



Europe and the Middle East – Perspectives for Engagement and Cooperation

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Executive Summary

The strategic importance of the Middle East and North Africa region demands a comprehensive and integrated strategy. If the challenge of institution building and institutional reform on both the domestic and the international level is not properly addressed, the whole region will face protracted instability. The region was affected by the wave of global democratization, but the lively public debate on reform has left only a limited impact on the institutional structures. Most countries in the region have undertaken a controlled opening of their political systems, pursuing a careful strategy to restructure authoritarian rule mediated by their particular domestic environment. Economically, most countries succeeded in macroeconomic stabilization while more complex reform measures, such as privatizing state-owned enterprises, extending the rule of law and creating market systems of regulation, proceeded only slowly. Although, implementing reforms is first and foremost a domestic process within a specific institutional and cultural context, external actors can play a central role in the formulation and the domestic legitimating of the course of reform. Therefore, the transatlantic partners should develop a culturally sensitive support strategy with clear benchmarks, establish a dialogue with moderate Islamists, and improve the image of the U.S. and Europe in the Middle East.

The passing away of Palestinian leader Yassir Arafat carries both the opportunity to make a fresh start and the possibility that there will be a prolonged leadership crisis. Against the backdrop of a well-nigh complete breakdown of the Palestinian Authority's ability to govern and provide for law and order, the reign of armed gangs in several Palestinian cities, and violent clashes between Fatah-linked groups and the security forces, the greatest challenge for the new Palestinian leadership will be to re-establish internal security. The window of opportunity that is being created by the death of Arafat and Israel's unilateral withdrawal initiative should be exploited to revitalize the festering peace process. The Quartet should ensure that Israel's unilateral disengagement from Gaza and the Northern West Bank will be part of the process envisaged in the road map and establish an effective supervision mechanism that monitors closely the progress of both parties. The European Union (EU) should work with the Palestinians to secure a smooth transfer of power to the Palestinian authorities in the areas that are evacuated by Israel. It should specifically focus on strengthening Palestinian security forces, supporting the institutional reform process, buttressing the unfolding electoral process and supporting the economic reconstruction process.

The legacy of Saddam Hussein's rule has made the transition process in Iraq a very complex and difficult task; the institutions of the Iraqi state were on the verge of collapse after the third war in twenty years and 13 years of sanctions. The inability of the Coalition Provisional Authority (CPA) and the Interim Government to impose law and order on Iraq has created a security vacuum across the whole of the country. The political process was characterized by a sequence of approaches, which culminated in the transfer of sovereignty to an appointed interim government in June 2004. The EU should develop a feasible and sensitive strategy to support the political reconstruction process in Iraq, which is based on its rich experience as a civil power, stimulating and supporting processes of structural change in various regions of the world. In this volatile environment the EU should concentrate on supporting the electoral

process and the development of an inclusive and representative political system. A second area in which the EU could contribute in a meaningful way to improving stability in Iraq is institution building and the rule of law. A third and possibly most important field for EU engagement is the regional environment where various EU policies are already in place. The EU should establish an intensive dialogue on the future of Iraq with Iran, Turkey, Syria, Jordan and the countries of the Gulf Cooperation Council (GCC).

Beyond all the problems it created, the Iraq war in 2003 has opened an unprecedented window of opportunity for regional cooperation and the conditions for the creation of new security arrangements in the Gulf. An obvious starting point for such a project would be a regional conference, co-hosted by the EU, on arms control and confidence-building measures. If long-term security is to have any chance of being achieved, there is an absolute need to address Iraqi concerns of redevelopment and access to the sea as well as Iran's legitimate security interests. Iran must be offered a "quid" in terms of economic and technical cooperation for its "quid", the decision to renounce nuclear weapons. A future Gulf security system should be based on the principles of inclusiveness, comprehensiveness, flexibility and separation. The EU is well placed to act as an honest broker with all parties concerned and could create the momentum for steps leading towards an inclusive Gulf security system.

Introduction

The strategic importance of the Middle East and North Africa region demands a comprehensive and integrated strategy. If the challenge of institution building and institutional reform on both the domestic and the international level is not properly addressed, the whole region will face protracted instability.

The MENA region needs a comprehensive strategy

In recent years a lively public debate on reform and democratization has emerged in each and every Middle Eastern country, and has been promoted in particular by influential pan-Arab media such as the widely-watched television channel Al-Jazeera. Such discussions are not new, though they were boosted by the events of 9-11 and the publication of the Arab Human Development Report. However, this discourse, which even made its way on to the agenda of the Arab League, has not yet left a sustained impact on the institutional structures of most Middle Eastern countries that transcend the rhetoric of regional leaders. Indeed, the picture is rather mixed, with some countries implementing cautious reforms, and others pursuing what might be called a policy of de-liberalization.

Debate on reform has not yet left a sustained impact on institutional structures

On the international level, the region is characterized by numerous conflicts and weak regional integration and institutionalization. Although, most of the national markets are small, intra-regional trade is not even one tenth of exports; economic integration has remained limited to a minimum. Regional institutions could not effectively contribute to ending armed conflicts and do not offer significant incentives for reforms. In the long list of regional conflicts, the Arab-Israeli is the most prominent and has led to five regional wars since 1948. This conflict is a considerable drain on the region's resources and serves as an instrument of legitimacy for both terrorists and authoritarian regimes, thus distracting from structural problems. Although, two of four front states, Egypt in 1979 and Jordan in 1994, have signed peace treaties with Israel, the Israeli occupation and the Palestinian suffering remain at the centre of regional attention. The passing of Palestinian leader Yassir Arafat has opened a window of opportunity for rebuilding and reforming the severely weakened structures of the Palestinian National Authority as a precondition for reinvigorating the festering Israeli-Palestinian peace process. This will allow transforming the unilateral disengagement initiative promoted by Israeli Prime Minister Ariel Sharon into a negotiated process that may well serve as a nucleus for the eventual resumption of final status negotiations.

Region is characterized by numerous conflicts and weak institutionalization

The necessity of building up new institutions from the scratch is most urgent in Iraq, where the mismanagement of the occupation authorities as well as the continuing security problems have put the very success of the transformation process in question. The design of the new institutions in

New institutional structures have to be build in Iraq

Iraq will have to reflect the triple challenge of re-building Iraqi national identity, establishing good governance and creating a functioning market economy. Beyond these problems, the Iraq war in 2003 has opened an unprecedented window of opportunity for regional cooperation and the conditions for the creation of new security arrangements in the Gulf. Establishing a security structure aimed at including all relevant regional actors and reducing foreign military presence would – on the long run - be beneficial for all Gulf riparian.

Reform in the Middle East

The intensive debate on reform in the Middle East evolving in the last couple of years has put the issue on the regional agenda for some time to come. This process of acknowledging the need for structural reforms and defining their scope in its political, economic and social dimensions has been manifested, for example, in the Sana'a and Alexandria meetings and the Tunis declaration of the Arab League. The entrenchment of reform issues on the rhetorical level is an important first step, but tangible progress on the ground has been rather slow. Sustainable change would require the definition of a new social contract between the governments and the governed since the old social contract based on delivery of services in exchange for political quietism has been progressively disintegrating. Indeed, the whole process remains extremely vulnerable and is partly driven by external forces. The power of the executive as a crucial variable in any democratization process is being seriously addressed only in countries in crisis situations like Palestine and Iraq.

The discussion of reform issues is an important first step, but tangible progress on the ground has been rather slow.

At a certain level of abstraction the political systems of the region reveal two different lines of development. The *presidential republics* created authoritarian one-party systems that aimed at transforming the existing social order by dispossessing old elites, mobilizing large sections of the population, and tying societal groups into an authoritarian-corporatist system. In most countries this system was modified by cautiously approving additional parties and introducing rigged elections. The *traditional monarchies* conjoin inherited political power with conservative Islamist social ethics. In the monarchies of the Gulf Cooperation Council (GCC), the ruling in general does not only supply the head of state, but also occupies the most important ministerial posts. In Morocco, Jordan, Kuwait and, more recently, in Bahrain, the parliaments are the result of relatively free elections. However, the powers of these legislatures are limited, both with regard to forming a government and to balancing the executive. The Islamic Republic of Iran, which emerged from the revolution of 1979, is a special case where limited political pluralism is kept in check by the predominance of conservative clerical institutions.

Two different lines of development: presidential republics and traditional monarchies

Most countries in the region have undertaken a controlled opening of their political systems, pursuing a careful strategy to restructure authoritarian rule mediated by their particular domestic environment. The reasons for the reforms from above include the state's declining ability to exercise patronage, the increasing self-consciousness of civil society groups, and the changed international environment. In the republics, opposition parties and independent candidates are tolerated as long as they do not endanger the ruling party's majority, and thus control of the executive. In the monarchies, competitive elections are being held, but

Most countries have undertaken a controlled opening of their political systems

their influence on the composition of the government and the formulation of policy is rather limited. This development, however, does not exclude the possibility of the gradual establishment of accountability coupled with a careful widening of popular participation, the most interesting cases presently being among the small monarchies of the Gulf region.

In all of the countries in the region and regardless of the type of political system, the state has played a leading role in economic development. Historically, they have attempted to catch up in the industrial sphere by imposing protective tariffs and rapidly expanding the public sector. The strategy of import-substitution industrialization led to crises everywhere, since the large state sector was neither competitive nor profitable, producing massive misallocations of resources and increasingly consuming national reserves of capital. These structural problems were obscured by the oil boom in the 1970s, from which all the countries in the region benefited, either directly as oil exporters, or indirectly as a result of regional transfers and remittances from migrant workers. During the Cold War the influx of oil revenues into government treasuries was supplemented by financial transfers to certain states in this geopolitically important region.

State-led economic development led to structural crisis

The collapse of oil prices in the mid-1980s and the end of the East-West confrontation considerably reduced the level of these financial flows and forced almost all the states in the region to undertake market reforms. Most countries succeeded with regard to macroeconomic stabilization. More complex reform measures, such as privatizing state-owned enterprises, extending the rule of law, and creating systems of market regulation, proceeded rather slowly. Implementation of such structural reforms based on market principles endangers state control in several sensitive areas. Selective economic liberalization makes it possible to reestablish state control over the distribution of resources to clientalistic networks in local society. Instead of privatization based on market principles, state-owned enterprises were transferred to friends of the government in the context of impenetrable insider deals, thus creating a weak and dependent private sector. Direct state control has been replaced by a symbiotic relationship between the bureaucracy and an upper class close to the government. This makes it possible to exercise discreet state control through the issuing of licenses, public contracts, and other measures.

Economic liberalization achieved macroeconomic stabilization but implementation of structural reforms proceeded only slowly

The Role of External Actors

Although, implementing reforms is first and foremost a domestic process within a specific institutional and cultural context, external actors can play a central role in its formulation and domestic legitimating of the course of reform. Little or no substantial progress was made in countries, which did not have international backing for the reform package. There

External actors can play an important role in the reform process

are no institutional structures that could foster a transformation on a regional level, and the Arab world does not possess an attractive transformation model, which as a result of close transnational connections, could lead to a domino effect.

The United States has emphasized the need for reform in its "Broader Middle East and North Africa Initiative" (now called "Partnership for Progress and a Common Future"), which was adopted by the G-8 at its Sea Island summit in June 2004. Based on earlier ideas of the Clinton administration, this project seeks to support reform processes in the Middle East in the political, social and economic spheres. A preliminary draft leaked to the Arab press drew heavily on the Arab Human Development Report and led to a wave of protest in the region. Since at this stage the proposals had not been discussed with any of the regional actors, they were perceived as an imperialist imposition on the region, and castigated because they did not even mention the Arab-Israeli conflict. The initiative was hastily re-written, and now includes a regular conference on ministerial level (Forum for the Future) and a number of smaller programs in various areas. In this form it resembles the broad and long-term approach, which is a feature of the European Euro-Mediterranean Partnership, though this was initially ignored by senior U.S. officials, who spoke of a new and historic "forward strategy for freedom".

US-sponsored
Broader Middle
East Initiative was
adopted by the G-8

The European Union (EU) has promoted reform and democratization within the framework of the Euro-Mediterranean Partnership (EMP) by way of a comprehensive and integrated approach, and of substantial financial resources. Since its inception in 1995, the partnership has sought to establish both a zone of peace and stability and a free trade area in the Mediterranean. To this end the EU has concluded association agreements with all the Mediterranean partner countries. The agreements stipulate free trade and provide various kinds of financial and technical assistance. All of them include a non-negotiable commitment to democracy and human rights by the partner countries. However, a decade after the start of the process, it has not come up with a success story, nor has it triggered off a broad transformation process in the southern Mediterranean partner countries. The process has become bureaucratized, and the initial optimism professed by many of its advocates has given way to greater realism. The lack of visible success is mainly due to the rather lukewarm manner in which the partners on both sides of the Mediterranean have embraced it. On the one hand, the political and social élites of the southern Mediterranean countries, including the business community, are not committed to the process, since they are afraid of undermining their own privileged social position. On the other hand, the EU has fought shy of playing a greater role in the

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reform process in the southern partner countries that resembles its involvement in Central and Eastern Europe. In the final analysis, the accumulated experiences of the last decade should not be brushed aside, although the EU can point to very little tangible progress on the ground.

The European Neighbourhood Policy (ENP) which was launched in 2003 includes the EU neighbours to the east (Ukraine, Belarus and Moldova) as well as the southern Mediterranean partner countries. It is a new instrument operating in parallel to the existing frameworks that seeks to establish a ring of stable and prosperous countries around the EU. To this end, the neighbouring countries have been offered a privileged partnership based on action plans designed to intensify cooperation in a number of areas. While the attempt to establish a closer relationship with Mediterranean partner countries should be welcomed, it remains debatable from a geographical and functional perspective. The heterogeneous character of the regions in question (which may even include the Caucasus) is bound to hamper the development of effective instruments. The implementation of the EU *acquis* as a precondition for participation in the single market constitutes a tough challenge for partner countries. It will lead to greater structural dependence on the EU without representation in its institutions. In the long run the ENP is bound to lead to an increased stratification among partner countries, with some moving much faster than others.

European Neighbourhood policy seeks to establish a ring of stable and prosperous countries around the EU

The angry reaction to the draft proposals of the U.S. Broader Middle East Initiative suggests that the messenger is deemed to be just as important as the message itself. For this reason, improving the image of the U.S. and Europe in the Middle East calls for a sophisticated public relations campaign, and, over and above this, a credible commitment to work for a sustainable settlement of the Arab-Israeli conflict. The communities concerned feel that technical and financial assistance and gentle pressure for structural reform requires credibility. Unfortunately, the credibility of the West in general and the U.S. in particular does not rank high in most Middle East countries. As a result of the festering Arab-Israeli conflict and the U.S. record in Iraq, many Arabs are highly suspicious of any Western initiative. It goes without saying that the numerous problems of the region cannot be reduced to the Arab-Israeli conflict, though no other single issue does so much to fuel popular anger against the West or serves as a ready excuse to delay or prevent reform.

Transatlantic partners should commit themselves to solve the Israeli-Palestinian conflict

The transatlantic partners should be prepared to support a gradual transformation process towards increasing accountability and participation, but the steps have to be clearly defined and monitored. Operative programs should be developed based on complementary building blocks that can be implemented without enforcing the whole agenda at once. This would include the definition of detailed benchmarks

A strategy needs to define benchmarks which are periodically evaluated

with the partner countries and the periodical evaluation of performance on the basis of positive conditionality. The transatlantic partners should insist, however, that minimum standards of human rights are met by any partner country. There could be a sophisticated linkage between classical development aid and support for democratization, e.g. by linking targeted project assistance to accountable management by local civil society representatives.

One of the key problems in the attempt to support democratization in the Middle East is the difficulty of identifying a capable agent. On the one hand, Western-style liberals are generally few and far between, and more often than not lack popular support. On the other hand, technocrats in government positions have little or no incentive to make fundamental changes to a system which is to their advantage. An alternative to these are groups known as "moderate Islamists", which subscribe to key aspects of democracy, and at the same time receive broad popular support. The ongoing debate in recent years among a number of moderate Islamist thinkers is very instructive. They have called for a reformulation of religious thinking that aims at a rejection of violence and participation in a pluralist political process. The transatlantic partners should seek to address these groups in a flexible and imaginative way. This task will be made easier if transnational exchanges between societies in the region and the West are increased by establishing exchange programs and simplifying visa requirements.

Transatlantic partners should seek to address moderate Islamists

One of the key areas for democratization and reform that will remain critical for a long time to come is the building of knowledge capacity as emphasized in the Arab Human Development Reports. This issue in its dimensions knowledge diffusion (education, media) and knowledge production (research and development) will contribute to the political and economic development and ultimately to regional stability. In this context, co-operation in the field of education and human resources is of crucial importance. The need to reform the educational systems has very much become a focus for the domestic debate in Middle Eastern countries. In many countries, the curricula in most subjects are highly dependent on memorization, and the final examinations are the main factor in determining a student's grade. This leaves little room for creativity, or class participation, which is necessary in order to discover talented students and bring out the best in them. Therefore, programs for technical assistance and other forms of cooperation should be supported by the transatlantic partners, e.g. the training of teachers; the revision of curricula according to best practices, including introducing democracy and human rights; and the promotion of vocational education. Instructors from the region should be invited to visit educational institutions in Europe and the U.S. to observe best practices and twinning

Education and human resources development are a key factor in economic and political development

programs for higher education institutions should be established.

The transatlantic partners should engage in a consistent and culturally sensitive effort to promote reform and democracy in the region. This does not necessarily require the pooling of resources or the establishment of a new transatlantic institution dedicated exclusively to this goal. However, the EU and the U.S. need to improve transatlantic communications through various kinds of regular consultation in the context of new and existing forums, and coordinate the implementation of best-practice approaches.

Transatlantic partners should engage in a consistent effort to promote reform

Revitalizing the Peace Process

Whatever one's political convictions, the death of Palestinian leader Yassir Arafat must surely be seen as a turning point in the history of the Palestinian people in particular and the Middle East in general. Arafat came to embody the Palestinian quest for international recognition and independent statehood. He personally symbolized the important achievements and numerous failures of the Palestinian national movement, its use of armed struggle and terrorism, as well as its shift to negotiations and recognition of Israel. Arafat functioned as a link between the Palestinians living in Palestine proper and the millions of refugees in the diaspora. The passing away of a great leader brings with it both the opportunity for a fresh start and the possibility that there will be a prolonged leadership crisis.

Passing of Yassir Arafat must be seen as a turning point

Since Arafat refused to groom a potential successor during his lifetime, his death leaves a dangerous power vacuum. There is a real danger of an escalation of violence in the Gaza strip and the West Bank. Against the backdrop of a well-nigh complete breakdown of the Palestinian Authority's ability to govern and provide for law and order, the reign of armed gangs in several Palestinian cities, and violent clashes between groups associated with Fatah and the security forces, the foremost challenge for the new Palestinian leadership will be to re-establish internal security. This is a prerequisite for the prevention of attacks against Israel. Success in building security will depend on three factors:

Arafat's death leaves dangerous power vacuum

- the acceptance of the legitimacy of the new leadership by the principal segments of Palestinian society;
- an improvement in the standard of living of the Palestinian population;
- a political perspective that will lead to the settlement of the conflict.

The unilateral disengagement plan of Israeli Prime Minister Ariel Sharon has sparked considerable controversy among Israelis and Palestinians and the international community alike. While its supporters hail it as a bold idea to move on the ground without a credible negotiating partner on the Palestinian side, its opponents believe it is part of a strategy to delude the international community and to annex large parts of the West Bank indefinitely. The plan as presented to the public in April 2004 and modified in the course of the ensuing months stipulates a complete Israeli withdrawal from the Gaza strip with its 17 settlements (with exception of a narrow corridor along the border with Egypt, the Philadelphi Route) and from four settlements in the northern West Bank without any formal coordination with the Palestinians. Houses and sensitive buildings like synagogues are to be destroyed and only the

Sharon's unilateral disengagement plan stipulates Israeli withdrawal from Gaza and four West Bank settlements

infrastructure left intact for future use on part of the Palestinians. Settlers are to be compensated generously and assisted in relocating.

Sharon came to understand that there was a need to fill the dangerous political vacuum, which he had created by resisting any political momentum during the intifada years. Growing criticism was levelled against Sharon by parts of the Israeli security establishment and other veterans in the field, who argued that he had failed to complement his resolute security approach with a credible political initiative. He felt that in the absence of any positive developments on the ground his government might well be forced to make greater concessions by the international community. This danger was exacerbated by the fact that he believed that, after the presidential elections, the U.S. administration might be much more determined to put pressure on Israel to fulfil its obligations under the road map.

Sharon felt that the dangerous political vacuum during the intifada had to be filled

One of the by-products of Sharon's Gaza proposals has been the revival of cooperation with Egypt, which has generally been supportive of the Gaza disengagement plan, and has offered to help patrol the border and train Palestinian security personnel. However, the Egyptian leadership also called on Israel to improve on the plan by pulling out all of its forces from Gaza and allowing the Gaza port and airport to reopen. The Sharon government has been generally suspicious of the involvement in the disengagement plan by the broader international community. Recognizing that the economic situation in Gaza could deteriorate even further after disengagement, particularly if political and security anarchy were to prevail; it has solicited a World Bank role in facilitating the transfer of infrastructure. Israel is seeking to divest itself of any kind of responsibility for the Palestinian population in the Gaza strip. Indeed, it conveys the impression that it intends to absolve itself from any kind of responsibility for humanitarian hardship or even disasters in the Gaza strip, while at the same time maintaining a comprehensive security siege of the area. Under the terms of the disengagement plan, Israel would continue to control all entries and exits to and from Gaza by land, sea and air for the foreseeable future - in effect, keep in place its siege potential. Thus the situation of the Palestinians in Gaza would certainly not amount to independence in terms of interaction with the international community. Israel is seeking to promote economic development in Gaza after disengagement, though without providing guarantees for the required open transit and access arrangements.

Israel is seeking to divest itself from any responsibility for Gaza while maintaining a comprehensive security siege

The major physical development in the occupied territories has been the construction of a barrier in the West Bank by the Israelis that will eventually be more than 600 kilometres in length. So far about a third of it has been completed. Begun in 2002, parts of the structure consist of a concrete base topped by fencing, and parts of it consist of a concrete

wall that is at times eight meters high. The planned route left large areas of the West Bank on the Israeli side of the barrier. Despite the Israeli government's steadfast insistence that the barrier is for security purposes only, Palestinian and international protests have raised concerns that the barrier may at some point be used to facilitate Israeli annexation of much of the West Bank. Furthermore, construction of the barrier and the related confiscation of land have caused significant humanitarian hardship for many Palestinians. In July 2004 the International Court of Justice issued an advisory decision that the barrier was tantamount to annexation and should be dismantled. In addition to the West Bank barrier, the expansion of Israeli settlements continues to create tension. Some of the growth in settlements was due to expansion in commercially viable areas, particularly in the vicinity of Jerusalem. Elsewhere, expansion was due to the establishment of numerous new outposts by ideologically-motivated settlers. Approximately 400,000 Israeli settlers live in some 200 settlement areas in East Jerusalem, the West Bank, and Gaza, an increase of roughly ten per cent over the number living there in 2000.

The construction of the West Bank barrier and the expansion of settlements have created tension

The EU should work with the Palestinians to secure a smooth transfer of power to the Palestinian authorities in the areas that are evacuated by Israel. This will entail defining priorities and timetables and coordinating them with Israel. Specifically, the EU should focus on the following areas:

The EU should focus on...

First, the EU should seek to strengthen Palestinian security forces in order to restore law and order in the autonomous areas and to prevent terrorist operations aimed at Israeli civilians. This implies additional and more intensive training for the Palestinian police and support for the much-needed reform and restructuring of the security sector. It also presupposes the emergence of a broadly-based and legitimate Palestinian leadership, though this cannot materialize without an improvement in living standards and the prospect of a viable political future.

(1) Strengthening the Palestinian security forces

Second, the EU should continue to support the reform of Palestinian institutions within the framework of the Task Force on Palestinian Reform. These efforts should be focused on the establishment of an independent judiciary and a clear definition of the respective prerogatives of the offices of President and Prime Minister within the Palestinian constitutional framework.

(2) Supporting the reform of Palestinian institutions

Third, the EU should support the unfolding electoral process, which includes presidential, parliamentary and local elections, by facilitating coordination with the Israeli authorities, especially with regard to the participation of Palestinians who are residents of East Jerusalem. It should insist on a fair and free electoral process monitored by international observers, and be prepared to state that the international

(3) Supporting the unfolding electoral process

community will accept any democratically legitimated Palestinian government. After presidential elections have been held on a constitutional basis, the EU should insist on an early timetable for parliamentary and local elections.

Fourth, the EU should support economic reconstruction in the evacuated areas in order to turn the withdrawal into a tangible success for the local population. This can only be achieved if Israel creates conditions that are conducive to sustainable economic development, especially access to and from Gaza strip and safe passage to the West Bank.

(4) Supporting the economic reconstruction of the evacuated areas

The Way forward

Middle East issues will loom large on the foreign policy agenda of the second Bush administration, which takes office in January 2005. However, in contrast to administrations taking office throughout the second half of the twentieth century, Arab-Israeli problems will not be at the top of the Middle East part of the list. In order to command U.S. attention and to attract scarce resources, peacemaking will have to fit into a larger framework designed to bring peace and reform to a troubled region and thus to reduce the threat to the security of the United States. The Bush administration has been criticized for its lack of sustained interest in the problem, and many observers have noted that the United States did not follow up bursts of diplomatic activity, such as those at the time of the Aqaba summit in June 2003, by consistently engaging with all the parties. The revitalization of the peace process will, first and foremost, require an increase in the pace and intensity of U.S. involvement, most probably by appointing a new envoy who prepared to work effectively in the multilateral framework of the Quartet, and dedicating a significant amount of the Secretary of State's time to the task. The United States should abandon the basic negotiating approach pursued by the two previous administrations, which was to work closely with the government of Israel to produce proposals designed to promote the peace process and subsequently to attempt to persuade the Palestinians to accept these ideas. It should rather work closely with both parties on the basis of the well-known parameters for a final settlement including the acquis of the Camp David and Taba negotiations and the Clinton parameters.

The revitalization of the peace process will require an increase in the pace and intensity of U.S. involvement

The window of opportunity that has been created by the death of Arafat and Israel's unilateral disengagement plan should be exploited in order to revitalize the moribund peace process. In the recent past Sharon repeatedly emphasized that a partner for peace did not exist. This has been rendered irrelevant and must not be allowed to serve as a pretext for not restarting the political process that has effectively been on ice since Taba. The Quartet of international mediators proved to be a useful tool in as much as it has enabled important international actors to

become involved in the Israeli-Palestinian peacemaking process, but it has done little to implement the road map. The Quartet should encourage both parties to transform the unilateral disengagement plan into a sustainable process of coordination and cooperation between the Israeli and Palestinian sides. The road map remains the key reference document for progress in Israeli-Palestinian peace-making because it is accepted by all regional and international players and has been enshrined in UN Security Council resolution 1515 (2003). Although, recent events are quite encouraging, the whole process remains fragile and quick action on part of all actors is required to make it a lasting success. Concrete steps to be taken by both sides should be precisely defined and compliance closely monitored with the help of benchmarks.

The road map remains the key reference document for progress in Israeli-Palestinian peace-making

Israel has not adopted an unambiguous position with regard to the future of the process after the implementation of the original disengagement plan, especially in relation to the road map. After a top adviser to the Israeli Prime Minister, in a newspaper interview, talked about putting the process on ice and preventing the establishment of a Palestinian state, Sharon hurried to reaffirm his commitment to the road map. The international community should not accept such obvious Israeli ambiguity regarding the relationship between the unilateral disengagement plan and the road map, and press the Israeli government to define precisely how in fact disengagement relates to and supports the road map. Negotiations of final status issues, as specified in phase three of the road map, have to be part of the political perspective of the process and should not be postponed indefinitely.

The international community should press the Israeli government to define how disengagement relates to the road map

The Quartet should seek to stabilize the fragile process specifically by

- Ensuring that Israel's unilateral disengagement from Gaza and the Northern West Bank will be part of the process envisaged in the road map and that framework conditions for a quick economic recovery of these areas are established including the accessibility of Gaza strip and the safe passage to the West Bank;
- Exerting determined high-level diplomatic pressure to prod the conflict parties into implementing the first phase of confidence building as specified in the road map and thereby strengthening the peace camp on both sides;
- Establishing a significant presence on the ground to prove its sustainable commitment to the implementation of the road map and to function as an effective supervision mechanism that monitors closely the progress of both parties;
- Improving rapidly the severely deteriorating economic situation of the Palestinian population which is a necessary condition for ensuring support for progress in the political process;

- Working to involve the Arab countries by encouraging them to address the Israeli public directly and contribute substantially to the necessary improvement of the economic situation of the Palestinian population;
- Encouraging the exchange between Israeli and Palestinian civil societies to allow for an open engagement on final status issues.

Stabilizing Iraq

The legacy of Saddam Hussein's rule has made the transition process a very complex and difficult task. The structures of the Iraqi state that the U.S. had hoped to inherit in April 2003 were on the verge of collapse. In March they were hit by the third war in twenty years. After thirteen years of sanctions specifically designed to weaken the state, and three weeks of looting in the aftermath of the war, governmental institutions simply disintegrated. What had been planned as regime change and the ensuing speedy reform of government institutions was now going to be something much more expensive and protracted. The Coalition Provisional Authority (CPA) has been engaged in the unexpected task of constructing a new Iraqi state from scratch. This will take much longer and be far more difficult than was anticipated in the run-up to the invasion. The inability of the CPA and the interim government to impose law and order on Iraq has created a security vacuum across the whole of the country. This does not only have an impact on the daily life of Iraqis, but severely restricts the reconstruction effort of the international community and impedes the political process, putting the feasibility of an election into question.

The task of constructing a new Iraq state will take much longer and be far more difficult than was anticipated in the run-up to the invasion

The political process was characterized by the quick succession of at least three different approaches. The initial approach was based on the assumption that the bureaucratic and military apparatus of Iraq would remain largely intact. The occupation authorities headed by Jay Garner thought they would simply replace the top layer of executives and military commanders with reliable figures brought in from the Iraqi exile community, and turn over power to them within weeks. The hands-off approach of Garner and his team contributed to the well-nigh total breakdown of public order in April and May, when most public institutions simply ceased to operate, public services such as electricity and water no longer functioned, and, in the ensuing security vacuum, looting and sabotage wreaked widespread destruction on public facilities. The failure of Garner's working hypothesis led to his replacement by former ambassador Paul Bremer. Bremer began to manage the transition process more directly and took the highly controversial decisions to dissolve both the Iraqi army and the Ba'ath party, which marked the start of a remodelling of the institutional structure of Iraq. After some hesitation, he appointed the Interim Governing Council (IGC) in coordination with the UN as a nucleus of an indigenous executive. The IGC, in turn, appointed a caretaker government and set up a committee to draft a new constitution as a basis for the transfer of power to a sovereign Iraqi government. The rising number of U.S. casualties and the rigid nature of the American electoral calendar convinced the U.S. administration of the necessity to decouple the transfer of sovereignty from the constitutional process and to provide for a gradual American

The political process was characterized by the quick succession of at least three different approaches.

disengagement from Iraq. In an agreement signed on 15 November, the Coalition Provisional Authority and the IGC agreed on the transfer of sovereignty to an Iraqi transitional government on 30 June 2004 on the basis of a provisional constitution (the Transitional Administrative Law), which was signed in early March 2004. The indirect method proposed to choose an interim government met with resistance from the most senior Shiite cleric in Iraq, Grand Ayatullah 'Ali Al-Sistani, who repeatedly called for direct elections as the only means of ensuring fair representation. After a UN mission had determined that general elections were only technically feasible after eight months of preparation, the provisional constitution stipulated that there would be elections to a national assembly no later than January 2005. Its task is to draft a permanent constitution by November of the same year.

The Iraqi Interim Government which ultimately took office on June 28 was headed by former ICG member Iyad Allawi, and not by an independent professional as suggested by UN special representative Lakhdar Brahimi. This dealt another blow to the quest for a more prominent UN role. While the new government quickly managed to gain recognition from Iraq's neighbours and other important international actors, it proved unable to control the domestic security situation. Indeed, the pace of the devastating bomb attacks on government institutions and the kidnapping and assassination of officials and foreigners continued at a frightening speed. The insurgents managed to take control of a number of urban centres in the Sunni-dominated north-west, which culminated in the bloody re-taking of the city of Falluja by U.S. troops in November 2004. Despite the worsening security situation, the government steadfastly insisted that the elections would take place as scheduled.

The new interim government managed to gain recognition from Iraq's neighbours, but it proved unable to control the domestic security situation

The European Union and the Challenge of Iraq

The war in Iraq led to a major rift within the European Union and cast serious doubts on the envisaged stepwise development of a coherent Common Foreign and Security Policy (CFSP). A number of countries, notably Britain and Spain, supported the U.S.-led invasion, while others, such as France and Germany, voiced strong reservations about its legality. The intra-European debate on Iraq was multi-dimensional and at times difficult to disentangle. It touched on basic aspects of future international relations such as the appropriate approach towards countries that combine domestic repression with external aggression in defiance of international obligations ("rogue states"), the nexus between terrorism and weapons of mass destruction, and the architecture of the international system and the role of the United Nations. These weighty matters will continue to play a role in international politics for the next decade or so. Increasingly however, such meta-issues will tend to be

The war in Iraq led to a major rift within the European Union

detached from more specific concerns about the future of Iraq, i.e. disagreements within the European Union about the problems alluded to above will have less of an influence on attitudes towards the transformation process in Iraq.

The transformation process in Iraq is of crucial importance to the European Union for three reasons:

Transformation process is important because of...

- Iraq is a large country which happens to possess more than 10% of proven oil reserves. It is situated in the Gulf region, which has almost two-thirds of proven oil reserves and a large share of natural gas reserves.
- The transition process in Iraq will have an enormous influence on neighbouring countries in a region, which has witnessed numerous violent conflicts and where there is a dearth of democratic institutions.
- Iraq shares a long border with Turkey, which will begin accession negotiations with the EU in 2005. Once Turkey joins the EU, Iraq will become a neighbour of the enlarged European Union;

...Iraq's size and its oil reserves,...

...the influence on neighbouring countries...

... and Iraq's long border with Turkey

The EU and its member states cannot afford to ignore the immense importance of the transition process in Iraq and its impact on a region which is situated on its south-eastern borders. EU countries share four basic interests in Iraq:

EU countries share the following interests:

- To promote a stable transition process that will ensure the integration of all significant groups and prevent the re-emergence of a repressive authoritarian system. An unstable Iraq is likely to erupt into violence and may turn into a regional hub for terrorist activities, thus encouraging the intervention of neighbouring countries and fuelling migration to the EU;
- To support the reconstruction process in Iraq in order to combat widespread social dislocation and poverty, and to improve the living standards of the population. A robust economic recovery is the key to winning support for the political transition process;
- To secure a reasonably priced supply of oil. A stable and secure environment is needed in order to export oil without interruption, and to attract the large-scale investments required in order to upgrade existing capacities and develop new ones;
- To foster long-term stability in the Gulf region, where conflicts can interrupt oil and gas exports, and have a negative impact on the global economy. It presupposes that Iraq will live at peace with its neighbours and be gradually integrated into a regional security framework.

(1) Promoting a stable and inclusive transition process

(2) Supporting the reconstruction process

(3) Securing a stable and reasonably priced oil supply

(4) Fostering long-term stability in the Gulf region

The current year will be decisive for success of the transformation process in Iraq. The interim parliament elected in the national elections on January 30 is supposed to supervise the drafting of a new constitution until August, which will be put to a popular referendum; if it is adopted new elections for a regular parliament are scheduled to be held on this basis in November. The period after the upcoming elections is fraught with danger in view of the ambitious transition schedule and the expected electoral boycott of a significant part of the population. The importance of the first free national elections since decades, however, should not be overstated since they are but one step in a gradual process aimed at establishing a stable and inclusive political system.

The current year will be decisive for success of the transformation process in Iraq.

Clearly, the single most pressing problem in Iraq is the general lack of security and the rise of armed militias. Given the complex and dangerous environment in Iraq, and the lack of a truly multilateral framework, most countries are very reluctant to commit troops to the country, even under a UN command structure, and many of those on the ground face strong domestic pressure to withdraw. There are no indications that a large number of additional troops will be provided in the foreseeable future by the international community. Evidence from other post-conflict reconstructions indicates that the disarmament of militias is very difficult if security remains volatile and the future rules of the game unclear. Militiamen must be convinced of the fact that the use of force is counterproductive, and that participation in the political process will bring far greater rewards. Given the current uncertainties of the transition process, it would be unrealistic to expect the militias to be speedily disarmed and dissolved, although attempts at demobilization are certainly possible. In essence this means that the coalition forces and, increasingly, their nascent Iraqi counterparts will have to guarantee the level of security required to successfully embark on the political process.

The single most pressing problem in Iraq is the general lack of security and the rise of armed militias

In the wake of the failure of the mission of UN special representative Brahimi, the prospect of establishing a more multilateral framework for the transition process under the auspices of the United Nations seems rather remote. For this reason it is imperative to focus on support for the electoral process in order to ensure that the new government elected in late January 2005 will enjoy the greatest degree of legitimacy that is possible under the present circumstances. Iraqi society is highly mobilized, though very much fragmented and unrestrained by effective state institutions or political parties. Nationwide democratic elections may lead to the structured political mobilization of the population. This would channel both the hopes and aspirations and the alienation and anger of the Iraqi people into the political process. And it would tie the population in a transparent and consensual manner to political parties, which would be forced to develop national networks and national platforms. In order

It is imperative to focus on support for the electoral process which should lead to a structured political mobilization of the population

to prosper, political parties would have to be responsive to Iraqi public opinion, and to some extent responsible for shaping it. This process would also, through the parties, form a link between the population and state institutions.

In this volatile environment the EU should concentrate on supporting the electoral process and the development of an inclusive and representative political system. The forthcoming elections must be as free and fair as possible so that a government with broad popular support and sufficient legitimacy to tackle the difficulties, which lie ahead, can emerge. However, starting with elections at the national level entails the risk of increasing social polarization by focusing political competition on complex national issues, whereas local elections possess the distinct advantage of favouring moderate candidates who are perceived as servants of their constituents by dealing with the pressing problems of daily life. Unfortunately, the CPA has discontinued the organization of local elections on the lines of those which were held in a number of municipalities at the behest of local U.S. commanders, partly because it was feared that this would raise expectations for national elections prematurely. Similarly, several non-governmental organizations, such as professional and labour unions, have successfully held internal elections. Thus elections at local, regional and professional levels should complement the national elections in order to ensure the emergence of a moderate and accountable leadership and imbue society with pluralistic and democratic values.

The EU should concentrate on supporting the electoral process and the development of an inclusive and representative political system

A participatory political system cannot be confined to competitive elections. There is a distinct need for civil society and active citizenship. This will help to establish a level playing field and ensure that incumbents of executive positions, such as those in the current interim government, which lacks an electoral mandate, do not exploit their comparative advantage and cement their power by manipulating the media, harassing civil society representatives, rigging elections, etc. The EU should promote the re-construction of Iraqi civil society by supporting non-governmental organizations and offering fieldwork in democratization, human rights, and civil conflict management. Special attention should be given to promoting the acceptance of democratic and pluralistic values within the context of Islamic religious discourse, e.g. by seeking the support of European Muslims on an organizational and personal level to underline the value of democratic pluralism and religious tolerance.

The EU should promote the re-construction of Iraqi civil society

The EU should promote the international integration of Iraqi society by establishing study and exchange programs for students, teachers, journalists, lawyers and other professionals in order to overcome the effects of a decade of isolation. All of this will of course be complicated by the lack of a physical presence on the ground as a result of the

The EU should promote the international integration of Iraqi society

security situation. Nonetheless, EU actors, on both the community institution and member state levels, should attempt to embark on an extensive dialogue with Iraqis, who should remain involved at all stages of the process in order to enhance their feelings of ownership.

A second area in which the EU could make a meaningful contribution to improving stability in Iraq is institution-building and the rule of law. The EU member states possess a great diversity in institutional settings coupled with a great deal of experience relating to institutional reform. The EU should offer to share European experience with regard to designing new political institutions and making them work. In particular, a number of different models of devolution, regional autonomy and federalism aimed at accommodating minorities and decentralizing decision-making could well be of tremendous value for Iraqi constitutional engineers. Local government constitutes a crucial, though rather neglected dimension of the institution-building process. Local elections are an important device with which to construct a truly democratic system from the grass-roots level, and will produce a new generation of leaders emanating from the local community who will focus their attention on everyday problems of direct concern to citizens. The EU should give support to the development of local governance on the basis of local elections. Establishing the principles of the rule of law with its various agencies (police, judicial system, and prison system) will be of crucial importance with regard to popular support in the interim period. The EU should support and coordinate the training of police, border police and other internal security agencies, and place special emphasis on human rights issues and civil-military and community-police relations. The EU should offer aid for the reform of Iraq's legal and law-enforcement systems by providing support for judicial training and penal reform, training for lawyers in legal procedure, international law and the laws of human rights.

The EU should offer to share European experience with regard to designing new political institutions and establishing the principles of the rule of law

Special attention needs to be given to addressing the legacy of the crimes of the former regime. Every transition process is faced with a conflict between the popular desire and moral necessity to punish the perpetrators, and calls to forget the past in order to forge new national consensus. The legal determination of individual guilt is a complex and time-consuming process that requires universal and generally accepted standards, trained and experienced legal personnel, and careful preparation of the evidence. EU member states, especially those from central and eastern Europe, have a great deal of experience when it comes to dealing with the crimes of earlier regimes and forging a national consensus on a democratic future. The EU should offer financial and technical support for this project, which will have a crucial impact on the political culture of Iraqi society.

The EU should offer support for addressing the legacy of the crimes of the former regime

The regional environment is a third area in which the EU can play a constructive role. The cooperation of Iraq's neighbours is crucial to any effort to stabilize the situation in the country. In many ways it is in fact dependent on its neighbours, most importantly because of its narrow access to the sea, the vulnerability of its overland oil pipelines, and its dependence on an uninterrupted supply of water from the Tigris and Euphrates rivers. It has a legacy of unsettled disputes with most of its neighbours, most notably with far larger Iran, and embarked on two wars of aggression in barely a decade (Iran 1980 and Kuwait 1990). The EU should engage in an intensive dialogue on the future of Iraq with Iran, Turkey, Syria, Jordan, and the countries of the Gulf Cooperation Council (GCC). This would include issues such as non-interference in Iraq's domestic affairs, the appropriate policing of borders, and commercial and economic cooperation.

EU should engage in an intensive dialogue on the future of Iraq with its neighbours

Establishing a Gulf Security System

The war in Iraq in 2003 has created an unprecedented opportunity for regional cooperation, and the preconditions for the creation of new security arrangements in the Gulf and beyond. The demise of the regime of Saddam Hussein means that one of the major obstacles to closer security and political links in the Gulf has finally been removed. It is now up to the regional states themselves and the international community as a whole to ensure that this golden opportunity is grasped and that the region manages to consolidate its recent gains and creates the conditions for a peaceful and prosperous future for all of its citizens.

The war in Iraq has created the preconditions for the creation of new security arrangements in the Gulf

Arguably, this is the only way in which states in the region will be able to develop a set of goals, which they can claim as their own, rather than those developed by outside powers, and principally the U.S. The system should aim to significantly reduce the foreign presence in the Gulf region. This will ease the burden on foreign actors, especially the U.S., both in financial and military terms, and make a contribution to stability. However, in order to preserve the latter, there will still be a need for a respective presence of foreign actors and the positive contribution they can make.

The system should aim to significantly reduce the foreign presence in the Gulf region

The current system, which came into being after the British withdrawal from East of Suez, is based on a balance-of-power approach accompanied by a growing U.S. military presence, especially in the 1990s. Perpetuating this approach for the foreseeable future does not seem feasible, and is becoming increasingly counterproductive. It has also become an expensive exercise for the U.S., whose forces are already stretched thin. And their presence on the ground has fuelled popular discontent in the host countries. For this reason the establishment of an indigenous, Gulf-based security system with only a limited presence of external powers would be a positive-sum game for all concerned. Iran would warmly welcome any reduction of the foreign military presence in the region. Iraq, at least in the medium term, is bound to demand a withdrawal of foreign troops from its soil. And in the GCC countries there is a growing recognition that to perpetuate the present system will do more harm than good.

Perpetuating the current system does not seem feasible, and is becoming increasingly counterproductive

A viable path towards a more sustainable system could build on an evaluation of the kinds of collaborative regimes, which exist in other regions. The historically most relevant examples are the Helsinki accords and the Conference for Security and Cooperation in Europe (CSCE). Though the CSCE experience cannot be simply transferred to the region wholesale, key elements could be put to work in the different environment of the Gulf. Another lesson is provided by the Asian model, which is based on a set of overlapping bilateral and multilateral dialogue

A viable path towards a more sustainable system could build on an evaluation of the other regional security regimes

structures built around a number of general principles of regional conduct. Furthermore, it includes track-two discussions involving civil society actors, which are designed to complement exchanges at governmental level, and may help to develop innovative ideas in an unofficial context.

Any successful approach to Gulf security needs to be complemented by a serious commitment to domestic reform in the riparian countries, ideally embedded in a regional framework. Indeed, stability should not be prioritized over change, for in the long term sustainable stability requires domestic reform. In discussing the future of a Gulf-based security system, it is imperative to distinguish between short-term requirements (informal) and a long-term vision (formal, institutionalized). An obvious starting point for such a project would be a regional conference (co-hosted by the EU) on arms control and confidence-building measures that could include a preliminary discussion of the following:

Long term sustainable stability requires domestic reform

- Exchanging information about military forces and annual forecasts of military activities;
- Allowing observation of important military activities, possibly with UN participation;
- Establishing permanent military-to-military communications links;
- Taking steps towards reducing the size of the armed forces and placing a ceiling on the number of sophisticated weapons systems in each country's armed forces.

A joint conference on confidence-building measures could commence with offers of collective guarantees for the security of the smaller and more vulnerable Gulf states, and the establishment of UN-coordinated observer and monitoring groups along the remaining sensitive borders. Confidence-building measures can help to reduce the threat of armed conflict, and prepare the ground for a balanced reduction of offensive forces. Even in the absence of a binding agenda, the discussion of military-related fears and security problems can encourage a spirit of co-operation among the participants and lead to a frank exchange of views on a wide range of issues:

Confidence-building measures can help to reduce the threat of armed conflict

- Discussion of all territorial and border disputes and withdrawal of troop concentrations from disputed border areas;
- Discussion of the principle of non-interference in Gulf affairs by regional states and non-regional actors;
- Establishment of a UN-supervised system of random information evaluation and random inspection of military sites;

- Impartial treatment of local and foreign media representatives at observable military activities.

If security is to materialize in the long term, it will be absolutely essential to address two key Iraqi medium-term and long-term concerns: redevelopment and safe access to the sea. If Iraq were to be utterly destroyed and impoverished, it would only become a breeding ground for more radicalism and instability. Furthermore, the question of Iraqi access to international waters can hardly be underestimated in its significance. Every regime since independence has felt compelled to dispute the present state of affairs, be it with Iran and the Shatt al-Arab, or with Kuwait and Warba, Bubiyan and Khor al-Abdallah. The 1992 and 1993 UN Iran-Iraq Boundary Demarcation Commission's rulings, which were subsequently adopted by a UN Security Council resolution, imposed a maritime boundary that left Iraq's main navigation channel within Kuwaiti waters. This may well prove to be a recipe for future disagreements, unless the situation is defused by means of some imaginative interpretations and creative arrangements.

It will be absolutely essential to address the key Iraqi concerns of redevelopment and access to the sea

Iran is the largest and potentially most powerful country in the region, and its legitimate security interests need to be considered within the context of any proposed framework. The Islamic Republic is in the middle of a complex process of internal change, which for outsiders includes irritating and inconsistent elements. The Islamic regime was generally able to consolidate its rule, but proved less successful when it came to solving the mounting social, political and economic problems, which were the root cause of the revolution. The establishment of a clerically dominated political system has paradoxically led to the gradual secularization of the Iranian population. Although, the conservatives have prevailed in every major confrontation and have recently regained control of the *majlis*, the reformists have succeeded in changing the political landscape and the nature of political discourse. This complex process of change in Iranian society requires a careful engagement on part of the West.

Iran is in the middle of a complex process of internal change

A key question in this regard is the Iranian quest for nuclear energy. Iran must be offered a "quo" in terms of economic and technical cooperation for its "quid", the decision to renounce nuclear weapons. The recent agreement between the EU-3 (Germany, France and the United Kingdom) and Iran, which states that the latter will voluntarily suspend uranium enrichment activities, can only constitute a first step towards a sustainable settlement. Any long-term agreement would have to include security guarantees for Iran, and these would ultimately require direct U.S. involvement. At some point in the future it may be possible to draft a regional treaty banning research, development and production of WMDs, and this could eventually lead to the creation of a WMD-free zone

Iran's legitimate security interests need to be considered

in the Middle East. Given the role played by WMD proliferation in security thinking, the subject of arms control is likely to be a key issue in the creation of a regional security regime for the Middle East. Unlike in other regions in which the primary security issue has been largely bilateral in nature, and therefore more amenable to trade-offs at an arms control negotiating table, the Middle East has seen WMD proliferation for a wide range of interlocking reasons. For this reason the development of an arms control regime for the Gulf is going to be an extremely complex matter since.

A future Gulf security system should be based on the following principles:

- *Inclusiveness*: It should comprise all the riparian of the Persian Gulf as well as all significant external actors.
- *Comprehensiveness*: It should be based on a broad understanding of security, which includes not only narrow military concerns, but also soft security issues such as terrorism and domestic reform.
- *Flexibility*: It should consist of different working groups, which will cover relevant issues with flexible participation by various different countries.
- *Separation*: It should not be based on automatic linkage to progress in other sub-regional contexts, especially the Arab-Israeli conflict.

It goes without saying that the U.S. will be the most important external power in any Gulf security structure. However, it cannot act as an honest broker for all the parties concerned, especially Iran. Unlike the U.S., the EU is uniquely well positioned to engage all the regional actors. The EU has embarked on a 'constructive dialogue' with Iran and recently started negotiations on a free trade and co-operation agreement. Turkey is a candidate for EU membership and accession negotiations will be opened in 2005. Syria and Jordan are members of the Euro-Mediterranean Partnership (the Barcelona process). And negotiations with the GCC countries on a free trade agreement are close to completion. The European Union is a substantial trading partner with the region, and a greater source of economic aid for several regional states than United States. Europe is also a close neighbour of the Middle East, with significant interests as regards issues, such as refugee flows from the region, conflict spill-overs, and militarization. For this reason the EU may become a player by launching an initiative of this kind. Its role in developing co-operative and collective structures should therefore not be underestimated; nor should its experience in building mutually beneficial partnerships be ignored.

The EU is uniquely well positioned to engage all the regional actors and may become a key player

Whereas the U.S. has clearly and repeatedly described its interests in the Gulf region, and backed them up in an unmistakable manner by its military presence, the EU still lacks a coordinated and comprehensive

approach towards the region. The EU needs to formulate a specific strategy designed to establish security collaboration. On the one hand such a strategy must take into account the need for differentiation and the requirements of individual countries in the region. On the other hand, it needs to establish a solid basis for cooperation on a collective level. To this end, a permanent security dialogue with Iran and the GCC countries should be initiated.

The EU needs to formulate a specific strategy designed to establish security collaboration

Another important player in this regard could be NATO, which has established in recent years several cooperation initiatives with regional actors, namely the Mediterranean Dialogue, the Istanbul Cooperation Initiative and the training mission for the new security forces of Iraq. NATO's experience and resources as well as its nature as a transatlantic security organization would make it a valuable partner in this effort.

NATO could be a potentially important player

Conclusion

The Middle East region is bound to remain at the centre of international politics for some years to come. The necessity of structural change and political reform in the region is widely acknowledged, even if there are disagreements about the course and pace of the reform process and the role of external actors. The European Union has taken a long-term perspective and launched a number of cooperative policies in the region based on the European model of constructive engagement and regional integration. The Euro-Mediterranean Partnership, established a decade ago, has developed a number of instruments which have failed, however, to spark the broad structural transformation processes envisaged by its architects. Nonetheless, given its comprehensive architecture and the considerable resources at its disposal, the partnership is bound to remain the centrepiece of Europe's engagement with the region. The new Neighbourhood Policy is likely to introduce more flexibility by allowing some countries to move closer to the EU. The multilateral track, however, will remain largely paralyzed until a reinvigoration of the festering Israeli-Palestinian peace process becomes feasible.

The European Union and launched a number of cooperative policies in the region based on constructive engagement and regional integration

It should be noted that, in recent years, the Persian Gulf region has gained progressively in political and economic importance for the EU. The Union has acknowledged this development in its demand for a Strategic Partnership with the Mediterranean and the Middle East which emphasizes the need to engage with the countries "east of Jordan". This proposal, however, does neither offer a detailed plan how the EU should develop its relations with regional actors, nor specify how these relations will be structured in regard to existing frameworks. Relations with the GCC countries, based on the 1988 EU-GCC cooperation agreement, have remained far below expectations and harbour considerable potential in terms of political and economic cooperation beneficial to both partners. The complex relationship between the EU and Iran has developed into a sui-generis partnership which is not yet contractually formalized, but includes a regular engagement in the form of the "constructive dialogue." The prospects for achieving tangible results in the region will depend, in no small measure, on the success of the transition process in Iraq. Supporting this process is of crucial importance to the European Union given Iraq's size, its vast oil reserves and its geographic location on the south eastern border of accession candidate Turkey.

The Persian Gulf region has gained progressively in political and economic importance for the EU

With the fall of the Ba'ath regime in Iraq in 2003 and the new Iraqi interest in co-operative relations with all of its neighbours, it is vital that the new opportunities presented by the removal of the Iraqi dictator are recognized. Europe should capitalize on the new political environment in order to refocus on the geopolitics of the region by building firm bridges

Europe should capitalize on the new political environment

across the Gulf in the interest of its peoples as well as the international community, which may well grow ever more dependent on its mineral riches as the twenty-first century proceeds.

This strategy paper is based on several expert meetings organized by the Bertelsmann foundation in the framework of the project „Europe and the Middle East“. The following papers presented to these meetings are reflected in the text:

- Yossi Alpher, Israeli Unilateral Withdrawal from Gaza and the Northern West Bank: Origins, Modalities, Prospects and Ramifications (presented to the workshop “The Israeli-Palestinian Track after the U.S. Presidential Elections: Closer to Peace?”, Budapest, 4-6 November 2004)
- Muriel Asseburg, After Arafat and before the Partial Israeli Withdrawal (presented to the workshop “The Israeli-Palestinian Track after the U.S. Presidential Elections: Closer to Peace?”, Budapest, 4-6 November 2004)
- Michele Durocher Dunne, The Israeli-Palestinian Track: The View from Washington (presented to the workshop “The Israeli-Palestinian Track after the U.S. Presidential Elections: Closer to Peace?”, Budapest, 4-6 November 2004)
- Sophie Pommier, European Strategies regarding the Israeli-Palestinian Issue (presented to the workshop “The Israeli-Palestinian Track after the U.S. Presidential Elections: Closer to Peace?”, Budapest, 4-6 November 2004)
- Anoushiravan Ehteshami, Iran, the GCC and Europe: Alternative Strategies (presented to the workshop “A Window of Opportunity? Europe, the GCC and the Aftermath of the Iraq War”, Dubai, 23-25 November 2004)
- Henner Fürtig, The Potential for Collective Security in the Gulf Region: The Role of GCC-EU Collaboration (presented to the workshop “A Window of Opportunity? Europe, the GCC and the Aftermath of the Iraq War”, Dubai, 23-25 November 2004)
- Bjoern Moeller, Security Models and their Applicability to the Gulf: The Potential of European Lessons Applied (presented to the workshop “A Window of Opportunity? Europe, the GCC and the Aftermath of the Iraq War”, Dubai, 23-25 November 2004)
- Toby Dodge, Giacomo Luciani and Felix Neugart, The European Union and Iraq, Present Dilemmas and Recommendations for Future Action, Working Paper, July 2004.