

The European Union and the Gulf Cooperation Council in a Changing Environment

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The Gulf monarchs and emirs have managed to escape the tragic fate of other Middle Eastern and North Africans monarchs, who have been killed or dethroned; indeed, they have shown great resilience.

To date, the main challenge to the stability of the Gulf has been the Iraqi invasion of the Emirate of Kuwait, on 2 August 1990, which triggered a massive Western military build-up and foreign intervention to liberate the small State and oil giant. This sheds light on a significant geostrategic factor: given the world's reliance on Gulf oil and gas exports, the Gulf's stability is not only a regional concern but an international one.¹ It also explains why there has been little elite turnover in the Gulf countries and why the question of reform in the Gulf has never topped the agenda in the West, including in the EU: Western policies in the Gulf are stability-driven.

Stability, but Not Stagnation

But the Gulf's stability can also be explained by the fact that it does not go hand in hand with stagnation. This is due not only to demographic factors (small countries with vast resources) but also to better distribution of welfare benefits. The GDP of some of these small countries, such as the Emirates or Qatar,

is among the highest in the world. Should oil prices stabilise at around \$100-120 per barrel, the combined GDP of the six Gulf Cooperation Council (GCC) countries may well make them the world's fifth- or sixth-largest economy by 2025.

Given these prospects, the distribution of power and wealth may eventually be questioned. Growing middle classes and burgeoning local bourgeoisies and entrepreneurship will challenge the current order. There will be more voices asking for a greater say in the decision-making processes. Claims for better, more transparent governance will become more frequent, placing pressure on the ruling elites to reach out to civil society and business owners to ward off and pre-empt potential opposition.

Even before the winds of change blew over Tunisia in 2011, opposition forces were bubbling below and above the surface in Kuwait and Bahrain; in Oman,² they were calling for more transparency, better governance and deeper inclusion. In the aftermath of the Arab Spring, the Gulf states cannot simply carry on with "business as usual." The GCC has to respond.

The GCC and the Arab Spring

The clarion call of the Arab Spring caught the GCC off guard. Gulf responses have been diverse. Some governments tried to nip the reform movement in the bud by immediately introducing reforms, while others started to hand out generous subsidies or to create new jobs in the already inflated and saturated public sector. Some of the smaller emirates, like Qatar, went even further, assuming the role of "key moderniser" and offering support and extensive me-

¹ SELVIK, Kjetil and STENSLIE, Stig. *Stability and change in the Modern Middle East*, I.B. Tauris, London, 2011, p. 159.

² AL HASHIMI, Said Sultan. "The Omani Spring: towards the break of a new dawn," in Arab Reform Initiative, *Arab Reform Briefs*, No. 52, November 2011.

dia coverage to freedom protests in Tunisia, Egypt, Yemen, Libya and Syria.

None of these options is risk-free. Kuwait, which pioneered democratic parliamentary elections in the region, is now riven by deep divisions resulting from frequent cabinet reshuffles, which hinder the decision-making process. In Bahrain, the protests have been repressed with the help of fellow Gulf monarchs in a move to shore up a threatened Sunni monarchy against what is described as an “Iran-driven Shi’a opposition.” Saudi Arabia has promised future reforms, relying heavily on strong financial and employment incentives in the interim.

Qatar, too, resorted to this method, pledging a financial package of more than \$8 billion including salary hikes: this explains why less than 10% of Qatari nationals work in the private sector. However, Qatar also embarked on a very proactive form of diplomacy, presenting itself as a “flag-bearer” of the Arab Spring, to the puzzlement of many. Not only did it offer financial and political support and media coverage through Al Jazeera, it went one step further, participating in the NATO operations in Libya and adopting a high profile in the case of Syria. In doing so, the country runs a clear risk of being accused of double standards, championing the Arab Spring abroad even as it fights to tighten its grip at home.

Despite the wide variety of their responses to the Arab Spring, none of the Gulf states is shielded from its repercussions. The Gulf states must thus endeavour to transform the challenge posed by the Arab Spring into a new opportunity.

One course of action would be to deepen their integration process,³ by pooling their military forces, adopting a single currency, or launching a Gulf Conference for Cooperation and Security including Iraq, Yemen and even, potentially, Iran. Another would be to support governments that promote stability. After the removal of President Morsi in Egypt by General Sissi, Saudi Arabia and the Emirates were the first countries to announce an aid package for Egypt, worth more than \$12 billion. Before that move, the GCC countries had come out with a stunning proposal to integrate Jordan and Morocco, which are obviously not Gulf states, but whose integration

would have the benefit of enhancing Gulf security and stability⁴ in exchange for financial assistance.

With the exception of the specific case of social upheaval in Bahrain and some limited street manifestations in Oman, it seems that the other GCC countries are faring well. It thus seems overblown to view the Arab Spring as a potential threat to Gulf stability, let alone to the regimes’ survival.

This is not to imply that there is a “Gulf exception,” or that oil and gas are a sufficient bulwark against the storms of change. However, the traditional power structure is not under threat for the time being and there is an unwavering interest in the West and the international community at large in maintaining Gulf regional stability. No European country vehemently objected when Saudi tanks went to patrol in Manama, in support of the Sunni monarchy of Bahrain. And there has been convergence of opinion between the GCC and the EU on the need for Yemen’s President, Ali Saleh, to step down, which was a GCC initiative. Today, there are convergences of opinion and interests between the West – in particular, the EU – and the Gulf states in the case of Syria.

In light of these considerations, there seems to be no contradiction between championing the battle of freedom abroad and the status quo at home. By siding with fellow Arabs, in Egypt or elsewhere, not only do GCC countries increase their stature in the Arab region and the world at large, but they also convey a message to their own population that Gulf countries are not minor players in regional and world politics.

The EU and the GCC: A Strategic Partnership?

There are insistent calls in Europe for an enhanced, deep and strategic relationship between the EU and the GCC.

These calls are not motivated only by oil supplies from the Gulf. They are also motivated by the fact that the GCC is playing a more and more significant diplomatic and economic role in the Middle East and North Africa. Many experts highlight the

³ COLOMBO, Silvia. “The GCC countries and the Arab Spring between outreach, patronage and repression,” *IAI Working Papers No. 09*, Rome, March 2012, p. 3.

⁴ SALAMAH, Mou’ taz. *Al-Toumouh al moubakker: dawafi’ wa fourass Qiyam “al ittihad al khaliji”* (Premature ambition: drivers and opportunities of a “Gulf Unity”), in *Majallat al-Siyassa al sawliyyah*, No. 189, July 2012.

fact that the GCC has filled the strategic vacuum left by Egypt under the rule of Mubarak: Saudi Arabia brokered the Taïf Agreement for Lebanon (22 October 1989); pushed for the adoption, at the Arab level, of the “Arab Initiative for Peace” in 2002 and 2007; tried to reconcile Palestinian parties; and, in 2010, extracted Lebanon from a dangerous stalemate. Another GCC country, Qatar, has likewise played a significant diplomatic role in mediations in Darfur, Sudan, Palestine and Lebanon and, for two years, has spared no resources or energy in its support of the Arab Spring.

On the economic front, the GCC has emerged as the second biggest investor in the Mediterranean Basin and, mainly since 2003, has played “a more assertive role in Mediterranean Countries’ affairs,”⁵ both before and after the Arab Spring.

Whatever the GCC’s real motives in the Middle East and Mediterranean countries, it is becoming crystal clear in the eyes of the EU that the Gulf is a force to be reckoned with and, therefore, that a strategic EU-GCC partnership is not only necessary, but urgent. A number of analysts have argued that the Gulf states are gaining a “prominent place in the international security agenda,”⁶ that Gulf states already play “a pivotal role in solving global challenges,”⁷ and that it is time for Europe, after decades of little ambition, to “propose a strategic partnership.”⁸ They recognise that the Gulf region’s security is important not only for the EU but also for other external actors.

But Does the GCC Matter for the EU?

There is no question that it does, and for many reasons:

- a) GCC countries are of overwhelming importance for the energy supply of both Europe and the world at large. Suffice it to say that the GCC countries’ huge oil reserves account for about

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40% of the global total, with an estimated average reserves-to-production ratio of 73 years. To this vast oil wealth, one must add the region’s likewise huge gas reserves, estimated at an aggregate total of 43 billion cubic metres, or 25% of the global total (Qatar alone has reserves of 25 billion cubic metres), and yet Gulf production accounts for only 8.3% of the global total, leaving considerable margin for future development.⁹

- b) The GCC is the only functioning regional organisation in the Arab Middle East, and it has been both a reliable ally and a stable economic partner of the West.
- c) The region reinvests vast amounts of funds in European countries (government bonds, real estate, equities).
- d) The EU and GCC agree on various issues, such as the need to stabilise Iraq, the need to promote development in Yemen, the solution of the Arab-Israeli conflict or the non-proliferation issue.
- e) It is in the interest of the GCC countries to diversify their external alliances, and the EU’s expertise in integration processes is amply recognised.
- f) The GCC countries’ combined domestic product is estimated at \$1.6 trillion (2013). With a total population of 47 million (50% foreigners), GCC countries have accumulated some \$2 trillion in foreign assets, which could grow to \$2.2 trillion in 2014.

And yet relations between the EU and the GCC continue to be low-intensity, well below what the GCC’s strategic importance and the EU’s interests and stakes would merit.

⁵ TALBOT, Valeria. “The Gulf States’ Political and Economic Role in the Mediterranean,” in *IEMed Mediterranean Yearbook, Med. 2011*, Barcelona: IEMed, p. 101-104.

⁶ BAUER, Michael, HANELT, Christian Peter and KOCH, Christian. “The EU-GCC Partnership: Security and Policy Challenges,” Al-Jisr Project on EU-GCC Public Diplomacy and Outreach, *Policy Brief*, March 2010.

⁷ RENARD, Thomas. “The Treachery of Strategies: A Call for True EU Strategic Partnership,” *Egmont Papers*, No. 45, Brussels, 2011, p. 5.

⁸ GIARDULLO, Cono. “The Gulf Cooperation Council as a New Regional Power: Time for the EU to Propose a Strategic Partnership,” *Bruges Regional Integration and Global Governance Papers*, 3/2012.

⁹ ABI-AAD, Naji. “Energy in the Mediterranean and the Gulf: Opportunities for Synergies,” in *The Mediterranean: Opportunities to Develop EU-GCC Relations*, Quaderni IAI, Rome, June 2010, p. 58-68.

Why Such a “Strategic Mismatch”?¹⁰

Analysts generally cite several reasons:

- a) EU foreign policy has been driven by short-term reactions to events and not by a far-reaching vision.
- b) The EU believes that the signing of a free trade agreement with the GCC should be a pre-requisite for a broader strategic partnership.
- c) After the stalemate of the Euro-Arab dialogue in which the Gulf states took part, the EU shifted its attention to its Mediterranean policies.
- d) In 2003, the EU issued a policy document entitled “Strengthening the EU’s partnership with the Arab World,”¹¹ and in June 2004, the European Council adopted a “Strategic partnership with the Mediterranean and the Middle East.”¹² The EU feels that the Gulf countries are included in this partnership and that a specific EU-GCC strategic partnership would thus be an unnecessary duplication.
- e) Historically, EU Member States have pursued bilateral relations with Gulf countries and are thus opposed or reluctant to pursue the “Europeanisation” of relations with the GCC.
- f) Finally, given the standard of living in the Gulf, the EU cannot resort to the same toolbox and policy instruments (aid, conditionality, etc.) that it has used for its Mediterranean relations.

For all these reasons, the EU has failed to adopt a higher profile, to increase its visibility in the Gulf and to propose a strategic partnership.

But Is a “Strategic Partnership” with the GCC Necessary and Useful?

On this issue, I disagree with the enthusiastic calls by many scholars for such a “strategic partnership” between the EU and the GCC. Let us briefly review these arguments.

- a) *Given the EU’s energy dependence, it is advisable to promote an energy dialogue that goes beyond small-scale projects like the European Commission’s initiative for “a technical energy centre” or the proposal of common statistical services.*

In fact, the EU would be well-advised to kick-start specific initiatives, on a case-by-case basis, outside the framework of a formal strategic partnership. For instance, the EU could provide expertise and advice on energy efficiency. Indeed it is high time for the GCC states to realise that they should engage in more eco-friendly energy policies. The region’s domestic consumption of subsidised energy is higher than the total consumption of Africa and is rising at a far higher rate than the world average.¹³ It thus increasingly eats into the oil and gas exports that continue to provide the majority of revenues and state funds.

- b) *An EU-GCC strategic partnership will offset US power, especially in relation to the Arab-Israeli conflict.*

Although I personally dream of more efficient, more visible and less incoherent EU action on this issue, the empirical evidence¹⁴ makes me sceptical about greater European involvement, alone or with GCC partners. In spite of repeated EU declarations on the Palestinian question, geography, history and politics continue to pull national foreign policies in different directions.

- c) *The EU should show actorness and a sense of purpose in its neighbourhood.*

I am not sure that drafting a strategic document will lead to the convergence of individual states’ positions. The history of European integration is littered with examples of ambitious declarations followed by failures of implementation.

- d) *An EU-GCC strategic partnership will push for better governance, rule of law and greater civil-society cooperation.*

Despite all the talk of “democratic conditionality,” in its dealings with Mediterranean countries and the GCC, EU diplomacy has

¹⁰ YOUNG, Richard and ECHAGÜE, Ana. *Europe and the Gulf: Strategic Neglect*, Studia Diplomatica, Vol. LX, 2007, No. 1, p. 29.

¹¹ EUROPEAN COMMISSION AND HIGH REPRESENTATIVE REPORT. *Strengthening the EU’s partnership with the Arab World*, D(2003)10318, Brussels, 4 December 2003.

¹² EUROPEAN COUNCIL. *Final report on A European Strategic partnership with the Mediterranean and the Middle East*, June 2004.

¹³ “Since 1980, oil and gas consumption in GCC states have risen by 405% and 722% respectively against average global rises of 41% and 122% according to the US Energy Administration,” COATES ULRICHSEN, Kristian. In: “Sustainable Growth or More of the Same?” *Al Shark al Awsat* (English), 21 November 2013.

¹⁴ See Bichara KHADER. *Orobba wa filastin min al-houroub al salabiyah, ila al –An, Markaz dirasat al Wihdah al-arabiyah*, Beirut, 2000.

been more preservative and conservative than transformational.

- e) *The EU and the Gulf have common interests in the Mediterranean, such as managing maritime transport, protecting the environment, or mobilising investments for the region.*

The proponents of an EU-GCC strategic partnership argue that almost two thirds of the Foreign Direct Investment received by the Mediterranean region between 2003 and 2009 consisted of EU and Gulf investments.¹⁵ They conclude that there is a rationale for a shared development project, thus paving the way for changing the format of EU-Mediterranean policy in order to integrate Iraq and Yemen. This argument seems valid: indeed, the delinkage of EU-Mediterranean policy and the GCC countries is more and more incongruous in light of recent developments (increasing Gulf investment, Gulf diplomatic activism, Gulf support for Arab Spring countries, etc.)

But does this argument justify a specific EU-GCC strategic partnership? I doubt it. Instead, I remain a staunch advocate of a “Euro-Arab Partnership.”¹⁶ This partnership does not preclude regional partnerships with Maghreb states or Gulf states on specific issues. However, an EU-Arab partnership as a single regional framework would encompass all Arab states. It would go beyond the so-called “triangulation” between the EU, the GCC and the Mediterranean region. It would moreover be preferable to the American “Broader Middle East Policy,”¹⁷ which includes non-Arab states.

There is resistance, among EU officials, to the very concept of a “Euro-Arab partnership”: because it excludes Israel, dilutes the EU’s Mediterranean policy into a larger space, and places various distinct situations in a single sack. To these objections, my answer is simple:

- a) The presence of Israel in Mediterranean policies has been an objectively complicating factor and a major hurdle in EU-Mediterranean relations.

- b) Past experiences of Euro-Arab dialogue as an initial exercise of multilateral diplomacy have met with success despite the format.
- c) The “Mediterranean,” as an object of EU policy for more than 40 years, is mainly a European construct and does not take into account the issue of identity and inter-Arab connections.

Conclusion

EU-GCC relations do not seem to be dictated by spontaneous empathy, cultural proximity or a similar value system, but rather by prosaic interests and challenges. There remains a striking gap between the polite and friendly atmosphere of the joint meetings and the Gulf’s poor image at the level of European public opinion at large, and even among certain individuals responsible for Europe’s foreign relations.

And yet, the Gulf should matter to Europe for various reasons:

- The GCC countries are of enormous strategic and economic importance to the EU.
- Some 60% of all oil reserves are concentrated in the Gulf, and 45 to 50% of these reserves are in GCC countries.
- At the strategic level, the Gulf is key. A mere glance at the map reveals its geopolitical and geostrategic value.
- The GCC countries still have oil-driven and oil-dependent economies. Energy continues to account for the bulk of revenues and exports.
- The Gulf countries have consistently been open to the West, and many of them have been reliable allies of the West as well, both during the Cold War period and once the bi-polar system fell apart.
- The GCC countries established a customs union in 2003, thereby clearing away a stumbling block in their negotiations with the EU for the free trade agreement. Europe will be the prime beneficiary of such an agreement given the diversity of its exports.

¹⁵ Bénédict DE SAINT LAURENT. “Investments from the Gulf and Development in the Mediterranean. The Outlook for EU-GCC Financial and Economic Cooperation in the Mediterranean,” in *The Mediterranean: Opportunities to Develop EU-GCC Relations*, Quaderni IAI, Rome, June 2010, p. 32-56.

¹⁶ Bichara KHADER. “*Orobbah min ajl al mutawassit min barshalona ila barshalona*,” in *Markaz dirasat al wihdah al-arabiyyah*, Beirut, 2010.

¹⁷ BURKE, Edward, ECHAGÜE, Ana and YOUNGS, Richard. “Why the EU Needs a Broader Middle East Policy,” in *The Mediterranean: Opportunities to Develop EU-GCC Relations*, Quaderni IAI, Rome, June 2010, p. 13-30.

Gulf countries should therefore matter. And yet, as correctly pointed out in a recent strategy paper presented by the Bertelsmann Group: “the relationship between [the] EU and the GCC and its member countries has been of low intensity, and reflects neither the geographic proximity nor the vital links in several fields existing between the two sides.”¹⁸

Why, then, did EU-GCC cooperation take off only to continue to fly so low after more than three decades? Several reasons are often singled out:

1. *The different nature of the two regional organisations.* The EU has been economy-driven, while the GCC has been security-motivated.
2. *The reluctance of some countries, such as France and England, to Europeanise their traditional ties with the Gulf states.* German experts often put forward this argument, although, as the first- or second-largest exporter to all Arab countries, Germany itself is not immune to the same charge.
3. *The EU does not want to antagonise the US in a region believed to be its “captive market,” “political reserve” and geopolitical “launching pad.”* Although this perception may be correct from a political point of view, it is incorrect to suggest that the Gulf is a captive market for the US, as the GCC’s economic ties with Europe are by far larger than its ties with the US.
4. *The EU’s vital interest in the GCC is to have access to energy and a secured supply.* But this interest is shared by the entire global community. There is thus a feeling in European circles that a special relationship with the Gulf countries would do nothing to foster the interests of Europe.
5. *The European Petrochemical Industry is fiercely opposed to the signing of a strategic agreement including a free trade area.*

Whatever the reasons, whether obvious or undeclared, there is no doubt that EU-GCC relations have been shy and shallow, in spite of the €144.5 billion of total trade (2012).

However, new developments are pushing Europe to change course and give more momentum and impetus to its relationship with the Gulf. Without delving into excessive details, let us single out just a few:

- 1) The US seems incapable of adequately managing the aftermath of the war in Iraq, and Europe is called upon to contribute to the country’s stabilisation. Yet obviously Europe will not rush in if other regional actors, mainly the GCC countries, remain on the sidelines watching how events unfold. It is, therefore, in the interest of both sides to coordinate their efforts and maybe to think about a Conference on Security and Cooperation in Europe (CSCE)-style arrangement for the Gulf to address the challenges of post-war Iraq. The time is ripe to move away from the state-based centrality of security issues. Only then can the GCC meet non-state challenges, such as terrorism, piracy, illegal migration, drug trafficking, etc.; contribute to the stabilisation of regional hotspots, such as Yemen, Somalia and, potentially, Afghanistan; and work with Iran, on an equal footing, towards a shared concept of regional security in the Gulf.
- 2) The worsening situation in Palestine is becoming a breeding ground of regional discontent and resentment. While Europe has been marginalised as a broker by the US and Israel, there is a strong feeling that a strategic EU-GCC dialogue would enhance Europe’s role in the region.
- 3) The burgeoning trade between Asia and the GCC is forcing Europe to reconsider its attitude in order not to be overtaken and eventually replaced by countries whose image is not linked to past colonialism and to present patronisation.
- 4) In spite of sporadic street demonstrations in some of the smaller Gulf countries, on the whole, the GCC has proved to be the most stable oil region when compared to other oil-producing countries.
- 5) China’s new appetite for oil is straining the supply-and-demand equation. Although the immediate effect on world oil demand may be overstated, the classic rivalry between producers is bound to give way to a new rivalry between consumers. Europe cannot afford to sit with its arms crossed, watching.
- 6) Should world demand for oil continue to rise, there will be difficulties in physically raising output to meet consumers’ future needs. Only the GCC countries, with the world’s largest reserves, are in

¹⁸ *The EU and GCC: A New Partnership*, Bertelsmann Foundation, in cooperation with the Mediterranean programme of the European University Institute of Florence, March 2002.

a position to increase output, but only over time and with the necessary investments and technical expertise. There is thus a growing feeling that Europe cannot afford to be absent or distracted from this potentially huge market.

- 7) Finally, in addition to the oil parameter, there is another reason for Europe to redirect its attention to the Gulf: the Neighbourhood Policy.¹⁹ Indeed, since the last enlargement, Europe has set up a new framework for its relations with its immediate neighbours. Within this framework, the GCC happens to be what is called, in the EU jargon, a “neighbour of the neighbour.”

For all the above-mentioned reasons, a fresh start in EU-GCC relations is not only desirable, but necessary. It is dictated by shared interests and common concerns. Those who think that the oil age is over or that shale oil will soon replace Gulf oil are dealing in false expectations. The replacement of oil, however desirable it may be from an ecological perspective, will not occur soon. Therefore, Europe has to show decisiveness and clarity of purpose. A free trade agreement with the GCC is in its interest.

Europe's insistence on human rights is understandable and necessary. But Gulf officials understand that many of the problems are largely due to traditional social and cultural practices, rather than systematic governmental abuse, and that the EU would be well-advised to give them time, as changes in social practices cannot be dictated or imposed but rather must come from within and be socially assumed.

Cooperation on more pressing issues should foster a real partnership: the common fight against

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terrorism, and the promotion, by both sides, of a culture of respect and mutual understanding. Both parties should likewise endeavour to help to bring about a lasting solution in Palestine to avoid the utilisation of this protracted conflict by radicals who wish to fight Israel and the West “to the last Palestinian.”

The GCC should view the integration of Yemen favourably. Such an audacious policy would stabilise this poor country and prevent it from becoming a sanctuary for radical groups.

The recent developments and transformation of the general geostrategic landscape in the Arab World are increasing GCC involvement in regional affairs. Indeed, while Egypt, Tunisia and Libya are struggling to stabilise the “political scene” and put their economies back on track, the GCC countries are gaining in prosperity, influence, visibility and stature.²⁰

Recent events in the Arab World call past European “security first” policies into question, while at the same time challenging the GCC's traditional political behaviour based on the distribution of welfare benefits in exchange for acquiescence. Conversely, however, they also offer opportunities for better interaction and a reinforced relationship. This article has argued that it is past time to wrap up the free trade negotiations and to deepen European ties with the entire Arab World, of which the GCC countries are the most dynamic part.

¹⁹ Bichara KHADER: *op. cit.*

²⁰ HELD, David and ULRICHSEN, Kristian. *The Transformation of the Gulf: Politics, Economics and the Global Order*, London, Routledge, 2011.