

## Khaleej Times

**UAE:** Dubai (Head office): P.O. Box 11243, Phone Editorial 443400, Marketing 663434.

Abu Dhabi: P.O. Box 3082, Phone 336000.

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**Pakistan:** Karachi: Haroon House, Dr Ziauddin Ahmed Rd., Phone 524180.

# AGCC's ties with EEC

THE on-going dispute between the AGCC and the European Community over the question of the duties imposed by the latter on petrochemical imports has again been in the news recently. It cropped up on a number of occasions during last week's visit of an EEC trade delegation, which was concerned essentially with agro-based industries but which was repeatedly questioned on the petrochemicals issues at its various meetings with UAE trade and industry representatives. A report released by the Abu Dhabi Chamber of Commerce and Industry to coincide with the delegation's visit pointedly referred to the need for the European Community to open its markets to Arab exports, especially petrochemicals. It urged the EEC to implement the general preferential system and exempt Arab states from quantity and tariff restrictions, taking into consideration that full production of Arab petrochemical industries would not exceed four per cent of the total world production by the end of this year. The report also underlined the AGCC's concern for greater trade ties with the EEC, and said that these ties should expand from a narrow seller-buyer framework into the broader field of joint ventures.

The report fully reflects the AGCC stand, which is based on increasing cooperation with the EEC on a mutual beneficial basis. This has also been the reason for the Gulf's concern over the EEC tariffs on petrochemicals, with a duty of 13.4 per cent being imposed in January on methanol and a 14-per cent duty proposed on polyethylenes. The duties have come in the wake of a rise in refined petroleum products being produced in the Arab world: an extra 50 million tons annually are expected to come on stream by 1990 from planned new refining capacity in Saudi Arabia, Kuwait and Libya. The EEC feels that it can absorb only about 20 million tons of this and wants Japan and the US to buy more. In the meanwhile, it appears to have come to the conclusion that only by imposing high tariffs can it protect its industries.

The AGCC has not questioned the right of the EEC to protect its interests: what it is questioning is the Community's growing insular attitude and what it is asking for is that each should respect the other's interests. Among Gulf countries, the UAE alone is each year absorbing imports worth more than Dh30 billion from 130 countries; European products have duty-free or low-tax access to Gulf markets; and Europe has been using the AGCC states and their waterways to export finished goods to other markets and for re-exports. It is on this basis that the AGCC asks for preferential treatment, and it points out also that the growth of the petrochemical industry in the Gulf and Arab countries is no new development: in fact, among the industrialised countries, Japan at least has long accepted the idea that it would be better for petrochemical projects to be sited in the Gulf states, where the raw material comes from.

In this context, the AGCC states do not have to be apologetic about anything, certainly not about the statements made by many Gulf officials that their countries too would have to think about imposing and revising some duties. They do not want the EEC to bar their products or price them off the market. This was the burden of the AGCC's stand during the meeting with the EEC in Bahrain. The meeting ended without any clear-cut agreement and on a thorny issue like this, an early solution should not be expected. The question is linked to the broader issue of protectionism and north-south relations. It is also recognised that there has been a certain lack of communication between the AGCC and the EEC, a fact that was pointed out by the leader of the European delegation that visited the UAE. The EEC has a general agreement with Asean, and AGCC officials have highlighted the advantages of a comprehensive pact that, besides duties, would also cover problems such as transfer of technology and overall trade liberalisation. It is reported that another round of talks will be held in July, and it is much to be hoped that the EEC would approach these more prepared to see the Gulf states' point of view. We do not want to enter into a war of retaliation, but equally we would not want to be taken for granted. Once this is realised, an amicable solution should not be beyond the ingenuity of EEC leaders.