Centre for European Reform
29 Tufton Street
London SW1P 3QL UK
T: 00 44 20 7233 1199
F: 00 44 20 7233 1117
www.cer.org.uk
info@cer.org.uk

January 2003
ISBN 1 901 229 42 4 ⋆ £5/€8

CENTRE FOR EUROPEAN REFORM

working paper

The EU and the Middle East: a call for action

Steven Everts

January 2003

ABOUT THE AUTHOR

Steven Everts is a senior research fellow at the CER and the director of its transatlantic programme. Previous CER publications include *Shaping a credible EU foreign policy* (February 2002), *Unilateral America, Lightweight Europe? Managing divergence in transatlantic foreign policy* (March 2001) and *The impact of the euro on transatlantic relations* (January 2000). He was a co-author of *New designs for Europe*, CER, October 2002.

★

AUTHOR'S ACKNOWLEDGEMENTS

I would like to thank Jacques Beltran, Rosa Balfour, Peter Dun, Philip Everts, Cristina Gallach, Phil Gordon, Virginia Mucchi and my CER colleagues for either having read earlier versions of this paper or for having been helpful in other important ways. A number of European diplomats who have also contributed to this paper prefer to remain anonymous. Any errors of analysis or fact are, of course, my responsibility only.

The CER is grateful to the German Marshall Fund of the US for supporting this publication and the CER's transatlantic programme.

★

Contents

1 Introduction: a test case for EU foreign policy

For the EU and its growing foreign policy ambitions, the Middle East is not only a priority but also a test case. Either the EU manages to develop a sharper political profile and more effective policies; or it accepts a very junior role to the US, limiting its involvement to declarations and cash hand-outs – and it loses whatever foreign policy credibility it has.

The Middle East region is beset by an explosive cocktail of three inter-related problems: the Iraq crisis and the proliferation of weapons of mass destruction (WMD); the on-going violence in Israel-Palestine and the absence of meaningful peace negotiations; and the failure of many Arab states to reform their political and economic systems, which is fanning the flames of political and religious extremism across the region.

European policy-makers are under pressure to spell out what the EU and its member-states can do to address these problems. It is clear that Europe cannot afford to disengage from the Middle East: the economic and political stakes are too high. Significant historical, political and religious reasons explain why nearly everyone in Europe has strong views on the politics of the Middle East. But the strength and divergence of these opinions explain why the EU is having such difficulties in developing a more effective Middle East strategy.

The conventional view is that the EU will never achieve much in the Middle East for the same reasons that EU foreign policy generally is so underwhelming: lack of political will, lack of resources and lack

of international credibility. Stanley Hoffman, a renowned US political scientist, wrote in the 1960s that Europe's plight could be summed up as "no trumps, no luck, no will".[1] In many respects, this phrase still rings true.

[1] *Stanley Hoffmann, 'The European Sisyphus: Essays on Europe 1964-1994', Westview Press, 1995.*

The EU member-states often have different views on how tough they should be with Iraq, or on who should take the blame for the latest outburst of violence in Israel-Palestine. In addition, EU member-states do not possess the military capabilities of the US. True, the EU is better at deploying 'soft power' – the ability to influence other countries by persuasion and attraction – as EU officials are keen to point out. But too often the EU is reluctant to link the vast amounts of money it spends to a clear political strategy – and that reluctance is undermining EU influence and standing. Too often, the EU is unwilling to annoy or confront anyone – be they corrupt members of the Palestinian Authority, Israeli hard-liners or authoritarian leaders of 'failing states'.

While all this is true, none of it is pre-ordained or unchangeable. The EU could take steps to increase the credibility of its Middle East policies. For instance, member-states could give more power to the EU's High Representative for foreign policy, currently Javier Solana, to help overcome some of their divisions. Other measures – such as a merger of the roles of Solana with that of the Commissioner for External Relations, Chris Patten – could help to ensure that the Community policies on trade, aid and immigration are explicitly geared towards supporting the EU's diplomatic strategy.[2] And the member-states could choose to break with the mindset that views the EU as broadly similar to the World Bank: an organisation that hands out money.

[2] *For more details see Steven Everts, 'EU foreign policy: from bystander to actor', in 'New designs for Europe', CER, London, October 2002.*

While the EU clearly can and must improve its performance in the greater Middle East, Europeans should not become overly pessimistic. It is often hard to get quick results in foreign policy, and especially so in the Middle East. This

is a region with many intractable problems which countless wars, outside interventions and peace plans have not managed to solve. Europeans should remember that the US, despite its political cohesion, military power and global influence, has also been unsuccessful at 'sorting out' the Middle East.

EU leaders should recognise the need for both greater European unity and for a closer alignment of US and European views. It is trite but correct to claim that when the US and Europe pull in the same direction they are often successful in tackling global problems. But when Europe and America are at odds, stalemate and failure nearly always follow. Both sides will have to adjust their policies to ensure a common transatlantic strategy on the Middle East, difficult though this may be. This means that European governments should take the threat of Iraq's weapons of mass destruction (WMD) more seriously, while the US should be more active and even-handed on Israel-Palestine. And both sides should make the promotion of more democratic political systems throughout the region a priority.

Both Europe and America also need to think more about 'spillover effects'. For instance, a war against Iraq would make a peace accord between Israelis and Palestinians more urgent but also harder to achieve. In the long term, a successful military campaign in Iraq, coupled with a more democratic regime in Baghdad, could have a powerful, transforming effect on the region. But it is neither likely nor automatic that victory against Saddam would unleash a real 'tsunami of democratisation' as Joshua Muravchik, of the American Enterprise Institute, has predicted.[3] In the short term, at least, a war against Iraq is likely to increase anti-Western sentiments and bolster authoritarian regimes.

[3] *The New York Times, August 19th 2002.*

Iraq, Israel-Palestine and the promotion of more democracy are linked in another important way: how Europe and America behave on one of those issues affects their credibility on the others. So, European politicians should realise that Israel will not listen much to European views on kick-starting negotiations with the Palestinians

unless Europe shows that it is serious, not just about Israel's security concerns, but also about WMD. Likewise, the US should acknowledge that unless it is prepared to lean on Israel, many in the Arab world will see it as hypocritical when it makes the case for war against Iraq on the basis of WMD possession and non-compliance with UN demands. Both America and Europe need to accept that unless they tackle the broader question of the political transformation of the region, any progress on either Iraq or Israel-Palestine is likely to be both superficial and short-lived.

This paper describes and analyses EU policies on Iraq, the Middle East Peace Process (MEPP) and the question of political and economic reform in the region. It sets out the background to each of these problems; describes what the EU and the member-states are trying to achieve; and then identifies those reforms that could make the EU a more influential and effective actor. It ends with a summary of policy recommendations.

2 Europe and Iraq: the need for a more pro-active stance

The Iraqi question is in many respects the Achilles heel of EU foreign policy. It is probably *the* international issue on which the member-states are most divided. Yet EU countries do share some common interests:

★ Ensuring that the international response to Iraq's WMD threat remains forceful but not bellicose;

★ Ensuring that the United Nations Security Council (UNSC), rather than a small group of individual countries, decides how to handle the Iraq case; and

★ Preserving the EU's long-term international reputation and influence.

EU member-states, and particularly France, Germany and the UK, must work together better, to frame and communicate a united European stance on Iraq. If the EU is to play a more prominent role in the handling of Iraq, smaller member-states should accept an informal leadership role for the larger countries. At the same time, the bigger countries should accept that the EU's institutions are the best option for shaping and then communicating a more pro-active European stance. Therefore, national diplomats and EU officials, especially those working for Chris Patten at the Commission and Javier Solana at the Council Secretariat, should also co-operate more closely.

None of this will be easy. In many respects, the differences of opinion among the 'big three' are precisely the reason why the EU's

foreign policy performance is often unsatisfactory. Iraq is no exception. However, if France, Britain and Germany could hammer out a more united approach, the other countries would be likely to sign up to it – for it would invariably represent a balanced position.

As things stand, Britain has aligned itself closest with the US position. The British government has highlighted the threat that Saddam Hussein and his weapons pose – and emphasised the need for robust action to enforce Iraqi disarmament. Germany, at the opposite end of the spectrum, has cast doubts on US characterisations of Iraq as a 'clear and present danger' and ruled out military participation. Even though Chancellor Gerhard Schröder has recently softened his opposition to US policy, Germany will remain the most reluctant EU country in the event of a war.

The other EU countries fall somewhere in between these two positions. The right-wing governments in Spain, Italy and the Netherlands are closer to the British view; while the thinking in Finland, Austria and Sweden is more in line with Germany. France, a pivotal actor, has played a skilful and effective role in negotiating the precise terms of Security Council resolution 1441. The Gaullist impulse has been to warn against US unilateral action. Throughout 2002 President Chirac rejected the arguments of the hawks in Washington that Iraq highlights the need for a generalised 'doctrine of pre-emptive strike'. In a September 2002 interview with the New York Times, Chirac said:

> I have great reservations about this doctrine. As soon as one nation claims the right to take preventive action, other countries will naturally do the same. What would we say in the event that China wanted to take pre-emptive action against Taiwan, saying that Taiwan was a threat? Or what if India decided to take preventive action against Pakistan, or vice versa? Or Russia against Chechnya or somewhere else? What would we say? I think this is an extraordinarily dangerous doctrine that could have tragic consequences.[4]

[4] *The New York Times, September 9th 2002.*

But Paris has also joined the US in drawing attention to the threat of WMD proliferation – and by implication the threat that Saddam poses. Moreover, Chirac has hinted quite strongly that, provided there is an explicit UN mandate, France will probably join the US in enforcing Iraqi disarmament.

On the whole, Europe's public opinion is much more sceptical than its governments. In countless newspaper articles commentators have raised objections to military action. There are those who doubt that Saddam has an extensive WMD programme. There are others who argue that even if Saddam had a significant WMD capability, he could still be deterred from using it. They stress that Saddam will not use whatever weapons he may have, because he knows that if he does, he and his regime would be annihilated. Throughout his political life, Saddam's behaviour has been more homicidal than suicidal. Even the CIA has argued that the most likely circumstances in which Saddam would use WMD would be when the survival of his regime was at stake.[5] In this sense, military action could provoke exactly what it was intended to prevent.

[5] *The New York Times, October 9th 2002.*

Another cogent argument against using military force is that it will undermine the global campaign against terrorism. Defeating terrorism is primarily a job for intelligence and police authorities, and of winning 'hearts and minds'. European governments have learnt this lesson in their own struggles with terrorism. Many governments in the region are sceptical about, if not opposed to, a war against Iraq. Those who oppose the war in Europe argue that these governments could withhold their co-operation in the fight against terrorism if they feel that their views on Iraq are ignored. Equally, a military attack on Iraq, seemingly based on shaky political and legal grounds, could increase anti-Western sentiment throughout the Muslim world – and thus generate more recruits for terrorist groups like al-Qaeda.

Then there are those, especially on the left, who are appalled by the broad thrust of the Bush administration's foreign policy. They

wonder why Europe should support the US when Washington is so out of step with the rest of the world on issues such as the Kyoto Protocol, the Bio-weapons convention and the International Criminal Court (ICC). They question whether Bush is simply picking a fight for the sake of American oil interests. The stated rationale for a war on Iraq has shifted repeatedly. First the pro-war faction linked Iraq to the September 11th attacks – but that accusation never survived any detailed scrutiny. Then the issue became the evil intent of Saddam Hussein, as evidenced by his use of mustard gas on his own population. This is true, but happened at a time, in 1988, when the West was supporting Saddam Hussein against Iran and acquiescing in his use of chemical weapons.

It was only after Bush had gone to the UN and made Iraqi non-compliance with UN resolutions the issue that opposition to US plans started to wane. This moved the debate to the final European concern: what does America intend to do the day after victory? There is almost no point, many argue, in replacing Saddam Hussein with yet another military dictator.

All these objections, and many other besides, carry weight. But ultimately Iraq's persistent violation of so many UNSC resolutions is the key issue – and this defiance should be unacceptable to all Europeans. One may doubt US motives over Iraq. Reasonable people can differ on the nature of the threat and the consequences of using military force. But no one should belittle or deny the importance of upholding the authority of the UN system, and the Security Council in particular.

Then there is the question of Europe's interests. For historical reasons, some Europeans feel uncomfortable talking about EU foreign policy as a means to promote and protect their interests. It is true that the term 'interests', which lacks an objective definition, can be misleading in the context of EU foreign policy. At the same time, it is clear that European countries do share certain collective interests. And it is reasonable for citizens to expect the EU to try to promote them.

In the case of Iraq, this means that the EU must ensure it retains influence over the nature and the legal basis of a likely war against Iraq, as well as over any post-conflict reconstruction. For many Europeans it may be an unpleasant reality, but the US seems set to wage a military campaign to topple Saddam regardless of European objections and warnings. Surely it is in Europe's interest to try to maintain a united EU position, maximise European influence over the enfolding US strategy and ensure that any US action takes place in accordance with international law.

So far the EU has performed adequately with respect to Iraq. But it now needs to become more active. Rather than react with a mixture of shock and horror to the latest twist in the Washington debates, the Europeans should spell out their own vision. The EU should build a common position on the following lines:

Focus on Iraqi non-compliance

The EU should continue to argue that the UN must remain in charge of solving the Iraq crisis and that no military action should take place without a Security Council mandate. European governments are right to stress that Iraqi non-compliance with UN demands on WMD is the problem – not the nature of Saddam Hussein's regime. The view of some American hardliners – namely that pre-emptive military action may be necessary to force regime change in states which are hostile to the West – deserves no European support. It could lead to massive international upheavals. Who decides, and on what basis, which regimes are so dangerous that a pre-emptive strike is necessary?

European and the views of other allies do still matter in Washington. For instance, throughout November and December 2002 the US administration started to drop references to the need for regime change. It even argued, with verbal gymnastics, that if Baghdad co-operated with the UN it would mean that the 'regime had changed'.

War is still not inevitable. European governments were justified in pressing the US to work through the UN. At the same time, Europeans must recognise that the threat of force has helped convince Iraq of the need to comply. Moreover, all European governments must be prepared to support, at least politically, any enforcement action if the UNSC authorises it.

Chris Patten was right to challenge those Europeans who might use the emphasis on the UN route as a way of avoiding difficult questions. What, he asked, do we do when Iraq continues to defy the will of the UN? "Do we sign a petition? Write a letter to Le Monde?"[6]

[6] Plenary session of the European Parliament, September 4th 2002.

Resolution 1441, which the Security Council passed on 8 November 2002, shows that the UN is capable of taking robust action with respect to Iraq. It has led to a greater degree of unity within the EU: all states are fully behind its enforcement. Resolution 1441 sets out, in meticulous detail, all existing requirements which Iraq is currently in breach of. It gives Iraq a 'final warning' and empowers UNMOVIC, the team of weapons inspectors headed by Hans Blix, to implement a very tough inspection regime. The fact that all members of the Security Council, including Syria, voted in favour was a strong message to Baghdad that continued defiance would, as the resolutions states, have "serious consequences".

At the same time, resolution 1441 does not solve, in a final manner, the question of whether the use of force would be legitimate. As is often the case in international diplomacy, it rests on a degree of calculated ambiguity. The US argues that any Iraqi refusal to comply with all UN demands would constitute another 'material breach' – which would pave the way for military action. However, nearly all other members of the Security Council argue that inspections should be given a chance and that it is for Hans Blix to decide whether Iraq is co-operating seriously or not. France, in particular, insists that only a further resolution could authorise the use of force.

At the time of writing (January 2003), Iraq was co-operating with UNMOVIC. Inspections were underway. On December 7th Iraq submitted its 'full, final and comprehensive' declaration on its WMD activities. The US government concluded that the Iraqi declaration was incomplete, and hence constituted a 'material breach' of resolution 1441. The line from Europe was slightly different – and surprisingly united. All European governments argued that the Iraqi declaration was seriously flawed. But they also said that this did not yet constitute a "material breach", which resolution 1441 defined as "deception plus obstruction".

The moment of truth may arrive in late January 2003, when Hans Blix will submit an interim report to the Security Council. The key question will be whether UNMOVIC has uncovered evidence of illegal WMD activities, and more specifically whether its findings contradict Iraq's claim that it has no WMD programmes whatsoever.

At this stage two scenarios present themselves. Blix could conclude that Iraq is working with UNMOVIC and that the inspectors have not (yet?) found any evidence of proscribed WMD projects. In this case, European governments should state that military action is not warranted and that further inspections are necessary. Alternatively, Blix could report that Iraq is not co-operating fully with UNMOVIC and/or that the inspectors have found evidence of WMD programmes in Iraq. In that case, European governments should be prepared to back military action to enforce disarmament.

It is critical for the EU's international credibility to ensure that when it makes the case for dealing with Iraq through the UN, it does so out of a genuine concern to uphold international law, not as a ploy to rule out war no matter what the circumstances. At the same time, the EU is wholly justified in telling the US that it will not back military action without the Security Council deciding, on the basis of UNMOVIC's reports, that Iraq is in breach of resolution 1441 and that it explicitly authorises the use of force.

The EU will find it exceedingly difficult to steer this middle course. Advocates and opponents of military action will bring enormous pressure to bear. But preserving the centrality of the UN process, while accepting that this might eventually lead to war, is the only viable and acceptable course of action.

Produce a coherent plan for a post-Saddam Iraq

Critics of a possible war against Iraq often point out that without a concrete and coherent plan for a successor regime, military action would be pointless and, perhaps, counter-productive. This is the 'day after' problem: assuming victory, what sort of government would replace Saddam? The short answer is: nobody really knows. Iraq has a highly educated population but there is no opposition inside the country that can easily form a new government. There are deep divisions between (and among) the Kurds in the North, the Shias in the South and the Sunnis in the centre of the country. By the same token, various opposition groups in exile – such as the Iraqi National Congress – lack the required cohesion and legitimacy.

Outsiders, and especially the US, will have to play a long-term role. But given the publicly-stated aversion of the Bush administration to 'nation building', will the US stay engaged and provide the required resources for post-conflict stabilisation and reconstruction? The choices America has made in Afghanistan – such as initially opposing an extension of the mandate of the international security force beyond Kabul, and then failing to stump up all the money it had promised to the Karzai government – do not instil confidence. US National Security Advisor Condaleezza Rice has said that this time the US will stay the course. But Europeans and Iraqis in exile are not so sure.

Many European policy-makers fear that America might perform a 'hit-and-run' operation. In this scenario, the US would do most of the fighting – and then hand over the difficult task of peacekeeping and reconstruction to a coalition led by the Europeans. There are

good reasons for America's reluctance to commit to the long process of rebuilding Iraq:

★ The task will be enormous compared to previous 'post-conflict reconstruction efforts' such as Cambodia or Bosnia – and even those have been only partial successes;

★ US troops could easily be seen by the Iraqis and the rest of the Muslim world as overstaying their welcome; and

★ This will be an expensive endeavour. Some analysts argue that the size of Iraqi oil reserves means that the reconstruction effort will be 'self-financing'. But many others have highlighted the costs, giving total sums ranging from $100 billion to $900 billion for a ten-year period.[7]

[7] *The American Academy of Arts and Sciences, 'War with Iraq: Costs, Consequences and Alternatives', December 2002.*

There is no doubt the US is taking the 'day after' problem seriously. There have been many leaked plans suggesting that Washington wants to put a military governor in charge of Iraq, buttressed by at least 20,000 troops for 12 months. Policy-makers frequently compare the Iraq question with US efforts after World War II in Germany and Japan. However, more recent history suggests that America's attention span is sometimes short and that, sooner than most Europeans would like, pressure will build up in the US for it to 'declare victory and go home'.

If they are not careful the Europeans will find themselves – yet again – in the unenviable position of 'doing the dishes' after the US 'does the cooking'. Since post-conflict reconstruction is often the more difficult and expensive task, the Europeans feel they always get the short end of the stick.

There are, on paper at least, three options available to the Europeans. First, they could acquire more high-end military capabilities. They would then become more useful military allies for

the US and, so the argument goes, have more influence in Washington when Americans decide their war strategy. This option is attractive but not relevant in the short term. European countries are committed to boosting their military capabilities, particularly in the areas of precision-guided munitions, transport and secure communications. But electorates across Europe are reluctant to increase defence spending, especially in the current economic climate. In any case, the timeframe for acquiring high-end military capabilities is years and decades, not months or weeks.

Second, Europe could, in theory, refuse to do the 'cleaning up' afterwards, or make only very modest contributions. American policy-makers privately admit that US thinking is partly based on the following expectation: the Europeans will grumble and complain, but in the end they will not only support a war against Saddam, but also take care of the peacekeeping and reconstruction. Yet European governments could say: "This is largely your war, America. We will play only a minor role in the post-conflict reconstruction". In reality, however, Iraq is too close and the maintenance of regional stability too important for Europe to stay out entirely.

The EU's only viable option is to develop its own plan for a post-Saddam Iraq, and try to get an agreement with the Americans on this. At the time of writing, however, few European officials were involved in any such post-conflict planning, at either the EU or member-state level. Planners in Brussels and some member-states have focused mainly on the humanitarian consequences of a war and on safeguarding the interests of European oil companies. So far there has been only minimal EU planning on Iraq's long-term political future.

EU diplomats argue that to start working on plans for a successor regime would mean that the Union had accepted that war was inevitable. They add that because so much is uncertain, any post-war planning has to wait. When asked, top Brussels officials say that they will "improvise".

However, Europe's interests dictate that officials should start drawing up plans for a successor regime immediately. Of course, such efforts would fall under the rubric of 'prudent contingency planning'. Any EU plans should be flexible and able to accommodate a wide range of possible scenarios. The key questions include: how would the population react to any US-led invasion? What would be the level of resistance? And what would be the role of the neighbouring states?

So what should a post-Saddam regime look like? Analysts and governments agree on the need to maintain the territorial integrity of Iraq, while simultaneously aiming for some sort of federal political system.[8] For example, it will be important to safeguard the *de facto* autonomy of the Kurds in northern Iraq. But it also makes sense to spread power away from the centre for another reason. Throughout the region there is a strong correlation between the amount of oil revenues that states possess and the extent of political repression by an omnipotent central government. So the West needs to ensure that new centres of power emerge in a post-war Iraq. It could achieve this, for instance, by breaking up the Iraqi national oil company and by giving a fixed percentage of oil revenues to the federal entities.

[8] *Kanan Makiya, 'After Saddam', Prospect, November 2002.*

The EU has a respectable, if far from perfect, track record in managing and assisting post-conflict transitions. It should draw on that experience to build a coherent strategy based on:

★ The security situation (peacekeeping force, reform of Iraqi army, plus training of the security and police forces);

★ Political transformation (interim government, new constitution, relations among ethnic groups, judicial reform, preparations of local and, eventually, national elections); and

★ Economic reconstruction (rebuilding of infrastructure, such as

the oil industry and schools/roads/hospitals, the introduction of a new currency and so on).

The EU should also draw up a trade promotion and debt forgiveness package. And it should make sure that key regional states, such as Iran, Turkey, Saudi Arabia and Syria, are all involved in shaping the new Iraq – without giving any of these states a chance to exert excessive influence or settle 'old scores'.

Any plans for the occupation of Iraq should draw the appropriate lessons from the Balkan and Afghanistan experiences. There the allies learned that a very modest security presence in the capital alone is not enough. From the start there will have to be a robust security force throughout the country: to maintain order, prevent reprisals and help distribute humanitarian aid. NATO could play an important role in providing the planning and operational control for such a peace support operation. There will probably be pressure from the Americans to move quite quickly to national elections. Certainly, elections are necessary to make Iraq a more open and democratic country. At the same time, experience in the Balkans also suggests that holding elections is not enough to bring lasting stability.

The effort to rebuild and help Iraq become a more democratic, economically successful country will be a Herculean task – even if the country is far more developed than Afghanistan and even if it has substantial oil reserves. Iraq will probably require external assistance for decades to come. Unless Europe develops its own ideas on the shape of post-conflict Iraq, US plans – good or bad – will form the blueprint of post-Saddam Iraq. If the Europeans want to move away from their their tendency to pursue a largely reactive foreign policy, they will have to come up with their own plans – and soon.

3 Israel-Palestine: how to promote a negotiated settlement

For its first three decades, the European integration process deliberately focused on economics. The first significant change to this posture of self-denial in foreign policy came, somewhat paradoxically, when the European Economic Community (EEC) established a common position on the most contentious and intractable international problem: the Israeli-Arab dispute.

The 1980 Venice Declaration set out the EEC's approach. Basing their position explicitly on the relevant Security Council resolutions, notably resolutions 242 and 338, the member-states called for a negotiated settlement based on the formula of 'land for peace'. The aim of such negotiations would be the establishment of two separate states, Israel and Palestine. The declaration highlighted Israel's right to exist inside "secure" and "internationally recognised and guaranteed borders". But it also called for a "just solution" to the Palestinian problem, underlining the right of the Palestinians to national self-determination. The policy declaration also stated that the EEC would "not accept any unilateral initiative designed to change the status of Jerusalem" and it maintained that "settlements, as well as modifications in population and property in the occupied Arab territories, are illegal under international law". The EEC also said that the PLO had to be involved in reaching a lasting solution.

However, the Israeli government denounced the Venice Declaration on the grounds that it called on Israel to negotiate with the PLO, which Israel, and the US for that matter, considered a terrorist organisation. Tel Aviv and Washington also opposed the declaration because it spelled out its own formula for resolving the

conflict, rather than just calling on the parties to resolve the issue amongst themselves.

More than 20 years on the EU's position is, fundamentally, still the same – and rightly so. In its numerous statements on the subject the EU has continuously made the case for a negotiated settlement which does justice to both sides' desire for security and self-determination. Most recently, at the Seville summit in June 2002, EU leaders reiterated that:

> A settlement can be achieved through negotiation, and only through negotiation. The objective is an end to the occupation and the early establishment of a democratic, viable, peaceful and sovereign State of Palestine, on the basis of the 1967 borders, if necessary with minor adjustments agreed by the parties. The end result should be two States living side by side within secure and recognised borders enjoying normal relations with their neighbours. In this context, a fair solution should be found to the complex issue of Jerusalem, and a just, viable and agreed solution to the problem of the Palestinian refugees.

EU leaders also called for the "early convening of an international conference…to find a political solution and establish a realistic and well-defined timescale". The belief that outside help is critical for promoting a peace agreement, and that the security situation will not improve without a political process, has been a constant in EU thinking.

It is difficult to say anything about the Israeli-Palestinian conflict without antagonising hardliners on either side. Many Israelis (and Americans) think that the EU has a strong pro-Arab bias. But the EU believes it is at least trying to be even-handed. For instance, the EU has for years been condemning "all terrorist attacks against Israeli civilians".

The elusive search for a peace accord – from Camp David, to Taba, to … ?

It is commonplace among Middle East watchers to say that while the situation on the ground is dire, "we all know what the eventual settlement will look like". It is true that during the Camp David peace talks in the summer of 2000 the parties came tantalisingly close to an agreement. Policy-makers often refer to this Camp David near-accord as evidence that the Israel-Palestine question could be solved – even if such a solution seems unattainable today.

So what did the parties agree on then – and why did the talks fail eventually? The settlement that the then-Prime Minister Ehud Barak put forward certainly seemed better than any other previous Israeli offer. The conventional interpretation is that Barak's offer consisted of three parts:

- ★ An end to Israeli occupation and a Palestinian state on 92 percent of the West Bank, plus 100 percent of the Gaza strip.
- ★ 'Municipal control' by Palestinians of some areas of East Jerusalem, even if Jerusalem as a whole would remain 'undivided' and under Israeli sovereignty;
- ★ A solution to the 'right of return' which would not destroy the Jewish character of Israel. Most Palestinian refugees would have to settle in Palestine, not Israel. But they would also get financial compensation from an international fund.

However, some analysts, including an American present at the Camp David, have questioned whether the deal was really as attractive as Israelis and Americans have since portrayed. They argue that the proposed security provisions were so onerous that the Palestinians would not really achieve their aim of independent statehood.[9] Moreover, the Israeli offer on Jerusalem, as much a red line for the Palestinians as

[9] *Hussein Agha and Robert Malley, 'Camp David: the tragedy of errors', The New York Review of Books, August 9th 2001.*

for Israelis, fell well short of Palestinian claims to sovereignty over the eastern part of the city.

In any event, Yasser Arafat rejected the offer – and ever since he has been stuck with the damning label of being a man "who never misses an opportunity to miss an opportunity". Rapidly rising political tension and acts of violence followed the failure of the Camp David talks, culminating in Ariel Sharon's controversial visit to the Temple Mount. The ensuing Palestinian protests turned into the 'second intifada'.

Despite, or perhaps because of, rising levels of violence, further negotiations took place in the Egyptian town of Taba in January 2001. While the Israelis, prodded by President Clinton, improved their proposal, the talks failed again. The Palestinians claimed that this 'final offer' did not satisfy their minimum requirements, particularly with respect to East Jerusalem. They also stressed the dangers of signing up to what they saw as an imperfect deal with an Israeli prime minister who, according to the polls, was about to be thrown out of office. Indeed, a week after the Taba talks ended Ariel Sharon took over as prime minister.

In terms of the Middle East peace process, Taba is important for two reasons. First, as the last occasion that meaningful negotiations took place, Taba will serve as a reference point for any future talks. Second, Taba was the first time Javier Solana succeeded in playing an influential role on behalf of the EU. At the request of the Egyptian hosts – and to the great annoyance of the French government which then held the rotating presidency – Solana was invited as the EU's representative. In other words, Taba established Solana as a player, and it was the prelude to his better-known successes in Macedonia and Serbia-Montenegro.

Recent political trends

Throughout 2001 and 2002, the situation on the ground deteriorated steadily. On the Palestinian side, moderate and secular forces have been in retreat while Islamic groups have been in the ascendancy. Many Palestinians have become increasingly vocal in their criticisms of the Arafat-led Palestinian Authority (PA). Islamist organisations have steadily eroded the appeal of the secular Palestinian leadership by delivering social and educational services. Meanwhile, violent groups have adopted a more sinister and destructive strategy. Each time there is a slim chance that peace talks might resume, groups like Islamic Jihad or Hamas launch yet another suicide bombing that kills off hope.

Arafat has played his bad cards poorly. He knows that the Israelis will not lift their siege of the West Bank and Gaza while suicide attacks are taking place. After every attack, Arafat duly puts out a statement condemning it and promising a further crackdown. But it is becoming increasingly clear that Arafat has lost influence over most militant groups, even over the al-Aqsa Martyr Brigade, which is linked to Arafat's Fatah organisation. In that sense, Israel's claim that Arafat is 'irrelevant' has become a self-fulfilling prophecy.

In Palestinian eyes, meanwhile, Arafat is also fast losing credibility – because he has not delivered a Palestinian state, nor stamped out corruption and mismanagement in the PA. Some Palestinians accuse him of doing the Israelis' bidding with his constant anti-terrorist crackdowns – which the Israelis dismiss as ineffective. Many Palestinians are thinking of ways to reduce Arafat's role in Palestinian political life. A likely scenario would see Arafat playing a 'ceremonial' role, while real power shifts to a new generation of leaders.

On the Israeli side, Sharon has gone out of his way to destroy whatever small elements of statehood, and dignity, the Palestinians possessed. Under Sharon, all the policies that Palestinians object to most – the constant army incursions, the land seizures, the expansion of settlements, the barriers to the movement of workers,

the closures of whole towns, and the destruction of houses and olive trees – have continued and reached unprecedented heights. At the same time, Sharon has not managed to stop the suicide attacks. Superficially, Sharon's policy that negotiations can only resume after two weeks of non-violence makes sense. Who would want to negotiate under such pressures? But unfortunately this policy has handed a veto to extremist groups who do not hesitate to use it, as Javier Solana has pointed out.

Moreover, there are credible reports that Israel has chosen to enact so-called 'targeted assassinations' of Palestinian militants – which are themselves illegal – at crucial moments, sometimes timed to have devastating effects. For instance, in the summer of 2002, just when EU-led talks among various Palestinian factions, including Hamas, were tantalisingly close to a general ceasefire agreement, Israel chose to kill a senior Hamas leader, Salah Shehada, plus a dozen others.[10] The senior British intelligence officer who had been brokering the talks was very angry at the timing of the Israeli strike. Entirely predictably, the near-ceasefire never took effect.

[10] The Guardian, September 3rd 2002, see also International Herald Tribune, July 24th 2002.

The EU's role: promoting a peace agreement

So what is the EU doing in the region? On the political side, the EU has in recent years gained some influence in the MEPP, even if its efforts do not get the news coverage they deserve. Javier Solana, Chris Patten, and EU foreign ministers, have all had countless meetings with the main parties. And their message has remained remarkably constant throughout. All European leaders stress they want both sides to end the violence; implement existing agreements; and resume talks for a final settlement.

Nonetheless, adopting a common position is not the same as having influence. Critics are right to question whether there is any evidence that EU action has forced either Israelis or Palestinians to do

anything they had not already wanted to do. But the same question applies to the US, which has an equally unimpressive track record in pushing the parties to implement certain measures, or abstain from taking others. At least the EU is progressing in its efforts to become more involved in the diplomatic game.

Solana has made the MEPP, together with the Balkans, one of his top priorities. His role at Taba and in drawing up the Mitchell Report, which analysed the reasons for the start of the second intifada and identified the necessary confidence-building measures, have helped to increase the EU's influence. Previously, the Israelis were wary, if not outright opposed, to any European involvement in the diplomatic sphere. And while not all Israelis are big fans of Solana, they know that he matters – not least because the Americans like and value working with him.

As well as conducting talks and putting out declarations, the EU has, through its Common Foreign and Security Policy (CFSP), also produced some joint actions.[11] The EU has set up an extensive training programme for Palestinian policemen and security forces, to help the Palestinian Authority fight terrorism. In November 1996, the Union appointed Miguel Moratinos as Special Envoy for the Peace Process. He is working closely with Solana as well as EU foreign ministers and the Israeli and Palestinian leaders. Moratinos has helped negotiate some useful local cease-fires. And together with Solana he brokered the agreement on the release of the Palestinians holed up in the Church of the Nativity in Bethlehem in April 2002.

[11] Joint actions are legally binding decisions with a concrete foreign policy objective and operational consequences, backed by EU funding and managed by the European Commission.

The European Commission is playing its part too. It is trying to shore up the peace process, not least through the far-reaching financial and technical assistance it gives to the Palestinians. The various EU programmes add up to roughly €250 million a year. Together with the member-states, the EU finances more than 50 per

cent of total aid to the Palestinians. The EU argues, with reason, that this assistance eases the humanitarian crisis – 40 per cent of Palestinians are unemployed and 80 per cent live on less than $2 a day. The EU aims to increase support for more moderate forces, by alleviating the growing poverty and widespread alienation among Palestinians. Moreover, the Commission has been intimately involved in the reform process of the Palestinian Authority. For example, the Commission has successfully pushed for better standards of financial accountability, by making sure that all aid flows through a single account, supervised by the IMF. The Commission has also undertaken preparations to help with the organisation of elections in Palestine, should they take place as planned in 2003.

For Israel, too, the EU has grown in importance. Europe is by far the country's largest export market, taking 43 per cent of its exports in 2001. The EU has established a high-level political dialogue with Israel and it has specific programmes for co-operation on everything from e-commerce and financial services to tourism. Unusually for a non-European country, Israel is also allowed to take part in various EU scientific research programmes.

The EU has negotiated association agreements with both Israel and the Palestinians that offer them access to Europe's single market on preferential terms. In sum, the EU has built up a relatively strong diplomatic and economic presence in the region. It should now learn to use these levers of influence in support of its diplomatic efforts.

Push the Quartet to kick-start political negotiations

In 2002 the EU became a part of the 'Quartet', along with the US, the UN and Russia, which aims to push forward the long-stagnant peace process. It is no exaggeration to claim that the EU is the Quartet's most active member. For many in the US, renewing political negotiations between Israelis and Palestinians, while

desirable, is not a priority. Of course there are different views within the administration: the State Department is pro-MEPP and closer to the European position, but the Pentagon and the White House mostly argue that further reforms of the PA, and particularly a further crackdown on Islamic militants, must precede peace talks. Off the record, senior US officials admit that the administration believes it can 'park' Israel-Palestine while it prepares, and probably wages, a war against Iraq. A peace accord between Israelis and Palestinians, they add, is a typical 'second term' challenge.

Europeans are in more of a hurry. They argue that reform of the PA and political negotiations should take place simultaneously – to maximise the chances of both bearing fruit. They add that to counter widespread feelings throughout the Middle East that the West is biased and fond of upholding 'double standards', a big push on Israel-Palestine is necessary, especially if the US goes to war against Iraq. President Bush himself stated in his UN address on 12th September 2002 that all UN Security Council resolutions need to be enforced. Why, the supporters of the Palestinians ask, is the West so tough on Iraqi non-compliance and so indulgent with Israeli non-compliance? It is true that the Security Council passed its resolutions on Iraq under chapter seven of the UN Charter – which deals with "threat to the peace and acts of aggression" – while those relating to the Israel-Arab conflict fall under chapter six, which relates to "pacific settlement of disputes". But this does not mean that resolutions 242 and 338 are any less binding – legally or politically – than resolutions 687 and 1441.

European public opinion, sensitive to the plight of the Palestinians, is another important factor behind the Europeans' greater sense of urgency. The passage in Tony Blair's speech at the Labour Party Conference in 2002 which received by far the loudest applause was that which recognised the political link between Iraq and Israel-Palestine:

> And yes what is happening in the Middle East now is ugly and wrong. The Palestinians living in increasingly abject conditions, humiliated and hopeless; Israeli civilians brutally murdered. I agree UN resolutions should apply here as much as to Iraq… There is only one answer. By this year's end, we must have revived final status negotiations and they must have explicitly as their aims: an Israeli state free from terror, recognised by the Arab world and a viable Palestinian state based on the boundaries of 1967.[12]

[12] Speech by Tony Blair, Labour Party conference, Blackpool, October 1st 2002.

In his June 2002 speech President Bush had repeated his support, in principle, for a Palestinian state.[13] But he mainly emphasised the need for an end to violence and reform of the PA before peace talks could start. In other words, he was specific about what the Palestinians needed to do, but rather vague about what – and particularly when – they might get something in return.

[13] Speech by President Bush, Rose Garden, June 24th 2002.

The Europeans who listened to that speech noted that it lacked a key ingredient: a roadmap spelling out when both sides would take specific, reciprocal steps. The clear lesson of conflict resolution in places like Northern Ireland or Sri Lanka, they said, is that there is a need to mix a long-term vision with short and medium-term steps on how to get there. Throughout the summer of 2002, people around Solana and in various capitals, particularly Berlin and Copenhagen, worked hard on just such a roadmap with pre-agreed, choreographed steps that would indicate how the parties could get from the present situation to final status talks. Javier Solana has remarked that in the MEPP we all know what 'A' and 'Z' look like, in the sense that most outsiders agree on both the existing problem and the contours of the final settlement, but that no one could tell how to get from 'A' to 'B'.

The other Quartet partners accepted this EU roadmap, with some minor modifications, in September 2002. It is essentially a three-phase plan for the negotiated establishment of a Palestinian state by

2005, with tough security guarantees for Israel. The Quartet agreed that progress between the three phases would be strictly based on the parties' compliance with specific benchmarks.

Israel and the US wanted to make sure that promised reforms of the PA, and especially its security apparatus, would take place. That is why the Quartet has created an International Task Force aimed at monitoring the implementation of Palestinian civil reforms. The Task Force has met three times in the autumn of 2002. It declared itself satisfied with the rate of progress on the Palestinian reform process, taking into account the dire security and humanitarian situations.[14]

[14] Statement by the Task Force on Palestinian Reform, November 15th 2002.

The first phase of the Quartet's plan, which should run until the first half of 2003, includes comprehensive security reform in the PA; Israeli withdrawals to their positions of September 28, 2000; and support for the Palestinians' holding free, fair and credible elections early in 2003.

In the plan's second phase (for the second half of 2003), efforts should focus on the creation of a Palestinian state with provisional borders based upon a new constitution. In its final phase (2004-5), the plan envisages Israeli-Palestinian negotiations aimed at a permanent status solution in 2005.

The EU should now put maximum pressure on others, particularly the US government, to move forward with this roadmap. The US decision in December 2002 to agree to Israeli requests to delay, yet again, the publication of the road map was regrettable, particularly since it was accompanied by US pressure to make the roadmap more favourable to the Israelis. But not all is lost. In concrete terms, the EU should continue to push the US to agree to publish the roadmap immediately after the Israeli elections. The EU should also call for the convening of an international conference, attended by Israeli and Palestinian ministers and leaders, as well as senior

members of the Quartet, by April 2003. A new Israeli government will then be in place – and military action in Iraq, if it comes to that, may be over. This might present international leaders with a chance to make decisive progress in the MEPP.

In their discussions with the Americans, the Europeans should not be afraid to make the political link between their support for robust action against Iraq and the need for an even-handed and active US role in Israel-Palestine. It was right for the EU to support UNSC resolution 1441 against Iraq, with its deadlines and the tough inspections regime. By the same token it is right for others to expect the US to use all its influence to promote a negotiated settlement in the Middle East, as demanded by the equally binding UNSC resolutions 242 and 338.

Policing a settlement?

One particular topic for further discussions between Europeans and Americans is whether they could agree to form a peacekeeping force. Assuming that the Quartet can push the parties towards a final settlement, who would ensure its implementation?

Increasingly, analysts on both sides of the Atlantic are suggesting that American and European troops could perform that task. Privately, senior officials in the British Ministry of Defence are also talking about the need to send a US-European peacekeeping force. Thomas Friedman, the well-informed New York Times columnist, has for over a year been arguing that NATO peacekeepers should take over the occupied territories after an Israeli withdrawal. "The collapse of the Oslo peace process, and the subsequent violence has made an Israeli-Palestinian deal more necessary but less possible", Friedman argued. "The mutual trust needed for a self-sustaining peace is gone. The only way out is for a trusted third party to take over the territories…the only viable third party is a US-led NATO force". [15]

[15] *The New York Times, December 11th 2002.*

Friedman urged the Bush administration to support a NATO operation: "The Bush team can either get ahead of this idea and shape it, or it can be dragged into it because of a total breakdown between Israelis and Palestinians during or after an Iraq war. But it's coming because it's the only way out." Friedman ended with a message for the Europeans: "And by the way, all you Europeans in NATO who favour a Palestinian state – here is a chance to put your sons where your heart is."

Friedman is right. Constant European pleas for greater US involvement to kick-start negotiations are justified. But such arguments might carry greater weight if European governments showed that they were prepared to support a settlement, not just with extra money, but also with European troops for a NATO-led peacekeeping force.

It is difficult to foresee such an international force operating in the West Bank and Gaza in present circumstances. But across Europe, and also in the US, defence planners and political analysts are 'thinking the unthinkable'. Martin Indyk, a senior analyst at the Brookings Institution in Washington, has proposed an international trusteeship that would prepare the Palestinians for statehood under international supervision.[16] Such a trusteeship would have to include a robust security component, and hence an international military presence. NATO seems likely to play a significant role in organising a post-Saddam peacekeeping force in Iraq. Why could it not do the same in Israel-Palestine?

[16] *The Washington Post, June 29th 2002.*

The EU's role: stay united and use all tools to support moderates

European policy-makers are convinced of the need for US engagement, to ensure progress on resolving the Israel-Palestine problem. However, member-states are divided over whether the EU should pursue a separate strategy from the Americans, given US reluctance to help force the parties back to the negotiating

table. In the Council of Ministers there are frequent calls from some member-states, usually led by France and supported by Spain, Greece and others, for the EU to draw its conclusions from America's stance on Israel-Palestine. These countries make the case for a more audacious, distinctly European approach.

For instance, in the first half of 2002 former French foreign minister Hubert Védrine pushed the idea of organising Palestinian elections under international supervision. Védrine hoped that this would put pressure on Israel to end its re-occupation of Palestinian towns. And it would convince the Palestinians that the state-building process could be revived. In any case, Védrine said, Palestinians should have the opportunity to express their views in other ways than blowing themselves up as suicide bombers.

But a coalition of countries with more pro-Israeli (and pro-US) leanings, such as the Netherlands, Denmark, the UK and Germany, resisted Védrine's plans. They argued that any diplomatic initiative which did not have explicit US backing would be stillborn – because the Israelis would reject it, and be able to do so without serious consequences. These same countries made roughly the same point when, in December 2002, the US decided to postpone, yet again, the publication of the Quartet's roadmap. But other countries, reacted to the US decision with open talk of the need to push for a European peace plan.

The desire of some member-states to pursue a separate path from the US is fully understandable. But it is unlikely to produce a diplomatic breakthrough – because such a course would split the EU and alienate the US and thus also Israel. Unless European governments are prepared to recognise a Palestinian state before the US does – which they are not – the first objective for the EU should be to stay united, and the second should be for the US and Europe to push together for a peace deal.

At the same time, the EU and the member-states should be more active in using all the tools at their disposal to help restart the peace

process. While the US is indispensable to any peace talks, the EU does not need to wait for Washington to decide how it wants to spend its money.

To be successful, the EU's efforts need to be balanced in two respects, between Israelis and Palestinians, and between incentives and coercive measures. With Israel, the EU is right to say that extra-judicial killings and the constant expansion of settlements need to stop. Commissioner Patten and others have correctly pointed out that using F-16s and helicopter gunships in the occupied territories will do nothing to give Israel the security it craves. The EU should give more financial support to those voices in Israel, such as Shalom Ahsav and other human rights groups, that make this same point. One of the worrying trends of the past two years has been the decline of the liberal, secular camp inside Israel. The EU needs to support those Israeli groups that, even in difficult circumstances, continue to make the case for a negotiated settlement.

But the EU should also reflect on why so many centrist Israelis distrust its motives and actions. Even many Israelis who recognise the need for an eventual Palestinian state are very suspicious of European calls for that same objective, and often claim that Europe is insensitive to their plight. Ari Shavit, a leading columnist for the Ha'aretz newspaper, has described the sense of "strategic loneliness" which many Israelis feel.[17] Shavit has added that while many Israelis think that only the US takes their security concerns seriously, it is also true that in cultural or political terms they feel much closer to Europe than the US.

[17] *Ari Shavit made this point at a conference organised by the Bertelsmann foundation, Brussels, September 2002.*

The EU needs to improve its image with the constituency in Israel that shares its basic objectives. The EU could do so by spelling out how it would upgrade its partnership with Israel after Tel Aviv had reached a settlement with the Palestinians. Israel already has significant trade privileges. But there is ample scope for a deepening of political and other ties, for instance by having closer co-operation

on transport or competition policy, or in the fight against organised crime. The basic idea behind such seemingly 'technical' proposals is to give Israelis the sense that they can participate in the broader European integration process. The EU could help to reinvigorate that section of Israeli public opinion that is pro-peace, but has become demoralised and marginalised, by raising the prospects of stronger links with Europe.

In foreign policy – as in personal relations – incentives and rewards tend to be more effective than punishments and coercion, certainly in the longer-term. Nonetheless, the EU should also be prepared to use some sticks with Israel. It should make clear that certain types of Israeli behaviour carry a cost. For instance, if the Europeans are serious about their claim that Israeli settlements in the occupied territories – the West Bank, Gaza, the Golan Heights and East Jerusalem – are illegal and an obstacle to peace, they should accept the consequences. This means that exports from these settlements should neither bear the label 'Made in Israel', nor enter the EU market on the preferential terms offered to Israel in the association agreement. Chris Patten deserves full support in his attempt to make this clear to the Israelis. It is true that the sums involved are small. But since settlements are a touchstone issue, the EU needs to stick to a firm line.

The EU should also stress that on-going Israeli closures of Palestinian towns and the obstruction of Palestinian exports to the EU are unacceptable. The same is true of the Israeli refusal to transfer all import duties and tax receipts it collects on behalf of the PA. These Israeli moves only heighten the sense of alienation among the Palestinians – and thus increase the support for violent groups. They also undermine EU efforts to reduce the levels of despair. Some international donors, including European ones, are starting to argue that they are in effect financing Israel's occupation.[18]

[18] *Financial Times, December 12th 2002.*

The EU should adopt a similar mixture of incentives and coercive measures with the Palestinians. For example, the

EU should continue to support Palestinian leaders such as Hanan Ashrawi and Sari Nuseibeh, who have condemned suicide bombings as morally unacceptable and counter-productive. Similarly, the Europeans should offer funding for road-building – for example by linking East Jerusalem with the West Bank – to help ensure a viable, contiguous Palestinian state. In the past few years Israel has built many so-called 'settler roads' in the occupied territories, which Palestinians are not allowed to use. These roads make it very difficult for Palestinians to reach other villages or to access their farmland.

However, EU financial aid to the Palestinians has too often come without any strings attached. It may be true that Bush's demands in his June 2002 speech were excessive. Palestinian reforms are hard to implement in the context of the current occupation. In particular, it remains difficult for the US and Israel to insist on a complete halt to all attacks after Israel has destroyed so much of the Palestinians' security apparatus.

Nonetheless, further reform of the PA is needed. A corrupt and authoritarian PA is not what the Palestinians want or deserve. Nor is it a credible partner for peace to the Israelis. So the EU should not hesitate to use its extensive aid to the PA to demand tangible progress on standards of democracy and 'good governance'. So far, Yasser Arafat has exercised an unhealthy control over the PA. The EU is right to work more closely with the new finance minister, Salaam Fayad, who has brought greater transparency to the PA's finances. Moreover, the EU could strengthen the powers of the Palestinian Legislative Council, the Palestinians' embryonic parliament, by insisting that it should have the ultimate say over the distribution of European donations. The EU should also do more to support those Palestinians who strive for a clearly defined constitution.

Too much of the EU's money goes to general budgetary support for the PA. The EU should target its financial assistance better. In particular, the EU should expand its training programmes to raise

the standards of the Palestinian security forces. Both Israelis and Palestinians would benefit. The EU should also devote more resources to training for lawyers, especially those dealing with the defence of human rights. And it could provide more support for independent media and educational projects.

The EU already supports various NGOs. But the sums involved are tiny. To illustrate, between 1993 and 1999 the EU spent more than €250 million on various infrastructure projects (waste collection, sanitation, building Gaza airport and so on), while it only spent €7.3 million on promoting democracy and civil society.[19]

[19] *www.delbg.cec.eu.int/en/partnership/projectlist.html*

Any effort to promote a peace settlement between Israelis and Palestinians is bound to be fraught with difficulties. The US has found out repeatedly that trying to broker an agreement is often a thankless task. But it is also an urgent necessity – because of the rising tensions across the region and the prospect of a major military conflict with Iraq.

While there are a lot of reasons to be pessimistic about the prospect of a settlement, there is also some limited scope for cautious optimism. After two years of intifada, which has not brought the Palestinians any closer to a Palestinian state, they may be ready to make the necessary concessions. The same could be true for the Israelis. Two years of Sharon's 'iron fist' has not given them the security they yearn for. Internationally, the aftermath of an Iraqi war could create a unique window of opportunity to strive for a peace settlement. If serious peace talks get underway, the EU should be ready to play a significant role.

In the meantime, there is much that the EU could do on its own. The suggestions in this chapter, if implemented, would support the EU's overall diplomatic strategy. Both Israelis and Palestinians would doubtless object to some of these steps. But the EU should have the courage of its convictions. The principles underpinning the EU's

approach to the Middle East are sound. The challenge ahead is to put words into action.

4 Tackling poor governance in the Arab world

Until the events of September 11th 2001, the main concern of US policy in the Middle East was the threat of Iraq's Saddam Hussein. The EU, however, focused largely on Israel-Palestine. Now a new issue is reaching the top of policy-makers' agendas: the 'crisis of governance' afflicting most countries in the region. There is a growing sense that 'Arab state failure' is not just a political or socio-economic problem, but also the source of many security threats. At the same time, neither US nor European policy-makers have a clear idea of how to promote higher standards of governance, more respect for political pluralism and greater religious tolerance.

From North Africa to Central Asia a band of countries is, in essence, failing to meet the challenges of modernisation and globalisation. Of course, circumstances vary enormously from country to country. Turkey is clearly far ahead of most other countries – perhaps because it never found oil. There has also been some hard-fought progress towards more inclusive and accountable political systems in countries such as Bahrain, Qatar and Iran. The satellite TV station al-Jazeera has highlighted these differences and increased the pressure on laggard countries such as Saudi Arabia to follow suit. Nonetheless, nearly all countries in the region are suffering from sclerotic and oppressive political systems, widespread human rights violations, arbitrary legal systems, endemic corruption, rising demographic imbalances and economic stagnation.

In a thought-provoking article, 'The New Transatlantic Project', Ron Asmus and Ken Pollack, two senior US analysts, discussed what they describe as "the key strategic challenge facing the US and

Europe".[20] They summarise it as "the toxic brew of radical anti-Western ideologies, terrorism, rogue states, failed states, and the drive to acquire weapons of mass destruction across the region from North Africa to Pakistan". It is perhaps typical for Americans like Asmus and Pollack to leave out Israel-Palestine from their list. Nonetheless, they are right to claim that the region's woes go far beyond America's fixation with Iraq, or Europe's preoccupation with Israel-Palestine. Asmus and Pollack describe the underlying problem as follows:

[20] Ronald Asmus and Kenneth Pollack, 'The New Transatlantic Project', Policy Review, October-November 2002.

> While most of the world marches into the twenty-first century, the Greater Middle East clings to the fourteenth. Its regimes are increasingly out of step with its people. Its economies, even those buttressed by massive oil wealth, fail to provide prosperity or even dignity to its people. Its educational systems produce masses of literate but maleducated young people whom the floundering social safety net can no longer support, leaving them ripe for exploitation by the purveyors of hate and terror. Meanwhile, a new wave of modern communications has awakened the region to its own comparative backwardness and given voice to hatemongers seeking to blame that backwardness on the plots of the West.

How can the EU and the US respond to these problems? There is no quick-fix solution. It requires a long-term campaign to transform the political and economic systems of the region. Since September 11th political leaders have stressed that a military campaign alone will not be enough to tackle the problem of terrorism. American politicians concede that even if the US killed Osama bin Laden and dismantled the al-Qaeda network, it would still not have won its war on terror. One could add that while the US is perfectly able to topple Saddam Hussein, his demise would not solve the problem of WMD falling into hostile hands. Unless the West makes a stronger commitment to transforming the political dynamics of the region, it may waste its energies on treating symptoms not causes. Then the names of the

rogue states, failed states and terrorist groups may change, but not the underlying problem of widespread anti-Western sentiment in the region.

Interestingly, not only Western analysts and policy-makers are concerned about the 'crisis of governance'. Experts from the region are sometimes even more critical in their assessment, even if they are less concerned with the consequences for security policy. For instance, a recent UN Development Programme (UNDP) report argued that large sections of the Arab world are suffering from poor economic growth because of bad governance and a basic lack of freedom.[21] Crucially, Arab experts and intellectuals wrote this damning indictment, not IMF bankers or other Western specialists. Using the pertinent phrase that the Arab world is "richer than it is developed", the report presented some hard-hitting conclusions:

[21] Arab Development Report, UNDP, May 2002.

★ In the past 20 years, the 22 members of the Arab League have had the lowest growth in income per head in the world, outside sub-Saharan Africa. Productivity levels are declining, while unemployment is on average 15 per cent.

★ Demographic trends make this situation worse: youth unemployment is rising and reaches 40 per cent in some countries. Nearly half of young Arabs want to emigrate.

★ Women are severely marginalised in Arab political systems, and broadly discriminated against by both law and custom. More than half of Arab women are illiterate.

★ Access to technology is poor: only 0.6 per cent of the population uses the internet and only 1.2 per cent owns a PC.

★ On average only 330 books are translated annually into Arabic. More worryingly, the cumulative total of books translated into Arabic since the 9th century is about 100,000 titles, almost the

same number of foreign language books translated into Spanish every year.

The report stressed that "although income poverty is low compared to other parts of the world, the Arab region is hobbled by a different kind of poverty – poverty of capabilities and poverty of opportunities. These have their roots in three deficits: freedom, women's empowerment and knowledge. Growth alone will neither bridge these gaps nor set the region on the road to sustainable development."

Arab politicians and officials often stress that Israel's occupation of Palestinian land is the most pervasive obstacle to security and progress in the region. Of course the occupation casts a pall over the political and economic life of the region, and has shifted public investment into military spending. But conservative political forces have also used the Israeli-Palestinian conflict as an excuse for holding back on political reforms.

The importance of the report is that it challenged the traditional approach of Western governments and multilateral institutions to economic development. Too often in the past, the West has stressed structural economic reforms while largely ignoring the underlying political and social shortcomings of Arab countries, and, particularly the impact of autocratic systems on development. Frequently, short-term calculations have driven Western governments to support 'moderate' Arab regimes, since these presented themselves as bulwarks against radical Islam. But in many cases this strategy has had pretty disastrous results: a growing economic malaise, more support for political extremist groups (including Islamic fundamentalist ones) and greater migration pressures.

The conclusion is clear: the Arab world needs more open, more pluralistic political systems. This would not only benefit the inhabitants of the region, but also Europe and the US. Richard

Haass, Head of Policy Planning at the State Department, has described the rationale for promoting greater democracy in the Arab world as follows:

> Countries plagued by economic stagnation and lack of opportunity, closed political systems and burgeoning populations fuel the alienation of their citizens. As we have learned the hard way, such societies can be breeding grounds for extremists and terrorists who target America for supporting the regimes under which they live… America's rationale in promoting democratisation in the Muslim world is both altruistic and self-interested. Greater democracy in Muslim majority countries is good for the people who live there. But it is also good for America.[22]

[22] *International Herald Tribune, December 11th 2002.*

It is of course easier to advocate a democracy-oriented policy than to frame or implement one. But the EU and the US should at least start with the following core measures:

★ Sustained, high-level pressure on Arab states to respect political and civil rights and to create a genuine pluralistic political system;

★ Pressure to carry out institutional, legal and constitutional changes; and

★ Increased aid to NGOs and a broad range of civil society activists, including moderate Islamists.

It is important that the West makes a realistic case for greater democracy. The region's transition to more pluralism and better governance will be painful and complex. It will surely clash with other policy objectives as Phil Gordon, a senior US analyst, has pointed out:

> Bringing democracy to artificial, ethnically heterogeneous and economically underdeveloped countries would be an enormous challenge under any circumstances. But to do so when at the same time we need the co-operation of their repressive regimes to share intelligence, turn over terrorists, crack down on funding for Islamic groups, and lend us their territory for military deployments or even the invasion of neighbouring countries may prove impossible. It will also be hard – indeed it would be risky – to try to change the nature of the regime in a place like Saudi Arabia, so long as we remain extremely dependent on them to stabilise the world oil market, as we are likely to be for a very long time.[23]

[23] *Phil Gordon, 'Bush's Middle East Vision', manuscript, December 2002.*

Old school diplomats, particularly in Europe, are often keen to emphasise that a sudden introduction of democracy in Arab countries could easily lead to virulently anti-Western forces winning elections. This happened in Algeria in 1992, when the Islamic GIA was poised to take power, before the second round of the elections was cancelled.

But at the same time, few can claim that the status quo in the region is either sustainable or attractive. Opponents of promoting more democracy – on the grounds that people in the region 'are not ready' or because 'it will let in the Islamic fundamentalists' – sometimes sound like defeatists. They should explain what is so good about allowing political repression, economic stagnation and a concomitant rise in anti-Western sentiment to continue. Of course, full-scale democratisation will not take place overnight – nor does it have to. But progress in the direction of greater accountability is highly desirable and possible. It is important that European and American leaders signal to people across the region that from now on they will attach a much greater priority to tackling poor governance and human rights violations.

Obviously, if people in the region perceive Western strategy as an attempt to 'impose democracy', it is bound to fail. Therefore,

Western governments should listen more to what reformers in the region advise. They should give reform-minded politicians in countries like Jordan, Egypt or Dubai technical and political support, for example by making sure that visiting ministers meet both government officials and opposition leaders. Also, Western governments must tailor their strategies more specifically to the particular circumstances of individual countries. Methods that may work in one country could easily backfire in another.

Equally, the West needs more persistence. In the past, Western efforts to encourage political reforms have all too often been erratic and incomplete. Other interests, such as securing a steady flow of oil, winning arms export contracts or establishing military bases have too often taken priority. That attitude should change. The US, more than Europe, now seems to recognise that the encouragement of gradual democratic transformation is not a bolt-on extra. America's political class is ahead of Europe's in having identified the need to tackle the democracy deficit in the greater Middle East – even if this realisation has not yet led to a coherent, new strategy.

But critics of America are right to question whether its leaders are really willing to let their aim of promoting democracy override objectives such as gaining co-operation in the anti-terrorist campaign or support for a war against Iraq. It is also doubtful whether Washington will put in the necessary financial resources. At present the US spends pitiful sums of money on overseas assistance – certainly when compared to Europe. And the money the US has set aside for democracy promotion projects in the Middle East is a puny $29 million per year.

Moreover, the US has a massive image problem in the Middle East. Many in the region distrust America's motives and sincerity, seeing its emphasis on democracy as a smokescreen for its plans to attack Iraq. Europe, which has a half decent record in helping countries through painful transitions, evokes more trust.

What is the EU doing?

The EU has an elaborate framework for its relationship with the Southern Mediterranean. In the 1970s, the then EEC developed the 'Euro-Arab' dialogue. But Turkey and Israel were not involved, which made the effort incomplete. In 1995, the EU launched the 'Euro-Mediterranean partnership', also know as the Barcelona process. It brings together EU member-states and 12 countries from North Africa and the Middle East (Morocco, Algeria, Tunisia; Egypt, Israel, Jordan, the Palestinian Authority, Lebanon, Syria; Turkey, Cyprus and Malta; Libya currently has observer status). It is a unique forum: the only multilateral framework, other than the UN, where all the region's players meet.

The Euro-Mediterranean partnership has focused on trade and aid. On the trade side, the objective is the creation of a free trade area by 2010 – but progress has been painfully slow. The southern EU member-states are reluctant for the Union to open its markets to agricultural exports from the region. Even so, the existing trade relationship is significant: in 2001, 6.3 per cent of total EU imports came from the region, while 9.3 per cent of EU exports went there.

MEDA is the name of the financial arm of the partnership. Its stated aim is to offer "technical and financial support to accompany the reform of economic and social structures in the Mediterranean partners". The sums involved are impressive. For the period 1995-1999 MEDA provided more than €3.5 billion in assistance. For the period 2000-2006 the MEDA budget increased to €5.3 billion.

However, the overwhelming emphasis is on a traditional approach to development assistance:

★ 15 per cent of all money goes to support for core economic stabilisation measures;

★ 30 per cent goes to support economic transition and private sector development;

★ 41 per cent goes to classic development projects (mainly education, health, the environment and rural development); and

★ 12 per cent is spent on regional projects.

What can the EU do better?

Improve MEDA efficiency and spend more money on democracy aid

By common account, the Barcelona process has not been a great success. Commission President Romano Prodi has admitted it "has not yielded all the results we had hoped for".[24] That was probably an understatement.

While the Commission is the lead player on the EU side, it is not only the Commission that is to blame. Political factors over which the Commission has little influence, such as the Israeli-Palestinian crisis, have taken their toll. Moreover, the Commission has been trying to improve the way in which it manages its aid and technical assistance programmes. In November 2000, the Council of Ministers approved a Commission proposal for a new MEDA II regulation. The point of this regulation is to rationalise and simplify administrative procedures. The early signs are that this new approach is delivering some benefits.

A better-run MEDA programme would be a huge step forward – both for EU tax payers and citizens in the Middle East. But even with the new MEDA II regulation, the problem remains that the EU does not focus nearly enough attention and resources on promoting democracy, good governance and the rule of law. Since 1996, MEDA has a so-called Democracy Programme (MDP), which gives grants to NGOs and research centres for projects on democracy; the

[24] *Speech by Romano Prodi, University of Louvain-la-Neuve, November 26th 2002.*

rule of law; freedom of expression; freedom of assembly; freedom of association; and the protection of vulnerable groups (women, children and minorities). But the budget line for MDP is tiny – around €10 million per year.

Of course, there are legitimate doubts on how much money small NGOs can absorb effectively. Equally, the EU runs the risk of always funding the same groups: NGOs staffed by English speakers with a Western outlook. These organisations are not necessarily very representative or influential in their own societies. Nonetheless, the case for attaching a higher priority to democracy aid is compelling. If the EU really wants to see a gradual transformation of governmental systems, it should be prepared to commit the necessary resources. It should be technically possible and politically feasible to increase the MDP budget to €100 million a year after 2006.

Make EU assistance more targeted and conditional

While the EU should spend more money on promoting democracy and civil society, the overall value of its assistance is adequate. Instead, the EU's problem is that its cash has not brought sufficient influence with the region's governments. The EU needs to learn to leverage its trade and aid instruments, and link the granting of trade privileges and financial assistance to clear commitments from the recipient countries to promote political and economic reforms. The overwhelming consensus of development experts is that financial assistance will only make a lasting difference if the money is used to back reform-minded governments.

As the Arab UNDP report has stressed, the greater Middle East suffers from a broad crisis of governance. The EU has plenty of resources and expertise to offer to address such problems. But to do so it should, for example, spend less money on infrastructural works and more on developing human capital.

The EU should, in its dealings with the region's governments, be more insistent that promised reforms really take place. That is why

the EU should also make its assistance more conditional. The EU has concluded 'association' agreements with all countries taking part in the Barcelona process. All these agreements contain clauses on respect for human rights, political pluralism and standards for good governance. They should give the EU considerable influence, but ultra-cautious member-states are too often reluctant to invoke these clauses. Whenever the issue of democratic standards comes up in the EU, there are always some member-states which say that 'now is not the time' to take a stand. Or they argue that external criticism, even if it is voiced in private, will be counter-productive.

The EU sometimes creates problems for itself by putting one of its member-states 'in charge' of its relationship with a third country. In many respects, this policy is understandable. Geography, colonial history or other factors can explain the huge variations that exist in the depth and scope of certain political relationships. But it can also prove counter-productive. France, for instance, has consistently blocked any EU attempt to press the Algerian government on the massive human rights violations that have been taking place for a decade. Italy has a 'special relationship' with Libya, heavily focused on energy exports, which makes Rome reluctant to put pressure on Muammar Ghadaffi's regime. And the country holding the EU's rotating presidency is often against the EU taking a tough line, for fear that good relations may be jeopardised. As a result, EU rhetoric about 'mainstreaming' human rights promotion – meaning that human rights considerations are integrated into all EU policies – is just that: appealing rhetoric, kept separate from the sphere of political action.

The EU should have the courage to link non-compliance with concrete actions, such as the postponement of new projects, a suspension of high-level contacts or the use of different channels of delivery for aid (such as relying on independent NGOs instead of government-run organisations). EU foreign ministers should 'benchmark', rewarding those countries that make progress in political and economic modernisation with extra EU and national

assistance, while punishing those that fail to comply with the standards they have pledged to uphold.

5 Conclusions and a summary of recommendations

The Middle East should be the next big project for EU foreign policy. Clear European interests are at stake. Slowly the EU has been deepening its involvement with the region. But it is still far from having a coherent and effective policy.

First, the EU should learn to think about the Middle East in a more joined-up way: not just as a security problem, or as a source of migrants or as a market. It should recognise the linkages between issues. For instance, the EU will not be very successful at promoting economic and political modernisation in North Africa as long as it prevents Moroccan tomato growers from exporting to Europe's affluent customers. Quite apart from the economic and environmental costs, the protectionism of the Common Agricultural Policy is also eroding EU credibility around the world, including in the Middle East.

Second, the EU should learn to practice what some Americans call statecraft: the use of all available instruments to get other countries to behave in the way that you want. In some cases the EU must be prepared to take a principled stand – and risk being criticised for it. But many EU-level and national diplomats have grown used to a softly-softly approach. One senior advisor to Solana has quipped that too often EU foreign policy can be summed up as 'speak softly and carry a big carrot'.

These days the EU needs to and can afford to become more assertive in its Middle Eastern policy. Of course, the EU's approach to foreign affairs will be different to that of America. Europe will always

attach more importance to supporting global norms and institutions, to keeping in step with global public opinion, and to promoting public goods. Nevertheless, the EU should state its positions more boldly and with more confidence.

Put differently, it would be good if Europeans used the words 'interests' and not just 'values' when they discuss what they want to see happen in the Middle East. Once they have defined and achieved a common understanding of their interests, European governments should be prepared to pay a price for achieving them, by confronting political leaders who oppose EU aims.

On the Middle East, as with EU foreign policy more generally, the larger member-states will have to take the lead. Smaller member-states must give the 'big three' the political space to acquire such an informal leadership role. By the same token, France, Britain and Germany have a responsibility to hammer out a more common line. Far too often the EU is paralysed because Paris, London and Berlin cannot agree amongst themselves on what to do about Iraq, Israel-Palestine or whether and how to democratise the Arab world. It is clear that the big three will not be able to shape a workable EU stance unless they make some adjustments. Dominique Moïsi, the Deputy Director of the French Institute for International Relations (IFRI), has aptly summarised the task at hand: "The EU can only succeed in the Middle East if the French are sometimes prepared to annoy the Arabs, if the Brits are sometimes prepared to annoy the Americans and the Germans are sometimes prepared to annoy the Israelis."[25]

[25] Comments at a CER seminar on EU foreign policy, October 31st 2002, Paris.

Concretely, the EU should take the following steps:

On Iraq:

★ Continue to argue that non-compliance with UN resolutions is the issue

★ Accept that Iraqi disarmament requires the threat of force

★ Only back a war with an explicit UN mandate

★ Develop, with the US, a coherent post-Saddam plan for Iraq

On Israel-Palestine:

★ Use the Quartet to push for a comprehensive settlement

★ Punish extremists and support moderates on both sides

★ Spell out what the EU will offer to both parties after a settlement

★ Prepare, with the US, plans for a peacekeeping force to police a final settlement

On tackling poor governance in the Arab world:

★ Spend more money on promoting democracy

★ Make EU aid more targeted and conditional

★ Be prepared to annoy traditional allies.

★