

LEBANESE AMERICAN UNIVERSITY

**Interregionalism:
The Politics of Trade between the European Union and the Gulf
Cooperation Council**

By

Hiba Audi

A thesis

Submitted in partial fulfillment of the requirement for the degree of
Masters of Arts in International Affairs

School of Arts and Sciences

June 2014



Lebanese American University

School of Arts and Sciences; Beirut Campus

THESIS APPROVAL FORM

Student Name : **Hiba Audi** I.D. #: **201205834**

Thesis Title: **Interregionalism: The Politics of Trade between the European Union and the Gulf Cooperation Council**

Program: **M.A. in International Affairs**

Department: **Political Studies and International Affairs**

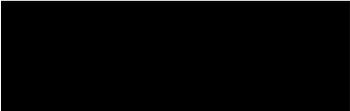
School: **School of Arts and Sciences**

The undersigned certify that they have examined the final electronic copy of this thesis and approved it in Partial Fulfillment of the requirements for the degree of:

Masters of Art in the major of **International Affairs**

Thesis Advisor's Name: **Dr. Sami Baroudi** Signature 

Date: 3/June/2014

Committee Member's Name: **Dr. Imad Salamey** Signatur 

Date: 3/June/2014

Committee Member's Name: **Dr. Jennifer Skulte-Ouiass** Signature 

Date: 3/June/2014

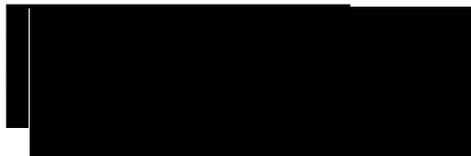
THESIS COPYRIGHT RELEASE FORM

LEBANESE AMERICAN UNIVERSITY NON-EXCLUSIVE DISTRIBUTION LICENSE

By signing and submitting this license, you (the author(s) or copyright owner) grants to Lebanese American University (LAU) the non-exclusive right to reproduce, translate (as defined below), and/or distribute your submission (including the abstract) worldwide in print and electronic format and in any medium, including but not limited to audio or video. You agree that LAU may, without changing the content, translate the submission to any medium or format for the purpose of preservation. You also agree that LAU may keep more than one copy of this submission for purposes of security, backup and preservation. You represent that the submission is your original work, and that you have the right to grant the rights contained in this license. You also represent that your submission does not, to the best of your knowledge, infringe upon anyone's copyright. If the submission contains material for which you do not hold copyright, you represent that you have obtained the unrestricted permission of the copyright owner to grant LAU the rights required by this license, and that such third -party owned material is clearly identified and acknowledged within the text or content of the submission. IF THE SUBMISSION IS BASED UPON WORK THAT HAS BEEN SPONSORED OR SUPPORTED BY AN AGENCY OR ORGANIZATION OTHER THAN LAU, YOU REPRESENT THAT YOU HAVE FULFILLED ANY RIGHT OF REVIEW OR OTHER OBLIGATIONS REQUIRED BY SUCH CONTRACT OR AGREEMENT. LAU will clearly identify your name(s) as the author(s) or owner(s) of the submission, and will not make any alteration, other than as allowed by this license, to your submission.

Name: Hiba Audi

Signature:

A large black rectangular redaction box covers the signature area.

Date: 22/5/2014



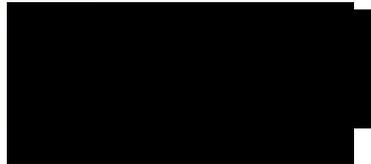
PLAGIARISM POLICY COMPLIANCE STATEMENT

I certify that:

- I have read and understood LAU's Plagiarism Policy.
- I understand that failure to comply with this Policy can lead to academic and disciplinary actions against me.
- This work is substantially my own, and to the extent that any part of this work is not my own I have indicated that by acknowledging its sources.

Name: Hiba Ziad Audi

Signature:



Date: 22/5/2014

*Dedicated to
Daulat, Ziad and Hadi*

ACKNOWLEDGMENTS

This thesis would not have been possible without the support of many people. Many thanks to my advisor Dr. Sami Baroudi who put ample efforts in helping me produce this thesis and provided valuable insight. I am also deeply grateful to the committee members of this thesis namely Dr. Jennifer Skulte-Ouaiss and Dr. Imad Saleme, who were kind enough to be part of the Committee. And finally many thanks to my parents, brother and numerous friends who constantly supported me and endured this long process with me, always offering support and love.

Interregionalism:
The Politics of Trade between the European Union and the Gulf
Cooperation Council

Hiba Ziad Audi

ABSTRACT

Interregionalism is a recent phenomenon that emerged during the mid-20th century as a direct consequence of the movement towards regional blocs. The European Union (EU) came to being following the end of World War II as the first regional grouping of its kind. The EU model set in motion a number of other regional integration projects. One such regional grouping that was inspired by the EU success is the Gulf Cooperation Council (GCC). With the growing importance of regional blocs, interregionalism arose as the venue in which regional groupings interact. The European Union and The Gulf Cooperation Council were among the first groupings to initiate interregional interactions by signing a cooperation agreement in 1989. Focusing on economic issues, this agreement represented the first step towards establishing a Free Trade Agreement between the two blocs. But despite the passage of nearly 25 years since the signing of the Cooperation Agreement, the two sides are yet to conclude a Free Trade Agreement (FTA). After presenting theories of regionalism and interregionalism and providing background information on the two regional blocs, the thesis interrogates the history of interregional relations between them in order to shed light on the likely reasons for the delay in signing an FTA; and the future prospects of reaching such an agreement.

Keywords: Regionalism, Interregionalism, European Union, Gulf Cooperation Council, Free Trade Agreement

Table of Contents

List of Tables.....	x
CHAPTER ONE:	1
Introduction	1
1.1 <i>Overview</i>	<i>1</i>
1.2 <i>Aim of the thesis.....</i>	<i>2</i>
<i>Research Questions.....</i>	<i>3</i>
1.3 <i>Methodology</i>	<i>4</i>
1.4 <i>Limitations</i>	<i>4</i>
1.5 <i>Map of Thesis.....</i>	<i>5</i>
1.6 <i>EU-GCC Interregionalism.....</i>	<i>6</i>
CHAPTER TWO:	10
Theorizing Regionalism	10
2.1 <i>Introduction</i>	<i>10</i>
2.2 <i>Regions and Old Regionalism.....</i>	<i>11</i>
2.3 <i>New Regionalism</i>	<i>16</i>
2.4 <i>The European Economic Community (EEC) and the European Union (EU)</i>	<i>19</i>
2.5 <i>The Gulf Cooperation Council (GCC).....</i>	<i>25</i>
CHAPTER THREE:	31
Interregionalism and the EU-GCC Interregional Relation	31
3.1 <i>Introduction</i>	<i>31</i>
3.2 <i>Interregionalism.....</i>	<i>31</i>
3.2.1 History of Interregionalism	32
3.2.2 Interregionalism and Theories of International Relations	35
3.3 <i>History of EU-GCC Interregional Relations</i>	<i>39</i>
3.3.1 The Cooperation Agreement: Economic Cooperation and the Free Trade Agreement	44
3.3.2 The Joint Action Programme (JPA)	50
CHAPTER FOUR:.....	52
Trade and Politics of Interregionalism	52
4.1 <i>Introduction</i>	<i>52</i>
4.2 <i>Economic Relations between the EU and the GCC</i>	<i>53</i>
4.2.1 Trade.....	55
4.2.2 Investment	62

4.1	<i>EU-GCC Political Relations</i>	65
4.3.1	Trade in Energy	68
4.3.1	Security.....	71
4.3.2	Terrorism.....	73
4.3.3	Piracy	74
4.3.4	The Arab Spring	74
CHAPTER FIVE:		78
Conclusion		78
5.1	<i>Thesis Basic Findings</i>	78
5.2	<i>Evaluation of EU-GCC Interregional Relations</i>	79
5.3	<i>The Free Trade Agreement and Beyond</i>	85
BIBLIOGRAPHY		88
Appendix A: Share of GCC in the World Exports and Imports		94

List of Tables

<i>Table 1: Leading Exporters and Importers in World Merchandise Trade, 2012 (Billion dollars and percentage)</i>	<i>56</i>
<i>Table 2: Trade Flows between the EU and GCC from 2003-2013</i>	<i>59</i>
<i>Table 3: Trade flows by HS section 2013</i>	<i>60</i>

List of Figures

<i>Figure 1: EU-GCC Inflows, Outflows and Balance of FDI stocks. Wehrey, F. (2013).</i> ..	64
<i>Figure 2: OPEC Share of World Crude Oil Reserves 2012</i>	69

CHAPTER ONE:

Introduction

1.1 Overview

Regionalism existed centuries before the term was defined, and relations between regions— also known as interregionalism— are not a new phenomenon, as they have also existed during other eras. Nevertheless, the way we define these terms has changed. That is because over time, political events and global advancements have changed the way we have come to understand regions.

With the continuing growth of globalization and regionalism as movements, the way trade is conducted has dramatically changed. This thesis will look into the rise of interregionalism between the Gulf Cooperation Council (GCC) and the European Union (EU) through evaluating the interregional cooperation agreements between the two. These agreements have been focused on trade since their inception and have been implemented only in trade related issues; therefore making trade relations central to the rise of interregionalism between the two blocs. Yet political relations between the two blocs also developed in the absence of consensus on economic issues.

Interregionalism is an understudied field that has been euro-centric for a long period of time, yet interregional relations have developed and nowadays almost all nation states are party to one regional grouping or another. The international system no longer constitutes interactions between nation states strictly, but developed to include relations between regional blocs. This reality of the current international system, alongside the relatively small amount of literature published on the EU-GCC interregional relationship

were the main drivers behind the choice of topic. This thesis then becomes central in mapping out the history of the relationship and the attempting to make some conclusions on the prospects of this interregional relationship.

1.2 Aim of the thesis

This is a study on the EU-GCC relationship with a special focus on its trade component. The study has several aims. First it seeks to shed light on the applicability of theories on regionalism and interregionalism to understand one specific case of interregionalism: the EU-GCC partnership. Second it seeks to underscore the asymmetric nature of this relationship, since the GCC is more dependent on trade with the EU than vice-versa.

Third, it sheds light on why despite this asymmetry the relationship remains quite important for the stronger partner, namely the EU. Fourth, it examines the obstacles that hindered the achievement of a free trade agreement between the two blocs and speculates on the prospects of concluding this agreement in the foreseeable future. Fifth, it seeks to situate this relationship within a broader political context by examining the multi-faceted political relationship between the GCC and the EU.

By the end of the thesis the reader will hopefully acquire a good understanding of the theoretical underpinnings of the EU GCC relationship, how this relationship evolved, the obstacles that were encountered and the implications of the different institutional settings of the EU and the GCC for the relationship.

Research Questions

While this thesis focuses mostly on the interregional relations between the European Union and the Gulf Cooperation Council, it embarks on evaluating the theoretical bases of interregionalism as well. The below four research questions are addressed in this thesis and are discussed in detail in the chapters to come. The questions aim at understanding the emergence of regionalism, the emergence of interregionalism in the form of trade between blocs, tracking the history of trade, and finally embedding Regional trade between the EU and GCC in the politics of today.

The first research question is rooted in the fact that interregionalism stems from regionalism and regional groupings, therefore it is important to understand first: What is regionalism, and how did the EU and GCC develop as regions? These research questions addressed in the second chapter will tackle the theoretical explanation of the emergence of regionalism in the international world order and how it brought about interregionalism.

The third chapter will address what interregionalism is, and how did the EU-GCC interregional relations develop? Since the EU and the GCC represent trading blocs and have developed their relationship around trade mainly, the third questions inquire into how these trading blocs interacted in the past, what is the History of trade between the EU and the GCC? This question will be addressed in the fourth Chapter of the thesis and will include trade flows between the EU and the GCC.

It is important to look at trade patterns and analyze them in order to be able to make conclusion about the future prospects of the relationship between the two blocs. The fourth question will address the future prospects of the Free Trade Agreement and what

are the reasons behind the slow development of these interregional relations? These questions will be tackled in the fifth and final chapter.

1.3 Methodology

The study builds on theories of regionalism and interregionalism in order to establish a framework for analyzing the interregional relationship between the GCC and the EU. These theories are thus employed to provide a theoretical underpinning for studying this relationship. Given the dearth of scholarly work on the EU GCC relationship, the study relies on primary sources namely studies and empirical data provided by the EU and the GCC.

The thesis will thus address the research questions outlined above through an examination of the existing theoretical literature on regionalism and interregionalism, the few scholarly publications on trade and trade relations between the European Union and the Gulf Cooperation Council, and especially primary sources published by the EU and the GCC. Statistical data constitute an important source for this thesis, and will be analyzed in chapter four in order to shed light on the nature of the EU GCC relationship.

Therefore this thesis will rely on a blend on secondary and primary sources. Its overarching goal is to shed light on the applicability of theories of interregionalism to the case of the EU GCC relationship.

1.4 Limitations

Several limitations were discovered while conducting this research. First was the unavailability of scholarly published research on the interregional relationship between

the European Union and the Gulf Cooperation Council. Even though interregionalism as a phenomenon has been widely discussed in the literature; has not been discussed in the context of relations between the European Union and the Gulf Cooperation Council. This, in retrospect increased the difficulty of this research.

Another limitation to this research was the inconsistency present within the literature concerning trade trends. While the fact that the Gulf institutions have more published on the topic of trade with the EU than any other institutes is in itself a limitation to the literature present for evaluations; there is an obvious rift in the opinions and prospects published by European institutions versus Gulf institutions. Nevertheless this research will attempt to overcome this problem by aiming for objectivity.

1.5 Map of Thesis

This thesis is divided into five chapters. Following this introductory chapter, the second chapter will examine regionalism and the emergence of the Gulf Cooperation Council (GCC) and the European Union (EU) as regional blocs. The third chapter discusses interregionalism as well as the interregional relations between the two blocs, focusing on the history of interregional relations between the two blocs and discussing the Free Trade Agreement. The fourth chapter examines the history of trade relations between the two blocs and the politics of interregionalism. The fifth and final chapter marks the conclusion for the thesis and spells out its findings.

1.6 EU-GCC Interregionalism

Interregionalism is defined as an international phenomenon of linkages built between regions. They are based on regular summits and ministerial meetings as well as a number of joint projects. The rise of interregionalism was a direct consequence of the rise of regionalism and globalization after the Second World War (Hanggi, 2000). This study will dig deep into the theory of interregionalism and will examine interregional relations vis-à-vis trade relations between the European Union and the Gulf Cooperation Council.

Interregionalism between the two blocs dates back to 1989 when a Cooperation Agreement was established between the European Economic Community(EEC) and the Gulf Cooperation Council (GCC). The agreement of 1989 included the strengthening of political relations and the broadening of cooperation in the sectors of energy, industry, trade and investment between the two blocs. The following agreement was set as a basis for a Free Trade Agreement (FTA) to be negotiated between the two blocs, but so far no consensus has been reached on the FTA (European Union External Action website, 2014).

In 2010 the joint council of representatives from the EU and the GCC—established under the Cooperation Agreement of 1989— agreed on a Joint Action Programme for 2010-13 as part of the implementation of the Cooperation Agreement. The Cooperation Agreement of 1989 still remains the framework for improving the relations between the two blocs on both political and economic issues (Koch et al., 2005).

Trade relations between the Gulf Region and Europe date back several centuries before the establishment of both the Gulf Corporation Council and the European Union;

nevertheless the nature of trade relations between the two has changed since then. Initially European countries– mostly Great Britain– traded individually with tribal clans in the Gulf. But following the state formation in the Gulf and the establishment of the European Union, trade relations took a new form. (Wilson, 1998)

The new form of trade between the two is that of trade between regional blocs rather than bilateral trade between individual states- yet bilateralism still prevails and will be discussed in this thesis. This phenomenon is largely credited to the emergence of the European Union as a single cooperating entity. The emergence of regionalism followed by interregionalism is a relatively new phenomenon that has been witnessed over the last decade. Since the early 2000's there has been a theoretical move towards discussing the regions and the relations between them, and that is due to the rise of what is known as 'new regionalism' and 'open interregionalism' (Teló et al., 2007).

Interregionalism between these two blocs has changed in nature from 1989 till 2013 mimicking the change witnessed globally in interregionalism. This study will look specifically into interregional trade and the change in interregionalism. Trade is used as the dependent variable because it receives a lot of focus in the cooperation agreements mentioned above. It also constitutes the basis on which these two blocs communicate, consequently affecting their political relation as well.

This research is important to the scholarly field because it has not been addressed in this manner before. While regional and interregional studies have been around for a while, the research published was mainly focused on the relations of the EU with East Asian blocs such as the Association of Southeast Asian Nations (ASEAN). The Gulf region and the

GCC were acknowledged in publications as a regional bloc, but interregionalism between the EU and the GCC was never given full focus.

In the age of declining oil reserves and increasing prices of energy, the Gulf Region which contains 40.8% of the world's total oil reserves is considered as a major energy hub (OPEC, 2013). Therefore, the EU-GCC interregional relationship is central in terms of energy trade and investments. Given the current geo-political events in Ukraine as well as during the Arab uprisings; the EU-GCC relationship gains monumental importance. Nevertheless, trade between the two extends beyond just energy and to include other sectors as well.

A recurrent theme in the literature published on the subject is the undeveloped nature of the cooperation processes between these two blocs.¹ Several authors point out to the shortcomings the GCC faces internally in terms of institutionalization and weak governance. The different ways in which the EU and the GCC are structured as regional blocs, lies at the heart of the problem (Luciani & Schumacher, 2004). The following thesis will attempt to uncover the reasons behind this and predict the future of this relationship in the political context of the region.

Such research could prove useful to policy making in both the GCC and the EU because it looks at the rise of interregionalism which is evaluated by looking over the trade trends between the two blocs. Therefore this paper could serve as an addition to the research already present in the field on regionalism and interregionalism. It will also add to the

¹ The weaknesses were discussed in several publications, some of which are Kostadinova- *What is the status of the EU-GCC Relationship?* (2013), Koch- *Constructing a viable EU-GCC partnership* (2014), and Ayadi & Gadi- *EU-GCC Trade and Investment Relations: What Prospect of an FTA between the Two Regions?* (2013)

knowledge already present about the topic and serve as a case study on trade between two regional blocs- the EU and the GCC- which has not been discussed before.

The next chapter will look at the history of regionalism and its theoretical evolution in order to set the stage for the introduction of interregionalism and the interregional relationship between the EU and the GCC.

CHAPTER TWO: Theorizing Regionalism

2.1 Introduction

Over the past century and throughout the early twenty-first century there has been an increase in the number of economic regions which represented an intensification of regionalism globally. Out of the 126 currently existing regional groupings over 50 were formed during the 1990's (Hanggi, Roloff & Ruland, 2006). The international system has always had regions which interact among each other more than they interact with other regions. Nevertheless there has been a growth in the number and significance in economic regions since the end of the Second World War.

This chapter presents theories of regionalism as a prelude to the subsequent chapters that draw on these theories to understand the evolving relations between two economic regions: the EU and the GCC. Interregionalism cannot be understood without direct reference to regions and regionalism. The evolution of regionalism has been a major contributor to the emergence of interregionalism and bilateral interregional arrangements (Doidge, 2011).

The chapter looks at the historical evolution of regions and the development of regionalism into what is now called new regionalism. It also looks at the phases and types of regionalism that have emerged over time. Finally, the European Union and the Gulf Cooperation Council will be introduced and the history of these blocs will be discussed.

2.2 Regions and Old Regionalism

Regions were historically perceived as geographically-defined areas including at least two states or political entities. This state centric definition of regionalism which still prevails does not provide an accurate picture of the current forms of regionalism around the world. Regionalism has evolved from the 1920's till now and it has developed to take different forms. New definitions of regions have emerged that better portray regionalism in the post-World War One era.

As defined by Louise Fawcett in "Regionalism from an Historical Perspective" (2005), regions are units based on groups, states, or territories. They are geographical areas consisting of independent states which pursue shared economic, social and political values and objectives. They are smaller than the international system of states, but larger than any individual state. Some are temporary while others are permanent; they even vary in levels of institutionalization.

The members share some traits such as culture and history, but nevertheless regions have to be constructed socially and politically, in order to serve specific purposes. The sense of common identity does not give rise to a region but it is rather through the establishment of regions that such identities are created, formulated and enforced over time. Regions can be fluid and dynamic in nature. There is no ideal definition or form for a region but it varies depending on the composition and agenda.

Following this, regionalism is then defined as a conscious policy project between nation states or non-state actors in order to manage, co-ordinate and cooperate a broad array of challenges. Rules, norms and procedures are formed in order to pursue several goals,

most of which tackle security and economic challenges originating from outside the region. Regionalism can have both a proactive and a defensive dimension (Hanggi, Roloff & Ruland, 2006).

As spelled out by Fawcett in the chapter “Regionalism from an Historical Perspective” (2005), regionalism can vary in levels from soft regionalism to hard regionalism depending on the level of institutionalization of regionalism. According to the author, a successful regional project is one that incorporates all levels within the state including the government of the state, non-state actors and other groups. Intra-state actors such as Non-Governmental Organizations (NGOs) and civil society groups are playing a growing role in regionalism.

During the last two decades of the past century, there was a major debate in the literature on whether globalization and regionalism constituted a new world order. Regionalism has always been viewed as the opposite of unilateralism, mirroring the different policies adopted by the two major regional blocs – mainly the United States and North American Free Trade Area (NAFTA) on the one hand, and the European Union on the other. In the current era of globalization (1990’s-present) states resort to a variety of unilateral, regional and global initiatives to manage their economies and their latter relationship with the global economy.

Regionalism and unilateralism function on different levels making way for new regions and regional arrangements to emerge. Nevertheless, sovereignty still remains a basic constituent for statehood as well as a sensitive topic even within regional blocs. New forms of regionalism have emerged that deal with this problem and keep sovereignty

unhampered with. In order to better understand the process we should take a look at the phases of evolution of regionalism to what is now called new regionalism.

There is a mere consensus in the literature that despite the movement towards a global economy, economic regions such as NAFTA, ASEAN, the EU and the GCC are gaining importance. Mario Teló in the work *European Union and New Regionalism* (2007) as well as Mathew Doidge in *The European Union and Interregionalism* (2011) undertake a thorough evaluation of these phases. According to them there were three phases of regionalism in the twentieth century. While given different titles by authors, these three phases were unanimously agreed upon.

The first phase was 'imperial regionalism', which focused on hegemonic powers and their political spheres of influence. This phase was markedly different than the phases to follow. It focused on hegemonic European powers aligning with smaller states in order to secure their own interests. This resulted in a closed competitive system where regions were highly independent from each other and relied on their corresponding hegemons. It was not long before the first phase ended. According to a number of works, imperial regionalism contributed significantly to the eruption of WWI, due to the closed and competitive system generating tension and bloodshed. (Doidge, 2011)

Following the end of World War One and with the Establishment of the League of Nations, regionalism resurfaced. Under the covenant of The League of Nations a specific article was assigned conferring legitimacy to regional groups. Article 21 of the covenant states that: "Nothing in this Covenant shall be deemed to affect the validity of international engagements, such as treaties of arbitration or regional understandings like

the Monroe Doctrine, for securing the maintenance of peace.” Therefore, this article became the base for the legitimate formation of regional agreements in International Law.

Even though the League of Nations failed to survive, the idea of regionalism persisted and was renewed with the establishment of the United Nations in 1945. The United States took over the international system by the end of World War Two and was able to prove itself as a hegemon. Regional organizations proliferated all over the world and large institutions and new monetary systems were established - such as the IMF and the World Bank (Teló et al., 2007).

Following the end of the Second World War, a second phase of regionalism emerged called closed regionalism which is also commonly known as old regionalism. This phase constituted greater state cooperation and arrangements formed on matters of sovereign equality and collective goals. Yet, this phase was still considered closed because of its ‘inward focus’ on exclusive economic advancements and projects that aim at protecting domestic interests

Alongside being economic in nature, these regional arrangements incorporated security aspects. The European Economic Community was first formed against the backdrop of fear of slipping back to civil war in Europe. Also, other regional arrangements such as the Gulf Cooperation Council were formed alongside similar security concerns stemming from their Iranian neighbor. The European Economic Community became the model for cooperative regional agreements (Doidge, 2011).

During the second phase of regionalism the European Community was established with the help of American support. Even new regional groupings started to form in less

developed parts of the world such as East Asia, Latin American and Africa (Teló et al, 2007). 'Old regionalism' according to Hanggi is best manifested in the early formation of the European Union (Hanggi, 2000). There is an important distinction to be made between the second phases of regionalism that emerged in Europe versus the second phase in other areas of the world.

Mathew Doidge (2011) emphasizes this distinction with the contextual debate that took place during that time. Dependency theory brought into question the future of these small states in the evolving economic system which favored them in peripheral positions while the core developed. This caused a movement of states to aggregate and form regional blocs in order to be recognized and heard as a single voice on the international arena.

Nevertheless, this second phase of regionalism in developing countries failed due to internal conditions in these regions that forced their policy projects to be focused inwards. Domestic issues took the place of the development of proper external policies. States were not willing to give up any aspects of their sovereignty to regional institutions; instead they sought to further their capacities (Doidge, 2011).

The second phase of closed regionalism was a success for the European Union. Old regionalism is Euro-centric due to the fact that the European Union was the successful model that emerged; therefore the EU example occupied the center of attention in the literature on regionalism. On a practical level, the EU became a model to emulate by other emerging economic regions. The European Union during this period sought to develop its internal identity as well as its external relations with other regional blocs

around the world. It also introduced a range of new economic and foreign policy projects (Doidge, 2011).

According to Hanggi –the forefather of old interregionalism– the European Union was the driving force behind the formation of closed regionalism (Hanggi, Roloff & Ruland, 2006). However, the limited willingness as well as the limited ability of other regional blocs to act beyond national interest and pursue a proactive role was the reason for this failure (Doidge, 2011). A new Phase of regionalism emerged in the 1990’s called new regionalism. New regionalism is representative of the regionalism we witness today and serves as bases for interregional relations.

2.3 New Regionalism

With the fall of the Berlin Wall in 1989 and the decline of American hegemony in the 1990’s post-hegemonic regionalism emerged according to Mario Teló. Post-hegemonic regionalism (Teló et al., 2007), open regionalism (Doidge, 2011) and what is also commonly known as new regionalism was a new phase that gave rise to new groupings and incorporated new elements (Teló et al., 2007). The post-cold war period witnessed an exponential growth in the number and membership of regional organizations as interest in new regionalism grew.

While old regionalism was a process that stemmed from internal dynamics of security and economy; new regionalism was caused by external endogenous forces such as globalization. With the emergence of globalization we have witnessed opposing movements of integration and fragmentation. Even though globalization emerged before regionalism, new regionalism and globalization are considered multi-dimensional

interconnected phenomena that function in cycles that support each other (Hanggi, Roloff & Ruland, 2006).

What seems evident nevertheless is the increased level of connection between states and their societies. Globalization gave way to regionalism because the nation state needed supra-state entities to address problem brought about by globalization². These policy initiatives, which were implemented to solve the problems brought about by globalization, were embedded in agreements and institutionalized relations that in return heightened interdependence.

It would be erroneous to claim that the main cause of ‘new regionalism’ was the end of the cold war. The main sources of new regionalism were primarily internal in nature; emanating from within the regions themselves. It was regarded as a multidimensional form of integration embracing economic, cultural, political, and social aspects. It extended beyond classical regionalism and beyond the creation of free trade agreements or security regimes. Its scope was no longer restricted to Europe but extended to cover the global north and south. Regionalism in the 1990’s was marked by the openness and willingness to regionalize economic relations (Farell, Hettne & Langenhove, 2005).

The Single European Act in 1986—that led to the formation of the Single European Market (SEM) – was the trigger for new regionalism across the globe. The second wave of regionalism proliferated beyond Europe and Latin America to include newly formed regional arrangements in Asia-Pacific. This occurred alongside the widening of already

² Problems like transportation, human trafficking, drugs as well as other issues that could no longer be regulated by the state alone; it required regional regulations, mechanism and institutions to control its flow.

existing regional arrangements such as the European Union (EU) and the Association of Southeast Asian Nations (ASEAN) (Teló et al., 2007).

Mathew Doidge in *The European Union and Interregionalism* (2011) even argues that new regionalism or what he calls open regionalism was forced upon states. It was a survival mechanism in the developing world order, where economic liberalization, foreign trade and Foreign Direct Investments (FDI) became a necessity for survival. In a way, regionalism was perceived as the solution for what globalization brought about.

Therefore old interregional arrangements that were based on traditional group-to-group dialogues, now developed to become 'new interregional' relations. This new paradigm did not only include more partnerships, but also developed to include partnerships with organizations and looser aggregations of states. This phenomenon was not evident under old regionalism (Hanggi, Roloff & Ruland, 2006).

The international system during the 1990's when new regionalism emerged was characterized by a decentralized decision making process, which pushed for economic liberalization and greater openness. The changing power balances between regions found new forms of expression in practices and institutionalized arrangements. The post-cold war era demanded greater region awareness and involvement. The evolution of economic relations within regions depended less on state initiatives and more on the actions of corporations and non-state actors within the region (Farell, Hettne & Langenhove, 2005).

The international environment has allowed for better avenues for expression, making it easier for regional blocs to voice concerns and asserts identities on the international arena. Hegemonic powers were accepting of this change, embraced it, and even

supported it. Even the United States, which follows a highly unilateral rather than regional agenda, chose to enroll in a regional grouping, specifically the North Atlantic Free Trade Agreement (NAFTA), in order to protect and promote its economic and ideological interests (Doidge, 2011).

Contemporary Regionalism is made up of different regionalisms reflecting different conditions. In the new regionalism, regions were no longer regarded as formal organizations but were rather understood to be constructed and reconstructed in the process of globalization. Following the present explanation and under this theoretical framework, the thesis will move to look over the development of the European Union and the Gulf Cooperation Council as regional blocs.

2.4 The European Economic Community (EEC) and the European Union (EU)

When discussing regionalism and interregionalism, it is very important to highlight the major role that the European Union has had in the advancement of this field of study. The EU had major influences on the literature published on interregionalism as well as the process other regions undertook to establish regional relations with each other. While there is no ideal form for regional blocs, the European Union definitely marks the best example available for regional integration.

The EU has evolved during both phases of old regionalism and new regionalism and matured into a regional community. They structured a governance scheme that is complex, comprehensive and that overcomes national sovereignty (Farrell, Hettne & Langenhove, 2005). While the European Union lacks a unified foreign policy agenda, the

Union's international relations are to a great extent executed through interregionalism. Before going into deeper comparative analysis of the EU's regional project, it is first essential to briefly delve into the history of the European Union.

Following the end of the Second World War, European countries decided to put an end to all blood shed between neighbors. The Schuman Plan introduced by the French foreign minister at that time, Robert Schuman, set out to make war between European Countries unthinkable. This plan gave way to the establishment of the European Coal and Steel Community (ECSC) on 18 April 1951. It was based on a common agreement to run their heavy industries under the common management of the six founding members: Germany, France, Italy, The Netherlands, Belgium and Luxembourg (History of the European Union, Europa Website).

The first wave of regionalism in Europe stemmed from Security concerns. With the outset of the cold war, security concerns were primarily addressed through the establishment of NATO. Subsequent efforts at European integration came to focus on the economic, especially trade, dimension. The success of the ECSC led to the signing of the Treaty of Rome on the 25th of March 1957 which marked the creation of the European Economic Community (EEC) as well as the Establishments of EURATOM. The development of closed regionalism in Europe was different than its development in other parts of the world³, making it a pioneer in the field of regional integration. (History of the European Union, Europa Website)

³ The European Union since its outset had incorporated a willingness to break away from national sovereignty and entrusting supranational institutions such as the High Authority and later the European Parliament. Part of this was included an external focus by giving such institutions the power to establish

The treaty establishing the European Economic Community (EEC) is considered as the starting point for the creation of the regional organization – the EU. The treaty is an extensive document outlining the basic guideline for the establishment of the community and the process through which its goals could be achieved. The treaty set out to promote the European community through the development of economic activities such as the reduction of custom duties and the establishment of a common customs tariff.

The EEC aimed to raise the standards of living by creating common markets of goods, workers, services and capital; as well as creating common transport and agriculture policies to service the member states. The Assembly, the European Council, the European Commission, and the Court Of Justice were all appointed specific sections in the treaty according to their legitimacy and setting out their functioning (Treaty for the Establishment of the EEC, 1957).

The 1970's witnessed several advancements and achievements in EU regionalism. The first step towards a single currency was taken in the early 1970's; when the members of the EU decided to maintain monetary stability by allowing their currencies to fluctuate against each other within narrow boundaries. The creation of the Exchange Rate Mechanism (ERM) on 24 April 1972 led to the establishment of the Euro 30 years later.

The 1970's also witnessed another major advancement with the first EU enlargement taking place on the first of January 1973. The United Kingdom, Ireland and Denmark joined the European Economic Community, expanding it from six members to nine members. In 1979 the first EU parliamentary elections took place where people voted for

diplomatic relations with other countries, regions and international organizations- such as the U.N. and OEEC (Doidge, 2011).

their delegates instead of the delegates being appointed by each member state. This in turn increased the involvement of the people in the affairs of the Community and increased the influence of the European Parliament as a representative of the European people's voices. In 1980's the second and third enlargement projects took place with the addition to the European Community of Greece in 1980 and Spain and Portugal in 1985.

During the third phase of regionalism known as Open Regionalism, the EU witnessed a major expansion in its number of members as well as its policy projects. Several groundbreaking treaties were negotiated by the European Community during the 1990's; the most important are the Maastricht Treaty— also known as the treaty of the European Union— and the Schengen treaty (History of the EU, Europa Website). The third enlargement also took place in 1995 with the addition of Austria, Finland, and Sweden.

The Single European Currency, the Euro, was first introduced in 1999 in eleven member states for commercial and financial transactions. Nevertheless, by the 1st of January in 2002, the Euro Coins and banknotes entered circulation to be used as an everyday currency. The Euro as a currency is currently shared by 18 members of the 28 European Union's Member States, which together make up the Euro zone (Economical and Financial Affairs: the Euro, Europa Website). The introduction of the Euro in 1999 was a major step in European integration and it has also been one of its major successes of the European Regional project.⁴

Open regionalism continued to have a major effect on the European Union in the 21st century as well. Two more enlargements took place and several amendments were made

⁴ The Euro countries are Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland, Slovenia, Cyprus, Malta, Slovakia, Estonia, and Latvia.

to the Maastricht treaty; the final and most important one being the Lisbon treaty which came into force in 2009. The first enlargement of the 21st century came on the first of May in 2004 with the inclusion of the Czech Republic, Cyprus, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia. The second enlargement took place about three years later and included two more states: Bulgaria and Romania (History of the EU, EUROPA website).⁵

The Lisbon treaty and the fourth enlargement coincided within the same year, making 2007 a transformative year for the European Union since it provided the union with the legal framework and the tools needed to meet the demands of the 21st century. The following treaty amended previous EU treaties dating back to 1957, without replacing them. It is important to understand that the decision to continue amending old treaties stemmed from the fact that the EU member states could not agree on a constitution.

The Treaty of Lisbon that was signed on 1 January 2007 set out to make amendments in four main areas. It called for a more democratic and transparent Europe, with a strengthened role for the European Parliament, as well as more efficient working methods and tools in order to be able to face the major policy priorities of today. It also called out for the promotion of rights and values, freedom, solidarity and security by introducing the Charter of Fundamental Rights into European law. Finally, The EU set to increase its own role as a global actor through several steps.

At first it introduced a new High Representative for the Union in Foreign Affairs and Security Policy and a Vice-President of the Commission, which aimed at increasing the

⁵ The third and fourth EU enlargements of 2004 and 2007 respectively are also referred to the first and second enlargements on the 21st century under new regionalism.

impact of the EU's external action. Also, a new European External Action Service was introduced as well, in order to provide service for the high representative. The EU set out to have a single legal personality representing it in international affairs in order to increase its effectiveness as an actor. Finally, it set out to achieve progress on Security and Defense policies (Lisbon Treaty: Treaty at a glance, Europa Website).

Six decades after the beginning of the European regionalist project, the European Union has established itself as an actor of significance in the global arena and has become the most developed organization of its kind. The European Union has institutionalized its own rule of law and set out its goals in its different areas of activity accordingly. It has created its own unique economic and political partnership between 28 European countries (Doidge, 2011).

The initial impetus for regionalism in Europe came from security concerns, but as these concerns were addressed through the framework of a North Atlantic partnership, regionalism acquired an economic focus. The economic union was completed in the early 1990's with the removal of merely all impediments to movement of goods, services and capital. Since the debut of the Euro in 2002, the EU strengthened its structure for tackling problems internal and external to the union. The ranges of issues that fall under the preview of the EU are vast, covering politics, economics, social issues and the environment. One important landmark in the transition was the renaming of the European Economic Community to the European Union in 1993. A subsequent important landmark was the launching of the Euro (Doidge, 2011).

The EU fulfilled its initial aim by delivering half a century of peace, stability and prosperity as well as launching a single European currency, the Euro. Its internal market was the main economic engine which enabled most goods, services, money and people to move freely. Since then, a huge single market has been created in Europe and continues to develop towards its full potential; while consequently influencing other regionalist projects around the world.

2.5 The Gulf Cooperation Council (GCC)

The term regionalism is often accompanied by a positive approach from states and non-state actors. The international system encourages, promotes and seeks to form regional and international agreements. Nevertheless, when it comes to regional integration the six Gulf States of the Arabian Peninsula were skeptical about undergoing such a step. The European experience had an obvious positive influence on other regional projects around the world, the Gulf Cooperation Council (GCC) being one of them.

As part of the second wave of regionalism— closed regionalism— The Council for the Arab Gulf States was created under security concerns similar to the ones that led to the establishment of the EU. According to Matteo Legrenzi in *The GCC and the International Relations of the Gulf* (2008) two events in 1980's explain the establishment of the GCC: the Iranian revolution of 1979 and the outbreak of the Iran-Iraq War in 1980.

The idea of a 'Gulf Union' dates back to the early 1970's. Several meetings were held in 1976 and 1978 to discuss security agreements between the six gulf monarchies and the states of Iraq and Iran. However, these meetings were inconclusive and did not bear fruit, but the idea of a Gulf union remained active. Therefore, the early 1980's provided the

perfect timing for the establishment of the council since it offered members the opportunity to exclude war-ridden Iraq and Iran from the union.

The Iranian revolution and the threat of exporting the revolution to the neighboring Gulf countries guaranteed rivalry with Iran and closer cooperation among the six states. At the same time, it also provided them with the opportunity of going beyond the regional leverage of Iraq; especially after the various attempts of the Baathist to push for a unified security force. The same excuse of internal turmoil used by the six monarchies to exclude Iraq was also used to exclude Yemen from the Agreement.

The positive environment led to the formation of the council within a short span of time. The first meeting of the foreign ministers of the six countries to make way for the establishment of the cooperation occurred on 4 February 1981. Three models were put forth at the meetings, but consensus was reached on a compromise. Throughout the meetings, the by-laws, the supreme council and the ministerial council were discussed and agreed upon. Yet there was disagreement between Kuwait and Oman over what the Charter should include, but final agreement was reached.⁶ The Charter in its final form emphasizes the supremacy of economic and social cooperation between the six members (Legrenzi, 2011).

The Gulf Cooperation Council was established on 25 May 1981 during which the leaders of the United Arab Emirates, State of Bahrain, Kingdom of Saudi Arabia, Sultanate of

⁶ Oman and Kuwait had different political outlooks. The Kuwaiti Government was the only gulf state that was on speaking terms with the USSR and therefore did not view it as a threat. On the other hand, Oman was pushing forward to include security cooperation in the initial GCC Charter. It is also important to note that before the meetings held in 1981, The state of Oman put forward a proposal in 1979 for a Joint military force between the six gulf states- this step is also viewed as a preset for the formation of the GCC. (Legrenzi, 2011)

Oman, State of Qatar and State of Kuwait met in Abu Dhabi, United Arab Emirates. They reached a cooperative framework that guaranteed coordination, integration and inter-connection among the member states in all fields in order to achieve unity. The Charter was signed by all six states and established the rules of procedure of The Supreme Council, The Ministerial Council, The Secretariat General and The Commission for the Settlement of Disputes (The Charter of the Gulf Cooperation Council, 1981).

The goals of the union that were set out in the Charter were mostly vague and not specific. The charter aims at achieving coordination and integration in all fields; as well as deepening and strengthening cooperation between their people in various fields- yet the fields are not specified. The Charter also set to formulate similar regulations among the six members in economic affairs, commerce, customs, communications, education and culture; technological progress in various fields of industry, mining, agriculture, water and animal resources. Nevertheless, the Charter did not have specific policies set out for implementation and interestingly did not have an article discussing security cooperation (The Charter of the Gulf Cooperation Council, 1981).

The decision to form a union among the six Gulf monarchies was driven by two important developments during that time: the successful integration of the European Economic Community and the spread of regionalism to underdeveloped regions of the world. While some authors were skeptical over the role of the GCC as a regional organization, the GCC still fits into that criterion because it underwent economic integration. Even though economic cooperation constituted the main ambitions highlighted in the Charter of 1981, actual economic integration did not take place till the mid 2000's.

While the initial agreements founding the GCC did not emphasize security issues, growing security threats as of the 1980's prompted the GCC to give more attention to the military and security fields. Cooperation received more attention after the formation of the union, especially in the meetings following the signing of the Charter. During September of the same year –1981– the Ministerial Council made several recommendations relating to the enhancement of military cooperation between the six states. In January 1982 these recommendations were approved by the Chiefs of General Staff and the defense ministers when they convened their first meeting. Al-Jazeera Shield Joint Forces was created and it became a mechanized infantry with full fire and fighting logistics.

Twenty year later, in the year 2000, the GCC signed another military cooperation agreement called the 'GCC Joint Defense Agreement' that continued the development of the Al-Jazeera Shield Force. It also set out to enhance military cooperation among the member states and attain the highest level of coordination of the joint defense concept. The follow-up of the joint exercises focused on the importance of development of an industrial foundation for the military and encouraged private investments in this field. (Digital Library of the Cooperation Council for the Arab Gulf States)

To return to Economic cooperation, a Unified Economic Agreement was drafted in the 2nd supreme council meeting in 1981 which constituted the core of the economic development programs. Two decades later the Unified Economic Agreement was revisited and revised leading to the Economic agreement of 2001. The Unified Economic Agreement was agreed upon in December 2001, and expanded on the Charter to include several new additions that made the goals of the Union more specific. The document is of

a very high importance for the GCC because it provided the legal environment required to cope with the new developments in the GCC joint economic action, and to complete the requirements of full economic integration among the Member States. The Monetary Agreement included articles that discussed the customs union, the common market, the monetary union and the single currency, as well as a special article that were dedicated to natural resources management. (Digital Library of the Cooperation Council for the Arab Gulf States)

Accordingly and as specified by the agreement of 2001, a customs union came into effect on 1 January 2003. This customs union could not have been possible without the signing of a Free Trade Agreement between the six member states in 1983. By 2008 the GCC completed the pre-requisites for a common market among its member states and launched it in January 2008. During December that same year, The Supreme Council adopted the Monetary Union Agreement and the Statute of the Monetary Council pursuant as a step towards establishing the Monetary Union and introducing a single currency.

With the successful debut of the Euro, the GCC was encouraged to pursue a unified currency of its own through initially pegging the GCC currencies against the US dollar. A timetable was set and further emphasized in the Economic Agreement of 2001. Eight years later; in December 2009; four member states Bahrain, Kuwait, Qatar and Saudi Arabia announced the creation of a Monetary Council, as a step toward establishing a single currency, joint central bank and a unified economic policy. Nevertheless, Oman and the UAE did not sign the Statute and withdrew from the single currency proposal- to be called Khaliji (Digital Library of the Cooperation Council for the Arab Gulf States).

Despite the fact that the GCC was born in the regional tension, the Charter did not mention security issues, it rather focused on questions of economic integration.

In light of the above discussion, there remains a vast difference in the depth of integration in each community. Yet they both seem to have emerged from security concerns and developed to encompass and achieve economic integration. The GCC still has a long way to go in terms of integration, specifically economic integration. The EU on the other hand has moved beyond economic unity, yet they are still stuck in further enlargement and in relinquishing independent foreign policies for a unified EU foreign policy.

The next chapter will evaluate the rise of interregionalism; which was a direct consequence of the rise of new regionalism/open regionalism; as well as interregional relations between the EU and the GCC. These interregional relations have had a special focus on trade and trade related factors which the fourth chapter will discuss.

CHAPTER THREE:

Interregionalism and the EU-GCC Interregional Relation

3.1 Introduction

As represented in the previous chapter on regionalism, the development and process of change that regionalism went through gave rise to new forms of connections within regions and with the outside world. New regionalism therefore dictates that regional groupings pay more attention to their external policies and develop partnerships with the other regional blocs. These dense networks of interregional relations were also largely created through the forces of globalization and the rise of new regionalism that further enforced the need to be more connected with others.

In light of such advancements, this chapter will build upon the theoretical base of the previous chapter. It will be divided into several sections; first it will address theory and discuss the emergence of interregionalism and its aims. Second, it will look over the history of interregional relations between the European Union and the Gulf Cooperation Council, and delve into more details on the different kinds of cooperation with a special focus on interregional trade and investments between the two blocs. The reasons behind focus on trade will be further explained as the chapter develops.

3.2 Interregionalism

The study of interregionalism is still a growing field and is only explored by a closed group of political economists. This Phenomenon has proven its survival in the international political order and therefore will continue to develop as interregional

relations between blocs expand. Jürgen Ruland and Heiner Hanggi were among the first scholars to explore this emerging phenomenon during the early 2000's⁷. Hanggi defined Interregionalism as the linkages built between regions that are based on regular summits and ministerial meetings as well as a number of joint projects (2000).

Interregionalism is manifested along three arrays: relations between regional groupings, bioregional and trans-regional relations, and hybrid relations such as relations between grouping and single powers (Hanggi, 2000). While all three arrays fall under interregionalism, the thesis takes interregionalism to specifically signify relations between regional groupings. This also helps to lay the grounds for the discussion to come on the interregional relations between the two blocs: the European Union and the Gulf Cooperation Council.

3.2.1 History of Interregionalism

At the outset, it's important to understand that regionalism and interregionalism are highly euro-centric phenomena that developed simultaneously within the European Community (EC), and then were transmitted to other parts of the world. Interregionalism, like regionalism emerged over two phases: the first was under closed regionalism and the second was under open regionalism. Under closed regionalism and as mentioned in the chapter above, the European Economic Community was the pioneer in regional integration.

⁷ In 1999 Jürgen Ruland published *The EU as an interregional actor: The Asia Europe Meeting (ASEM)* and in 2000 Heiner Hanggi published the paper *Interregionalism: Empirical and theoretical perspectives*.

Following this, Interregionalism and the first interregional agreement, called the Yaoundé Convention, took place in 1963 between the European Community and the Association of African States and Madagascar (EAMA). The EC-centered interregionalism that emerged was not witnessed anywhere around the world. On the contrary, during that era, states were pursuing nationalist plans that further enhanced their sovereignty⁸ (Doidge, 2011).

From the beginning of the formation of European Economic Community, a common European voice towards the external world was perceived as necessary for the reinforcement of a European identity. With the founding of the European Community under the Treaty of Rome in 1957, the treaty accorded the community with external competencies that expanded the nature of policy areas over which it had authority. Several articles had direct and indirect implications on relations with other countries or groups. First was the attribution of several articles and even a section that discussed and encouraged agricultural trade and development with the outside world.⁹

Second was the creation of a common market under article 3(b) of the Treaty. This necessitated the establishment of a common custom tariff and therefore resulted in a common commercial policy towards third countries, creating the need to form association agreements with third countries and organizations. Finally, Articles 238 of the same treaty accorded the European Community with the ability to “... conclude with a third State, a union of States or an international organization agreement establishing an association involving reciprocal rights and obligations, common action and special procedures” (Treaty of Rome, 1957).

⁸ Further explained in chapter 2.

⁹ Agriculture is discussed in the Treaty of Rome under Article 3(d) and in a section dedicated to Agriculture called ‘TITTLE 2’ including Article 38 to Article 47.

Along with the external implications of creating a common market, the European Community found that external relations with the outside world were forced upon it. The colonial relations that existed historically between the European states and the outside world made these external relations easier to form. This desire and need to create relations with the outside was also evident under the Rome Treaty in article 3(k) that accorded association with other countries in order to increase trade and promote joint economic and social development.

Article 3(k) is central to this thesis as it accords the European Community the right to form relations with other actors based on trade and economic interests. As will be explained in this chapter, the early phases of the interregional relations between the Gulf Cooperation Council and the European Union were pre-occupied on economic and trade issues. As The European integration process developed, the EU's external relations were becoming more firmly entrenched in the global system. Europe's presence was increasingly felt on the international arena.

The second phase of interregionalism; new interregionalism; emerged following the establishment of open regionalism as a phenomenon in the world order. As described by Mathew Doidge in his book *The European Union and Interregionalism* (2011), triadisation¹⁰ resulted in the deepening of regionalism firstly within Europe and then with the rest of the world. With the deepening of interregionalism within the three main triads–The EU, the United States and East Asia – interregionalism became an important and necessary to institutionalize the links between these regions.

¹⁰ Triadisation is also known as globalization. Triadisation as a term developed because globalization in its early phases was largely restricted to three areas: North America, the European Union and East Asia. The rest of the world was less affected by this Phenomenon. (Doidge, 2011)

3.2.2 Interregionalism and Theories of International Relations

In the realm of international relations, clearly, regionalism as a phenomenon has been studied in international relations through the perspective of different schools or traditions. Realism and liberal institutionalism have addressed at some length the origins and limitations of regionalism. Realist and liberal institutionalist approaches have dominated the study of interregionalism and international relations theories had to grapple the latter phenomena.

While states remain the main actors in the international system, the nature of international relations has changed since the rise of globalization. The multi-layered system that emerged from globalization constitutes a web of complex interdependent relationships that connect different actors possessing different capacities. The international system functions on different nation states feeding their own rules and regulations through regional organizations. The nation states remain the bases of the international system yet a new form of relations is starting to develop on the regional level.

The rise of the neo-liberal globalized world has affected the functioning of the state system in the global context. According to Polanyi's double movement theory, globalization has worked in two opposing ways. On the one hand the global world became more connected and interdependent, and on the other hand states were isolated and felt the ever-growing need to protect their autonomy. Following this and under the realist school, interregionalism developed as a coping mechanism and security measure for states due to the forces globalization. Security concerns brought about by globalization have caused states to realize the need to cooperate of issues of security.

This was not only through security threats of direct military conflicts but also through conflict arising from economic issues. Thus, the interregional relations ended up developing around economic cooperation. (Doidge, 2011)

The forces of globalization have had major impact on the development of regions and interregionalism. Interregionalism has become a significant tool in the external relations of states. After the rise of triadisation, interregionalism played an important role in integrating states into the global system. As identified by the liberal Institutional school, the forces of triadisation (or globalization) led to the institutionalizing of relations between regions, therefore giving smaller states the unprecedented influence over regional and international decision making. This also allowed the stronger states the chance to expand their economic and political spheres of influence via regional and interregional relations. (Doidge, 2011)

According to the literature published, Interregionalism has developed several functions, each with a specific purpose, but all winding up for the good of the nation-state. Several interregional theorists such as Doidge, Hanggi, Gilson and Ruland, explored these functions. The functions of interregionalism are now easily distinguished in the Literature and are largely influenced by the realist and liberal Institutional schools (Doidge, 2011).

According to Jürgen Ruland in his chapter '*Interregionalism: an unfinished agenda*' (2006), five functions of interregionalism are identified: balancing and bandwagoning,

institution building, rationalizing, agenda-setting and collective identity building.¹¹ While these functions are theoretically deduced, they are not necessarily empirically real. These functions are the result of the diverse combination of international relations theories such as neo-realist, Institutional and constructivist theories compiled over time.

The first function of interregionalism, balancing, is deduced from the realist conception of competition between states. Interregionalism is viewed as a device for states to balance against or maintain the dynamics of the triad. Balancing can take two forms: power balancing in case the relationships have a military dimension, or institutional balancing when there are disequilibria between regions. Trends in interregionalism have shown that institutional balancing takes place more than often between blocs. The reason behind that is traced back to the growing role of economics and the decrease in the relevance of military confrontations.

Interregionalism among triadic states could be identified as a concert of regions, while interregionalism among non-triadic regions is instrumental in their inclusion and adjustment to the changing nature of power politics. Something often ignored by literature is that interregionalism is also used as a method of exporting ideas and values. The European Union has been an instrumental interregional actor in exporting its values, while at the same time functioning as the trigger source for balancing actions among other blocs.

The second function identified by Ruland is the most straight-forward function of interregionalism, and it is Institution-building. Institution building function is attributed

¹¹ The same functions were defined by Mathew Doidge Chapter 2 of his book *The European Union and Interregionalism*.

to the liberal Institutionalist school. Under this function, Interregionalism encourages the establishment of rules, norms and decision making procedures that shape the interests, behavior and expectations of actors. Following this, interregionalism sets out to institutionalize international relations among actors (Doidge, 2011).

Interregional relations consequently lead to the establishment of cooperative structure that enhances dialogue. Dialogue structures therefore exist as a result of interregional agreements to cooperate on a specific issue. This in turn leads to the creation of fixed institutions such as secretariats or representative missions that ensure the enactment of rules and regulations. While it is generally the case that liberal institutionalists overemphasize the importance of this function, a new form of institution-building has emerged called soft institutionalism. Under soft institutionalism countries opt for shallow institutionalization of interregional dialogues.

The third and fourth functions of interregionalism are rationalization and agenda setting. With the growing size and complexity of the international order, institutions had to come up with techniques in order to stay integrated in policy making. Rationalization and agenda setting are the functions of most interest to the actors for they ensure inclusivity in the international order. “Interregionalism is seen as a means to overcome the difficulties inherent within the global multilateral negotiations (rationalizing) and as a means for pursuing cooperative agendas at the global level (agenda setting)” (Doidge, 2011, p. 38).

The growing number of actors with diverse interests has led to reduced efficiency of the international forums as well as a slower decision making process. Regionalism and

interregionalism therefore function by dividing global issues to their respective areas, and starting a bottom-up process from the regional to the global level. Agenda setting is closely related to rationalization, because following rationalization actors put forward policies, recommendations and themes to advance them onto the global forum.

The fifth and final function of Interregionalism is collective identity building. Recent studies suggest that interregional dialogue leads to the formation of a collective identity. This is also commonly known as “Regionalism through Interregionalism”. It functions in two ways: First, it reflects previous interactions of a region with another region, which in turn forms a mental representation about the other region’s self-identity, shape, role and interests. Second, it creates a sharp difference between the self and the other, therefore creating regional solidarity among one group in order to increase efficiency and effectiveness of the group’s actions. (Doidge, 2011)

While these five functions, according to Ruland, are not technically evident, they could still be used as a framework to evaluate interregionalism. As noted above, interregionalism and regionalism remain highly connected and they function by complementing each other. The five functions of interregionalism mentioned above are comprehensive of the literature present on functions of interregionalism. In the section below, interregionalism between the European Union and the Gulf Cooperation Council will be evaluated against the five functions (Hanggi, Roloff & Ruland, 2006).

3.3 History of EU-GCC Interregional Relations

The first interregional agreement between the European Community and the Gulf Cooperation Council entered into force on the 20th of February 1989. While this

relationship has developed since the early 90's, it still portrays weak signs of interregionalism that is focused around economic interests. The timeline of interregionalism between the two blocs as well as the reasons behind the weak interregional relations will be further explored.

Luciani and Schumacher (2004) argue that interregionalism between the EU and the Gulf Cooperation Council had been part of a greater European initiative to connect to Western Asia. This had precedents in the Euro-Arab Dialogue initiated by the European Community during the early 1970's. The dialogue was the first group-to-group dialogue with this region of the world; It was also the European experiment on collective diplomacy with other state groupings. The authors stress that these relations were a reactive action from the European Economic Community back then (Luciani & Schumacher, 2004).

The Euro-Arab Dialogue was established in March 1974 but only in the backdrop of several factors that forced the EEC to engage with this part of the world. First and foremost, the OAPEC countries placed the oil embargo on the European Community. While this embargo was selective in nature, it targeted almost all nine member states and reminded the EEC of their dependence on oil in this region¹². Coupled with the oil embargo was the global oil crisis of 1973/4, when the OPEC states decided to quadruple oil prices and place an embargo on the United States (Taylor, 1978).

Along with the ongoing economic factors at the time pushing for greater cooperation, a political factor also played a role in the formation of this dialogue, and that was the Arab-

¹² During that period, 1973, the EC constituted 9 members: Britain, Germany, France, the Netherlands, Denmark, Italy, Luxembourg, Belgium and Ireland.

Israeli conflict. While the European Community was divided in its views on the Arab-Israeli conflict, it was still perceived as having an anti-Arab stance. A surprising message delivery by the Arab league to the EEC in one of their ministerial meetings in 1973, asked them to adopt a more balanced position in the Arab-Israeli conflict – a more pro-Arab stance. This came as a shock to the EC and highlighted the need to establish closer relations with the region (Koch et al., 2005).

Needless to say, the Euro-Arab Dialogue was not successful in implementing any substantial policies or projects. It also coincided with other European initiatives like the Global Mediterranean Policy and the EU-GCC Cooperation Agreement, but there was no coordination between these projects and no common policy guiding them even though they targeted the same region of the world. The failure of the Euro-Arab dialogue and the European decision to deal with Western Asia along two separate projects, led to the emergence of the EU-GCC interregional relations.¹³

Following the formation of the GCC in 1981¹⁴ and the failure of the Euro-Arab Dialogue, The GCC council and the European Community arranged for a joint ministerial meeting in 1985. The following meetings were positive and included mutual agreement on cooperation in political and economic issues. The GCC was eager for a cooperation agreement that will allow them close association with the European community and preferential trade concession.

¹³ For detailed analysis of these developments see Koch, C., Szajkowski, B., Merdad, J., Baabood, A., Neugart, F. & Gause, F.G. (2005) *Unfulfilled Potential: Exploring the GCC-EU Relationship*. United Arab Emirates: Gulf Research Center.

¹⁴ It is important to note that the GCC as mentioned earlier in chapter 2 was emulating the European Model of regional cooperation, and was therefore eager to conclude closer relations with the European Economic Community.

A subsequent meeting was held in 1987 and both sides were quick to agree on common interests in sectors of energy, investment, industrial cooperation, technology and training.¹⁵ 1978 marked the year of momentum where several meetings were held between the two blocs and an agreement was reached. On 8th of October 1978, the Commission sent the Council a draft Decision that would authorize it to negotiate a cooperation agreement with the Member States of the Gulf Cooperation Council.

The Council had an initial exchange of views on the proposal on October 20th, and agreed to look at it again on November 23rd (EC Bulletin 10-1987, 1987). On November 23rd 1987, the directives were approved and the commission initiated negotiations. In March 1988 an agreement was reached formally and it was signed on June 15th 1988 between the member states of the GCC and EC representatives. The following Cooperation agreement between the two blocs did not come into force until the 20th of February 1989, and that was due to the extensive process outlined in article 235 (mentioned above) that mandates ratification by both parties (Luciani & Schumacher, 2004).

The European Community Bulletin No.3 of 1989 outlines the agreement, and it states that:

“The Agreement provides for cooperation in the following fields: economic affairs, agriculture and fisheries, industry, energy, science, technology, investment, the environment and trade.

As regards economic cooperation the two sides will seek to facilitate the transfer of technology through joint ventures and to encourage cooperation on standards. In the case of energy, both sides will promote cooperation between firms, training

¹⁵ The GCC was asking for preferential trade agreements similar to those concluded between the EEC and Isreal/ Mashreq and Maghreb. Yugoslavia.

and joint studies on trade in oil, gas and petroleum products. They will also endeavor to promote appropriate investment protection and a reciprocal improvement of investment conditions. In the trade sector the aim of cooperation will be to encourage expansion and diversification. Both sides will also continue to accord each other most-favored-nation treatment.

In order to ensure that the cooperation measures are given practical application a Joint Council will be set up which will meet at least once a year, or at the request of one of the parties.

Both sides also agreed to promote measures in the framework of the Uruguay Round⁷ designed to bring about a multilateral reduction of the customs duties applicable to petrochemical products.

Once the Agreement is signed — this is planned for June — the two sides have agreed to begin discussing a second agreement, the aim of which will be to improve access for exports to their respective markets and liberalize mutual trade, provided both parties can find solutions for their sensitive sectors” (European Community Bulletin No.3, 1989).

As noticed above, the text makes reference to trade and specifically oil trade between the two blocs, which again highlights the concerns and focuses on trade between the two regions. Another reference was made to the establishment of a Free Trade Agreement between the two blocs, which is often perceived as the main driver behind the establishment of these relations. Twenty-five years after the Cooperation Agreement, interregional relations have developed between the two blocs but the FTA has not formed.

The Cooperation Agreement (CA) that took place in 1989 remains the sole framework upon which the EU-GCC interregional relations function. While a Joint Action Programme 2010-2013 was created in 2010, aiming for closer cooperation between the EU and the GCC on several issues, the Programme was not renewed. Trade between the

two regions remains the driver for cooperation. The details of the Cooperation Agreement and the Joint Action Programme will be further discussed below.

3.3.1 The Cooperation Agreement: Economic Cooperation and the Free Trade Agreement

Two decades of interregional cooperation between the European Union and the Gulf Cooperation Council were dictated by a few pages that outline cooperation areas along with annual ministerial meetings that were held regularly. The document, as will be evident, has an economic focus and did not address any form of political cooperation. Luciani and Schumacher indicate that this is because the European Community had already tried its hand with collective diplomacy in this region of the world but was not successful, thus opting for mere economic interregional relations (2004).

The Cooperation Agreement included a Preamble and 26 articles divided into four sections: General objectives, Economic cooperation, Trade, and General and Final Provisions. The CA was meant to institutionalize the relations between the two blocs. That is evident in the text of the agreement because the articles remained mainly vague; keeping the venue open for further levels of cooperation agreed upon in the ministerial meetings. The preamble on the other hand indicates that cooperation among the equal partners is to be extended to all spheres including those of security and stability. It also has a wider aim to contribute to the development of the global economy and energy spheres (EU-GCC cooperation Agreement, 1989).

The first article and the General Objectives of the Cooperation Agreement of 1989 are the following: (1) Strengthening the relations between the two blocs through

institutionalizing the relationship. (2) The broadening and consolidation of relations in energy, industry, trade and services, agriculture, fisheries, investment, science, technology and environment. (3) Strengthening the process of economic development of the GCC countries in order to ensure peace and stability in the region. As mentioned above, the general objectives reflect the lines along which this CA was established: institutionalizing relations, broadening economic cooperation and ensuring political stability.

Under Economic Cooperation, the CA dedicates nine articles for greater cooperation in economy, agriculture, industry, energy, investments, science and technology and environment. These articles focused on the importance of exchange of information and building capacities in order to produce such information. While it is implicit in some of the articles under economic cooperation, Trade still receives a special section dedicated to its discussion, under Article 11¹⁶. The General and Final Provisions establish the framework the joint council/ministerial meetings between the EU and the GCC foreign ministers, and for joint cooperation committees at the senior officials' level (EU-GCC Cooperation Agreement, 1989).

Following the entry into force of the Cooperation Agreement in 1989, the first joint ministerial council session was held on the 17th of March 1990 in Muscat. After each annual meeting, a joint communique is published outlining the headlines of issues discussed, yet these communiqués ended up being statements on regional political events concerning Iraq and Iran mostly, terrorism and piracy acts. The negotiations for the FTA were first initiated in the ministerial meeting of 1990 and then renewed in 1991. In 1995

¹⁶ The following article will be discussed in the subsection 'Trade' below.

and following low levels of activity between the two regions, a dialogue on security issues and a strengthened political dialogue were established.

During the 1990's, the European Union did not engage with the GCC as an actor of political relevance, but rather used the CA as a tool to secure access to gulf markets (Koch, 2014). Ten years later, during the ministerial meeting held in 2001, it was agreed that "trade, investment and cooperation constituted the foundation of the EU-GCC relations" (Joint Communiqué, 2001), and therefore negotiations for an FTA were renewed. During the same year the European Council approved the updated negotiating directives, a framework was set up and the EU-GCC Joint Council resumed negotiations on the basis of that framework (FTA SIA Terms of Reference, 2002).

The EU and the GCC continued to meet annually but several factors have stalled the FTA process. Initially the FTA could not be agreed upon since the GCC did not establish a Custom Union. That is because trade with the individual countries that are part of the GCC would have been diverted away from states with higher tariffs to states with lower ones. Nevertheless, this barrier was removed when the GCC was able to agree on a common external tariff. This process took some time due to the GCC's less advanced integration process, but a custom union came into effect on the 1st of January 2003 and the pace of negotiations picked up.

The GCC custom union allowed space for the FTA to include clauses on not only exchange of goods but also on exchange of services, government procurement, and intellectual property rights. Nevertheless, The GCC was hesitant to meet the EU's demands on liberalizing trade of government procurement, which resulted in the

suspension of negotiations on the FTA by the GCC members in 2008. Regardless, informal negotiations are still taking place, and since 2013 there has been an ever-growing push from the GCC to reach an agreement. One thing remains however, and that is that the FTA does not have a timeline and has therefore stretched out over the past 25 years with little advancements (Kostadinova, 2013).

From the outset there existed several problems with the negotiations on the FTA between the two blocs. One of which was the strong petrochemical lobby in the EU that pushed for high tariffs on petrochemicals imported from the GCC in order to protect their own petrochemical industries. This was highly opposed by the GCC since the early negotiations of the FTA because they perceived it as a direct threat to their ‘infant’ petrochemical industry. Yet, according to EU officials, the GCC is subsidizing its energy sector by double-pricing petrochemicals and receiving 30% lower rates on imports (Ayadi & Gadi, 2013).

The Carbon Tax first initiated in the late 1990’s by the European Union imposed taxes on products with high carbon content. In its early phases, this law taxed energy content rather than carbon content. Since 2009 the carbon tax was modified to tax the content of carbon and energy equally, and it averages at €15/ton. Nevertheless, this tax was not agreed upon by all 27 EU members and was adopted only by a handful of EU members. This imposed tax increased the price of imported goods from the Gulf, especially petrochemicals, and those represented the majority of gulf exports to the EU (Anderson, 2010).

In 2005, the EU launched the Emission Trading System (ETS) in three phases¹⁷, and currently we are in the third phase which started in 2013 and spans till 2020. Part of this carbon tax implementation was a carbon tax implemented on the aviation sector that received high rejection from aviation companies in the Gulf (The National News, 2011). While this carbon tax was supposed to come into effect in 2012, and given its wide rejection by aviation companies, the European Parliament developed a market based scheme and postponed its launching till 2020 (European Commission Website, 2014).

Another impediment is the EU's adherence to values on freedom, democracy and human rights that were largely not accepted on the GCC's side. The FTA included clauses on human rights and illegal migration that were rejected by the GCC states because they claimed that human rights issues had nothing to do with trade liberalization. Given the different norms and values of these institutions, there are still ongoing negotiations on some of these clauses. Some EU officials state that the "Human Rights Clause" is used as just an excuse for the GCC's reluctance to let go of the petrochemical subsidy (Ayadi & Gadi, 2013).

After a careful review of the Joint Communiqués published since the early 2000's, it is obvious that 2008 marked a shift in negotiations. The statement issued on the Free trade agreement in 2008 was the following: "The Joint Council reviewed the progress made on

¹⁷ The first two phases were initiated in 2005-2007 and 2008- 2012. These phases were set a national level through the national allocation plan. The first phase covered the CO2 emissions from power generators and energy-intensive industrial sectors. Phase one succeeded in establishing a price for carbon, free trade in emission allowances across the EU and the necessary infrastructure for monitoring, reporting and verifying actual emissions from the businesses covered. Under Phase two Iceland, Liechtenstein and Norway joined the EU ETS. At the same time, the scope of the system was marginally widened through the inclusion of nitrous oxide emissions from the production of nitric acid by a number of Member States. Phase three was initiated in 2013 and it aimed at implementing a single EU wide-cap on emissions. Thus far, the EU was able to cover almost half of its emissions. (Climate Actions, 2014)

the negotiations on a Free Trade Agreement and noted that the parties are getting closer. They encouraged negotiators from both sides to further intensify their efforts to reach a mutually agreed text before the end of July 2008 and undertake to prepare the agreement for initialing before the end of 2008” (Joint Communiqué 2008, 2008, p. 4). As evident from the communiqué, the two blocs were very close to concluding the agreement and even had a date set for conclusion.

Nevertheless, the reasons discussed above caused the stalling and even complete suspension of these negotiations on the formal level. That was also reflected in Joint Communiqués published after 2008, where the only mention of the FTA was in 2009 asserting the continuation of the negotiations. Over the past three years the FTA has not been discussed in the ministerial meetings; Some attribute this to the economic crisis that the EU was going through which in turn stalled all external negotiations (Kostadinova, 2013).

The latest Ministerial meeting was held in Manama, Bahrain between representatives of the EU and the GCC on the 30th of June 2013. During this meeting the FTA was not discussed at all. The ministerial meetings while producing some advancement in specific fields such as education and cultural exchange, they have not been able to cause any substantial enhancement in these relations. A news post by the National Newspaper in the Gulf in July 2013 stated that the GCC will raise the stakes for concluding the FTA by not signing off the renewal of the Joint Action Programme. (The National, 2013)

This comes against the backdrop of a statement by the Bahraini foreign minister stating that “almost 99 per cent of the items have being agreed and only one issue related to

export duties is currently being reviewed before any decision is reached” (Trade Arabia News Services, 2013). Several months have passed since the conclusion of the Joint Action Programme, which was not renewed at the expense of a Free Trade Agreement that is still not concluded. The next ministerial meeting is to be held in the next couple of months, and the fate of the FTA is yet to be determined.

3.3.2 The Joint Action Programme (JPA)

The ties between the GCC and the EU have slowly developed over the past years on multi-faceted arenas. The EU deployed a delegation in Saudi Arabia for the five GCC countries - Bahrain, KSA, Kuwait, Oman and Qatar in 2004, while a second EU Delegation was deployed in the United Arab Emirates in 2013. (European Union External Action website, 2014)

Along with the ministerial meetings being held annually, non-official projects were been set up in areas such as clean energy, diplomacy, science and technology and larger political dialogue. Part of these advancements was the Joint Action Programme (JAP) (Koch, 2014). The GCC and the EU agreed on initiating a Joint Action Programme in 2010 that spanned three years (2010-2013), as part of the implementation of the Cooperation Agreement.

The JAP set out a roadmap for closer cooperation on economic, financial and monetary issues, investments, trade cooperation, nuclear safety, clean energy, research, environment, information and communication technology, and education (Joint Action Programme, 2010). The document includes fourteen clauses that primarily have economic and educational foci. Some of the projects that were implemented were the Al-

Jisr,¹⁸ INCO-NET- GCC¹⁹ and the ERASMUS MUNDUS for the Gulf.²⁰ These projects that spanned from 2010 till 2013 aimed at improving public diplomacy, bi-regional dialogue and student exchange programs (Koch, 2014).

Some officials viewed the Joint Action Programme as a replacement for the FTA. Unfortunately this Programme was not renewed in 2013 due to a decision by the GCC to not continue with the Programme until agreement on the FTA was reached. Following the suspension of the JAP in 2013, The Cooperation Agreement of 1989 still remains the framework for improving the relations between the two blocs on both political and economic issues.

¹⁸ The Al-Jisr Project is a project that started in July 2008 and was concluded in 2010. Al-Jisr is an EU-GCC Public Diplomacy and Outreach Activities project that aimed for enhancing public knowledge of the EU and contribute to EU-GCC policy making. For more information visit the Al-Jisr website <http://www.aljisr.ae/>

¹⁹ INCO-NET is an EU initiative aimed at enhancing bilateral relations with other regions. It was initiated in 2010 and ended in 2013. The project aimed at promoting regional interaction for the identification and prioritization of common research. For more information, visit the INCONET-GCC website http://ec.europa.eu/research/iscp/pdf/policy/inco-net_gcc_110913.pdf#view=fit&pagemode=none

²⁰ The Erasmus Mundus Gulf Countries Programme is a Partnership between 12 Universities from Europe and the Gulf Countries and an Institution from the Gulf, focusing on promoting educational interchanges between 2 differentiated geographical regions through a comprehensive scholarship awards scheme. For more information visit the Erasmus Mundus for the Gulf website <http://emgulf.eu/>

CHAPTER FOUR:

Trade and Politics of Interregionalism

4.1 Introduction

The previous chapters discussed the theories of regionalism and interregionalism in an attempt to understand the interregional relationship between the EU and the GCC. As outlined in the previous chapter, the EU-GCC interregional relation remains relatively weak and highly economic in nature. Economics and trade have taken the forefront in these relations, yet with little to no advancements. Political cooperation on the other hand was not structured into the relationship; such cooperation evolved despite the lack of consensus on the Free Trade Agreement.

Economic activity- specifically trade and investment- took center stage in the agreements between the EU and the GCC. The Cooperation Agreement remains the sole framework upon which these relations function, even the JPA is under the framework of the Cooperation Agreement. Given the very economic focus of the texts of both the CA and the JPA, this chapter will discuss the economic relations of the two blocs in terms of trade and investments.

Against the backdrop of weak agreement on economic issues, the joint council meetings became the venue for the EU and the GCC to develop their political cooperation. The Joint council meetings were used to express political positions on developments in the region and around the world. The common interests of these two blocs were further developed beyond mere economic cooperation and stemmed into the field of politics.

This chapter is divided into two sections; the first section will discuss the economic relation between the two blocs while the second section will look at areas of common political cooperation. This will allow us to look at trade and what lies beyond trade, in order to better understand the dynamics of the relationship.

4.2 Economic Relations between the EU and the GCC

Dialogue under the Cooperation Agreement seems to have failed in producing substantial change, yet the two blocs continue to trade and invest in each other's economies to take place. The EU- GCC interregional relationship despite its problems has helped the GCC states to prosper through exporting oil and gas to the EU. Despite fluctuation on oil prices, the relationship in the long hold provided GCC countries with substantial income, which is partly used for development projects in the Gulf. As mentioned in the previous chapter and in several statements made by EU and GCC officials it was acknowledged that investments and trade remain the bases upon which these blocs interact.

This chapter focuses on trade relations because interregionalism between the two blocs has been designed around issues of trade. Trade continues to be the main avenue upon which the interregional relations between the European Union and the Gulf Cooperation Council function. Yet this chapter also argues that these trade relations constitute a small share of the international trade with other countries, which is possibly the reason why these relations have not been a priority for both blocs.

The importance of reaching a Free Trade Agreement between these two blocs has largely affected how these relations have developed. From its inception, trade was central to this relationship. Article 11 of the Cooperation Agreement of 1989 states that:

1. In the field of trade, the objective of this Agreement is to promote the development and diversification of the reciprocal commercial exchanges between the Contracting Parties to the highest possible level, inter alia by studying ways and means of overcoming trade barriers for the access of each Contracting Party's products to the other Contracting Party's market.
2. The Contracting Parties shall enter into discussions concerning the negotiation of an agreement aimed at the expansion of trade in accordance with the provisions of the Joint Declaration annexed hereto.
3. Pending the conclusion of the trade agreement referred to in paragraph 2, the Contracting Parties accord each other most-favored-nation treatment.

While this article sets out the bases of future trade relations between the two blocs, it also asserts that the Cooperation Agreement is only a first step towards the larger aim of having a Free Trade Agreement between the two blocs. Despite the centrality of trade and economic issues in the 1989 Cooperation Agreement, subsequent Joint Communiqués emanating from EU-GCC Ministerial meetings focused on political rather than trade and economic issues. This shift in focus is partly due to the inability of the two sides to upgrade their economic and trade relationship to the status of a Free Trade Agreement.

The Joint Action Programme of 2010 also determined an article focused on trade in order to increase bilateral GCC-EU trade. Article 3 of JAP 2010-2013 encouraged the following: (1) The exchange of trade delegations, (2) The scheduling of trade exhibitions organized, (3) Continuation of current “GCC day” and “EU day”, (4) Organizing of workshops and forums on economic issues, (5) The exchange views on the topics to be examined at the WTO, (6) The establishment of a regular dialogue on issues having an impact on the access to the EU and GCC markets, and (7) Facilitating the increase of EU-GCC trade flows, through the removal of non-tariff barriers (Joint Action Programme, 2010).

The EU Parliament dedicated a session in 2011 to discuss the relations with the Gulf Cooperation Council, and they adopted a resolution. Resolution (2010/2233(INI) pointed out to the importance of the Gulf region a global economic hub and its role as the fifth largest export market to the EU. Trade in goods, trade in services, foreign direct investments (FDI) and sovereign wealth funds constitute the bases upon which these two blocs interact economically.

4.2.1 Trade

In a study published recently by Sharaka in October 2013, trade and investment flows between the two blocs were evaluated and a shift away from trade with the EU towards the BRICs was noted²¹. This shift in trade was noted in earlier publications by think tanks in the GCC. Rodney Wilson's publications on *the Changing Composition and Direction of Trade* (1998) as well as *The Gulf-EU trade Relationship* (2002) both speak about the decrease in relations with the European Union due to the rise of Asian economies that were stronger, closer, and growing more in need of the resources of the gulf.

In other words, Asian economies such as Japan and China came to replace Europe in terms of trade relations with the GCC. While European trade with the Gulf Cooperation Council remained present, it was focused mainly on energy and petrochemicals (Wilson, 2002). This diversion of trade was even more highlighted in the Sharaka Study stating that the GCC exports to the BRICs grew by 21% compared to the growth rate of 12 % to the EU. According to the authors, the shift is due to the financial crisis that hit Europe

²¹ Sharaka is an institute born out of the Joint Action Programme of 2010 but was officially launched in 2012. It is an institute implemented by five organizations from Europe and the Gulf. The two year project aims at researching ways in which the EU- GCC relationship could be developed. It is cofounded by the EU and the GCC. For more information visit the official Sharaka website www.sharaka.eu.

and decreased demand for hydrocarbons, while demand increased in the BRICs due to their relative unaffectedness from the crisis (Ayadi & Gadi, 2013).

When looking at the major international trading partners of the GCC, it is clear that China, The United States, and Germany are in the lead. On the other hand when looking at regional blocs, the European Union and ASEAN are the GCC's main trading partners according to the World Trade Report of 2013. The table below ranks the world's major trading powers based on their respective shares in international trade.

Table 1: Leading Exporters and Importers in World Merchandise Trade, 2012 (Billion dollars and percentage)

Rank	Exporters	Value	Share	Annual percentage Change(2011-2012)	Rank	Importers	Value	Share	Annual percentage change (2011-
1	China	2049	11.1	8	1	United States	2336	12.6	3
2	United States	1546	8.4	4	2	China	1818	9.8	4
3	Germany	1407	7.6	-5	3	Germany	1167	6.3	-7
4	Japan	799	4.3	-3	4	Japan	886	4.8	4
5	Netherlands	656	3.6	-2	5	United Kingdom	690	3.7	2
6	France	569	3.1	-5	6	France	674	3.6	-6
7	Korea, Republic of	548	3.0	-1	7	Netherlands	591	3.2	-1
8	Russian Federation	529	2.9	1	8	Hong Kong, China	553	3.0	8
9	Italy	501	2.7	-4		retained imports	140	0.8	6
10	Hong Kong, China	493	2.7	8					
	domestic exports	22	0.1	33	9	Korea, Republic of	520	2.8	-1
	re-exports	471	2.6	7	10	India	490	2.6	5

Source: International Trade Statistics 2012. The World Trade Organization. (2013)

As table 1 shows, four EU members (Germany, Netherlands, France and Italy) are among the world's top ten exporters. While three European countries: Germany, United Kingdom and the Netherlands are among the world's ten leading importers. By contrast the leading Arab exporter Saudi Arabia (a GCC member)– ranks 15th in terms of share of

world exports followed by the United Arab Emirates ranking at 17. No other GCC country figures among the 50 leading importers and exporters. These figures re-enforce the thesis argument that the EU is far more involved in international trade than the GCC.

While the EU, as aforementioned, is more involved in international trade than the GCC, it has been recently facing some problems. In 2012, all 27 EU members saw declines in both imports and exports from 2011. These declines in EU trade are attributed to uncertainty and structural problems in the Euro area.

According to the World Trade Report 2013:

The World trade growth fell to 2.0 per cent in 2012 from 5.2 per cent in 2011, and remained sluggish in the opening months of 2013 as the economic slowdown in Europe suppressed global import demand. The abrupt deceleration of trade in 2012 was mainly attributable to slow growth in developed economies and recurring bouts of uncertainty over the future of the euro. Flagging output and high unemployment in developed countries reduced imports and fed through to a lower pace of export growth in both developed and developing economies. (World Trade Organization Trade Statistics, 2013)

Even with this relative decline of international trade, the European Union still takes the lead in the total merchandise trade with \$5,792 billion worth of exports, and \$5,927 billion worth of imports recorded in the year of 2012. Yet when looking at the annual percentage change, exports decreased by 5% and imports by 6% from 2011. Asian economies ranked second to the EU in both international imports and exports, yet the world in 2012 witnessed sluggish developments in trade due to economic problems in the EU (World Trade Report 2013, 2013)²².

²² In the second half of 2012, the European Union tried to reduce their large debts and deficits, and the U.S. was negotiating the budget which led to the stagnation of international trade during that period. A 2.1% growth in trade was accompanied by similar low growth rates for global output and market exchange rates.

When looking at the EU and GCC shares of international trade comparatively, it is clear that the EU is a much larger trading partner overall. Even on the international level, the EU is the largest importer and exporter of commodities. According to statistics published by the European Commission in 2014, the EU is the sixth major exporting market for the GCC, and the primary importer into the GCC. In terms of total trade the EU is the largest trading partner of the GCC with a share of 12.8% of total GCC trade, yet this percentage remains relatively low when compared to trade with other economic blocs. (European Union Trade in Goods with GCC, 2014).

On the other hand, the GCC constitutes only 3.4% of total imports to the EU, while the EU's exports to the GCC constitute only 5.5% of its global exports. Table 2 below shows the existence of a definitive trade imbalance between the two blocs. This imbalance is dealt with below when looking at the trade flows in each sector. Value wise, EU imports and exports from the GCC increased between 2003 and 2011– with a mild decrease in 2009 due to the financial crisis (European Union Trade in Goods with GCC, 2014).

Table 2 shows that the value of EU imports from the GCC in 2013 were lower than they were in 2011, but the share of extra-EU trade remained the same, which means that total trade imports to the EU declined. Nevertheless, in comparison to the trade values of 2003 – when trade flows were at €20,300 Million- trade values in 2013 are almost triple that value at €56,958 Million.

For further information, refer to the World Trade Report 2013 published by the World Trade Organizations. Retrieved from: http://www.wto.org/english/res_e/booksp_e/world_trade_report13_e.pdf

Table 2: Trade Flows between the EU and GCC from 2003-2013

Period	IMPORTS			EXPORTS		
	Value (Mio €)	% growth	Share in Extra-EU	Value (Mio €)	% growth	Share in extra-EU
2003	20,300		2.2	37,871		4
2004	25,592	26.1	2.5	41,386	9.3	4.4
2005	37,730	47.4	3.2	50,756	22.6	4.8
2006	35,936	-4.8	2.6	54,624	7.6	4.7
2007	31,945	-11.1	2.2	61,251	12.1	5
2008	37,566	17.6	2.4	70,138	14.5	5.4
2009	22,783	-39.4	1.8	57,841	-17.5	5.3
2010	35,086	54	2.3	65,491	13.2	4.8
2011	57,437	63.7	3.3	73,048	11.5	4.7
2012	61,204	6.6	3.4	83,686	14.6	5
2013	56,958	-6.9	3.4	95,069	13.6	5.5

Source: European Union Trade in Good with GCC. European Commission. Directorate General for Trade (2014)

The European Commission statistics as well as statistics published by the Gulf Research Center provide ample evidence of the existing gap in the trade between the EU and the GCC. Trade flow between the EU and the GCC is concentrated in the direction of the GCC. While the EU's total imports from the GCC in 2013 were €56,958 Million, its exports to the GCC were around €95,069 Million. This discrepancy demonstrates the existence of significant trade between the two blocs (European Union Trade in Goods with GCC, 2014)

.As represented in Table 3 below, statistics published by the European Commission divide the imports and exports between the EU and GCC into sectors. The largest EU imports from the GCC are mineral products constituting 75.8% of the total. Another 6.1% of EU imports from the GCC came from oil related products namely plastics, rubber and similar products. While petroleum represents the EU's main import from the GCC, it only accounts for 8.2% of the total extra-EU trade.

Table 3: Trade flows by HS section 2013

HS Sections		Value	Share in	Imports Share in	Growth*	Value	Share in	Exports Share in	Growth*
			Total	Extra-EU			Total	Extra-EU	
		(Mio €)	(%)	(%)	(%)	(Mio €)	(%)	(%)	(%)
	TOTAL	56,958	100.0	3.4	-6.9	95,069	100.0	5.5	13.6
I	Live animals; animal products	25	0.0	0.1	-28.1	1,474	1.6	6.1	11.7
II	Vegetable products	21	0.0	0.0	-5.3	2,049	2.2	8.1	43.5
III	Animal or vegetable fats and oils	26	0.0	0.3	-70.9	111	0.1	2.2	6.2
IV	Foodstuffs, beverages, tobacco	45	0.1	0.1	88.7	3,995	4.2	6.3	6.9
V	Mineral products	43,178	75.8	8.2	-11.8	3,643	3.8	2.9	1.5
VI	Products of the chemical or allied industries	2,332	4.1	1.7	-3.8	9,368	9.9	3.9	6.8
VI I	Plastics, rubber and articles thereof	3,499	6.1	7.3	21.7	2,269	2.4	3.5	-0.4
VI II	Raw hides and skins, and saddlery	38	0.1	0.3	1.6	562	0.6	3.5	20.0
IX	Wood, charcoal and cork and articles thereof	5	0.0	0.1	59.5	677	0.7	5.7	0.3
X	Pulp of wood, paper and paperboard	31	0.1	0.2	-2.8	1,159	1.2	4.0	4.5
XI	Textiles and textile articles	210	0.4	0.2	23.0	1,905	2.0	4.6	7.2
XI I	Footwear, hats and other headgear	14	0.0	0.1	30.9	363	0.4	4.2	16.9
XI II	Articles of stone, glass and ceramics	152	0.3	1.5	15.4	1,469	1.5	7.8	2.2
XI V	Pearls, precious metals and articles thereof	2,479	4.4	4.4	-2.8	8,868	9.3	8.4	165.9
X V	Base metals and articles thereof	1,684	3.0	1.9	9.8	5,751	6.0	5.4	6.8
X VI	Machinery and appliances	1,455	2.6	0.4	11.3	28,109	29.6	6.3	-1.3
X VI I	Transport equipment	1,043	1.8	1.1	182.2	14,785	15.6	5.6	24.7
X VI II	Optical and photographic instruments, etc.	219	0.4	0.4	3.9	3,586	3.8	4.5	3.0
XI II	Arms and ammunition	2	0.0	0.2	147.6	92	0.1	2.7	-7.8
X X	Miscellaneous manufactured articles	44	0.1	0.1	-8.0	2,184	2.3	7.6	6.7
X X	Works of art and antiques	21	0.0	0.7	34.6	221	0.2	3.4	123.7
X XI	Not classified	433	0.8	2.6	18.4	2,428	2.6	13.0	27.5

Source: European Union Trade in Good with GCC. European Commission. Directorate General for Trade. (2014)

Table 3 shows that machinery and appliances represent the largest share of EU exports to the GCC (29.6 %), followed by transport equipment (15.6%). Other significant categories of items that the EU exports to the GCC include Jewelry items -pearls, precious metals and articles thereof- (8.4%) and vegetable products (8.1%).

The GCC exports to the EU in 2013 accounted to 3.4% of total imports to the EU, while the EU exports to the GCC account to 5.5% of total imports to the GCC (European Union Trade in Goods with GCC, 2014). This further supports the statement that trade between the two blocs represents a small share of their international trade and is more concentrated in the direction from the EU to the GCC. The imports from the GCC to the EU are most focused on trade of mineral fuels, i.e. petroleum products. The section below considers the political implications of the importance of energy in the trade relations between the two blocs.

These figures show that trade between the two blocs is relatively minimal compared to trade conducted with other international actors. For example, the total trade between the EU and the USA is €484,228 Million and with China is €428,324 Million, which is almost four times the total trade between the EU and the GCC, which is at €152,027 Million. One important distinction to make is that the GCC's low level of integration is also reflected in the statistics published by all entities.

The latest publication by the Gulf Investment Corporation outlines economic performance and external trade statistics of the GCC in the year 2011. The following data is produced for each GCC member separately but a pattern is identified from this data:

the EU is among the top five trading partners of all GCC states. The table below represents the trade balance of each GCC state and then the aggregate for all the member states.

Annex A provides statistical data obtained from the World Trade Organization on the trade flows of the individual GCC member states in 2012. This data supports the data published by the EU commission and indicates that even though the GCC is not a very significant exporter to the EU, the EU is a major trading partner and importer to the GCC. The European Union represents a major share of the total imports from the world to the GCC, the lowest share is for Qatar at 11.6% and the largest share is for the Kingdom of Saudi Arabia reaching up to 31.9% (GCC Economic Statistics 11th Edition, 2011).

These trade relations remain highly bilateral and take place among a small group of countries within the EU and the GCC- mainly between France, Germany and the UK and Qatar, Saudi Arabia and the United Arab Emirates. Even though the EU relations with the GCC are conducted on the basis of interregional relations between the two blocs, bilateral trade and relations seems to take the lead. This also is a reason why relations between the two interregional blocs have been weak and a possible reason why the FTA has not been concluded yet (Ayadi & Gadi, 2013).

4.2.2 Investment

There is a close relationship between trade and investments, investments encourage trade and major trading partners tend to invest significantly in each other's economies. Increasingly, investment issues are coming under the preview of the WTO (World Bank, 2003). Investment data much like trade data are not aggregated into the flows of regional

groupings but rather exist on individual state investment flows. A study published by EU-GCC Invest²³ states that aggregate information on the investments of the EU in the GCC has only been recently available and the assessment of these relations is relatively hard due to the unavailability of data.

The EU is an important source of Foreign Direct Investments in the Gulf. The Foreign Direct Investments of the EU within the GCC account for a large percentage of the total Foreign Direct Investments in the GCC. “The biggest individual investor country by far (in the GCC), for those for which data is available, is the United Kingdom, followed by France and Italy. Together, they account for over 60% of all EU investments, 51 billion € in 2010, which is 1.2% of all extra-European investments” (Bossdorf, Engels & Weiler, 2013).

According to a similar study conducted by Ayadi and Gadi called *EU-GCC Trade and Investment Relations: What Prospect of an FTA between the Two Regions?* (2013), current investment relations between the EU and the GCC are of a bulky magnitude, which makes them account for a large portion of the interregional relations between the EU and the GCC. Foreign Direct Investments within the GCC increased significantly following the implementation of reform projects to attract foreign investors. It increased from €1.6 billion in 2002 and reached over €26 billion in 2012 (Khaleej Times, 2013).

This increase was also supplemented by Saudi Arabia’s accession to the WTO in 2005, where it is estimated that banking and financial services, petrochemical industries, and

²³ EU-GCC invest was created by several EU and GCC entities under the mandate of the EU-GCC Cooperation Agreement. The aim of EU GCC Invest that was established in 2010 is to promote understanding and debate about EU-GCC relations, as well as to promote public awareness and understanding of the EU among GCC citizens. (Bossdorf, Engels & Weiler, 2013)

telecommunications had concentrated more than half of inflows between 2004 and 2009 (Ayadi & Gadi, 2013).

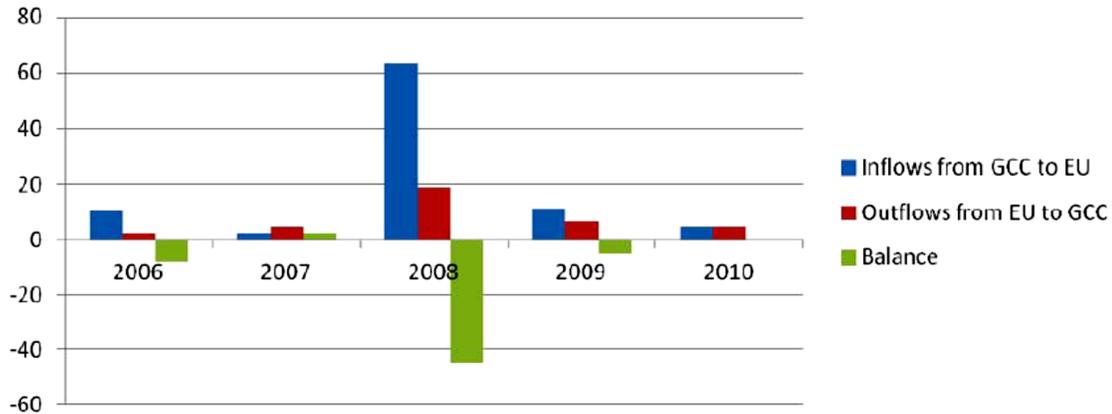


Figure 1: EU-GCC Inflows, Outflows and Balance of FDI stocks. Wehrey, F. (2013).

The regional business environment has improved due to projects aimed at privatizing important segments of the economy, easing the entry of foreign investors into the GCC, and creating free trade zones with other countries. One pattern identified in the study of Ayadi and Gadi (2012) is that the direct investments of the EU in the GCC are less than the direct investments of the GCC in the EU countries. This therefore proves that there also exists an imbalance in investments that is in line with the trade imbalance. (Ayadi & Gadi, 2013).

On the other hand and when discussing wealth funds, the majority of the Sovereign Wealth funds and surplus of GCC economies are invested in the EU. Given the lack of transparency on such data, the value of GCC total assets are estimated to be around 1 trillion in 2008. €76 billion out of the €490 billion total surplus is invested in the EU. This was a cause of concern for the EU given the large amounts of holding present within the EU for GCC states. This led the states of France and Germany to take protective

measures to limit such deposits. Nevertheless these concerns were diminished following the crisis of 2009 and the positive effects these funds had in helping the European economies recover (Ayadi & Gadi, 2013).

What remains evident is that the relatively small GCC trade trends with the EU have been decreasing over the past few years, and the reason is partially due to the economic crisis in EU but also due to trade diverting away from the EU towards new emerging regions such as the BRICS and ASEAN. This shift towards Asia is largely due to the increased demand for mineral fuels in Asian markets. Direct foreign investments and Sovereign Wealth Funds still constitute a large proportion of the EU's economic relations with the GCC, yet it seems that both trade trends and investment trades are concentrated in one direction.

The conclusion of a Free Trade Agreement is considered as a venue to open up larger capacities of trade between the two blocs, even increasing their international trade. Yet, the growing distress from the Gulf over the EU's non-concessions in the exports tariff clause of the FTA, remains a great impediment to this relationship (Ayadi & Gadi, 2012). The next section will look into the political relation between the EU and the GCC and the relevance of energy trade between the two blocs both politically and economically.

4.1 EU-GCC Political Relations

Economic cooperation has dominated in the texts of agreements between the EU and the GCC. Whether it was in the Cooperation Agreements of 1989 or the Joint Action Programme of 2010, trade, economics and investments took precedence in the texts of these agreements. Yet, what the joint communiqués and the achievements of Joint Action Programme prove is that these avenues- even though economic in nature- were rather

used to develop the political relations between the blocs. While the EU and the GCC have been facing disagreement over clauses in the Free Trade Agreement, they have largely agreed on a lot of political stances.

This section looks beyond trade trends that were discussed in the previous section, and explores the political avenues in which these two blocs have common interests. The European Union Strategy towards the Gulf of the world has been dictated by the cooperation agreement of 1989. The European Union refuses to deal with the GCC on bilateral basis and prefers interregional relations in both politics and economics.

The Cooperation Agreement, as mentioned several times before, remains the framework in which these two blocs interact. Initially the EU considered its relations with the GCC as part of its Euro-Mediterranean Partnership (EUROMED)²⁴; nevertheless, soon they came to realize the distinctive nature of this region and the importance of dealing with them separately. The main avenue of political relations then became the annual ministerial meetings articulated by the Cooperation Agreement.

The GCC and the EU have had shaky relations in the initial phases of the implementation of the CA. It was also used as a method to assert their political presence as a possible alternative to the United States uni-polarity at that time. Therefore, early stages of the political relation of the EU with GCC were not perceived as ones of high importance. The role of the GCC as a political actor was underestimated and even ignored.

²⁴ The Union for the Mediterranean was formerly known as the Barcelona process and was re-launched in 2008 as the Union for the Mediterranean, it aims at promoting economic integration and democratic reform across 16 EU neighbors. The member states are: Albania, Algeria, Bosnia and Herzegovina, Egypt, Israel, Jordan, Lebanon, Mauritania, Monaco, Montenegro, Morocco, Palestine, Syria (suspended), Tunisia and Turkey.

Despite the framework and the underlying motives for strong relations between the EU and the GCC, little has been achieved in any of the fields covered by the Cooperation Agreement of 1989. “In fact, the Gulf countries were not included in the EU’s external cooperation programmes until 2007, when the Council adopted Regulation (EC) No. 1934/2006, establishing a financing instrument for cooperation with industrialized and other high-income countries and territories (ICIHI) for the years 2007-2013. The instrument is allocated a small envelope of €172 million and targets, besides the GCC countries, other industrialized nations such as Australia, Canada, Japan, and the United States (Ayadi & Gadi, 2012).

Nevertheless, as the GCC countries developed economically and became interconnected with other issues taking place in the region, the EU realized the importance of the GCC as an actor and began broadening their engagement with the GCC. While this has not been documented due to its informal nature, a shift in political dialogue was witnessed. In the current globalized interdependent world, the EU realized the importance of its partnership with the GCC as a way of meeting regional and global political and security challenges, and constantly strived to assert the importance of the continuation of this relationship (Ayadi & Gadi, 2012).

The European Parliament issued a Resolution (2010/2233(INI)) on the 24th of March 2011 discussing the relations with Gulf Cooperation Council in all aspects including politics, economy, energy, trade, education and research. It asserted that given the geopolitical environment in the Middle East, the GCC remains the only stable organization based on regional relations. This in turn makes the Gulf Cooperation Council a focus of security challenges that have global and regional implications -

especially in the Arab uprisings and the continuation of the Iranian Nuclear program (EU Parliament Resolution (2010/2233(INI), 2011).

The Evolution of the EU-GCC relationship was impacted by the evolving regional and global economic and political situation. The importance of energy politically and other common political/security concerns such as piracy, terrorism and the Arab uprisings will be discussed below.

4.3.1 Trade in Energy

Trade in mineral fuels, as discussed in the beginning of this chapter, represents a large percentage of the EU imports from the GCC. From the EU's point of view, access to steady supplies of oil and gas from the GCC is a priority. This pre-occupation of the EU with energy must be understood against the backdrop of the Oil Embargo of 1975 and the oil crisis of 1987. The countries of the GCC represent an economic hub especially in terms of energy. Four out of the twelve OPEC member states are part of the GCC and control 40.8% of the total world oil reserves according to the OPEC bulletin of the share of the world's crude oil reserves in 2012 (OPEC Share of the World Crude Oil Reserves, 2013).

OPEC Share of World Crude Oil Reserves 2012

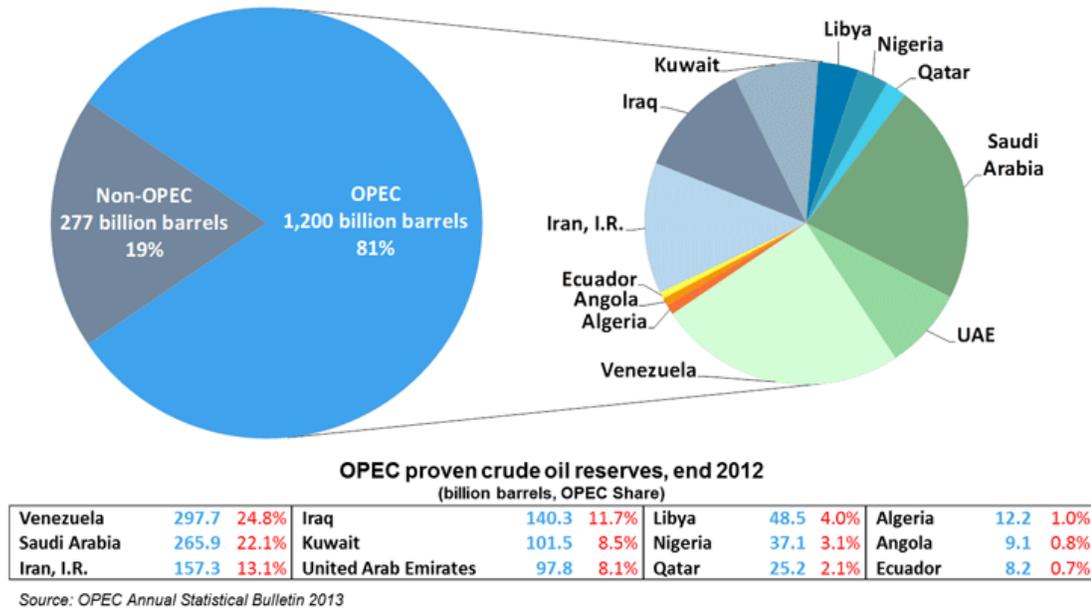


Figure 2: OPEC Share of World Crude Oil Reserves 2012

EU Commission statistics published on trade between the EU-27 and the GCC show that in 2013 75.7 %²⁵ of imports to the EU from the GCC were under the category of mineral fuels, lubricants and related materials (European Union Trade in Goods with GCC, 2014). Energy-related products constitute the highest percentage of the GCC exports to the EU. This makes the GCC highly dependent on the EU for exports of these products. Equally important, the EU is likely to remain dependent on the GCC as one of its main energy suppliers. This EU dependence on energy resources from the region helps explain the EU's commitment to the political stability and security of the countries of the GCC. From the EU's perspective, it is highly important to ensure a secure environment in this

²⁵ The following percentage cited from the EU Statistics is slightly different than the percentages mentioned above due to the different definition of sectors by the EU statistical report. Both number are cited from the same report but from different tables. 75.7% represents mineral fuels, lubricants and related materials and is taken from the SITC products groupings table. On the other hand, the earlier numbers and table 3 used above represent only mineral products at 57.8%.

region in order to maintain the unimpeded flow of these energy resources at affordable prices.

Energy has received attention from the outset of the Cooperation Agreement of 1989 and the Joint Action Programme of 2010-2013. In both instances, the documents assert the importance of cooperation and exchange of views and information on issues pertaining to oil and gas as well as safeguarding interregional trade in these two vital commodities. The EU Parliament Resolution of 2011 also highlighted the significant degree of cooperation between the EU and the GCC on energy matters (EU Parliament Resolution (2010/2233(INI), 2011)).

Given the EU's interest in reducing the carbon footprint, renewable energy was included under the energy cooperation between the two blocs since the drafting of the Cooperation Agreement. In 2007 the EU-GCC Clean Energy Network was created because the EU was one of the world's major hydrocarbons importers, while the GCC countries were among the world's leading exporters. The aforementioned project was designed to address clean energy issues and develop cooperation activities and policy projects for the improvement of clean energy use (EU GCC Clean Energy Network website).

As was mentioned above, the uninterrupted flow of energy to Europe remains the main reason upon which these relations have blossomed. Alongside the GCC, the Russian Federation controls the majority of oil and gas exports to the EU, making it also an important player. The Russian Federation is the second major trading partner with the EU (EU Commission Trade in Goods with GCC, 2014). Roughly 35% of the EU's imports of crude oil come from Russia (EU Energy in Figures Statistical Pocketbook, 2013).

Currently, EU relations with Russia are not at their best due to Russia's conduct in the recent crisis in the Ukraine; it is yet to be seen whether this turbulence in EU- Russian political relations will affect their partnership in the energy area.

In 2014, The European Union imposed some sanctions on two Crimea energy firms, which the Russians took over during their annexation of the Crimea. The two companies are the Crimea-based gas company called Chernomorneftegaz, and the Crimean oil supply company called Feodosia. This is the first time that the EU imposes such sanctions on these companies. Even while these sanctions are unlikely to impede the energy flow from Russia to the EU, there are rising fears that the conflict over the future of Ukraine will cloud economic relations between Russia and the EU (Reuters, 2014).

Against the backdrop of such events, the EU in the coming years is likely looking towards the GCC as an alternative source of energy to supplement the possible interruption of energy flow from Russia. The FTA between the EU and the GCC is currently on hold due to a clause on export duties (Koch, 2014). Thus, the current events taking place in Crimea could push the EU to make concessions on the FTA with the GCC in order to secure its oil imports at a reasonable price.

4.3.1 Security

While the initial agreements between the EU and the GCC centered on economic issues, the security of the GCC was always implicitly present on the agenda of relations between the two blocs. During the late 1980's the Gulf Cooperation Council was created in the aftermath of security concerns in the region. The Iranian revolution, the Arab-Israeli conflict and the Gulf War were among the major events that led to the formation of the

GCC. European concerns at that time also coincided with the concerns of the GCC and the need of the European Union to assert its presence as an international actor.

The common security concerns of the European Union and the GCC were discussed annually in the ministerial meetings between the two blocs. While these meetings were supposed to discuss economic cooperation between the two blocs, disagreement over the prospects of a free trade agreement resulted in the diversion of discussions towards common political and security concerns. The security and political threats faced in the Gulf region are often overlooked because they do not entail direct military threats (Wehrey, 2013).

The EU and the GCC cooperate on issues of non-proliferation of weapons of mass destruction and constantly issue statements in the Joint Communiqués urging Iran to comply with IAEA and the UNSC resolutions. The two blocs share common interests in issues of non-proliferation and are party to the Treaty on the Non-Proliferation of Nuclear Weapon and the Chemical and Biological Weapon Conventions. Efforts also converge in promoting a Nuclear Free Zone in the Middle East. Both blocs attempted to contain the Iranian threat by limiting the 'Iranian hegemonic project' and denying Iran the accession of nuclear arsenal (Koch, 2014).

Piracy, Terrorism and Regional Political Developments have been among the most addressed issues according to the joint communiqués published. These communiqués even addressed political and security issues that were outside the scope of threats to the EU and the GCC (Kostadinova, 2013). The Straits of Hormuz and Bab al-Mandeb are important oil transport routes and are under high threats of piracy and terrorism. An

attack on this route can have damaging implications to the regional and global economy (Wehrey, 2013).

4.3.2 Terrorism

Fredric Wehrey in *Combating Unconventional Threats in the Gulf* (2013) notes that “up to 30 percent of the world’s oil – including all of the oil and natural gas from the Persian Gulf heading west – passes through the Horn of Africa every day. Additionally, about 17 million barrels (more than 18 percent of daily worldwide oil demand) transit the Strait of Hormuz daily” (Wehrey, 2013).

Al-Qaeda and its affiliate groups are the main threats to the internal stability and security of the Gulf. Over the past few years however, measures were adopted by western powers to undermine the capabilities of such groups. In 2006, Al-Qaeda attempted to attack a Saudi oil processing facility in Abqaiq but it failed. The success of such an attack would have had huge implications on the Saudi economy and the legitimacy of the regime. Jihadists continue to spur aid and support from different groups, but the Gulf States have implemented measures to control such activities (Wehrey, 2013).

Issues of terrorism have long been addressed by the EU and the GCC. The two blocs established a working group on combating terrorism and terrorist financing and convened their latest meeting in Qatar in 2013 (Janetzke, 2013). Counter terrorism measures have been more robust than piracy combating measures, especially in the Gulf Region. Nevertheless, these measures were implemented bi-laterally and not on the GCC multilateral level. The Kingdom of Saudi Arabia (KSA) has been the leader of counter terrorism initiatives in the Gulf Region.

4.3.3 Piracy

Piracy threats -as mentioned above- are a serious concern not only for the EU and the GCC but also for other countries around the world such as the United States, China and Japan. Oil tankers are the first targets for piracy attacks given the large amount of ransom they receive in return. In 2012 and according to the International Maritime Bureau, nineteen cargo ships were attacked in the Gulf of Aden, eight of which were successful. Piracy in the Indian Ocean is a major security concern for the GCC and the EU (Wehrey, 2013).

Combating piracy and terrorism in the Gulf of Aden and the Arabian Sea has been carried out by the United States and the European Union more than it was by the GCC. The reason behind this is attributed to the weak regional link and military coordination among the GCC member states, along with the preference of unilateral over multilateral relations with western powers. The Gulf of Aden currently has around three dozen warships patrolling from different parts of the world: The EU Naval force, The US navy, NATO and warships provided by Russia, India and China.

The GCC member states have put efforts into countering piracy but these efforts remain incomplete. The Peninsula shield force established a maritime information-sharing center in 2010 in Bahrain; nevertheless, this center remains weak and not very effective. The Arab Navy Taskforce was also established in 2009 and includes the 6 GCC members and Egypt, Sudan, Yemen and Jordan. Yet the activity of this taskforce was also limited and focused on operations in Yemen (Wehrey, 2013).

4.3.4 The Arab Spring

The EU and the GCC retain a close relationship despite the stalemate in negotiations on the FTA, which led the two sides to focus on regional political development at the annual Joint Council meetings. Recent regional developments in the Middle East have led to increased cooperation between the EU and the GCC on matters of politics. The Arab Spring that started in 2011 in Tunisia spread all the way to Bahrain and threatened the security of all the GCC monarchies. The events of the uprisings in Bahrain, Saudi Arabia, Yemen and Syria forced the GCC states to increase cooperation among each other.

The Arab uprisings brought to the forefront the persistence of authoritarian regimes especially in the GCC. Even though the EU has maintained high standards of Human Rights, these issues were often overlooked when dealing with the GCC. This is one of the main reasons why these two blocs have been unable to continue negotiations on the FTA. The Arab Uprisings questioned the legitimacy of these regimes and threatened their long guaranteed stability as well as the stability of the whole region.

One of the many unconventional threats to the GCC is the rise of extremist groups and ideological parties that oppose the policies of the Gulf States. Such groups included Nasserism, Ba'athism, Communism and Revolutionary Shi'ism from Iran. Following the Iranian revolution the Gulf has had deep fears of the so-called "Shi'a crescent," and following the Arab Spring these fears re-emerged with the ascendance of the Muslim Brotherhood and similar rivalries across the region. Fears from a Shi'a overthrow still remain very relevant in Bahrain especially after the Pearl roundabout uprising (Wehrey, 2013).

The Gulf States perceive the current uprisings in Bahrain and the eastern province of Saudi Arabia as the makings of the Iranian regime in an attempt to extend its reach into the Gulf monarchies. “Aside from the spectre of Shi’ism and Iranian influence, a new, potentially more dangerous threat has vexed Gulf leaders: ‘Ikhwan-o-phobia’ or fear of the Muslim Brotherhood. The Muslim Brotherhood threat is especially pernicious because it challenges the legitimacy of hereditary rulers using Islamic vocabulary, fused with populist rhetoric and a democratic political programme” (Wehrey, 2013).

When it came to the situation in Syria and Libya, cooperation between the EU and the GCC was higher than the cooperation of the EU with the United States. In 2011, The EU states of France and UK stood along Qatar and the UAE to overthrow Qaddafi’s regime in Libya. With regards to the situation in Syria, coordinated efforts by the EU and the GCC have been undertaken to promote regime change and to contain the regional repercussions of the conflict. EU member states and GCC member states collaborated on funding humanitarian projects in Syria. Both blocs are affected negatively by instability and turmoil in the Middle East and have been attempting to build closer partnerships to prevent the deterioration of the situation. Whether in Yemen, Bahrain, Syria or Egypt, the EU and the GCC have much to lose if the situation escalates (Wehrey, 2013).

In the wake of the Arab uprisings, the GCC is in danger due to ideological threats that arose, and the EU has no advantage in having a turbulent neighborhood. What has been evident in the Arab uprisings is that some regimes were successfully overthrown while others proved their resilience; the GCC ensured the flow of ample oil rents to prove its resilience. The EU did not voice any concerns, and the depth of the relationship between the EU and the GCC ensured that the EU would not react negatively to the Saudi and

other Gulf States' blatant military intervention in Bahrain to shore up the khalifa regime (Wehrey, 2013).

The EU and the GCC from the outset of their cooperation have common interests, and these interests further converged with economic and political events. The annexation of Crimea has possible repercussions on the trade with Russia and possible increase in trade with GCC. Piracy and terrorism are major threats within the GCC and the EU and both blocs are working on eliminating these threats, especially ones related to transport of energy sources.

Both blocs have major interests in asserting themselves regionally and protecting themselves from issues of piracy, terrorism and spillover of crises within the Middle East. The two blocs do cooperate on several political issues, yet these relations remain weak in comparison to the potential prospects of such a relationship. The two blocs have major prospects in increasing their relations both politically and economically.

CHAPTER FIVE:

Conclusion

5.1 Thesis Basic Findings

This thesis has presented a study of the interregional relations between the European Union and Gulf Cooperation Council. It began with a review of the academic literature on regionalism and interregionalism. In light of this review, it examined the evolution of trade relations between the European Union and the Gulf Cooperation Council. It argued that despite decades of economic cooperation, the relationship between the two blocs remains a relatively weak one. Outside the field of energy, there is limited cooperation between the two entities.

Following a brief introduction that stated the basic research questions and methodology to be followed, chapters two and three provided the theoretical background of the study. They also presented basic information on each of the EU and the GCC, as well as discussed the evolution of their economic relations. Interregionalism has initially sprung out from regionalism and therefore it was essential that regionalism be evaluated as well. As discussed in chapter two, it was not until the final phase of regionalism that interregionalism emerged. The other two phases were very state-centric and did not support relations outside the sovereignty of the state.

As shown in chapter four, the trade relations between the EU and the GCC are asymmetrical: the GCC is more dependent on the exports to the EU than the EU is on imports from the GCC. A further dimension of the asymmetry is the concentration of GCC exports in petroleum products. The GCC has been unable to significantly increase

and diversify its exports to the world. These trade relations have seen a slight set back since 2010. In terms of investments, the GCC investments in the EU surpass by large margins the EU's investments in the GCC. The trade and investment imbalance were explained in chapter four.

The weak consensus on the Free Trade Agreement, discussed in chapter three, made way for the development of new venues of cooperation. Common political and security interests were discussed in the absence of fruitful discussions regarding the FTA. The political relationship between the EU and the GCC is dominated by security issues and not highly institutionalized. The Joint Council meetings were merely used to reiterate common stances on political events, in order to fill the gap that is due to the disagreement on the FTA.

The FTA, as explained in chapter three, has been the main driver behind establishing the interregional relationship between the EU and the GCC, but it still has not been concluded. There has been relative progress in trade, yet recent trends between the EU and the GCC show that trade is beginning to decrease in favor of trade with other regional blocs. In conclusion, both political and economic cooperation between the EU and the GCC remain limited compared with other interregional relations. There remain large prospects for this relationship and the reasons behind the limited scope of these relations will be discussed in the section below.

5.2 Evaluation of EU-GCC Interregional Relations

Several reasons are behind the slow pace of expansion of these relations and the inability thus far to agree on establishing a Free Trade Area. First and foremost, the interregional

relations are taking place among partners with unequal capacities. There are significant differences between the institutional structures of the two regional blocs. The GCC is far less institutionalized with a secretariat that does not have decision-making powers. On the other hand the EU members were able to establish a supranational body that speaks on their behalf.

The institutional difference was evident from the early development of the Cooperation Agreement. While the Cooperation Agreement of 1989 was signed by the EU high commissioner at that time, it had to be signed by each individual head of state in the GCC. The decision making process in the EU is a bottom up approach while in the GCC it is a top down approach. What results from this is slow communication between the two blocs and unequal levels of cooperation (Koch, 2014).

Another impediment is the prevalence of bilateral relations instead of interregional ones between the two blocs, even though the EU formally chooses to deal with the GCC as one actor. Bilateral relations take place between individual states like France, Germany and Italy and Saudi Arabia and the United Arab Emirates. This causes conflict in policy priorities as well as trade diverting towards specific GCC countries and not others. These bilateral relations are also evident through the publications of the EU, which disintegrate trade statistics to trade with each individual GCC country.

One factor contributing to this pattern is the similar economies of the GCC countries. The GCC countries are all oil and hydrocarbon producers- with the exception of Bahrain- and they end up competing over the same commodity. This renders the coordination of all these industrial policies between the 6 members very difficult, and the GCC states opt for

easier bilateral relations with each of the EU countries in order to increase their competitiveness (Ayadi & Gadi, 2012).

When looking at the political Structure of the GCC states it is clear that the countries in this region differ in their governmental structures as well as demographics. For example, while Bahrain and Kuwait have rather open political systems with parliamentary elections and written constitutions, Saudi Arabia on the other hand is an absolute monarchy. While this region shares common values and cultures, demographically the countries differ significantly. The region as a whole constitutes a Sunni majority and other minority groups –including the Shi'a- while Bahrain alone constitutes a Shi'ite majority and a Sunni minority (Kostadinova, 2014).

The low regional relations within the GCC have also contributed to the flourishing of bilateralism instead of Interregionalism. Intra-regional trade in the GCC has averaged at about 7% from 2003-2011 (Ayadi and Gadi, 2012). The depletion of the oil reserves in the Gulf over time and the competition between the GCC member states on sales of this commodity has forced the GCC countries to diversify their economies and proctor for new projects and privatization programs. Nevertheless, this step has led to the prosperity of some of these GCC states (Ayadi and Gadi, 2012).

It is important to point out that while these two regional actors have common interests, the individual states intra-regions have different policy projects. This pattern is more evident among the GCC than the EU, but it is equally present in both blocs. The individual states part of the EU still did not supersede their external relations and military power to the supranational entities. Therefore each state still has its own foreign policy

and interests that in some instances might be conflicting with the general interest of the regional bloc.

One problem with the interregional relations between the two blocs is that none of them constitute a unitary actor. The EU still faces internal divergence with each member state opting for its own foreign policy. As already mentioned in chapter three, the EU policy towards the Middle East is highly fragmented and barely defined. Even when it comes to its relationship with the GCC, the EU still has not managed to define a clear policy towards the GCC states and within its overall structure still treats the region as being uniform with the rest of the Middle East, despite the many obvious differences (Kostadinova, 2013).

On the other hand, the GCC, which is far less developed institutionally than the EU, shows similar trends. Individual states have their separate policy projects and interests that compete and sometimes contradict with the general interests of the GCC as a regional bloc. This perhaps is due to the lack of development in regional relations in the two blocs. Even though the EU is the most successful and longest standing regional organization, it still is not a perfect union.

Along with the trade relations that have flourished between the GCC and other regional blocs during the early 90's -such as the BRICS and ASEAN- relations with the United States have also witnessed huge developments. In the Book *Unfulfilled Potential: exploring the EU GCC relationship* the authors argue that the EU-GCC relations were initiated by the EU as a break from the U.S. led relations with this region. Even though

the EU managed to develop its own interest and relations with the GCC, the United States was still the patron of the region (Koch et al., 2005).

Political changes and advancements in the Gulf region show that the United States, due to its position in the international system, has been able to develop strong bi-lateral relations with some states in the Gulf region. The United States has remained the Gulf countries' primary and most capable security guarantor (Koch, 2014). The United States and Qatar have maintained a close political and security relationship since the early 1990s. The United States in 2003 moved its military base from Saudi to Qatar and it concluded a Trade and Investment Framework Agreement (TIFA) with Qatar in 2004. The U.S is also undergoing negotiations with other GCC members on further economic cooperation (Blanchard, 2014).

Interregionalism has to a large extent affected the development of both blocs. Interregionalism for the GCC has acted as a tool that helped give access to new international markets. While this tool might not have given the expected results with the EU, nevertheless it has helped the GCC develop relations with other regional blocs. Interregionalism that opened up the GCC market, coupled with high oil prices and depleting oil reserves, led the GCC to begin to expand their economies beyond the trade of petroleum products.

When evaluating the GCC's regional project, one could identify the positive effects this has had in the prosperity of the region. It allowed a venue for the Gulf States to share common political and economic concerns. Even though, this has also led to negative effects such as increased competition, the overall benefits of regionalism to the GCC

have been most evident in the prosperity of the GCC member states. The EU GCC interregional relationship played a main role in the evolution of the GCC's regional project because the establishment of an FTA between the EU and the GCC depended on the evolution of the GCC as a regional actor and the institutionalization of its different functions.

Interregionalism for the European Union on the other hand, has replaced the need to formulate a common foreign policy in the Union. The EU now uses interregionalism to further its influence and relations with different parts of the world. Interregionalism has helped the EU connect with various regions and institutionalize these relations. Alongside this, the EU attempted to increase its economic power and influence by negotiating free trade agreements with different regions of the world.

Interregionalism as mentioned in chapter three has five theoretical functions: balancing and bandwagoning, institution building, rationalizing, agenda-setting and collective identity building. The question remains, were these functions fulfilled in the interregional relationship between the EU and the GCC? When it comes to the first function, the EU never felt the need to balance with the GCC and vice-versa, and that is largely due to different capacities of each blocs.

On the other hand, the two blocs did bandwagon against the different threats emanating from Iran, Iraq and United States Hegemony. Even recent events of the Arab uprising show that the EU turned a blind eye to the event taking place in the Gulf, while bandwagoning with the Gulf when it came to political actions in Syria. Intuitively speaking, the second function was not very successful because the EU-GCC interregional

relations to a large extent remain reliant on one document and the establishment of further institutionalized cooperation agreements has been minimal – focused only on low level cooperation.

The functions of rationalizing, agenda-setting and collective identity building have not been addressed between the two blocs like they should have, and the interregional relations between these blocs was not institutionalized enough to extend the relationship. While the EU-GCC interregional relationship has been able to contribute to the evolution of both blocs, it did not develop far enough to effect international relations. This to a large extent is to be blamed on the pre-occupation of these blocs in enhancing their relations and the lack of institutionalization and development in both blocs.

5.3 The Free Trade Agreement and Beyond

This study examines the rise of regionalism and interregionalism in order to evaluate the interregional relationship between the European Union and the Gulf Cooperation Council as well as the political dimension of this relationship. Section 5.2 above points out all the impediments that have slowed down this relationship and decreased its relevance to both blocs. Nevertheless, the question remains: what is the prospect of a Free Trade Agreement between the EU and the GCC?

Economic and political indicators are pointing in two different directions. While the statistical data might be pointing towards a decrease in trade between the EU and the GCC, political advancements around the globe are increasingly highlighting the importance of furthering these relations and establishing a Free Trade Agreement between the two blocs. The EU has been able to maintain a variety of sources for its

energy sector yet it still needs the relationship with the GCC due to the turbulent situation with Russia and the large amount of goods exported to the Gulf region.

Politically on the other hand, the EU still needs to increase security and political cooperation with the GCC due to the increased role of the GCC in the fabrics of today's Middle East. GCC states, while competing over control of the region, have been able to effectively use oil rents to further their influence and power regionally. Nevertheless, the EU still needs to assert itself as a reliable partner to the GCC. A question to pose here is the extent to which EU relations with the GCC complement the historic relationship that the region has had with the United States or compete with it.

The GCC will also benefit from the furthering of relations with the EU, both economically and politically. Economically, the GCC will secure the presence of a European Market for their main commodity, which is fuel products, while also ensuring greater foreign investments from Europe in the region and new development projects that will further enhance the Gulf economies. Politically, the GCC will need all the foreign support it could receive on its regional projects first because of competition within the GCC member states and second due to the provision of an additional source of support to that historically offered by the United States.

The setback in trade relations between the EU and the GCC in the wake of economic difficulties in the Euro zone has been largely affected by the rise of Asian economies that have greater demand for oil and proximity to the Gulf. Asian economies and other regional groupings such as Japan, China, BRICS and ASEAN came to replace the European Union as the primary trading partner of the Gulf States. It is clear that both the

EU and the GCC are losing interest in the FTA, given other opportunities that have had greater impacts on their economies.

Frustration is expressed from both parties over the inability to conclude an FTA. Current developments in the Politics of the Middle East and Eastern Europe indicate that the conclusion of the FTA is becoming more pressing and important for both blocs. The conclusion of such an agreement would definitely make a remarkable change in the economies of both the EU and the GCC. It would also build bridges for stronger political cooperation. The FTA negotiations between the two blocs are the longest running non-concluded interregional negotiations yet. The Free Trade Agreement between the EU and the GCC should remain a priority and the failure to conclude it would not be in either party's interests.

BIBLIOGRAPHY

- Al- Jisr. (2010). *Al-Jisr project on EU-GCC public diplomacy and outreach*. Retrieved from Al Jisr website: <http://www.aljisr.ae/>
- Anderson, M. (2010). Europe's experience with carbon-energy taxation. S.A.P.I.EN.S. Retrieved from <http://sapiens.revues.org/1072>
- Arnold, T. (2013, July 1). Gulf states take harder line with EU over free-trade agreement. *The National*. Retrieved from <http://www.thenational.ae/business/industry-insights/economics/gulf-states-take-harder-line-with-eu-over-free-trade-agreement>
- Ayadi, R., & Gadi, S. (2012). Trade and investment cooperation between the EU and the Gulf Cooperation Council: Current trends and future prospects. *SHARAKA*. Retrieved from http://www.iai.it/pdf/Sharaka/Sharaka_C_03.pdf.
- Ayadi, R., & Gadi, S. (2013). EU-GCC trade and investment relations: What prospect of an FTA between the two regions?. *SHARAKA*. Retrieved from http://www.sharaka.eu/wp-content/uploads/2013/10/Sharaka_RP_05.pdf.
- Baabood, A. (2003) .Dynamics and determinants of the GCC states' foreign policy, with special reference to the EU. *The review of International Affairs*, 3(2), 254-282.
- Blanchard, C. (2014). Qatar: Background and U.S. relations. *Congressional Research Service*. Retrieved from <http://www.fas.org/sgp/crs/mideast/RL31718.pdf>.
- Bossdorf, M., Engels, C., & Weiler, S. (2013). *EU GCC invest report 2013*. Retrieved from the EU GCC Invest website: <http://www.eu-gccinvest.eu/file/EU%20GCC%20Invest%20Report%202013.pdf>
- Croft, A., & Pawlak, J. (2014, May 12). EU adds top Putin aide, two Crimea energy firms to sanctions list. *Reuters*. Retrieved from <http://www.reuters.com/article/2014/05/12/us-ukraine-crisis-eu-idUSBREA4B08L20140512>
- Doidge, M. (2011). *The European Union and interregionalism*. United Kingdom: Ashgate.
- EU Bookshop. (1987). *European Community Bulletin* (No.10-1987 Volume 20). Retrieved from Europa website: <http://bookshop.europa.eu/en/bulletin-of-the-european-communities.-no-10-1987-volume-20-pbCBAA87010/>

- EU Bookshop. (1989). *The European Community bulletin (no.3 1989)*. Retrieved from Europa website: <http://bookshop.europa.eu/en/bulletin-of-the-european-communities.-no-3-1989-volume-22-pbCBAA89003/>
- EU-GCC free trade agreement soon. (2013, July 1). *Trade Arabia Business News Information*. Retrieved from http://www.tradearabia.com/news/LAW_238779.html
- Erasmus Mundus. (2010). *Erasmus Mundus scholarship program for Gulf countries*. Retrieved from Erasmus Mundus LOT4 Gulf Countries website: <http://emgulf.eu/>
- Europa. (2001). *Press release: The GCC-EU 11th joint council and ministerial meeting Manama, Bahrain, 23 April 2001 joint communique*. Retrieved from Europa website: http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/03502.en1.html
- Europa. (2008). *18th EU-GCC joint council and ministerial meeting Brussels, 26 May 2008 joint communique*. Retrieved from Europa website: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/100677.pdf
- Europa. (2010). *Joint action programme for the implementation of the EU GCC cooperation agreement of 1989*. Retrieved from Europa website: http://eeas.europa.eu/gulf_cooperation/docs/joint_action_programme_en.pdf
- Europa. (2013). *A growing community*. Retrieved from Europa website: http://europa.eu/about-eu/eu-history/1970-1979/index_en.htm
- Europa. (2014). *History of the European Union*. Retrieved from Europa website: http://europa.eu/about-eu/eu-history/index_en.htm
- Europa. (2014). *Lisbon Treaty: Treaty at a glance*. Retrieved from Europa website: http://ec.europa.eu/archives/lisbon_treaty/glance/index_en.htm
- European Commission. (2010). *INCONET-GCC. Research Innovation: International Cooperation*. Retrieved from European Commission website: <http://ec.europa.eu/research/iscp/index.cfm?pg=inconet>
- European Commission. (2013). *EU energy in figures statistical pocketbook 2013*. Retrieved from The Publications office of the European Union website: http://ec.europa.eu/energy/publications/doc/2013_pocketbook.pdf
- European Commission. (2014). *Climate action: The EU emission trading system*. Retrieved from the European Commission website: http://ec.europa.eu/clima/policies/ets/index_en.htm

- European Commission. (2014). *Economic and financial affairs: The Euro*. Retrieved from the European Commission website: http://ec.europa.eu/economy_finance/euro/index_en.htm
- European Commission. (2014). European commission directorate general for trade. Retrieved from <http://ec.europa.eu/trade/>
- European Commission, Directorate General for Trade. (2002). *Terms of reference of the sustainability impact assessment*. Retrieved from the European Commission website: http://trade.ec.europa.eu/doclib/docs/2005/january/tradoc_121212.pdf
- European Commission, Directorate General of Trade. (2014). *European Union trade in goods with GCC*. Retrieved from the European Commission website: http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113482.pdf
- European Parliament. (2011). *EU parliament resolution 2010/2233(INI)*. Retrieved from the European Parliament website: <http://www.europarl.europa.eu/oeil/popups/summary.do?id=1147188&l=en&t=D>
- Fawcett, L. (2005). Regionalism from an historical perspective. In M. Farrell, B. Hettne, & L.V. Langenhove (Eds.), *Global politics of regionalism: Theory and practice* (pp. 21-37). London: Pluto Press.
- Furtig, H. (2004). GCC-EU political cooperation: Myth or reality? *British Journal of Middle Eastern Studies*, 31(1), 25-39.
- Gulf Cooperation Council. (2004). *The economic agreement between the GCC states*. Retrieved from the Digital Library of the Cooperation Council for the Arab Gulf States website: <http://sites.gcc-sg.org/DLibrary/index-eng.php?action=ShowOne&BID=168>
- Gulf Investment Corporation. (2013). *GCC economic statistics 10th edition 2011*. Retrieved from Gulf Investment Corporation website: http://www.gic.com.kw/site_media/uploads/gic_ar_crted_4.20.12.pdf
- Hanggi, H. (2000). Interregionalism: Empirical and theoretical perspectives. *The Center for Applied Policy Research, Munich*. Retrieved from <http://www.cap.uni-muenchen.de/transatlantic/download/Haenggi.PDF>
- Hanggi, H., Roloff, R., & Ruland, J. (2006). Interregionalism: A new phenomenon in international relations. In H. Hanggi, R. Roloff, & J. Ruland (Eds.), *Interregionalism and international relations* (pp. 3-14). New York: Routledge.
- Harders, C., & Legrenzi, M. (Eds.). (2008). *Beyond regionalism? Regional cooperation, regionalism and regionalization in the Middle East*. England: Ashgate Publishing.

- Janetzke, R. (2013). *EU-GCC regional security cooperation: Lessons learned & future challenges* [meeting brief]. Retrieved from Konrad Adenauer Stiftung Regional Office Gulf States website: <http://www.kas.de/rpg/en/events/56504/>
- John, I. (2013, August 27). GCC ends three-year FDI dip with \$26.4b inflow in 2012. *Khaleej Times*. Retrieved from http://www.khaleejtimes.com/biz/inside.asp?xfile=/data/uaebusiness/2013/August/uaebusiness_August269.xml§ion=uaebusiness
- Kelly, D., & Grant, W. (Eds.). (2005). *The politics of international trade in the Twenty-First Century: Actors, issues and regional dynamics*. Basingstoke: Palgrave Macmillan.
- Koch, C., Szajkowski, B., Merdad, J., Baabood, A., Neugart, F., & Gause, F.G. (2005). *Unfulfilled potential: Exploring the GCC-EU relationship*. United Arab Emirates: Gulf Research Center.
- Koch, C. (2014). Constructing a viable EU-GCC partnership. *London School of Economics and Politics*. Retrieved from <http://www.lse.ac.uk/IDEAS/programmes/kuwait/documents/Constructing-a-viable-U-GCC-relationship.pdf>.
- Kostadinova, V. (2013). What is the status of the EU-GCC relationship?. *Gulf Research Center*. Retrieved from <http://eu-gcc.kcorp.net/common/publicationfile/29.pdf>.
- Legrenzi, M. (2011). *The GCC and the international relations of the Gulf*. New York, NY: I.B. Tauris.
- Luciani, G., & Schumacher, T. (2004). *Relations between the European Union and the Gulf Cooperation Council: Past records and promises for the future*. United Arab Emirates: Gulf Research Center.
- Mary, F., Hettne, B., & Langenhove, L. (2005). *Global politics of regionalism: Theory and practice*. United Kingdom: Pluto Press.
- McAllister, R. (2001). *European Union an historical and political survey*. New York: Routledge.
- McQueen, M. (2002). The EU's Free Trade Agreements with developing countries: A case of wishful thinking? *Blackwell Publishers Ltd*, 25(9), 1369-1385.
- Momani, B. (2008). Gulf Cooperation Council oil exporter and the future of the dollar. *Routledge Tailo and Francis Group*, 13(3), 293-314.

- Nonneman, G. (2006). EU-GCC relations: Dynamics, patterns and perspectives. *The International Spectator: Italian Journal of international affairs*, 41(3), 59-74.
- Organization of the Petroleum Exporting Countries. (2013). Share of the World Crude Oil Reserves 2012. Retrieved from http://www.opec.org/opec_web/en/data_graphs/330.htm
- Ruland, J. (2006). Interregionalism: An unfinished agenda. In H. Hanngi, R. Roloff, & J. Ruland, (Eds.), *Interregionalism and international relations* (pp 295-313). New York: Routledge.
- Taylor, A. (1978). The Euro-Arab dialogue: Quest for an interregional partnership. *Middle East Journal*, 32(4), 429-443.
- Teló, M. (2007). Introduction: Globalization, new regionalism and the role of the European Union. In M. Teló (Ed), *European Union and new regionalism: Regional actors and global governance in a post-hegemonic era* (pp. 1-20). United Kingdom: Ashgate.
- The European Union. (1957). *Treaty of Rome*. Retrieved from Europa website: http://ec.europa.eu/archives/emu_history/documents/treaties/rometreaty2.pdf
- The European Union. (1989). *EU-GCC cooperation agreement*. Retrieved from Trade Europa website: http://trade.ec.europa.eu/doclib/docs/2008/september/tradoc_140300.pdf
- The European Union, the Gulf Cooperation Council. (2010). *EU GCC clean energy network*. Retrieved from the EU GCC clean energy network website: <http://www.eugcc-cleanenergy.net/>
- The League of Nations. (1919). *The covenant of the League of Nations*. Retrieved from Institute for International law and Justice website: http://iilj.org/courses/documents/CovenantoftheLeagueofNations_000.pdf
- Warleigh-Lack, A., Robinson, N., & Rosmand, B. (Eds). (2011). *New regionalism and the European Union: Dialogues, comparisons and new research directions*. Canada: Routledge Taylor and Francis Group.
- Wehrey, F. (2013). Combating unconventional threats in the Gulf. *Carnegie Endowment for International Peace*. Retrieved from <http://m.ceip.org/2013/12/06/combating-unconventional-threats-in-gulf/gvit>.
- Wilson, R. (2002). *The changing composition and direction of GCC trade*. United Arab Emirates: The Emirates Center for Strategic Studies and Research.
- Wilson, R. (2002). *The Gulf – EU trade relations: Challenges and opportunities*. United Arab Emirates: The Emirates Center for Strategic Studies and Research.

World Trade Organization. (2013). *World trade report 2012*. Retrieved from World Trade Organization website:
http://www.wto.org/english/res_e/booksp_e/world_trade_report13_e.pdf

World Trade Organization. (2013). *World trade statistics*. Retrieved from World Trade Organization website:
http://www.wto.org/english/res_e/statis_e/world_region_export_12_e.pdf

World Trade Organization. (2013). *Total merchandise trade*. Retrieved from World Trade Organization website:
http://www.wto.org/english/res_e/statis_e/world_commodity_profiles12_e.pdf

World Trade Organization. (2013). *World Trade Organization International trade statistics*. Retrieved from World Trade Organization website:
http://www.wto.org/english/res_e/statis_e/its2013_e/its2013_e.pdf

World Trade Organization. (2014). *Country profiles - EU, Bahrain, Kuwait, Qatar, United Arab Emirates, Kingdom of Saudi Arabia, and Oman*. Retrieved from World Trade Organization Website:
<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=E27%2cBH%2cKW%2cOM%2cSA%2cAE%2cQA>

Appendix A: Share of GCC in the World Exports and Imports

KINGDOM OF BAHRAIN

Share in world total exports	0.11	Share in world total imports	0.07
Breakdown in economy's total exports		Breakdown in economy's total imports	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	2.3	Agricultural products	8.1
Fuels and mining products	88.4	Fuels and mining products	53.0
Manufactures	9.3	Manufactures	38.8
By main destination		By main origin	
1. Saudi Arabia, Kingdom of	7.3	1. Saudi Arabia, Kingdom of	45.9
2. Qatar	3.4	2. European Union (27)	11.6
3. Oman	3.4	3. China	7.7
4. United Arab Emirates	2.7	4. Brazil	7.1
5. European Union (27)	2.2	5. United States	4.7
Unspecified destinations	68.8	Unspecified origins	0.1

KUWAIT

Share in world total exports	0.65	Share in world total imports	0.15
Breakdown in economy's total exports		Breakdown in economy's total imports	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	0.3	Agricultural products	14.9
Fuels and mining products	94.7	Fuels and mining products	1.5
Manufactures	5.0	Manufactures	81.2
By main destination		By main origin	
1. China	2.2	1.
2. United Arab Emirates	1.1	2.
3. Saudi Arabia, Kingdom of	0.9	3.
4. European Union (27)	0.7	4.
5. India	0.6	5.
Unspecified destinations	90.3		

OMAN

Share in world total exports	0.28	Share in world total imports	0.15
Breakdown in economy's total exports		Breakdown in economy's total imports	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	2.2	Agricultural products	10.7
Fuels and mining products	79.2	Fuels and mining products	15.7

Manufactures	10.9	Manufactures	63.3
By main destination		By main origin	
1. United Arab Emirates	3.6	1. United Arab Emirates	23.0
2. India	3.2	2. European Union (27)	12.5
3. China	2.0	3. India	5.2
4. Saudi Arabia, Kingdom of	1.9	4. China	4.9
5. Iraq	1.4	5. Brazil	4.2
Unspecified destinations	77.3	Unspecified origins	23.0

QATAR

Share in world total exports	0.72	Share in world total imports	0.18
Breakdown in economy's total exports		Breakdown in economy's total imports	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	0.0	Agricultural products	9.0
Fuels and mining products	87.1	Fuels and mining products	5.5
Manufactures	6.2	Manufactures	83.0
By main destination		By main origin	
1. Japan	27.6	1. European Union (27)	21.8
2. Korea, Republic of	18.5	2. United States	9.0
3. India	10.9	3. China	8.0
4. European Union (27)	9.8	4. Japan	6.7
5. Singapore	5.3	5. United Arab Emirates	6.5
Unspecified destinations	1.3	Unspecified origins	18.1

KINGDOM OF SAUDI ARABIA

Share in world total exports	2.11	Share in world total imports	0.84
Breakdown in economy's total exports		Breakdown in economy's total imports	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	1.3	Agricultural products	18.8
Fuels and mining products	83.8	Fuels and mining products	5.6
Manufactures	14.7	Manufactures	75.6
By main destination		By main origin	
1. Japan	26.8	1. European Union (27)	31.9
2. United States	17.5	2. United States	13.6
3. European Union (27)	7.1	3. China	9.7
4. United Arab Emirates	3.6	4. Japan	8.7
5. India	1.4	5. Korea, Republic of	4.5

UNITED ARAB EMIRATES

Share in world total exports	1.90	Share in world total imports	1.24
Breakdown in economy's total exports		Breakdown in economy's total imports	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	1.9	Agricultural products	7.1
Fuels and mining products	36.9	Fuels and mining products	4.7
Manufactures	19.8	Manufactures	55.4
By main destination		By main origin	
1. India	9.6	1. European Union (27)	16.3
2. Iran	5.6	2. India	13.6
3. European Union (27)	2.2	3. China	7.1
4. Switzerland	1.9	4. United States	6.9
5. Iraq	1.3	5. Japan	3.9
Unspecified destinations	26.0	Unspecified origins	23.9

Source: The World Trade Organization, Trade Statistics 2012. Retrieved from:

<http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=E27%2cBH%2cKW%2cOM%2cSA%2cAE%2cQA>