Europe, the Mediterranean and the Middle East

Strengthening Responsibility for Stability and Development

Discussion Paper presented by the

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Center for Applied Policy Research, Munich
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to the VII. Kronberg Talks
17.-19. January 2002

Organised by the

Bertelsmann Foundation, Gütersloh
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Executive Summary

1. The September 11 attacks perpetrated by Islamist terrorists of Arab background and the American war on terrorism deeply affect the Middle East and North Africa region. The US administration has at last come to the conclusion that the cost of consistent engagement in the region is lower than the cost of non-engagement. The thrust of US policy will significantly raise the political costs involved for the region's governments, both internationally and domestically. The concept of "rogue states", which structured US foreign policy in the parts of the region for much of the 1990s, seems to have become increasingly meaningless. On the other hand, US allies in the region are currently being subjected to a mounting wave of criticism in the American public discourse. For the European Union, the redefinition of US foreign policy harbours the possibility of fostering new kinds of transatlantic co-operation in certain fields where interests converge and coincide.

2. In the wake of the breakdown of the Oslo peace process the Israeli-Palestinian conflict is in a stage of transformation. The Oslo process has transformed the conflict decisively but ultimately failed to produce a final status agreement on account of several serious flaws. Israeli Prime Minister Sharon and Palestinian President Arafat are seemingly unable to break the vicious circle of violence and counter-violence by accepting the compromises necessary for any settlement. There is an urgent need for a strong, coordinated involvement of the main external actors, the US and the EU. They should, in co-ordination with other players, ensure an enduring cease-fire coupled with the perspective of substantial progress towards a long-term settlement. The EU has increased its importance in the international efforts to contain the violence and should be prepared to participate in a monitoring force with a clear mandate. As the major donor to the Palestinian Authority, the EU should insist on human rights, good governance and the rule of law.

3. The September 11 attacks have demonstrated the necessity of the long-term approach of the Euro-Mediterranean Partnership in the region. Yet, the EU will have to become far more involved in the transformation processes of the Southern Mediterranean countries to foster structural change in the region. It should embark on a pragmatic dialogue on terrorism with the partner countries while adopting a higher profile on issues of democracy and human rights. The EU should offer to those countries which signed association agreements to enter into a comprehensive policy dialogue aimed at creating a "Mediterranean tiger" as a role model of successful development. These "association partnerships" will eventually lead to a type of relationship that is in between a mere association and a full-fledged EU membership. The EU should seek to strengthen the competitiveness of Southern Mediterranean countries by supporting the design of national specialisation strategies and the development of regional industrial districts and clusters.

4. The relationship between the EU and the countries of the Gulf region does not reflect the vital links between the two sides. The EU should develop contractual relations with Iran and the GCC countries with the aim of integrating them into a future Gulf-wide security system. It should regard its relations with Saudi Arabia and the GCC as a special partnership based on key common interests that should be improved through co-operation in several fields beyond the currently negotiated free trade agreement. As for Iraq, the EU and the US should agree on a common agenda for a *post-Saddam* era, aimed at outlining the conditions for Iraq's reintegration into the international community and support for its reconstruction.

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I. Introduction: The Middle East and North Africa after September 11

The September 11 attacks perpetrated by Islamist terrorists of Arab background and the American war on terrorism deeply affect the Middle East and North Africa region. As in the case of the Gulf crisis in 1990-91 and the subsequent war to liberate Kuwait, the international response to the attacks has the potential to trigger off a broad regional realignment. Some of the problems that were placed at the top of the international agenda in the wake of September 11 were familiar ones. However, the extent of the damage has changed decisively the way in which they are perceived and added a new sense of urgency. The Bush administration has at last come to the conclusion that the cost of consistent engagement in the region is lower than the cost of non-engagement. Acting initially with restraint, the United States carefully assembled a global coalition against terrorism. The emergence of the coalition should not lead us to believe that the US has become multilateralist overnight. Rather, we may witness the advent of a multilateralism *á la carte* - whenever the interests of major international actors converge and coincide.

September 11 attacks have the potential to trigger broad regional realignment

The direction and thrust of US policy will lead to significantly greater political costs, and this increases the importance of cost-benefit analysis for the region's governments, and the potential dangers. All of the countries in the region, with the exception of Iraq, condemned the attacks immediately. Yet, in contrast to the Gulf crisis in 1990-91, Arab governments were quick to point out that they were not prepared to play a military role in the emerging campaign against the terrorists and their hosts. This was mainly for domestic consumption. Some linked the attacks to American foreign policy in the region, and emphasised that the war on terrorism should be confined to Afghanistan. Targeting any other country would lead to serious regional destabilisation. The concept of "rogue states", which structured US foreign policy in the parts of the region for much of the 1990s, seems to have become increasingly meaningless. A case in point is Iran (and Libya, for that matter), where President Khatami joined the international chorus of condemnation of the terrorist attacks, and sent his sympathies to the American people. This will no doubt lead to better relations with the US, especially in view of the fact that Iran has backed the Northern Alliance in Afghanistan and has in essence become a status-quo power which is in favour of regional stability.

Concept of "rogue states" will become increasingly meaningless

On the other hand there are the US allies in the region, who used to be dubbed "moderates" in contrast to "rogues" including Egypt, Jordan, and in particular Saudi-Arabia, that are currently being subjected to a mounting wave of criticism in the American public discourse. The specific blend of religion and power that characterises the Saudi monarchy and its inherent contradictions have been subjected to increased scrutiny. The monarchy which guard Islam's two holiest shrines of is caught between over-reliance on American support that is demonstrated by the presence of US soldiers on its soil and a domestic backlash against the infidels. In addition, many observers are now having second thoughts about a friendly country which combines political interests with religious discourse, and finances innumerable charities with ties to fundamentalist networks.

US allies in the region are being subjected to criticism

The attacks have opened a new chapter in the history of the Israeli-Palestinian conflict, which for more than a year has given way to a bloody war of attrition. In the wake of several months of *benign neglect* after coming to power, the US administration has made it clear that it is prepared to step up its involvement. The

visible plight of the Palestinians continues on an almost daily basis to fuel Arab anger at the attitude of the West, and serves as a welcome pretext for religious zealots. Palestinian President Arafat was determined not to repeat the mistake he made in 1990, when he sided with Saddam, and quickly suppressed public demonstrations of sympathy with the attacks in the Palestinian territories. Yet, the Palestinian Authority has been weakened and is increasingly subject to Israeli and international pressure to dismantle the Hamas and the Islamic Jihad terrorist networks. Israel's Prime Minister Sharon, dovetailing with the unfolding of the American campaign against terrorism, has held the Palestinian Authority responsible for a string of terrorist attacks and declared it a "terrorist-supporting entity".

Attacks have opened new page in the Israeli-Palestinian conflict

Both the attacks, which can only be compared to a war in terms of damage and casualties, and the massive US reaction blur the traditional distinction between international and domestic politics. This is especially relevant in the case of the "failed states" in the region, which, beyond Afghanistan, include, Somalia, Sudan and perhaps even Yemen. These are possible targets in phase two of the American campaign, though perhaps only in terms of diplomatic pressure, for they are known to tolerate terrorist organisations on their soil. Their public institutions are fragile, have been weakened by civil war, and are both unable and unwilling to prevent terrorists from exploiting the power vacuum to operate training camps and maintain safe havens.

War against terrorism may be extended to "failed states" in the region

Iraq, which also figures high on the list of priorities of many US officials, is a different case. With the exception of a meeting between the suspected field commander of the terrorist group, Muhammad 'Atta, and Iraqi intelligence in Prague prior to the attacks there is no proven evidence of Iraq's involvement in their planning or financing. Rather, such deliberations are based on the feeling that there is some unfinished business from 1991, and the fear that Iraq might supply weapons of mass destruction to terrorist groups. The swift demise of the Taliban regime in Kabul seems to have strengthened the hand of those who are convinced that Saddam Hussein can be toppled by a combination of massive air strikes, surgical ground operations, and military support for opposition groups. It is still too early to predict US policies, but any military action in Iraq would translate not only into a conflict with Europe, but would cause serious domestic problems for America's regional Arab allies such as Egypt and Jordan.

Attacking Iraq would cause serious problems with US allies

II. The Crisis of the MENA Region[1]

The Middle East and North Africa region is experiencing a profound crisis that expresses itself in a widespread use of religious and cultural identity as a mobilising resource. After September 11 many voices suggested that we are faced with a somehow inevitable "clash of civilizations". While it is arguably true that culture plays an important role in shaping perceptions it is neither unchangeable nor do cultural differences necessarily cause violent conflict. The cultural and religious revival in the MENA region is a reaction to, or manifestation of a deeper structural crisis. The surge of the "globalist", transnational form of political Islam represented by Usama bin Laden, the al-Qa`ida network, and the phenomenon of the Arab "Afghans" more generally, is but the other side of the same coin. It reflects the failure of institutional arrangements and social structures in the face of a dynamic and evolving environment. The scenario of rapid social change and economic decline coupled with authoritarian institutions which are unable to cope with the challenge constitutes the breeding-ground of political Islam. The political mobilization of religious values is not confined to Islam in general, or the Middle East in particular. Rather, it is a phenomenon that is just as global as modernization or globalisation.

Religious revival in the Middle East is manifestation of a deeper structural crisis

The process of social change that was triggered off by modernization in conjunction with modern values such as secularism and individualism is a challenge to religious tradition. Religious values have been radicalised in ideological terms and adjusted to meet the requirements of modern political conflict. After Arab nationalism failed to fulfil popular expectations of economic and social development, political Islam took its place as the largest mass movement in most of the countries in the region. In many authoritarian systems, religious institutions and religious discourse provide the only place in society in which opposition to the ruling elites can find a voice. Political Islam, despite its profound structural flaws and programmatic problems, is often the default option when government policies have made it difficult to resort to political alternatives. On the other hand, Islam has been used by many regimes as an affordable way of whipping up public support when it became necessary to compensate for the lack of other resources, especially material ones.

Political Islam is attractive option for opposition as well as for regimes seeking popular support

Changes are being brought about by two dynamic forces, rapid population growth and the globalised economy. The former has radically altered the scale of the problem, turning it from a matter of degree to one of a fundamentally different order. The latter affects the way in which capital be raised and the terms on which it can done, and impact in myriad ways on the domestic balance of social and political power. It is already evident that, although population growth in most or all Middle East countries will level out by about 2020-25, present levels of growth are already proving very difficult for governments in terms of social provision and job creation. Demographics are clearly exacerbating migration and massive unemployment among a particularly youthful population. This has greatly increased the demands and expectations made on the state to provide social services, housing, and jobs to levels that are now beyond the financial capacity of

Change in the region is driven by rapid population growth...

[1] This section is partly based on Yezid Sayigh, "The Middle East in Comparative Perspective" and Emma C. Murphy, " Navigating the Economic Reform Process in the Arab World: Social Responses, Political Structures and Dilemmas for the European Union" which were presented to the workshop "Europe's Emerging Foreign Policy and the Middle Eastern Challenge" on 14-16 September in Brussels.

even the wealthiest countries. Shifting labour markets in the Gulf and in other hydrocarbon-exporting economies point to equally important demographic sources of social and political tension. A critical concern is the shortfall in certain types of skills and capabilities throughout most of the region. This reflects the continuing lack of investment and the distorted priorities in regard to education and science policies, which in turn decreases the ability of local economies to meet the challenges and opportunities of modernisation and globalisation.

The other dynamic force behind change in the Middle East is the way in which it interacts with the global economy. At the most immediate level, the issue is one of securing capital investment. Middle East governments perceive threats to national security that require continued investment in defence, while seeking to shore up domestic political stability and social harmony through public spending and employment. Yet a variety of indicators suggest that for most of the states in the region their financial requirements outstrip their ability to raise capital either domestically or in the global marketplace. The globalised modern capitalist economy is quintessentially about change, and keeping up with it increasingly requires the integration of national policies, laws, regulatory systems, and institutions with those of the world economy. At the same time, much of the Middle East sorely lacks certain elements deemed essential for participants in the web economy. These include the provision of independent regulatory authorities, transparency and the predictable enforcement of rules, public accessibility and competitive safeguards. Furthermore, the potential political volatility of the region has acted as a deterrent to tourists and foreign investors, and has also encouraged certain regimes to continue diverting large parts of their budgets to defence and defence-related expenditures. Therefore, in much of the Middle East national economies have continued to decline and stagnate. During the twenty years before 2000, the MENA region consistently under-performed when compared with south-east and south Asia or South America in terms of average annual growth.

...and interaction with the global economy.

This twofold process of change is affecting a region dominated overwhelmingly by autocratic regimes which are ill-equipped to meet such a challenge. Although most governments have to a greater or lesser extent embarked on programmes of economic restructuring, they are not prepared to deal with the socio-economic fall-out. The ideological legitimacy of the existing regimes was originally drawn from populist, and welfare-state agendas. They offered people a social contract in which corporatist structures involved popular mobilisation and the negotiation of interests with the regime. In return the state took responsibility for national economic development. When the resources were no longer available and the state was forced to embark on economic restructuring, such interests could no longer be dealt with through the existing political structures. Furthermore, the state is dependent on patronage structures to distribute wealth and ensure political support. The dearth of capital for public investment means that real wages have declined and public services have deteriorated. This has been the cause of widespread bottom-up corruption and top-down cronyism, which is now a deep-rooted feature of the political economic and power structures of a number of states in the region. The attempt by ruling elites to maintain the state's economic role while at the same time increasing that of the private sector is leading to dual economic policies. This is the case even in self-professed free-market economies where the private sector enjoys a parasitical relationship with the public sector.

MENA regimes are ill-prepared to meet this twofold challenge

III. The Israeli-Palestinian Peace Process: Beyond Oslo[2]

The Israeli-Palestinian peace process is currently being transformed into what will eventually be a *post-Oslo* "endgame". Thus, the process will lead either to a long-term management of the conflict by settlement, or break up altogether, with serious implications for regional security.

Well over one year after the failed Camp David summit and the outbreak of the second Palestinian *intifada* there is little hope that the conflicting parties themselves will manage to stabilize the situation, let alone that they will be able to negotiate a final status agreement. Although the situation has not given way to a full-scale war, in the current "low intensity conflict" both parties have already paid a high price in human, economic and diplomatic terms. The perspectives are rather grim: despite all the cease-fires, violence is not on the wane; the descent to regional war, even if it is more through insidious deterioration than choice, still looms ahead. The high death toll as a result of terrorist attacks on Israeli civilians by Palestinian extremists and Israeli retaliation in the shape of the occupation of Palestinian-controlled territory, and the targeted killing of suspected terrorists fuels mutual hatred and has decimated the peace camp on both sides. Public opinion on both sides has become increasingly hawkish, which further reduces the political actors' room for manoeuvre.

Conflicting parties themselves will not manage to stabilize the situation

Beyond the significant personal aversion between Israeli Prime Minister Sharon and Palestinian President Arafat both parties are caught in a dilemma that renders them seemingly unable to break the vicious circle of violence and counter-violence. Israel's strategy of retaliation and deterrence which may have worked in the past with sovereign countries is bound to fail under the condition of continuing occupation and the lack of institutional development in the Palestinian territories. Even worse, in the wake of a series of terrorist attacks inside Israel causing the highest death toll since 1996 Israel has termed the PA a "terrorist supporting" entity and brought it on the verge of total collapse. The Palestinian institutions are increasingly unable to function in proper way and to respond to the needs of the Palestinian population as well as Israel's security concerns. With Yasir Arafat's influence on para-military field commanders sharply weakened, and his own Fatah movement split over the future of negotiations, increasing Israeli pressure is bound to endanger its very existence.

Both parties are unable to break the vicious circle of violence

The Oslo approach, which started with direct negotiations between the parties without significant third-party involvement, has finally come to an end. In July 2000 the Israeli-Palestinian peace process seemed near completion. Two months later violence engulfed the region, showing just how fragile the achievements of a decade of negotiations in fact were. There have been many different explanations for the failure of the Camp David summit. Those sympathetic to Arafat blame Barak's negotiating style, his "take it or leave it" attitude, and his unwillingness to meet even what they felt were the minimum requirements of the Palestinians. Those sympathetic to Barak note that he offered unheard-of Israeli concessions, and that it was Arafat, by rejecting Israeli concessions and demanding the return of Palestinian refugees, and, most importantly, by making no counteroffers, who

The Oslo process has finally come to an end

[2] This section is partly based on Alain Dieckhoff, "The European Union and the Israeli-Palestinian Conflict", and Robert O. Freedman, "The Bush Administration, the European Union and the Arab-Israeli Conflict: Is a Euro-Atlantic Partnership Possible?", which were presented to the workshop "Europe's Emerging Foreign Policy and the Middle Eastern Challenge" on 14-16 September in Brussels.

had demonstrated that he was not a partner for peace who could be taken seriously. Consequently, for the Palestinians the uprising was the result of rising frustration at the failure of the Oslo process and the continuing expansion of Israeli settlements. The visit of Sharon to the Temple Mount/Haram Al-Sharif was the straw that broke the camel's back. For the Israelis, the *intifada* was an attempt by Arafat to get by force what he could not get by negotiations; it was an effort to win over international public opinion, to force Israel to withdraw by applying the lesson of Lebanon, and to divert attention from Palestinian criticism of his authoritarian and corrupt practices.

The Lessons of Oslo[3]

The Oslo process must be regarded as a historical breakthrough. Thus the past eight years of the peace process have seen important net gains. Compared to 1993, the gaps separating Israelis and Palestinians have been radically narrowed, and the issues defined with much greater precision. Indeed, Oslo, which was the result of considerable personal courage on the part of Israeli and Palestinian leaders, provided the two sides with their first opportunity to engage the core issues in depth. Oslo strengthened the centrality of negotiated, land-for-peace agreements between Israel and its neighbours, and specifically legitimised a two-state solution for Israel and Palestine. It transformed the psychological environment, initiated a modest process of 'de-demonisation' on both sides, and created political-legal norms—in effect, an agreed vocabulary—for discussing Israeli-Palestinian relations. Oslo enabled Israel to negotiate a peace agreement with Jordan, and to radically improve relations with a host of other countries, with positive consequences for Israeli strategic security, and for the Israeli economy. Oslo provided the Palestinians with a territorial base, a degree of self-rule, and a potentially fruitful relationship with the United States. Having said this it must be stressed that at the same time the Oslo process had several serious flaws. In a simplified way these can be subdivided into problems of structure, process and actors.

Oslo process has seen important achievements,...

(1) Structure. The Oslo process was based on the famous UN Security Council resolution 242, which has been subject to different interpretations by the parties involved. Israel believed the West Bank and Gaza were disputed territories, with 242 calling for a territorial compromise and secure borders for Israel. The Palestinians, on the other hand, were convinced that they had already made their major concession prior to the start of the process by settling for a state in the West Bank and Gaza, thereby relinquishing 77% of Mandatory Palestine. A second related problem was the very nature of the "land for peace" deal heralded by 242, which was subsequently made the cornerstone of the peace process. While Israel was supposed to transfer "tangible goods" to the Palestinians (territory), the Palestinians were to respond with "intangible goods" (peace, security) that were much more difficult to manage or to control. Thirdly, both parties never embarked on a fruitful public discussion of the implications of a two-state solution. The Palestinians never addressed the nature of the future Palestinian state and its relationship with Israel, nor the consequences for the refugee question. Israel, for its part, refused to accept the Palestinian entity as a sovereign state, and

...but had several flaws that may be subdivided into problems of structure,...

[3] This point is based on Joseph Alpher, "The Oslo Process: Failures, Lessons, Alternatives" and Khalil Shikaki, "The Palestinian-Israeli Peace Process: Failures and Confrontation", which were presented to the workshop "Beyond Oslo? New Approaches towards Israeli-Palestinian Reconciliation" on 14-16 March in Jerusalem.

continued to treat it as a protectorate.

(2) Process. The phases of the Oslo process were intended to create trust and confidence between Israelis and Palestinians. Yet, the prolongation of a gradual, step-by-step process in a tense atmosphere generated major episodes of violence; gradualism merely seemed to exacerbate the vulnerability of the process as a target for the extremists on both sides. In both camps, significant minorities (Islamists, settlers) continued to oppose the process, and were able to harm it at key points, for example, the massacre in the *Machpelah* cave/ *Ibrahimi* mosque in Hebron in 1994 or the bus bombings in the spring of 1996. In addition, many Palestinians continued to have an ambivalent and functional position on the use of violence and terrorism, which were explicitly prohibited by the Oslo treaties. The Israelis, for their part, continued to enlarge settlement blocks and the network of by-pass roads in the occupied territories in contradiction to the spirit of the process, thereby raising the number of settlers from 120,000 in 1993 to over 200,000 in 2000. Finally, the role of economic integration as an engine for peace and regional cooperation was grossly overestimated. Indeed, in the Palestinian territories economic performance and living standards dropped considerably after 1993 as a result of prolonged Israeli closures and the poor governance by the Palestinian Authority.

....process,...

(3) Actors. Both parties suffered a rather weak leadership. Both Yassir Arafat and successive Israeli prime ministers failed to prepare their peoples for the necessary compromises, for example, the refugee question or the problem of Jerusalem. Arafat proved to be rather weak and indecisive, and was increasingly hampered by rivalries among his lieutenants. On the other hand, he was forced to negotiate with no less than five successive Israeli Prime Ministers, each insisting on his own preferences, style and timetable. Among the third parties, the US tended to get more and more involved in the negotiations after the Hebron agreement of 1997, and ultimately became over-involved. The parties were less and less inclined or able to negotiate among themselves, and ended up by relying on the US as final arbiter. The EU, on the other hand, lacked consistency and continuity on account of its institutional structure, and suffered from a deficit of trust among Israelis. These problems reinforced each other in the run-up to Camp David as Barak and Clinton, propelled by their electoral calendars, forced the summit on a reluctant Arafat, who was neither prepared nor able to compromise on key final status issues such as the refugee question.

...and actors.

Solving the Stalemate: International Engagement

The negative effects of the smouldering conflict for the region and the international community as a whole are becoming increasingly clear. In this context it is more necessary than ever for other powers to do all they can to stop the general deterioration, and, secondly to do their utmost to restart a comprehensive diplomatic process. This task should be mainly undertaken by two parties which in different ways, have been active in the region in the last thirty years - the United States and the European Union. The former played a decisive role in all major progress towards peace, whereas the latter played a more modest, though not unimportant role by defining conceptual guidelines for a just and lasting peace and by supporting diplomatic initiatives.

US and EU should undertake to restart a comprehensive process

The EU has heavily subsidized the Palestinian Authority in order to support the Palestinians' right to self-determination. Yet, the PA cannot take this financial aid

EU insist with PA on end of terrorism

for granted: it is conditional on politically accountable behaviour. Thus the EU should make it clear to the PA that the tactical use of violence is unacceptable, and that further ambiguity in this regard will lead to a decrease in European funding. As a power committed to the rule of law, Europe cannot tolerate laxity with regard to "good governance" from a quasi-state which it backs financially. The political credibility of the PA will be enhanced if it is able to proceed with its nation-building process using democratic means. Opening the political system will allow the Palestinian leadership to offer an alternative channel to the militiamen currently engaged in battling the Israelis.

and implementation of good governance

The EU has contributed to limited stabilization within the framework of international efforts to contain the prolonged violence between Israelis and Palestinians. Special Ambassador Miguel Moratinos managed on several occasions to stop the fighting between Beit Jala and Gilo in suburban Jerusalem. Javier Solana, the High Representative for the Common Foreign and Security Policy, participated in the Mitchell Commission, whose report is currently perceived to be the only viable basis for renewed negotiations. The EU emerged as a co-sponsor of the Mitchell Report and displayed considerable consistency and continuity in its efforts to implement it. German Foreign Minister Fischer managed to prevent a violent escalation after a devastating terrorist attack in Tel Aviv by forcing Arafat to declare an unconditional cease-fire. Fischer's role was even acknowledged in the Israeli press, which is traditionally rather critical of Europe. The increased importance of the EU can be attributed to three developments: (1) The outbreak of violence and the complete breakdown of negotiations was the deepest crisis between Israelis and Palestinians since direct negotiations started in Oslo in 1993. The danger of an uncontrolled escalation with numerous civilian casualties, and indeed of regional escalation, has made it imperative for international actors to act forcefully and consistently. (2) The new US administration of George W. Bush tended at first to play a low-key role in the wake of Clinton's intensive personal involvement. For this reason it was prepared to give the EU a role in the attempt to stabilize the situation. (3) The improved cooperation of member countries in the Council and the newly established political and security committee contributed to the emergence of more consistent policies. As High Representative, Javier Solana was able to imbue the European position with personal credibility and continuity, especially since he could rely on the excellent groundwork laid by Ambassador Moratinos, and his good relations with the Americans.

EU has increased its importance con-ideraby during the crisis

For several months after it came to power, the Bush administration favoured a hands-off approach towards the crumbling peace process, arguing that Clinton's intensive and ultimately unsuccessful personal involvement at Camp David was damaging for presidential authority. The prolonged violence between the parties and the pressure by Arab allies such as Saudi-Arabia and Egypt convinced the US to take up the issue once again. But it was only in the aftermath of September 11, in the framework of US efforts to establish a broad international coalition against terrorism, that the new American initiative gained steam. In a long-awaited speech Secretary of State Colin Powell outlined the American vision for a final settlement of the conflict. Powell emphasised for the first time clear support for a two-state solution, demanding the end of occupation and the establishment of a viable state of "Palestine" alongside Israel.

Bush administration embarked on new initiative in the wake of September 11

Yet, the collapse of the Camp David summit demonstrated that the US is unable to finalize a comprehensive agreement on account of its contradictory roles. On the one

hand it seeks to be an even-handed honest broker with a balanced position between the two conflicting parties. On the other hand the US has a well-established strategic partnership with Israel, whereas its relationship with the PLO is recent and weak. The special relations with Israel are both an asset and a liability. This proximity was negatively felt at Camp David by the Palestinians, who often had the impression of negotiating with an Israeli-American delegation, since the President's proposals were always defined on the basis of Israeli "bottom lines", concerns and needs. As the strategic link with Israel is here to stay, the only way to dispel Palestinian fears of American bias is to introduce another "third party" which understands the Palestinian position. Europe seems to be the natural candidate for this role, which should be seen as complementing that of the US within the framework of renewed transatlantic cooperation. If transatlantic cooperation is to be a success in the area of Arab-Israeli peace-making, there needs to be an institutional mechanism to coordinate EU and U.S. efforts. This could take the form of a U.S.-EU working group on the Middle East, with representation at Secretary of State/Foreign Minister level. It would force EU countries to further co-ordinate their positions on the solution of the conflict, including ultimately those relating to final status issues.

US and EU should intensify their cooperation by forming a transatlantic working group

A Long-Term Settlement

These developments suggest the possibility of a strong, coordinated involvement of the main external actors, the US and the EU, in co-ordination with other players such as Russia, Egypt, Jordan and the UN, the aim being to bring about a long-term agreement. The implementation of the Mitchell proposals constitutes an important initial basis, but this can only be the first step. As stated in the Mitchell report, confidence-building measures cannot be sustained without a return to serious negotiations. An enduring cease-fire is only likely to be enforced if it is coupled with the perspective of substantial progress in this field. A comprehensive agreement which marks the end of the conflict and solves all the core issues may be beyond reach today, but working towards it should remain the chief objective. One solution would be to construct a piecemeal agreement by solving certain key questions, while relegating others to a later date. Another option might be the gradual implementation of a comprehensive agreement, including some "package deals" of the kind familiar from the European negotiating experience. Proposals and ideas mooted between the time of Camp David (July 2000) and Taba (January 2001), including the Clinton proposals (December 2000), cannot be brushed aside as if they had never been on the table. They are part of an *acquis diplomatique* with which the EU has been partly entrusted. Indeed, at Taba, the Special Envoy was the sole third-party witness at the negotiations, and kept an account of the discussions. This document may well be of tremendous importance when negotiations for a final agreement resume.

Enduring cease-fire only feasible if coupled with the perspective of substantial progress in the negotiations

A long-term settlement is likely to dwell on the following core issues:

- The establishment of a Palestinian state in all of Gaza and around 96% of the West Bank. The remaining 4%, which includes all major settlement blocks with about 80% of the settler population, will be annexed by Israel, whilst the Palestinians will be compensated with a similar slice of Israeli territory. The Jordan Valley border zone will become part of the Palestinian state after a transitional period during which the frontier will be monitored by joint patrols or an international force.

Roadmap for a long-term settlement

- Two capitals in Jerusalem. Jewish West Jerusalem will remain the capital of

Israel, Arab East Jerusalem will become the capital of the new Palestinian state. The Palestinians will obtain sovereignty over the Haram Al-Sharif/Temple Mount compound, and Israel will keep the Jewish quarters beyond the green line including the Jewish Quarter of the Old City, the Western Wall, and a passage to both through the Armenian Quarter;

- The return of the majority of refugees to the new Palestinian state if they wish to do so. Only a small number will be allowed to return to Israel in its 1948 borders for humanitarian reasons. Israel will in turn accept some responsibility for the fate of the refugees and express its regret. The international community will provide sufficient funds to finance the resettlement in Palestine and other countries.

The Mitchell committee, the G 8 meeting in Genoa, and the EU have endorsed the principle of "third-party monitoring", making its implementation dependant on acceptance by both side. Indeed, without the consent of the parties, there is a risk that the supervisory force will become directly entangled in the conflict, a prospect which will only complicate matters even further. Thus the EU should be ready to take part in such a monitoring force, but should not push the issue until there has been a significant cooling-off period. With a clear mandate, and the cooperation of the parties with regard to its implementation, a peace-keeping force would have a positive effect. It is surely premature to imagine how it should be made up, but its role should transcend passive observation, and actually help to implement the political settlement.

Implementation of agreements should be monitored

IV. The Euro-Mediterranean Partnership: Long-term Vision and Immediate Action[4]

The September 11 attacks have demonstrated the necessity of a long-term approach in the region to complement the military action against the terrorist networks and their supporters. The EU was confronted from the outset with a dual task in the Middle East and North Africa region: diplomatic mediation on the one hand, and structural change in the countries concerned on the other. The Euro-Mediterranean Partnership established in 1995 is Europe's institutional framework for fostering change throughout much of the region. Six years after initiating the process, it has still not come up with a success story, nor has it triggered off a broad transformation process in the southern Mediterranean partner countries. The process has become bureaucratic, and the initial optimism professed by many of its advocates has given way to a more sober mood. The lack of visible success is mainly due to the rather lukewarm manner in which the partners on both shores of the Mediterranean have embraced it. On the one hand, the political and social élites in the Southern Mediterranean countries, including the business community, are not committed to the process, since they are afraid of undermining their own privileged position in society. On the other hand, the EU has fought shy of becoming more involved in the reform process in the southern partner countries, which it did in the case of central and eastern Europe. This is bound to change after September 11, for it is becoming increasingly clear that the external aspects of the political malaise in the southern Mediterranean pose a strategic rather than a tactical challenge to Europe.

September 11 demonstrated the necessity to foster structural change in the region

The Euro-Mediterranean Partnership is not, and was never intended to be, a tool for rapid problem solutions. In spite of all its deficiencies, the partnership as a comprehensive framework for structural change is clearly preferable to the patchwork which used to characterize the various European policy approaches towards the neighbouring southern region:

The Euro-Mediterranean Partnership is preferable to earlier approaches

- The complexity of the approach takes into account interdependencies between economic problems and political stability in the region;
- The long-term perspective adopted from the Helsinki process provides for the creation of a stable framework within which enduring problem-solving strategies can be developed;
- The stated belief in democracy and human rights has established a normative point of reference which undermines the principle of non-interference in domestic affairs;
- The declared spirit of partnership seeks to balance interests fairly without reference to the political imbalance between southern and northern Mediterranean states.

The partnership was given a boost when Egyptian Foreign Minister Ahmed Maher finally signed the association agreement with the EU in the summer of 2001. After Tunisia (1995), Israel (1995), Morocco (1996), the Palestinian Authority (1997) and Jordan (1997), Egypt is now the sixth partner country engaged in a gradual

[4] This section is partly based on Annette Juenemann, "Six Years After: Reinvigorating the Euro-Mediterranean Partnership" which was presented to the workshop "Europe's Emerging Foreign Policy and the Middle Eastern Challenge" on 14-16 September in Brussels and Eberhard Rhein, "Barcelona, the Next Five Years: Policy Recommendations" (Outline for a presentation given at the Halki International Seminar, 06.09.01).

transition to free trade. On account of Egypt's political and demographic weight in the Arab world, the fact that the agreement has been concluded is bound to stimulate the remaining negotiations with Lebanon, Algeria and Syria, and speed up the process as a whole. The partnership is currently being restructured in the wake of the adoption of a Common Strategy for the Mediterranean at the European Council in Feira in 2000, and the introduction of new regulations on financial and technical aid for the partner countries (MEDA II). While both documents prove the EU's firm commitment to the continuation of the process, they both have problematical elements. The Common Strategy is very comprehensive, and includes a large number of points that still need to be clarified. There is the question of where the EU's financial and administrative resources should be concentrated in the short term. A clear-cut list of areas of action would be helpful in order to make best use of scarce resources. The MEDA II regulations for the period 2000-2006 puts the budget at €5,35 billion together with an additional €7,4 billion for the European Investment Bank. The budget is higher than its predecessor. However, given the annual increase in funds dedicated to the southern partner countries during MEDA I (1996-2000), it envisages a slight annual decrease. This comes as no surprise, since only 26% of MEDA I funds were actually disbursed on account of the low absorption rates of the institutional frameworks in the Southern Mediterranean countries.

The Euro-Mediterranean partnership in a process of restructuring

The Partnership after September 11

In the near future the fight against terrorism will play a much more prominent role, especially in what has hitherto been rather unenthusiastic co-operation in the field of justice and home affairs. This will require a dialogue on the subject, for in the past co-operation was often inhibited by differing perceptions of what actually constitutes terrorism. Yet, The EU should not devote its time to the futile search for an internationally accepted definition of terrorism, especially in the Mediterranean context, where in the public discourse the lines between terrorists, resistance fighters and opposition groups are blurred. Rather, the EU should embark on a pragmatic dialogue with Southern Mediterranean countries on an ad hoc basis to identify common concerns and co-ordinate policies in this field. The EU should ensure that the fight against terrorism is not exploited by southern partner countries and used as a pretext for an indiscriminate clampdown on non-violent opposition groups, most of whom espouse some kind of Islamism. It must be remembered that the fight against terrorism involves the speedy arrest of suspects, and that this conflicts with the ongoing insistence on the rule of law and the independence of judiciary in the Southern Mediterranean countries. Although many Western politicians have been at pains to stress that the war against terrorism is not a war against Islam in general, many in the region seem to think that it is. Such mutual demonisation must be resisted if the spirit of partnership invoked by the Euro-Mediterranean Partnership is to be maintained. Thus it is of the utmost importance to start a frank cultural dialogue with the Southern Mediterranean countries to discuss mutual concerns and define shared values on different levels. Moderate Islamists should be included in this dialogue since they are the popular movement with the broadest mass base in most southern partner countries.

EU should embark on a flexible dialogue on terrorism with Southern partner countries

Political partnership on the multilateral level has been virtually paralysed on account of the deteriorating nature of the Israeli-Palestinian conflict. The end of the Oslo peace process and the daily violence between Israelis and Palestinians

Political partnership on the multilateral level paralysed

augurs ill for the future of regional co-operation, since the resolution of the Israeli-Arab conflict was one of the foundations on which the partnership was built. The increasing tensions in the region became visible at the fourth ministerial meeting in Marseilles in November 2000, which was boycotted by the Syrian and Lebanese delegations. In this context the efforts of the French presidency to introduce the Charter for Peace and Stability were bound to be a failure. A flexible concentration on soft security issues which permits any number of partner countries to engage in co-operation seems to be the only feasible possibility of any kind of progress in this area. Comprehensive regional security arrangements will have to be based on this groundwork in the longer term.

Regional economic integration among the Southern Mediterranean countries continues to be weak, only a meagre share of exports are sent to regional destinations. This pattern largely reflects the paramount importance of national security for most of the countries, the absence of broadly-based interaction among the societies on account of the closed nature of the political systems, and the absence of complementarities among the national economies. The Agadir agreement providing for free trade between Morocco, Tunisia, Egypt and Jordan sent a powerful signal for the horizontal integration of the southern partner countries, and was welcomed as such by the EU. An increase in south-south trade driven by the diversification and specialization of the national economies of the partner countries is the only way of preventing the emergence of a hub-and-spokes pattern which focuses all major investment on the European core. At the Marseilles ministerial meeting it was agreed to introduce the possibility of diagonal cumulation between countries which have identical rules of origin. The EU should encourage all partner countries to rapidly follow the Agadir example by signing free trade and co-operation agreements among themselves, and should offer to provide technical assistance. It should carefully monitor the implementation of these free trade agreements, and publish annual progress reports especially addressed to the business community. In turn the EU should substantially improve the access of agricultural and processed agricultural products to the Common Market in the wake of the adjustments made after the next enlargement. Finally, it should rapidly conclude free trade negotiations with the GCC countries and thereby give a powerful signal to both GCC and the Mediterranean to complete free trade arrangements among themselves.

EU should encourage partners to follow the Agadir agreeement to increase South-South trade

Given the rather long-term perspective for structural change in the region, the Euro-Mediterranean partnership faces the risk of disintegrating in the context of EU enlargement. In order to mitigate Israeli-Arab hostility, the partnership was carefully designed to include among its twelve southern partners four non-Arab countries. Of these, Cyprus and Malta are due to join the Union in the first round of enlargement scheduled for 2004. Turkey's accession process will certainly take much longer and will be more difficult, though it will focus its attention on this perspective rather than on active participation in the partnership. Nonetheless, Turkey should be encouraged to step up its engagement in the partnership, ultimately becoming a kind of role model for others to follow. This development will leave Israel with the remaining eight or nine Arab countries, and thus create a considerable imbalance in the membership architecture. One way of meeting this challenge might be to engage in a loose policy dialogue with the Arab League. The election of Amr Mussa as the new Secretary General of the League may be a propitious moment to assess the opportunity for greater collaboration with the Arab League. This should not be perceived as a return to the fruitless Euro-Arab

Dialogue with Arab League as secondary initiative

dialogue of the 1970s, but as a secondary initiative designed to enhance the effectiveness of the partnership.

Pressure for Political Reform

The association agreements signed between the partner countries and the EU contain a human rights and democracy clause that is considered to be a vital element in the contractual relationship. Yet six years into the partnership, the southern shore of the Mediterranean is still dominated by non-democratic political systems. So far the EU has refrained from invoking this clause and insisting on its application, mainly because it perceives a possible conflict between change and stability. The fear is that a democratisation process with broad popular mobilisation might destabilize the region, and this has led to scenarios ranging from situations reminiscent of civil war to a democratically legitimated take-over by anti-Western Islamists. It is quite likely that democratic reforms will produce turbulent transformation processes in most of the Southern Mediterranean countries, especially since democratic forces are weak and have no mass basis. Yet the persistence of authoritarian institutions in much of the region has led to a violent radicalisation of opposition groups, who often cloak their ideas in religious discourse. Moreover, in the long run democracy and good governance are not only the key to successful economic development, but will also ensure stability, for democracies do not go to war with each other to resolve mutual conflicts.

EU has refrained from pressing for political reforms in the partner countries

The Barcelona declaration and the association agreements have established a normative framework for democracy and human rights. In a manner that resembles the Helsinki process, they could serve as point of reference in the domestic political discourse of the partner countries. Yet in addition to declaratory diplomacy the EU should adopt a higher profile on issues of democracy and human rights. It must not condone flagrant violations of human rights and democratic principles in countries that have duly concluded association agreements. In the case of very serious and continued violations it should inform the partner country that it may have to consider suspending the agreement unless the violations cease.

EU should adopt higher profile on issues of democracy and human rights

The fundamental problem can only be solved by means of a carefully balanced parallel implementation of the two transformation processes, that is, by opening the economic system and simultaneously granting more and more freedom in a political system that will be gradually reformed. Country strategy papers assessing the performance of each partner country in the sphere of human rights, democratisation, the rule of law and good governance will become decisive instruments in the creation of more coherence with regard to foreign relations and the insistence on human rights as a mainstream issue which cuts across other categories.

Careful balancing between economic opening and political reforms required

Country-by-Country Economic Reform Strategy

The “reform performance” of the Southern Mediterranean countries is particularly disappointing when compared to the EU accession countries in central and eastern Europe. The EU has sufficient leverage on these neighbouring countries to gently prod them into necessary reforms and thus encourage their socio-economic development. This leverage consists of the prospect of membership and a sizeable package of financial assistance. The EU provides €3 billion per year for the 12 accession countries with a total population of 100 million, that is, almost 10 times the per capita amount that the EU has been allocating to the Mediterranean since

Since there is no accession perspective, reform process will be much slower than in Eastern Europe

the mid-1990s. But it will never have the same kind of leverage on the Southern Mediterranean countries, whatever financial assistance it might have to offer, since the accession option is out of the question, even in the very distant future. The EU will therefore have to resign itself to an infinitely longer time scale during which the MED countries may perhaps catch up with European standards of development. There is no quick solution with regard to reforms and development in the southern Mediterranean.

If the EU is serious about transforming the Mediterranean basin into a region of stability and prosperity, it will have to become far more involved in the transformation processes of the various countries. To be sure, the establishment of free trade around the Mediterranean will not in itself be a sufficient guarantee for political and socio-economic reform. The EU must focus its energies more on individual countries and less on the MED group as a whole, which, on account of its heterogeneous nature, does not lend itself to a coherent policy approach. The EU should try stimulate the socio-economic transformation of those countries which have already made some progress, thereby creating a "Mediterranean tiger" as a role model of successful development which others can copy. For this reason it should focus more on countries that are determined to proceed with much-needed reforms. They should obtain more encouragement from the EU, including privileged treatment when it comes to allocating financial assistance. Neither the EU nor member countries should make new aid commitments to countries unwilling to proceed with the reform process. Indeed, as long as MED countries refuse to reform their legal, judicial, administrative, political and economic policy frameworks, no amount of official development assistance is likely to have any substantial, let alone lasting impact on the overall socio-economic situation.

EU should focus its assistance on advanced partner countries to create a role model for successful development

From 2003 onwards the EU should offer to enter into a comprehensive policy dialogue with Southern Mediterranean countries which have signed association agreements, thereby creating an "association partnership" that will eventually lead to a type of relationship that is much more than a mere association, though less than fully-fledged membership of the Union. The aim of such a partnership should be to reach agreement on a long-term reform programme which the EU would support with a substantial package of financial assistance. In order to have any kind of impact, the EU will have to double the volume of financial assistance for the MED in the budget estimates for 2007-13.

EU should create "association partnership" to implement long-term reform programme with substantial assistance

Under this approach EU financial assistance would no longer be tied to specific projects, nor would the EU manage it. The EU would commit its assistance in "instalments" as the reforms are implemented. This procedure presupposes, of course, that the EU is fully satisfied with budget procedures and mechanisms such as parliamentary control, financial control procedures, an independent court of auditors, publication and comprehensiveness of the budget, and adherence to public procurement regulations. These are very tough preconditions for any SMP to meet, but at the same time they are part and parcel of "good governance" in any country. In order to be effective, such a policy dialogue requires an unprecedented level of transparency and confidence between the parties concerned. It cannot be imposed by the EU. Indeed, it requires political commitment at the highest level, and the full collaboration of society in the recipient country, including an open debate on the reforms about to be introduced. It will be effective only if it is sustained over a long period, which initially should be at least five years. In order to monitor the process, the EU will

This requires transparency and confidence as well as political commitment at the highest level

publish an annual progress report (as in the case of the accession countries). This will allow the political institutions and civil society in both the reform countries and the EU to follow the developments as they unfold. The process would stand to gain a great deal if member countries became more involved in the region. There should be a division of labour between the EU and member countries, with member countries dealing with specific sectors of the reform process, for example, administrative reform, school curricula, tax reform, just as in the case of central Europe.

Promoting Competitiveness and Innovation[5]

The implementation of standard reform agendas proposed by international financial institutions such as the World Bank and the IMF is not enough to prepare Southern Mediterranean countries for survival in a globalised economic environment after they have opened up their economies and introduced free trade. The structural economic weaknesses of the Southern Mediterranean countries are to a large extent the result of the low level of international competitiveness of both individual business enterprises and national economies. The insufficient international competitiveness of the Southern Mediterranean countries is due to limited technological competencies in the respective economies or societies. Competitiveness, defined as an economy's ability to permanently generate high real incomes, depends on continual increases in productivity within companies. However, it is becoming more and more difficult to obtain greater productivity on the basis of the availability of natural resources. This is due to the fact that international competition is being increasingly dominated by a new paradigm which states that a competitive advantage based on knowledge and technology is fundamentally more important to companies than any amount of natural resources. Corporations can gain a lasting lead in productivity only if they are able to successfully combine technical, economic and social factors. Here, time and again, the central determinants of success have turned out to be those control mechanisms and organizational patterns which encourage creativity and innovation in the economy, and in society as a whole.

International competitiveness is based on knowledge and technology

In order to bring about innovation and competitiveness, there needs to be a social and cultural environment which encourages people, enhances their desire to perform well, and taps their creative potential. As in the case of knowledge and technology, creativity and involvement cannot be simply bought from abroad. They flourish in economies equipped with the necessary social, cultural and political foundations. Thus, if development is to become a reality a number of conditions must be met: the elites must emphatically support economic development, there must be a consensus on the need for a national reform programme, motivation must be high, and use must be made of the innovative potential of the whole of society.

Innovation and competitiveness must be encouraged by social, cultural and political environment

With the exception of Israel, the Southern Mediterranean countries have taken a long time to discover that foreign investment is no longer attracted by cheap labour, that international competitiveness is impossible to achieve on account of the low level of training in the workforce, and that the turn-key technology dependency policies, although unavoidable at an initial stage, are totally inadequate and even detrimental to economic growth in the long term. Energetic

Partner countries are lagging behind

[5] This point is based on Ulrich G. Wurzel, "Free Trade and Regional Integration in the Mediterranean", which was presented to the workshop "Europe's Emerging Foreign Policy and the Middle Eastern Challenge" on 14-16 September in Brussels.

proactive science policies are needed. The scarce resources devoted to Research and Development and the rudimentary nature of science and technology systems have slowed down the development of science-based industries and hindered innovation in the traditional industries.

For this reason activities to develop the science, technology and innovation environment in the Southern Mediterranean countries are necessary in order to close the technology gap, to increase the international competitiveness, and to utilise the related potential for closer regional co-operation for the mutual benefit of all participants involved. In most of these countries national policies do not the focus on the science and technology environment. The individual elements of prospective innovation systems are not linked by mutual relations and networks of interaction that can help to establish functioning innovation systems. The necessary links between education, research and development, science, intermediary institutions and economic actors are still rudimentary. The EU should seek to strengthen the competitiveness of Southern Mediterranean countries by supporting the design of national specialisation strategies and the development of regional industrial districts and clusters. It should improve know-how and technology transfer to and among the Southern Mediterranean countries and promote joint R&D among organizations including EU actors.

EU should support the design of national specialisation strategies and the development of regional industrial clusters

V. The Gulf Region: Reinforcing Europe's Presence

The relationship between the EU and the countries of the Gulf region has been a low-intensity one, and reflects neither their geographic proximity, nor the vital links between the two sides that exist in several areas. It is a striking fact that the Gulf region is the only part of the world where the EU Commission does not have a diplomatic delegation. The co-operation agreement between the Gulf Cooperation Council and the EU concluded in 1988 has to all intents and purposes failed to lead to a meaningful intensification in relations. The EU has developed a significant special partnership with Iran, and is currently in the process of negotiating a free trade and co-operation agreement. As for Iraq, there are at present no contractual relations whatsoever, and EU member countries tend to disagree sharply on this issue. Yemen has a co-operation agreement and is receiving substantial development aid, from the EU as well as from member countries.

Relations between the EU and the Gulf region are under-developed

Iran

In wake of September 11 Iranian president Muhammad Khatami condemned all forms of terrorism and sent his sympathies to the American people. Khatami's remarks are in line with the foreign policy approach he adopted after taking office in 1997, which is based on dialogue and reconciliation. Iran's regional policies, from Iraq and Afghanistan to Central Asia, are increasingly based on straightforward national interest rather than on religious zeal or revolutionary ardour. In essence Iran has become a status-quo power, though it still has serious security concerns of its own. Khatami's election and the growing power of the reformers was an important turning point in Iranian-European relations. In the eyes of the EU, the popular support for reform in Iran justifies its policy of encouraging further engagement with the aim of concluding a free trade and co-operation agreement. In spite of the lack of contractual relations, there are already several working groups devoted to energy, drugs, refugees, trade and investment. In the political field there is regular dialogue on the troika level. The Americans have also noticed the winds of change in Iran, and have welcomed the results of the parliamentary and presidential elections. Former Secretary of State Madeleine Albright declared that the US is prepared to improve relations, either on a step-by-step basis, or more rapidly if Iran shows the inclination to do so. Indeed, transatlantic differences over Iran have decreased considerably since Khatami took office, the major bone of contention being the US sanctions regime that was renewed as late as the summer of 2001. The United States maintains that political and economic pressure brought about change and should be continued, while the Europeans believe that their preference for dialogue and engagement has been successful. At any rate, the EU should foster Iran's ongoing political development, support Iranian economic growth, and promote Iran's integration into a Gulf security system.

Transatlantic differences have decreased considerably since the election of President Khatami

Iraq

The unfolding American campaign against terrorism and the swift way in which it succeeded in toppling the Taliban regime in Afghanistan has strengthened those voices in the administration which are in favour of opening a second front against Iraq. Since evidence linking Iraq to the al-Qa'ida network is rather circumstantial, there has been a marked tendency in the administration to emphasize the danger

US attack on Iraq will break up coalition against terrorism

of Iraq supplying weapons of mass destruction to future terrorist groups. If Iraq were to be attacked, the US would have to act without a sizeable international coalition, for the EU, including the United Kingdom, and America's allies in the region have expressed their strong opposition to such a move. Furthermore, any serious military action against Iraq would damage the new partnership with Russia which evolved after September 11, for Moscow maintains close economic and political ties with the Baghdad regime.

It is clear that the sanctions regime imposed on Iraq has proved inadequate and even counterproductive. This has been recognised, albeit indirectly, in the extension and expansion of the oil-for-food programme, and in the new provisions of the inspections and sanctions regime laid down in UNSC 1284 (1999). The sanctions regime involves paying a heavy political and ethical price for the short-term containment of Iraqi military power. Even if there were to be a change of regime, this policy would in the mean-time have engendered a deep-rooted bitterness about the West, both within Iraq and beyond. Under these circumstances it has proved virtually impossible, to keep the coalition intact, or the net around Iraq tightly closed. Instead of embarking on a risky strategy of military intervention in Iraq, the EU should move towards a swift implementation of and further evolution towards a regime where restrictions on - and delays to - Iraqi non-lethal imports are lifted. At the same time military controls must be kept in place, and some form of WMD monitoring needs to be re-established. Such a policy would also have a good chance of restoring some cohesion in the alliance, and of avoiding problems with, and within, friendly states in the region. Whilst Europeans and Americans agree that a change of regime in Iraq is desirable, how this should be achieved is a moot point. However, the EU and the United States should agree on a common agenda for a *post-Saddam* era in Iraq, regardless of when it comes about. It would be a good idea to outline the conditions under which an Iraqi government could be reintegrated into the international community, and receive the support required for the reconstruction of its infrastructure. These principles should include (1) democracy, (2) federalism or a decentralized government which takes into account the rights of minorities (3) the recognition of the territorial integrity of adjoining countries, and (4) the abandonment of efforts to acquire weapons of mass destruction.

EU and US should agree on a common agenda for a *post-Saddam* Iraq

Saudi-Arabia and the GCC

Saudi-Arabia and the smaller GCC countries have made a determined and relatively successful effort to develop and diversify their economic base. Their political systems have shown remarkable stability over the recent past, in which they combined traditional values with modern elements. This is not just a function of the large capital influx brought about by the increase in oil prices, as the failure of several other oil-rich developing countries demonstrates. Yet, in the aftermath of September 11, Saudi-Arabia in particular has come under intense criticism in the American public debate for the rather lukewarm support it has offered in the war against terrorism, and its financial links with radical Islamists all over the world. Saudi officials are afraid that there will be a strong domestic backlash if the monarchy is identified too closely with US military action in the region. The Saudi monarchy faces serious domestic problems that stem from its rather unique economic structure and political system. During the last two decades, high population growth and comparatively low oil prices have considerably reduced the standard of living of the bulk of the population. Unemployment among university

GCC monarchies have come under intense criticism in the wake of September 11

graduates has been rising to unprecedented levels, even though there are still large numbers of foreign workers, especially in the private sector. The impact of these developments combined with globalisation pressures in the world economy and social change have challenged the traditional social contract. The monarchy, whose legitimacy rests on the religious teachings of Wahhabi Islam, has been increasingly challenged by opposition groups, some of them violent. Most of the opposition groups have expressed their criticism and demands in religious terms, thereby calling into question the very basis of the regime.

The EU should regard its relations with Saudi Arabia and the GCC as a special partnership based on key common interests, and be willing to compromise in areas where conflict seems inevitable. The GCC countries differ to some extent from other developing countries, which means that the classical development tools are insufficient. The free trade agreement between the GCC and the EU currently under negotiation is a necessary though by no means sufficient step to improve relations between the two regional organisations. Co-operation should be pursued in the following areas:

EU should develop a *sui generis* partnership with GCC countries

- A political and security dialogue about regional stability;
- A dialogue on human rights and good governance designed to support political development by strengthening good governance, the rule of law and human rights;
- An energy dialogue designed to reduce volatility in a very imperfect market and secure energy supplies in the long term;
- Free trade and integration into the WTO framework in order to open GCC economies and societies to global communication and competition;
- Co-operation in the field of education and human resources to encourage sustainable development of the GCC countries.[6]

On a regional level, the EU, together with the United States and Russia, should pursue an approach to Gulf security that in the long term envisages incorporating both Iraq and Iran into a Gulf-based security system. It should explore the idea of a Gulf Conference for Security and Co-operation (GCSC). This organisation will include all of the riparian states, and be devolved into subject-specific working groups on issues like arms control, resolution of territorial disputes, economic co-operation, energy and water. The EU, together with the US and Russia, will help to facilitate the establishment of this framework, and will act as an observer at its proceedings. Future arms sales to the region should be seen against the background of the development of an regional approach to Gulf security.

The EU should co-operate with the US and Russia to establish a Gulf-based security system

[6] These recommendations are elaborated in a new strategy paper "The EU and the GCC. A New Partnership“ prepared jointly by the Mediterranean Programme of the European University Institute, the Bertelsmann Foundation and the Bertelsmann Group for Policy Research at the Center for Applied Policy Research.

VI. Conclusion: The Common Security and Foreign Policy in the MENA Region.[7]

Javier Solana once remarked that the EU should treat the Middle East not simply as a 'paying ground', but also as a playing ground, that is, it should act and behave like a player in its own right, and pursue its own policies and interests. Then it will be listened to and taken seriously, beyond some laudable efforts of conciliation and dialogue with little consequence. Until September 11 the two key words for the US were Israel on the one hand, and oil on the other. They have now been joined by terrorism to form a triad which is likely to determine future US policy towards the region. It could put the European members of NATO or indeed the EU into a unilaterally determined straitjacket that leaves little room for consensus-building, let alone autonomous action on part of the Common Security and Foreign Policy (CFSP). Seen, in this broader context, what kind of influence and impact the CFSP can actually have in such a highly militarised environment of prime strategic interest, and the likelihood of potential external conflict and disruptive internal change?

US interests in the region may leave little room for autonomous European action

Indeed, the European members of NATO will have to pursue policies that support those of the United States wherever possible and feasible. However, they are likely to opt out whenever lasting or disproportionate damage could be done to actual or presumed targets in the Arab camp. There is little doubt that Europe's standing and credibility, particularly its policy in the MENA region, will be determined by the way it acts in the present crisis and the fight against international terrorism. Seen in this context, the CSFP is now facing a growing diversity and a variety of security problems that require an equally differentiated response. This will range from hard-hitting military operations to subtle ways of preventing and resolving conflicts, from separating antagonistic forces to combating minority upheavals, and fighting terrorism. In other words, we are faced with a whole gamut of frequently fuzzy threats and potential enemies, and in Europe this is nowhere more apparent than on its southern flank, the MENA region. Here the EU is confronted with a particularly complex mixture of strategic-military, economic-financial and ethnic-religious factors. The CFSP will be inseparable from the economic-financial and humanitarian-social dimension of the EU's policy in, and towards, the Mediterranean.

CFSP will be inseparable from economic and humanitarian dimension of EU policy

Whether this will in fact be a success will depend very much on the day-to-day handling of the CFSP. Nowhere, it would seem, will such activity prove more demanding, and nowhere will its success or failure be more visible than in its approach to Europe's immediate neighbour, that is, the MENA region. The most pressing case will once again be the first issue addressed by the European Political Coordination in the early seventies, the Israeli-Palestinian conflict. A much more long-term project is the EU's engagement in the Mediterranean where the it simply cannot afford an attitude of *benign neglect*. The possible tectonic repercussions of the American campaign will pose new and difficult questions for the EU when it is called upon to adjust its policy as defined by the Barcelona process. There can be no doubt that the newly emerging policy will have to be more complex in substance, more sustained in duration, and more sensitive in terms of its interaction with Europe's relationship with the Arab world on the one

The challenge of the MENA region demands a united, coherent and coordinated response

[7] This section is based on Curt Gasteyger, "The CFSP and Europe's Direct Neighbourhood", which was presented to the workshop "Europe's Emerging Foreign Policy and the Middle Eastern Challenge" on 14-16 September in Brussels.

hand. and with its American ally on the other. Above all, however, it will have to be more united with regard to action and more convincing in impact. The tremendous importance of the Gulf region for the global supply of energy in the 21st century makes the establishment of stronger links imperative. It will take some time until Europe rises to the challenge and acts in a politically united, conceptually coherent, and institutionally coordinated manner.