



80/85

THE EUROPEAN COMMUNITY AND THE GULF COOPERATION COUNCIL (GCC)

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I. INTRODUCTION

The Community and the Gulf Cooperation Council (GCC) are currently exploring avenues towards the conclusion of an agreement.

For the GCC, the Community represents the world's largest trading partner. It is also the principal trading partner of the Gulf states and is the largest developed region within a short range of the Gulf.

For the Community, the GCC is an important market in which it would like to maintain its presence and increase its export share. Over the past ten years the GCC countries have become the Community's third largest export market after the United States and EFTA.

The Gulf Cooperation Council countries occupy a key place in the context of current world economic and political relations, a role in which they seem bound to continue for the foreseeable future.

The Community, in the interests of ensuring stability in this part of the world, is keen to support steps taken by the Gulf states towards regional integration.

II. THE GULF COOPERATION COUNCIL

On 25 May 1981 six Gulf states, Saudi Arabia, Kuwait, Qatar, the United Arab Emirates, Oman and Bahrain signed an agreement setting up the Gulf Cooperation Council, whose headquarters was placed in Riyadh.

The GCC was created chiefly out of a desire by its members for greater security in the face of the militant and aggressive stance taken by Iran.

On the economic side, the Unified Economic Agreement of November 1981, which sought to create a common market of the Gulf states leading ultimately to complete economic integration, entered into force on 1 December 1982. It provided inter alia for the gradual introduction of a common customs tariff over a five-year period (Art. 4), the adoption of common economic, social and defence policies and the introduction of a common currency (Art. 22). Two fields in which no coordination has taken place as yet are development and energy. Joint research and technology programmes are under study.

The Supreme Council, the highest authority of the GCC and comparable with the European Council as a forum of the Heads of State, meets once a year. The Ministerial Council meets approximately four times a year and comprises the Foreign Ministers or other ministers entrusted with responsibility for proposing and preparing decisions to be taken by the Supreme Council. In both cases substantive decisions are taken unanimously and rules of procedure adopted by majority.

The Secretariat prepares studies and reports for the Supreme Council and Ministerial Council, monitors their progress and prepares legislation. It may propose a special meeting of the Ministerial Council. The Ministerial or Technical Committees, set up by the Supreme Council, meet at the request of the Secretariat and in conjunction with the latter draw up their work programmes.

The economies of the GCC member countries are and will remain dependent on oil and gas. The Gulf states account for some 15% of oil production and possess over 40% of the world's known reserves. They are developing their own petrochemical and refining industries. Over the next few years they are expected to achieve a share of between 5% and 6% of the world petrochemical market and a similar share of world refining capacity (see Annex I: Gulf states: basic data).

III. RELATIONS BETWEEN THE COMMUNITY AND THE GULF COOPERATION COUNCIL

The Community's official relations with the Arab countries are conducted within the framework of preferential agreements with the Maghreb (Algeria, Morocco and Tunisia) and Mashreq (Egypt, Jordan, Lebanon and Syria) countries. Four other Arab countries (Mauritania, Sudan, Djibouti and Somalia) are members of the Lomé Convention. A non-preferential cooperation agreement was signed with North Yemen on 9 October 1984. Contacts have been established with all the Arab countries under the Euro-Arab Dialogue. The Gulf states are the only Arab countries not to have established economic relations with the Community on an official contractual basis.

Conscious of the absence of links with the countries of the Gulf region, the Council in 1980 pursued the initiative by inviting the Gulf states, as well as Iraq and North Yemen, to enter into non-preferential trade cooperation agreements. Only North Yemen responded to this invitation.

The European Parliament, following a major debate on relations between the Gulf states and the EEC, on 16 September 1981 called for the establishment of links between the Community and the Gulf states.

The ten Member States of the Community, at a foreign policy meeting on 21 and 22 February 1984 within the political cooperation framework, approved the principle of establishing closer contacts with the Gulf Cooperation Council.

Since 1981 the Commission has developed working relations with the GCC Secretariat. The Secretary-General, Mr Abdulla Y. Bishara, visited Brussels on 9 and 10 June 1982 with the principal aim of familiarizing himself with the objectives, the functioning and the structure of the Community in order to enable the GCC to profit from the Community's experience.

In response to an invitation from the GCC, a Commission delegation visited Riyadh from 20 to 22 March 1983. A technical cooperation programme was set in motion, covering statistics, customs, information and energy. The Commission delegation gathered information concerning the objectives, structure and operation of the GCC.

Trade between the EC and the GCC
(see Annex II: EC Trade with the Gulf states)

(mECU) x)	1977	1979	1981	1982	1983	1984
Imports	19 550	22 981	47 537	33 832	21 517	17 075
Exports	8 499	10 654	16 713	21 428	22 542	22 760
Balance	-11 051	-13 327	-30 824	-12 504	+1 025	+5 685

x) 1 ECU = US\$ 0.80

In 1983 and 1984, for the first time in ten years, the Community recorded a surplus on its trade balance, caused by a fall in imports from the GCC states, oil accounting for over 95% of such imports. The Community's principal exports to the Gulf states are machinery and manufactures.

In 1984 the Community's imports from the Gulf states represented 4.5% of its total imports compared with 15.6% in 1981. The Community's exports to the Gulf states in 1984 represented 6.4% of its total exports.

Community agricultural exports account for roughly 20% of the Gulf market.

In 1984 the Community imported roughly 20% of its crude oil and 9% of its refined products (compared with 50% and 8% in 1980) from the GCC countries.

In 1983 the Community's share of Gulf imports rose to 33.4% (compared with 19.6% for Japan and 15.8% for the United States); in the same year its share of Gulf exports was 18.8% (compared with 28.6% for Japan and 5% for the United States).

IV. DEVELOPMENT OF RELATIONS BETWEEN THE COMMUNITY AND THE GULF COOPERATION COUNCIL

At the end of July 1984, following the informal contacts previously established with the Commission, the Secretariat of the Gulf Cooperation Council approached the Community with a proposal for exploratory discussions on the possible conclusion of a cooperation agreement between the Community and the GCC. In 1984 the Council agreed that the Commission should open exploratory discussions with the GCC Secretariat.

An initial round of exploratory discussions between the Commission and the Secretariat of the Gulf Cooperation Council took place in Bahrain in November 1984.

Further ground was covered during a visit to Brussels by the Secretary-General of the GCC in February 1985 and a second round of discussions took place in Bahrain on 1 and 2 March 1985. According to the joint communiqué issued following the meetings, "both sides agreed that it was in their mutual interest to aim to conclude a comprehensive, mutually beneficial, all-embracing agreement to foster the broadest possible commercial and economic cooperation between the GCC and the European Community. Such an agreement between a developing and a developed region would be of considerable significance and a demonstration of the economic interdependence which exists between the GCC and the Community. They recognized that by working together on issues of common interest within the framework of an agreement they could consolidate and develop their relations. An agreement of this kind should take due account of the developing nature of the GCC region and also of the objectives and priorities of its development plans and programmes. It should also be of an evolutionary nature permitting it to take into account changing circumstances in the two regions".

The Community and GCC delegations reviewed the areas of possible cooperation which had been identified during the previous discussions in November 1984, namely: access to markets, energy, scientific, technological and industrial cooperation and training, investment and financial cooperation.

The discussions are due to continue. The Gulf Cooperation Council countries intend to clarify the objectives and content of a future agreement. They wish, in particular, to give closer consideration to aspects concerning the access of their exports to the Community market.

GULF STATES: BASIC DATA

Population of Gulf states - 1982

Per capita GNP - 1982

Mid-year est. (million)	Total	14.42 (1982)	at market prices (in US\$)	
Bahrain	0.37		(1983)	9 000
Saudi Arabia	10.00			15 871
Qatar	0.27		(1983)	32 000
Oman	1.08			6 870
Kuwait	1.57			20 900
UAE	1.13			28 110

EXTERNAL TRADE OF GULF STATES

	1973	1982	1983
Total Gulf Exports in US\$ million	13 932	117 829	91 633
EEC in %	% 44.2	24.3	18.8
Japan	17.7	25.7	28.6
USA	3.9	6.9	5.0
Oil exporting countries	1.8	4.7	4.5
Total Gulf Imports in US\$ million	4 700	68 465	63 670
EEC in %	% 27.1	33.7	33.4
Japan	15.4	18.2	19.6
USA	15.5	17.3	15.8
Oil exporting countries	11.0	5.7	5.1

BALANCE OF PAYMENTS OF GULF STATES

		<u>US\$ million</u>	
		<u>Current account balance</u>	<u>Change in reserves</u>
Bahrain	1983	+ 160.9	- 108.4
Saudi Arabia	1983	- 18 833	- 2 262
Qatar	1981	+ 3 639	+ 1 196
Oman	1983	+ 572	+ 112
Kuwait	1983	+ 4 590	- 721
UAE	1981	+ 9 210	+ 3 500

EC TRADE WITH THE GULF STATES

<u>BREAKDOWN (in %)</u>	<u>1973</u>	<u>1977</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
<u>EEC IMPORTS</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Energy products	97	99	98	94	94
Other	3	1	2	6	6
<u>EEC EXPORTS</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
Manufactured goods		84.9	78.6	81.7	80.2
Agricultural and food products		7.1	9.6	8.3	8.8
Primary products		1.0	4.2	3.5	1.9
	<u>1973</u>	<u>1977</u>	<u>1981</u>	<u>1983</u>	<u>1984</u>
EC imports from Gulf states as percentage of total extra-EC imports	7.7	11.4	15.6	6.5	4.5
EC exports to Gulf states as percentage of total extra-EC exports	1.3	5.2	6.3	7.4	6.4
<u>OIL (crude)</u>			<u>1982</u>	<u>1982</u>	<u>1984</u>
EC imports from Gulf states (million tonnes)			122	72	55
% of total extra-EC crude oil imports			38.8	25.8	20
<u>Gulf exports (in %) to Community</u>		24%			

EUROPE INFORMATION "EXTERNAL RELATIONS"

The following copies of "European Information" are still available, and may be obtained from :

Directorate General for Information
Documentation Service, Berl. 2/74 A
Commission of the European Communities
Rue de la Loi 200

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- 37/80 List of main EEC agreements with other countries
- 40/80 The Community of Ten in figures
- 41/81 The Generalized System of Preferences and the European Community
- 45/81 The European Community and Bangladesh
- 47/81 The European Community and Japan
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- 74/84 The European Community and South Korea
- 75/84 The European Community and the Arab Republic of Yemen
- 76/85 The European Community's Textile Trade
- 78/85 The European Community and Australia (in preparation)
- 79/85 The European Community and the People's Republic of China
- 80/85 The European Community and the Gulf Cooperation Council (GCC)
- 81/85 The European Community and ASEAN