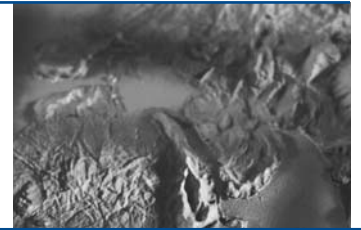


Securing the Future: Europe's Agenda for a More Peaceful Neighbourhood

Discussion Paper for the
XIth Kronberg Talks "Europe and the Middle East"
Bertelsmann Stiftung, January 17-19, 2008





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I. Summary

I. Executive Summary

Fundamental shifts in
Middle East geopolitics

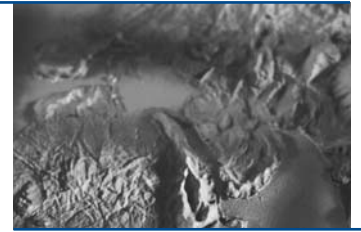
Since 9/11 there have been significant changes in the geopolitics of the Middle East taken as a whole. The region has been transformed by fundamental shifts in the wake of the U.S.-led invasion of Iraq, the Iranian nuclear programme, the victory of Hamas in the 2006 elections, the division between the autonomous and occupied Palestinian territories, and the war between Israel and Hezbollah in Lebanon in the summer of 2006. The growing influence of Islamist movements, sectarian divides, terrorism, proliferation, bad governance, weak regimes lacking legitimacy, stagnating political transformation processes, the risk of state failure, weak moderate forces and widening gaps between rich and poor are the sources of a new type of instability in the region. There is a tendency for sudden eruptions of violence and belligerent escalation which is clearly a cause for concern. A regional security structure that could function as a de-escalating mechanism for the region's trouble spots does not exist.

Yet reason for
cautious optimism

But certain developments in 2007 make it possible to see the regional situation in a more optimistic light. The United States, Europe and the countries of the Middle East have again started to talk to each other and to address certain issues jointly. In Annapolis in November 2007 more than 40 countries and organizations, some of which had refused to meet each other in the past, gathered at the same conference venue. Although the Annapolis agreement focused primarily on the Israeli-Palestinian conflict, the format of the meeting had a regional component. This development might lead to new forms of regional and international co-operation. Thus there is reason for cautious optimism, in particular for the resolution of the Israeli-Palestinian conflict. Israel, the Palestinians and the Arab countries have expressed their political will to co-operate on the Israeli-Palestinian issue, and the United States, Europe and the rest of the international community acting within the framework of the Middle East Quartet are willing to supervise both the negotiations and the implementation of the two-state solution until the end of 2008.

Europe maturing as
an external player

The European Union is in the dynamic process of becoming a more mature external player. Despite some criticism it has been moving towards greater consistency and increased external involvement. In the Middle East this can be seen in the format of initiatives such as the EU 3 plus Javier Solana negotiations with Iran (later joined by China, Russia and the U.S.), the EU Border Assistance Mission (EU-BAM), and the EU Police Mission in the Palestinian Territories (EUPOL COPPS). However, the foreign and security policy of the European Union should be assessed in a realistic way. Europe is not a mature player and it has tried to do too much in its relations with the Middle East and North Africa in the past. This has often led to frustration.



Furthermore, the European attitude to the Middle East and North Africa has changed as a result of the experience of 9/11, the terrorist attacks on European soil, the increasing pressure of illegal migration from the southern shores of the Mediterranean, and a tightening race for energy resources. The optimistic idea that it would be possible to support political and economic transformation processes in Middle East states and societies within the framework of the Euro-Mediterranean Partnership (the “Barcelona Process”), which was launched in 1995, has given way to a narrower, security-focused view. Against the background of the new “securitized” European agenda, the Barcelona Process and the southern dimension of the European Neighbourhood Policy (ENP), which was developed in the wake of eastern and southern enlargement in 2004, look like relics from a different era.

A security-focused agenda has emerged

A whole series of programmes, initiatives, action plans and meetings of various kinds have revealed a lack of prioritization and the fact that as time went on the Barcelona Process and the ENP tended to overlap. Furthermore, the ENP suffers from the impractical combination of an eastern and southern dimension within a single policy approach. The concept of medium- and long-term engagement and multiple forms of co-operation in order to stabilize the region is certainly wise. However, it seems advisable to become more focused in order to avoid diluting Euro-Mediterranean initiatives to the point where they have no real impact, and to create incentives on both sides for a stronger commitment to co-operation.

Conceptual flaws in the Barcelona Process and European Neighbourhood Policy

The absence of a strategic EU approach to the region that takes into account the changes that have taken place since the events of 9/11 is a paramount problem. Thus, on the level of ideas, Europe needs a genuine foreign policy debate that addresses the new security risks and re-assesses European vital interests in the region before developing a comprehensive strategic approach. There needs to be a clear understanding at the European level about why, where and how the EU should become a player in the Middle East. It is time to re-evaluate the Euro-Mediterranean Partnership and the southern dimension of the ENP and to correct their conceptual flaws. Against this background it is worth considering the idea of a Mediterranean Union, which has hitherto been mooted in only a rather vague way.

The level of ideas: Europe needs a genuine foreign policy debate

In the operational dimension the European Union should focus on a limited agenda. For now the European Union should allocate its resources to the following areas:

- *Top priority:* A clear mandate for institution-building and economic and social reconstruction for the future Palestinian state within the framework of the Annapolis process.
- *Second, short- to medium-term priority:* A future-oriented and narrow agenda for economic and political transformation that provides incentives for both European and partner states.
- *Third, medium- to long-term priority:* Popularizing the idea of regional co-operation and integration.

The operational level: doing less is doing more

II. Introduction

II. Introduction

Annapolis process
has commenced

The Annapolis process has just begun. Despite serious and reasonable doubts about whether or not it will prove to be a success, which were expressed before the November 2007 meeting, the fact is that final status negotiations are under way at the beginning of 2008. In a joint communiqué Israeli Prime Minister Ehud Olmert and Palestinian President Mahmoud Abbas stated their intention to make an effort to resolve “all outstanding issues” connected with the two-state solution on the basis of the Middle East Quartet’s road map and before the end of 2008. In the negotiations the United States has a mandate to monitor and evaluate compliance with the road map by both sides. On the basis of this assessment Washington will then decide whether or not to implement the negotiated peace treaty.

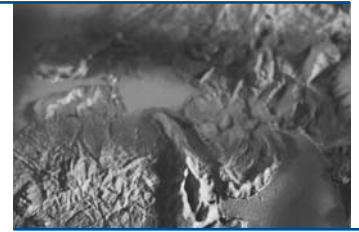
Last opportunity for the
two-state solution

The Annapolis process is for the foreseeable future the last opportunity to implement the two-state solution. However, there are numerous risks involved, and it is quite possible that the negotiations will fail yet again. It also remains to be seen whether the symbolism of the inclusive approach of the meeting – which was attended by more than 40 other countries and organizations, including the Arab League, Saudi Arabia and Syria – will have an influence on the negotiations and lead to a sustainable peace process. With its long history of hope and failure, the Israeli-Palestinian conflict is an important element in the collective memory of the people living in the Middle East. In a wider regional context an Israeli-Palestinian peace agreement has the potential to initiate a series of positive developments. The Annapolis process will be hard work, but a successful outcome is not an impossibility.

Doing less, but doing it better

Europe has tried to do too much in its relations with the Middle East and North Africa, and this has often led to frustration. Europe has been criticized for being too slow and too weak, and for being more of a paymaster than a player. The Annapolis process now provides a framework for immediate action which the European Union should use to enhance both its input and its credibility as a regional player. The Europeans should for the moment forget their far-reaching (though vague) ambitions pertaining to intra-regional co-operation and focus on making the Annapolis process a success. Against the background of alarming developments in the region as a whole, Israel, the Arab world, the United States, Europe, and the rest of the international community will pay a high price if they fail to seize the Annapolis opportunity. And in this way the Europeans would throw away yet another chance to improve their position in a region of strategic importance.

III. New Dynamics



III. The New Dynamics of the Middle East: Regional and International Implications

Since 9/11 there have been significant changes in the geopolitics of the Middle East taken as a whole. The region has been transformed by fundamental shifts in the wake of the U.S.-led invasion of Iraq, the Iranian nuclear programme, the victory of Hamas in the 2006 elections, the division between the autonomous and occupied Palestinian territories, and the war between Israel and Hezbollah in Lebanon in the summer of 2006. The growing influence of Islamist movements, sectarian divides, terrorism, proliferation, bad governance, weak regimes lacking legitimacy, stagnating political transformation processes, the risk of state failure, weak moderate forces and widening gaps between rich and poor are the sources of a new type of instability in the region.

Fundamental shifts in Middle East geopolitics

The Middle East is a region with a remarkably low level of integration of its economies, states and societies. However, the regional conflicts are highly interconnected, and there is a tendency for sudden eruptions of violence and belligerent escalation which is clearly a cause for concern. A regional security structure that could function as a de-escalating mechanism for the region's trouble spots does not exist.

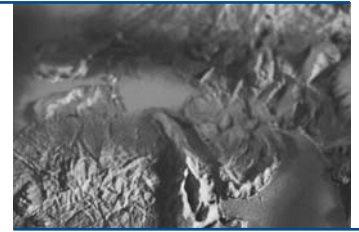
Lack of a regional security structure in a potentially explosive environment

- *Iraq.* Iraq has become a failed state. It is questionable whether the modified "security first" strategy adopted by the U.S. in Iraq in January 2007 has yielded convincing results. Millions of Iraqis have fled to neighbouring states, in particular to Jordan and Syria, or have become displaced persons within their own country. Iraq has become a proxy for U.S.-Iranian confrontation in the Middle East. Domestic pressure will force the U.S. and its allies to reduce the number of troops in Iraq. The international community is at a loss with the reconstruction of Iraq and the process of reconciliation amongst the rival groups in an effective manner.
- *Iran.* Now that its neighbour and former rival Iraq has been weakened, Iran has begun to make a bid for regional hegemony. In a twenty-year vision document Tehran has described its objective of becoming the most powerful economic, political and cultural player in West Asia by 2025. The Iranian nuclear programme, which is supported by all the major political groupings in the country, has alarmed Iran's neighbours on the Gulf, the Arab world, Israel, and the international community. There are signs of an incipient nuclear arms race in the region. Europe and the United States are divided on how to approach the issue, and on whether the use of military force is a viable option in order to prevent Iran from developing nuclear weapons.

- *The Israeli-Palestinian conflict.* In Annapolis the United States, Israel and the Palestinians agreed to negotiate a final status agreement by the end of 2008. However, the intra-Palestinian confrontation between Fatah and Hamas and the split between the Palestinian territories in June 2007 has added a new twist to the Middle East conflict. Hamas immediately stated that it would not support the Annapolis process. It will be difficult for Israel to terminate its settlement activities, and for the Palestinians to guarantee security in their territories and on the border with Israel. Although Annapolis is certainly an opportunity, the negotiations might end in yet another failure.
- *Lebanon/Syria.* Lebanon still runs the risk of falling apart as a result of internal divisions and the overt and covert intervention of external players. The United Nations extended the mandate of the UNIFIL troops in the wake of the war between Israel and Hezbollah in summer 2006, but so far has failed to come up with a political initiative. It is doubtful whether the situation will change for the better when there is a new President. Despite its withdrawal in 2005, Syria still influences politics in Lebanon, and, like Iraq, Lebanon has become a proxy for U.S.-Iranian confrontation.
- *The "Eastern Dimension".* On the eastern perimeter the growing instability in Pakistan and the re-emergence of the Taleban in Afghanistan are a cause for concern, since the destabilization of Central and South Asia might affect the Middle East as a whole. India and China have become global economic players and have started to pursue their economic and energy interests in the countries of the Middle East and the Gulf. Because of the region's rich natural resources, there is a risk of a clash of interests between the Western industrialized countries and the new Asian powers in an intensifying global race for energy.

New forms of co-operation

Certain developments in 2007 make it possible to see the regional situation in a more optimistic light. The United States, Europe and the countries of the Middle East have again started to talk to each other and to address jointly issues such as the Arab-Israeli conflict and the process of reconciliation and reconstruction in Iraq. In Annapolis more than 40 countries and organizations, some of which had refused to meet each other in the past, gathered at the same conference venue. Although the Annapolis agreement focused primarily on the Israeli-Palestinian conflict, the format of the meeting had a regional component. This development might lead to new forms of regional and international co-operation:



- *Changed perceptions in the Arab world.* A sense that there is a common responsibility for regional security and for joint action is starting to emerge in the Arab world. The situation in Iraq and its wider implications have had an impact on neighbouring countries. Millions of Iraqis have fled to Jordan and Syria, where the local communities have found it difficult to absorb them. Iran's interference in Iraq and the rest of the region (and its nuclear programme) are perceived to be a threat to regional stability. This is the starting point for a set of changed perceptions which might encourage Arab countries to commit themselves to fostering regional stability with the help of the international community. Effective co-operation amongst themselves and with the West could turn out to be a good survival strategy for weak Arab regimes which are under pressure from Islamism, terrorist threats and globalization.
- *Growing international support for solution of the Israeli-Palestinian conflict.* The international community, especially the United States and Europe, has renewed its commitment to resolving the Israeli-Palestinian conflict. At the beginning of 2007 the then German EU presidency succeeded in revitalizing the Middle East Quartet in order to restart the Israeli-Palestinian negotiations. Agreement on this was reached in Annapolis in November 2007. The United States and the Europeans need to see positive signs emanating from the Middle East in order to restore and enhance their status and legitimacy as regional players. Unlike the desperate situation in Iraq and the U.S.-Iranian confrontation (which in essence is an identity-based conflict that seems to be peculiarly difficult to deal with), the conflict between Israel and the Palestinians is capable of being resolved. A settlement of this conflict could yield significant dividends.

Thus there is reason for cautious optimism, in particular for the resolution of the Israeli-Palestinian conflict. Israel, the Palestinians and the Arab countries have expressed their political will to co-operate on the Israeli-Palestinian issue, and the United States, Europe and the rest of the international community acting within the framework of the Middle East Quartet are willing to supervise both the negotiations and the implementation of the two-state solution. If the Annapolis process begins to show results in the coming months, it could have a spillover effect on the Israeli-Lebanese and Israeli-Syrian negotiating tracks. A concerted effort to resolve the Arab-Israeli conflict could become a catalyst for the countries in the region to tackle the other regional conflicts as issues which call for shared concern and joint action. What can the European Union contribute to the Annapolis process and to regional stabilization in a broader sense?

Starting point: Resolving the
Israeli-Palestinian conflict now

IV. Europe's Role

IV. The Middle East between Conflict Management and Conflict Resolution. What Role Should Europe Play?

Europe's dynamic development

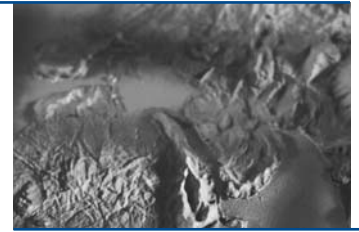
Europe is in the middle of a dynamic development process. As a result of eastern and southern enlargement in 2004 and 2007, the European Union has grown from 15 to 27 member states. The signing of the Treaty of Lisbon in December 2007 marked the third fundamental reform of EU primary law since the Treaty of Maastricht in 1992. Whilst the EU is becoming more mature both as an internal and an external player, enlargement has also led to greater diversity. The old vision of the founding fathers in the 1950s, who sought to establish a political union, is being replaced by a more pragmatic approach to European integration based on economic and security issues.

Europe's short history as a foreign policy player

The history of the European Union as a foreign and security policy player is a relatively short one. It was not until the Treaty of Maastricht that the 12 member states of what was then the European Community decided to add to their communitarized internal market policies by establishing on an intergovernmental basis a Common Foreign and Security Policy (CFSP) and greater co-operation in the area of Justice and Home Affairs. A number of institutional and procedural reforms in the 1990s sought to strengthen the CFSP and thus to compensate for the decline in the importance of individual European countries. Europe's foreign and security policy received another boost as a result of the experience of the war in Kosovo, which revealed that the European Union lacked the military capability to intervene in an effective way in a humanitarian disaster at its doorstep. The EU member states thus decided to establish the European Security and Defence Policy (ESDP) as a CFSP sub-policy.

New provisions in the Treaty of Lisbon

The Treaty of Lisbon, which is due to enter into force before the next elections to the European Parliament in June 2009, will make important changes to the institutional structure of the EU's foreign, security and defence policy. It seeks to strengthen the Union's external representation by means of the double-hat office of High Representative of the Union for Foreign Affairs and Security Policy. He or she will be elected to chair the Council of Ministers in its Foreign Affairs configuration for a period of five years, and at the same time will be a vice-president of the European Commission as Commissioner for External Relations. The High Representative will have at his disposal a separate diplomatic service staffed by diplomats from European institutions and the member states. The new office has the potential to enhance Europe's external visibility and to bring about better cross-pillar co-ordination between the Council of Ministers and the Commission. The Treaty of Lisbon also establishes various forms of differentiated integration for those member states which are willing to move ahead in the area of foreign, security and defence policy, for example, the instrument of "permanent structured co-operation".



The foreign and security policy of the European Union should be assessed in a realistic way. The EU is not a mature foreign and security player. But perhaps it is even more important that it is not *perceived* as such, neither by the Europeans themselves nor by other countries. Nevertheless, the expectations of European and non-European countries which wish the Union to play a role in international relations are remarkably high. Any assessment needs to take into account that the Union is a bloc of 27 individual member states which has only recently embarked on the innovative path of pooling the sensitive area of national foreign and security policy. This process has been difficult and is still faced with numerous obstacles. But it has also been moving towards greater consistency and increased involvement. In the Middle East this can be seen in the format of initiatives such as the EU 3 plus Javier Solana negotiations with Iran (later joined by China, Russia and the U.S.), the EU Border Assistance Mission (EU-BAM), and the EU Police Mission in the Palestinian Territories (EUPOL COPPS).

Greater consistency and improved input

The European attitude to the Middle East and North Africa has changed as a result of the experience of 9/11, the terrorist attacks on European soil, the increasing pressure of illegal migration from the southern shores of the Mediterranean, and a tightening race for energy resources. There can be no doubt that Europe has vital interests in this region. A potentially explosive neighbourhood, it is an immediate security risk for the European continent and yet represents an economic opportunity that is in Europe's interests. Developments in the region have a far greater and more visible impact on European societies than on the U.S. But the optimistic idea that it would be possible to support political and economic transformation processes in Middle East states and societies within the framework of the Euro-Mediterranean Partnership (the "Barcelona Process"), which was launched in 1995, has given way to a narrower, security-focused view. In 2003 the Union adopted a Security Strategy, in which four out of five major threats refer to the Middle East: Al Qaeda, proliferation, regional conflicts, and failed states. The European anti-terrorism strategy adopted in 2005 determines the EU's external action in all areas where there is co-operation. In 2005 illegal migration and the prospect of extending the Schengen area to include the new member states prompted seven member states to adopt the Treaty of Prüm. Its purpose is to make it possible to fight terrorism, trans-national crime and illegal migration together. A "securitization" of Europe's view of the Middle East has started to have an impact on a number of EU policies.

"Securitization" of EU approach to the Middle East

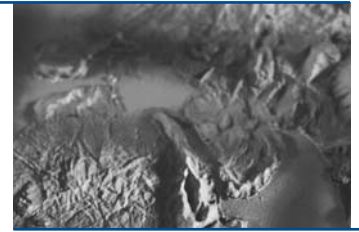
In 1995, when the European Union launched the Euro-Mediterranean Partnership, the regional environment was a different one. The Oslo Agreements suggested that there was a prospect

Conceptual flaws in Barcelona process and ENP

of peace between Israel and the Palestinians, and this, it was thought, would decrease tensions throughout the region. The Barcelona Process was conceived in a spirit of optimism. With its broadly-based concept of economic, political, security and cultural interchange between the two sides of the Mediterranean, the European Union sought to make a contribution to regional stability by opening up the Middle East and North Africa in political and economic terms. More than ten years later such hopes have not materialized. Against the background of the new “securitized” European agenda, the Barcelona Process and the southern dimension of the European Neighbourhood Policy (ENP), which was developed in the wake of eastern and southern enlargement in 2004, look like relics from a different era. Many critics have complained about their lack of effectiveness. A whole series of programmes, initiatives, action plans and meetings of various kinds have revealed a lack of prioritization and the fact that as time went on the Barcelona Process and the ENP tended to overlap. Furthermore, the ENP suffers from the impractical combination of an eastern and southern dimension within a single policy approach. The concept of medium- and long-term engagement and multiple forms of co-operation in order to stabilize the region is certainly wise. However, it seems advisable to become more focused in order to avoid diluting Euro-Mediterranean initiatives to the point where they have no real impact, and to create incentives on both sides for a stronger commitment to co-operation.

A vague strategic approach

Even more problematical is the fact that, despite a whole series of initiatives, the overall European approach to the region has not as yet emerged with sufficient clarity. A paramount problem is the absence of a strategic EU approach to the region that takes into account the changes that have taken place since the events of 9/11. The presence of the European Union and its member states is becoming increasingly apparent throughout the region. There are, for example, military and police detachments in Afghanistan, Iraq, Lebanon, and the Palestinian territories. However, the strategic backbone of this engagement is rather weak. The 2003 European Security Strategy was a good start, though it is more a description of risks and threats than a clearly defined strategic concept. The piecemeal nature of European foreign policy in the Middle East and North Africa is a good illustration of this conceptual deficiency. It also makes life difficult for the European Union's partners. Europe needs to clarify its basic position on the Middle East. This does not mean that the Europe has to give up on the Barcelona and ENP policies. It should build on this experience and learn from the past.



V. Improving Policies with a Strategic Concept and a Focused Agenda

On the level of ideas, Europe needs a genuine foreign policy debate that addresses the new security risks and re-assesses European vital interests in the region before developing a comprehensive strategic approach. In this conceptual re-assessment the Europeans should review and operationalize the 2003 Security Strategy ("Security Strategy II"). There needs to be a clear understanding at the European level about why, where and how the EU should become a player in the Middle East. It is time to re-evaluate the Euro-Mediterranean Partnership and the southern dimension of the ENP and to correct their conceptual flaws. This conceptual re-orientation ought to include an attempt to reconcile the Barcelona Process and the ENP (and the latter's eastern and southern dimensions). All this should be discussed in a very frank and candid manner. The European Union is in the process of becoming more mature and should seize the opportunity to test and improve its policies.

Discussing the conceptual dimension, priorities, and new forms of co-operation

Against this background it is worth considering the idea of a Mediterranean Union, which has hitherto been mooted in only a rather vague way. Faced with the increasingly divergent views of the 27 EU member states about where and how to become involved, the idea of a core group approach towards the Mediterranean has a certain appeal, since it could bring together countries which have a vital interest in co-operation. However, the impact that this kind of external differentiation might have needs to be assessed rather carefully. A Mediterranean Union would not only be an example of a kind of multi-speed Europe which could easily negate the Union's efforts to make its foreign policy more coherent. It would also create another strand of co-operation in the already overly complex dual structures of the Barcelona process and the ENP. Thus it would seem advisable to conceptualize the Mediterranean Union on the basis of the instruments of differentiated integration provided for in the EU's primary law and to merge both the Barcelona Process and the ENP into a new focused and inclusive concept. This would constitute a helpful contribution to a debate that has been far too opaque and surprisingly confrontational.

Prospects for a Mediterranean Union?

The Europeans should discuss their foreign policy objectives in the Middle East with Washington and in greater detail. Europe and the U.S. should provide each other with more and better information about their priorities and programmes in order to build an atmosphere of trust and thus avert subsequent differences of opinion. This seems especially advisable in the forthcoming phase of readjustment which will probably happen in the wake of the U.S. Presidential Elections. Better mutual understanding of the various security perceptions and concepts on both sides of the Atlantic is of crucial importance in view of past disagreements and the challenges which lie ahead. This also means that if the U.S. wants Europe to play a

Explaining Europe's position

more prominent role it must act to strengthen the view that Europe can be a reliable partner in the region. Here much depends on how certain things are perceived. It would also be a good idea if the Europeans were to improve their dialogue among equals with the countries in the Middle East and North Africa. EU-Israeli relations have already made some progress in this regard, whereas the European-Arab dialogue leaves much to be desired. The initiation of a more intense dialogue could pay off handsomely in future initiatives. The Arab League might well become the forum in which to engage the Arab countries in this way.

The operational dimension –
streamlining the
European agenda

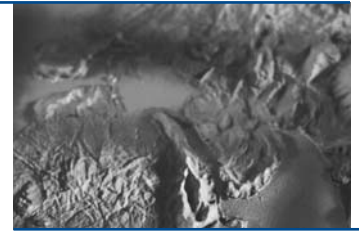
The operational dimension should take its bearings from the idea of actually doing less. For years Europe has invested far too many resources and failed to reap any real benefits. For this reason the European Union should focus on a limited short- and medium-term agenda. In this context it should be able to draw on the skills that it has developed as a foreign policy player, in particular as it supported the transformation processes of the new member states as they prepared to join the Union. The EU has specific diplomatic resources and the experience to contribute to effective regional stabilization and economic reconstruction. For now it should allocate its resources to the following areas:

- *Top priority:* Institution-building and economic and social reconstruction for the future Palestinian state within the framework of the Annapolis process.
- *Second, short- to medium-term priority:* A future-oriented and narrow agenda for economic and political transformation.
- *Third, medium- to long-term priority:* Popularizing the idea of regional co-operation and integration.

1. Top priority: building the Palestinian state

Giving the Europeans a clear
mandate for state-building

At the very heart of the Annapolis process is the idea of creating a Palestinian state which is able to survive, which will function to serve the needs of its citizens, and which will live in peace with its neighbour, Israel. Europe needs to be given an unambiguous mandate by Israel, the Palestinians, the U.S. and the Quartet. The European Union should continue and extend its capacity-building initiatives aimed at the Palestinian administration and judiciary, security reform, and economic and social reconstruction. Furthermore, the European mandate should include the responsibility for co-ordinating all the initiatives that are concerned



with state-building and economic re-construction in the Palestinian territories. This would lead to greater transparency and consistency, and help to underpin the implementation process. The Europeans should initiate an ongoing dialogue with the negotiating teams based on the Quartet mechanism, and also with the new U.S. Middle East envoy for security issues in order to strengthen the link between the final status negotiations and the state-building process. It would also be a way of telling Israel that the Europeans are taking its security needs seriously.

Many of the past European attempts to establish viable state structures in the Palestinian territories were a complete failure. Furthermore, Europe has for a long time been the paymaster, albeit an ineffective paymaster. An increasingly critical European electorate means that the EU can no longer afford to play this role. It is impossible for the Europeans to eliminate all the potential spoilers who might wish to wreck the state-building process. However, they can certainly emphasize the fact that there is an essential pre-condition for their involvement in Palestinian state-building. This is the commitment of the parties to the conflict and the U.S. to the political process. Prior to Annapolis Europe once again proved to be too weak to become a player in the negotiations. Nevertheless, the Europeans should point out that their financial support and institution-building measures are conditional on whether or not Israel, the Palestinians and the U.S. manage to achieve tangible results in the negotiations in the near future. The Europeans should also ask the U.S. to co-ordinate its negotiating position within the framework of the Middle East Quartet. This would make it possible for the state-building process to unfold at the same time as the political process. Furthermore, the Quartet format would guarantee a high level of international legitimacy and inclusion. The Quartet could also serve as a contact group which could begin to tackle the regional dimension of the conflict along the Lebanese and Syrian negotiating tracks and encourage the moderate Arab countries to operationalize the 2002 Arab Peace Initiative. Keeping Syria on board is of crucial importance to the search for regional peace. In fact, peace between Israel and Syria is a realistic objective.

Conditional commitment

Institution-building and economic re-construction will be even more difficult in view of the fact that the Palestinian territories are now divided. The Europeans should make it clear that their ultimate aim is to implement the two-state solution in both the West Bank and the Gaza Strip. However, at the moment a “West Bank first” approach seems to be the only realistic one. The Europeans should also come up with a plan on how to prevent an even greater decoupling of the two territories, and to ensure that Gaza will catch up as soon as possible.

Dealing with the split between the Palestinian territories

Such a plan is bound to touch on the highly sensitive question of how Hamas might be included in the process. If it continues to play the role of a spoiler, it will be impossible to create a sustainable Palestinian state which can live in peace with Israel. Thus the European Union will have to turn its attention to the need for reconciliation between Fatah and Hamas, and find a way either to stop boycotting Hamas, or to encourage another party – for example, Saudi Arabia, Egypt, or the Arab League – to talk to Hamas and pave the way for intra-Palestinian talks.

2. Second, short- to medium-term priority: A future-oriented and narrow agenda for economic and political transformation

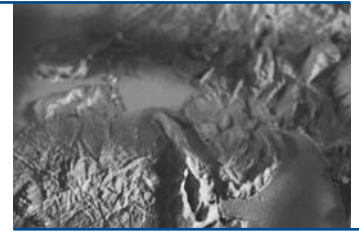
Adhering to the idea of supporting transformation ...

In general terms, the security concept of the European Union is based on the belief that the transformation to democracy and a functioning social market economy is an investment in stability in its neighbourhood. However, as a result of the overloaded agenda and the absence of incentives neither the Barcelona Process nor the ENP has as yet produced satisfactory results for the participating countries and their citizens. Similarly, the EU's investments have not yielded the dividend the Europeans were hoping for in terms of their political, economic and security interests.

... but with a very narrow agenda

Thus the European Union would be well advised to limit its priorities in the context of the Barcelona Process and ENP countries. The following could perhaps be adopted:

- *Environmental technology transfer and education and training:* The EU and its partners should identify a small number of future-oriented projects in which they have a common interest. For example, they could focus on joint projects related to climate change and environmental protection. The transfer of environmental technology, support for education and training and the creation of a skilled workforce would be in the economic and environmental interests of both sides, and would help to improve the competitiveness of the Arab world in the context of globalization.
- *Emphasizing human rights and the rule of law:* Democratization has become a discredited concept in the Middle East. As a result of Western support for democratization, Hamas contested and won a set of democratic elections. However, the European Union and the U.S. subsequently boycotted Hamas and refused to accept it as a legitimate partner. This has left its marks on the region. Arab regimes also see democratization as a way in which Islamist groupings can challenge their very existence. For this reason the Europeans



should restrict their assistance to emphasizing the importance of human rights and the rule of law. But in its external relations the European Union should continue to adhere to its democratic values by supporting democratic and moderate forces throughout the region.

3. Third, medium- to long-term priority: popularizing the idea of regional co-operation and integration

In 2007 the European Union celebrated the 50th anniversary of the Treaties of Rome. Europe can look back on five decades of integration in which it has managed to burgeon into an “XXL Union” of 27 member states which, despite certain deficiencies, still works in a remarkably effective manner. The Europeans could easily share their experience of economic and political integration in a regular dialogue with the countries of the Middle East and North Africa. It would probably be impossible to copy the example of European integration exactly in the Middle East. However, the interconnectedness of the conflicts in the region and the lack of regional security structures suggest that a change in the attitudes to intra-regional co-operation would be gratifying.

Dialogue on the concept of regional integration

Europe's support for the idea of regional integration could involve a number of different formats:

GCC, “Iraq and its neighbours,” and an OSCE-style mechanism

- *The Gulf Cooperation Council (GCC):* The GCC is the most promising catalyst of intra-regional co-operation. The European Union should finally overcome the obstacles encountered in the negotiations and conclude the Free Trade Agreement (FTA) with the GCC. The FTA could serve as a platform with which to initiate a learning process on regional integration and to foster the interconnection of Europe and the Gulf countries. It could transcend mere economic co-operation, and could include, for example, education, the development of human resources, and energy and environmental issues.
- *The “Iraq and its neighbours” format:* State failure in Iraq and one of its side effects, the rise of Iran, are beginning to be perceived as an issue of shared regional concern. The European Union should use the “Iraq and its neighbours” format to initiate regular meetings between the six GCC countries, Iraq, and Yemen. This format should also include Iran, a crucial player in the region who is meddling in Iraq, in Lebanon, and in the Gaza Strip. Excluding Iran would be a risky strategy, whereas its inclusion in a 6+2+1 format (the six GCC countries, Iraq, Iran, and Yemen) would perhaps give Tehran the feeling that it was being taken seriously as a regional player and increase its willingness to engage in a constructive dialogue.

- *An inclusive permanent regional security conference:* It is certainly too early to hope that such a conference might materialize in the near future. However, the Europeans should start a debate about the establishment of a permanent inclusive conference on security issues for the whole of the Middle East. This format could also include new players such as India and China, whose impact on regional dynamics has not as yet been recognized for what it is.

Doing less is doing more

The European Union launched its Middle East and Mediterranean initiatives in the optimistic climate which was generated by the Oslo Agreements in the mid-90s and at a time when the European Union's new foreign policy was first being put to the test. Since then the prospects for intra-regional co-operation have become far more uncertain. Until the Europeans have found a comprehensive strategic answer to the challenges and opportunities of the Middle East, they should perhaps lower their expectations. At the moment doing less might, at the end of the day, actually turn out to be doing more. Concentrating in a more focused manner on a narrower agenda will make it possible to deliver better policies and enhance Europe's visibility and credibility in the Middle East. First, in the months to come Europe should concentrate its diplomatic, financial and administrative resources on building the Palestinian state within the framework of the Annapolis process. Second, Europe should streamline its Euro-Mediterranean and ENP initiatives. Third, the European Union should engage the countries in the whole of the Middle East in a conceptual debate about regional co-operation and integration. This is an apt and fitting agenda for the EU's relations – with both the Middle East and the U.S.

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