The Future of European Policies in the Middle East after the Iraq War

Discussion Paper presented by the
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Center for Applied Policy Research, Munich

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to the VIII. Kronberg Talks
10th – 12th July 2003

Organised by the
Bertelsmann Foundation, Gütersloh

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Executive Summary

1. The war and the management of its immediate aftermath have triggered profound changes in the social and political constitution of Iraq. The war led to the disintegration of the Sunni centre, and the rise of the powers of the periphery, the Shi'is and the Kurds. Equally, tribal leaders, old and new parties, and religious institutions are poised to fill the current power vacuum. However, the networks of bureaucrats, tribal leaders and regime cronies that characterized the rule of Saddam Husain have to a certain extent survived intact and may well continue their method of informal control and reward. U.S. forces will have to stay in Iraq for a number of years in order to establish an inclusive and accountable political system. This project will have to address profound questions such as the integration of Iraqi society, the impact of decades of authoritarianism, and the effects of the political nature of its economy.

2. The EU should develop a cohesive strategy for Iraq as basis for cooperation with other international actors. It should advocate the maintenance of international legality as the guiding principle throughout the transition process, which should be overseen by a Multinational Task Force under the auspices of the UN, and include domestic actors at the earliest possible stage. The establishment of an inclusive and accountable political system in Iraq requires the distribution of oil revenues among several centres of power in order to create a system of checks and balances that will prevent the re-establishment of strong, centralized authoritarian rule. The EU should offer to share European experience in designing new political institutions, and support the reform of the legal and law enforcement systems, foster the re-construction of Iraqi civil society, and offer fieldwork in democratization, human rights, and civil conflict management.

3. The regime change in Baghdad has had broad regional repercussions. Regime change and the empowerment of Shi'is in Iraq serve Iranian interests, but Iran's nuclear program will put it on collision course with Washington. Syria is sandwiched between three powerful U.S. allies, and tensions with Coalition countries on the transformation process in Iraq are likely to emerge. Turkey's damaged relationship with the U.S. is bound to improve, though disagreement over the future of Iraq's Kurds may spark a new crisis. An effective approach to Iraq's problems also requires a regional dimension. Iraq should be gradually integrated into a security system with Iran and other Gulf countries in order to alleviate Iraq's threat perception, and check renewed attempts at regional dominance. Iraq should be part of a free trade zone yet to be established with its Arab neighbours in the Mashreq, which whom it shares important economic and cultural ties.

4. Regime change in Baghdad has opened a new window of opportunity for the settlement of the festering Israeli-Palestinian conflict. If the implementation of a two-state solution fails, demographic developments will give the conflict a South African character, and make it more difficult to resolve. The roadmap constitutes a significant improvement because it combines a security-oriented approach, a comprehensive political perspective, and the reform of Palestinian institutions. Despite these advantages, the roadmap is based on phasing, which is bound to encourage extremists, and does not envisage a strong international participation in the process. The Quartet should insist on the implementation of the roadmap, convince both parties that attacks on civilians will destroy the process, consider the deployment of

an international force, and continue to develop proposals for solutions to final status questions.

5. The Euro-Mediterranean Partnership will be affected by three profound processes of change. First, EU acquisition of EU membership by Cyprus, Malta and possibly Turkey will change the geometry of the partnership, and leave eight Arab partner countries and Israel. Second, after the regime change in Baghdad it would make sense to attach Iraq to the partnership, but this will render the geographical basis of the Euro-Mediterranean Partnership even more questionable. Third, the new EU neighbourhood policy will offer non-accession countries a share in the single market. Therefore the EU should envisage the establishment of a Euro-Middle-East Partnership as a new umbrella for a number of bi- and multilateral cooperation clusters.

I. Introduction

Twelve years after the Berlin Wall came down to herald the end of the Cold War, the collapsing twin towers in New York marked the beginning of a new era in international politics, which is characterized by assertive U.S. pre-eminence on the one hand and asymmetrical warfare on the other. The perception, that suicide terrorists cannot be deterred effectively, convinced many of the need for preemptive action against potential future threats. The anthrax letters, which appeared within weeks of the terrorist attacks, focused attention on the possible nexus between terrorism and weapons of mass destruction. The most powerful manifestation of this new approach has been the U.S. war against Iraq, which led to the downfall of the Saddam Husain regime. The quick and decisive war in Iraq has transformed the U.S. into a Middle East power, more than ever before. The presence of U.S. forces in Iraq, the successful transformation of its authoritarian political system, and the reconstruction of its severely damaged infrastructure and economy are of crucial importance to the Bush administration.

New era in international relations characterized by US pre-eminence and asymmetric warfare

The Middle East remains a region characterized by authoritarian political institutions, weak economic performance and widespread exclusion. In the wake of 9-11, many decision makers in Washington came to perceive the problems of the region as being at the root of international terrorism. Against this background the unsettled problem of Iraq gained a new urgency and was increasingly construed as the key to the solution of the region's problems. Regime change in Baghdad symbolized the opening move towards reshaping the region, by promoting political reform and democratization under the umbrella of the *Pax Americana*.

Regime change in Baghdad as opening move for structural transformation of the region…

The quick U.S. victory in Iraq has increased the urgency to remove the festering Israeli-Arab conflict from the regional agenda and finally resolve it. In the wake of the breakdown of the Oslo process, the conflict has remained a major stumbling block for any structural change in the region. It diverts attention away from structural problems, strains the region's resources and fuels terrorism. Many Arabs perceive it as a prime example of the West's disregard for their interests and its double standards. Strategists in Washington have long been convinced that the road to Jerusalem leads through Baghdad, in other words, that a successful war against Iraq was bound to result in dynamic regional change conducive to the settlement of the Israeli-Arab conflict.

…and the settlement of the festering Israeli-Arab conflict.

The forceful U.S. move to bring about regime change in Iraq has sparked a major crisis of the European Union's emerging Common Foreign and Security Policy (CFSP). Member states have quite visibly adopted opposing positions, and coordination at the Union level has been minimal. The crisis has demonstrated once again that cohesive action on the part of the EU and its member states requires basic agreement on long-term goals, if it is to be effective. The EU lacks a common vision, i.e. a shared approach to many international problems and threats which is the indispensable foundation for any kind of coherent foreign policy.

EU lacks shared approach to many international problems

II. The Challenge of Iraq

US forces will have to stay in Iraq for a number of years in order to establish an inclusive and accountable political system. Yet a prolonged occupation will lead to increased opposition and resistance, turning the liberators in Iraqi eyes into an imperialist force on the lines of the British mandate in the state's early years. This raises numerous difficult questions about the feasibility of democratization, the shape of economic development, and the impact of the regional environment. Given the oppressive and extremely violent record of the Ba'th regime in Iraq, real regime change will entail the enormous task of establishing a new political order from scratch. This will raise questions concerning the integration of Iraqi society, the profound impact of decades of authoritarianism, and the effects of the political nature of its economy. Saddam Husain's great cruelty was a product of Iraq's long history of authoritarian rule, which was characterized by a remarkable level of political violence.

The project to democratize Iraq will raise profound questions about Iraq's society and economy

Iraq has had only a very limited experience of representative government. This was at the time of the monarchy (before 1958), when representatives of the powerful landowners and the tribal *shuyukh* tended to control parliament, thereby excluding any meaningful democratic participation. The inability of the popular and reformist parties, with the exception of the Communists, to attract a large following encouraged the increasing involvement of army officers in politics. Starting with Qasim's coup in 1958, conspiracies by small groups of officers became the major vehicle for political change. The exceptionally brutal rule of the Ba'th regime since 1968, the impact of the long war with Iran during the 1980s, and the country's international isolation since 1990 tended on the whole to reinforce the effects of authoritarian rule.

Iraq has had only very limited experience with representative government

Nation-building in Iraq has always been difficult on account of the ethnic cleavage between the Arab majority and Kurdish minority, and the confessional divide between Sunni and Shi'i Muslims. This coincides to a large extent with socio-economic inequality. Prolonged Kurdish revolts against the central government have been frequent in Iraq's history, and were suppressed with increasing brutality. Parts of the rather heterogeneous Shi'i community have been involved in oppositional activity for decades. A major uprising in the predominantly Shi'i South in 1991 was crushed by the elite Republican Guard. In the same year the Kurds succeeded in carving out an autonomous entity for themselves in northern Iraq under the military umbrella of the Western powers.

Nation building was hampered by ethnic and confessional cleavages

Iraq's large oil reserves have been a mixed blessing. On the one hand, the steady stream of oil revenues since the 1970s has led unquestionably to a remarkable improvement in essential government services, such as the expansion and maintenance of the infrastructure, or the provision of health care and education. On the other hand, the oil revenues also became the most important source of government income. The vast resources placed at the disposal of the central government strengthened it against competing social power centres. Easy access to these revenues largely relieved the government from the necessity of extracting such resources from society, and offering participatory decision-making in

Political economy strengthens authoritarian central government

return. In contrast to this, large sums were invested in political patronage and the security apparatus, thereby making any challenge to the ruling coalition extremely difficult.

The Coalition war and the way in which the immediate post-war issue have been handled have triggered profound changes in the social and political constitution of Iraq, the impact of which is as yet difficult to assess. The war led to the collapse of the Sunni centre, and the rise of the powers of the periphery, namely the Shi'is and the Kurds. The Kurds, who had been on the margins of Iraqi society for decades, participated in the war as allies of the victorious American forces in the north. Their close relationship with Washington, coupled with their military capabilities and substantial political institutionalization based on more than a decade of autonomy and self-government, make them a major contender for power on the national level for the first time in Iraqi history. The two main Kurdish organizations, the Kurdistan Democratic Party (KDP) led by Mas'ud Barzani, and the Patriotic Union of Kurdistan (PUK) led by Jalal Talabani, have left the Kurdish region and established their headquarters in Baghdad. The announcement by the allied occupation authorities that militias and individual Iraqis will be deprived of advanced weaponry, with the exception of the Kurdish *pashmerga,* already testifies to the privileged position of the Kurds.

The Kurdish parties have gained a position of unprecedented strength

On the other hand, the Shi'is, a rather heterogeneous community which constitutes a clear majority of the Iraqi population, have been liberated from the heavy-handed repression of the Sunni-dominated state and security apparatus. For the first time in decades they are being allowed to express themselves freely, practice their religion without interference, and administer their communal affairs. Yet the Shi'i population has neither the Kurds' organizational strength nor their experience of territorial autonomy. It is deeply divided between numerous groups which are pro- and anti-American, secular and religious, and consist of exiles and residents. However, all the Shi'is groups concur with regard to the aim of translating their numerical strength into adequate representation and political power on the national level. The war may have brought them closer than ever to this goal. This centrifugal trend, in conjunction with the empowerment of previously marginalized groups, has been further reinforced by the Allied decision to dissolve the Ba'th Party, the army, and the security services, which were the main tools of the Sunni-dominated repressive apparatus.

Shi'i groups are heterogeneous, but agree on the demand for adequate political representation

A complete breakdown in order in many areas of Iraq, coupled with widespread looting and general anarchy immediately after the collapse of the Ba'th regime, has contributed to the disintegration of the centralist political system. Three groups of actors are poised to fill the political vacuum: First, tribalism was revived by the Ba'th regime as a tool with which to control rural areas after the security apparatus had been severely weakened in the wake of defeat in 1991. Given the power vacuum that has existed since Saddam was overthrown, the role of tribal leaders has been further strengthened. They will be important power brokers in any post-war political system. Second, the dissolution of what was in fact a one-party system has led to the emergence of a number of different parties, some of them old (the Communist Party, the National Democratic

The power vacuum is being filled by tribal leaders, old and new parties and religious institutions

Party and the Muslim Brothers Movement), others completely new. The advent of these parties also triggered the publication of at least 30 new newspapers, most of which are affiliated to political parties. Third, during the war and the initial days of anarchy, mosques and religious leaders played an important role in maintaining order and providing basic services, such as patrols in the streets, medical treatment, humanitarian aid, and spiritual guidance in a chaotic and bewildering atmosphere.

In spite of these profound transformational processes, there is evidence that the old networks of bureaucrats, tribal leaders and regime cronies (the "shadow state") have to a certain extent survived intact, despite the breakdown of the regime. Such remnants may well continue the mode of informal control and reward that characterized the rule of Saddam Husain. It resembles the criminal mafia-style structures in many former Communist countries in Eastern Europe. These groups can count on the ignorance of Iraqi society on part of the Coalition troops. A case in point is the brief appointment of a former Ba'th party member and Iraqi army brigadier as civilian governor of Basra province.

The U.S. and its allies have taken some time to grasp the social and political realities of Iraq. For the time being the Pentagon has shelved plans to transfer power as soon as possible to the Iraqis in order to reduce the number of troops on the ground and the cost to the American taxpayer. The security situation, even in Baghdad, remains unsatisfactory, and attempts to ensure the rapid restoration of basic services such as the water supply and electricity were a failure. Indeed, the widespread anarchy and looting immediately after the regime's demise, and the American failure to control the situation, did not bode well for the establishment of the Allied transitional administration. The conferences organized by the Allies to kick-start the process of establishing a transitional government were characterized by a low turnout and increasing criticism of the U.S. occupation. The fact that, on one occasion, more than half of the participants had recently returned from exile illustrates the profound problem of confidence in the U.S. occupation. Many Iraqis are aware of the unpopularity of the U.S. presence in their country, and, since they believe that it will be temporary, are simply sitting back and refusing to become involved in government institutions of a political and administrative nature until the situation clears up and becomes less fraught with risk. The decision to dissolve the regular Iraqi army, which had the aura of a national symbol, has contributed to the growing opposition to the presence of the Allies. A number of violent demonstrations and armed attacks on U.S troops in the city of Falluja since April, provides a glimpse of what might happen in the near future.

The U.S. and its Allies are slow to grasp the social and political realities of Iraq

Iraq's Oil Industry

Iraq is blessed with vast oil reserves, with at least 10.9% of proven global reserves, and thus second only to Saudi Arabia. However, the exploitation of Iraq's oil and the development of its oil industry have been hampered by domestic political turmoil, the destruction of facilities in war, and degradation as a result of sanctions. The net result is that the country's current production capacity of 2.7mn b/d bears no relation to its 112bn barrels of proven reserves and the low cost of production, which is

Iraq is blessed with vast oil reserves

estimated to be about $1 per barrel.

It is doubtful whether international firms are willing to take the risk of investing billions of dollars in an unstable political and economic environment. Thus the basis for the development of Iraq's oil industry is the advent of political stability. This requires the absence of armed conflict, a stable arrangement among the various contenders for political power, and a debate on oil policy by an elected parliament and subsequent legislation. The economy is in a weak and debilitated state after three wars and the maintenance of a tough sanctions regime for more than a decade. The value of the dinar has plummeted, and Iraq's debt and compensation claims are estimated to amount to about $200bn. Private industry is a shadow of its former self, and the managerial and professional classes have largely emigrated. An international economic conference should be able to deal with Iraq's financial obligations, waiving some of the debt, and restructuring the rest. Non-interference on the part of Iraq's neighbors is crucial. The idea that Turkish forces might occupy northern Iraq to engage in a struggle for Kirkuk with Iraq's Kurdish population is a recipe for unmitigated disaster. In terms of a balance of power, it could prompt direct Iranian intervention in Iraqi domestic affairs, which in turn might destabilize the south, where most of the actively exploited and potential oil fields are located.

Necessary investment in Iraq's oil industry is dependent on political stability, economic and financial recovery and the absence of external intervention

The vast oil reserves will require a great deal of investment, management and technology, not only in order to refurbish existing facilities, but also to build new ones. The overwhelming majority of oil industry employees should be retained, and changes should apply only in the case of top decision-makers. The oil industry should remain centralized, even if Iraq adopts a federal system. However, the revenues it generates should be distributed among several federal entities on the basis of a predetermined formula in order to prevent the re-emergence of a strong centralized autocracy. The oil industry should be managed in a transparent manner, for, given its relative weight within the Iraqi economy, it will be confronted with numerous domestic, regional and international pressures. The size of the task and the vast amounts of capital required will necessitate the participation of the big international oil corporations; for this reason tenders and contracting procedures should be open, transparent and competitive.

The Iraqi oil industry should be managed in a transparent manner

Several experts have suggested that Iraq's oil industry should be privatized in order to raise the large amount of capital needed for its modernization, and to ensure the better management and higher efficiency that is usually associated with the private sector. However, it is hard to imagine that such a revolutionary step will materialize in the short term. Yet in the longer term it may prove feasible to introduce the Norwegian model, which is based on a public limited company in which, at least initially, the state is the majority shareholder.

Privatization could be a long-term goal

A Strategy for the EU

The unanimous adoption of Res. 1483 by the UN Security Council (only Syria abstained) marked the conclusion of the first stage of the transitional period. The resolution established an interim institutional framework,

which will remain in place until there is a sovereign and internationally recognized Iraqi government. It legitimizes the paramount role of the occupying powers, the United States and the United Kingdom, by granting them the right to appoint an Iraqi caretaker government, and to control the distribution of Iraq's oil revenues. Furthermore, it provides for a special representative of the UN Secretary-General with numerous responsibilities in regard to the reconstruction of Iraq, its institutional development and humanitarian issues.

The security situation in Iraq remains very volatile. Coalition forces have neither the manpower nor the appropriate training to replace an effective police force. Some of the Iraqi police units which have returned to work have complained about a lack of equipment, and have pointed out the need for weapons to match those in the possession of the various gangs and militias. The cost of maintaining or even increasing the U.S. military presence in Iraq for some considerable time, and the rising death toll among U.S. military personnel may well prompt an American call for a more multilateral approach in Iraq, especially if one factors in the start of the presidential election campaign. A possibility would be the gradual transfer of security responsibilities to a multinational security force established with a UN mandate and possibly under NATO command.

The U.S. and the UK are obviously seeking to involve a number of chosen European countries in the post-war management of Iraq in order to share both burdens and responsibilities, and also to "reward" those who supported them during the crisis. It seems that one of the three administrative sectors set up by the occupying powers will be under the control of a multinational European force spearheaded by a Polish contingent. The presence of certain European countries, and the political and economic ramifications of the Iraqi transformation process for both the region and other parts of the world means that at the end of the day the EU will also have to become involved. This issue should not be avoided or dealt with under mounting pressure, as happened during the recent crisis, but approached on the basis of a clear-cut and cohesive strategy agreed upon by all the member states. It goes without saying that the EU will not be able to implement this strategy on its own, since the U.S. will continue to be the major power broker in Iraq and the region as a whole. It is up to the Europeans to carve out for themselves a role which combines responsibilities shouldered by individual member countries and by the Union, and is based on a cohesive and sensible strategy which is capable of making a convincing impression on the U.S. and other international players and providing a basis for co-operation. This strategy should include a vision statement that defines the principles and benchmarks for the future development of Iraq determined on the basis of European values and interests, and contains recommendations for specific kinds of action.

Territorial Integrity.

Iraq should continue to be a single and independent state which is able to maintain its territorial integrity. The geographical distribution of natural resources makes it very unlikely that the major groups would agree to a division of the country. Moreover, plans to redraw boundaries would set a

dangerous precedent for challenges to colonial borders in the region, and create new problems rather than solving existing ones. During the transitional process the emergence of a power vacuum in peripheral areas should be averted since this could be used by terrorist groups or lead to the rise of organized crime.

International Umbrella.

The EU should advocate the supreme authority of the UN and the Security Council throughout the transition process. Although Res. 1483 specifies only a limited role for the UN special representative, his responsibilities should gradually be widened. All the signs are that the transformation of Iraq will be a long-term task which will increasingly be a burden shared by the international community. For this reason the creation of a Multinational Task Force under the aegis of the UN would be the best way of establishing a transitional administrative authority capable of giving guarantees to the conflicting Iraqi factions, and of functioning as an intermediary for domestic actors, thereby paving the way for the constitutional process and the envisaged participatory and competition-based political system. Within this framework, the establishment of a multinational security force should be considered, including a possible contribution by NATO and the EU.

Inclusion of Domestic Actors.

The involvement of domestic actors at the earliest possible stage with a minimum of external interference is crucial in order to dispel suspicions that a new colonial system is being established. There should be a transitional government and a constitutional assembly based on the principle of broadly-based inclusion. The international administrative authority should supervise the composition of the transitional government and the election of the constitutional assembly. It should give the various players a guarantee that the transitional government will not be allowed to turn into yet another authoritarian regime supported by oil revenues, and that it will not unduly influence the deliberations of the constitutional assembly.

Federalism.

In order to pre-empt the re-establishment in Iraq of a strongly centralized authoritarian government, there should be a dispersal of power and a system of checks and balances. A constitutionally guaranteed distribution of predetermined shares of the oil revenues to institutions other than the central government constitutes a powerful tool with which to guarantee and sustain several power centres. The northern Kurdish zone should be the nucleus for a federal system which is based on fiscal and legislative autonomy. The current arrangement of distributing the revenues of the UN-managed Oil-for-Food programme on the basis of a predetermined formula could form the starting point for financial arrangements of a federal kind. A federal dispersal of power should be combined with cultural autonomy for ethnic minorities and decentralized decision-making.

Inclusion and Accountability.

A new political regime in Iraq should be based on the principles of

inclusion and accountability. There should be freedom of expression, and respect for the rule of law. Given the character of present government institutions, this will entail reforms intended to bring about the broadest kind of participation. Minority representation is essential, and the special nature of tribal social relations needs to be taken into account (e.g., by granting a high degree of local autonomy and by establishing a bicameral system with an "upper house" for tribal *shuyukh*, religious figures and other notables and leading professionals).

Demilitarization and Transitional Justice.

The Iraqi provisional government should commit itself to demilitarizing Iraqi society, abandoning efforts to acquire WMD, and to establishing a small professional army. This should be done in the context of the progressive establishment of a regional security system in the Gulf region, which will include Iran. The various security agencies which constituted the apparatus of repression should be dismantled as quickly as possible. Criminal prosecution of Iraq's war crimes and human rights violations should be envisaged, though it will be necessary to take into account its impact on national cohesion and administrative continuity.

EU institutions, EU member states and candidates for EU membership should

• extend political and practical support to the interim administration and facilitate Iraq's reintegration into the international community.

• offer to share European experience on how to design new political institutions and make them work. There is a great deal of institutional diversity within the EU, which can also provide advice on decentralized policy-making and institutional reform.

• offer to support the reform of the Iraqi legal and law-enforcement systems. The EU could provide legal education and encourage penal reform, which would include courses for lawyers, and instruction in international law and human rights. The EU should support educational programmes for military and police personnel on human rights issues, and civilian-military and community-police relations.

• foster the re-construction of Iraqi civil society by supporting non-governmental organizations and providing fieldwork in democratization, human rights, civil conflict management, etc., and support the reform of the educational system as the linchpin for the dissemination of civil and democratic values.

• foster the international integration of Iraqi society by establishing study and exchange programmes for students, teachers, journalists, officers, and other professionals in order to overcome the impact of a decade of isolation, and support the teaching of English in order to encourage international communication.

• enlist the co-operation of the new Iraqi government on transnational issues such as migration, terrorism, drug trafficking and organized crime

• advocate and offer assistance in negotiations on the rescheduling or cancellation of Iraqi debt and reparations

- advocate a speedy opening of the Iraqi oil sector to international investment and participation in order to upgrade and expand the Iraqi oil production capacities. The EU should adhere to its strategic approach of avoiding market conditions that will result in prices which are either too high or too low. Advocating an increase in Iraqi oil production should not lead to a slump in prices or to an assault on OPEC.

- offer advice, especially from the former Communist countries which are on the verge of EU membership, on how to manage transitional justice and submit relevant material to the Iraqi and international authorities.

- co-ordinate with other external international actors to prevent weapons of mass destruction (WMD) or other military hardware from being sold and smuggled to other countries or organizations, and in particular to terrorist groups.

III. The Regional Impact of the War

Most regional actors opposed the war, but proved unable to prevent it. The war has in fact accelerated the dynamics of a profound change in the regional system. Pursuing the interests of a national country rather than engaging in lofty pan-Arab rhetoric is more than ever perceived to be a legitimate foundation of foreign policy. The Arab League which was unable to prevent the war is accused of being dysfunctional and will have to be reformed profoundly. In contrast to 1991, most Arab rulers were in line with the majority of their population in opposing the war. Although violent demonstrations took place in some capitals, support for Saddam Husain, widespread in 1991, was negligible. Given Iraq's substantial economic and political weight, regime change in Baghdad is bound to fundamentally alter the regional balance of power and may trigger a broad regional realignment. Among the larger countries of the region, Iran, Syria and Turkey will have the most direct influence on the transformation process in Iraq.

<div style="float:right">Regime change in Baghdad has altered regional balance of power</div>

Iran

The war in Iraq had far-reaching implications for Iran's regional environment and its foreign policy. It took place in a neighbouring country in which Iran has vital interests and it was waged by Iran's archenemy, the United States, against its main regional adversary, Iraq. The regime change in Iraq occurred at a difficult time for Iran on the domestic front. In its first twenty-four years in power, though generally able to consolidate its rule, the Islamic regime proved less successful when it came to solving the mounting social, political and economic problems which were the root cause of the revolution. The reformist camp has a number of significant achievements to its credit, including victory in the presidential elections of 1997 and 2001, and in the parliamentary election of 2000. It has already transformed the nature of political participation, and altered the political landscape significantly. However, the reformist trend has so far failed to lead Iran in the direction in which it would prefer to move. For all practical purposes and in all significant tests of power, the conservatives have triumphed and the reformists have been forced to toe the line. Recent student demonstrations in Tehran that went so far as to question the legitimacy of the Islamic Republic illustrate the mounting tension between reformists and conservatives, and within the reformist movement itself.

<div style="float:right">Iran's reformist camp has lost all major confrontations with conservatives</div>

Iran's foreign policy is based on a healthy dose of realism. Although national considerations were alien to Khomeini's Islamic theory, his regime nonetheless often chose to conduct policy from a perception of Iran's national interest. For all practical purposes, the United States continues to symbolize the "Great Satan." While the U.S. seems to be determined to envisage a long-term presence in Iraq in order to safeguard its interests, Iran is deeply troubled by the perspective of an ongoing U.S. presence along its borders. The demise of the Iraqi regime and the relative freedom that the Shi'is now enjoy are significant advantages for Iran. However, they also pose a severe challenge. For example, the regime change in Iraq may lead to the resurgence of Najaf, the holiest of Shi'i cities, as the main

<div style="float:right">Regime change in Iraq serves Iranian interests, but also poses severe challenges</div>

Shi'i scholarly centre, thereby challenging the status Qom has only recently acquired. This could also lead to promoting a more moderate interpretation of religion, which would call into question Iran's authority among the world's Shi'is and provide support for the Iranian reformers.

The neoconservatives who dominate Washington's policy in the region are expecting real change in areas of major concern to them: terrorism, weapons of mass destruction, attitudes to the Israeli-Palestinian conflict, and, of course, policy in Iraq. On all such issues, the gap between the two states remains wide. Iran's alleged WMD program is bound to become the major bone of contention, especially since the IAEA has recently expressed its concern about Iranian non-compliance with the NPT. It is more than likely that Iran will draw a lesson from a comparison of U.S. policy towards Iraq and North Korea, and redouble its efforts to achieve a nuclear capability, which it regards as the only reasonable insurance policy against foreign intervention. This will put Tehran on a collision course with Washington. The idea of a preventive air-strike against Iranian nuclear facilities on the lines of the Israeli attack on the Iraqi reactor in 1981, which is currently being discussed in the U.S., is misguided, since it will only delay and not eradicate Iran's nuclear program.

The EU should make political dialogue and economic cooperation, especially in the negotiations for the envisaged Free Trade and Cooperation Agreement (FTCA), conditional on Iranian compliance with the NPT including the additional protocol on tougher inspections, and cooperation in the field of human rights. At the same time the Union should give quiet support to the reformist groups, although it should be borne in mind that the impression of external interference in domestic affairs may be detrimental to the reformists' cause.

Syria

The war on Iraq has left Syria in a rather uncomfortable regional position which some commentators have compared to the 1955 Baghdad Pact. It is now as it were sandwiched between three U.S. allies, each of which is potentially stronger in military and economic terms: Israel, which fought three bitter wars with Syria, and continues to occupy a chunk of Syrian territory; Turkey, with which relations have improved only in the recent past; and the new, American-dominated Iraq, where the future is as yet uncertain, although simmering internal mobilization is bound to have a strong impact on Syrian politics.

After the abrupt end of what was known as the "Damascene spring", which led to the imprisonment of several prominent advocates of political liberalization, an opening of the political system seems unlikely, at least for the time being. While there is now more room for debates conducted in private, heavy-handed repression remains the rule in public. However, the reform process has continued on the administrative level. A significant number of key officials in several ministries have been quietly replaced. A major element in this reform process is the expected reshuffle in the government, which, if and when it takes place, could affect some of the ageing old-timers, who have literally clung to office for decades.

After the attacks of Sept. 11 the Syrian government embarked on limited

cooperation within the framework of the U.S.-led war on terrorism. This meant that Damascus was omitted from the notorious "axis of evil" list. Syria voted in favour of Res. 1441 (2003) on Iraq, contributing to a unanimous 15-0 vote in the Security Council. While Syria remained steadfastly opposed to the war, a visit to London by President Bashar Al Asad was interpreted as a sign that it tacitly accepted that war was inevitable, and was attempting to anticipate and limit its regional repercussions. However, during the war relations between Damascus and the war Allies began to deteriorate after Washington and London accused Syria of allowing volunteers to cross into Iraq to fight U.S. troops, and of turning a blind eye to Iraqi military supplies crossing its territory. The crisis reached a climax immediately after the war, when the Allies levelled a number of accusations against Syria. These included harbouring senior officials of the defeated Iraqi Ba'th regime who were wanted by the Allies and Syria's own WMD programme. These tensions have been reduced by the recent visit of U.S. Secretary of State Powell to Syria.

Tensions between war allies and Syria have been reduced

The loss of the burgeoning economic relationship with Iraq, which included substantial oil imports at reduced prices that were not within the oil-for-food framework, is bound to have a negative impact on the Syrian economy. Although Syria may well play a role in the forthcoming reconstruction process in Iraq, this will depend to a large extent on the consent of the Allied administration, and the future interim Iraqi government. While the possibility of U.S. military intervention in Syria is low, tensions over the political future of Iraq are bound to continue. Much will depend on what Syria does if, as is widely expected, armed resistance to U.S. occupation continues at a significant level, or even develops into a full-scale rebellion.

Future of Syria's relations with allied administration in Iraq unclear

The EU should speed up the negotiations for the Association Agreement with Syria, the last unsigned bilateral agreement in the framework of the Euro-Mediterranean Partnership. On the other hand, renewed U.S. involvement in the resolution of the Israeli-Palestinian conflict could also produce results on the Syrian-Lebanese track, as envisaged by the roadmap. The EU, in cooperation with its Quartet partners, should aim at bringing about a renewal of direct Syrian-Israeli negotiations in the framework of the roadmap, though this should not be done, as in the past, at the expense of the Israeli-Palestinian track.

EU should speed up negotiations for Association agreement and aim at renewal of negotiations with Israel

Turkey

Despite its reservations, Turkey originally expected to act in conjunction with the U.S. in northern Iraq. However, the refusal of the Turkish parliament to approve the deployment of U.S. ground troops on its border with Iraq meant that Turkey was merely a bystander in the conflict. In spite of the extensive damage to U.S.-Turkish relations, many issues will cause Turkey and the U.S. to return to cooperation, such as routine contacts in the NATO framework, the war against terror and triangular relations with Israel. Practical and commercial cooperation in the reconstruction of Iraq may also establish new links. Nevertheless, there is no assurance that in future relations will improve. Much will depend on the overall regional strategy which emerges in the U.S. administration, and on

After extensive damage in Turkish-U.S. relations many issues will cause a return to cooperation

how Turkey sees the protection of its interests.

For reasons of self-preservation, the AKP government can be expected for the foreseeable future to pursue a policy of closer relations with the EU. The idea of striving for EU membership continues to be popular in Turkey, though this is almost certainly the result of a misconception, i.e., the notion that the country will be the recipient of a barrage of aid as part of an accession package. Nevertheless, Turkey's pro-European stance remains brittle and fragile. Many or most Turks aspire to the EU's level of prosperity, though they continue to be wary of its institutions.

In the absence of a more positive definition of the Kurdish issue internally, the Turkish state will probably remain suspicious of and even antagonistic to the Kurds of northern Iraq, especially if it suspects that a virtually independent Kurdish entity is emerging by stealth. The reason for this approach is the effect that developments in northern Iraq might have on the integrity of the Turkish state. However, the presence and power of the U.S. in the area will probably deter precipitate Turkish action, at least for as long as the U.S. remains politically and militarily engaged. Thus in the short term Turks are more likely to be interested in commercial opportunities in Iraq, especially as sub-contractors to the American construction behemoths. But the emergence of a stable, prosperous and effective Iraqi state which reintegrates the Kurdish north without infringing on basic rights may well allay Turkish fears for the future. Anything that falls very much short of this will probably lead to the re-emergence of the north as a focus of instability, making renewed Turkish intervention likely, and perhaps inevitable.

The EU should reassure Turkey with an attractive European perspective and, at the same time, insist that any intervention in Iraq on part of the Turkish military is incompatible with its ambitions in Europe.

Promoting Security Cooperation and Economic Integration in the Region

The regime change in Baghdad has touched off broad regional repercussions. In turn, any successful long-term transformation of Iraq has to be embedded in a sustainable regional structure that addresses the legitimate security concerns of all actors and provides for co-operation in various fields. Iraq is in many ways 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 the uninterrupted flow of the Tigris and the Euphrates. It has a legacy of unsettled disputes with its larger neighbour Iran with whom it fought a bitter and bloody war during most of the 1980s. The development of WMD by Iraq is therefore not only attributable to Saddam Husain's bid for regional hegemony but also to a genuine feeling of being threatened by a powerful neighbouring state.

Iraq and the other states of the Mashreq should be integrated progressively into a Gulf regional security framework that encompasses Iran, Yemen and the GCC countries. This will alleviate Iraq's perception that Iran poses a threat, as well as to check any new attempts at regional dominance. As a first step, Iraq must recognise the territorial integrity of its adjoining neighbours. To make this principle operative, the idea of a

Gulf Conference for Security and Co-operation (GCSC) should be considered. This organisation should include all the Gulf states and be devolved into subject-specific working groups on issues like arms control, resolution of territorial disputes, economic co-operation, energy and water. As the groups would cover different themes and combinations of countries, their membership would be flexible. With the various issues being addressed in parallel, it could be easier to arrive at compromises and imaginative solutions for problems such as Iraq's access to the sea, or the dispute over Abu Musa and the Tunbs. Yemen, Syria, Egypt, Jordan and Turkey should be given associate status in the conference, and full participant status in the relevant working groups. The EU should function along with the US, Russia and the UN Secretariat as a facilitator for the establishment of this framework and as participant of its proceedings. It should establish an intensive dialogue on the future of Iraq with Iran, Turkey, Syria, Jordan and the GCC member countries.

Peace and stability in the region require the progressive overcoming of the San Remo order through a process of regional integration in the Mashreq that will allay threat perceptions, establish the basis for the overcoming of the polarisation between rich and poor states and empower the private sector and civil society. All countries and people of the region must benefit from the reconstruction of Iraq and its reintegration in the international community, not view the hoped-for success of a new Iraqi political order as a potential threat to themselves. This requires the creation of strong regional institutions, including a mechanism of fiscal solidarity that will allow some regional redistribution of the oil revenue. In order to avoid the acrimony of patron-client relations that was experienced in the past, fiscal solidarity must be rooted in regional institutions and be geared towards clear objectives of common interest, such as improving infrastructure and communications, and promoting education. Regional integration should also establish and guarantee the freedom of movement, for good and services, for capital and for individuals seeking employment. Physical and administrative barriers within the region must be dismantled rapidly to create a new perspective and hope among all the people of the region. The integration of a Palestinian state after a peace settlement into this emerging common market will be a factor in establishing this state's viability, in the realistic expectation that the border with Israel will be closed for some time to come.

Gulf Conference for Security and Cooperation (GCSC) should be envisaged as regional security framework

Reconstruction of Iraq should stimulate economic integration process in the Mashreq

IV. The Israeli-Palestinian Conflict

Regime change in Baghdad has opened a new window of opportunity for the settlement of the festering Israeli-Palestinian conflict. After more than three years of cyclical violence of unprecedented proportions, both Israelis and Palestinians were exhausted. Scores of suicide bombings against Israeli civilians had stimulated a fierce campaign by the Israeli army that reduced most of the infrastructure in the Palestinian Authority areas to rubble, and for months placed hundreds of thousands of Palestinians under virtual house arrest. After much external pressure and internal haggling, the newly appointed Prime Minister of the Palestinian Authority (PA), Mahmud Abbas, assumed his responsibilities. His appointment opened the way for the publication of the peace plan drawn up by the Quartet (U.S., EU, Russia and the UN), which was accepted by both of the parties to the conflict. U.S. President George W. Bush met with Abbas and Israeli Prime Minister Sharon in Jordan, where the former announced the end of the "armed intifada", and the latter pledged to dismantle a number of recently erected settlement outposts.

The Setting

The collapse of the Oslo process, which resulted in the intifada and the subsequent re-occupation of large parts of the autonomous areas by the Israeli army, reflected a radical deterioration in mutual trust and the ability of Israelis and Palestinians to communicate in a productive manner. The three main actors did not have a realistic strategy to break the cycle of violence.

Israeli Prime Minister Ariel Sharon, whose election directly reflected the reaction of the Israeli public to the failure of the peace process and the eruption of violence, never supported the Oslo process. For this reason he pursued a strategy of compelling the Palestinians to submit through the use of military force, and deliberately destroyed much of the Palestinian infrastructure. He was hoping to dictate the emergence of a new Palestinian leadership that would be prepared to accept his proposal for an extended "interim" solution based on a Palestinian "state" composed of enclaves confined largely to Oslo interim process areas A and B. Sharon's failure in the Lebanon war explains his strong desire to be perceived as an Israeli consensus leader, and to convey the impression that he was coordinating his policies closely with the U.S. However, he never in fact deviated from right-wing Israeli strategies, and has not proposed a viable perspective for a political process.

PA Chairman Yasir Arafat approved of terrorist attacks on Israeli civilians that became part of the intifada, which he neither initiated nor fully controlled. Contrary to popular opinion, Arafat does not harbour a wish to destroy the Jewish state. Arafat has a realistic grasp of the strength and vitality of Israeli society, and the overwhelming power of its military. However, he was unable to make hard choices or take tough decisions as a result of his unwillingness to offend and possibly alienate parts of his constituency in Palestinian society. Although Arafat is certainly no democrat, he tends to seek a broad consensus among the Palestinian public before he sets off in new directions. Thus, at crucial junctures in

the peace process, when he was presented with the prospect of an end to the occupation and the establishment of a Palestinian state, he chose to do nothing rather than risk a loss of support.

U.S. President Bush initially chose not to become involved in the Israeli-Palestinian imbroglio. Given his predecessor's ultimately unsuccessful efforts, he showed little interest in risking American strategic assets. After the traumatic events of Sept. 11, 2001, he factored the Israeli-Palestinian conflict into his emerging strategy of pre-emptive strikes against radical sources of terrorism and WMD development in the Middle East, and categorically endorsed Israel's rejection of Arafat as a viable peace partner. His pre-war approach to the roadmap was essentially instrumental: he used it as a vehicle to ensure international support for his Iraq agenda. But he also appeared gradually to heed the argument stated on an international level and in the Arab world, for example, by the Saudi-Arab League initiative in March 2002, that the Palestinian conflict was of central importance and that it needed to be solved. This was the origin of the roadmap, the initial precondition of which was the need to replace Arafat with a more acceptable leadership.

Since the breakdown of the negotiations in Taba, the option of unilateral separation has been a central issue in Israeli politics. The idea is to acknowledge the failure to achieve agreement on a final status for the time being, and to stabilize the situation by separating both peoples physically, thereby reducing friction and preventing terrorists from entering Israel. This would entail setting up a security fence roughly along the 1967 border. The security fence around the Gaza Strip is often cited as a successful model, since it has prevented suicide bombers from entering Israel. Advocates of unilateral separation claim that, since the fence would be far longer and traverse more difficult terrain, many settlements in the West Bank and Gaza would have to be dismantled to free troops currently engaged in protecting them. Most Palestinians oppose this idea, which is seen as an Israeli attempt to escape the obligation to reach a negotiated settlement. The security fence currently under construction will annex a substantial chunk of West Bank territory and several thousand Palestinians to Israel. Worse still, there are fears that Israel will annex the Jordan Valley and isolate the West Bank from its hinterland in Jordan. Furthermore, Palestinians argue that many Palestinian commuters will be barred form working in Israel, which would damage the Palestinian economy even more. The Palestinian population sees them as attempts at collective punishment, cantonization, or even apartheid.

It is important to note the striking parallels between certain trends in Israeli and Palestinian public opinion. Both publics remain "dovish" at the strategic level, where a majority supports a two-state solution. But both have become increasingly "hawkish" at the tactical level in the course of the past 32 months of armed struggle: Palestinians continue to support suicide bombings; Israelis continue to back the harsh military response, including pre-emptive attacks and targeted assassinations. It is worth noting that polls taken in Israel in May 2003 indicated broad popular support for the roadmap, coupled with anticipation of American pressure

on Israel. Much will depend on the unfolding domestic political process on both sides. Since the introduction of the direct election of the Prime Minister in 1996, the Israeli political system has seen a succession of rather instable and short-lived governments. The large parties have lost a considerable number of voters, whereas small and medium-sized parties based on special constituencies and a limited number of issues have thrived in an unprecedented manner. The recent return to a purely parliamentary system could herald, at least in the long run, the establishment of a more stable, accountable and farsighted government. Within the Palestinian political system there have been attempts to orchestrate a national dialogue in order to reach agreement on a comprehensive cease-fire. Recent multi-party talks in Cairo sponsored by Egypt failed to produce any tangible results. Efforts are currently being made to renew this dialogue, which, if successful, would have to deal not merely with the cease-fire , but also with other crucial questions about the nature of the future Palestinian state and its relationship with Israel.

Projections suggest that by 2020 at the latest Israeli Jews will become the minority between the Mediterranean Sea and the Jordan River, and Palestinian Arabs the majority. Many observers believe that, given the continuous growth of Jewish settlements in the occupied territories, Israel will approach a point of no return in the not too distant future beyond which it will be virtually impossible to separate the two populations. Thus the situation will resemble South Africa in its *apartheid* age, with a Jewish minority ruling directly or indirectly over an Arab majority that lives as second- and third-class citizens, either inside Israel or in the occupied territories. It is conceivable that Palestinians will cease to call for a two-state solution and simply demand majority rule - "one man, one vote". Israel will no longer be able in a convincing way to call itself a democratic state. The entire Israeli-Palestinian conflict could assume a quite different character, both internally and internationally. Thus it is becoming increasingly clear that time is running out as far as the two-state solution to the Israel-Palestine conflict is concerned, and it is upon this that the roadmap and most other peace schemes are based. If a peace process fails to materialize in the near future, the international community may well find itself dealing with a situation in the land between the Jordan River and the Mediterranean Sea that resembles the one in South Africa, but is even more difficult to resolve.

If the implementation of a two-state solution fails, demographic developments will give the conflict a South-African character and make it more difficult to resolve

Implementing the Roadmap

The roadmap sponsored by the Quartet is the only game in town, and constitutes a significant improvement on all previous attempts to devise a lasting Israeli-Palestinian settlement. It goes beyond both the Mitchell Plan and the Tenet document in that it combines a security-oriented approach, a comprehensive political perspective, and the reform of the Palestinian institutions. It includes UNSC Resolution 1397, which calls for a Palestinian state, and the Saudi initiative, which offered Arab recognition of Israel in return for an end to the occupation. These are important additions to UNSC Resolution 242, the traditional basis for negotiations on the conflict, which is in fact an inadequate set of principles for Israeli-Palestinian peacemaking. The roadmap contains two key elements that are missing

Roadmap constitutes significant improvement because it combines a security oriented approach, a comprehensive political perspective and the reform of Palestinian institutions

from UNSC 242. They were inserted by President Bush in his speech on 24 June 2002: a commitment to a Palestinian state, and a timetable for its evolution. On two issues the roadmap seems to provide an admirable set of checks and balances. It provides sufficient guarantees for Israel, so that the process will not be allowed to move forward without genuine Palestinian reform and compliance with security demands; and for the first time it offers the Palestinians assurances that Israel must begin to dismantle its settlements in the initial phase. Although the implementation of the roadmap will depend to a large extent on the United States, which is far the most important member of the Quartet, the document itself clearly bears the stamp of the European approach. For at least two decades the EU has consistently focused on a combination of the right of the Palestinians to self-determination and the right of Israel to exist in secure borders.

Despite its obvious advantaged the roadmap has serious weak points. The concept is based on a three-stage plan, although the Oslo agreement demonstrates that such phasing encourages the extremists on both sides to intervene and sabotage the process. The recent outbreak of a new round of violence shows that the opponents of the process will have to be isolated in advance. In addition, the intermediate phase is a Palestinian quasi-state with indeterminate borders. Sharon, who envisages a collection of enclaves in no more than 42% of the West Bank, has made it abundantly clear that he is determined that this will be the final stage for the indefinite future, a projection about which the Palestinians can hardly be happy.

Three-stage plan of road map will encourage extremists to sabotage the process

The Oslo experience teaches that monitoring the implementation of agreements is as important as their conclusion. The roadmap refers only very vaguely to an enhanced international role in monitoring, presumably under the aegis of the CIA. Yet observers, such as UN Secretary General Kofi Annan, have been suggesting a more robust third-party intervention, for example in the shape of a buffer force between Israelis and Palestinians to reduce friction and monitor implementation. Yet we need to bear in mind that an international peacekeeping force cannot be a substitute for a sincere commitment from both parties to implement the roadmap. The dangers of inserting a peacekeeping force into an asymmetrical conflict situation in which guerrillas are fighting against a regular army have become very much apparent in the troubled course of the UNIFIL mission in South Lebanon. An additional important international role has been overseen: Compulsory arbitration saved the Egyptian-Israeli peace process when the two sides were unable to reach agreement about the area of Taba, near Eilat.

An international peacekeeping force would only work with the commitment by both parties to implement the roadmap

If the process envisaged by the roadmap fails, a different possibility is the establishment of a US-led trusteeship. This institution would administer the Palestinian Authority areas during a transition period aimed at independent statehood. This idea is based on the assumption that there is no powerful and credible institution to fight terrorism, in a way suitable to the Israelis. The trustees would replace the Palestinian Authority, disarm terrorist groups and oversee the building of new democratic Palestinian institutions. Yet, an international force would hardly be more successful in

An international trusteeship for the Palestinian territories as an alternative scenario

combating Palestinian terrorism than a committed and adequately equipped Palestinian security force.

The Quartet should

- Insist on the implementation of the roadmap, and seek to maintain President Bush's active involvement. It should emphasize the immutable character of the document, and resist attempts by the Israeli government to increase the demands made on the Palestinians, or to change the document from a parallel to a sequential one.

- Convince both parties that perpetrating acts of violence against civilians will destroy the whole process very quickly. The Israeli government should be persuaded that the targeted assassination of Palestinian militants simply undermines the ability of the Palestinian Authority to fulfil its commitments as spelled out in the roadmap, especially if such operations involve "collateral damage" in the shape of a large number of innocent civilian casualties. Conversely, the Palestinians should be urged to announce a comprehensive cease-fire and to act swiftly and decisively against any group which chooses deny compliance, since no Israeli government can tolerate suicide bombings in its towns and cities.

- Consider the deployment of an international force, possibly led by NATO, both to monitor progress, and to ensure the implementation of a final status agreement. Its presence would require the consent of both parties, and their clear-cut commitment to take the necessary steps to reach an agreement. An Israeli withdrawal from parts of the West Bank and Gaza in the framework of a unilateral separation scheme could pave the way for such a deployment. Furthermore, the Quartet should establish a compulsory arbitration mechanism to settle any disputes that might arise between the parties concerning the implementation of a final status agreement.

- Continue to develop proposals for solutions to final status questions such as Jerusalem, the ultimate borders and the refugees with reference to the acquis of the Camp David and Taba negotiations and the Clinton proposals.

V. Conclusion: Towards a Euro Middle East Partnership

The European Union established the comprehensive Euro-Mediterranean Partnership in 1995 in order to stabilize the region politically and to develop it in economic terms. However, the project has been a mixed success at best. It has been hampered by numerous problems, including differing perceptions on both sides of the Mediterranean, a general lack of political will to pursue implementation, and the paralysis of the multilateral track on account of the festering Israeli-Arab conflict. In addition, the Euro-Mediterranean Partnership (EMP) will be affected by three profound processes of change:

Euro-Mediterranean Partnership has been hampered by a number of problems

First, the EMP was carefully crafted to include four non-Arab southern partner countries, namely Cyprus, Malta, Turkey and Israel. Two southern partner countries, Cyprus and Malta, will join the Union in 2004 in the context of EU enlargement. Furthermore, Turkey is also part of the accession process, and a date for the start of negotiations may be offered in 2004. This leaves Israel as the only non-Arab country with eight Arab partners. Since the multilateral track, especially in the political and security field, has to all intents and purposes been paralyzed by the virtual demise of the Israeli-Arab peace process, the polarity between Israel and the Arab countries will no doubt continue. Even if the current efforts to implement the roadmap and achieve a permanent settlement of the conflict (which would have to include Syria and Lebanon) were to prove successful, peace between Israel and its Arab neighbours would probably be restricted to nothing more than an acceptance of co-existence on the lines of the "cold peace" between Israel and Egypt. Visions of including Israel in a comprehensive economic process of integration in the region, such as the famous "new Middle East" often referred to after the signature of the Oslo accords, are unlikely to materialize in the near future. Given the threat of suicide attacks, borders between Israel and her Arab neighbours, including the future Palestinian state, are expected to remain closed to all intents and purposes for some time to come.

The EU accession of Cyprus, Malta and possibly Turkey will change the geometry of the partnership, Israel will be isolated

Second, regime change in Iraq is bound to lead to the establishment of relations between Iraq and the EU. At some point this will prompt the question of how Iraq can be integrated into the EU's neighbourhood policies in the region, which are currently divided into four different sections: EMP, cooperation with GCC countries, relations with Iran, and relations with Yemen. Given Iraq's close economic and cultural ties with the Mashreq/Eastern Mediterranean region, it would make perfect sense to attach Iraq to the EMP, at least in the long run. Future Iraqi accession to the Barcelona Process will render the somewhat artificial concept of a partnership with "Mediterranean" countries even more questionable, since Iraq, after Jordan, would be the second southern partner country without access to the Mediterranean Sea.

Attaching Iraq to the partnership would make sense, but render the geographic concept questionable

Third, the European Union is currently envisaging the establishment of a new EU neighbourhood policy for the non-accession countries in Eastern and Southeastern Europe and in the Mediterranean. This idea would offer in the long run to grant EU neighbours a share in the internal market, including the free movement of goods, services, capital and people,

New EU neighbourhood policy will offer non-accession countries a share in common market

though without representation in its institutions. Despite some flaws, this represents a serious effort to design a pro-active EU strategy for those countries bordering on the Union which will not be offered full membership for the foreseeable future.

Much will depend on whether and when the EU will open accession negotiations with Turkey, since the accession of the largest economy of the southern Mediterranean partners will require a reappraisal of the geographical design of the EU's southern neighbourhood. If and when Turkey joins the Union, the EU will share borders not only with Syria, but also with Iraq and Iran. The prospect of Iraq and Iran both being part of the EU's immediate neighbourhood within about a decade has far-reaching implications for the proposed EU neighbourhood policy. These changes suggest a reappraisal of the geometrical EMP approach, and its transformation into a Euro Middle East Partnership (EMEP). EMEP would take the shape of an umbrella that could encompass several bi- and multilateral cooperation clusters, and it would abandon the all-inclusive multilateralism that has seriously hampered the Barcelona Process. It would include a permanent inner core of full members entitled to participate in all three cooperation baskets (EMP southern partner countries, and, subject to the accession of Turkey, Iraq and Iran at a later stage), and an outer group of countries (GCC and Yemen) that would participate in only some areas. Israel would be granted a privileged bilateral association status, possibly as a member of the European Economic Area, and would be able to participate on a selective basis as well. Building on the *acquis* of the EMP with its high level of institutionalization and its comprehensive three-basket approach, the new concept would go considerably beyond the ill-conceived Euro-Arab Dialogue of the 1970s.

The EMEP should be based on a common EU vision based on established principles of EU foreign policy and the political will to implement it. The development of this vision presupposes a thorough review of EU interests in the region, and the ability to pursue them. The core of the new partnership would be the creation of a Euro-Middle East Free Trade Area on the basis of the existing EMP association agreements, the Mediterranean Free Trade Area (Agadir Process), and the Greater Arab Free Trade Area project that is currently under way. This would require the complete harmonization of rules of origin and the dismantling of all remaining tariff and non-tariff barriers on agricultural products on part of the EU.

The new concept should be based on a true spirit of partnership which avoids the impression of neo-colonial EU dominance. The long history of European domination and colonization of the Middle East needs to be taken into account. Middle Eastern partner countries could receive a stake in the enlarged EU's internal market as outlined in the Commissions's proposal for a new neighbourhood policy. This would require the participation of partner countries in the selection and planning stages of future projects. The approach should be a focused one that commits limited resources to areas where there is a clear convergence of interests between the EU and its partners. The EU is currently still not in a position

Euro-Mediterranean Partnership should be transformed into Euro Middle East Partnership as an umbrella for several bi- and multilateral cooperation clusters

New partnership should be based on EU interests and envisage the creation of a large free trade area on the basis of existing agreements

to disburse more than half of the funds allocated to various programmes within the EMP framework on account of the lack of cooperation by its partners and its own time-consuming and bureaucratic decision-making system. The stimulus for reform must come from the partner countries themselves, since the impression that the reform process has been imposed from without is bound to ruin any attempts to bring about a successful transformation. A detailed work programmes such as those which already exist in the context of the EMP in the form of National Indicative Programmes and Regional Indicative Programmes should avoid giving the impression of an expectations-capability gap.

New approach should be based on true spirit of partnership and commit limited resources to areas of convergence between the EU and its partners

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:

- Ofra Bengio, "The New Iraq. Challenges for State-Building" presented to the workshop "Europe and the Middle East after the Iraq Crisis" on March 30th-April 1st, 2003 in Bologna.
- Toby Dodge, "American Intervention and possible Iraqi Futures" presented to the workshop "Europe and the Middle East after the Iraq Crisis" on March 30th-April 1st, 2003 in Bologna.
- Walid Khadduri, "Iraq: Future of the Oil Industry", presented to the workshop "Europe and the Middle East after the Iraq Crisis" on March 30th-April 1st, 2003 in Bologna.
- David Menashri, "Iran, the United States and the War on Baghdad", presented to the workshop "Europe and the Middle East after the Iraq Crisis" on March 30th-April 1st, 2003 in Bologna.
- Philip Robins, "Turkey, Europe and the Iraq War", presented to the workshop "Europe and the Middle East after the Iraq Crisis" on March 30th-April 1st, 2003 in Bologna.
- Joseph Alpher, "The Israeli-Arab Peace Process in the aftermath of the Iraq War" presented to the workshop "A new Arab Coalition for Dialogue and Peace", on May 8th-10th, 2003 in Sevilla
- Henry Siegman, "After Iraq: Is the Israeli-Arab Conflict Closer to Resolution?" presented to the workshop "Europe and the Middle East after the Iraq Crisis" on March 30th-April 1st, 2003 in Bologna.
- Felix Neugart and Tobias Schumacher, "The EU's Future Neighbourhood Policy in the Middle East. From the Barcelona Process to a Euro Middle East Partnership" presented to the workshop "Europe and the Middle East after the Iraq Crisis" on March 30th-April 1st, 2003 in Bologna.
- Giacomo Luciani and Felix Neugart, "Towards a European Strategy for Iraq". Policy Paper based on a series of meetings on a future EU policy towards Iraq organized by the Bertelsmann Foundation.