

**Europe and the Middle East and North Africa
Steps Towards Comprehensive Stability**

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Abstract

Europe's interests in North Africa and the Middle East can be defined as:

- promoting sustainable political stability among regional state actors and within states,
- prevention of military threats or military spill over effects in case of regional crises or military conflict and controlled spill over in terms of economic and humanitarian costs,
- overall humanitarian interests such as the prevention of human rights violation and social injustice, protection of minority rights, and others,
- access to energy resources; safety of trading routes,
- development of the regional economic market potential and attractiveness for European investment and goods.

In order to achieve these goals, Europe seeks to:

- establish appropriate fora of cross-regional conflict resolution,
- contribute to the ability of the respective political systems to adapt to international and domestic political changes,
- support efforts of the neighbouring countries to gradually integrate into the world economy.

The development of the Barcelona Process, integrating the EU member states and 12 Southern Mediterranean states, rests at the core of the European policy approach towards the 'direct neighbourhood' to its South. Europe, however, has to develop concepts for structuring cross-regional relations within and beyond the Barcelona framework and:

- define more specifically regional and cross-regional security concerns in the Maghreb, the Levant, and the Gulf region and develop appropriate regional and cross-regional confidence building and conflict resolution institutions,
- develop an economic triangle based on the comparative advantages of the states of North Africa and the Levant, the Gulf, and Europe, that is labour, capital, and technological expertise,
- define more clearly the role of the EU in the Arab-Israeli peace process in correspondence with the several phases the process will experience.

Europe, the Middle East and North Africa – Steps Towards Comprehensive Stability

The relations between Europe, the Middle East and North Africa (MENA) are deeply affected by global trends towards the regionalisation of international relations. These trends clearly indicate that global affairs are increasingly managed by a multipolar system of regions. And the assumption is that the more internal cohesion one region has acquired the better it and its constituent parts can pursue global interests. If one acknowledges that assumption, what are the strategic options for structuring the emerging relations between Europe and the MENA region?

Strategic repositioning on the regional as well as individual state/organisation level has dominated the relations between Europe and the MENA region in the 1990s. The EU has further pursued the process of integration, strengthening its institutional framework, and further deepening economic integration most notably by introducing a common currency, the Euro. It is now on the way to strengthening its common foreign and security policy instruments.

In the MENA region, integration has rarely if ever been a decisive force in the design of political and economic relations. Rather, the maintenance of a regional balance of power in a fragmented regional structure and the tendency to strengthen international alliances to improve regional positions have been the prevailing features of regional relations. In consequence, Europe's relations with the MENA region suffer from political, economic, and social imbalances. In light of the geographical proximity, economic interdependencies, and shared historical experiences, however, two central questions arise: What interests does Europe pursue in the MENA region? How could inter-regional relations best be organised?

I. European Interests in the Middle East and North Africa

The MENA region is of strategic importance for the European Union. Like Eastern Europe, it constitutes a part of the 'direct neighbourhood' of the EU which is particularly sensitive to European political, economic, military and humanitarian interests. Europe has five strategic goals in the region:

European interests

- sustainable political stability among regional state actors and within states,
- prevention of military threats or military spill over effects in case of regional crises or military conflict,
- access to and reasonable pricing of energy resources; safety of trading routes,
- development of the regional economic market potential and responsiveness to European investments and exports,
- humanitarian interests in general such as the prevention of human rights violation and social injustice, protection of minority rights, etc.

In order to achieve its strategic goals, the European Union, needs to reconsider its own strengths and weaknesses and match interests with capabilities to fine tune policies which it has developed in the past decades to structure cross-regional relations. In doing so, the EU can rely on four major assets. It is the dominant regional political and economic power, it has developed a culture of peaceful conflict resolution and negotiation, it maintains considerable military strength based on the collective potential of the EU member states, and it maintains strong cultural ties to the societies of the MENA region.

strengths and weaknesses of the EU

On the other hand, Europe is still not a cohesive geopolitical unit. It has yet to define its political and social identity, and, by this token, its global political interests. Furthermore, it will be occupied with Eastern European enlargement and reform of its own institutional framework in the coming years. Military integration and the development of a European defence identity have only just begun to be considered seriously.

Based on these strengths and weaknesses, the long term approach of the EU to realising its goals in the Southern Mediterranean is to develop good neighbourly political, economic, social, and cultural relations with the individual countries of the MENA region and the region as a whole. They should be based on mutual respect for respective identities. This approach seeks to establish

long term strategic approach towards the MENA region

appropriate fora of cross-regional conflict resolution, to contribute to the ability of the respective political systems to adapt to international and domestic political changes and to support efforts of the neighbouring countries to gradually integrate into the world economy.

Some of these implicit goals of a European Southern Mediterranean policy were made explicit in the first half of the 1990s when the EU initiated a process which has come to be known as Barcelona Process. The Barcelona Declaration of November 1995, the cornerstone of cross-regional institution building envisages a partnership between the 15 members of the European Union and 12 other states around the southern and eastern Mediterranean. The initiative identifies the Mediterranean as a geo-political, strategic and economic space. The identification of this space can be understood as a vehicle for formalising the EU's relations with its southern periphery, in parallel with the development of EU relations to the East.

implicit goals of the
Barcelona Process

The three chapters of Barcelona identify three explicit goals, which are presented as complementary: (1) a political and security partnership to establish a common area of peace and stability; (2) an economic and financial partnership to create an area of shared prosperity (including a free trade area); and (3) a partnership in social, cultural and human affairs, to develop human resources and promote understanding between cultures and exchanges between civil societies.

three chapters of the
Barcelona process

Now, after four years of its existence, a evaluation of the European contribution to the Barcelona process is needed. This gives the EU the opportunity to reposition itself within the Barcelona process and to reconsider elements of its Mediterranean policy which go beyond the 'acquis' of the process. It can identify policy fields in which progress lagged behind envisaged goals and correct mistakes, define EU's interests beyond the Barcelona process, and in particular define the relationship between Barcelona Process and the Middle East peace process.

II. International Security in the MENA region: From Balance of Power to Co-operative Partnership

One of the major aims of the EU is to create a common area of peace and stability together with its partners in the South. The partners have sought to engage in a multilateral confidence building process among most states in the Mediterranean region by embarking on the development of a 'Charta for Peace and Stability in the Mediterranean'. Despite these efforts, until now no sustainable progress has become visible in terms of military co-operation or the development of institutionalised conflict resolution mechanisms. A brief analysis of regional security relations might offer an explanation: first, solutions offered by the Barcelona Process do not match with regional security concerns and, second, the proliferation of Western initiatives distracts political attention from solid institution building.

common area of peace and stability

When analysing regional conflict and security relations, the most appropriate way is to conceptualise these relations in regional security complexes. The first, still principal, and in many ways defining core security-complex is the conflict centred in the Levant between the Palestinians and Israel. This local struggle set up a much wider hostility between Israel and the Arab world and to a lesser extent between Israel and the even wider Islamic world (particularly, after 1979, Iran). The Arab-Israeli conflict, and the strong transnational qualities of Arab nationalism and Islamic politics which it amplified, is what gave the Middle East its overall coherence as a security complex.

security complexes – the Levant

The second core complex in the MENA region, centred on the Gulf, is based on a triangular rivalry amongst Iran, Iraq, and the Gulf Arab states led by Saudi Arabia, though there is also a peripheral rivalry between Saudi Arabia and Yemen. The inter-Arab tensions between the Gulf Arabs and Iraq are of a more particular nature. They center around disputes over the price of oil, a general fear among the Gulf Arabs of the hegemonic ambitions of Saddam Hussein, and, in the case of Kuwait, the specific fear created by Iraq's repeated rejection of its claim to independence. This complex also influences security relations in the Eastern Mediterranean region, and in particular Israel has developed a clear sense for security threats emanating from the Gulf region.

security complexes - the Gulf region

The third, weaker, complex in MENA region's security concerns is that in the Maghreb. It was basically about a shifting and uneasy set of relationships

among Libya, Tunisia, Algeria and Morocco, also extending into Chad and Western Sahara. Each of these regional complexes has a distinct dynamic at its core, only their geographical proximity helps to knit the whole MENA complex together.

security complexes - the Maghreb

Several Western agencies have tried to engage in structuring security relations with and within these security complexes. There are four prominent organisations with a remit to address certain aspects of security in the Mediterranean: the North Atlantic Treaty Organisation (NATO), the Organisation for Security and Co-operation in Europe (OSCE), the Western European Union (WEU), and, within the Middle East peace process, the multilateral group on arms control and regional security (ACRS). NATO, WEU and OSCE were developed in the context of East-West confrontation, but have changed in their focus and outreach since the end of the Cold War. Now, all three organisations have developed a dialogue with non-member Mediterranean countries:

approaches to structure cross-regional security relations: NATO, OSCE, WEU, ACRS

- NATO's Mediterranean initiative of 1995 launched a dialogue with six countries: Egypt, Israel, Jordan, Mauritania, Morocco and Tunisia.
- As of the end of 1998, the WEU was engaged in dialogue with the same six, plus Algeria, Cyprus and Malta.
- The OSCE started a dialogue in 1994 and has granted observer status to Morocco, Tunisia, Algeria, Egypt and Israel.

These initiatives suffer from two shortcomings:

deficits:

- NATO and the WEU incorporate in their history and identity responsibility for the defence of Europe. When organisations tasked with the collective defence of their members enter dialogue with non-members, who are perceived as a potential source of threat, they risk reinforcing rather than ameliorating suspicions between them. Clearly, NATO and the WEU are trying to reconcile any contradictions between their fundamental responsibilities and the goal of security co-operation in the Mediterranean.
- A real problem also exists in finding a way to manage overlap between the security agenda of the Barcelona Process (chapter I) and that of other frameworks such as NATO. The existence of multiple initiatives represents a problem in so far as this means duplication and dissipation of effort. Of even greater concern is the potential for competition and even contradiction between the various endeavours.

misperception and misunderstanding

overlap and contradiction

Within the Barcelona Process, the EU seeks to contribute to regional security.

Given the regional economic and political fragmentation, the continuity of the process is already an achievement in itself. Despite severe political difficulties among several of its member states, the Barcelona Process has become a stable institution. By intensifying Trans-Mediterranean interaction it has contributed to the development of a collective Mediterranean confidence building mechanism. This success may not be dismissed; however, there might be reason to adjust its regional concept and its political scope. A new balance between the stability of the Barcelona Process and necessary adjustments to iron out some deficits must be found:

security and the
Barcelona Process

- The Mediterranean region is not a cohesive 'security complex'. Security concerns in the Western Mediterranean differ fundamentally from security concerns in the Eastern Mediterranean.
- The Barcelona Process does not include those countries, which play an important role in structuring security relations in the Eastern Mediterranean, notably Iran, Iraq, and the countries of the Gulf region.
- The slow pace of the Middle East peace process has at times hampered the Barcelona Process.

It is for these reasons that a security system of variable geometry is worth considering as an appropriate approach to manage regional security relations. On the one hand, security threats increasingly have to be defined inter-regionally. Therefore, the strategic option to integrate Europe, the Maghreb, the Levant, and the Gulf into a broad conference system which provides for adequate confidence building and conflict resolution mechanisms might be worth considering. On the other hand, deepened regional security regimes might provide adequate depth and focus to address particular security concerns of its members. Combining an overarching cross-regional conference system with focused regional security regimes would allow for the emergence of a differentiated security structure in which the actors realise their security interests at several levels and at various stages. The emerging horizontal and vertical political interrelations would ensure stability of security in the overall regional stability.

towards a variable-
geometry security
system

In consequence, in the context of the Barcelona Process regional sub committees might be established to deepen regional security relations. One sub-committee should focus on the Western Mediterranean region (SWM), including the EU and Morocco, Algeria, and Tunisia; another sub-committee should deal with the Eastern Mediterranean region (SEM), including the EU and Syria, Lebanon, Israel, Jordan, the future state of Palestine, Egypt, and

subcommittees
structuring regional
security relations

Turkey. This arrangement will ensure that regional integration processes will not be endangered by developments outside of the sub-region.¹ The result will be a system of variable geometry which could organise the linkages among security complexes and thus enable regional security complexes to develop appropriate conflict resolution institutions where needed.

¹ An arrangement will be found for Libya, pending its admission to the Barcelona Process.

III. Developing an Economic Triangle

A. Liberalisation and Trade: Past Experiences

Economic welfare has increasingly become an element of overall security concepts in international relations. Economic underdevelopment and deprivation has been identified as a major source of political unrest and instability. Consequently, the economic development and growth of the Southern Mediterranean region are components of a comprehensive regional security architecture.

Though the region as a whole enjoyed relatively high levels of economic growth in comparison with the rest of the world up to the early 1980s, the past decade tells a different story. In the 1990s in particular, Middle East economic performance lagged behind all other regions of the world except Africa. Furthermore, the Middle East surpassed all other regions in population growth, effectively meaning that an already weak economic performance was even worse on a per capita basis. In both major oil exporters and poorer economies, this was partly due to parochial and underdeveloped systems and processes, sometimes disguised as sources of stability.

MENA lagging behind

Consequently, in the mid- and late 1990s in the Middle East, "stable" often meant economically stagnant. The current seemingly stable political situation is a facade hiding an inherently unstable situation caused by the rapid socio-economic changes in the Middle East. The Middle East therefore has to come to terms with mechanisms of controlled discontinuity, which would enable the gradual adaptation of regional and domestic economic and political systems to new circumstances. Although external forces have also played a role in generating or exacerbating conflicts and instability, stagnant regional regimes bear great responsibility for the Middle East's dismal economic performance. As a result, governments in the region are faced with a challenge: either to make the economic adjustments necessary to compete, or to continue with the status quo and be undermined.

stability and liberalisation

In the late 1980s and the 1990s several Middle East states tried some domestic structural economic adjustments, but many without serious attempts at reform. These adjustments have comprised some limited privatisation, as in

Jordan, or reduction in government subsidies in the case of Iran. Nonetheless, the state's financial and coercive power in the region has remained strong. The steps that have to be taken today for putting these economies back on the track of prosperous stability may depart markedly from those of previous eras. Liberalisation is a key factor here. This still has to be coupled with maintaining internal stability, but the day may come soon when opening up the economy will have to start taking precedence over previous stabilisation policies.

state-centred economies

B. Concepts of Regional Economic Co-operation

Beyond domestic liberalisation efforts, the 1990s witnessed the proliferation of international initiatives aimed at strengthening intra-regional and cross-regional economic relations. Three overall concepts, partially overlapping and complementing each other, have been competing for political attention.

The Regional Economic Development Working Group (REDWG) was formed to foster the process of economic co-operation attendant on the peace process. REDWG has tried to play a role in the peace process by promoting economic co-operation in four main sectors: finance, trade, tourism and infrastructure. In the area of Finance, REDWG focused mainly on developing a regional approach to the creation of the Middle East Development Bank. In the area of trade, a Middle East Business Council was created to provide a regional voice for the private sector and to facilitate trade, investment and general economic activity. The primary concern of REDWG in the area of tourism has been to assist the establishment of the Middle East-Mediterranean Travel and Tourism Association. In the field of infrastructure – transport, telecommunications and energy – REDWG aimed to improve the efficiency of existing capacity, plan for future needs, and develop concrete projects for implementation. These activities, however, have suffered because of difficulties in the peace process.

Regional Economic
Development Working
Group

In a major exercise in support of the Middle East peace process, annual Middle East and North Africa (MENA) Economic Conferences were held (respectively in Casablanca, Amman, Cairo, and Doha) in 1994-7. This process, now suspended, was more or less related to the work of REDWG. The conference in Casablanca in 1994 (and to a lesser extent in Amman in 1995) developed ideas, for example, on a major highway from Egypt to Syria via Israel, huge tourism and infrastructure schemes including a canal linking the Red Sea and Dead Sea, and other multibillion dollar projects. But the grand visions of Casablanca were replaced by bickering and a lack of implementation in the wake of the 1996 and 1997 conferences. However, there is now talk of

The MENA-summits

reviving this process if the regional diplomatic and political climate improves.

C. The Value Added by the Barcelona Free Trade Scheme

In the context of the Barcelona initiative, the EU offered its own scheme of regional economic co-operation. The cornerstone of the European initiative towards the Southern Mediterranean region clearly is the aim to establish a Mediterranean free trade area by the year 2010. Here the EU, itself to a large extent a product of regional economic integration, has a substantial contribution to make. It successfully negotiated free trade agreements with Morocco, Tunisia, Israel, Jordan, the Palestinians, and Egypt, and initiated negotiations with Algeria, Lebanon, and Syria.

Mediterranean free trade area 2010

The EU initiative clearly has two competitive advantages compared with other regional co-operation schemes: the first is that most of the Mediterranean countries already maintain strong trading links with Europe. Secondly, the EU is able to negotiate agreements with each of the Southern Mediterranean countries separately, thus sidelining the political obstacles which disrupted intra-regional trade schemes.

competitive advantages

Once all these agreements are in place and implemented one of the largest free trade areas, providing a framework for developing profound intra-regional trade relations, is going to exist. Taking into account discussions about concluding a free trade agreement with the Gulf Co-operation Council (pending on Saudi Arabia and Oman becoming members of the WTO), the free trade project of the EU, North Africa, the Levant, and the Gulf region is of strategic importance. Arrangements have also be to discussed with Iran, given the political climate and – in the long run – some options in that direction to be developed to strengthen relations with Iraq again in a post sanctions era. In a long-term strategy of the EU, the free trade area would encompass North Africa, the Middle East and the Gulf region, forming one of the largest free trade areas globally.

Free trade among Europe, the Southern Mediterranean, and the Gulf region ...

Having set these arrangements in motion, the success of the Barcelona trade scheme will ultimately depend on the ability of the member countries to exploit the new trading opportunities. It is time for the Mediterranean countries for strategic economic repositioning and to exploit the new opportunities by defining their competitive advantages in certain industries and developing sustainable entry strategies into the European market. In attracting the attention of the international business community, the Mediterranean countries are competing with each other and collectively against the other regions of the world. Therefore they have to reconsider and further develop their comparative advantages and pursue strategies to market these advantages,

... provide for the opportunity to exploit competitive advantages.

either individually or collectively. It will be of central concern that political risks for the international business community – threats to profitability that are the result of forces external to industry and which involve some sort of government action or inaction – are minimised.

At the same time, European business must develop a strategic approach towards the new economic space. In particular Northern European countries have focused their attention on emerging regions in South East Asia, South America, and Southern Africa. At present, the Southern Mediterranean region is only of minor importance for European trade. European investment in the region remains at a very low level. Although the overall value of traded commodities increased from about 49 billion US-\$ in 1991 to 75 billion US-\$ in 1997, the overall share of exports and imports is small. Merely 2.7% of overall imports into the EU come from the Mediterranean region and 3.6% of all exports from the EU go there. Now that the institutional framework binding the EU and the Southern Mediterranean closer together, the opportunities increase to develop new markets. Within this region highly beneficial economic relationships will develop combining capital input from the rich Gulf region, labour force from the Near East and North Africa, and European 'know how' for a massive consumer market.

new strategic options for
European business

IV. Europe and the peace process

A. Lessons of the peace process

International security and sustainable economic development will not come about in the region if the Arab-Israeli peace process does not produce agreements, which finally put an end to the Arab-Israeli conflict. The conflict potential of Arab-Israeli relations is exhausted but still represents the major stumbling block for developing normal interstate relations. New generations of political leaders might prove to be more flexible and decisive in pushing forward the peace process. Now, after the election of a new Israeli government supposed to be more flexible in Arab-Israeli negotiations, a small window of opportunity has opened, which might be the final chance of achieving a political solution for the Arab-Israeli conflict. The re-evaluation of some of the features of the peace process provides the chance to define a constructive role for the EU to play in the years ahead.

The first lesson is that economic co-operation cannot compensate for a political settlement. One of the conceptual assumptions of the peace process from 1991 to 1995 was that the economic vision of a New Middle East would be able to produce an atmosphere on which a political settlement could be based. Though the economic vision laid the ground for the first breakthrough among the PLO and Israel in the secret Oslo talks in 1993 and gave reason for the European Union to contribute massive financial resources to the peace process, the economic agenda was pushed to the sidelines since 1995. Since then the vision of a New Middle East was not able to create new impetus in the process.

economic co-operation
can not compensate for
a political settlement

The second lesson to be learnt is that implementing agreements is no less difficult than negotiating them. Indeed, what has been one of the basic principles of the process, namely the concept of gradualism in the negotiation as well as the implementation process, is now a stumbling block for the overall process. The concept of gradualism stipulated that those issues of the Israeli-Palestinian negotiation process which would be difficult to negotiate at the beginning of the process would be kept for the final status negotiations: the future of Jerusalem, settlements, security arrangements, borders, refugees. This arrangement enabled the two sides to gradually transfer some authority to the Palestinians and to implement agreements reached on less contested

implementing
agreements is no less
difficult than negotiating
them

issues in the meantime. This step-wise implementation process, however, caused severe problems, as it gave both sides the opportunity to cheat on some aspects of the implementation process or accuse the other side of cheating and consequently slowing down the pace of the implementation process.

Third, all involved actors in the peace process, within the region as well as external ones, have developed a sense of what co-operative and what non-co-operative behaviour constitutes in the peace process. The international community by engaging in declaratory diplomacy on more than one occasion defined the principles by which constructive behaviour could be assessed. This in many cases also led to the downgrading of demands by the involved parties leading in turn to more realistic approaches by Israel and its Arab counterparts to the process.

all actors developed a sense of co-operative and non-co-operative behaviour

Fourth, in the post-Cold War era uncooperative behaviour in the peace process will weaken existing alliances and eventually lead to regional and international isolation. This in turn will disable regional actors from gathering support or building new alliances against broader security threats. Co-operative behaviour, on the other hand, will strengthen existing alliances and will open the possibility to develop new ones. What is valid with regard to unilateral action is also valid in relations between the region and its broader international environment. The more the Arab-Israeli orbit will prove to be unable to produce any meaningful results in the peace process, the less political attention and material contribution it will be able to attract. The international community will gradually dissociate itself from the helpless case of the peace process, and engage in contingency planning.

uncooperative behaviour in the peace process will weaken existing alliances

Fifth, the structure of the peace process matters as much as its substance. Lines of communication among Israel and the leaders of the Arab sides can not be taken for granted. The political implications or merely talking to each other disrupt the free flow of information among the sides and lead to collectively irrational behaviour. The understanding that talking to each other is an act of normalisation, a position taken in particular by some Arab governments in recent years, leads to a structural and profound information deficit on which misunderstanding and misperception are based. When accepting this position as a fact, lines of communication play a valuable role, which reduce the costs of public talks: secret talks. Informal talks worked to break the ice between the PLO and Israel in Oslo. Informal talks once again could work in identifying a substantial solution for outstanding problems.

structure of the peace process matters as much as its substance

Sixth, the EU massively strengthened its position as a player in the Middle East peace process. It was the main actor emphasising the relevance of regional economic integration when the peace process gained new momentum after

the second Gulf War. Although few steps have been taken until now to implement regional integration schemes, it was vital for the development of a positive-sum-mentality that was necessary to overcome zero-sum-perceptions. In particular its work in the Regional Economic Development Working Group directly resulted in the secret Oslo talks. After signing the Oslo agreements, the EU massively supported the Palestinian Authority. When – in consequence of strained Arab-Israeli relations – all other initiatives such as the Middle East North Africa economic summits, the multilateral working groups and other fora of Arab-Israeli reconciliation degenerated in the period from 1995-99, the Barcelona Process provided a diplomatic safety net. That is not to overestimate the impact of the Barcelona process during this period, but it was the only regional forum preventing the peace process from 'spilling back'. The Special Envoy to the Middle East Peace Process, Ambassador Miguel Moratinos, contributed to a number of initiatives, including the signing of the Hebron Protocol. He proposed a 'Code of Conduct', initiated EU/Palestinian co-operation on security issues, was active in implementing an EU-Israeli Joint Dialogue including five working groups, contributed to people-to-people programmes, and to the Palestinian agreement to the Wye Memorandum.

EU strengthened its position as a player in the Middle East peace process

B. Strategic environment of the regional players

These lessons and the strategic environment of the regional parties at the outgoing 20th century clearly indicate that the peace process is about to be resolved co-operatively:

Israel internationally will have to secure strong international alliances for maintaining vital security interests, at the very least it will have to get into the position with outside help to maintain and develop appropriate defence systems. Regional tactical alliances, such as with Turkey, will provide some sort of an advantage, but do not change the overall strategic constellation of the region. Necessary for Israel are strong international alliances. Given the lessons of the governments in the 1990s under Yitzhak Shamir and Binyamin Netanyahu, uncooperative behaviour in the peace process will weaken international alliances, whilst co-operative behaviour as under Yitzhak Rabin and Shimon Peres, will strengthen them. On the regional level, strong relations to Jordan are essential in decreasing Israel's military vulnerability. A demilitarised Palestinian state will – after all – improve the individual security situation of the Israelis. Improved diplomatic ties to Egypt and – after all to Syria – will enable Israel to integrate itself further into the region and challenge security threats from beyond the Near East-complex.

Israel

Since 1992, the strategic reorientation of the PLO has been remarkably

successful. From being a national liberation organisation it developed into a constructive negotiator and, with some shortcomings, became an effective administrator. The strategic objective of the Palestinians is obvious: establishing an internationally recognised state on the basis of UN-Security Council resolutions 242 and 338. Although the Palestinians aim with strong arguments at realising their rights to all the West Bank and Gaza Strip territories, neither Europe nor the US will go along and support that demand. In order to secure ongoing vital international political and material support for the emerging Palestinian state, the Palestinians will have to prove their flexibility in final status negotiations and pull back from some of their demands.

The Palestinians

Syria faces massive strategic challenges: organising its strategic ideological, political, and economic reorientation under worsening socio-economic conditions. History has shown that Arab nationalist orientations are volatile at best. Although it has supported the US-lead alliance in the Gulf-war it has not taken any further major steps towards the West. Dramatic figures indicate the massive increase of the Syrian population alongside with the inability of the national economy to increase productivity. Beyond these trends, Syria will have to take four crucial decisions. It needs to secure domestic stability beyond the regime of President Hafiz al-Assad, to conclude a peace agreement with Israel, to sell the peace treaty in order to acquire material and political support to the stabilisation of the Syrian domestic political system, and to negotiate a partnership agreement with the EU. All four aspects are closely related.

Syria

Together with Syria, Lebanon will need to conclude a peace agreement with Israel opening the opportunity to consolidate its relations with Syria, and consolidate its domestic political balances after the Palestinian refugee problem has been solved in an Israeli-Palestinian agreement.

Lebanon

C. The future of the peace process: Negotiation - Implementation - Normalisation.

The lessons of the peace process and the strategic environment of the regional parties indicate that only a move towards sustainable political and military stability will lead towards a comprehensive peace agreement. Assuming a positive scenario, the peace process will go through three phases in the coming years. In the first phase, negotiations among Israel and its Arab neighbours will restart and be conducted for at least one year. The second phase will start when the negotiations produce agreements on which peace in the Middle East can be reached. Implementation of the agreements will have to be secured in this phase. The following third phase will witness

Three phases of the peace process...

normalisation among the regional actors and the normalisation of relations within the region and with the international community.

Based on the lessons of the peace process, now the European Union needs to define its role in the final phases and various tracks. The EU's role in the peace process will have to correspond with these phases if it is to be effective. Its role will change from that of a mediator or facilitator in the short run, to that of a party to the implementation process in the medium run. As political relations within the region normalise, so will regional relations between the Middle East and Europe.

... determine the role of the EU

Regarding the overall approach to the Arab-Israeli negotiations some aspects should be considered: Trying to restart the multilateral tracks now would use up diplomatic energy and attention better invested in restarting and strengthening all the bilateral tracks among the regional parties. On the other hand, informal talks dealing with some of the issues of the multilateral talks could prepare the ground for official multilateral negotiations.

One of the lessons of the peace process is that declaratory diplomacy works. Therefore Europe might use it to emphasise the overall standards of the peace process and discourage from unilateral acts. That would also make the sides more attentive in observing agreements signed. The EU should also consider and prepare for a security role when agreements are signed and constructive limited military operations in order to safeguard agreements.

In order to fine-tune the European role in the peace process, some further ideas could be developed along the following lines.

1. Israeli-Palestinian Track

On the Israeli-Palestinian track, the two sides in the Wye River implementation agreement outlines that a final solution for their conflict will be reached in the year 2000. Given that the Oslo agreements have stipulated – implicitly – that by 4 May 1999 the final status agreements should have been finalised, we assume the dates given in the Wye River Implementation Agreement to be optimistic. Nevertheless, in the coming one to two years, the two sides will have to reach an agreement on the final status.

In this joint decision making process, both sides are equipped with adequate bargaining power resources. Israel maintains stronger military and economic resources, whilst the Palestinians hold the key for long term political stability among the two peoples as well as on the regional level. The EU understands that only if both sides perceive an eventual agreement as the result of a fair negotiation process, will the agreement acquire necessary legitimacy.

both sides are equipped with adequate bargaining power resources

Without pre-empting the details of a peace agreement, the negotiations will most likely result in a large scale withdrawal from the Gaza Strip and the West Bank. Some amendments will be made here and there, an arrangement for Jerusalem be identified as well as a regional security regime including Israel, Palestine, and Jordan established. Most of the settlements will be dismantled, and an agreement on the return of the refugees as the cornerstone of a broad compensation agreement will be reached.

It is tempting and from a theoretical perspective perhaps logical for actors in the peace process to try to broaden the time frame in which an agreement is negotiated and implemented. But the lessons of the past years indicate clearly that in the negotiations all remaining aspects of the conflict must be dealt with to identify a final comprehensive package-solution. Delaying the negotiation of some aspects of an eventual Israeli-Palestinian treaty will lead to further tensions and open the door for misunderstandings. The final agreement will have to be based on the principle of the political separation between Israelis and Palestinians in their own respective states.

Once an agreement is signed, the parties will enter into a second phase (starting in 2001) in which bilateral relations will be consolidated. In this process, the polity of the newly erected state of Palestine will have to define its identity along five dimensions: it will have to decide upon its institutional structures, state–society relations, political culture, basic economic policies and international role. By the same token, Israel will have to redefine its regional as well as global role, its religious/political identity, and have to come to terms with accepting the state of Palestine on an equal basis.

consolidation of Israeli-Palestinian relations

Implementation will spill over into consolidation on the basis of mutual acceptance as equal partners. Only if the two sides succeed in perceiving each other as equals, might they be ready to engage in intensifying their bilateral political and economic relations again and in first tentative integration policies and the normalisation of their relations.

Since the Madrid conference 1991 the international community has involved itself heavily in the process. The process itself had to be carried through outside the region because of the communication problems of the actors. The best example is Oslo. This has changed, however. The parties have only limited problems in talking and negotiating with each other within the region, Egypt as major regional power being a trustworthy partner for both of them in this endeavour. The EU supports the regionalisation of the peace process.

regionalisation of the peace process conducive to its long term legitimacy

The EU should limit its influence in the process and engage itself only when both of the sides request its support. It might consider offering its good

offices, or contributing to the process by developing creative ideas. The EU understands that the final status negotiations will be pursued without any major interference from any other outside powers. Only then the results will gain legitimacy not only in the short or medium but also in the long run. It is understood, however, that any final status agreement settles once and for all all outstanding claims of both sides. It is further understood that the eventual outcome of the negotiations is the reflection of the legitimate interests of each party, and the outcome of the negotiations is therefore acceptable to both, without being pressured by the outside world to concede on one point or the other.

It can be assumed that neither the Europeans nor the US will want to draw the map of a future Palestinian state or the municipal boundaries of Jerusalem. This will be up to the parties. But they might offer a helping hand when requested by the parties and produce some constructive ideas on how temporary obstacles could be overcome. The fields of their substantial contribution should be limited to security arrangements, refugees, and related issues – that is those tasks that the Europeans along with the USA might contribute most in the implementation process.

The closer the two sides get to a final status agreement and, eventually, to the implementation of that agreement, the fewer options both sides will have for retaliating against non-co-operative behaviour on the other side. Thus, it will be increasingly difficult for both parties to concede on items, as that will decrease the ability to retaliate against non-co-operative behaviour. At that stage, the EU and the USA will play a crucial role. They can guarantee any agreement reached by the two sides by providing for adequate sanctions mechanisms during the phase in which agreements are implemented. They can help to extend the 'shadow of the future' to a situation in which both sides engage in normalisation of their relations. The European Union should therefore continue to underwrite any agreements reached between the parties.

EU and the USA as guarantors of peace

In the implementation phase, the European Union should also continue to foster the conditions that will improve the prospects for the emergence of a viable Palestinian state. This would imply to promote Palestinian institution building to develop the necessary legal and regulatory environment for private investment to prosper and to lend support to the development of a Palestinian civil society. Eventually, Europe's relations with a democratic and liberal State of Palestine will normalise.

2. Israeli-Syrian Track

The Israeli-Syrian track – at least what is seen of it – suffers from a profound

communication problem. The constellation is reminiscent of the first phase of the Oslo process, when Israel and PLO refrained from public negotiations because of the political costs of simply conducting negotiations.

The EU is convinced that in the long run, stability in the region will only be preserved if the countries develop liberal political structures and engage in developing strong economic links. These general principles also apply to Israeli-Syrian relations. Long term stability between the two countries will only be preserved if they engage in diplomatic and economic exchanges. In addition, Syria is expected to undertake some first steps towards political liberalisation.

These aspects have frequently come up in Israeli-Syrian peace negotiations. Israel has demanded that Syria engages in economic and political liberalisation efforts and coined the formula that the depth of withdrawal will depend on the depth of peace. It will be difficult for Israel to convince Syria in peace negotiations, however, to engage in transformation policies leading towards political and economic liberalism, as it will be impossible for Syria to accept any demand in that direction as part of a peace treaty with Israel.

a strategic triangle: EU-Syrian association agreement and Israeli-Syrian peace

The chances are slightly better if the current EU-Syrian association negotiations are included in the overall concept of Israeli-Syrian peace. As in case of the agreements with the other countries of the Southern Mediterranean region, the aim of the EU is to integrate the Syrian economy into the international markets and support economic transformation processes. At the same time, it will seek to support the tentative emergence of liberal political structures in Syria, as in all other member states of the Barcelona Process.

In consequence, a triangular strategic partnership might be envisaged: Syria will conclude an association agreement with the EU and will thereby be able to credibly reject any Israeli demands to interfere in its internal affairs. This would remove one of the major stumbling blocks in the bilateral negotiation between Israel and Syria. The EU may then take the credit for having a substantial and direct impact on Israeli-Syrian peace negotiations. A triangular arrangement of this kind might become a classic case of how the Barcelona Process can positively affect the peace process.

Syria should not interpret that construction as a 'Trojan Horse' but as an opportunity to extract from the EU a valuable association agreement and, at the same time, to improve its bargaining position with Israel. As in the case of the Israeli-Palestinian relations, the implementation of the agreements signed will have to be secured by Europe and the US in order to guarantee, above all, the return of the Golan to Syria and the maintenance of Israeli security.

Within eight to twelve years, Israel, Palestine, Syria, and Jordan will have developed normal relations with each other. It is understood that the EU will normalise its relations with each country accordingly. That means that the region will receive appropriate political attention, be integrated in a broader regional and political framework with the EU, and that financial commitment of the EU towards the region will be downscaled to normal levels.

normalisation of regional relations

V. Conclusion

Europe's strategic approach towards deepening cross-regional relationships rests on three issues:

- Political stability provided by an organised and controlled transformation process towards greater political accountability and economic reform;
- Integration of the Southern Mediterranean states into a broad and efficient net of regional and international institutions and
- Opening-up of the economies to the world markets.

Europe's strategic approaches:

The Barcelona Process the EU pursues together with its partners in the Southern Mediterranean region is a profound instrument for realising these goals. The approach of the Barcelona process of presenting a regional concept of economic co-operation has been extremely powerful, leading to the negotiation of new association agreements among the EU and its Southern partners. What lies ahead is to implement these agreements and to use economic opportunities opened by them. Integrating the GCC countries into a triangular relationship with Europe and the Southern Mediterranean would increase the attractiveness of a huge emerging free trade area.

developing a tri-polar free trade area

Although the numerous meetings of the members of the Barcelona Process on various levels have contributed substantially to confidence building, the success of the security chapter of the Barcelona process is less visible. Two explanations can be given: First, the Mediterranean region per se is no coherent security complex but made up of several sub-regional complexes. At the same time, actors, who play a decisive role in regional security relations, are not included in the Barcelona framework. Therefore, deepening the Barcelona process on a regional, and broadening it on a cross-regional, level in the long run might contribute to the development of institutions managing effectively regional security relations. Second, the Common Foreign and Security Policy structure of the EU in particular in its military dimension is still underdeveloped. Developing a European Security and Defence Identity, however, will give military relations in the Mediterranean region a stabilising dimension.

structuring security relations on cross-regional and regional level

The peace process is at a crucial stage. There are peace agreements in place between Israel, Egypt and Jordan. Israeli-Palestinian relations have overcome communication problems but now face the serious negotiations of final status. Because of the multiplicity of problems, these will turn out to be difficult. On

the other hand, Israeli-Syrian relations suffer from a profound communication problem, similar to those between Israel and the PLO at the beginning of the 1990s. But once those problems are overcome, an agreement looks more likely to be achieved than a final status agreement among Israel and the Palestinians. The current phase of Arab-Israeli negotiations will be followed by a phase of implementation and normalisation, which all require different contributions from third actors, such as the EU, if they are to be completed successfully. The role of the EU will change from that of a mediator to a guarantor of the peace agreement and eventually to a force stabilising normal regional inter-state relations.

play the role of a mediator, guarantor, stabiliser alongside with the USA in the peace process

This paper is based on the assumption that regional military, political, economic, and social problems can be managed by using appropriate proactive policy approaches. There remain, however, doubts whether these policies will be able to lead to desired results: What if the states of the region fail to adapt to global and domestic pressures? What if the peace process collapses? What if the MENA region will prove unable to cope with the region's dramatic socio-economic pressures? Does Europe have to consider the proliferation of weapons systems in its direct southern neighbourhood? Does Europe have to think about fallback positions? The coming five years will decide whether a profound transformation process to the South of the EU will produce a higher degree of political and economic flexibility (and thus stability) or whether stagnation will perpetuate the MENA region's status of a crisis region in the EU's direct neighbourhood.

What, if EU's pro-active approach does not work?

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