration level of the both institutions is the one of the most important issues. GCC's loose integration is a major impediment to reaching a comprehensive agreement with the EU. When 1988 Cooperation Agreement was signed, GCC was not well organized. The EU has helped the GCC on the way institutionalization by requesting to establish Customs Union and tariffs. GCC tried to adopt the EU's experience in its own creation, but the implementation of the EU's measures was not easy. VAT Implementations, Railroad Project, Qatar issue and its reflections to the GCC, "Union" struggles and the establishment of a permanent army under Peninsula Shield Force (PSF) are some of the failing points of the GCC integration. Transforming the

organization to a union failed because of Oman (and sometimes Kuwait) different foreign policy understandings. On the other hand, the EU is a semi-supranational organization and the most developed IGO in the world with its common foreign policy, social, security and economic integrity. This integration discrepancy is one of the important issues on decision-making and implementation of the decisions between two parties.

Second is the philosophical difference between the two institutions. EU approaches its foreign relations with Kantian mentality which puts people in front of the state, while GCC follows the Hobbesian mentality which gives more importance to the state than the people. Consequently, in the GCC state decisions are more effective and prevailing than any other entity including regional integration. This perspective makes the GCC slow with the bureaucratic and administrative inefficiencies and loosely integrated.

Third, political culture in the Gulf intensifies on privileges bilateral relations. They prefer face-to–face and close meetings as a sign of respect to the other side in the Gulf culture. In multilateral meetings, some could be ignored. This culture reflects to the politics and international relations also. So, although the member states desire to develop the GCC integration, they prefer to continue good relations bilaterally with the US as hegemon power of the unipolar system, or with the UK with long-lasting historical ties, or with France and Italy as supplementary security providers. Qatar has a defence pact with France and Turkey; Kuwait has military agreement with the UK and the US; Emirates and Oman maintain their own separate agreements with the US. As for the EU, members share responsibilities in respect for their collective actions even when they develop bilateral relations with the Gulf States., such UK, France, Germany and Italy.

Fourth, economically the EU region is the first market for the GCC, but the GCC is becoming periphery region or declining market for the EU. Although the statistics show a growth in the EU- GCC volume of trade in the last decade, the share of the Gulf in the Europe's import from the region declined by -6.4% in the last five years. In 2013, GCC region was the 4th exporter to the EU, but loses another rank in 2017 to become the 5th region for its exports. The Gulf countries mostly import manufacturing goods from Europe including generation plants, locomotives, aircrafts and some other industrial products, in return, Europe imports mineral fuels and mining products from GCC (European Commission, 2018, 2, 4, 7- Figures 1 and 2).

Fifth, unlike the other close-by regions, such as Mediterranean region, Balkan area and Eastern Europe, EU does not have political leverage or economic miracle in/for the Gulf. Eastern European and Balkan countries had a dream of joining to the EU and followed the EU's regulations and directions within the negotiations process. Substantial benefits for Eastern Europe were EU membership, economic incentives, expectation of improving their livelihood and escaping the Russian domination. The EU has none of those leverages over the GCC countries that are considered as a "far region" with high income. They do not expect any of those incentives from the EU. The GCC problems with the EU expectations are of a different nature. The European political demands are the red lines for the GCC as the latter's economic power is not irreplaceable for the EU (5th). Europe could purchase the Gulf oil indirectly through the multinational companies. This imbalanced relationship makes both sides more independent from each other on the negotiation table in comparison to the Eastern Europe and Mediterranean regions.

European Union, Trade with GCC 6

Key Figures

Indicator	Unit	Period	Imports	Exports	Total trade	Balance
Last year	Mio euros	2017	43,845	99,761	143,606	55,915
Share in EU trade	%	2017	2.4	5.3	3.8	
Annual growth rate	%	2016 - 2017	16.5	-0.9		
Annual average growth rate	%	2013 - 2017	-6.4	1.2		

Imports 2017 **Exports 2017**

Total goods: EU Trade flows and balance

Source Eurostat Comext - Statistical regime 4

Period	Imports			Exports			Balance	Total trade
	Value Mio €	% Growth	% Extra-EU	Value Mio €	% Growth	% Extra-EU	Value Mio €	Value Mio €
2007	31,945		2.2	61,251		5.0	29,306	93,196
2008	37,566	17.6	2.4	70,138	14.5	5.4	32,572	107,704
2009	22,783	-39.4	1.8	57,841	-17.5	5.3	35,058	80,625
2010	35,086	54.0	2.3	65,491	13.2	4.8	30,405	100,578
2011	57,435	63.7	3.3	73,047	11.5	4.7	15,613	130,482
2012	61,270	6.7	3.4	83,721	14.6	5.0	22,452	144,991
2013	57,124	-6.8	3.4	94,955	13.4	5.5	37,830	152,079
2014	51,327	-10.2	3.0	96,748	1.9	5.7	45,421	148,074
2015	43,737	-14.8	2.5	111,504	15.3	6.2	67,767	155,241
2016	37,620	-14.0	2.2	100,690	-9.7	5.8	63,070	138,310
2017	43,845	16.6	2.4	99,761	-0.9	5.3	55,915	143,606

% Growth: relative variation between current and previous period

% Extra-EU: imports/exports as % of all EU partners i.e. excluding trade between EU Member States

IV. EFFECTS OF RECENT INTERNATIONAL DEVELOPMENTS ON GCC-EU RELATIONS

Qatar Crisis effects the GCC-EU relations. First, it occurred in 2013-14 because Saudi Arabia and United Arab Emirates (UAE) had been annoyed for years by network of Qatari allies. That problem was solved or frozen temporarily by Omani mediation in the GCC ministerial meeting. But again in 2017, it came as a bigger problem with the format of 13 requests formulated by four Arab countries to be fulfilled by Qatar. The most important demand was for Doha to curb its diplomatic ties with Iran; to sever its ties with terrorist groups; to shut down Aljazeera; to terminate Turkish military presence in the country; to pay reparations caused by Qatar policies; and to consent their implementation in 10 days (The 13 Demands, National World, 2017). After Qatari rejection, US took a side with Saudis. The GCC was divided in to two groups with the UAE, Bahrain, and Saudi Arabia in one side, while Oman and Kuwait declined to take side. Oman later supported Qatar economically. This crises damaged GCC projects, policies and prestige in international level. Qatar was not invited to the GCC Ministerial meeting and GCC- EU relations were put a side. The EU High Representative for foreign policy, Federica Mogherini proclaimed EU's neutrality on this issue and offered their support for the diplomatic resolution to the crisis. (Gulf News Report, 2017) According to experts, in Qatari crisis winners are Oman, Pakistan, Iran and Turkey and losers are Saudi Arabia, UAE, Qatar, GCC and the EU. (Szalai, 2018, 3-6). EU and the GCC are losers because both of them failed to intervene and solve the issue that negatively impacted their relations.

As an external factor, the election of Republican ticket Donald Trump and Mike Pence in November 2016, radically changed world politics including the GCC-EU relations. Trump's "pure business mentality" brought EU-US clashes especially on steel and aluminum, but also politics with the EU, NATO, Germany, France and the UK relations. He pulled out of the long-planned Transatlantic Trade and Investment Partnership with the EU and put in motion protectionist policies including OECD assessments. These negative developments pushed the EU to find alternative markets and new economic alliances. The EU diversification attempt it did not work with the GCC countries because the Trump Administration has consolidated the very “profitable” US-GCC relations. After the US arms sales of $ 460 billion to the Saudi Arabia in 10 years Washington intensified its relations with the majority of the GCC countries. Trump's pragmatic relations with the Gulf did not leave much space to play to the "reluctant" EU.

Another external factor on GCC-EU relations is Brexit. None of the Gulf countries is the member of the Commonwealth, but historically very close UK which is still active in the Gulf economically, militarily, socially, culturally and never wanted to share this good relations with the EU. In fact, UK never believed in the EU supranationalism and this tendency ended with the Brexit. During her membership, at least by the high demand of the EU side, UK was giving a small portion from the GCC pie to the EU. After the Brexit, this portion will be cut off and EU-GCC relations will decline further.

Third external factor on EU-GCC relations is 5+1 +EU-Iran Nuclear Deal. With the Obama's peaceful foreign policy, negotiations started with Iran in 2013 and signed/confirmed with Oman's mediation and EU's active and crucial participation in July 2015. In return to Iran's promises on limitations of uranium enrichment and other related programmes, Iran was going to receive relief from US and the EU economic sanctions. It will deescalate the tension in the region and also less arms will be needed in the Gulf. In October 2017, Trump announced that the US would not make the Iran’s compliance certification provided for under US Domestic law (Turak, 2018, 2). In May 2018, following the U.S.'s withdrawal from the agreement, the EU enacted an updated blocking statute in August 2018 to nullify US sanctions on countries trading with Iran. Between 2015-2018, EU attention tended to Iran more than the GCC economically and politically. Because according to some scholars "EU-GCC negotiating Free Trade Agreement has a great potential to stimulate GCC economies with some industries enjoying increased export demand in the European countries while EU has no economic gaining concluding the deal" (Salacanin, 2017, 2). Declining Iran Deal by the US jeopardized the Gulf security and could create new economic opportunities for the EU. However, it did not work so far, because of ENP political restrictions again.

Lastly, Russia is another external factor and actor in the Gulf effecting EU-GCC relations negatively. During the Cold War, Gulf was with the liberal bloc facing the Warsaw Pact. Under the Trump administration it seems that the ideological divide of the Cold War has been forgotten in favor of national interests among the Gulf countries. Russia thinks that Gulf is a good market for its heavy industry and military hardware (such as S-400 missiles to Saudi Arabia) and could be a good partner of the region when it comes to fixing the oil prices if they act together. That explains why Russia tries to intensify her relations with the Gulf region. Moscow’s interest in GCC deepens the EU-GCC relations. Russian military equipment is of good quality and cheaper than the EU products in general. In addition, Putin's “wise”

politics with the Saudi Arabia and Emirates does not leave any space to the EU. EU should compete with Russia in addition to the US, UK, and France in the Gulf.

CONCLUSION: SOLUTION ALTERNATIVES

Solution alternatives between two institutions are not very too many. In the last three decades the international system has drastically changed with the collapse of ideological competition between great powers EU, too, has been transformed and the ENP has emerged as an EU's foreign policy roadmap as a regulation book. Accordingly, EU institutions particularly EU Parliament and the Commission have been insisting on social and political reforms in the Gulf as a condition to sign Free Trade Agreement which the Gulf needs economically more than the EU according to the statistics. It is not objective for EU to expect that the GCC countries' compliance with its demand of reforms in a very short time.

All Gulf experts know that implementation of social, political and cultural reforms that the EU expect from the Gulf countries will take time, as it was the case of Europe itself. It should not be forgotten that at least four of the GCC countries do not have state experience more than 50 years. Moreover, the Gulf bureaucracy is much heavier and underdeveloped than that of the European countries. EU institutions might ignore this reality and expect quick adjustments to new international environment that the GCC countries will not be able to deliver. However, when it comes to the bilateral relations, the same European states, such as UK, France, Italy and Germany follow a more realist economic approach. Maybe EU instead of sharp-shaped codes and regulations, should produce ad hoc rules according to different regions. To negotiate with. In addition, the EU may need to review its ENP for the Gulf and look for a doable formula that the GCC can realize in an acceptable timeline.

It is seen there is a problem (or conflict) in negotiation frame between the two institutions. A "conflict resolution" mechanism between the two institutions has already been regulated in the 1988 Cooperation Agreement document. Its Article 21 stipulates the appointment of an arbitrator in the case of opposing interpretation of the Agreement. When and if needed, second and third arbitrators shall be appointed for the purpose of the application of these procedures and decisions are where the rule of majority vote prevails. (EU-GCC Cooperation Agreement, 1988, Article 21). This article has never been applied because of some political hesitations of both parties. If there exit enough willingness to find a solution to a deadlock, this article could be put into force to solve institutional problems.

The GCC countries also could take a step towards the EU in accordance with the ENP criteria. A lot of positive developments have been going on in the Gulf which are partly matching the ENP conditions, but the Gulf citizens (and states) do not have European–like experience to sell or present their achievements to their peers. The achievements put into force in 2013, should be noted and presented by the Permanent EU Delegations in the Saudi Arabia and the Emirates to the EU agencies.

In addition to these, GCC states also need to work together and with the EU counterparts more intensively to ensure some important points requested. Contemporary diplomatic world functions with a very dynamic shuttle diplomacy, not with the boulwarism (take or leave mentality) anymore. It should not be forgotten that the GCC needs to diversify its economy by putting an end to its oil dependency. Diversification should also reach its diplomatic relations beyond the US or UK. The GCC needs the EU, more than EU needs the Gulf. Although the ball is in the European court, the GCC should struggle and encourage its counterpart to restart constructive diplomacy like before 2014. If constructivist international theories are right, international system is transforming from unipolar system to multipolar "regional" systems and the EU will be the greatest regional power in the next few decades; so this fact cannot be ignored by the GCC.

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