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Ladies and Gentlemen,

I am delighted to have been invited here to talk with you today from a European perspective about key developments in the Gulf region. At the outset may I say that I firmly believe that relations between the European Union and the Gulf states are presently very strong. We share many common interests and we are working closely together across a whole range of different political issues.

Close ties between the European Union and the Gulf States are not a relatively new phenomenon. European partnership with the Gulf States has not arisen in a vacuum, but is a product of decades of effort by our respective parties to strengthen co-operation between us. In fact, the roots of Gulf-European co-operation predate the Second World War.

It is clear that the goals and special interests of the EU, together with the desire of the Gulf states to extend the bridges of economic co-operation has ensured that structures such as the EU-Gulf Co-operation Council have become a reality.

EU/GULF CO-OPERATION COUNCIL

The foundation of the Gulf Co-operation Council in 1981 certainly laid down the political pretext for closer political ties between the original founding member states.

The European Union in 1989 then concluded a co-operation agreement with the Gulf Co-operation Council. Some may argue that economic and commercial co-operation between the GCC countries and the European Union took on a new direction following the oil crisis of 1973. But this agreement was signed with a view to eliminating the obstacles facing exporters and facilitating easier market access.

The signing of this agreement represented a new page in the relations between the two parties, particularly given the fact that it coincided with the presence of more than 400 European companies in the Gulf, and more than 250,000 Europeans residing within the Gulf states.

But the co-operation between the European Union and the Gulf is far reaching and covers a number of different areas including the following:

- EU assistance in strengthening the process of economic development in the Gulf States.
- Strengthening economic and technical relations, as well as co-operation in the fields of power, industry, trade, services, agriculture, fisheries, investment, sciences , technology and the Environment.

AVIATION INDUSTRY

One such area where there has been a real co-operation relates to the aviation industry in the Gulf region. In fact, I believe that the aviation industry can justifiably claim to have played and to continue to play a key role in the economic development of the Gulf region.

The future development of the aviation industry is the key to putting in place alternative non-oil related industry into the Gulf region.

The changes witnessed in little over a generation are startling. Forty years ago many airports in the Gulf region still had a prefabricated look about them and air travel, even on an inter regional basis, was only for the privileged few.

What was a desert airstrip in Dubai airport is now home to two giant runways and state of the art air terminals. Dubai airport is home to over 12 million passengers a year:- it is the busiest airport in the gulf, and the region itself has witnessed a boom in air travel in recent years.

The airports in the Gulf are not only magnets for international travel but are also frequent ports of call for a growing number of regional carriers.

There are now six different airlines operating within the Gulf region. These include Gulf Air, Kuwait Airways, Saudi Arabian Airlines, Emirates Airlines, Oman Air and Qatar Airways.

This certainly means that competition in the airline business is very strong in the region but fierce competition does also mean that there will be both winners and losers. And this is now particularly the case when state subsidies are being kept to a minimum.

Competition is healthy for the growth of an industry and its generally good for the consumer. But the Gulf region must recognise the strategic importance of its regional carriers to continue the flow of international and inter-regional travel--and therefore intra-Middle East trade and commerce--during times of military conflict. These carriers, and others from the wider Middle East, have a critical role to play in the stability of the aviation and travel industries in the region.

Notwithstanding international conditions, the International Air Transport Association calculates that Arab airlines in general remain profitable. In time, if airlines from the Gulf region want to strike alliance deals with western airlines, that is a decision for yourselves and one that can only be taken if it is in your own interest to do so.

Diversification is certainly the key to the ongoing success of the gulf region and industries such as retail outlets in your different airports are part of this ongoing process of success.

All these new outlets that are generating income are being made possible because of the level of investment in airports and airlines in your region. Some new free trade zones have been set up within the United Arab Emirates where trade across a whole range of different trading and service sectors can take place. We know of the success of free trade zones such as Jebel Ali and the Sharjah Airport free trade zone, which are prospering at this time.

It is this investment in new airport programmes that has ensured that new industries such as duty free operations can prosper and develop.

The growth of your airports and travel business is predicated on the fact that the travel market to the Middle East is one of the fastest growing travel destinations in the world.

All indications are that international travel is increasing year on year, even though, at times such as instability in the Middle East, the tourism industry might periodically face some difficulties.

The ongoing development of the retail industry, the airline industry and new developments at our airports all go hand in hand and their success is built up on each other.

TRADE

Apart from the strategic importance of the Gulf region, the Gulf States remain the European Union's fifth largest export market. In the year 2001, EU exports revenue from the Gulf States amount €33 billion whereas our EU imports amount to €19 billion. Crude oil represents almost two thirds of EU imports from the Gulf region.

EU investment in the Gulf States was €1.5 billion in the year 2000. The European Union is the main commercial partner of the Gulf States. And this should be a platform for the EU to become more politically influential in not only the GCC but the region as a whole. I hasten to add that the Gulf States too have worked towards establishing close economic co-operation with the European Union, based on the principle of equal treatment, so as to achieve the aims of both parties.

Diversification

The last thirty years has seen a modernisation in the economies of the Gulf States. The Gulf States hold 45% of the world's oil reserves and supplies 20% of the global crude production.

It is perhaps understandable that most outsiders identify business in the Arab world with oil and gas. While these industries have helped to build up some fortunes in the region, it is far from being the whole story.

The Gulf States are pursuing policies that create new sources of revenue, facilitate foreign investment and cut back on national subsidies. The drop in crude oil prices in 1999 has clearly demonstrated the need to diversify the Gulf State economies, and many public industries have now been privatised.

The transport and telecommunications infrastructure is being built up. Trade and commerce is being facilitated at every turn. New tourist facilities are being set up all over the Gulf region.

We will work towards helping the Gulf States diversify your industries and the transfer of technology to the Gulf States will help hasten economic diversity.

The modernisation of these economies has brought so many benefits to the people of the region. Not all economies in the Middle East mirror those in the Gulf, but there are lessons to be learned from how the GCC countries have invested to allow their countries to keep pace with technology and economics, whilst preserving the fabric of Muslim society.

Overall Context of GCC

The Gulf Co-operation Council does offer the best forum to promote regional co-operation and improve upon the numbers of people visiting the Gulf region as tourists.

One area that I know is under discussion is the possibility of putting in place a Gulf Co-operation Council wide visa. Making it easier for tourists to travel from one country to another will certainly increase passenger numbers into the Gulf region. But one must always too respect the sensitivities that are involved in justice and home affairs issues.

POLITICAL STABILITY

Iraq

Economic progress is of course contingent on political stability. The Middle East region in general has many political problems that we all want to passionately solve.

May I say at this juncture that as a Former Minister for Foreign Affairs in Ireland, I have always supported and respected the role of the United Nations.

I believe that the role of the United Nations is even more important today than at any other time in its history.

The United Nations must play the key role in solving problems of international security in the world today.

I certainly believe that the UN played a pivotal part in ensuring that a multilateral approach, as opposed to a unilateral approach was taken in addressing the need to peacefully disarm the regime of Saddam Hussein and avoid a war in the Middle East.

The preamble to the UN's Charter famously begins with the words "we the peoples of the United Nations" and this sets out the necessity and meaning of the United Nations Organisation. In

establishing for the first time, a system of collective international security, world leaders assigned to the Security Council of the United Nations the primary responsibility for the maintenance of international peace and security.

It is through multilateralism that we can make certain that common threats and challenges receive a common response and effective international action.

UN Security Council Resolution 1441 was adopted unanimously and it lays out the framework for a peaceful resolution to serious issues of concern to the international community about various weapons policy programmes in Iraq.

The United Nations is sending out a very unambiguous statement to the Government of Iraq. The international community is united in its determination to eliminate weapons of mass destruction.

I certainly hope that the Iraqi Government grasps this opportunity to so do as to avert a further escalation of instability in the Middle East region.

Israel/Palestine

The impasse between Israel and Palestine is poisoning relations not only between the two peoples but it is contributing to serious political instability within the whole of the Middle East.

Numerous resolutions of the United Nations remain systematically ignored. I fully support the demands that Israel implements all the commitments and agreements relating to the peace process in the Middle East, and the necessity of establishing a just and comprehensive peace in the region in accordance with UN Security council resolutions 242,338 and 425.

I believe myself that the parties appear incapable of reaching a peaceful resolution to this terrible conflict. They do need the help of the international community to achieve peace that is, after all, the only sane way forward.

Progress cannot be made as long as violence is the order of the day.

I know from our own experience in Ireland that political discussions cannot get under way as long as violence and murder is taking place outside the door. Violence has not brought independence to the Palestinian people.

The violence must stop on all sides. Palestinians must end the bombings. Israel must stop using brutal excessive force in pursuing its security agenda and it must stop the economic pressure that it is forcing on the Palestinian people.

Israeli settlement activity must be halted immediately and reversed if there is to be any hope of lasting peace in the region. Not only are the settlements illegal and is a cause of massive Palestinian resentment, they themselves are a major focus of violent incidents.

Peace in the Middle East is of essential importance to the entire international community. Nothing would do more to drain the swamp of Al Qaeda terrorism than the achievement of lasting peace in the Middle East region.

The European Union has been to the forefront in giving financial support to the Palestinian people. In the year 2002 alone, the European Union contributed over €240 million for a range of different measures to help the Palestinian people including in the following areas:

- Budgetary support for the Palestinian administration.
- Food aid and support for Palestinian non-Governmental organisations.
- Assistance to refugees.
- Support for infrastructure projects.

In fact, between the years 1994 and 2002, the European Union has contributed over €1450 million to help the Palestinian people.

Is the European Union ready to be more active in the peace process, given its political, economic and historical ties to the Middle East in general? I would say, yes it is and that it wants to be and that there is every reason why both sides--the EU and Middle East leaders--should accept an increased role for the EU in the peace process.

Terrorism

The fight against terrorism has been the main focus of the UN Security Council since September 11th last year. In response to UN resolution 1373, a framework of legislative and executive actions against terrorism has been conducted around the world.

The fight against terrorism must be conducted in full conformity with international law. To do otherwise would be to give terrorists a greater opportunity to exploit reservoirs of alienation and bitterness. We must all continue to work together so as to guarantee that we defeat the evils of international terrorism.

Iran

The relations between the European Union and Iran have improved substantially in recent years.

A comprehensive and renewed dialogue started in 1998 with a series of Ministerial meetings. The European Commission has presented a communication to EU governments on Iran with recommendations on how best we can improve our respective relations.

EU Governments have given the European Commission a mandate to draw up a trade and co-operation agreement with Iran. These negotiations are now presently taking place. Working groups covering a range of different policy issues have been set up. There is a working group on energy, another on trade and investment and another export group deals with the problems of drugs. The trade part of this agreement will grant most favoured nation status on Iran and it will be in full conformity with Gatt/WTO requirements. The subsequent chapters on co-operation in economic and other areas builds upon existing experience in the areas of energy, drugs control and refugee issues and it mentions other areas of possible future co-operation with Iran.

I very much welcome this new relationship that is beginning to develop between the European Union and Iran. We also support a peaceful resolution to the three UAE islands that are presently occupied by the Islamic Republic of Iran through both either bilateral negotiations or by international arbitration.

CONCLUSION

The European Council agreed upon a new mandate to negotiate a free trade agreement with the GCC in July 2001. After the approval of this new mandate the European Commission prepared a draft agreement which was the basis for the resumption of free trade talks in March on this year. These negotiations are continuing now at an accelerated rate.

An internal customs Union is beginning on January 1st next within the member states of the Gulf Co-operation Council. This I am sure will mean that more free trade opportunities will be put in place, sooner rather than latter between the Gulf states and the European Union. But we must work towards building up a free trade agreement between our two sides.

Our relations must continue to be built on the clear foundations of a truly balanced partnership and not subject to the control or guardianship of any one party over the other.

The Gulf States and the European Union are both friends and allies. This has been the case for many years and I am sure will be the case for many years to come. I thank you once again for your kind invitation and I wish all on the very best of success into the future.

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