The Israeli European Policy Network

The Middle East under Fire?

EU-Israel Relations in a Region between War and Conflict Resolution

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Roby Nathanson
Stephan Stetter
Editors

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Friedrich Ebert Stiftung, Israel Office
POB 12235, Herzliya, Israel 46733

Friedrich Ebert Stiftung, Israel Office
POB 12235, Herzliya, Israel 46733
Tel. +972-9-9514760
Fax. +972-9-9514764

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I. Preface

The world has become more or less accustomed to constant tensions in the Middle East, to violent conflicts being the order of the day, to an escalation of armed conflict as likely to take place at any time. In a nutshell: as generally perceived by the world, the Middle East is one of those unfortunate and apparently hopeless political scenes characteristic of our times.

Recently, the concrete threat has even increased, since the President of Iran has publicly threatened the physical destruction of the State of Israel. He made this a particularly acute threat by referring to the development of a home-grown Iranian nuclear industry which would be capable of producing nuclear weapons.

Last year, Israel felt compelled to respond to the violent military attack launched against Israeli territory by the Lebanese-Shiite terrorist organization Hizbullah, in which a number of Israeli soldiers were killed and two abducted, by launching a war against Lebanon. To date, however, it has not achieved its war goals of freeing the abducted soldiers and disarming Hizbullah. What is worse, the aura previously attached to the unchallenged deterrent of Israel's vaunted military forces appears to have faded as a result of these and other unfortunate operations in the turbulent Gaza Strip.

In addition, in what is known as the Second Lebanon War, the firing of Hizbullah rockets from Lebanon clearly revealed the vulnerability and structural weakness of Israel's home front, introducing new and threatening tensions. We cannot but mention the situation in the turbulent Gaza Strip which, following the dismantling of Jewish settlements and the withdrawal of Israeli security forces has become a stronghold of the radical and violence-prone Hamas, endowing the situation with more threatening dimensions.

As a result, it would be no exaggeration to state that following the Second *Intifada*, one might speak not of a perceptible easing of the situation but, rather, of a strategic and security-policy escalation. With the exception of a few forces which unfortunately act in a highly destructive fashion, most of those involved on both sides of the conflict agree on one thing: there must be no 'Middle East under fire'. Among the reasons for this consensus is that the current situation can have extremely dangerous consequences for the neighbouring regions, including Europe.

A qualitative change in the players involved in crisis management in the Middle East has long since been announced and now become visible. Israel and the parties involved in the Second Lebanon War have agreed that in addition to the US, the European Union is to be involved in a central and active fashion while searching for opportunities to establish long-term peace in the region. For the first time in its history, the EU has a very visible presence in the form of military and police forces, including the fact that European soldiers constitute the lion's share of the UN troops supervising the ceasefire agreement in Lebanon. Nevertheless, at the moment, the Middle East is very far from any transition to peaceful development.

However, some movement appears to have returned to this depressing situation since Saudi Arabia's active political intervention in the stalled talks between Israel and the Palestinians. The European Union, under a German presidency, is also sending out unequivocal signals about constructively engaging in a revival of what was once known as a "peace process".

In this highly explosive political situation, the tried and true IEPN (Israeli-European Policy Network) Israeli and European researchers and experts, who have been cooperating successfully for some four years, has now come out with a new work targeted at decision makers and the general public in both areas. Its title, like the main question it explores, a *Middle East under Fire*? For IEPN researchers, the central issue is how the EU can and must be involved in a more intensive and efficient fashion in fostering and implementing peaceful, durable development in the region.

After meticulously studying the general relations between Israel and the EU in the network's first publication, the *Israeli-European Policy Network Reader* (2005), and

conducting an in-depth analysis of the consequences of the European neighbourhood policy (ENP) as a result of the EU-Israeli Action plan, the IEPN is now presenting the results of its studies of key military and political conflicts in the region and within EU ties with Israel. As in its previous publications, the IEPN offers recommendations for political decision-makers. The team of authors is, of course, aware of the limits of their individual outlooks and conclusions. However, all those involved in the IEPN agree that no scientific approach, no constructive proposal for interpretation must be ignored if it can help ignite even the faintest flicker of hope for the peaceful and just settlement of the conflict between Israel and its neighbours, a conflict which has lasted for such a shamefully long time.

The present publication aspires to contribute to efforts to bring about a situation in the Middle East in which the headline – 'Middle East under Fire?' – will be reminiscent of a nightmare from the bad old days which have long since been banished.

On behalf of the Friedrich Ebert Stiftung I would like to extend my heartfelt thanks to the authors for their exemplary devotion to their task, which was not limited to making academic contributions but also involved intensive, collegial discussions with their counterparts during the IEPN meetings which took place in Brussels, Vienna and Tel Aviv. Through their commitment they have demonstrated the constant and ever-present importance of using and reinforcing academia's bridging function in situations of conflict.

This year, I once again wish to express my special appreciation of the indefatigable and outstandingly successful coordinators: on the Israeli side, since the beginning of the project, Dr. Roby Nathanson, together with the latest arrival Dr. Shlomo Shpiro, and on the European side, Dr. Stephan Stetter and the recent arrival Dr. Raffaela A. Del Sarto. I would particularly like to single out Michal Weiss, The Macro's Center's Administrative Coordinator, and Micky Drill, Project Manager at the Friedrich Ebert Stiftung office, whose persistent organizational efforts made a major contribution to the book's appearance.

In the future, the IEPN will be intensively tackling issues of Israeli-European problems and conflicts also discussed elsewhere in the EU, such as Madrid, Warsaw and London and, of course, Israel. I believe that I speak for all the network's members when I stress that we are eager to intensify our work toward a peaceful political and social environment in the Middle East, for the benefit of all those in the region and the EU as well.

Hermann Bünz
Representative of the Friedrich-Ebert-Stiftung in Israel

Herzliya, May 2007

II. Introduction

Roby Nathanson & Stephan Stetter

As the second IEPN book goes to press, we continue to feel the reverberations of the dramatic events witnessed in the region in 2006. Middle East geo-politics changed that year, and with those changes did the nature of the relations maintained between the European Union (EU) and Israel. Israel's earlier inclusion in the 2003 European Neighbourhood Policy (ENP), which obtained concrete form with the completion of an Action Plan (AP) between the EU and Israel in December 2004, set the stage for a new era of fertile relations between the two entities. By focusing on substantive issues, the AP enabled Israel to improve its bilateral political, socio-economic and security bonds with the EU, a step considered necessary for Israel's future integration into Europe. The previous IEPN monitor, by carefully following the progress made in the field, demonstrated how the commitment of both parties to the AP's goals has facilitated implementation of the respective programs.

The AP, like the ENP, was meant to breathe life into the EU policy by adding a strong and arguably dominant bilateral dimension to the previously dominant multilateral approach of the Barcelona-period. As our last IEPN-monitor (2006) has shown, EU-Israeli relations have profited from this change in emphasis. Yet, whatever the assumptions and expectations motivating this shift, the past year's events have shown that a regional, multilateral approach continues to be relevant for the Mediterranean. Bilateralism, it seems, cannot replace multilateralism in all spheres when regional stability and security are at stake. While the AP has certainly helped to sever EU-Israeli relations from the uncertainties of the Israeli-Palestinian peace process, its limited scope precludes the application of bilateralism to problems originating from the regional level, thereby threatening a greater number of countries and people in the Middle East. Yet, the threats appearing in 2006 have, ironically, posed new opportunities for EU participation in regional affairs and revived the (selective) relevance of a multilateral approach. The current IEPN book reflects these changes.

So, how exactly did the events of 2006 force upon a re-evaluation of the EU agenda in the Middle East? The year began with the Hamas victory in the Palestinian Authority's (PA) parliamentary elections, held in January. With Hamas in a position to represent the Palestinians at the bargaining table, its extreme anti-Israeli position exacerbated the issue of determining the identity of the Arab partner in any Israeli-Palestinian dialogue. Whatever the internal quandaries faced by the PA and Israel over this issue, Hamas' status as a terrorist organization in the US and the EU, put the EU in a delicate position as well, considering its heavy involvement as a provider of humanitarian assistance to the PA. It also made the EU's realization of its aspirations to mediate in the conflict perhaps more feasible. The problematics of the issue were especially sticky in the light of the ties maintained by Hamas with the Hizbullah. The sudden eruption of the Second Lebanon War in July 2006 sent shock waves throughout the region. Israel's armed confrontation with Hizbullah, the massive destruction of civilian lives and property on both sides of the Lebanese border and the difficulties of negotiating a cease-fire between the parties unexpectedly created a vacuum inviting third-party involvement.

The EU responded with unexpectedly forceful and positive intervention on both these fronts as participants in the EU-BAM that oversees the orderly operation of the Rafah border-crossing, which had been plagued by closings due to terrorist activity and the ongoing Israeli-Palestinian conflict, and as proponents and active participants in the enlarged UNIFIL peacekeeping force stationed on the Israel-Lebanon border. Both projects represent the EU's revised view of its regional mission.

The other major threat affecting the Mediterranean region - but also the global level more general - is the probability of Iran's transformation into a nuclear power. Iran's fundamentalist political stance, its support of international terrorism (observed most blatantly in the military aid smuggled to Hamas but particularly Hizbullah), its regional aspirations and, in particular, its acquisition of a nuclear potential as a declared tool for the conduct of international politics, have not only alarmed Western countries and Israel but also have caused serious security concerns in many Arab countries. Most directly threatened is Israel, Iran's declared primary target, but this does not diminish the challenge Iran poses to the Arab regimes that embrace neither its religion nor its obsession with world revolution. However, due to relative

geographical proximity, the Iranian nuclear ambitions are also a concern for the EU while Iran's potential to destabilise the region (e.g. via exerting its influence over the Shi'a population in Iraq) does also directly affect wider security concerns of the EU. Moreover, the widespread alienation and cultural sensitivities in Western-Muslim relations is also a direct concern to the EU (and the US) where many immigrants and citizens are of Muslim faith. EU attempts to cope with these issues, by their very nature, require a multilateral approach that includes Israel as only one of several partners from the region.

EU enlargement has also provided greater resonance to the ENP as a multilateral program, primarily to the East but also to the South. How does this expansion affect Israel's potential for joining the Union? How does it affect bilateral relations given the EU's increasing internal heterogeneity? Such issues are expected to influence the future of any additional EU-Israel AP (the current AP is due to conclude in December 2007).

Put briefly, the geo-political environment in the Middle East, if not in the world, has changed dramatically since the inauguration of the ENP and AP programmes. For this reason, the research conducted in the current IEPN book has a different focus. The first two IEPN publications stressed features of EU-Israeli cooperation related to the construction and maintenance of civil society: the economy, culture and the labour market. Due to current developments, this book is devoted to regional security; in doing so, it devotes itself to the impact of geo-political developments on current and future EU-Israel relations.

This ability to switch focus is one of the strengths of the Israeli-European Policy Network (IEPN). Established in 2003, the IEPN is composed of joint teams of senior Israeli and European researchers, organized in targeted research teams and extended *circles* based in Israel and the EU. In Europe, the *Circle Israel* brings together experts and decision makers from the EU and other European countries active in the study of issues pertaining to Israel; its parallel in Israel, the *Circle Europe*, provides a forum for meetings between Israeli experts and decision makers involved in the study of European issues. Its twin anchors encourage flexibility, framed by regularly scheduled

meetings held in the EU and Israel as well as attention to concrete issues. This structure distinguishes the IEPN from other think tanks on both sides.

In order to realize its mission of creating an open, constructive and innovative dialogue between key decision-makers in Israel and the EU, the IEPN holds a series of debates, culminating in working papers and operative policy proposals intended for distribution to decision makers in both areas in addition to the interested public. (e.g., the monitors are published in both Hebrew and English.)

This book opens with a short update on recent developments relating to the EU-Israel AP**. Tal Sadeh's** concise analysis of Israeli views of EU-Israeli relations and the AP's implementation. Sadeh characterizes the political-economy of EU-Israeli relations as a two-dimensional 'clash of perspectives'. The first dimension pertains to Israel's regional identity, with Israel wishing the EU to view Israel as a non-member European country and the EU perceiving Israel as a Mediterranean and Middle Eastern country. The second dimension pertains to conflicting views of priorities: procedures versus immediate results. This paper is followed by **Costanza Musu's** assessment of the AP from a European perspective. Her paper argues that one of the first tasks to be completed when analyzing EU-Israel relations is the disentanglement of the solid economic rapport between the two partners from the tension surrounding political relations, which are under constant strain from the Arab-Israeli conflict.

After this introduction to the frameworks from which the EU and Israel view their separate and combined activities, the monitor presents seven papers exploring the security issue, i.e. the main focus of this book. **Shlomo Shpiro's** paper examines EU participation in observer, peacekeeping and conflict management activities that are currently being implemented with varying degrees of success in the region. He shows how participation in UN programs has helped the EU to stabilize its mediation roles and operational presence on the ground. This paper is followed by **Sven Biscop's** analysis of EU activities in Iran and Lebanon as positive examples of what a more united and hence 'more active' EU can accomplish. These cases provoke fundamental strategic questions on EU ambitions and policy towards the region in light of The 2003 *European Security Strategy* (ESS), which calls for a 'more active' EU when pursuing its strategic objectives.

Mark A. Heller's paper addresses the core joint measures to be taken by the two partners. The most important of these, he counsels, are regularized exchanges of intelligence and strategic assessments, discussion of contingencies for Israeli participation in any future ESDP anti-proliferation operations and Israeli contributions to EU-led diplomatic efforts. The landscape of European diplomacy in the Middle East is then reviewed by **Dorothée Schmid** in response to two of the major crises that marked 2006 – the aid issue to the PA and the Second Lebanon War. In her paper, Schmid describes how the individual members of the EU "Big Three" (France, Germany, UK) have altered their separate approaches, while other EU members have become more vocal in their stances toward the Middle East. She argues that all European players tend to autonomously engage in *ad hoc* coalitions when deciding for greater commitment although incrementally converging toward a general position ('Europeanization'). However, what still is needed is a common expression of responsibility that would match the EU's effective involvement in the field.

In turning to an analysis of the economic outcomes of the Middle East conflict, **Roby Nathanson** estimates the effects of the two major militarized conflicts in which Israel participated in recent years: the Second *Intifada* and the Second Lebanon War. Based on empirical studies conducted to predict and explain the effects of war on the global economy, he accounts for the changes observed in Israel's economy. **Marcella Simoni's** paper then analyses the role of civil society cooperation in EU-Israel-Palestine relations as outlined in the ENP APs between the EU, on the one hand, and Israel and Palestine, on the other. From the perspective of cooperation – a term open to several interpretations – it seems that these two APs remain somewhat uncomfortably positioned between a bilateral and multilateral framework. Given that official multilateral cooperation was halted with the inauguration of the Hamas-led government in early 2006, cooperation between conflicting parties has been entrusted to civil society actors. Yet, as Simoni explains, the EU reading of the term 'civil society' has been applied rather broadly and uncritically, consequent to a partial understanding of this phenomenon. Returning to the security issue, in the volume's final paper **Tal Sadeh** analyzes the possibilities and benefits of EU involvement in the region, using the example of Lebanon. EU involvement is considered by most Lebanese to be constructive. Given the half-hearted US attempts to revive the Arab-

Israeli peace process, the EU is now in a position to show leadership in realizing its strategic interests in the region.

Like its predecessors, this volume could not have reached our readers without the efforts of several individuals who worked behind the scenes. Our sincerest gratitude goes to **Michal Weiss** who, as the Administrative Coordinator of The Macro Center, has continued to work selflessly on this project. **Hagar Tzameret-Kertcher**, The Macro Center's Director of Research, is to be commended once more for her intellectual contributions to the research. **Ori Yadlin**, Research Assistant, provided additional effective support and **Mara Habif Almog** for the final editing. We would also like to thank **Nina Reshef**, our English language editor. Our appreciation is wholeheartedly extended to each of our contributors for the astuteness of their research and recommendations. Finally we wish to thank our partners in the framework of IEPN, foremost **Mr. Hermann Bünz** - Representative of the Friedrich-Ebert-Stiftung in Israel and **Mr. Micky Drill,** Project Manager at the Friedrich Ebert Stiftung office in Israel. Moreover a special thank to our partner coordinators of IEPN **Dr. Shlomo Shpiro,** Director of the Center for International Communications and Policy (CICP) at Bar-Ilan University and **Dr. Raffaella A. Del Sarto** a Marie Curie Research Fellow at the Mediterranean Programme, the Robert Schuman Centre for Advanced Studies, European University Institute, Florence, Italy.

III. Executive Summary

This year's monitor deals with military conflicts in the Middle East in light of last summer's Second Lebanon War, the escalating dispute with the Palestinian Authority (PA) and the growing threats from Iran. With respect to the AP and EU-Israeli cooperation, the monitor explores the existing situation in its political and economical aspects. Furthermore, it provides conclusions and recommendations for action to be taken, depending on EU-Israel cooperation.

The Action Plan (AP) with the EU was announced in December 2004 as part of the EU's European Neighbourhood Policy (ENP). The EU-Israeli AP sets an agenda of political and economic reforms to be implemented over a three-year period. The results of the review process, built into the AP, were presented in early March 2007 in the EU-Israeli Association Council. Discussions on the next stage in EU-Israeli relations, perhaps under a new contractual framework, should be concluded by early 2008. Thus, this timely volume offers an early assessment of EU-Israeli relations in the AP's wake.

The book opens with a brief presentation by **Tal Sadeh** of the Israeli perspective on EU-Israeli relations and the progress in the AP's implementation. As a general observation, the political-economy of EU-Israeli relations has long been characterized by what might be termed a two-dimensional 'clash of perspectives'. Regarding the first dimension, Israeli policy makers have traditionally preferred that the EU treat Israel as a non-member European country; in contrast, the EU has always viewed Israel as a Mediterranean and Middle Eastern country. As to the second dimension of the EU-Israeli 'clash of perspectives,' its subject is the differential stress between procedures and results. Israeli officials tend to evaluate EU policies according to the material or diplomatic benefits that Israel can derive from them. In contrast, the view from Jerusalem is that the EU, especially Commission officials, are enamoured with procedure *per se*. Setting up a joint committee to inquire, say, about ways to approximate Israeli energy laws to EU standards would in itself count as a great achievement by the Commission. However, for Israeli officials this would only be a start, and the discussions' results would matter much more than a mere discussion.

Israeli officials also tend to be impatient with the pace of ENP bodies' work. This old clash of perspectives has changed little, even after the AP.

Ultimately, both the EU and Israel pursue their specific agendas when implementing the AP. Both sides have their own interests, preferences, ambitions, expectations and agendas. The AP clearly states that participation in EU programmes is not an automatic AP result or objective but subject to the mutual interests of both sides. In that context, Israeli was assigned a set of obligations under the AP, such as progress in the peace process, the slow fulfilment of which may be the reason for Israeli's perceived lack of progress on technical/economic issues or participation in EU programmes.

Following this overview of the AP from Israel's point of view, an equivalent European assessment is made by **Costanza Musu**. One of the first tasks that an observer should complete when trying to analyze EU-Israel relations is to disentangle the extensive, solid economic rapport between the two from the tension of the political relations, constantly strained by the weight of the unresolved Arab-Israeli conflict.

The dilemma has been clear to both sides for decades: Israel cannot ignore the EU, its largest trading partner and the leading source of its imports (as well as the second most-important destination for exports), even without mentioning the cultural ties, mutual heritage and geographical proximity.

On its part, the EU has adopted a policy of sharing the EU's stability, security and prosperity with neighbouring countries, including Israel. Risks of insecurity spill over into the neighbourhood are of serious concern to Europe, and policy has consistently been that of trying to encourage economic development, reinforce institutions and integrate as much as possible those states – including Israel – having little or no prospects of accession. Furthermore, EU relations with Israel have by and large recognized the uniqueness of Israel in comparison with its neighbours: its highly developed institutions, its advanced economy and its higher GDP, which make Israel much more similar to many EU members than to its immediate neighbours.

Next, the monitor presents seven papers that explore major issues of EU-Israel relations. In his paper, **Shlomo Shpiro** examines European participation in the observer, peacekeeping and conflict management activities that are currently operating with varying degree of success. Through participation in UN forces, the EU plays a role in stabilizing the mediational and operational presence of Europe in the Middle East. His paper analyses the European experience in four observer and peacekeeping operations in the Middle East and applies its conclusions to potential future European activities in the region. These four operations – UNDOF, UNIFIL, EUPOL COPPS, and EU BAM – were selected for study as they are typical forms of international peace intervention, ranging from large-scale border monitoring to small-scale conflict resolution.

European observer missions could be used in five potential future arenas, relating to various 'security-technical' aspects of Israeli-Palestinian relations. These five arenas relate to the need to balance Israel's security concerns with Palestinians' freedom of movement and need for effective means of transportation. European willingness to establish these missions demonstrates the realisation that moderating violence in the region is dependent not only on broad, ground-breaking political agreements, which have become almost impossible to achieve in any case, but mainly on small-scale practical solutions.

The 2003 *European Security Strategy* (ESS), calls for the EU to be 'more active' in pursuing its strategic objectives. **Sven Biscop's** paper refers to the cases of Iran and Lebanon as positive examples of a more united and hence 'more active' EU. These cases provoke fundamental strategic questions on EU ambitions and potential policy towards the region in addition to the EU's role as a global strategic actor. These are questions that the EU will inevitably be confronted with if it continues its 'more active' role in the Middle East.

The EU has come a long way in a very short time. But it is not a mature strategic actor yet; as the cases of Iran, Lebanon and Israel-Palestine show, doctrines and instruments have to be further developed. In addition, developments in this region are inter-related: Policies on Iran, Lebanon and Israel-Palestine are not only interdependent, the

room for manoeuvring is also affected by events in Iraq and Afghanistan. To deal with the region, the EU must become an effective global power.

At the December 2006 European Council, the EU reiterated habitual declarations 'calling for', 'urging' and 'inviting', but without announcing any actual initiative. Any such initiative would be empowered if it could be implemented jointly with the US. US persistence on a Manichean worldview leaves little room for the grand bargain with the EU that would ideally be forged. Clearly, EU intentions to stabilize the Middle East according to its own principles and priorities while simultaneously maintaining good relations with the US have become irreconcilable for now. Yet, the EU cannot afford not to act on the Middle East. As a consequence of its engagement with Iran, Lebanon and Israel-Palestine, the EU has assumed responsibilities, created expectations and put its reputation and troops at risk. Without follow-up, failure is certain. The clichéd image of a powerless EU will once again be confronted. Without definitive action in support of its own strategy, the EU will suffer from its association with the confrontational US strategy.

The paper suggests components of future EU initiatives that, hopefully, will create sufficient initial progress and thus increase the potential for successfully *persuading* the US need to support Europe – before the collapse of US policy *force*s it to change course.

Mark A. Heller's paper addresses the core joint measures to be taken by Israel together with the EU. The proliferation of weapons of mass destruction is a common security concern of both the EU and Israel, but overlapping or even convergent interests alone are insufficient to ensure effective joint action. Concrete non-/counter-proliferation outcomes require changes of policy, capabilities or regimes of suspected proliferators. These effects must be achieved within the framework of broader international coalitions, led by the United States. Hence, EU-Israel cooperation on this issue ought to focus on nurturing a political atmosphere more conducive to the AP's implementation.

Of all the issues addressed in the proposed EU-Israel Action Plan, WMD proliferation is perhaps the least amenable to effective joint action. That is due to the intrinsic

nature of the challenge, which is primarily to produce desired effects on third parties rather than on the two protagonists. Within this framework, however, modest measures can be agreed upon. The most important are:

- Regularize exchanges of intelligence and strategic assessments.
- Discussion of contingencies for Israeli participation in any active ESDP anti-proliferation operations that might eventually be adopted.
- Declaratory and practical Israeli contributions to EU-led diplomatic efforts.

Since 1973, the Middle East has been a field for experimentation with the construction of a common European diplomacy. The landscape of European policies vis-à-vis the Israeli-Palestinian conflict seems to have evolved considerably during 2006 in response to the two major crises that marked the year – the aid issue, and the Second Lebanon War. In her paper, **Dorothée Schmid** analyzes EU involvement in the Middle East today as well as in the past; she likewise refers to future actions that should be taken and points to the major players inside the EU.

Although the "Big Three" continue to dominate the scene, their behaviour has undergone some interesting changes, with Germany becoming more interventionist, France keeping a low profile on the Palestinian front and entering into rather unusual deals with the Israeli government, and other member states (Italy and Spain) becoming much more vocal.

All these players tend to engage more frequently in *ad hoc* coalitions while declaring greater commitment on a national basis. This outcome can be considered evidence for advocates of the "Europeanization" thesis: The EU's common doctrine may have finally penetrated the member states' preferences to the point where their diplomatic behaviour is necessarily converging. What is still lacking, though, is a common expression of responsibility that would match the effective EU involvement in the field. Some member states might not be ready to allow for such a shift of symbolic responsibility in all domains; yet, a few obvious measures can be recommended, for example:

- Issuing a clear and articulate common policy statement regarding provision of direct assistance to the Palestinian people to compensate for the sanctions imposed upon the Hamas government;

- Formulating common principles regarding UNIFIL's political role and its relevance to the broader settlement of the Israeli-Palestinian conflict;
- Isolating the EU's position from that of other participants with respect to the Quartet's declarations so as to make the specific European contribution clear and avoid the internal trade-offs considered detrimental to the final political message;
- Formalising a core kernel of European states that would be privileged contributors to the framing – in line with the principle of reinforced co-operation – of EU doctrine regarding the conflict.

Roby Nathanson's paper explores the effects of the two major military conflicts in which Israel has participated during the last few years – the Second *Intifada* and the Second Lebanon War – on Israel's economy. It does so by applying the methods used in several empirical studies conducted to predict and explain the effects of war on the global economy to example per capita growth rate in GDP, investment as a proportion of GDP and the balance of trade with neutral countries (the EU). The specific models are those of Collier (1999) and Imai and Weinstein (2001) – to estimate patterns of GDP per capita growth rates – of Imai and Weinstein (2001) – to estimate patterns of investment – and that of Glick and Taylor (2005) – to estimate trends in the balance of trade with the EU.

The conclusions reached regarding the three parameters are that the Second *Intifada* had a negative effect, similar to that predicted by the models and evidence from other countries. Because the Second Lebanon War, which broke out in the summer of 2006, occurred too recently to produce clearly defined long-term trends, it was possible to observe only a decline in the quarterly growth rate. Nevertheless, based on evidence from the Second *Intifada*, Nathanson expects growth in GDP per capita to approach zero after absorbing the effects of the two wars. A special feature affecting these trends is Israel's strong Hi-Tech sector, which is likely to grow given positive conditions in the international market. The author notes that because the models' estimates are heavily weighted by traditional sectors, they ignore the impact of Israel's other, stronger sectors.

Concerning investment as a proportion of GDP, the paper concludes that this criterion will decline more mildly than it did after the Second Intifada, that is, an average decline of 0.6% of GDP per annum. Finally, the balance of trade with the EU is expected to increase by an average of 7.25% by the conclusion of the next 7-year period.

As instruments for implementation of the European Neighbourhood Policy (ENP) with Israel and the Palestinian Authority (PA), the Action Plan-Israel and the Action Plan-PA appear wrapped in contradictory frameworks. There is the obvious bilateral framework, and a more nuanced regional and/or sub-regional one, a dual situation that may be more limiting than empowering.

Recognition of this facet leads **Marcella Simoni** to analyses the role of civil society cooperation in EU-Israel-Palestine relations as sketched out in the ENP AP-Israel and AP-Palestine. From the point of view of cooperation – a term readily interpreted in several ways – it would appear that these two APs are suspended between bilateral and multilateral frameworks. They in fact suggest cooperation at a bilateral governmental level within the framework of the ENP, but also hint at a regional dimension in which cooperation is to evolve in the spirit of Barcelona. Given that governmental multilateral cooperation was halted when relations between the EU and Israel and the Hamas-led PA government was severed at the start of 2006, cooperation has been entrusted to civil society actors.

While analysing civil society associationism for Israel and for the PA, this paper points to the shortcomings of the EU's reading of the term ‘civil society’. This concept is generally used in a rather broad and uncritical way, indicating partial understanding of the phenomenon. As Simoni shows, its implications are not necessarily progressive or positive. In closing, this paper submits a number of policy recommendations which point to the need for more stringent and binding definitions and the consideration of Israel and Palestine as parts of one geo-political context.

The fragility of the situation in Lebanon calls for external involvement. In the monitor's final paper, **Tal Sadeh** analyzes the possibilities and benefits of EU involvement in the region. EU involvement is considered by most Lebanese as

constructive. In the absence of serious US attempts to revive the Arab-Israeli peace process, the EU has been given an opportunity to show leadership. The EU has a strategic interest in regional political stability. Thanks to the extensive array of trade agreements and political institutions that the EU cultivated under the ENP with the region's countries, it has excellent access to local political processes in addition to better information and influence than do other foreign players.

The EU must therefore find a way to apply pressure on Hizbullah without pushing it into a corner. If the EU offers a special reconstruction package, Sadeh believes that Hizbullah can be cajoled into maintaining a constructive approach. The EU should thus stress positive incentives for 'good' behaviour rather than sanctions for 'bad' behaviour. Yet, the EU should leave the application of sanctions to the UN and/or the US; the EU should not lead such efforts in any case. It should also support the March 14th movement and support the pressure the movement can apply on Hizbullah. Finally, the EU should engage Syrian supporters and allow them to benefit from liberalization and even some economic integration with Israel.

It is important that the EU and its member states manage their military tasks in Lebanon efficiently and professionally so as not to provide Israel with any excuse for further military involvement. However, the EU should avoid trying to monitor the Syrian-Lebanese border. The disillusion felt by many residents of Northern Israel with their government's handling of the crisis ironically provides the EU with an opportunity to leverage its credibility with the Israeli public and to show greater balance in its response to the crisis. The EU can use its facilities to offer small-scale financial help to municipalities in Northern Israel. It is also highly recommended that the EU foster Israeli-Lebanese economic integration of a kind that avoids flows of labour and goods. For example, cooperation in tourism and financial services can develop interests opposing further hostilities. The EU can offer Israel and Lebanon privileged access to its Internal Market in these sectors if they should cooperate.

To conclude, this volume compiles the work of experts who have explored the military conflict in the Middle East, with each paper shedding light on a different aspect of the current state of affairs: diplomatic, security and economic elements as well as their interconnections. It therefore provides a broad perspective on the local

and more global conflicts that represent key strategic issues for Israel and the EU. As a direct sequel to the previous two volumes, the monitor offers conclusions and constructive recommendations for promoting EU-Israel relations.

IV. Monitoring the Action Plan

Taking Stock of the Action Plan: An Israeli Perspective

Tal Sadeh

The Action Plan (AP) with the EU was declared in December 2004 as part of the EU's European Neighbourhood Policy (ENP). The EU-Israel AP sets an agenda of political and economic reforms to be implemented during a three-year period. Since it was among the first APs to be signed, and because the APs completed with the other ENP countries were for five-year periods, Israel's AP will be the first one to mature. The results of the review process, built into the AP, were presented in early March 2007 at the EU-Israeli Association Council. Discussions on the next stage in EU-Israeli relations, perhaps involving a new contractual framework, should be concluded by early 2008. Thus, this timely volume offers an early assessment of EU-Israeli relations in the wake of the initial AP. This introduction therefore begins with a brief summary of the Israeli perspective on EU-Israel relations and the progress made in the AP's implementation. The views and opinions offered below are based on interviews with officials in a number of Israeli government ministries. Thus, they do not necessarily represent those of other Israeli organizations or individuals. In addition, the issues addressed here are mainly economic in nature; hence, the perspective may differ from that expressed in a political analysis.[1]

As a general observation, the political-economy of EU-Israel relations has long been characterized by what might be termed a two-dimensional 'clash of perspectives'. Along the first dimension – representing Israel's status – Israeli policy makers have traditionally preferred that the EU regard Israel as a non-member European country, similar to Norway or Switzerland, while downplaying the political reality of the

[1] See for example: Del Sarto (2006), Musu (2006), Touval (2006), and Von Munster (2006).

Middle East.[2] The EU, in contrast, has always viewed Israel as a Mediterranean and Middle Eastern country, while downplaying (at least in EU programmes) Israel's political-economic exceptionality in the region (with a few exceptions, such as the Galileo Project – see below).[3]

As to the second dimension of this 'clash of perspectives', it pertains to the gap between procedures and results as evaluative criteria. Israeli officials tend to evaluate EU policies according to the material or diplomatic benefits that Israel can derive from them. Have Israeli exports to the EU increased? Does the EU recognize Israeli standards or regulatory regimes? Does the EU define anti-Semitism in the same way that the Israeli government does? In contrast, the view from Jerusalem is that the EU, especially Commission officials, are in love with procedures *per se*. Setting up a joint committee to inquire about ways to, say, approximate Israeli energy laws would in itself count as a great achievement by the Commission. However, for Israeli officials, this would only be a start; the discussions' results would matter much more than the discussions. Israeli officials also tend to be impatient with the pace at which ENP bodies work. This old clash of perspectives has not changed much in the wake of the AP.

Officials in Israel's Ministry of Foreign Affairs and the Ministry of Finance see practical benefits in the way that work on the AP has contributed so far to better coordination among the different Israeli government ministries as well as among the different Commission DGs. In the Ministry of Foreign Affairs, the view taken is of an improved EU-Israel political dialogue although it is not clear to what extent this better atmosphere is a direct result of the ENP. There are promising beginnings in fighting terror and the EU is perceived to be more attentive to Israeli suggestions about controlling anti-Semitic agitation in the European media, the Internet and educational programs on the Holocaust.

Ten sub-committees have already been convened within the framework of the AP's implementation; four of these have already met twice. Israel was allowed to

[2] See also Tovias (2005a) and (2005b).
[3] On the reforms that Israel's economy has undergone in the 1990s, and which are highly congruent with EU standards, see: Nathanson and Filut (2005).

participate in the MONEYVAL group, which deals with money laundering. The EU also opened two European fiscal groups to Israeli participation – FISCALIS and CUSTOMS 2013, on taxation and customs, respectively. Participation in these groups potentially allows access to many important sub-committees, some of which deal with quite sensitive issues, such as unfair taxation regimes However, in practice, EU member states are sometimes less generous than the Commission and some sub-committees (notably the one on harmful taxation) remain off limits to Israel. In any case, Israeli participation in these two groups has been delayed so far by the recent scandals which involved allegations of misconduct by the heads in the Tax Authority and in the State Revenue Authority. These issues will hopefully be resolved shortly.
From a positive perspective, negotiations are advancing towards an agreement on a new EU-Israel trade-dispute settlement mechanism. None of the agreements that the EU signed with Israel throughout the years has included such a mechanism. In fact, the EU and Israel have never even resorted to the WTO's procedures in managing their trade relations, relying instead on political understandings reached by senior decision makers. However, both sides now agree that transparency mandates a formal agreement. Discussions on the new mechanism have taken place in multilateral bodies as the same framework will be applied to all ENP countries; bilateral negotiations are expected to open soon.

Progress has also been recorded on harmonization of standards although an EU-Israel ACAA agreement has not yet been concluded. Work on an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) is progressing sector by sector. The Ministry of Trade would prefer to start with pressurized containers, pharmaceuticals and medical equipment. The EU is considered to be cooperative here and its experts are assisting their Israeli counterparts in the adjustment process. Yet, progress is slower than the Ministry of Trade initially expected because of the issues' complexity.

Progress has also been recorded on cumulation of origin. In 2005, a Euro-Mediterranean ministerial meeting decided in favour of applying the European system of origin to the Mediterranean. As of 2006, Israel therefore enjoys diagonal cumulation of origin with 40 European and Mediterranean countries. The relevant chapters in six of Israel's trade agreements (with Bulgaria, EFTA, the EU, Jordan,

Romania and Turkey) have accordingly been amended.[4] The EU has in effect recognized the Preferential Trade Agreement (PTA) between Israel and Jordan (a more developed version of which was signed last year) as sufficient for the purpose of cumulation of origin, a decision that reflects flexibility on its part. This is probably due to the EU's desire to facilitate the Arab-Israeli peace process and its recognition that current political conditions are not ripe for a formal free trade agreement between these two entities. Instead, Israeli trade officials hope to expand the lists of goods that the current agreement covers. No other progress has been achieved in Israel's Mediterranean trade relations since the signing of the AP because further steps depend on progress in the peace process (Escribano, 2006).

In the area of avoidance of double taxation, Israel has progressed toward completion of its network of bilateral agreements with EU member states. Agreements await conclusion with only three countries. One of these is Cyprus, which has adopted a very liberal approach to taxation: Cyprus in effect functions as a tax haven, to the frustration of the governments of other EU and ENP countries.

Finally, among the AP's achievements, Israel can count its access to the European Neighbourhood and Partnership Instrument (ENPI) and the Technical Assistance Information Exchange Unit (TAIEX), facilities which fund meetings of European and Mediterranean experts on reform of government administration. These meetings provide some of the few forums where Israeli and Arab officials can meet. For example, the EU will hopefully fund an Israeli delegation to study the European experience in airport administration.

However, despite this list of achievements and positive developments, the prevailing perception among all officials interviewed is that the AP did not produce the much-anticipated major shift in EU-Israel relations so far. For all the talk about 'tailoring' the pace of progress to each ENP country's level of development and special circumstances, Israeli officials continue to feel held back by the work of horizontal ENP bodies, where stress on the common denominator retards the efforts of the

[4] Of course, upon acceding to the EU, Bulgaria and Romania adopted the EU's agreements with Israel but, from a legal point of view, the two countries' agreements with Israel had to be amended.

'willing and able'.[5] Another concern, voiced in the Ministry of Foreign Affairs, is that Commission officials may have their own agendas and that they retain great influence over Israel's ability to extract tangible benefits from the ENP, even after formal progress has been made. After all, bureaucracies do have a tendency to submerge policies in a sea of technicalities and possibly complicate, delay and obstruct their implementation. Thus, while Verheugen came across as an enthusiastic pro-Israeli commissioner in 2003, and Prodi aired his famous slogan 'everything but institutions', things often appear quite different when Israeli and Commission officials meet.

Israel's AP states that the EC will review all its programs and bodies with the objective of opening them to Israeli participation. However, officials in the Ministry of Foreign Affairs and the Ministry of Finance are disappointed that Israeli suggestions to take part in EU cultural customs and legal programs as well as in its environment and space agencies have been turned down (the latter due to member states' pressure in spite of Commission support).

Even the greatest successes of EU-Israeli cooperation, such as Israeli participation in the Framework Programs and the Galileo project (Munin, 2006), are suspected by Israeli officials to reflect EU interests rather than the results of the ENP. In other words, feelings are that Israel would probably have been invited to participate in these projects even had the ENP not existed.

Clearly, the Israeli government is not always enthusiastic about integration, either. Israeli government ministries tend to be selective in their approach to participation in various programs as these programs entail costs for the government and the local private sector. One concern is that indiscriminate integration may come at the expense of American-Israeli trade (consider the case of accounting standards). Thus, while the AP encourages the approximation of laws in 'appropriate areas', the Ministry of Finance prefers softer wording on the matter. However, even where Israel is interested

[5] In addition to the vertical (i.e., bilateral) dimension of the ENP, the EU has also established horizontal (i.e., regional) bodies. Annual foreign, industrial and trade ministers' conferences have been held – in addition to the Euro-Mediterranean committee, which acts as a steering committee – to develop the Barcelona Process as a common interest. Working groups have been established on industrial cooperation, rules of origin, services and trade measures, issues related to regional integration. Business, environmental, research and cultural networks have been established as well.

in approximation of laws, the EU refuses to recognize any unilateral Israeli progress and subjects its recognition of the approximation to negotiations.

A good example is the bilateral free trade area in services that Israel proposed to establish with the EU. After all, Israel proclaimed itself to be EU-compatible in the General Agreement on Trade in Services (GATS). In 2005, Israeli officials thought that the EU was prepared to accept this proposal, although it preferred to call it an agreement on liberalization in services. However, in the March 2006 Marrakesh meeting, the EU announced that negotiations on such an agreement would be opened with all ENP countries. While the horizontal part of the negotiations will be accompanied by a vertical part, all countries will ultimately be required to accord each other Most Favoured Nation (MFN) status. In other words, once again, Israel will not receive any significant preferential treatment over its neighbours.

What aggravates the frustration of officials in the Ministry of Finance is EU willingness to recognise exceptions to its regional policy. For example, the EU does not require members of the Agadir Agreement (establishing a free trade area among Morocco, Jordan, Egypt and Tunisia) to accord MFN status to other ENP countries. However, it is not clear whether all Israeli service providers are particularly keen on such a free trade area to begin with. For example, Israeli banks and insurance companies may very well feel cosier without the presence of foreign competitors in the retail sectors of their businesses (Tunda, 2006).

On the procedural side, the Ministry of Finance is disappointed that the economic and financial sub-committee has not yet been convened. The Ministry would like to use this sub-committee to discuss issues like Israel's debt burden (a concern that the IMF shares), the financial implications of the aging of its population and liberalization of EU-Israeli trade in financial services.

Regarding the latter, there has been little progress on establishing an independent authority for the supervision of financial services in Israel. Supervision of insurance companies is currently based in the Ministry of Finance, supervision of banks in the Bank of Israel (which legally speaking is a direct arm of the government) and supervision of trade in financial assets in Israel's Securities Authority (the head of

which is appointed by the Minister of Finance). While some in Israel see the British Financial Supervision Authority (FSA) as a model for independent and uniform supervision, others disagree. For example, the Bank of Israel would like the new authority to reside within it.

As to the way forward, Israeli officials are concerned that negotiations over a new agreement to replace the 1995 Association Agreement may last for many years, only to sap much administrative energy. Instead, they prefer tangible results within the framework of existing agreements. However, whatever shape the next EU-Israeli agreement takes, all officials interviewed for this introduction agree that economic integration with the EU is an inevitable part of Israel's strategy for many years to come.

Ultimately, both the EU and Israel follow their specific agendas and pursue their specific self-interests, preferences, ambitions, expectations and agendas when implementing the AP. We should recall that the AP clearly states that participation in EU programmes is neither an automatic result nor an objective of the AP but is, rather, subject to the mutual interest of both sides. Within that context, Israel has obligations under the AP, such as progress in the peace process, the slow fulfilment of which may be the reason for Israel's perceived lack of progress on technical/economic issues or participation in EU programmes.

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Two Years of EU-Israel Action Plan: An Assessment of the Political Dimension from a European Perspective

Costanza Musu

On 11 April 2005, after long negotiations, the European Union adopted an Action Plan (AP) with Israel in the context of the new European Neighbourhood Policy (ENP). The AP covers a time frame of three years and is aimed at building the foundations for developing EU-Israel relations further. It may be quite early to draw a comprehensive balance of what the Action Plan has achieved, but it is certainly worth reflecting on some successes – and some failures – of the initiative.

One of the first tasks that an observer has to accomplish when trying to analyse EU-Israel relations is to disentangle and separate the large and solid economic rapport between the two from the tense nature of the political relations, constantly strained by the weight of the unresolved Arab-Israeli conflict.

The dilemma has been clear for decades to both sides: Israel cannot ignore the EU, its largest trading partner and the leading source of its imports (as well as the second most important destination for its exports); and this is without mentioning the cultural ties, heritage and geographical proximity.

On its part, the EU has among its policies that of sharing 'the EU's stability, security and prosperity with neighbouring countries, including Israel.'[6] Risks of insecurity spill over from the neighbourhood are a serious concern for Europe; hence, the policy adopted has consistently been that of trying to encourage economic development, reinforce institutions and integrate as much as possible those states that have little or no prospect of accession, including Israel. Furthermore, EU relations with Israel have by and large recognised the uniqueness of Israel in comparison with its neighbours: its

[6] See: the EU's 'Country Strategy Paper 2007-2013 and National Indicative Programme 2007-2010, Israel', available at http://ec.europa.eu/world/enp/pdf/country/enpi_csp_nip_israel_en.pdf .

highly developed institutions, its advanced economy and its higher GDP, which make it much more similar to many EU members than to its immediate neighbours.

If all the above factors would have indicated the likelihood of a close and profitable relationship, the political reality of the Middle East and of Israel's position and policy in that context have made this relationship a highly complicated affair.

It can be said that certain principles of today's EU policy towards the peace process took shape as far back as the years of European Political Cooperation (EPC), particularly between 1970 and 1980. Since the Venice Declaration of 1980, European policy guidelines have in fact been constant: the centrality of the Palestinian question, the need to achieve a two-state solution, the importance attached to UN resolutions and the principles of international law as well as the insistence that all relevant issues to be taken on simultaneously through the convening of international peace conferences where regional actors could meet in a multilateral framework.

In the eyes of the Israeli government, these guidelines make Europe a very unwelcome mediator. For Israel, Europe has made three tactical errors that have doomed its role as an acceptable negotiator in the peace process: It demanded that Israel make concessions to the Palestinians in advance of direct peace negotiations between Israel and the Palestinians; it made concessions to the Palestinians that prejudged Israeli interests in advance of direct peace negotiations; and it insisted on the United Nations as the appropriate forum for negotiations towards a comprehensive peace settlement, knowing that this was totally unacceptable for Israel.

For many years, relations between Israel and the EC/EU have been heavily affected by this fundamental divide over questions related to the peace process. On the one hand, Israel accused Europe of underestimating the existential dangers that it continues to face as a result of Arab states' hostility and Palestinian terrorism. On the other hand, Europe insisted on the necessity for Israel to respect international law and the relevant UN resolutions that call for Israel's withdrawal to pre-1967 borders. In this context, the alignment between Israel and the United States grew stronger, making EU chances to influence the peace process very small.

Notwithstanding these structural limitations, the relevance of the Mediterranean – which is perceived by the EU, at least rhetorically, as a coherent geo-strategic region – for the EU remains undeniable. The Euro-Mediterranean Partnership (EMP), initiated in 1995, sees Europe engaged in a political and economic dialogue with 12 (now 9, after the enlargement and initiation of accession negotiations with Turkey) Mediterranean countries including Israel and the Palestinian Authority. The EMP symbolises the EU's desire to create institutional frameworks for cooperation with the region with a view to strengthening economic relations and eventually creating a more stable political environment in the region. The EU's original intent – or at least how the EU puts it today – was to keep the EMP separate from the peace process by offering a multilateral framework in which all the parties could meet to discuss issues of economic development far from the tensions generated by negotiations on the hard security issues that characterise the peace process. This policy did not, however, succeed: The formal separation between the Partnership and the peace process could not serve to prevent *de facto* linkages from emerging between the processes; any progress in the field of Mediterranean regional co-operation was continuously hampered by the difficulties encountered by the peace process.

In 2004, the EU launched the European Neighbourhood Policy with the objective, to use the words of Commissioner Benita Ferrero-Waldner, of avoiding 'new dividing lines on the continent and deepening relations between the EU and its neighbours.' Designed to cover the immediate neighbourhood of the enlarged Union, the ENP builds on existing institutional agreements, such as Association Agreements or Partnership and Cooperation Agreements. The ENP recognises the shift in economic, political and geographic terms brought about by the 2004 enlargement round, shifts that also affect its relations with Israel. As the 2005 Action Plan states:

> The EU and Israel are now closer together than ever before and, as near neighbours, will reinforce their political and economic interdependence. Enlargement offers the opportunity for the EU and Israel to develop an increasingly close relationship, going beyond co-operation, to involve a significant measure of economic integration and a deepening of political co-operation. The European Union and Israel are determined to make use of this occasion to enhance their relations and to promote stability, security and well-being. The approach is founded

on partnership, joint ownership and differentiation. It will contribute to the further development of our strategic partnership.[7]

One of the objectives of the ENP and of the Action Plans is that of offering a bilateral framework for cooperation with countries in the neighbourhood. In this respect, the AP offers a new dimension of EU-Israel relations that adds to the multilateral framework characterising the EMP. This policy has proven to be successful to a degree: The creation of working groups and sub-committees has seen Israeli and European officials working closely together on a number of crucial issues spanning political dialogue and cooperation, to economic and social cooperation and development, trade-related issues and regulatory reform, cooperation in Justice and Home Affairs, transport, energy, information society, environment and science and technology.[8]

If in many respects, EU-Israeli economic relations, using as a basis the existing 1995 Association Agreement, have continued to develop.[9] One of the most interesting developments has taken place in the field of political cooperation, particularly in the dialogue on human rights issues. If concrete results have yet to be achieved, the very fact that for the first time the EU and Israel regularly discuss issues that include the rights of the Arab minority in Israel, the effects of the security fence/wall on the lives of Palestinians and extra-judicial killings or administrative detentions arguably constitute one of the most notable achievements of the AP and, perhaps, its role in starting to modify Israel's perception of Europe as a hostile interlocutor.

At the same time, as the Commission's 2006 ENP Progress Report Israel states, bilateral EU-Israel relations in the context of the ENP AP cannot be reported without reflecting on the overall political situation in the Middle East. Indeed, the last two years have created not a few problems for Europe's policy towards the region.

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[7] See: EU-Israel Action Plan http://ec.europa.eu/world/enp/pdf/action_plans/israel_enp_ap_final_en.pdf . On the Action see also: Roby Nathanson and Stephan Stetter 2006: The Monitor of the EU-Israel Action Plan, Tel Aviv and Vienna, particularly the chapter by Raffaella A. Del Sarto, 'The EU and Israel: An Enhanced Political Cooperation? An Assessment of the Bilateral ENP Action Plan', pp. 220-245.

[8] See: ENP Progress Report: Israel. http://ec.europa.eu/world/enp/pdf/sec06_1507-2_en.pdf.

[9] In 2005, for example, Israeli and EU exports to each other's market went up by 10.5% and 4.9%, respectively, and two-way trade flows increased to €23 billion. See: ENP Progress Report.

The Action Plan emphasises the need to achieve progress in the peace process between Israel and the Palestinians and, in the section dedicated to the future actions, identifies the following as an area for further co-operation:

> [To work] together with the EU, on a bilateral basis and as a member of the Quartet, with the aim of reaching a comprehensive settlement of the Israeli/Palestinian conflict and a permanent two-state solution with Israel and a Palestinian state living side by side in peace and security, in accordance with the Roadmap, and the obligations of the parties set out in it. [10]

Addressing the successes and failures of the AP thus necessitates not only addressing progress or lack of progress on technical and economic issues, but an overall assessment of the political progress towards a comprehensive settlement of the Israeli-Palestinian conflict – and what both the EU and Israel have done in that respect. The existence of the Quartet[11] has contributed to opening new doors for a European role in the peace process. In November 2005, the Quartet was instrumental in the conclusion of an 'Agreement on Movement and Access' between Israel and the Palestinian Authority, which included agreed-upon principles for the Rafah crossing between Gaza and Egypt. On 21 November 2005, the EU Council welcomed the Agreement and agreed that the EU should undertake the Third Party role proposed in the Agreement. It therefore decided to launch the EU Border Assistance Mission at Rafah, entitled EU BAM Rafah, to monitor the operations of this border crossing. The operational phase of the Mission began on 30 November 2005 and was meant to enjoy duration of 12 months. On 13 November 2006, the mission's mandate was extended for 6 months.

This limited initiative, whose final success is still uncertain, has been unprecedented in its nature: For the first time, EU military personnel under the command of an Italian general, supervised an area of security concern for Israel. Only a few months, before such a proposal would have been unthinkable: The EU has long voiced its wish to be involved more directly in the security dimension of the peace process but both

[10] See: EU-Israel Action Plan http://ec.europa.eu/world/enp/pdf/action_plans/israel_enp_ap_final_en.pdf.

[11] The Middle East Quartet was created in 2002; it is composed of the US, the EU, the UN and Russia. Its objective is to pursue a two-state solution to the Israeli-Palestinian conflict, with the active engagement of outside actors.

Israeli and American opposition had rendered this by and large unfeasible. However, in the particular circumstances created by Israel's withdrawal from Gaza, the EU was better suited to carry out the task of supervising the Rafah crossing; American assurances contributed to convincing Israel to accept the EU's offer. Arguably, such a development was partly made possible by the EU's membership in the Quartet, which creates a formal framework for the EU's role, tying it to the US one and thus easing Israel's deep-seated reservations regarding EU involvement.

In the context of the conflict between Israel and Hizbullah in summer 2006, Israel accepted (and encouraged) the deployment of a large interposition force to reinforce the existing UN mission to Lebanon (UNIFIL) as a condition for a ceasefire. On 25 August 2006, EU foreign ministers met for a so-called 'troop-generating' conference and agreed to deploy a total of almost 7,000 troops in Lebanon as a peacekeeping force. The mission was to continue to be run under the aegis of the UN, but the most significant military presence would be European.

Whether this presence of European troops along the Israeli border will contribute to improve Israeli perceptions of the EU as a security actor and possible contributor to the peace process remains to be seen, but one has to acknowledge the profound changes taking place in this respect.

The victory of Hamas (which is included on the EU and US lists of terrorist organisations) in the Palestinian elections of January 2006 heightened Israel's feelings of insecurity as well as its need for reassurance that the international community will not support the Palestinian Authority financially if this means supporting an organisation intent on perpetrating terrorist attacks on Israeli soil.

The Palestinian election results also highlighted divergences within the Quartet: If the EU and the US have frozen – albeit temporarily – economic support to the PA and refuse to deal directly with Hamas until it recognises Israel's right to exist, Russia (also a member of the Quartet) has invited members of the Hamas leadership to Moscow for talks.

The victory of Hamas thus exposed the EU to a dual set of pressures: On the one hand, EU policy has long been characterised by its preference for engagement rather than isolation of difficult interlocutors (as proved by EU policy towards Iran); on the other, both the US and Israel insisted on the necessity of sabotaging the government run by an organisation that had neither recognised Israel's right to exist nor renounced violence.

Despite its decision to boycott the Hamas government, the EU has maintained – and even increased – its high level of economic support to the Palestinian Authority. What has changed is that the money is now given directly to the intended recipients through an *ad hoc* Temporary International Mechanism instead of being channelled through the PA.

The situation, however, has worsened considerably in the last months: Palestinian institutional reforms are stalled, EU BAM has been rendered largely inoperable, and the EU's Civilian Crisis Management Mission, COPPS (Coordination Office for Palestinian Police Support) has met with the same destiny.[12]

The January 2007 'Mecca Agreement', which posed the basis for the formation of a Palestinian National Unity Government, has opened a delicate phase, the handling of which will be crucial for the consolidation of the EU role in the peace process but also for bilateral EU-Israeli relations. If the EU wants to pursue its goal of promoting peace in the region (a task considered a strategic objective of EU cooperation with Israel)[13] it will have to succeed in a daunting task: maintaining a firm stance supporting Israel's right to exist in security while at the same time preventing a serious political and humanitarian crisis in the Palestinian Territories together with the collapse of the Palestinian Authority.

[12] See: Richard Young, *'The EU and the Middle East Peace Process: Re-engagement?'* FRIDE Comment, March 2007.
[13] See: Introduction to EU's 'Country Strategy Paper 2007-2013 and National Indicative Programme 2007-2010.'

V. The Middle East under Fire?
EU-Israel Relations in a Region Between War and Conflict Resolution

European Peacekeeping and Observer Operations in the Middle East

Shlomo Shpiro

Abstract

The Second Lebanon War and the ensuing rapid expansion of the UNIFIL peacekeeping force, mainly by European troops, spotlighted the importance of Europe's role in stabilizing the conflict-torn Middle East. This role had not been formerly limited to political mediation but had also extended to an operational presence on the ground, through participation in UN, multinational and EU observer and peacekeeping efforts. European armies have been sending forces to the Middle East since 1974, and over the past three decades thousands of European officers and soldiers have served in UN peacekeeping operations on the perimeters of northern Israel. Many other Europeans have served in the MFO in the Sinai Peninsula and, more recently, with the TIPH in Hebron. Until recently, such European participation was conducted under the auspices of the United Nations or other multinational peacekeeping missions, together with troops from non-European countries, notably Canada, Japan and Fiji. However, over the past two years, two independent European Union missions, EUPOL COPPS and EU BAM, were established by the EU for service in the Palestinian Authority.

This article examines the European experience in peacekeeping and observer operations in the Middle East and applies this experience to an analysis of potential future European activities in the region. The article examines European participation in six observer, peacekeeping and conflict management activities currently in operation:

- UNDOF
- UNIFIL
- MFO
- TIPH
- EUPOL COPPS
- EU BAM Rafah

These six operations were not the only such activities with a substantial European presence, since European observers and troops participate in other UN peacekeeping operations in the Middle East, including UNTSO, UNEF, etc. However, the respective six operations were selected for analysis as being typical forms of international peace intervention, ranging from large-scale border monitoring and verification activities to small-scale conflict resolution problem-solving. Although EUPOL COPPS is neither an observer nor a peacekeeping mission, it is, in practice, a security-oriented operation; as such, it was included to facilitate a deeper analysis.

This article focuses on the role of European countries in the six operations and examines their mandates, composition, operations, role in conflict management and political issues related to their activities. Though some of the operations discussed in this article are comprised of troops and observers from many nations, only the European components are analysed here. The article then explores the lessons learnt from those deployments and discusses how those lessons may be applied to future European peacemaking in the Middle East, with reference to five scenarios pertaining to specific problems in the Israeli-Palestinian conflict.

UNDOF

Following the October 1973 Yom Kippur War and the intense fighting on the Golan Heights, Israel and Syria signed an 'Agreement on Disengagement', a form of cease-fire arrangement aimed at ending the fighting. The Agreement established restrictions

on the types and quantities of weapons and troops each side was allowed to place within three sectors adjacent to the Syrian-Israeli border. On 31 May 1974, the UN Security Council adopted resolution 350 (1974), which established the UN Disengagement Observer Force (UNDOF) to monitor and verify compliance of both sides with the Agreement.

UNDOF is stationed in the Golan Heights; it is comprised of about 1,000 troops, drawn mainly from European combat units backed by Canadian and Japanese logistics units. The European participant countries in UNDOF are Austria, Poland and Slovakia. In order to verify compliance by both sides, it maintains over 40 static observation posts along the demilitarised zone separating Syria from Israel. These observation posts record every military movement on the two sides of the border. UNDOF also carries out mobile inspections and patrols along both sides at regular intervals. Three areas, extending about 10 km deep into each state, are patrolled to ascertain whether the numbers of troops and weapon systems deployed by both sides correspond to those allowed by the Disengagement Agreement. UNDOF regularly reports to the UN Secretary General and Security Council on its findings.[14]

Austria provides the largest contingent of UNDOF's soldiers and has been a constant participant throughout the force's 33 years of operations. Generations of Austrian soldiers and officers who served on the Golan were later able to use their accumulated experience in other peacekeeping missions worldwide. UNDOF's current commander, Major-General Wolfgang Jilke, served twice previously on the Golan, as a young company commander in 1975 and as deputy chief-of-staff in 1989.[15] This example well illustrates the Austrian tradition in adhering to UNDOF's commitment to monitoring the ceasefire on the Golan.

Over the years, UNDOF's activities have reached out to humanitarian assistance to the local Druze population on both sides of the border. Since the border has been closed to civilians since 1974, UNDOF personnel are the only ones able to cross between Israel and Syria to solve local problems. UNDOF personnel have engaged in

[14] See *UNDOF – Background*, http://www.un.org/Depts/dpko/missions/undof/background.html
[15] 'Two new Force Commanders to Head UN Missions in Golan Heights and Lebanon', UN News Service, 18 January 2007.

clearing mines remaining from the 1973 war, delivering mail across the border and, in a unique humanitarian activity, enabling Druze brides from villages on the Israeli side to cross the border and marry Druze men in the Syrian side.[16] Since only the bride is allowed to cross the border, leaving her family behind, emotional scenes have become a trademark of UNDOF and even recently featured in an acclaimed film, 'The Druze Bride'. Over the years, UNDOF established close liaison mechanisms and a reputation for impartiality with both sides. Its personnel freedom to cross the border places it in a position to solve small problems which might otherwise have escalated into crises.

UNDOF's operation is generally considered very successful. Although many observers point to the Syrian interest in keeping the Golan front quiet, the fact is that no major infringement of the Disengagement Agreement has been reported for over three decades. In such a volatile region, this in itself is quite an achievement. Border incidents have also been kept to a minimum and were usually limited to accidental crossings, in both directions. The only major incident in recent years was the disappearance of IDF soldier Guy Hever, who went missing in the Golan Heights close to the Syrian border on 17 August 1997. Despite years of extensive searches in every corner of the Golan, no sign has yet been found of the missing soldier. Some Israeli security sources assume he was kidnapped across the border into Syria, possibly by terrorists or as a political bargaining chip, but no hard evidence substantiates these claims.[17]

UNDOF's mandate is regularly renewed at the Security Council every six months, almost without debate, a fact attesting to the positive evaluation of its roles by Syrian and Israeli decision-makers.[18] UNDOF's budget is about $40 million annually.[19] It is considered economical and cost-effective: In the mid 1990s, the UN administration

[16] For an example of one such transfer see 'The Syrian Bridegroom', *Maariv*, 13 March 2007.
[17] Syria has a history of holding people in custody for very long periods of time without informing their families. For example, following the death of Jordan's King Hussein in February 1999, Syrian authorities released a Jordanian citizen from prison who had been considered missing for over 20 years. See Amir Rappaport, 'Don't forget my son', *Maariv*, 16 August 2001.
[18] For the latest resolution on UNDOF's mandate extension, see UN Security Council Resolution 1729 (2006), 15 December 2006, S/Res/1729 (2006).
[19] *Performance report on the budget of the United Nations Disengagement Observer Force for the period 2005-2006'*, UN General Assembly report A/60/628, p. 2.

returned some of the budget earmarked for UNDOF to its member states due to savings achieved in UNDOF's operations.[20]

UNIFIL

On 11 March 1978, a PLO terrorist raid launched from Lebanon caused numerous casualties in Israel when the terrorists, who had landed by boat, took over a bus travelling between Haifa and Tel-Aviv. Three days later, Israeli forces invaded southern Lebanon and advanced as far as the Litani River in an attempt to destroy PLO infrastructure and forces. On 19 March 1978, the UN Security Council adopted resolutions 425 and 426 (1978) establishing the UN Interim Force in Lebanon (UNIFIL), mandated to confirm Israel's withdrawal from southern Lebanon, restore peace and security in the area and help the Lebanese government re-establish its effective control in the area. UNIFIL initially represented a force of about 4500 troops, drawn from several European countries, including Austria, Finland, Norway and Sweden, as well as a sizeable unit of Fijian soldiers. In more recent years, these have been joined by troops from Poland and Slovakia.

Israeli forces promptly withdrew following the arrival of UN troops but UNIFIL was unable to restore peace and security to that war-torn region of Lebanon; nor was the Lebanese government able to re-establish its control in the south reaches of the country. Southern Lebanon remained a lawless area controlled by the PLO and other Palestinian splinter groups. In 1982, Israel again invaded Lebanon; this time the south remained under Israeli control until summer 2000. In the 1990s, Southern Lebanon turned into a battleground between the Hizbullah and Israeli forces. During that time, UNIFIL played a negligible role in the overall security situation, with its activities limited to providing humanitarian assistance to the local population. Yet, UNIFIL has suffered considerable losses over the years, with over 250 UN personnel killed, the highest rate of loss of all UN peacekeeping operation worldwide. Although of no practical security value, UNIFIL was maintained as a signal of international commitment to Lebanon's territorial integrity and national sovereignty.[21]

[20] UN Fifth Committee (Administrative and Budgetary). - 1a - Press Release GA/AB/3125 39th Meeting (AM) 11 December 1996.
[21] See: *UNIFIL – Background*, http://www.un.org/Depts/dpko/missions/unifil/background.html.

In April 1996, during clashes between the Hizbullah and Israel, over 100 Lebanese civilians sheltering inside a UNIFIL compound at Kfar Qana were killed by inaccurate Israeli fire. This incident further deteriorated UNIFIL's status in the region; its number were gradually reduced to almost half its previous level. Following Israel's withdrawal from Southern Lebanon in May 2000, UNIFIL played a major part in confirming the Israeli withdrawal and re-established some of its former positions along the Israeli border. This did not, however, prevent Hizbullah from exerting control over the border region and constructing a wide variety of fortifications and heavy weapons positions, often adjacent to the border itself. UNIFIL troops observed and even filmed Hizbullah's kidnapping of three Israeli soldiers on the border in October 2000, without intervening. UNIFIL had in effect been unable to prevent Hizbullah from taking control of the entire area.

Following the Second Lebanon War between Hizbullah and Israel in summer 2006, the UN Security Council adopted resolution 1701, calling for a full cessation of hostilities and increased UNIFIL's troop level from about 2000 to 15,000. Numerous European countries dispatched forces to the area as part of the UNIFIL mission. Over the next three months, UNIFIL's actual strength grew to over 10,000 troops, including an extensive naval presence, and is now in the process of being expanded even further.[22] UNIFIL's annual budget before its expansion in summer 2006 was about $95 million.[23] The new budget is much higher, but no exact figures are yet available.

UNIFIL's failure stemmed to a large extent from the inherent weakness of the Lebanese government, a problem which continues to dominate Lebanon's political realities. Lebanon's instability has made UNIFIL's efforts over almost three decades effectively fruitless. It remains to be seen how effective the recent massive increase in numbers will be for international efforts to help the Lebanese government re-establish its control in the south and keep the Lebanese-Israeli border quiet.

MFO

[22] Ian Pannel, 'Familiar Task for UN Troops in Lebanon,' BBC News, http://news.bbc.co.uk/2/hi/middle_east/5311058.stm
[23] UNIFIL Fact Sheet, DPI, 10 August 2006.

The Multinational Force and Observers (MFO) was established on 3 August 1981, two years after the signing of the Peace Treaty between Egypt and Israel. The Treaty stated that both sides would request that a force and observers needed for supervising the implementation of its provisions be put into place by the United Nations. However, many doubted the willingness of the Security Council to approve the stationing of a UN peacekeeping force in the Sinai. After almost two years of negotiations, the President of the Security Council announced that the UN would indeed not provide a peacekeeping force for the Sinai. The MFO, a unique independent multinational peacekeeping organization, is the result of direct negotiations between Israel, Egypt and the United States in the months following the UN's announcement.[24] It began its operations in January 1982, when 160 American soldiers from Fort Bragg arrived in the Sinai and prepared the logistical basis for further deployments.

The MFO is comprised of contingents from eleven countries: US, Canada, France, Italy, Hungary, Australia, New Zealand, Norway, Colombia, Fiji and Uruguay.[25] Its role is to supervise implementation of the security provisions of the 1981 Treaty of Peace, meaning the limitations on military forces and equipment within the four security zones established by the Treaty along the Israeli-Egyptian border in the Sinai Peninsula. MFO observers operate checkpoints and patrols as well as man stationary observation posts along the border, they verify implementation of the security provisions and ensure the freedom of navigation through the Straits of Tiran.

The MFO is funded by Egypt, Israel and the United States in equal parts – each contributes one third of the organization's budget. In addition to that, some foreign governments provide external contributions to the MFO budget. In recent years, the governments of Japan, Germany and Switzerland have donated large amounts to the MFO. The MFO's annual budget is around $51 million.

[24] See *Multinational Force and Observers*, http://www.mfo.org/1/4/22/base.asp

[25] The United States provides the largest contingent, numbering almost 900 men. They are still there, despite the words of Donald Rumsfeld when asked about the continuing American support of the MFO: "I don't think that the United States has to have forces in every country of the world, and I don't think we have to have them in the same place for 20 years at a time." See Donald Clarke, 'Move over Moses, we might be here to stay,' U.S. Army War College, 7 April 2003.

Three European Union countries provide troops and observers to the MFO: Italy, France and Hungary. The participating European countries also supply a major part of the MFO's logistical and reconnaissance capabilities, including its air and naval elements.

Italy provides the coastal control element of the force. The Italian contingent includes 75 personnel and 3 naval patrol boats, responsible for ensuring the freedom of navigation through the Straits of Tiran. The Coastal Patrol Unit also assists the Egyptian navy in search and rescue operations and in handling environmental issues. The contingents' three naval vessels – the *Esploratore*, the *Sentinella* and the *Vedetta* – set out daily, patrolling the shores of the Red Sea and monitoring compliance with the Peace Treaty.

France provides the MFO with 1 aircraft and a contingent of 15 troops, mostly Air Force personnel, whose mission ranges from observation flights over the Sinai Desert to transportation of personnel and medical evacuations. Aircraft deployed in the Sinai are rotated every 6 months, and the MFO aerial unit conducts over 700 flight hours per year.

The Hungarian contingent is the most recent addition to the force. Totalling 41 individuals, mostly military policemen, it was established in 1995. Its mission is to provide security, escort, traffic control and criminal investigation services to the MFO. The FMPU (Force Military Police Unit) also conducts vehicle control and searches for vehicles crossing the border.

The MFO has recently been the target of several terror attacks. In August 2005, two female Canadian peacekeepers suffered slight injuries when a roadside bomb exploded near their vehicle.[26] In April 2006, a suicide bomber blew himself up near a car in which two MFO peacekeepers, a Norwegian and a New Zealander, were travelling near El-Arish. According to the official report, there were no injuries. These attacks resulted in some changes to the force's protection posture.

[26] "The Evolution and Spread of Roadside Bombs," Stratfor, http://www.stratfor.com/products/premium/read_article.php?id=254033

The MFO has now been in operation for a quarter of a century; it has been very effective in monitoring Israeli and Egyptian compliance with the region's most important Peace Treaty. The MFO has not reported any major infringements, and its annual reports clearly indicate the lengths to which each of the two countries goes in order to conform to the letter of the Treaty. Both countries perceive the Peace Treaty as a cornerstone of regional stability and fully maintain their obligations despite the recent troubles in the Gaza Strip. The MFO's extensive monitoring capabilities and multinational character enables effective verification. It is an important, though rarely recognised element in keeping the peace between Israel and Egypt.

TIPH

The West Bank city of Hebron has been a flashpoint of friction between Israelis and Palestinians since Jewish settlers established a quarter, Kiryat Arba, on its outskirts in the late 1970s. This settlement later spread into former Jewish houses, inside Hebron itself. The Cave of Machpela, also known as the Ibrahimi Mosque, is the traditional resting place of Biblical patriarchs and a place of worship for Jews and Muslims alike. In February 1994, a Jewish settler bent on destroying the fragile Oslo Accords entered the Mosque and killed 29 Palestinian worshipers. This outrage was condemned by the UN Security Council, which called for a temporary international presence in Hebron to quell potential disturbances.[27]

The development of TIPH in Hebron was long and circuitous. In March 1994, Israeli and Palestinian representatives signed an agreement over the creation of a Temporary International Presence in Hebron (TIPH). Both sides requested the governments of Italy, Denmark and Norway to provide staff and facilities for the new observer force. The TIPH's initial mandate was to help return stability and normal life to Hebron. The agreement was signed for an initial period of three months, and the first TIPH mission began its operations on 8 May 1994. However, both sides failed to agree on renewal of the Hebron agreement; the TIPH mission was consequently withdrawn three months later, in August 1994.

[27] UN Security Council Resolution 904 (1994) Section 3, adopted on 18 March 1994.

On 28 September 1995, the Interim Agreement on the West Bank and Gaza, also known as 'Oslo II' was signed between Israel and the Palestinian Authority. This agreement called for re-establishment of a TIPH in Hebron. The second TIPH mission, consisting only of Norwegian observers, began its operations in May 1996. In January 1997, a new agreement on TIPH was signed by Israel and the Palestinian Authority, setting out its mandate and tasks in detail.[28] The 'new' TIPH consisted of observers from 6 European countries: Italy, Denmark, Sweden, Switzerland, Norway and Turkey. The new force commenced operations a month later. Although it is authorised to have as many as 180 observers, in practice, the TIPH consists of about 60 men and women from the participating countries.

The TIPH concentrates on promoting social security and stability among the Palestinian population of Hebron, encouraging economic development and assisting externally-funded projects initiated by donor countries. It has no military or police functions and its personnel do not interfere in disputes, incidents and the activities of Israeli or Palestinian security forces.[29]

Unfortunately, the TIPH has suffered its share of the violence in the region. On 26 March 2002, during the peak of the Second *Intifada*, two TIPH observers were killed and a third wounded by Palestinian gunmen as they travelled in their vehicle.[30] This incident illustrated the fragile position of unarmed observers, travelling in ordinary cars and lacking basic security. The gunmen's driver was later apprehended and sentenced by an Israeli court to life imprisonment (22 September 2003). Four years later, in February 2006, the building housing TIPH headquarters in Hebron was attacked by rioting Palestinians and partially destroyed. As a result of the attack, TIPH had to temporarily suspend its operations and withdraw all observers from Hebron,[31] with observers returning to normal duty only a month later.

[28] 'Agreement on the Temporary International Presence in the City of Hebron', signed by Israel and the PLO on 21 January 1997. See also 'Memorandum of Understanding on the Establishment of a Temporary International Presence in Hebron', signed by the six participating European countries.
[29] Ibid.
[30] The car in which the observers were travelling was clearly marked 'TIPH'. Captain Huseyn Ozaslan, a Turkish observer who was in the car, shouted to the attackers in Arabic that they were international observers but that did not stop the attack. The two terrorists who carried out the attack were members of the Islamic Jihad group. They were later arrested and sentenced to life imprisonment in Israel. Israel National News, 21 September 2003.
[31] 'TIPH has temporarily withdrawn from Hebron', TIPH press release, 12 March 2006.

TIPH recently marked the tenth anniversary of its work in Hebron. Sadly, Hebron remains a political flashpoint, with no sign of abating violence. The presence of hardliners from both sides smothers any hope for an easing of the situation in the foreseeable future. TIPH has not been able to make much progress towards normalization; in more recent years, its main focus has been providing humanitarian assistance to the Palestinian residents of the city.

EU COPPS

The European Union Coordination Office for Palestinian Police Support (EU COPPS) was established in early 2005 to coordinate European support to the Palestinian Civil Police (PCP). Although European support to the Palestinian police began as early as 1994, as part of the Oslo process, it was carried out bilaterally, by each country independently, and lacked a central coordinating body which could bring the different support activities together into one coherent and effective strategy. EU COPPS, later renamed EUPOL COPPS, was assigned to work with the Palestinian interior ministry on enhancing and reforming the police. The main practical goal of EU COPPS was to use European police experience, gained in the field of civil crisis management and the rebuilding of police capacities in different regions, such as the Balkans and Albania, to help the nascent Palestinian police force in Gaza and the West Bank establish a reasonable level of law and order. EU COPPS is based on a European team of police experts who provide training, technical assistance, vehicles, equipment and logistics.[32]

In January 2005, four European police experts began working in Gaza and Ramallah, supplying the Palestinian Civil Police (PCP) with vehicles and communications equipment. EU COPPS also took over the management of the Jericho Police Training Centre, a facility which has trained Palestinian security forces since 1994 and previously run by British and American experts. By November 2005, EU COPPS was expanded; it now has a staff of over 30 European experts, headed by a former senior British police official from Northern Ireland. With the assistance received, the PCP, which numbers about 20,000 strong, was able to introduce institutionalized forms of

[32] See *European Union Police Mission for the Palestinian Territories*, EU Council Secretariat Fact Sheet, November 2005.

policing in several West Bank towns.[33] We should note that the European Union Council allocated a budget of about € 6.1 million to EU COPPS for the year 2006[34].

The success of EU COPPS was partially offset by the Hamas government's insistence on establishing its own 'police' force in the Gaza Strip, independent from the Palestinian Interior Ministry. The PCP now has to compete with the Hamas 'police' and militias for control of facilities and it's a role in enforcing law and order. Over the past few months, EUPOL COPPS experts have worked on expanding the PCP's training and capabilities as part of the European effort to reinforce Palestinian President Mahmoud Abbas.

EU BAM

Following Israel's withdrawal from the Gaza Strip in summer 2005, US and European mediators concentrated on reaching agreement between Israel and the Palestinian Authority over the opening of the Rafah border crossing between Gaza and Egypt. This was to be the first-ever border crossing wholly controlled by the Palestinian Authority, with no Israeli presence on the ground. The Palestinian side rejected any interference in their sovereignty over the crossing, while the Israeli side refused to allow the border to be opened without effective security measures to prevent the smuggling of arms into Gaza and the movements of wanted terrorists in and out of the area. The mediators searched for a solution which would transfer border control to the Palestinian Authority while taking Israel's security concerns into consideration.

The negotiations were mediated by the US Special Envoy to the Middle East, James Wolfenson, and the EU regional representative, Marc Otte. After months of negotiations, a unique compromised was reached. Both sides agreed on a range of security measures to be implemented at the border crossing. Implementation of these measures by the Palestinian side would be monitored and evaluated in the presence of 'Third Party Observers'. On 15 November 2005, the Rafah Agreement was signed by Israel and the Palestinian Authority, and the European Union accepted the role of 'Third Party Observer'.

[33] See Raffi Berg, 'Rebuilding the Palestinian police', BBC News, http://news.bbc.co.uk/nolpda/ukfs_news/hi/newsid_4481000/4481072.stm

[34] *European Union Police Mission for the Palestinian Territories*, EU Council Secretariat Fact Sheet, 14 November 2005, 14402/05 (Presse 295).

The EU quickly established a force of some 30 observers from EU Member States, who were dispatched to the region. Originally, EU established the EU Border Assistance Mission (EU BAM) the under the ESDP and funded it through the CFSP budget.[35] The European Commission later allocated a budget of about €1.6 million for the year 2005 to cover initial costs of setting up the force and its infrastructure, and an annual budget of about €6 million for 2006 for ordinary operations.[36]

Formally, EU BAM observers work alongside Palestinian officials within the Rafah border crossing facility, mainly officers of the Presidential Guard loyal to President Mahmoud Abbas. Computers and video cameras transmit information and images to a joint Israeli-Palestinian-European-Egyptian Regional Command Post (RCP), located inside Israel at Kerem Shalom. Under the Agreement, Israeli officials at the RCP can object to the entry of certain persons but final decisions are left to the Palestinian Authority.

Between December 2005 and June 2006, the Rafah border crossing was opened daily, with over 1,000 persons crossing each day. But infringements of the Agreement became a daily occurrence as Hamas government officials began bringing in huge amounts of cash across the border, from Egypt.[37] Although many of those money packets, often containing more than a million dollars, were detected during standard border searches, EU BAM observers were powerless to prevent this movement into Gaza, an act contrary to the Agreement. The movement of wanted persons across the border was also facilitated through numerous tunnels dug under the perimeter fence. Some of the tunnels were dug only a few hundred meters from the Rafah crossing. On several occasions, Hamas activists blew holes in the wall separating Rafah from Egypt, making it possible to cross the border without controls for hours and even days. Egyptian forces on their side of the border seemed unable to stem the tide of

[35] United Kingdom Parliament Hansard, (21.11.05.), '16 European Security and Defence Policy: Border Assistance Mission in Gaza', www.publications.parliament.uk, p.1-2.
[36] Council Joint Action 2005/889/CFSP of 12 December 2005 on establishing a European Union Border Assistance Mission for the Rafah Crossing Point (EU BAM Rafah), Official Journal L 327, 14/12/2005 P. 0028 – 0032.
[37] Herb Keinon "Analysis: Stopping the Hamas money flow", *The Jerusalem Post*, December 15, 2006, www.jpost.com.

weapons and explosives smuggling into Gaza, which reached such proportions that the price for illegal weapons dropped by half in Gaza.

Following the kidnapping of IDF soldier Gilad Shalit near Kerem Shalom on 25 June 2006, the Rafah border was closed while Israeli forces searched across the border for the missing soldier. The ensuing fighting, and later the war in Lebanon, meant that the border crossing could be opened only sporadically and then for very short periods of time. EU BAM commanders did their best to get both sides to agree to open the border for humanitarian reasons, even for short intervals. Between the opening of the Rafah border crossing in November 2005, when it open every day, and until Shalit's kidnapping on 25th June 2006, over 320,000 people crossing had been processed. However, between the kidnapping and 1 November 2006, the border crossing point was open only for a total of 18 days, with fewer than 50,000 people crossing in both directions. In the first months of 2007, the situation at the border somewhat stabilized, which enabled the crossing's daily opening. Yet, the situation remains volatile.[38] In effect, what happens in Gaza directly affects EU BAM operations: The border is sometimes closed at a few hours notice, due to security alerts or events elsewhere.

Although EU BAM's presence did not prevent the smuggling of money into Gaza, its main achievement is keeping the Rafah border crossing open almost continuously for more than a year. In that period, hundreds of thousands of Palestinians were allowed to feel masters of their own foreign movements for the first time. EU BAM can therefore be considered the first truly 'European' observers mission in the context of the Israeli-Palestinian conflict. Its long-term success or failure is expected to have a direct impact on potential future European 'hard security' activities in the region, as discussed in the next section.[39]

[38] "EU Border Assistance Mission at Rafah marks first year of operations", The European Commission's Delegation to Israel, http://www.eu-del.org.il/newsletter/english/default.asp?edt_id=21.

[39] As General Pietro Pistolese, the commander of EU BAM, recently said: "We were already at our post only a few days after receiving the mandate, and this illustrates the swiftness with which EU member states can become operational on the ground. It is proof that the EU is something concrete, an important development which has strengthened its position in the Middle East". Giovanni del Re, "Gaza: Rafah Crossing Troubled since Israeli Soldier's Abduction", AKI, 3 March 2007, http://www.adnki.com/index_2Level_English.php?cat=Security&loid=8.0.391482882&par=0

Potential Future Tasks

As the previous sections demonstrated, many European countries have accumulated extensive experience in peacekeeping and observer missions in the Middle East. This experience can be put to use in future activities relating to key problem areas in Israeli-Palestinian relations.

European observer missions could be well used in five tasks relating to various 'security-technical' aspects of Israeli-Palestinian relations. Those five issues remain problematic due to the need to intricately balance Israel's security concerns with Palestinians' freedom of movement and economic need for effective means of transportation.

The five transport issues concern the following sites:

- Gaza Airport
- Gaza border crossings into Israel (e.g., Carmi goods crossing, the Erez crossing, etc.)
- Gaza Seaport
- Transit between Gaza Strip and the West Bank
- Internal transit within the West Bank

Gaza airport is located in the south-eastern edge of the Gaza Strip, in close proximity to the Rafah border crossing. It was constructed in the mid 1990s and financed mainly by European contributions. After the outbreak of the *Intifada* in October 2000, the airport was closed as its main runway was cratered by the IDF. The airport's opening depends on arriving at security arrangements which would satisfy the Israeli side, being sufficiently robust to prevent the smuggling of at least heavy weapons, rockets and missiles in incoming aircraft.

The land border crossings between the Gaza Strip and Israel are a constant source of friction and trepidation for Palestinian farmers wishing to export their produce to Israeli or other markets and for Palestinian authorities wanting to import supplies into Gaza, including food, fuel and manufactured goods. The main goods crossing point is the Carmi Crossing, where operations are based on the 'back-to-back' principle, that

is, goods unloaded from Israeli trucks undergo a security examination before reloading onto Palestinian trucks on the other side of the border. This system is slow and cumbersome, creating long delays and frustration. The Carmi crossing was the scene of several terror attacks, and is often closed due to security alerts. European observers' involvement, in a manner similar to the activity at the Rafah crossing, could potentially enhance the crossing's effectiveness and thus ease the economic plight inside Gaza.

The Gaza seaport, historically one of the most ancient ports in the eastern Mediterranean, has not been active for decades, its limited facilities catering mainly to local fishermen. The long-term development of an effective seaport would have major economic advantages to the Gaza area. However, such a project would require major investment and years of construction. Again, security considerations currently prevent any progress in this area.

Transit between Gaza and the West Bank has been a major unresolved issue since the 1993 Oslo Accords. Novel ideas such as an elevated road, a railway or supervised convoys have been proposed over the years, but no practicable agreement has been reached by the two sides. Travel between Gaza and the West Bank has been periodically disrupted since late 2000. The Rafah treaty called for regular convoys under international supervision, but this arrangement was never put into practice due to the ensuing wave of terrorist suicide attacks. Travel between towns in the West Bank is also restricted by IDF roadblocks. Both these issues provide potential areas of activity for European observers.

One important element in promoting a broader European peacekeeping role in the region is Israel's changing attitudes towards such a European engagement. In the past, the idea of European troops playing any role in Palestinian areas was anathema to most Israelis. These attitudes, however, have been dramatically changing in recent years, mainly due to the significant improvement of Israeli-EU relations. On the other hand, the success of the EU BAM in keeping the Rafah border open despite the deteriorating situation in the Gaza Strip has also made a deep impression on the Palestinian population. Both sides to the conflict are now more willing than ever to

tolerate and indeed encourage an increased role for European peacekeeping in the region.

However, changing attitudes in the Middle East are counterbalanced by resource scarcities on the European side. With so many European troops engaged in UN and ESDP peacekeeping activities worldwide, it is difficult to see a major expansion of activities in the Middle East without withdrawal from other regions. Europe's military resources are not unlimited, and defence spending cuts have hit mainly combat units, essential for larger peacekeeping operations. European overseas deployment capabilities are being stretched to the limit though the demands of NATO operations in Afghanistan, coalition operations in Iraq and multinational peacekeeping operations in Africa. Any future change in the level of European peacekeeping in the Middle East will have to take these constraints into account.

Conclusions

European troops, observers and security specialists have been active, with varying degrees of success, in 'hard security' peacekeeping and conflict management operations in the Middle East for over 30 years. Many are unaware of the depth of the European involvement in security arrangements on the ground, going beyond the commonly perceived role of Europe as only a 'payer' in the conflict. Decades of United Nations peacekeeping operations clearly demonstrate that, given a stable partner on both sides, such activities can be highly effective even in extremely volatile regions. However, in areas lacking stability – the current situation in southern Lebanon and Gaza – peacekeeping forces often found themselves struggling to survive, let alone able to influence the surrounding security situation.

The recent operations of EU BAM and EUPOL COPPS in Gaza and the West Bank are two innovative efforts to provide practical – if not perfect – solutions to key security problems. The jury is still out on how effective those solutions will prove to be. European willingness to establish these missions demonstrates its realisation that moderating violence in the region is not only dependent on ground-breaking comprehensive political agreements, which in any case have become almost impossible to achieve, but also on small-scale practical solutions. Without the EU BAM presence, it is doubtful whether Israel would have permitted the opening of the

Rafah border with Egypt; it may even have led to IDF contingents remaining in Gaza along the 'Philadelphy Road'. It is highly unrealistic to expect the few dozen unarmed EU BAM observers to stop arms smuggling from Egypt into Gaza, a task that even the powerful IDF, with hundreds of combat soldiers and the best of modern weaponry, was unable to achieve in five years of fighting. EU BAM has no enforcement role and is tasked with monitoring the border crossing but not with supervising the many kilometres of border separating Gaza from Egypt, which is dotted with tunnels. Thus, EU BAM should not be perceived, or indeed its performance measured, as a security arrangement per se but, rather, as a political signal dovetailing with EUPOL COPPS and other European attempts to shore up President Abbas and ease the humanitarian crisis in Gaza. Former Palestinian security chief Jibril Rajoub recently observed that "*we expected Gaza to become a Singapore, but unfortunately it has only become Somalia*".[40] The current factional fighting in the Gaza Strip, supported by the easy availability of weapons and explosives smuggled from Egypt, has created a volatile mixture that could spill into violence any time soon. The presence of European observers in the border area still sustains a level of stability but their future presence will depend on the local security situation as well as on substantial progress being made in Israeli-Palestinian relations. Until then, Europe's 'hard security' presence in the region will remain fragmented and its future effectiveness uncertain.

[40] Claude Sitbon, "Animosity will achieve nothing", *Haaretz*, December 4, 2006, www.haaretz.co.il

For a 'More Active' EU in the Middle East: Transatlantic Relations and the Strategic Implications of Europe's Engagements in Iran, Lebanon and Israel-Palestine

Sven Biscop

Abstract

The EU has seriously engaged itself in Lebanon, providing nearly 8,000 troops for an enlarged UNIFIL; with respect to Iran, it is leading the nuclear negotiations. By being 'more active' – as called for in the European Security Strategy – it has achieved more, but these achievements are very conditional. The presence of UNIFIL will not stabilize Lebanon. In like manner, the sanctions that the UNSC adopted against Iran after the initially successful negotiations broke down will not resolve the issue. Therefore, if the EU does not follow up on its earlier actions, failure is certain. The EU has assumed responsibility and has put its standing and its troops on the line – it can now ill afford not to act. Joint action with the US would evidently carry much greater weight and is, ultimately, indispensable. But if the US continues to pursue a strategy of confrontation, the EU has only one option open to it: To resume the initiative, which will hopefully create sufficient initial progress and thus potential for greater success in *persuading* the US of the need to support its policy – before the collapse of US policy *forces* the EU to change course.

Introduction[41]

The 2003 *European Security Strategy* (ESS) calls for the EU to be 'more active' in pursuing its strategic objectives. The two probably most salient examples of a 'more active' EU are to be found in the Middle East.[42] The 'EU3' (France, Germany and the UK) are leading nuclear negotiations with Iran. The EU has taken the lead in reinforcing the UN peacekeeping operation in Lebanon, UNIFIL, as authorized by UNSC Resolution 1701 of 11 August 2006. Over 70% of the enlarged force or 7,600 out of 10,800 troops are provided by the EU27. This engagement clearly fits EU interests as defined in the ESS, notably the need 'to promote a ring of well-governed countries […] on the borders of the Mediterranean with whom we can enjoy close and cooperative relations', and to avoid 'a WMD arms race, especially in the Middle East'.

The cases of Iran and Lebanon can be seen as positive examples of an EU that is more united and hence 'more active'. Yet, they also provoke fundamental strategic questions on the ambitions and potential of EU policy towards the region, and of the EU as a global strategic actor. These are questions which the EU will inevitably confront with if it continues its 'more active' role in the Middle East.

More Active – More Successful?

On the positive side, not only is the EU more active in the Middle East – its role is also recognized and accepted and, to some extent, even actively solicited by the international community.

On the Iranian proliferation issue, which was brought to the fore by revelations aired in summer 2002, the EU is the natural choice to lead negotiations. The US has not only discredited itself in the region after its invasion of Iraq over a similar issue – at

[41] Prof. Dr. Sven Biscop is a senior research fellow at Egmont – the Royal Institute for International Relations in Brussels and professor of European security studies at Ghent University. The author wishes to thank all colleagues who participated in the IEPN meetings in Brussels and Tel Aviv, where the first draft of this chapter was presented, as well as Prof. Dr. Rik Coolsaet, Prof. Dr. Michael Brenner and Dr. Sharon Pardo, who kindly reviewed the chapter before publication, for their vital comments and suggestions. A number of quotes in the chapter refer to interventions by officials at various seminars held under the Chatham House Rule, which the author attended; hence their source cannot be revealed.

[42] Including Iran obviously stretches the traditional definition of the Middle East although I would argue that developments on Iran and, for that matter, Afghanistan, are inextricably linked to Lebanon, Israel-Palestine and Iraq. As the 'greater', 'broader' and 'wider' Middle East have all acquired some different connotations, I will opt for 'the Middle East broadly defined'.

least in terms of the original motivation for its 'pre-emptive' strike – but it long ago severed diplomatic relations with Tehran, leaving it badly equipped to act as a leading negotiator even if it had aspired to such a role. The EU, on the contrary, has continued to entertain important – though not always easy –relations with the country. There also is a clear desire, including on the part of those EU Member States that supported the invasion of Iraq and which are still there with troops, to avoid a repetition of that scenario. The EU3 seized the initiative in October 2003 when its three foreign ministers visited Tehran with the support of Javier Solana, High Representative for the CFSP, and in coordination with other Member States.[43] They subsequently led the negotiations until Iran's referral to the United Nations Security Council (UNSC) in February 2006, when the format was changed de facto to 'P5+1' (the permanent members plus Germany).

Following the second Lebanon war, the UN clearly looked to the EU to provide the forces for an enhanced peacekeeping force. The EU has more or less become the UN's only reservoir of well-trained and well-equipped forces.[44] If the EU did not always act as a united entity – the UK, notably, conformed with the US and delayed the call for a cease fire – it was quick to take up the UN call, shocked as it was into action, perhaps by the unexpected scale and intensity of the war, and driven by its strong declarations in support of the UN in recent years. In the Political and Security Committee (PSC), the option was sincerely considered of launching an ESDP operation, that is, an operation with a UN mandate but under EU command. Why should the EU not assume command and run the operation under the EU label if EU Member States contribute the bulk of the forces? In the end – and perhaps not completely to the disappointment of all EU Member States – only the UN framework turned out to be acceptable to all conflict parties, which led to the reinforcement of the existing UNIFIL operation rather than the creation of a new force. Interestingly, NATO was never an option because of the connotations it carries in the Middle East – a sound argument for the maintenance of an alternative mechanism – i.e. ESDP – to launch operations,.

[43] Walter Posch, 'The EU and Iran: A Tangled Web of Negotiations'. In: Walter Posch (ed.), *Iranian Challenges*, Chaillot Paper 89, Paris: EU Institute for Security Studies, 2006, p. 103.
[44] Nicole Gnesotto, 'Leçons du Liban', in: *EUISS Bulletin*, 2006, No. 20, p. 1.

For EU Member States, the decision to contribute to 'UNIFIL-plus' was clearly taken in an EU context. Deliberations on force composition and the force commander took place in EU institutions, in close coordination with the UN – even though EU Member States rejected a Council Secretariat proposal for the EU to act as 'clearing house' managing the national contributions to UNIFIL.[45] On 25 August 2006, UN Secretary-General Kofi Annan participated in an extraordinary meeting of the EU Council which 'welcome[d] Member States' intentions to commit a substantial number of troops to be deployed in Lebanon'.[46] Afterwards, the Secretary-General declared his satisfaction with this outcome, stating that 'Europe has lived up to its responsibility'.[47] In spite of the troops wearing the blue helmet, UNIFIL-plus is thus clearly seen as an EU presence by all relevant parties, with all the attendant implications for the EU. Council conclusions state this clearly: 'The significant overall contribution of the Member States to UNIFIL demonstrates that the *European Union* is living up to its responsibilities. […] This gives a leadership role for the *Union* in UNIFIL' [emphasis added].

Naturally, by being more active, the EU has achieved more, but these opening achievements are very conditional. Without adequate follow-up, they will quickly evaporate.

Vis-à-vis Iran, the EU's conscious decision to opt for negotiations initially was relatively successful, given that Iran signed the additional protocol to the NPT and suspended uranium enrichment in 2004. The Paris Agreement of 15 November 2004 confirmed that Iran does not seek to acquire nuclear weapons while recognizing its rights under the NPT. If Iran does have military intentions, they will not have progressed much during the suspension. For the EU, demonstrating that there is an alternative way of dealing with proliferation – when compared to the US reaction to the alleged proliferation threat posed by Iraq – and that it can achieve results in concrete cases is a success. The EU was also successful to the extent that war has been avoided so far and that lives have been spared whereas the US appeared on the brink of going to war at some point. But whether the EU will be successful in the long

[45] Nicoletta Pirozzi, 'UN Peacekeeping in Lebanon: Europe's Contribution', in: *European Security Review*, 2006, No. 30.
[46] *Extraordinary EU Council Meeting: Conclusions on Lebanon*. 25 August 2006.
[47] *Brussels, Belgium, 25 August 2006 – Secretary-General's Press Conference*.

run is difficult to predict. With Iran's resumption of uranium conversion in August 2005 and enrichment in January 2006, negotiations broke down, eventually leading to a referral to the UNSC, which called for suspension of all enrichment-related activities in Resolution 1696 of 31 July 2006. It finally adopted sanctions, stated in Resolution 1737 of 27 December 2006, which bans the import and export of nuclear material and freezes the assets of ten companies and twelve individuals. The latter step will not in itself lead to a resolution. Renewed diplomatic initiatives are in order to break the deadlock. Otherwise war may yet erupt, with disastrous consequences for the region and the world.

The same precariousness applies to achievements in Lebanon. It certainly is a success that the border with Israel is now controlled by the Lebanese armed forces rather than Hizbullah militias. For the EU, its large presence in UNIFIL seems to imply increasing acceptance, notably by Israel, of a politico-military rather than just an economic role. Following Israel's earlier acceptance of an unarmed EU presence on the border between Gaza and Egypt (i.e., EU BAM Rafah), the deployment of near to 8,000 troops in Lebanon could signal the EU's evolution from a mere 'payer' to an effective 'player'.

Yet, UNIFIL will not disarm Hizbullah – it will demilitarize the border region below the Litani River, above which Hizbullah is likely to regroup. UNIFIL is thus basically buying time for a political process that should integrate all actors in a democratic Lebanese polity. Only in such a wider political framework can SSR/DDR[48] schemes result in the integration of an armed Hizbullah in a united Lebanese army, what appears to be the only peaceful way of consolidating Lebanese democracy. Secretary-General Annan explicitly confirmed this after his participation in the EU Council: 'I think it is also generally accepted that the disarmament of Hizbullah cannot be done by force. It has to be a political agreement between the Lebanese; there has to be a Lebanese consensus and an agreement among them to disarm'.[49] Commissioner for External Relations Benita Ferrero-Waldner confirmed this view: 'The disarming of Hizbullah […] realistically can only be achieved as part of a process of political

[48] Security sector reform / disarmament, demobilization and reintegration.
[49] *Brussels, Belgium, 25 August 2006 – Secretary-General's Press Conference*.

integration'.[50] As the assassinations of several leading Lebanese figures since the deployment of UNIFIL-plus and the ensuing general political turmoil have shown, time is preciously short. An initiative to launch the required political process is urgently needed, or the country might plunge into a new civil war. Without it, the positive light in which UNIFIL is currently seen may quickly fade away. As in Afghanistan, if insufficient benefits are seen to be forthcoming, the peacekeepers might easily come to be viewed as occupiers, and as proxies for Israel. If civil strife erupts, UNIFIL would be in a most difficult position.

One who does nothing, does nothing wrong. By being more active, the EU has shouldered more responsibilities, generated expectations and pressures; it thus naturally runs the risk that its actions will fail. If the recent bout of activity is followed by an all too long spell of inactivity, failure is certain given the precariousness of achievements so far. If follow-up action is undertaken, however, the EU will have to answer a number of important outstanding questions, both regarding its policies towards the region and its overall strategic actorness.

Challenges for the EU and the Middle East

Iran

The EU's short-term objective vis-à-vis Iran is to prevent the country from acquiring a military nuclear capacity in addition to ensuring that any civilian nuclear programmes are placed under the IAEA's complete supervision . The EU has ruled out the use of force, as high-level EU and national officials have indicated on numerous occasions, for reasons of principle and practice. First of all, there is the ambiguous nature of the case. Iran indisputably has the legal right to develop a civilian nuclear capacity. Due to non-compliance with the IAEA and NPT supervisory mechanisms, suspicion has arisen that Iran really intends to develop nuclear weapons, a goal that risks provoking a nuclear arms race in the region. In Israel and the US, it is also perceived as a direct military threat. More than anything else, it is the nature of the regime that generates suspicion – which, it must be said, Iran's current President does nothing to alleviate.

[50] Benita Ferrero-Waldner, 'For a Sovereign and Independent Lebanon', in: *The Wall Street Journal Europe*, 31 August 2006.

In contrast, several countries have acquired a civilian or, like India, Pakistan[51] and Israel itself, a military nuclear capacity without raising suspicions at least in Europe or the US. Note, however, that no positive proof of Iran's intentions is available notwithstanding the strong indications. Many actors in Iran explicitly oppose the acquisition of nuclear weapons – rather than a firm decision to go nuclear, Iran could also just keep its options open, including the option of making a deal.[52] In these circumstances, how could force be used, especially after Iraq?

The answer to this question is related to the threat's assessment. Is the threat of a nuclear-armed Iran sufficient to warrant military intervention? Apart from risk of a nuclear domino-effect in the region and consequent damage to the NPT-regime – which has already been damaged by the US nuclear deal with India – any military threat would be directed mainly against Iran's neighbours rather than the EU or the US. However, one should not equate possession of WMD with the intention to use them – if simple possession of WMD constituted an immediate threat, the door would be open to military action against any nuclear-armed State by any other State that considered itself threatened. Rather than military victory, acquisition of nuclear weapons would enable Iran to seek regional power. That would indeed be a substantial geopolitical development, but not necessarily sufficient grounds to go to war. As Halliday states, 'in essence, we are witnessing a collision between two aspirations for regional hegemony, and for the shaping of the future of the region – that of the US and its allies, especially Israel, and that of Iran'.[53] The nuclear issue is symptomatic of a more fundamental underlying tension, which would continue to be seen as a threat by Israel and the US even if the nuclear dimension were removed. Furthermore, even assuming that intervention is technically possible and that the capabilities are available – which is rather less than likely – the question remains whether the *potential* results obtained by military action would outweigh the negative effects which it would almost *certainly* produce.[54] Any attack would greatly

[51] In Pakistan, overthrowal of the current government and its replacement by a rather less friendly regime, which would then possess a ready-made nuclear arsenal, is far from an impossible scenario. This does not justify the alleged nuclear intentions of Iran, but it does put them in context.
[52] Jean-Yves Haine, 'The European Security Strategy and Threats: Is Europe Secure?', in: Sven Biscop and Jan Joel Andersson (eds.), *The EU and the European Security Strategy – Forging a Global Europe*, Abingdon: Routledge, 2007, forthcoming.
[53] Fred Halliday, 'Iran's Regional and Strategic Interests', in: Walter Posch (ed.), *op. cit.*, p. 60.
[54] On the military option see Sam Gardiner, *The End of the 'Summer of Diplomacy': Assessing US Military Options on Iran*. New York, The Century Foundation, 2006.

strengthen the regime; people can be expected to rally around their government, an even that would stifle internal reformist dynamics. It would also greatly raise risk of an all-out war with Iran, which could easily retaliate against American and European targets in Iraq and Lebanon, directly and indirectly. The image of a clash between Islam and the West would then be reinforced, furthering radicalization worldwide, provoking still more terror and destabilizing the wider region. Put simply, many people on all sides would die. Posen therefore argues that *if* diplomatic means, the preferred option, should fail to produce a solution, containment and deterrence would be preferable to military intervention.[55]

As the use of force is not an option for the EU, its other recourse is diplomacy. The question is whether such a policy can succeed if it is not backed up by a credible threat of force, as the 'classic' theory of coercive diplomacy predicts. However, it has also been argued that emphasizing even the threat of force only serves to reinforce the position of President Ahmadinejad and his hard-line supporters and to unite public opinion against 'the West', which is easily portrayed as seeking to prevent Iran from exercising its legal right to develop a civilian nuclear capacity. The same can be said about sanctions. It has been argued that in the long term, the most effective way of promoting reform would be to end 'all forms of economic and cultural embargo' and promote the international exchanges that many people and actors seek but the regime fears[56] even if, in the short term, sanctions may reinforce the internal debate in Iran and strengthen the position of the President's opponents. Nevertheless, as stated above, Resolution 1737, by itself, will not lead to a solution. As much was admitted in a 'reflection paper' for the EU Council prepared by Solana, stating that 'the problems with Iran will not be resolved through economic sanctions alone'.[57] In effect, the adoption of sanctions reflects the deadlock in the negotiations and reduces the flexibility of the negotiation process, the actual reason why the EU the IAEA did not refer the case to the UNSC until 2006 although it could have done so in September 2005. Iran itself set in motion the train leading to sanctions by its August 2005 decision to resume uranium conversion. Once that happened, events acquired a

[55] Barry Posen, *A Nuclear-Armed Iran: A Difficult but not Impossible Policy Problem*, New York, The Century Foundation, 2006.
[56] Bernard Hourcade, 'Iran's Internal Security Challenges', in: Walter Posch (ed.), *op. cit.*, p. 56.
[57] Mohamed El Baradei, head of the IAEA, has stated that 'sanctions are an important tool, but sanctions alone will not solve the issue'. 'EU Sanctions Cannot Stop Iran Bomb, Memo Says', In: *EU Observer*, 13 February 2007.

momentum of their own, making referral to the UNSC and sanctions almost inevitable. Posch sees this as a panic reaction on Iran's part, provoked by perceptions of loss of control over the process and the fear that suspension of enrichment during negotiations might create a fait accompli, leading to indefinite postponement.[58] Sauer adds that Iran had expected a package deal on transfer of nuclear technology, trade and cooperation, and security to result within months, whereas the EU expected negotiations to last one or two years.[59] The EU reacted by moving towards the US position and sanctions. The conclusion must be that there is a vital lack of confidence between the parties, caused and was reinforced by the breakdown of negotiations and, perhaps, insufficient understanding of each party's logic.

That does not mean that there is no room for further negotiations, which are crucially necessary if the deadlock is to be broken. It should not be forgotten that in 2004-2005, the EU did succeed in having Iran suspend enrichment for a while. Skilful negotiations can continue to play on the fact that Iran is not monolithic, that it contains several competing centres of authority. This is, in the words of a European negotiator, 'the Iran that we know and love – with divisions between different power bases that all check up on each other'.[60] The new chairman of the Senate intelligence committee, John D. Rockefeller, heavily criticized the US administration for its lack of knowledge about Iran's internal dynamics.[61] For President Ahmadinejad, the nuclear issue is also an instrument in the domestic political power game and a way of diverting attention from pressing internal problems. The poor performance of Ahmadinejad's supporters in the December 2006 local elections demonstrates that public opinion is not behind the hardliners. Consequently, room remains for manoeuvre. Of course, even Ahmadinejad's critics then to concur with the objective of acquiring a civilian nuclear capacity. That is why the proverbial carrot remains crucial, more so than the stick. It is difficult to imagine a settlement which would leave Iran without a civilian nuclear capacity – just as it is hard to imagine a settlement without concrete and verifiable safeguards. During negotiations, the EU

[58] Walter Posch, 'The EU and Iran: A Tangled Web of Negotiations', in: Walter Posch (ed.), *op. cit.*, p. 113.
[59] Tom Sauer, *Coercive Diplomacy by the EU: The Case of Iran*, Discussion Papers in Diplomacy, The Hague, Clingendael, 2007.
[60] Quoted in Mark Leonard, *Can EU Diplomacy Stop Iran's Nuclear Programme?* London, Centre for European Reform, 2005, p. 10.
[61] 'Leading Senator Assails Bush over Iran Stance', *The New York Times*, 20 January 2007.

has offered a substantial carrot, emphasizing its 'readiness to support the development of a safe, economically viable and proliferation proof civilian nuclear programme in Iran in the context of objective guarantees provided by Iran'.[62] Without that carrot, negotiations are meaningless; but, as the 2005 breakdown shows, it is insufficient in itself without enough trust between the parties.

As trust has to be gradually rebuilt, we can expect the process of negotiations will be very drawn out. Although we should not lose sight of the objectives, the process is important in itself as a necessary confidence-building measure. Yet, herein lies another difficulty: The preferred method as well as the threat assessments made by the EU versus the US and Israel are substantially different. While negotiations can not go on indefinitely, it is easy to see that as long as there is potential for progress, the EU will be more patient. The risk is that either Israel or the US will be less patient and opt for the use of force nonetheless, with the negative side effects of such actions equally hitting the EU. It is therefore in the EU's interest to resume negotiations quickly.

Chances for the success of negotiations would greatly increase if the US also engaged with Iran, without preconditions for starting talks as such – any measures taken by Iran should, rather, be the result of talks. US engagement is, ultimately, indispensable: If the underlying issue is indeed the Iranian and American quest for regional hegemony, the compromise to be worked out must include the wider regional dimension, meaning that both Washington and Tehran must be party to it, as must other Gulf States. A US security guarantee to Iran would be at the heart of such an arrangement[63] in order to dispel fears that the US really seeks regime change in Tehran. The question can even be asked whether the EU and the US, even if they joined together, have the means to forge such a regional settlement – EU-US concerted effort might turn out to be a necessary but not sufficient condition for success. In any case it can be argued that re-establishing normal relations with the US is what really interests Iran.[64] The BBC has revealed, for instance, that shortly after

[62] *Statement by the United Kingdom on behalf of the European Union at the IAEA Board of Governors*, 9 August 2005.
[63] Flynt Leverett, *Dealing with Tehran: Assessing US Diplomatic Options toward Iran*, New York: The Century Foundation, 2006.
[64] Again, Leonard expresses things most vividly: '[…] one European negotiator has compared the talks with Iran to a cocktail party, where the person you are talking to continually looks over your shoulder

the invasion of Iraq in 2003, Iran, through Swiss diplomatic channels, had proposed to end support to Hizbullah and Hamas in return for the US ending its hostility; although favourably received by the State Department, the offer was apparently rejected by the White House.[65] President Ahmadinejad's letter to President Bush of 8 May 2006 did not meet with any response, either. Even though these apparent Iranian overtures must be seen with a healthy scepticism, they are worth pursuing because such schemes could ultimately lead to the 'golden' carrot: 'normalization' of Iran's position in the international community, a prospect actually hinted at in the Paris Agreement's reference to 'a mutually acceptable agreement on long-term arrangements'.[66] Indeed, had this overture been pursued in 2003, when US standing in the region appeared to be at its height, a much more advantageous deal might have been negotiated by now.[67]

Lebanon

That an armed Hizbullah is no longer on the Lebanese-Israeli border is a positive achievement, one reducing the risk of conflict. But, as previously stated, the presence of an enlarged UNIFIL does not by itself guarantee domestic stability in Lebanon, a condition equally important for lasting regional stability. Neither does the promise of economic and financial support at the Paris conference of 25 January 2007, where the EU and its Member States contributed more than 40% of total aid pledged, nor the adoption of the Action Plan for Lebanon within the framework of the European Neighbourhood Policy. Rather, the deployment has created an opportunity to launch a *political* process that should lead to the consolidation of peace and democracy, which economic support should accompany. UNIFIL-plus has bought some time – but preciously little.

With its troops on the ground, the EU cannot afford to wait and see but must actively facilitate Lebanon's internal political dialogue. The question is whether the EU has the leverage to put this process into motion in view of the evident linkages with outside actors – notably Syria and Iran – and developments in the broader region. Once again, it is clear that chances for success will be higher if the US also engages with Syria and

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to catch the eye of someone more important. That VIP is the United States'. Mark Leonard, *op. cit.*, p. 19.

[65] 'Washington Snubbed Iran Offer'. *BBC News*, 18 January 2007, http://newsvote.bbc.co.uk.

[66] Walter Posch, 'The EU and Iran: A Tangled Web of Negotiations', in: Walter Posch (ed.), *op. cit.*, p. 105.

[67] Flynt Leverett, *op. cit.*

Iran. In any case, the EU, having assumed responsibility by deploying troops – which it has thus put at risk – should now also shoulder the responsibility to at least try and launch the process; otherwise, the window of opportunity will be closed. One of the first steps should be development of a policy on Syria to replace what a Commission official has described as the current 'non-policy of non-engagement', a practice unconnected to any Council decision. Individually, some Member States are already seeking contact, but their uncoordinated action has simply put Syria into a strong position, to the point where it has made thinly veiled threats against UNIFIL.

Israel-Palestine

For the EU, the Israeli-Palestinian conflict remains the key to peace and security in the region, as the ESS clearly states: 'Resolution of the Arab/Israeli conflict is a strategic priority for Europe. Without this, there will be little chance of dealing with other problems in the Middle East'. Initiatives on Iran and Lebanon should logically be accompanied by an initiative on Israel-Palestine. Here, too, time is pressing in view of the internal political deadlock between Hamas and Fatah and the intra-Palestinian violence that flared up at the end of 2006. Like Lebanon, the Palestinian Authority runs the risk of collapse.

The EU has put itself in a difficult position, however, apparently under US pressure, by breaking off official relations with the Palestinian government after the Hamas electoral victory in January 2006, possibly in return for the US subscribing to a negotiated approach towards Iran. The Hamas government played into the hands of those favouring breaking off relations by refusing to condemn suicide attacks. This decision contrasts sharply with established EU policy, which has always been that a lot more influence can be exerted by dialogue than by designating nations as rogue States, with whom one does not talk. This practice applies even if part of their programme is unacceptable, as in the case of Hamas. Although Hamas is on the EU list of terrorist organizations, pragmatism should have prevailed. Why, after all, refuse to speak with Hamas on the ground that it does not recognize Israel, while simultaneously negotiating with Iran, the President of which has declared that he would like to see Israel destroyed?

Arguably, severing relations has been counter-productive. By condemning the results of what are probably are the fairest elections in any Arab country, the EU has severely undermined the legitimacy of its democratization project. Furthermore, by doing so immediately in tandem with demanding policy changes, the EU has handed over the initiative to resume relationships with the other party. It has thus made itself dependent on the most radical elements within Hamas. If, alternatively, the EU had continued to work with the Palestinian government, it could have potentially strengthened the more moderate wing of Hamas, which is focussing on the domestic governance of Palestine rather than on confrontation with Israel. As such, this camp is very interested in continued EU support.[68] It can safely be argued that Hamas did not win the elections because it was more anti-Israeli than its competitors, but because of its social-economic programme, which had gained credibility thanks to the network of social services that Hamas and affiliated organizations have constructed in the territories. Fatah, with its record of corruption and ineffectiveness, simply lost the elections. If the EU is now unforgiving vis-à-vis Hamas, in the past it was perhaps too soft on conditionality.

In the absence of any other initiative, an agreement between Hamas and Fatah to form a government of national unity was forged in Saudi Arabia in early February 2007. The EU must now resume relations with the Palestinian government and start to talk with Hamas. In Palestine and indeed in the region at large, the EU cannot afford not to maintain a dialogue with political Islam. Given its prominence in politics and in civil society, political Islam must be recognized, perhaps not as a partner but at least as an indispensable actor.

Of course, such a policy can only work if Israel's government adopts a constructive attitude as well. This attitude implies refraining from disproportionate use of force and further infringements on Palestinian authority, such as building settlements and holding back tax revenues. Incursions into UNIFIL's zone, such as over flights and incident such as that in which a German ship was fired upon, can also be seen as a lack of constructiveness; they pose the question of whether and how the EU – and UNIFIL's European forces – should react. As usual, there are positive as well as

[68] The author thanks Dr. Claire Spencer for pointing out this argument.

negative indications. The openings made by Prime Minister Olmert around Christmas 2006, e.g., announcing a reduction of roadblocks within the Palestinian territories and starting a dialogue with President Abbas, created hope but they can easily be undone by extremists from either side. The EU can build on such openings, however, to work with the Israeli as with the Palestinian government.

Challenges for the EU as a Global Strategic Actor

The remaining challenges notwithstanding, the current commitment of the EU in the Middle East is proof of its growing international actorness. At the same time, it highlights a number of broader strategic challenges which the EU will have to confront if it is to continue its development into a fully-fledged global actor. Three of the vital challenges are related to the use of force, the CFSP machinery and relations with strategic partners.

In the EU view, the use of force can only be used as an instrument of last resort and, in principle, with a UNSC mandate; hence the preference for negotiations to settle the Iranian nuclear problem. By attempting to address the political, social and economic roots of instability and conflict, the ESS aims at preventing the need to revert to force in the first place. Inevitably, however, there will be cases when it will arrive at the stage where the choice is between inaction and forceful action; the Rwandan genocide is a case in point. Given Europe's rejection of Clausewitzian use of force as just another instrument to further policy, the most likely scenario in which force will be considered is indeed that of the 'responsibility to protect' (R2P). This principle, endorsed at the UN Millennium+5 Summit in September 2005, implies that if a State is unable or unwilling to protect its own population, or is itself the perpetrator of genocide, ethnic cleansing, war crimes or crimes against humanity, national sovereignty must give way to the responsibility to protect lives by the international community. In such cases, the UNSC must mandate intervention, if necessary, by military means, a response that, by definition, implies high-intensity operations.

The question is whether EU Member States are willing to consider the use of force, when necessary, in an ESDP framework, i.e., when the US is unwilling to participate in an intervention or when NATO is less suitable for reasons attached to the organization itself, such as its negative image in the Middle East. Even though most

Member States do put their forces in harm's way in national, NATO or coalitions-of-the-willing operations, and even though the Petersberg Tasks,[69] as defined in the Treaty on European Union, include operations at the high end of the legal spectrum of violence, Member States are still extremely divided politically over the level of EU ambitions in this field. As Member States rest divided, the EU-level is more often than not out of the loop during crises. Consequently, even though the EU has proven that it can mount high-risk operations if the political will is present, most EU-led operations are of lower intensity and often of smaller scale. The still very young ESDP needs a number of successes to legitimate itself; hence, the tendency to select operations with large chances of success. To some extent, therefore, the criticism is justified that the EU takes on important but mainly 'easy' operations, in the post-conflict phase, in the wake of a conflict's settlement – a criticism which can readily be applied to the international community as a whole. All of this contributes to a lack of credibility regarding the EU as a security actor, notably in the Middle East.

There are, sadly, too many conflicts and crises for the EU to deal with effectively, certainly in a leading role. Prioritisation is inevitable. Two criteria could determine when and where the EU must lead – or substantially contribute to – diplomatic and military intervention, up to and including the use of force if necessary, as mandated by the UNSC. This intervention must be proactive – the EU should be a true peacemaker. On the one hand, if the threshold to activate the R2P-mechanism is reached somewhere, the EU, in view of its support for this principle, should muster the courage to contribute to its implementation. On the other hand, the EU must also contribute to the resolution of conflicts and crises that are of real strategic importance for Europe or, as a global actor, for the world. This would certainly include the Balkans, the Middle East and the Gulf, but a debate seems in order to further clarify these strategic interests. What would Europe's role be in a conflict in North Korea, or in the Caucasus, or if vital energy supplies were to be cut off?

Regarding CFSP institutions, the leading role played by the EU3 in negotiations with Iran have, at times, led to criticism from other Member States who felt left in the dark

[69] The Petersberg Tasks are the EU equivalent of NATO's non-Article 5 operations. They basically cover everything but collective territorial defence: humanitarian and rescue operations, peacekeeping and peace enforcement or crisis management.

on important aspects.[70] The EU is still feeling its way in this new field of action and with an enlarged Council. The November 2006 Spanish-French-Italian peace plan for Israel-Palestine is a different example of an informal 'contact group' within the EU. Its motivation was explained by Spanish Prime Minister José Zapatero in terms of the necessity to follow up on the commitment to Lebanon: 'This initiative is France, Spain and Italy exercising their responsibility – almost their duty – as three Mediterranean powers with forces now in Lebanon'.[71] But this initiative died an early death, perhaps demonstrating that informal 'contact groups' can play a useful role in the preparatory phase of policy-making but should take matters to the Council before going public. All too often, Member States are still tempted to play the national card. Member States differ, for example, on how to pursue the EU consensus on the two-state solution. In the view of a Commission official, when things are looking bad, Member States are happy to leave the initiative to the High Representative and the Special Envoy for the Middle East; but as soon as there is a ray of hope, each government is eager to launch its own peace initiative, which at best meets with a routine reception from local actors accustomed to a flow of high-level visits. Are institutionalized mechanisms needed to deal with such scenarios, perhaps via 'contact groups'? Or would the EU Foreign Minister and European External Action Service, as provided for in the draft Constitutional Treaty, be the answer? In any case, EU engagement in the Middle East again firmly demonstrates that Member States can only hope to influence the course of events if they act as one. Individual initiatives, like French President Jacques Chirac's January 2007 attempt to send Foreign Minister Philippe Douste-Blazy to Iran to negotiate on Lebanon are bound to fail.

As a matter of principle, the EU operates via the collective security system of the UN. The UNSC is regarded as the 'ultimate arbiter in the case of non-compliance', as the EU Strategy on WMD states it. This approach requires the Permanent 5 to adopt at least a non-obstructive if not cooperative attitude. The UN collective security system can only work if all permanent members actively subscribe to it and refrain from paralyzing or bypassing the Security Council. Conditionality can only work if it is not undermined by actors that disregard human rights and other considerations in their international relations. The same holds true for the use of sanctions. 'Strategic

[70] 'EU Members Want More Openness from Solana on Iran', in: *EU Observer*, 2 September 2006.
[71] *France, Spain, Italy Propose Middle East Peace Plan*, Reuters, 16 November 2006.

partnership' with Russia and China is thus essential. The case of Iran is an excellent example. If Russia and China have been more constructive than perhaps expected – arguably, this united front impresses Iran more than a threat of force – it is still far from being a stable partnership. The sanctions adopted by the UNSC, for example, were considerably watered down under Russian and Chinese pressure. How to give more substance to existing partnerships is therefore another of the EU's major challenges.

The Number One Challenge: A Transatlantic Strategic Bargain

The EU's most important strategic partner is, of course, the US. Forging European unity by ending the paralyzing internal divide over the nature of this partnership is the single most important challenge facing the EU as a global actor.

Despite its long history, the transatlantic partnership is currently in flux.[72] The EU and the US share basic values and, mostly, overall objectives, but often differ considerably on the approach to achieving those objectives. More and more, their strategic views diverge, as proven by the fact that even the EU Member States that supported the invasion of Iraq opted for an alternative course of action vis-à-vis Iran. A simple comparison between the ESS and the US *National Security Strategy* (NSS) in its 2002 and 2006 editions highlights this strategic divergence. Even though it devotes more space to democracy, human rights and trade, the NSS instrumentalises these dimensions of foreign policy as a function of a single overall objective: the 'Global War on Terror'. It greatly emphasizes use of the military instrument, including, if necessary, 'pre-emptively' or even preventively, 'before [the threats] are fully formed', as stated in the cover letter to the 2002 NSS. The US pictures itself as the pillar of a unipolar world, reserving the right to act unilaterally and via ad hoc coalitions, operating via the UN only when it is in its interest. The ESS, on the contrary, advocates a holistic approach that seeks to integrate all instruments, from aid and trade to diplomacy and the military, into a structural policy of prevention and stabilization, operating through partnerships and rule-based 'effective multilateralism'. Clearly, the EU and the US view the world differently. In the words of a European diplomat: for the US, the world is dangerous – for the EU, the world is

[72] Sven Biscop, *NATO, ESDP and the Riga Summit: No Transformation without Re-equilibration*, Egmont Paper No. 11, Brussels: Royal Institute for International Relations, 2006.

complex. This divergence was, of course, pushed to extremes over the invasion of Iraq. But, as this analysis of strategic documents shows, the differences go beyond that specific issue; for the most part, it is likely to be structural.

At the same time, the EU and the US need each other to make their policies work; they must therefore find an arrangement that allows their partnership to regain effectiveness. This holds true especially for the Middle East, even though European and American strategies differ substantially. For the EU, the Israeli-Palestinian conflict remains the key – although this does not guarantee that the EU will at all times actively pursue its resolution. As many Europeans warned on the eve of the invasion of Iraq, no domino-effect of democratization would follow from toppling the regime of Saddam Hussein. Rather, significant steps towards a resolution of the Israeli-Palestinian conflict are necessary prerequisites for acquiring the legitimacy without which promotion of reform stands no chance of success. This continues to be the case as the invasion of Iraq and subsequent events have delegitimated 'the West' even further. Ending the conflict will not provide a magical solution to all of the region's problems but it will break the current deadlock and thus create great potential for a new dynamic. For one, existing regimes will no longer be able to abuse the conflict as an excuse for ignoring internal challenges. And, of course, ending this eternal conflict is a highly commendable objective in its own right. For the US, however, the conflict is much less central, especially after the invasion of Iraq, as the ongoing war has come to dominate its Middle Eastern policy to the detriment of other concerns – including that other ongoing operation in Afghanistan.[73] The US continues to steer a much more confrontational course, refusing direct engagement with actors such as Syria and Iran.

But in spite of all these differences, the EU and the US need each other's cooperation because all Middle East issues are inextricably intertwined.

First, the EU needs to engage with Syria and Iran in order to build a stable polity in Lebanon, one that integrates Hizbullah. Any initiative would certainly carry a lot more weight if it could be undertaken jointly with the US. Second, this is even truer

[73] In the words of a Democratic Congressman: 'We got our eyes off the ball – we were diverted by Iraq, while the Taliban are on the rise in Afghanistan'.

regarding the central issue for the EU – Israel-Palestine. Past experience has shown that only a concerted EU-US initiative has any hope of success in furthering the peace process as each has leverage on one of the parties to the conflict. In this regard, too, the involvement of Syria and Iran is vital. Third, with respect to the Iranian nuclear issue, an initially reluctant US subscribed to the EU-led negotiated approach, perhaps more out of necessity than out of conviction. Washington may regard the adoption of sanctions after these negotiations broke down as a shift towards its position, but a renewed diplomatic initiative is in fact the only way out of the deadlock. US engagement here as elsewhere is certainly indispensable given Iranian and American involvement in *all* of the region's security issues.[74]

The US itself needs to engage with Iran and with Iraq's other neighbouring States in order to help stabilize that country and contain the violence within its borders, regardless of whether US troops are withdrawn. As a consequence of its focus on Iraq, the US requires a major increase of European engagement in Afghanistan. Police and civilian deployments and financial assistance are needed as well as troops, to strengthen weak governance structures and allow the US to continue to concentrate its efforts on Iraq. In February 2007, the Council agreed on the deployment of an ESDP police mission. An increased European presence only make senses though – and should therefore be agreed to only by the EU – if the EU and the US agree on a long-term strategy for Afghanistan and if propitious circumstances are created in the wider region. For what use is it to pour money and forces into Afghanistan if the surrounding regions collapse? As long as the war in Iraq continues to fester, radicalization will increase together with the number of acts of violence – in Afghanistan, in the other countries of the Middle East and in Europe itself. Finally therefore, the EU needs the US to find a way out for/of Iraq as much as for the US itself.

Currently, all of these issues are dealt with to a great extent as separate strands, by different groups of actors at different levels of coordination, even though in reality, all the strands are intertwined and all the actors are mutually dependent. Ideally, what is needed is a grand strategic bargain between the EU and the US on an overall strategy

[74] On the regional dimension, see Robert Lowe and Claire Spencer (eds.), *Iran, its Neighbours and the Regional Crises*, London: Chatham House, 2006.

for the Middle East. In due course, a new 'grand' conference on the Middle East could result, involving all regional parties including Turkey and the Gulf States. But first, specific and pragmatic EU-US initiatives should be taken vis-à-vis all relevant parties. On 17 January 2007, Secretary of State Condoleezza Rice returned from a tour of the region just as Javier Solana left for his tour of the same capitals – evidently, much more coordination is needed. The question is whether Brussels and Washington can find sufficient common ground and the will to compromise.

Conclusion and Recommendations

The EU has come a long way in a very short time. But it is not a mature strategic actor yet – as the cases of Iran, Lebanon and Israel-Palestine show, certain doctrines and instruments have to be further developed. In the EU's neighbourhood, comprising the Middle East, the Caucasus and as far as the Gulf, many of the most important challenges for the world as a whole are situated. Furthermore, developments in this region are inter-related: Policies on Iran, Lebanon and Israel-Palestine are not only mutually dependent, but the room for manoeuvre is also determined by developments in Iraq and Afghanistan. In dealing with its own region, the EU must become an effective global power. That requires the EU to be 'more active', as called for in the ESS. However, if in the wake of the Lebanon crisis a new dynamic in the EU concerning the region – including the Israeli-Palestinian conflict – seemed to appeared, it quickly faded away. At the December 2006 European Council, the EU returned to its habitual declarations 'calling for', 'urging' and 'inviting' but not announcing any initiative. With regard to Iran, too, stalemate seems to have set in. Therefore, it is first of all up to the EU itself to resume the leadership role that it had voluntarily assumed when sending nearly 8,000 European blue helmets to Lebanon and leading negotiations on the nuclear issue with Iran.

Any such initiative would be greatly strengthened if it could be taken jointly with the US. In Washington just as in Brussels, the latest signs invite little hope. Even before its release in December 2006, the long-awaited Baker-Hamilton report on Iraq was downplayed by the White House as just one report among others. In spite of its call to engage with Syria and Iran, the main thrust of the 'new' strategy for Iraq announced by President Bush in January 2007 focused on augmenting the number of American

forces, with surprisingly threatening language used vis-à-vis Damascus and Tehran.[75] The US took action on Israel-Palestine but its idea of financing a build-up of President Abbas' security forces only fuelled the intra-Palestinian violence – and left the field free for Saudi Arabia to take the initiative and forge the required Fatah-Hamas agreement on a government of national unity. Further a field, the US supported the invasion of Somalia by Ethiopian forces in order to restore the Interim Government against the so-called Islamic Courts, deemed to be linked with al-Qaeda.

US persistence on a Manichean worldview leaves little room for the grand bargain with the EU that could ideally be forged. Clearly, EU objectives regarding stabilization of the Middle East according to its own principles and priorities as well as maintaining good relations with the US have become irreconcilable for now. Yet, the EU cannot afford not to act on the Middle East. As a consequence of its engagement with Iran, Lebanon and Israel-Palestine, the EU has assumed responsibilities, has created expectations and has put its reputation and its troops at risk. Without follow up, failure is certain. The clichéd image of a powerless EU will again be confirmed. Without action in support of its own strategy, the EU will suffer by association with the confrontational US strategy.

Since an EU-US grand bargain is not a priori possible, there is but one choice left: The EU must resume the initiative, even if that implies temporarily more difficult relations with the US – this is the only route to innovative policies. If EU initiatives create progress, the US can be brought on board at a later stage – similar to what originally happened in Iran.

Components of this EU initiative must be:

- Actively facilitating and mediating domestic political dialogue in Lebanon – with its troops on the spot, the EU cannot afford to wait and see.
- Forging a common policy on dialogue with Syria, vital to the stability of Lebanon.
- Resuming dialogue with Iran, starting from earlier 'carrots' and planning that dialogue as a first step towards a broader regional settlement and eventual

[75] 'Transcript of President Bush's Address to the Nation on US Policy in Iraq', in: *The New York Times*, 11 January 2007.

normalization of Iran's international position. On the agenda would be its relations with the US – which appears to be what Tehran is really interested in.

- Resuming relations with the Palestinian government and starting a dialogue with Hamas.
- Refraining from further enhancing the EU commitment in Afghanistan without a thorough review of the long-term strategy vis-à-vis the country and without a transatlantic consensus on a strategy for the broader region. Afghanistan cannot, it appears, be seen in isolation.
- Stepping up consultation with the US while keeping it fully informed of EU actions.

Hopefully, such an EU initiative will create sufficient initial progress and thus potential for greater success in *persuading* the US of the need to support it – before the collapse of US policy *force*s the EU to change course.

'Prospects for Cooperation between Israel and the European Union when Confronting the Proliferation of Weapons of Mass Destruction'

Mark A. Heller

Abstract

The proliferation of weapons of mass destruction is a common security concern of both the European Union and Israel, but overlapping or even convergent interests alone are insufficient to ensure effective joint action. Concrete non-/counter-proliferation outcomes require change of policy, of capabilities or of regime by suspected proliferators; and Europe and Israel, either alone or together, cannot achieve these effects unless they are acting within the framework of broader international coalitions led by the United States. EU-Israel cooperation on this issue ought therefore to be seen primarily as a means of bringing about a political atmosphere more conducive to implementation of the Action Plan rather than as an end in itself.

Within this context, however, there are a number of modest measures upon which agreed can be reached. The most important are regularized exchanges of intelligence and strategic assessments, discussion of contingencies for Israeli participation in any ESDP anti-proliferation operations that might eventually be adopted and Israeli contributions to any future EU-led diplomatic efforts.

The Nature of the Problem

The bilateral action plans provided for in the European Neighbourhood Policy (ENP) generally focus on enhanced cooperation in economic, commercial, technical and scientific matters. To the extent that they impinge on security affairs, it is normally under the rubric of Justice and Home Affairs; this primarily means cooperation in the struggle against organized crime, including drug and human trafficking, although JHA obviously has implications for the field of counter-terrorism. However, the Action Plan formulated to govern Israel-EU relations in the framework of the ENP also makes specific and rather detailed reference to non-proliferation of weapons of mass

destruction (WMD) and their means of delivery, a security issue *par excellence*. The relevant section contains the following provisions:

> ***Non-proliferation of weapons of mass destruction and their means of delivery, including ballistic missiles***
>
> *The EU and Israel will develop their dialogue and co-operation in this context on the basis respectively of the 'EU Strategy against proliferation of weapons of mass destruction (December 2003)' and 'Israel's vision on the long-term goals of regional security and arms control process in the Middle East (1992)', as appropriate. Accordingly, they will:*
>
> – Co-operate on non-proliferation of weapons of mass destruction, and their means of delivery including ballistic missiles, including through implementing UNSC resolution 1540/04, fully complying with and implementing at national level their existing international obligations and consider the promotion of adherence, implementation, accession and strengthening of other relevant international instruments, export control regimes or regional arrangements
>
> – Further develop co-operation and co-ordination in the prevention of and fight against the illicit trafficking of WMD-related materials, including within the framework of international forums.
>
> – Co-operate on developing effective systems of national export control, controlling export and transit of WMD-related goods, including WMD end-use control on dual use technologies and effective sanctions for breaches of export controls
>
> – Improve overall co-ordination in the non-proliferation area and the scope for co-operation in addressing this challenge
>
> – Promote incrementally regional peace and security through, *inter alia*, the relevant provisions in the Barcelona Declaration of 1995, including those relating to CBMs and weapons of mass destruction.[76]

[76] Retrieved from: http://www.eu-del.org.il/english/Proposed%20EU-Israel%20Action%20Plan.doc.

The inclusion of a reference to cooperation on WMD non-proliferation is not serendipitous. After all, the issue has figured at or near the top of almost every international security agenda in recent years and has, in important ways, become even more acute since the collapse of the Soviet Union. Following the end of the Cold War and the disappearance of two tightly controlled blocs, states with urgent security concerns began to feel less constrained by superpower patrons or allies. However, they also felt less confident that those allies could be relied on to provide ultimate security guarantees against the threat or use of force by regional adversaries or even by non-regional powers. Moreover, the ability and/or determination of one of those superpowers – the Soviet Union – to control its WMD arsenals and its technological/human infrastructure were increasingly called into doubt.

In addition, there were demonstrated breaches of the defences against WMD proliferation that universal arms control regimes were thought to provide: Chemical weapons were openly used in the Iran-Iraq war; an intrusive international inspections regime failed to detect continuing work on chemical and biological weapons in Iraq following the First Gulf War until defectors provided detailed information; North Korea and Iran were able to carry out covert nuclear weapons development activity, contrary to their obligations under the Nuclear Non-proliferation Treaty (NPT) to which both were signatories; and Libya, also a signatory, was able to make significant progress in its WMD programmes, the extent of which became known only after Libya voluntarily renounced its WMD ambitions in December 2003 and decided to 'come clean.' Moreover, the potential for the privatisation of trade in WMD materials, know-how and equipment came to be seriously appreciated with the exposure of the A.Q. Khan network (although there was considerable scepticism about the extent to which Khan, the 'father of the Pakistani nuclear bomb,' was actually operating as an independent entrepreneur rather than an agent of the Pakistani government). Finally, the effects of the terrorist attacks on September 11 included dramatically heightened concerns about the dangers of access to WMD by incoercible, undeterrable non-state actors – concerns that had originated with the Aum Shin Rikyo sect's use of sarin nerve gas in 1995 to attack the Tokyo subway system. Those concerns had nevertheless remained fairly modest until 9/11 because of the limited number of casualties (only 12 dead, although several thousand were injured) resulting from that

attack. Since 9/11, terrorists have clearly been engaged in an ongoing effort to produce ever more destructive effects.

For all these reasons, WMD proliferation is a major security concern for both the EU and Israel. The purpose of this paper is, then, to examine how and to what extent the declared intention to cooperate in addressing this threat can actually be implemented.

The Common Security Threat

Although the stipulation to cooperate on WMD non-proliferation in the Action Plan makes no specific reference to the Middle East, that region is quite clearly the major focus of joint EU-Israel concern. Neither party may be completely indifferent to proliferation challenges in other parts of the world (e.g., North Korea), but as the joint commitment to promote 'regional peace and security' suggests, the Middle East is where European and Israeli strategic interests intersect.

For the EU, this is a consequence of geographic proximity and, at minimum, the possible spill over of regional conflicts. The European Security Strategy of December 2003 makes a global assessment that 'Proliferation of Weapons of Mass Destruction is potentially the greatest threat to our security,' but it adds a specific warning about the dangers of WMD arms races 'especially in the Middle East.'[77] Moreover, the most direct danger imputed to WMD proliferation is an attack launched at or carried out on the territory of EU member-states, as is made clear in the EU Strategy Against Proliferation of Weapons of Mass Destruction'.[78] The most likely geographical source of such an attack is the Middle East. Although there was one instance in the 1980s of a missile launched at Italian territory by Libya, the risk of a direct attack on Europe by a Middle Eastern state can reasonably be assessed as low. However, recent large-scale terrorist incidents in Madrid and London, together with indicators of a possible clash between Europe and the Muslim world over issues that transcend finite political disputes (the murder of Theo Van Gogh in Amsterdam, the riots in Paris, the 'cartoon controversy'), have raised serious concerns about escalating violence, possibly involving the use of WMD.

[77] Retrieved from: http://www.eu-del.org.il/english/European%20Security%20Strategy.doc.
[78] Retrieved from: http://ue.eu.int/uedocs/cmsUpload/st15708.en03.pdf, p. 4.

Israel, of course, is even more vulnerable to WMD threats. That is a function, first of all, of its physical and demographic circumstances: Israel's territory is but a fraction of Europe's, and its population (along with its vital infrastructure, industry and transportation/communication nodes) is concentrated in a narrow strip of coastal plain stretching for about 150 kilometres from just north of Haifa to just south of Tel Aviv. More to the point, Israel is involved in a protracted conflict with Palestinians that also implicates other elements of the Arab and Muslim world, some of which continue to admit that their objective remains the destruction of Israel.

The most graphic declarations in this spirit have come from President Mahmoud Ahmadinejad of Iran, the country most determined and most likely (barring effective intervention by outside actors) to develop a military nuclear capability. The greatest international attention has focused on Ahmadinejad because of his stated insistence that Israel should be wiped off the map, but similar convictions have been consistently voiced by the Iranian political leadership ever since the Islamic Revolution of 1979. Ayatollah Ruhollah Khomeini himself declared, 'Every Muslim has a duty to prepare himself for battle against Israel.' But even the so-called reformist, President Mohammad Khatami, told Iranian television that '[w]e should mobilize the whole Islamic World for a sharp confrontation with the Zionist regime.' Khatami's predecessor, Ali Akbar Hashemi Rafsanjani, offered something of a cost-benefit analysis and concluded: 'If one day, the Islamic world is also equipped with weapons like those that Israel possesses now, then the imperialists' strategy will reach a standstill because the use of even one nuclear bomb inside Israel will destroy everything. . . . It is not irrational to contemplate such an eventuality.'[79]

In brief, Israel has, if anything, an even more urgent need than does Europe to prevent the proliferation of WMD in the Middle East, to states and to non-state terrorist actors alike.

The Policy Challenge

[79] Quotations taken from Michael Rubin, 'Iran Means What It Says,' AEI Online, 25 January 2006, retrieved from: http://www.meforum.org/article/892.

However, overlapping or convergent interests do not necessarily provide a self-evident basis for effective joint action. Cooperation on this issue may serve as another vehicle with which to promote European-Israeli ties and facilitate implementation of the agreed Action Plan. Yet, cumulative experience indicates that Europe and Israel, acting either alone or together, cannot by themselves stop or even significantly retard plans of determined proliferators.

As the previous discussion indicated, the list of possible Middle Eastern proliferators is rather long. In addition to Libya and Iraq, states that have a previous and/or ongoing interest in the development or procurement by others means of chemical, biological, radiological or nuclear weapons and of ballistic missiles and other delivery systems include Egypt, Syria, and Saudi Arabia, as well as Algeria to the west and Pakistan to the east; some of these states (Egypt in Yemen, Iraq during the Iran-Iraq War, and perhaps Libya in Chad) have already used chemical weapons against either foreign or domestic adversaries. More recently, six Arab states in the Gulf – apparently in response to failed efforts to persuade Iran to change course – have publicly considered plans to explore the possibility of developing their own nuclear infrastructure – albeit dedicated to peaceful purposes – as has Egypt. Terrorist organizations and individuals have also experimented – thus far unsuccessfully – with ideas for mass-casualty attacks (e.g., plans to poison water supplies in Rome and to spread anthrax through the mail in the United States).

At the present stage, however, the most urgent and worrisome concern focuses on the combination of missile capabilities and nuclear weapons development programs by a radical Islamist regime in Iran – for reasons that require little elaboration except to Iranian spokesmen and their most ardent apologists. Iran possesses the financial and natural resources as well as the technological infrastructure needed to proceed regardless of European and Israeli attitudes. To divert a state like Iran from its chosen course requires at least one of three possible developments:

1) A change in policy following a change in the government's incentive structure (as happened in Libya) through inducements, non-military coercion (i.e., sanctions), or some combination of the two;
2) A degrading of material capabilities through pre-emptive military action;

3) A change of regime (as happened in Argentina and Brazil and as anticipated in South Africa when those states dismantled their nuclear capabilities).[80]

The European Union is not a potential partner in pre-emptive military action; nor will it subscribe to any plans to precipitate regime change. Nevertheless, efforts to change the incentive structure underlying Iranian policy have little chance of being effective in any meaningful time frame without intense engagement by the broader international community, including at least the United States (whose involvement was instrumental in bringing about Libya's change of course) and other major non-EU suppliers of the materials, expertise and political cover (such as Russia, China, and even North Korea and Pakistan) essential for the development of WMD and ballistic missile capabilities in the Middle East. In short, concrete achievements on non-proliferation, unlike the other issues in the Action Plan, cannot really be advanced by EU-Israel bilateral cooperation alone; if they are to be pursued with any effect, they must be pursued through broader, multilateral coalitions.

What is to Be Done?

If this premise is valid, then bilateral EU-Israel cooperation on non-proliferation must be seen primarily within the framework of measures to enhance the political-psychological environment in which the Neighbourhood Policy is being advanced. In other words, WMD-related action can be seen not so much as an end in itself but rather as an instrument to promote a broader political agenda. That does not preclude the possibility of deepening bilateral engagement in whatever strategic space circumstances allow. There is, for example, ample scope to institutionalize intelligence exchanges and establish mechanisms for periodic joint assessments of WMD developments and proliferation challenges in the region. Such forums would foster better Israeli understanding of ESDP deliberations and improve appreciation of ongoing concerns on both sides – especially at the professional level.

[80] Given the apparently widespread national support for development of nuclear capabilities, a regime change might not result in Iran abjuring future nuclear ambitions. After all, acquisition of nuclear know-how, materials and equipment began under the Shah's rule, before the Islamic Revolution. Yet, a post-Islamic nuclear Iran might at least be less disquieting to the rest of international community, if not to its immediate neighbours.

In practice, however, any added value of European-Israeli cooperation on the WMD issue will depend on the extent to which it contributes to American-led efforts to change proliferators' policies and/or regimes, or at least to contain the consequences of the behaviour of suspected proliferators. As experience in a slightly different context shows, that added value is not altogether negligible. After all, NATO has explicitly solicited cooperation and coordination with Mediterranean Dialogue partners (especially Israel) in Operation Active Endeavour, which was established in 2001 to deter and detect terrorism-related maritime traffic in the Mediterranean, including the smuggling of WMD.[81] It has also invited and received proposals for enhanced cooperation on a range of issues – including WMD proliferation and arms control – within the framework of the 2004 Istanbul Cooperation Initiative. Some who define the risk of nuclear, biological, chemical or radiological attack and the illicit movement of such weapons or their precursors as the primary threats facing NATO in the future consider Israel's potential contribution in meeting these threats significant enough to warrant its inclusion in a transformed alliance.[82] Of course, intense debates (as part of a broader controversy over the material expression of ESDP) have been held about whether the EU can or should establish parallel interdiction operations that would essentially replicate what NATO is already doing. One model might be the *ad hoc* US-initiated Proliferation Security Initiative in which European states, along with Australia and Japan, play a prominent role. The counter-arguments in recent years appear to be sufficiently weighty to suggest that operational cooperation of this sort will not be an issue on the near-term EU-Israel agenda. Should that ever change, the same sorts of considerations that already inform NATO-Israel cooperation will probably come into play in an evolving Action Plan.

However, there is a more immediate dimension to the issue of Israel's possible role in any complementary US-EU policies. That dimension relates to situations in which the US endorses the idea of Europe taking the lead in counter-proliferation diplomacy, similar to the case of EU-3 (Britain, France and Germany) efforts to engage Iran in

[81] Retrieved from: http://www.nato.int/issues/active_endeavour/in_practice.html.
[82] See, for example, *Fundacion para el analisis y los estudios sociales*, *NATO: An Alliance for Freedom* (Madrid, 2005). A similar suggestion was raised by Italian Defence Minister Antonio Martino in advance of an informal meeting of NATO defence ministers in February 2006, retrieved from: http://www.agi.it/english/news.pl?doc=200601301744-1214-RT1-CRO-0-NF82&page=0&id=agionline-eng.italyonline.

the hope of persuading it – by peaceful means – to comply with its obligations under the NPT not to develop nuclear weapons. The question here is not so much about Europe's ability, on its own, to achieve any notable results: The EU-3 has effectively given up any hope of achieving Iranian compliance by direct negotiations. It has thus agreed to support US demands to get the International Atomic Energy Agency to refer the Iranian issue to the Security Council (although an expanded Group of Six – the EU-3 plus the United States, Russia and China – continues to take the diplomatic lead). Instead, the question has shifted to whether Israel can cooperate with the EU in order to enhance whatever Europe's ability in that respect might be in the future. Regional proliferators or potential proliferators often try to link their WMD postures to the non-conventional capabilities attributed to Israel. Indeed, recent rhetorical excesses by Ahmadinejad suggest that Iran is actually hoping to recast its confrontation with the US, the EU, the West, or the IAEA as an Iranian-Israeli issue; recurrent statements by leaders in Egypt and other Arab/Third World states indicate a certain responsiveness to this approach, even if (as in the case of some Gulf states) Iranian capabilities are of far greater intrinsic strategic concern to them than to Israel. Consequently, it might be argued that Israel could help undermine the pretexts of proliferators like Iran for resisting policy changes, or at least minimize the regional and international indulgence of those pretexts.

In practice, however, Israel's operational policy, as outlined in the paper 'Israel's Vision on the Long Term Goals for the Regional Security and Arms Control Process in the Middle East,' originally prepared for the multilateral working group established at the Madrid Conference in 1991 and to which the Action Plan refers, leaves little room for concrete steps to reduce or eliminate any WMD that may be attributed to it. This policy likewise limits Israel's manoeuvrability when responding to exhortations by others to adhere to global arms control (especially nuclear arms control) regimes before the appropriate regional environment is created. More specifically, Israeli policy has consistently grounded such steps in the broader context of regional confidence-building measures and comprehensive peace agreements, implying a sequence that leaves the material dimensions of the 'Israeli problem' in Middle Eastern WMD to a later stage. Most critically, the 'Vision Paper' states that 'Progress in RS & AC [regional security and arms control] will be made in parallel with the resolution of conflicts and commensurately with the evolution of relations of peace between the

states and peoples of the region.' It also insists that any movement on regional security and arms control be based on direct negotiations between the regional parties, leaving little significant space for outside actors, including the EU. While the EU would probably prefer Israel to be more forthcoming in this respect, particularly concerning adherence to the Nuclear Non-Proliferation Treaty, the reference to the 'Vision Paper' as one of the bases of EU-Israel consultation and cooperation as well as the joint commitment in the AP '*to consider* the promotion of adherence, implementation, accession and strengthening of other relevant international instruments' [my emphasis] rather than simply to adhere, implement, etc., indicates that Europe has basically accommodated itself to Israel's position and has no expectations of a significant change in the foreseeable future.[83]

Of course, that does not preclude a more conciliatory declaratory posture. For example, Israel could reiterate its willingness to discuss regional stabilisation measures, including a Weapons of Mass Destruction Free Zone in the Middle East. After all, commitment to an eventual WMDFZ is formally part of Israel's policy, as stated in the 'Vision Paper' and incorporated into the 1994 Israeli-Jordanian Peace Treaty. But even Israeli statements meant to facilitate European efforts to address whatever genuine security concerns may underlie Iranian policy – perhaps by convening expanded regional security consultations – cannot be translated into concrete diplomatic currency in the absence of Iranian willingness to recognize Israel as a legitimate regional actor or at least to participate together in the same fora. That is something that Europe cannot deliver. It is therefore evident that even with respect to some putative Euro-American division of labour, the potential contribution of Israeli-EU cooperation to a European-led effort to deal diplomatically with WMD proliferation problems, whether in the narrow context of Iran or in some broader regional context (which would also require Iranian participation), is quite limited.

Conclusion

Summary

The proliferation of weapons of mass destruction is acknowledged to be a common security concern for the EU and Israel. But of all the issues addressed in the proposed

[83] For further elaboration of this argument, see Raffaella A. Del Sarto, 'Israel and the EU: An Enhanced Political Co-operation,' in this collection.

EU-Israel Action Plan, WMD proliferation is perhaps the least amenable to effective joint action. That is because of the intrinsic nature of the challenge, which is mainly to produce desired effects on third parties rather than on the two protagonists themselves. For the most part, effective non-/counter-proliferation requires a change of policy, capabilities or regime, and Europe and Israel, either alone or together, are not capable of producing these effects. These, instead, depend on comprehensive international action led by the United States as well as Russia, China and other regional actors, including the leading Arab states. EU-Israel cooperation on this issue therefore ought to be seen primarily as a means of bringing about a political atmosphere more conducive to implementation of the Action Plan rather than as an end in itself.

Operational Recommendations

Within this framework, however, there are a number of modest measures to which the two parties can agree. The most important are:

1) Regularised exchanges of intelligence and strategic assessments,
2) Discussion of contingencies for Israeli participation in any active ESDP anti-proliferation operations that might eventually (albeit improbably) be adopted, and
3) Declaratory and – to the maximum extent consistent with established policy – practical Israeli contributions to EU-led diplomatic efforts, which have thus been disappointing although a possible future revival of these efforts cannot be categorically excluded.

European Views of the Israeli-Palestinian Conflict: The Contribution of Member States to Framing EU Policies

Dorothée Schmid

Abstract

Despite long-term involvement by many European diplomats, the EU's political role vis-à-vis the Israeli-Palestinian dispute has never been fully recognised by other players. For many years, the European contribution was more or less limited to a continuous expression of principles. Yet, since Oslo, the EU has engaged in more concrete action with little increase in its visibility or popularity as a broker between the two parties. The main explanation for this lack of political authority is the continued hesitancy to transfer responsibility the Israeli-Palestinian file to common European institutions because of the conflict's special status when compared to other diplomatic issues. A list of rather stable parameters, which mix domestic constraints with each state's diplomatic tradition, determine the degree of interest and involvement expressed by European states in Middle Eastern affairs. According to this combination of parameters, the "big three" (France, Germany and the UK) logically dominate the scene although other member states (Italy, Spain) have become more vocal, especially after the summer 2006 crisis. These players tend to engage more and more in *ad hoc* coalitions once deciding for greater national commitment. The result, if not always immediately visible, confirms the EU's status as a political actor.

Introduction

Since 1973, the Middle East has been a field for experimenting with the construction of a common European diplomacy. Paradoxically, Europeans have managed to reach more convincing results there than in other areas of intervention. For the last 35 years, the Israeli-Palestinian file has regularly mobilised teams of dedicated European

diplomats; yet, the EU's political capacity to influence the situation on the ground has never been truly recognised by other players.[84]

Despite the classic parameters constraining the formation and implementation of European external policies, an interesting paradox has arise, in which EU responses to the Israeli-Palestinian conflict have been perceived as relatively unified.[85] At the same time, it appears that the European public and governments remain far from entirely reconciled around a common vision of the issue. Yet, the apparent EU-level consensus cannot be dismissed as a simple illusion even though the conditions of its emergence certainly explain some of the practical difficulties encountered later, at the implementation stage.

The purpose of this paper is to try and trace the influence of national interests and diplomatic traditions on the framing of a common European policy vis-à-vis the Israeli-Palestinian issue. Our hypothesis is that the confrontation between the member's differing national visions accounts for most of the shortcomings observed in EU diplomatic efforts to mediate or resolve the Israeli-Palestinian conflict.[86] Yet, this continuing confrontation also spurs European creativity, as demonstrated by the EU's conceptual and legal progress over recent decades. Some nuances should thus be introduced when assessing the positive versus negative impacts of national priorities on the common EU vision.

The EU and the Israeli-Palestinian Issue: A Steadily Increasing Effort

For several decades, the European contribution to the Israeli-Palestinian issue was actually limited to a common expression of principles, starting with a joint disapproval of the use of violence, supporting UN resolutions as a basis for a fair

[84] Dorothée Schmid, L'Union européenne au Moyen-Orient : une présence en mal de politique, *Ramsès*, Paris: Dunod, 2007, 127-136.

[85] At least by external players, whether competing powers like the US or the conflict's protagonists. On the Europeanisation of member states' Mediterranean and Middle East policies see for example Alun Jones, 2006, Narrative-Based Production of State Spaces for International Region Building: Europeanization and the Mediterranean, *Annals of the Association of American Geographers*, 96(2), 2006,415-431. For a general view of the European paradoxical stance on the Middle East, see Dorothée Schmid, Les Européens face au conflict israélo-palestinien: un front uni paradoxal », *Défense nationale*, 62(8-9), 119-132.

[86] On the role of the EU as an honest broker, when compared to the US contribution, see Stephan Calleya, Shai Moses and Dorothée Schmid, *Mapping European and American Economic Initiatives towards Israel and the Palestinian Authority and Their Effects on Honest Broker Perceptions*, a EuroMeSCo Report2006.

settlement of the conflict, then gradual consideration of Palestinian self-determination. The common European stance toward a final settlement of the conflict appears to be rather clear and stabilise at present: The EU supports the two-state solution, provided that the security of Israel is ensured and the Palestinians improve their democratic credits. Since the early 1990s, CFSP's progress has allowed Europeans to take concrete steps contributing to conciliation.

Unfortunately the devil may lie in the details or, to be more precise, in the absence of details, especially in this European–Middle Eastern context. The building of a common European consensus actually implies a good deal of vagueness regarding how to proceed on the ground to reach supposedly common objectives. It has often been said that the EU's role was restricted to an essentially declaratory contribution, to be realized through economic efforts.[87] The EU has in fact been an active political contributor at different stages, arguably compensating for American disinterest and/or lack of commitment over the last ten years.[88] Europeans have mobilised about all the institutionally available resources to demonstrate their increasing political commitment. Among the most visible recent achievements is the close co-operation exhibited by European governments when drafting the Roadmap; the Commission's participation, with the assistance of member states, in organising and monitoring the Palestinian election process, a true institutional success; the EU continued endorsement of the role of third parties in controlling operation of the Rafah Crossing Point after Israel's disengagement from Gaza; finally, the spontaneous enrolment of several EU member states in the re-vamped UNIFIL to secure the Israeli-Lebanese border following the Second Lebanon War, summer 2006. All of these landmarks plead for a revised assessment of the European role. Instead, the main outcome of all this activity was a new wave of criticism denouncing the EU's incapacity to act in a consistent and intelligible way.

[87] Rosemary Hollis, Europe and the Middle East: Power by Stealth?, *International Affairs*, 73(1), 1997,15-16; Rosemary Hollis, The Israeli-Palestinian Road-Block: Can Europeans Make a Difference?, *International Affairs*, 80(2), 2004, 191-255.

[88] Stephan Calleya, Shai Moses and Dorothée Schmid, *Mapping European and American Economic Initiatives towards Israel and the Palestinian Authority and Their Effects on Honest Broker Perceptions,* a EuroMeSCo Report, 2006, 9-15.

Blurred Perception of a Confused Player

All the steps mentioned previously are indeed rather concrete and provide a rather fair picture of Europe's wide-ranging know-how of conflict prevention and, possibly, conflict resolution. Still, the EU is generally perceived by parties to the Israeli-Palestinian conflict as a secondary player, whose neutrality is often questioned. For the Palestinians, the EU is a constrained and timid actor, who generally does not take sides but ultimately aligns itself with American preferences.[89] European neutrality is also very much questioned by the Israelis, who sometimes rhetorically envisioned the EU as a strategic threat.[90] The perception of the EU as an active contributor thus seems to closely depend on the intensity of the American presence, with European input often considered by both parties to the conflict as a natural counterweight to American influence.

However, when one digs deep enough, the EU in fact seems to arouse rather contradictory feelings among Israeli and Palestinian citizens and decision-makers, all probably derived from a partial appraisal of European policies in the region. The source of bias is rather easy to locate: Given the complexity of EU's decision-making system, local stakeholders tend to rely more on their perception of the member state's views and strategies regarding the conflict than on common European declarations. The image of the EU as an autonomous and efficient actor is thus essentially blurred by the competing national discourses and initiatives coming from its member states.

Lasting National Trends

The effective impact of national diplomacies on the framing of a common EU policy regarding the Israeli-Palestinian conflict is far from negligible. Common sense and a basic knowledge of recent European history indicate that some strong political and cultural constraints impede open expression in the region of their positions by some European states. Most notably, we assume that the historical fundamentals and traumas that feature as enduring parameters impacting on national European diplomatic efforts in the Middle East have not declined with time nor been diluted

[89] See for instance the Palestinian Peace Pulse poll published by Near East Consulting, http://www.neareastconsulting.com/surveys/peace/.

[90] As an illustration of the recurrent "European threat" theme, see for example Gerald M. Steinberg, Learning the Lessons of the European Union's Failed Middle East Policies, *Jerusalem Viewpoint*, no. 510,2004; Manfred Gerstenfeld, Europe's Mindset Toward Israel as Accentuated by the Lebanon War, *Jerusalem Viewpoint*, no. 547, 2006, http://www.jcpa.org/.

with progressive European integration. For some EU member states, notably the UK, France and Germany, the Israeli-Palestinian file is a permanent source of contradiction, simultaneously making a case for obligatory responsibility and impossible commitment. In practice, these members and others do effectively contribute to the formation of a common European solution, but with caution and a good deal of national self-restraint, given that their respective visions are often at odds even if not systematically publicised.

This paper specifically aims at exposing the specific influence of the national priorities of some member states on EU policy-making regarding the Israeli-Palestinian issue. We will try to map the preferences of European states and confront those preferences with the actual results of EU diplomacy. By doing so we will try to understand how alliances work within the EU decision-making system when devising new common solutions or advancing national priorities.

The Long-Term Issue of European Consistency vis-à-vis the Israeli-Palestinian Conflict

Framing a consistent and meaningful common European doctrine with respect to the Israeli-Palestinian conflict seems to have been a constant preoccupation for European states since the 1970s, apparently allowing effective and co-ordinated action when internal – mainly EU institutional reform processes – and external – the situation in the Middle East – parameters opened the way for more concrete steps. Until now, the truly indisputable progress of the European doctrine has not necessarily entailed a more convincing practice on the ground. The range of efforts undertaken since signing the Oslo agreements in 1993 is certainly wide and impressive, yet the EU's actions are generally described as dispersed or lacking political rationale.

EU and the Conflict: The Capabilities-Expectation Gap Revisited

Strangely enough, the EU gradually became involved in several rather directly political processes and initiatives in the very recent past without, however, using these concrete steps to form a basis for endorsing a more global political responsibility. The EU's sustained participation in the reform of the Palestinian institutions since 2003, its capacity to feature as a third party for border management after Israeli disengagement from Gaza, its fundamental contribution to the organisation and

monitoring of the Palestinian election process, all proved that European presence is more determined. Yet, the Europeans did not really conceptualise these actions as mechanisms for gaining the leverage necessary to implement their long-standing consensual view of how to solve the conflict. They hardly ever communicate their unmatched comprehensive contribution to reconciliation in the field and do not use their successes as building-blocks to increase influence.

Such political timidity suggests that we briefly revisit the old "capabilities-expectations" model proposed by Christopher Hill over ten years ago to explain the growing disillusion regarding the EU's external policies.[91] The results achieved by the EU in the Middle Eastern cannot really pass the test of Hill's system of excuses (lack of institutional cohesion, lack of resources, and lack of adequate instruments of action). The EU's special international profile, its intermediate institutional status and its capacity to mobilise economic instruments for political purposes, its standing ability to develop new styles of action congruent with a mission of conflict prevention – from security sector reforms to border surveillance – have all been proven recently as more of an advantage than a hindrance in the conflict's context. At present, one could probably argue that the EU as a collective entity seems to be in a better position to influence the course of events and to sporadically manifest its intentions. Yet, most of the time, the EU usually refrains from exerting full political responsibility even under improved conditions.

The European Doctrine About the Conflict: An Achievement Per Se?

The "invention" of a common European doctrine regarding the conflict has been a long and rather obstinate process, begun under the auspices of the European Political Co-operation frame (EPC) in the 1970's and pursued through the 1980s and the 1990s in parallel with the construction of an embryonic Common Foreign and Security Policy (CFSP), now made consistent with European Security and Defence Policy (ESDP) exigencies. Until Oslo, the Israeli-Palestinian file actually seemed to be the favourite topic for common co-ordination efforts among European governments;[92] the

[91] Christopher Hill, The Capability-Expectations Gap, or Conceptualizing Europe's International Role, *Journal of Common Market Studies* 31(3), 1993, 305-328.

[92] On the frequency with which the topic appears in EPC documents, especially in the 1970s, see David Allen and Anders Pijpers (eds.), *European Foreign Policy-Making and the Arab-Israeli Conflict*, The Hague: Martinus Nijhoff1984.

Oslo interim agreements marked a renewed impetus as they allowed for more concrete presence on Palestinian ground in support of nascent Palestinian institutions.

Building internal consensus between European states over what should be the ideal route to exit from the long-term Middle Eastern deadlock was never an easy affair. The role played by a few key member states should already be stressed at this stage; the specificity of the Franco-German contribution should be recognised, culminating in a few political coups ranging, from the Venice (1980) to the Berlin declaration (1999),[93] which were largely inspired by the Paris-Berlin team. The Road Map, issued in April 2003, was drafted after the German "Fischer Plan" of Spring 2002 and re-elaborated by the European Commission after final input from EU's Danish president.

As to the contents of the European doctrine, we should recall that the EU was a pioneer in advocating an independent Palestinian state. The *ultima ratio* of the European vision is now fixed: Its final objective is to allow two fully sovereign democratic states to exist side by side in peace and security, within bilaterally agreed upon and internationally recognised borders. What remains vague is the actual method that the EU would recommend to reach such a balanced objective in practical terms. Yet, the remarkable consistency of the cognitive process and the not-so-hollow contents of the present EU stance turn the entire exercise of doctrine-building into a success *per se*.

A Wider Set of Tools, Less Practical Consistency

In line with the preceding statement, one can consider the legality resting at the core of EU contributions to a solution to the Israeli-Palestinian conflict.[94] The EU has always advocated respect for UN resolutions, regularly summarising the state of affairs in new legal documents in addition to writing declarations to be endorsed by the international community through the Quartet.

[93] The Giscard-Schmidt team was particularly efficient in the late 1970s and apparently set the pace for later enduring and conciliatory co-operation on the issue. See Isabel Schäfer and Dorothée Schmid, Ein Tandem für Nahost, *Internationale Politik*, 61(2), 2006, 88-94.

[94] Elena Aoun, European Foreign Policy and the Arab-Israeli Dispute: Much Ado About Nothing?, *European Foreign Affairs Review*, 8(3), 2003, 289-312.

The second main European route to exercise influence is the economy. Europeans are leading contributors to the Palestinians, standing first among donors when member states' financial assistance is added to the Commission's envelope. At the same time, the level and intensity of the EU's commercial relationship with Israel is unmatched in the Mediterranean context. All of this theoretically provides Europe with the leverage-creating instruments necessary to impact on the frame of integrated regional development policies.

More recently, the CFSP opened new channels for action, all of which have been rather convincingly tested in the Israeli-Palestinian context: Beyond issuing common positions, several common actions were taken, all with a view to consolidating Palestinian institutions (managing elections, providing training for the Palestinian police) or ameliorating the contentious climate (e.g., managing the Rafah border crossing).

In effect, the variety of instruments currently at the disposal of the EU pleads for exertion of increased European political weight. But this display of capacities clearly lacks the fully integrated vision needed to express its potentialities. Furthermore, the existence of a wide set of national co-operative frameworks between EU member states on the one side, and Israel and the Palestinian Authority on the other, complicates the picture even further. More political will is needed to subsume the existing tools of intervention under a commonly agreed upon doctrine, as expressed in CFSP declarations and publicised largely through European participation in the Quartet. The widening of the EU's scope and capacity for intervention unfortunately enhances the classic difficulty of inter-state conciliation, which echoes quite specifically on Israeli and Palestinian soil.

European States and the Israeli-Palestinian Issue: The Impact of Distinct Preferences

A number of authors have insisted for years that a major difficulty preventing EU member states from engaging in a common diplomatic path is that such a step would deprive them of the most essential and symbolic expression of national sovereignty: foreign policy. Our hypothesis relating to the Israeli-Palestinian file is that this issue precisely touches on some very specific aspects of some European self-defined

national interest. The Israeli-Palestinian question, we argue, pertains to the less "Europeanisable" zone of foreign affairs.

Remaining national preferences: What is their effective impact on common policies

When observing the various national expressions of attitudes toward the conflict, a rather broad variety of sensitivities may be detected. Together they illustrate what Costanza Musu calls a system of "converging parallels": national preferences coupled with an overall tendency towards diplomatic convergence.[95] Our main concern here is to examine how precisely the national contributions of member states, rooted as they are in specific national preferences – understood here as national diplomatic traditions and priorities – hinder the making of a common EU policy. Correlatedly, we ask whether that diversity should instead be considered as a major source of conceptual richness, accounting for the EU's sense of anticipation in shaping an international consensus over the Israeli-Palestinian issue.

The continuing process leading to the adoption of common EU positions shows that some consensus was reached in the past on a few important political principles, notably Palestinian rights. If one excludes the possibility of repeated errors, such as declarations being considered by governments as costless moves because they are not legally binding – alternatively, one could admit that they appear politically binding to domestic audiences – the core message conveyed here remains important and credible although occasionally contradictory to national convictions. The spectrum of political differences between member states is rather broad, with the probability of intra-EU clashes over Israeli-Palestinian matters remaining high. Thus, sustaining national channels of expression and co-operation could provide some compensation by concretely enlarging the member states' room for manoeuvre. In other words, the member states would sometimes pretend to be constrained by the common European frame and temporarily stand against it; at other times they would praise the EU's efforts and align themselves completely with the EU position.

[95] Costanza Musu, European Foreign Policy: A Collective Policy, or a Policy of Converging Parallels, *European Foreign Affairs Review*, 8(1)2003, , 35-49.

Searching for New Degrees of Freedom

While the possibility of national preferences blocking the formation of a common policy is often evoked, what should indeed be explored in greater detail is how these preferences have also have contributed to the progress of a common EU doctrine. This was achieved in two ways: First, national contributions provided the true basis for European doctrine; second, maintaining parallel national tracks would have allowed the most-concerned member states to make bolder moves within the EU frame. Arguably, the dialectic of European and national discourses has produced different outcomes when one differentiates between doctrine and effective policies: as suggested earlier, agreeing on principles is easier than acting together in practice. The dialectical characterising the interaction mechanism between the EU and the national level is most clearly disclosed when firm action is required, as will be illustrated by case studies from 2006. The national level remains constrained by national preferences although it is also a reservoir of national energy. Governments tended to use the European level as a pretext or excuse to smuggle in some innovations that national audiences might not be prepared to accept, or as a convenient tool when a change in scale was needed for action. In other words, the EU apparatus is considered as a permanently available instrument, to be developed as a platform along which member states would be free to move forward or to retreat, depending on circumstances.

Further inquiry inside the consensus-building process activated between member states should help us shed more light on the finalities pursued through – or in spite of – Europeanisation of Middle East policies.

Sources of Disagreement: The Main Parameters Determining Member States' Involvement in the Israeli-Palestinian Issue

Even superficial observation reveals that some states are more active than others as to fuelling European activity on the Israeli-Palestinian question. Some appear to have rather long-term, entrenched convictions that are echoed through European channels whereas others appear to behave in a more volatile manner, which means they only marginally influence the process.

The willingness or capacity of different member states to perform through the embryonic common European structure in order to advance solutions along the Israeli-Palestinian track depends on the parameters to be listed subsequently. All these variables can be organised along a continuum, drawing a kind of ideal path extending from national concern to European commitment on the issue. Few member states are affected by all the variables and even fewer will follow this path to its end. Categorising these guiding variables will therefore help us isolate the main protagonists of our story.

National History and Diplomatic Traditions in the Region: A Legacy of Complicities

The most immediately relevant parameters relate to the historical involvement of European members states in the region or, stated differently, their past relationships with the conflict's protagonists. Geographic considerations indeed seem to be less relevant than common history, probably because no European state shares a physical border with Israel or the Palestinian territories, whereas the psychological junctures are concrete and numerous.

Many EU member states have had their share of history in the region or built at least partial foundations for a special relationship with one or the other camp. Yet, some historical events appear to have been more consequential for the intensity and the types of interests currently manifested in Israeli-Palestinian affairs. The three historical events that appear to have had a more marked impact are: 1. A former political presence in the Middle East as colonial powers, namely, France and the UK; 2. Implication in the Holocaust, such as Germany and Austria, in addition to occupation by the Nazis during World War II, for instance, Poland, Hungary, the Czech Republic, Slovakia and France; 3. Nature and strength of the political link established with the United States, a criterion that applies to all EU member states although in separate ways, given the present pre-eminence of American influence on world affairs. The relevance of this third criterion for Europe lies in the supposedly unique capacity of the US to efficiently interfere in Israeli policymaking.

The combination of these three variables within a single state implies maximum interest in the Israeli-Palestinian issue at the societal and the governmental level, in addition to a tendency for national involvement in the Middle Eastern diplomatic

scene. France probably presents the most interesting combination: its former colonial presence in Syria and Lebanon exacerbates sensitivity to Israeli-Arab matters; a problematic and still not completely exposed contribution to the "final solution" by the *régime de Vichy* in 1940-1944, complemented by current outbursts of anti-Semitism resulting from social disintegration and the presence on French soil of an important, politically sensitive Jewish community of 600 000;[96] finally, a tradition of anti-Americanism among the French elites at the same time that France remains a central player in trans-Atlantic co-operation.[97] This very specific combination is the source of what has often been called a "French passion", that is, a permanent and vivid interest of the French public and French decision-makers in dealing with the Israeli-Palestinian dispute.[98] In the case of the UK, a sense of primary historical responsibility for the creation and protection of the State of Israel is combined with a record of anti-Nazi national resistance and a supposedly indestructible political and military alliance with the US. As for Germany, the shadow of the Holocaust long met a firm pro-American stance to inspire a strongly pro-Israeli appraisal of the Middle East conflict. Current German public opinion, in the aftermath of the Cold War and the beginning of the US campaign for their "War on Terror", appears a bit more volatile.[99]

These three states undoubtedly have the weightiest historical reasons to feel deep concern regarding the Israeli-Palestinian dispute. One should also mention the diplomatic tradition of Spain and Italy in the Mediterranean, which explains their renewed interest in Israeli-Palestinian affairs. As far as the trans-Atlantic link is concerned, the pro-American camp (previously the UK and the Netherlands in the main) has been seriously reinforced with the last EU enlargements. Most new member states share a spontaneously Atlanticist leaning, intended to rebalance the record of

[96] Esther Benbassa, La république face à ses minorités. Les juifs hier, musulmans aujourd'hui, Paris: Mille et une nuits/Fayard2004.
[97] A seen from the United States: Kenneth R. Timmerman, *The French betrayal of America*, New York, Crown Forum, 2004.
[98] The metaphor of « "passion" » being is very systematically used by serious analysts, see for instance example Avi Primor, *Le triangle des passions: Paris-Berlin-Jérusalem* (A Triangle of Passions: Paris-Berlin-Jerusalem), Paris: Bayard-Culture, 2000 (Paris-Berlin-Jerusalem: a triangle of passions); Elie Barnavi, 2002, *La France et Israël. Une affaire passionnelle* (France and Israel: A Passionate Relationship), Paris:, Perrin, 2002 (France and Israel: A Passionate Relationship); Denis Sieffert, 2004, *Israël-Palestine, une passion française* (Israel-Palestine: A French Passion), Paris:, La découverte, 2004 (Israel-Palestine: a French passion), etc.
[99] Isabel Schäfer and Dorothée Schmid, *artop. cit*.

decades spent under Soviet domination. Poland, the Czech Republic or Slovakia belong to this camp; their new diplomatic ambitions made a difference when forging the coalition to wage war in Iraq. These central European states are also revisiting their past relationship with their Jewish communities of late and developing a new interest in Israel's future.

The Level and Style of Diplomatic Activity

To complete our guide to European activity on the conflict, one should probably go back to the basics of power. The Israeli-Palestinian dispute is an extremely complex and politically touchy issue, appealing to skilled diplomatic teams enjoying rather high political profiles. Only France and the UK, the two European middle powers, immediately stand out among the candidates, chiefly because they are the EU's strongest military actors.

States that have a tradition of neutrality (the Scandinavians), or hesitate to engage abroad (Germany) tend to be more ambivalent. Nonetheless, Germany's progressive reassertion as an international actor since reunification makes it a rising potential contributor. Coming after the 2001 Afghan episode, the recent crisis in Lebanon has shown that Germany is ready to ensure its military presence in various theatres.[100] Among the new member states, Poland seems rather eager to demonstrate its foreign policy abilities and is often cited as a potential new player for those same reasons.[101]

The special interests of neutral or small states can also make a difference in mediating conflicts. Furthermore, the Israeli-Palestinian issue has in many ways become an obligatory item on the agenda even for small states just because they joined the EU. Assuming the presidency of the Union naturally implies new responsibilities in this direction. An interesting illustration can be found in the unexpected commitment of the Finnish presidency to facing all the difficulties emanating from Israeli's Second Lebanon War in summer 2006.[102]

[100] On Germany's new posture in the international scene see Regina Karp, The New German Foreign Policy Consensus, *Washington Quarterly*, 29(1), 2006, 61-82.
[101] Various interviews; French Ministry of Defence, *Direction of Strategic Affairs, 2005-2006*.
[102] Interview, Tuomo Melasuo, Research Institute for Social Sciences of the University of Tampere, 2007.

Trust in EU Policies or Capacity to Use Them as a Conduit for National Priorities

The level of interest and interaction with EU institutions as such is also an important criterion. If one admits that some member states, such as the UK, are not firm supporters of the concept of a common European diplomacy, others have held more ambiguous attitudes, with their *credo* evolving over time. France, once an engine for European external action, has turned its back to its old preference for national leadership and appears rather unconcerned about reaching a European consensus on the international scene.[103] The French administration is becoming less and less Europhile and more sovereignist. Given France's past tradition with "*politique arabe*", Middle Eastern issues certainly remain within the strict perimeters of French sovereignty and are considered files not to be systematically shared with other European states.

Alternatively, Germany appears to be very positive about using European channels to make its position prevail, especially regarding the Israeli-Palestinian conflict. The German government paradoxically gains some degree of freedom in privileging multilateral forums of action; doing so partially liberates it from diplomatic constraints linked to the bilateral German-Israeli relationship. The German *savoir faire* appears in its officials' capacity to fuel European processes with new inputs without claiming paternity for any breakthrough – in contrast with France, which claims paternity of any progress made.[104]

The "Big Three" – France, Germany and the UK - have been key players on the Israeli-Palestinian arena for a long time. Building consensus at the EU level is often beyond the reach pf other member states. In 2006, the Spanish and the Italian governments nonetheless dared to initiate bolder diplomatic moves – Rome convened a high level diplomatic conference at the beginning of the Israeli-Lebanese crisis, whereas Madrid designed a new peace plan in agreement with Paris. One should note that these initiatives, albeit European in nature, were taken outside the formal EU frame. Finally, smaller states or states with less-activist national diplomacies usually

[103] On France's growing *malaise* vis-à-vis the EU decision-making system, see for example Andy Smith, Le gouvernement de l'Union européenne et une France qui change, in Pepper D. Culpepper, Peter A. Hall, Bruno Palier (Eds.), *La France en mutation : 1980-2005*, Paris: Presses de Sciences Po, 2006.

[104] Isabel Schäfer and Dorothée Schmid, *op. cit.*

bandwagon when they agree with an initiative proposed by the main players. The fear of disrupting the European consensus on Israeli-European matters in the wake of EU enlargement thus does not seem to hold water so far.[105]

The Political Colour of Governments

Some doubts remain about the possible mutability of foreign policy through domestic political change: Foreign policy, as a product of long-term national cultures and diplomatic constraints, does indeed appear to be rather conservative. Yet the neo-conservative offensive in American foreign policymaking since 2001 seems to have triggered a return to ideology on a grand scale. While generally avoiding such very dramatic changes of behaviour, European governments could also shift their national priorities in order to bring them in line with their constituencies' desires. The Iraqi precedent notably showed that some EU governments were sufficiently attentive to the preferences of their citizens to decide against military engagement at a time of utter crisis.[106]

In the wake of the debate on Iraq, the case of Spain has proved that elections sometimes impose some real nuancing to the conception and implementation of foreign policy, especially towards the Middle East. The left, now returned to power in Madrid, has dismissed the systematic Atlanticist leanings of the previous administration and aligned itself with a more pacifist and pro-Arab stance. The case of Italy's new leftist majority also seems to confirm the possibility that governments can re-shape their political vision, as demonstrated by Spain.[107]. Similarly, some analysts now forecast that the result of the next French presidential election should impact on France's traditional position regarding the Israeli-Palestinian conflict. The two main candidates running for the presidency have indeed exposed somewhat different visions of the situation. Nicolas Sarkozy, on the right, is a self-declared pro-Zionist, whereas Ségolène Royal, on the left, remains more classically balanced. Some civil servants at the Middle East Department of the French Ministry of Foreign Affairs now

[105] Interview with Christian Jouret, Middle Eastern adviser to Javier Solana, November 2006. See also Geoffrey Edwards, The New Member States and the Making of EU Foreign Policy, *European Foreign Affairs Review*,,11(2), 2006,143-162.

[106] Anand Menon, From Crisis to Catharsis: ESDP after Iraq, *International Affairs*, 80(4), 2004, 631-648.

[107] Massimo D'Alema, L'Italia e le sfide della pace: quali scelte di politica estera , Intervista a *Processi Storici e Politiche di Pace*, 7 Febbraio 2007.

indeed express some concern about a possible turn in France's policy towards the region.[108]

A Profile of the "Most Interested State"

The parameters listed above suggest a profile of what could be called the "most interested state" when it comes to dealing with the Israeli-Palestinian conflict. States corresponding to this profile are supposed to be statistically more active on Middle Eastern matters at the national and EU level.

Apparently, the conclusions of our model roughly match the accepted findings of European observers about the entire CFSP/ESDP sphere of decision-making. The "Big Three" scenario certainly prevails here most of the time, primarily rooted in the capacity of France, Germany and the UK to exert effective authority as intermediate powers over their European partners. Yet, with respect to the Israeli-Palestinian issue, demonstrations of power are not the key determinants for commitment. The three states actually share a specific sense of concern that motivates a permanent institutional watchfulness and the maintenance of a capacity to immediately react on a national basis, should the situation on the ground or the fundamentals of the common European discourse undergo the faintest change.

In addition to this permanent team of core actors, some European states should now be viewed as serious new players on the block, ready to engage in issues on a long-term basis. Spain and Italy have effectively become much more vocal since 2006; the fundamentals of their greater commitment are quite easy to pinpoint, ranging as they do from strictly domestic concerns – notably those linked to the issue of Spain's Muslim minority, concerns presently shared with France – to a tradition of pro-European diplomacy.

[108] David Bronner, Nicolas Sarkozy, Les Juifs et Israël, *Guysen Israël News*, 16 janvier 2007, at http://www.guysen.com/

Mapping the Basics of Member States' Contribution: Style and Outputs of Participation

Returning to our member states' effective acting on the Israeli-Palestinian file, a few basic principles indeed emerge that enable categorisation of the participation of our main players to EU moves in the Middle East.

Mode of Participation: Single Players and Coalitions

To make their way through the maze of European decision-making, European states have essentially two choices to make: They can move unilaterally or build coalitions. The most nationalistic states are certainly France and the UK, which occasionally behave as free riders – one is reminded of Tony Blair's organising a Middle East peace conference of his own while the EU was working hard on the Palestinian electoral process in Spring 2005, or President Chirac's natural tendency to label "French" some multilateral initiatives matching his narrow list of diplomatic priorities.[109] In the interval between the beginning of the second *intifada* and the death of Yasser Arafat, the French administration became more and more isolated in its pro-Arafat stance and suffered from this situation to a point that probably accounts for it's presently rather low profile on Palestinian matters. Nonetheless, the French government recovered its natural inclination to act as a leader among European nations during the Israeli-Lebanese in 2006, with French officials expending great efforts at the UN to work out a cease-fire and negotiate the mandate for a new UNIFIL.

Some traces of autonomous German activity on the Israeli-Palestinian file can be found during the Fischer era,[110] Although Berlin generally prefers to maintain a sound consulting process with other member states while sticking closely to the very elaborate Franco-German co-operation frame. The French would thus normally categorise Germany as a "supportive" state, while some prominent diplomats would

[109] As in the case of the World Bank's reflections on the issue of Palestinian aid in Spring 2006 and the making of the Temporary International Mechanism; interview, French Economic Counsellor, East Jerusalem, June 2006.
[110] Isabel Schäfer and Dorothée Schmid, *op. cit.*

prefer to stress Germany's capacity to block any conflict-solving initiative if it is perceived as anti-Israeli (in the exaggerated vision of the French).[111]

The Franco-German pair is actually a very stable coalition, whereas the pro-Atlanticist camp seems to act in a less systematically concerted way, with Germany again practising some subtle balancing acts between different alliances. Finally, some *ad hoc* coalitions have recently emerged in the Latin camp. In November 2006, the latest Spanish peace initiative was endorsed by the French President. Spain and France then turned to Italy with a request to support their effort prior to announcing their intention – which recently failed – to convince other European members of the Council..

Preferred Channels for EU Action

The more-active member states also exercise their capacity to choose the mode of EU intervention that best suits their preferences. When defending national interests, the CFSP and the ESDP are probably the more demanding channels. It is indeed at Council level that clashes between different diplomatic lines are more likely to occur, which notably explains the efforts of the French and the German government to co-ordinate their positions before meeting with their European counterparts.[112] Similarly, the Zapatero-Chirac peace project shows that much care is usually devoted to future co-ordination before plunging into the multilateral arena of Council General Affairs and External Relations: the Spanish, French and Italian governments publicly admitted that they were trying to build a sound joint platform before presenting their initiative to other member states on behalf of trying to lure them into a common programme of action. In effect, no improvised initiative has passed the barrier of the Council in recent years: Last summer's attempts by the Finnish president to quickly issue a common declaration reacting to Israeli air strikes in Lebanon was vetoed quickly by the British government; the final document differed from the earlier draft on some essential items, notably by excluding a condemnation of the bombing of Lebanese civilians[113].

[111] Hubert Védrine, former French minister of Foreign Affairs, is normally rather outspoken about that issue.
[112] Isabel Schäfer and Dorothée Schmid, *op. cit*.
[113] Interview, Quai d'Orsay, September 2006.

The European economic channel has two main tracks in the Middle East: the European Neighbourhood policy on the one hand, which is evidently relevant for Israel, and the provision of financial assistance to the Palestinians on the other hand. The ENP remains the domain of the Commission and has not really accomplished the political revolution that some had hoped for in 2004. European co-operation with the PA and its support to Palestinian refugees through the UNRWA structure enjoy relative consensus – be it positive or negative, as shown by recent sanctions against the Hamas government – among member states. Aid to the Palestinians is actually monitored in a rather co-ordinated manner with all external donors, using a variety of multilateral forums and management frameworks set up immediately after the Oslo conference.[114] At the same time, national co-operation systems maintain their independent agendas, which tend to be aligned with strictly national diplomatic objectives. The German co-operation apparatus presents an interesting case as the country has been a major European contributor to the Palestinians for years despite adopting a very pro-Israeli profile in the political scene. All and all, the global European co-operation system is simultaneously complex and refined, while continuing to be a very important tool for the low-profile pursuit of member states' political objectives.

European intervention through – or in connection with – other multilateral forums is yet another important subject. The role of EU in the UN is often debated in Israel, with a view to demonstrating the institution's anti-Israeli bias. French leadership on some specific files (namely the Syrian-Lebanese file) discussed at the UN is well recognised while the British and the Germans more systematically play the role of watchdogs, preventing any excesses by the French. Most important is EU participation in the elaboration of the Quartet's positions. It is an acknowledged fact that the team accompanying the EU Special Envoy dedicates much of its time to the preparation of Quartet declarations.[115] Some French officials admit in private that no political breakthrough can be advanced by Europeans through the Quartet as it is simply a tool**,** held in the hands of the American Secretary of State. Meanwhile, Angela Merkel has repeatedly put forward the idea of convening a new peace conference under the auspices of the Quartet. Finally, since 2003, the European

[114] Stephan Calleya, Shai Moses and Dorothée Schmid, *op. cit*.
[115] Interview with Marc Otte's political counsellor , Brussels, November 2004.

dialogue with the World Bank has been exceptionally close regarding Palestinian reform. French diplomats usually insist on France having a say in debates with international financial institutions (IFIs), resulting from the IFI's rather high-profile external co-operation policies in the Middle East and other developing areas.[116]

Mobilising Themes

Finally, we can map out the main themes for European mobilisation, as supported by the different member states, when dealing with the parties to the conflict on an individual basis and when providing crisis/conflict management assistance. Since 2003, all member states have rallied around the subject of Palestinian reform, initially a British and German priority (see the 2003 Fischer plan). The Palestinians' humanitarian rights have been traditionally defended by "pro-Palestinian" states such as France, and now Spain, with continuous support from the Scandinavian states, which are also extremely keen on co-operation between civil societies. Beyond Germany, considered a special case, Israel's security remains the core concern of the Atlanticist camp, namely the UK and most new member states. Targeting Hamas within the "War on terror" scheme seems to have been a rather unanimous move among EU member states.

The possibility of exerting some kind of leverage for the resumption of Israeli-Palestinian negotiations presently seems to be available not only to the UK and France; it is also tempting Chancellor Merkel, who has allegedly mediated some pre-discussions between Syria and Israel. The Latin coalition, namely France, Italy and Spain, supports the classical international peace conference option. Finally, the rapid deterioration of the regional security environment has obviously raised concerns among the Big Three since 2006. French and Italian diplomatic involvement, favouring conciliation between Israel and Lebanese political actors, was particularly impressive last summer.

[116] Interview, French General Consulate in Jerusalem, June 2006.

2006's Lessons for European Diplomacy Regarding the Conflict: European States as Facilitators or Impediments?

The year 2006 coincided with a rise in EU diplomatic visibility with respect to the Israeli-Palestinian file. Two main events allowed testing EU member states' willingness and capacity to engage in common work with a view to stabilisation or prevention of the conflict's escalation: first, the Palestinian election process, closely monitored by the EU, led Hamas, an Islamist movement perceived as intrinsically hostile by the Israelis, to power; second, increasing tensions between Hamas and the Lebanese Hizbullah on one side, and the Israeli army on the other side, ended in a month-long war. European reactions were surprisingly united regarding the first occurrence, while an outburst of nationalist confusion severely damaged the EU's image when confronting the Israeli-Lebanese crisis. Yet, in the end, the disorganised reaction to the war apparently led to more politically consistent long-term moves.

Sanctions Against Hamas: The Logic of Conflict Prevention?

Since the outburst of the second *intifada* in autumn 2000, relations between Israel and the PA have been characterised by a low but constant level of violence and a quasi-complete lack of communication; both protagonists appear to be pursuing a crescendo of isolation from one other. The international community has been unable to devise a quick diplomatic solution to the core territorial dispute and was apparently incapable of preventing further downgrading of the political climate prior to the death of Yasser Arafat in late 2004.

The subsequent electoral process, which unfolded in 2005-2006, raised hopes for a return to the political rationale. This full-fledged electoral operation can indeed be considered a direct output of Western democracy-promotion policies as applied in the Middle East.[117] Yet, the immediate and intransigent reaction of the Israeli authorities to the results of the legislative election led to a very paradoxical move from stalwart promoters of democracy, including Europeans. Sanctions were imposed on the newly elected Hamas government as punishment for non-compliance with a series of political conditions, including recognition of Israel.

[117] Fares Braizat and Dorothée Schmid, *The Adaptation of Democracy Promotion Programmes to the Local Political Context and Their Relevance to Grand Geopolitical Designs. A COMPARISON of European and American Co-operation Frames in Jordan and the Palestinian Territories*, a EuroMeSCo report, September 2006.

The decision to sanction the Hamas government was actually taken by the Quartet in March 2006, in its role as a proxy for the "Western camp". Application of sanctions was not promoted by the EU, given its record and the long-admitted political motives driving its assistance to the Palestinians. Yet, no public divergence was expressed by Europeans when they opted for alignment with the American position. The highly political decision to sanction Hamas was thus the apparent result of a consensus, even if some rather contradictory statements over the issue were heard from French diplomats. Such private statements ranged from claims to impotence – the classic "France against the rest of European states" position – to a call for patience – everything should slowly regain normalcy when both parties to the conflict calmed down.[118] The substance of the discourse was that the French government remained a natural friend of the Palestinian people but now had to allow for some severe monitoring of aid to prevent Palestinian institutions from further political divergence.

European member states quickly agreed thereafter to search for a solution at the community level, engaging the Commission when devising an alternative channel to convey aid directly to the Palestinian people. The Temporary International Mechanism (TIM) was set up in almost no time, which allowed for the new and more targeted distribution of money as early as July. Bringing the Commission – a second-range actor in political terms, rarely on stage – back in, allowed member states to avoid articulating a clear and audible discourse about Palestinian democracy. All told, there was an almost complete lack of European communication on what has been called a "temporary suspension of aid". Member states were very silent while the Commission was too pressured to bother explaining the functioning and finalities of the mechanism it had invented to bypass Hamas. Only towards the end of 2006 was it made public that the Europeans had finally spent more money on the Palestinians than in any previous year, a message that hardly reached an already confused European public. The incapacity – or unwillingness – of member states to play their role as pedagogues for their own audience was blatant throughout, probably as a result of political uncertainty at the national level. The Commission partly made up for the member states' embarrassment by resuming assistance; yet, the EU was again labelled

[118] Interviews with French diplomats, Paris and Brussels, Summer 2006.

by both parties to the conflict as a weak actor, or even as a traitor to the Palestinian side.

National Inputs in the Lebanese Crisis: Chaos or Division of Labour?

The second European contribution to the prevention of conflict escalation is the participation of troops from several European countries in the revamped UNIFIL, deployed on Israel's Northern border after the summer 2006 war.

The war certainly took all European governments by surprise, with their inability to react on time was particularly worrying. After a series of uncontrolled and rather un-coordinated national reactions – including the issuing of a rather inoffensive joint declaration, the convening of a peace conference in Rome and some separate initiatives taken by several governments to repatriate their own nationals – the centre of gravity moved to the UN Security Council, where the French diplomatic team worked out a resolution calling for a ceasefire and deployment of a re-organised UNIFIL. France and Italy competed for some time to head this new force; they finally agreed to share the responsibility. Interestingly enough, the list of European states providing half the troops for this UNIFIL-plus (France, Germany, Italy, Turkey, etc.) more or less corresponds to the list of renegades that refused to join the alliance fighting in Iraq.

The new force has correctly fulfilled its mission until now under sometimes difficult circumstances and can therefore be considered a provisional success. This episode illustrates the capacity of European states to work out informal collective solutions, starting from parallel national tracks. Such ad hoc solutions will necessarily prevail in the near future, as long as the EU does not exit its present state of institutional chaos.

The most important novelty in the narrative of the Summer 2006 crisis is that the Europeans in fact answered a call from Israel to participate in regional security-building. One can suggest that Europe's political credit improved in the eyes of the Israeli government following the Hamas episode. One could also argue that the European savoir-faire regarding stabilisation is slowly being recognised in the Middle East.

Conclusions and Recommendations

The landscape of European policies vis-à-vis the Israeli-Palestinian conflict seems to have evolved considerably over 2006 in response to the two major crises that marked the year – the aid issue and the Israel-Hizbullah war. Although the "Big Three" continue to dominate the scene, their behaviour has undergone some interesting changes, with Germany becoming more interventionist, France keeping a low profile on the Palestinian file and entering into rather unusual deals with the Israeli government, and other member states (Italy and Spain) becoming much more vocal.

All these players tend to more and more engage in *ad hoc* coalitions when deciding for greater commitment on a national basis. This outcome can be considered evidence for advocates of the "Europeanisation" thesis: The EU's common doctrine may have finally penetrated the member states' preferences to the point where their diplomatic behaviour is necessarily converging. What is still lacking, though, is a common expression of responsibility that would match the effective involvement of the EU in the field. Some member states might not be ready to allow for such a shift of symbolic responsibility in all domains; yet, a few obvious developments can be recommended, for example:

- Issuing a clear and articulate common message regarding provision of direct assistance to the Palestinian people to compensate for the sanctions taken against the Hamas government;
- Formulating common principles concerning the political role of UNIFIL and its relevance to the broader settlement of the Israeli-Palestinian conflict;
- Isolating the EU's position from that of other participants regarding the Quartet's declarations so as to make the specific European contribution clear and avoid the internal trade-offs considered detrimental to the final political message;
- Formalising a core kernel of European states that would be privileged contributors to the framing, in line with the principle of reinforced co-operation, of EU doctrine and policies about the conflict,.

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The Impact of the Israeli-Arab Conflict on the Israeli Economy: Two Cases of Recent Wars in Israel

Dr. Roby Nathanson

Abstract

In this article we estimate and simulate the effects of two militarized conflicts in which Israel participated during the last years – the Second Intifada and the Second Lebanon War – on the Israeli economy. Using several empirical studies conducted to estimate the effects of war on the global economy, we account for the changes in the Israeli economy in terms of growth in GDP, investment and balance of trade.

Historical Background

Since its establishment as a state, Israel has suffered from wars and other forms of violence related to the Arab-Israeli conflict, all of which have affected its economy. Although estimates with respect to the extent of economic damage wars in the region have had on the Israeli economy have been conducted on different occasions, comprehensive research of the topic has still in the offing. The current research suggests several models that could be applied to the Israeli economy and demonstrates their use in two cases of wars: the Second Intifada and the Second Lebanon War.

Since declaration of its independence in 1948 Israel experienced about half a dozen major military conflicts. Although no data is available regarding the region's economy immediately preceding and following the War of Independence (1948), evidence suggests that between 1954 and 1956, when the Kadesh Campaign (also known as the Sinai War or Suez Crisis) broke out after years of tension, there was a decline in GDP growth rate to 8.9%. In the following years, the growth rate remained at about the same level until 1959, when it rose to 12% (Central Bureau of Statistics, 2006).

The Six Day War erupted in June 1967, after two years of deep economic recession, observed in annual growth in GDP of 2%. In the three years following the war, GDP

growth jumped to an average 12% annually (Bank of Israel, 2006). Two years later, after the War of Attrition (March 1969 to August 1970) ended, the GDP growth declined to 7.6% in 1970 (Bank of Israel, 2006). Only three years later, Israel the traumatic Yom Kippur War (October 1973) had a major impact on the Israeli economy, with GDP growth declining from the 12% witnessed since 1968 (the 7.6% in 1970 was an exception) to an average level of 3.5% in the five years after the war, that is, until 1978 (Bank of Israel, 2006).

The first Lebanon War broke out in 1982. From 1978 to 1981, average growth in GDP rose slightly, to 4.3% per year, although in the three years following the war (until 1985), the rate declined to an average 2.1% annually (Bank of Israel, 2006). The First Intifada, a "civilian uprising" and considered a low-intensity conflict in military terms, broke out in 1987. During the three years preceding the Intifada, average annual GDP growth had reached 4.7%. In the two years after the conflict's initiation, the growth rate declined to 3.6% (1988) and then 1.4% (1989) (Bank of Israel, 2006).

A review of the war periods and the pattern of growth in GDP since Israel's establishment shows that on the whole, the short-term effect of war on GDP is negative, with one exception, that of the Six Day War, when economic performance reflected the influence of other factors, such as (see Figure 1). In this paper we follow these trends and examine their behaviour after the two most recent wars, the Second Intifada (the *Intifada al-Aqsa*) (from October 2000) and the Second Lebanon War (July-August 2005).

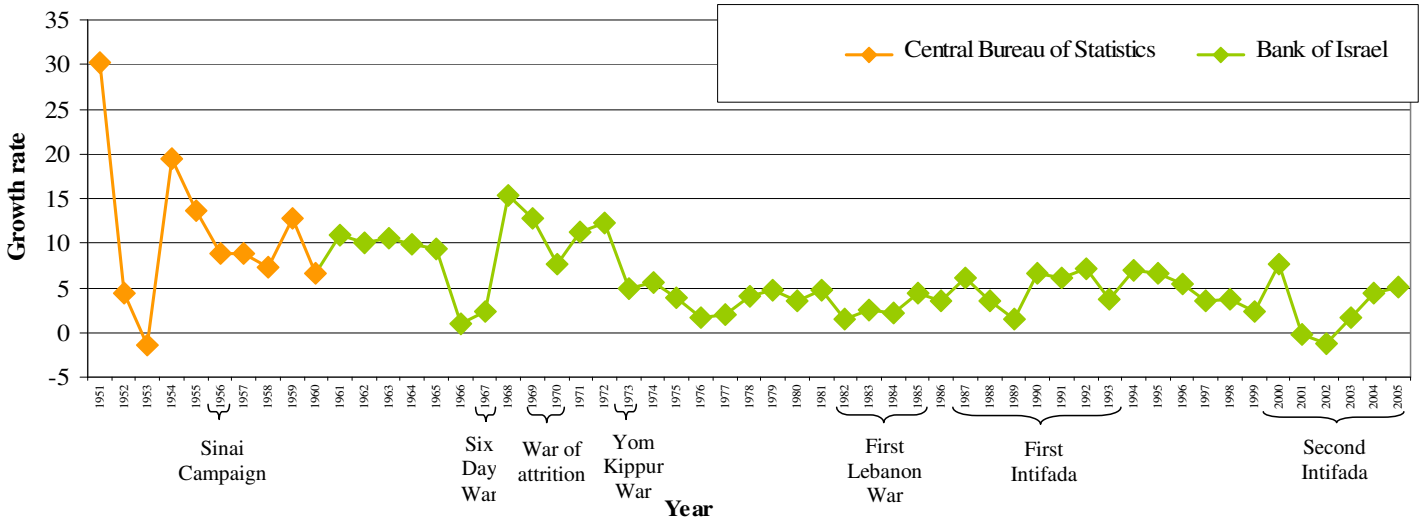

Figure 1. Growth Rates in Israel, 1951-2005

Source: Central Bureau of Statistics, (2006), *Statistical Abstract of Israel*, No. 56; Bank of Israel, (2006), *Preliminary National Accounts Estimates for the Third Quarter*, 2006

War's Influence on the Economy

There are number of avenues by which war injures the economy. The most obvious is through the destruction of resources, especially labour supply and infrastructure. The level of damage depends on the war's intensity – an index of capital loss can serve as an adequate indicator of that intensity.

A second avenue for injuring the economy is the creation of social disorder. For instance, civil liberties may be suppressed, an action that appear to reduce the efficiency of public expenditure (Isham et al., 1996). A third effect is the diversion of public expenditure from output-enhancing activities. For instance, the expansion of the army and its powers is often accompanied by the contraction of the police force and the diminished rule of law. Enforcement costs (such as those of contracts) consequently rise and the security of property rights declines (see for example Knight et al. (1996), who have estimated the cost of expenditure diversion arising from states of war).

A fourth effect: To the extent that income losses are regarded as temporary, there will be dissaving, an effect analytically equivalent to destruction of capital stock. The fifth effect is deterioration in the economic environment. Subsequent to the enhanced uncertainty, investors will engage in portfolio substitution, shifting their assets out of the country and effectively lowering the rate of investment in the country.

Empirical Evidence

The hypothesis that military conflicts negatively impact on the economy's performance has been examined in a number of works, several of which tried to quantify the effect according to the intensity of the conflict.

Knight, Loayza and Villanueva (1996), as part of a broader effort to understand the link between policies and growth, constructed a macro-economic *peace dividend* using a 79-country data set. Based on panel data, their regression of the ratio of investment to GDP revealed that war, the most significant variable in the regression, to have a strongly negative effect. When the authors controlled for physical and

human capital, together with military spending and trade policy, the significant effect of war declined. These results imply that war reduces growth mainly by depleting domestic capital stock in its various forms.

Their other result has to do with military spending per se. Different empirical studies have produced ambiguous results when testing the assumption that reductions in military expenditures should improve economic growth. Knight et al. (1996) also tested this assumption by measuring the gains from reductions in the military budget for given propensities for warfare. They concluded that military spending is growth-retarding because of its adverse impact on capital formation and resource allocation. As to the other four effects of war on the economy, they concluded that these arise directly or indirectly from the level of violence rather than from the composition of public expenditures.

Easterly and Levine (1997) also based their research on the assumption that civil war (internal war, revolutionary war and ethnic conflict) negatively impacts on economic growth. They tested the hypothesis that in order to explain cross-country differences in growth rates, we need not only understand the link between growth and public policies, but also why different countries choose different public expenditure policies. They showed that ethnic diversity helps explain cross-country differences in public expenditures and other economic indicators. In the case of Sub-Saharan Africa, economic growth is associated with limited schooling, political instability, underdeveloped financial structures, distorted foreign exchange markets, high government deficits and inadequate infrastructure.

De Melo et al. (1996) investigated the effect of internal violence on the average growth rates of transition economies in Eastern Europe over the period 1989-1994. They included in their growth regression a dummy variable, 'regional tension', which stood for 'persistent internal conflicts or conflict-related blockades'. The variable was found to be highly significant: It reduced average annual growth rate for the five year period covered by the study by 9%. Because some of the conflicts ended before 1994, their findings conflate growth performance during war with post-war performance. We should note, however, that the conflicts described in their paper transpired mainly in the former Yugoslav Republic during the most severe phases of the civil war,

which was accompanied by blockades. Furthermore, the number of their observations was quite limited.

The preceding studies, irrespective of their reliability, were found to be inappropriate for the type of analysis we wished to conduct because they examined other parts of the world which are not relevant for the Israeli case or their results are not applicable for our case. The following three studies were found to be more applicable and thus used to estimate the effects of the Second Intifada and the Second Lebanon War on Israel's rate of growth in GDP growth rate, rate of investment and balance of trade.

Collier (1999) quantified the effects of civil war on growth during the conflict as well as the first five post-war years. To estimate growth rates, he used a dataset covering the period 1960-1989, which included data on countries experiencing civil wars. This combination provided him with a sample of 92 countries, 19 of which had experienced civil wars. Three variables were used to represent civil war in his regression: The months of warfare during the decade/period, the number of months with potential of recovery during the decade/period, and another variable which define the post-war period by the total length in months of the preceding war.

His results showed that during civil wars, annual growth declines by 2.2%. Furthermore, short wars caused long-term post-war decline, while sufficiently long wars give rise to rapid post-war growth. During the five years following a one-year war, the growth rate was estimated at 2.1% lower than the rate had the war not occurred. This rate is not significantly different from the 2.2% growth decline of the war phase.

Imai and Weinstein (2001) also empirically measured the impact of internal conflict on the economy. They tested four hypotheses: (1) Civil war has a negative impact on economic growth; (2) Civil war reduces domestic investment (in testing this hypothesis they stressed the importance of the investment channel affected); (3) The proportion of private investment in this reduction is larger than the proportion of public investment; and (4) Civil war increases the government deficit. They empirically tested their hypotheses by formulating three regressions using three dependent variables: GDP per capita growth rate (decade average between 1960 and

1998), gross domestic (i.e., private and public investment) as a percentage of GDP, and fiscal balance as a percentage of GDP, averaged over the decade.

The key variable used to determine the nature of the conflict was the war's geographical spread - MSPREAD, using a 5-point scale: 0 if there was no war and 5 if more than half the country was affected by the war.

Their results showed that the greater the spread of civil war, the more negatively affected is growth in GDP. When the geographical spread of the conflict is increased by one unit, the average per capita growth rate declines by 0.2 percent. Their results also show that as civil war spreads, domestic investment declines. For an increase in one unit in the spread of the war, there is an average decline in the gross domestic investment of 0.6 percent of GDP.

Imai and Weinstein (2001) also showed that the proportion of private investment in the general decrease in investments is much larger when a country is at war. For each one unit increase in the geographical spread of war, there was a reduction of private investment by 0.4 percent of GDP. Nevertheless, they were unable to find a significant affect of the spread of civil war on the fiscal balance and therefore concluded that the extent of the war has no considerable impact on the budget deficit. Their general conclusion was that most of that negative impact of civil wars comes from the decline in private investment as the wars spreads and strengthen.

Glick & Taylor (2005) analyzed the effect of war and other forms of military conflict on international trade, using a dataset covering 172 countries for the period 1870-1997. Their analysis was based on a comparison of the bilateral trade conducted between belligerent and neutral countries during and after conflicts. Their results showed that for the full sample, trade with neutrals declined by 5%-12% during war, with a statistically significance negative effect on trade for pairs of neutral countries persisting for up to 7 years. Trade between belligerent countries dropped by 80%-90% during wartime.

Two Cases of War in Israel

In this paper we look at the effects of two wars on the Israeli economy: the Second Intifada and the Second Lebanon War. Both military conflicts are recent, having taken place in 2001 and 2006, respectively.

Both these wars exhibit several characteristics of a civil war, the main one being that the Second Intifada, like the Second Lebanon War, was directed primarily at Israel's civilian population inside Israel. Thus, the first conflict was directed at the entire country while the second was directed primarily at the northern part of the state. We can therefore apply to both cases the Imai & Weinstein (2001) parameter measuring an internal conflict's geographic scope (i.e., MSPREAD).[119]

Based on the articles written by Imai & Weinstein (2001), Collier (1999) and Glick & Taylor (2005) we estimate the effects of those conflicts on the Israeli economy performance on three major parameters: the growth of the GDP using the coefficients of Imai & Weinstein (2001) and Collier (1999), the investment using the coefficient of Imai & Weinstein (2001), and the trade using Glick & Taylor (2005).

The Effect of War on Rate of Per Capita Growth

The Second Intifada

As shown on Figure 2, annual per capita growth rate, calculated/estimated per quarter, dropped significantly immediately after the beginning of the Second Intifada in the last quarter of 2000. Although after that sharp drop the per capita growth rate went up consistently, it failed to obtain the pick reached immediately before it erupted, that is, 10.1 percent. One reason for the failure to return to this peak was the political atmosphere, which had changed completely between the third quarter of 2000 and the last quarter of 2000.

[119] In order to determine the value of MSPREAD in the cases examined we calculated the percentage of Israel's area affected. In each case a sum of the area affected by the war was calculated and than divided by the total area of the country. The percentage was scaled from 1 to 5 when 5 mean more than 50% of the total area of Israel.

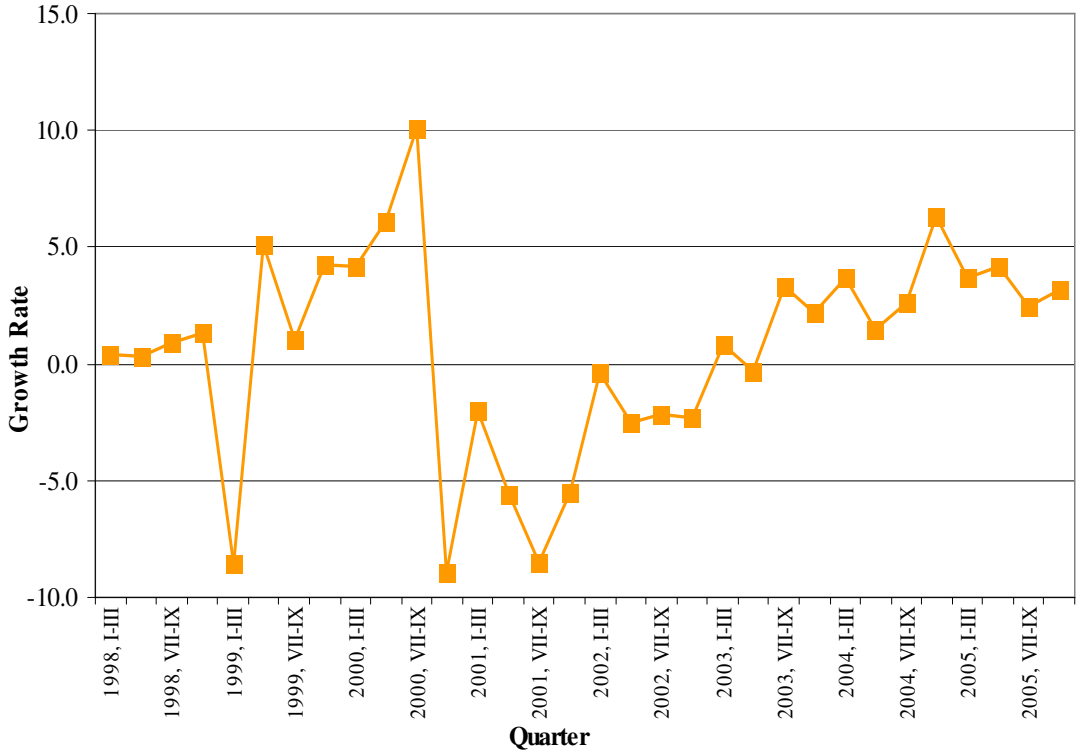

Figure 2: Quarterly Per Capita Growth Rates Preceding and Following the Second Intifada
Source: Central Bureau of Statistics/Bank of Israel, (2006), *Preliminary National Accounts Estimates for the Third Quarter 2006.* and Central Bureau of Statistics, (June 2000 and June 2003), *Monthly Bulletin of Statistics*.

During the third quarter of 2000, peace talks between the Israelis and the Palestinians were held, and it seemed as if consent was about to be reached. Nevertheless, the optimistic expectations did not reach early fruition and the Second Intifada erupted. The low level of expectations of ending the conflict quickly and easily influenced growth through its effect on foreign investment – a recent research has showed that the contribution of one dollar of direct foreign investment to long-term growth in developing states (including Israel) is 23 cents (Bank of Israel, 2003).

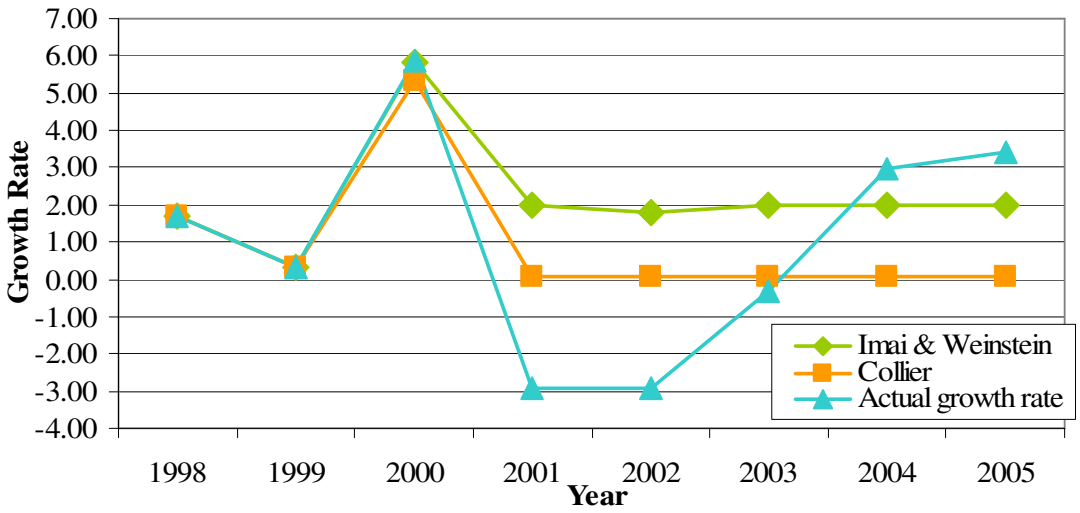

Figure 3: Annual Per Capita Growth Rate and the Simulated Growth Rate Following the Second Intifada
Source: Central Bureau of Statistics, (2006), *Statistical Abstract of Israel*, No. 56.

In Figure 3 we depict the annual per capita growth rates based on simulations conducted using Imai & Weinstein's model (2001) and Collier's model (1999) with data referring to the period before and after the Second Intifada. As it can be seen from the figure, the simulations of the models resemble actual growth rate trends. The simulation of the average per capita growth rate according to the Collier model was 0.1 percent is closer to the actual 0.04% average per capita growth rate during this war than was the simulation of the Imai & Weinstein model.

The Second Lebanon War

As we can see from Figure 4, the quarterly per capita growth rate in GDP suffered a major decline during the third quarter of 2006. Considering the war's duration – from 12 July to 14 August 2006 – that is, during this same quarter, we can attribute the decline to the war with a great deal of confidence.

Figure 4: The Quarterly Per Capita Growth Rate Preceding and Following the Second Lebanon War
Source: Central Bureau of Statistics, (2006), *Preliminary National Accounts Estimates for the Third Quarter 2006*.

Figure 5 depicts the actual per capita growth rates until the third quarter of 2006. For the following years, we simulated the Imai and Weinstein as well as the Collier models to estimate the trends in per capita growth rates for the following five years. As we can see from the figure, the Imai and Weinstein model is less pessimistic regarding the per capita growth rates yet, we should recall, it was shown earlier that this model was deviated more than the Collier model did from the actual growth rates in the fives years following the Second Intifada. Nevertheless, due to idiosyncratic characteristics of the political-economic situation that distinguishes the Second Intifada from the Second Lebanon War – specifically, the public's high expectations for peace immediately prior to the outbreak of the War – we can assume that the growth rates in GDP after the Second Lebanon War will be less effected by the war and hence, that the per capita growth rate will be about 0 percent. This figure seems realistic given the average growth rate in GDP of 1 percent during the five years preceding the war. We should also note that this growth rate takes into account the effect of the Second Intifada (the years overlap), which means that the forecast presented exhibits a dual war effect.

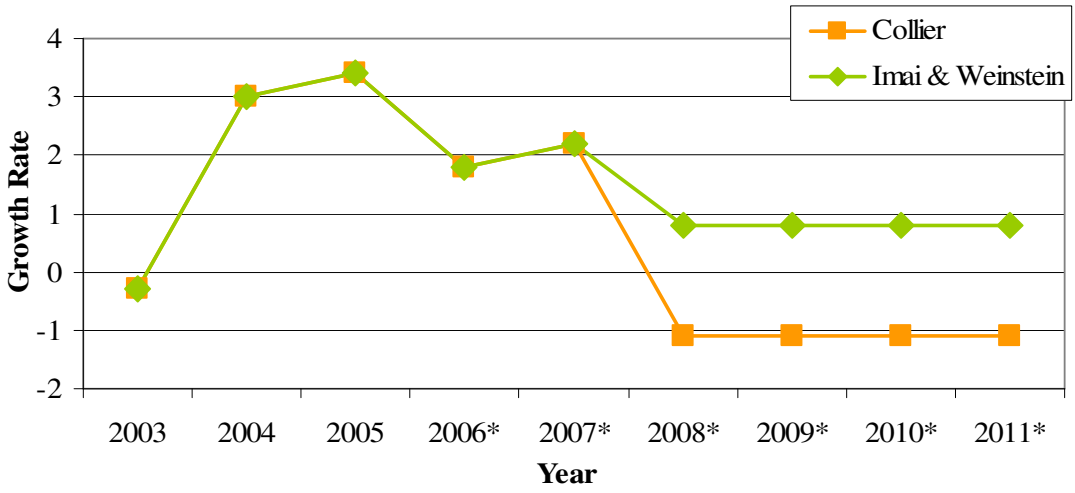

Figure 5: Simulated Growth Rates Following the Second Lebanon War
Source: Central Bureau of Statistics, (2006), *Statistical Abstract of Israel*, No. 56...

The Effect of War on Investment

Imai & Weinstein tested the hypothesis that war negatively affects the domestic economy by reducing gross domestic investment. Their results show that a one unit increase in the spread of civil war during one decade reduces gross domestic investment by more than 0.6 percent of GDP annually, on average. In this section we test this result on investment trends in Israel after the two wars.

The Second Intifada

As can be seen from Figure 6, the gross investment as a share of GDP in Israel had slowed down after 1999. We should note that the drop in the proportion of investment in 2000 reflects the sharp growth in GDP, whereas gross investment itself rose by 1.9 percent. Therefore, the declining trend in investment after the war reflects the predictions of the Imai and Weinstein model. Nevertheless, as is evident from the simulation shown on Figure 6, the Imai and Weinstein predictions are overly optimistic when compared with actual investment. We assume that most of the explanation to this gap lies again on the expectations that have a known impact on investors, and were very high right before the second Intifada broke.

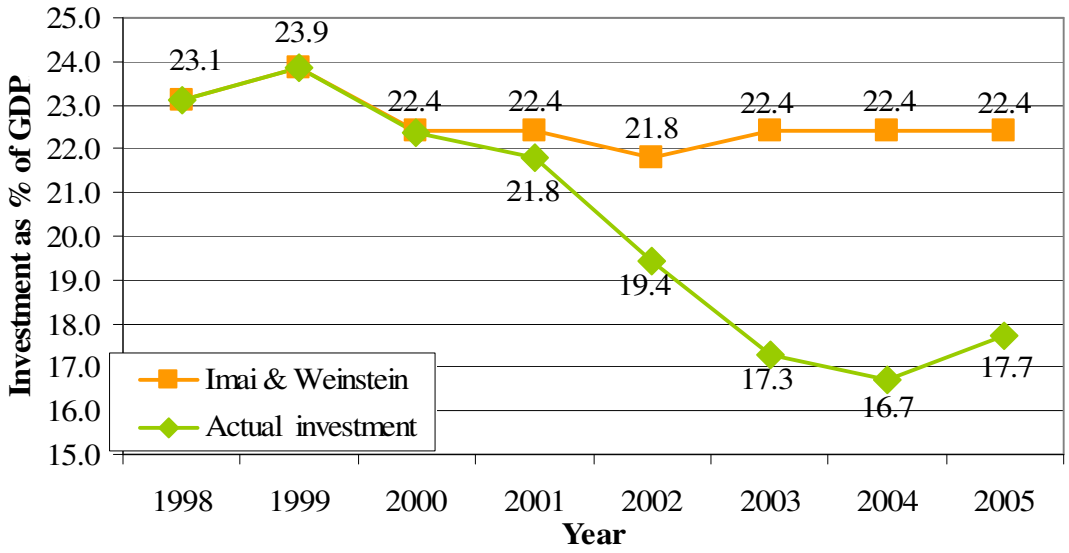

Figure 6: Actual and Simulated Gross Investment as a Proportion of GDP Preceding and Following the Second Intifada
Source: Central Bureau of Statistics, (2006), *Statistical Abstract of Israel*, No. 56.

The Second Lebanon War

In Figure 7, we depict actual investment for the three-year period (2003-2006) preceding and including the war; the figures for the following years are estimates based on the Imai and Weinstein model. As we can see from the figure, the investment as a proportion of GDP is not expected to decline sharply – by about 0.6 percent – as a result of the Second Lebanon War. This result is based on the Imai and Weinstein model but also on the fact that in this war as opposed to the Second Intifada, the expectations effect is less severe.

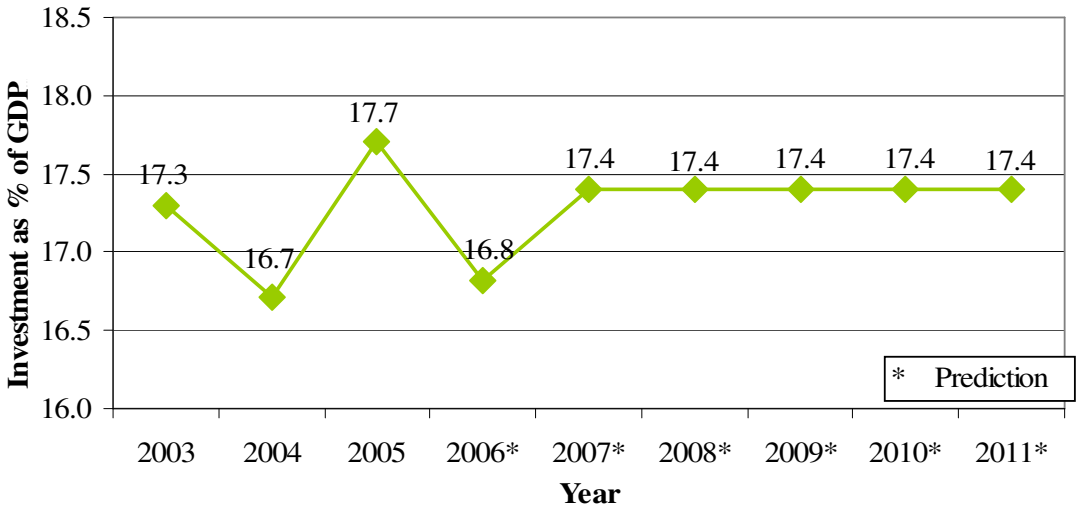

Figure 7: Actual and Simulated Gross Investment as a Proportion of GDP in the Years Preceding and Following the Second Lebanon War
Source: Central Bureau of Statistics, (2006), *Statistical Abstract of Israel*, No. 56.

The Effect of War on Trade

Wars and other forms of military conflict are expected to reduce trade among adversaries. Military conflicts are often accompanied by the imposition of partial or total trade embargoes. Conflict is also expected to reduce trade by increasing the costs of engaging in international commerce for private agents. The empirical evidence from the few studies available is, however, mixed.[120] Nevertheless, Glick and Taylor (2005) recently estimated that trade between countries at war drops by 80 percent to 90 percent and between neutral countries by 5 percent to 12 percent.

The Second Intifada

From Figure 8 it is evident that the balance of trade between Israel and the EU dropped after the outbreak of the Second Intifada. Until 2005, the balance of trade failed to return to its 2001 peak, with increases (the balance is a negative number) reaching 9.2 percent and 10.1 percent in 2002 and 2003, respectively. The simulation using the Glick and Taylor model comes close to the actual data for the years 2002-2005. The only major mismatch, observed in 2001, can be explained by the fact that the Second Intifada broke out in the fourth quarter of year 2000, and that what we see

[120] Pollins (1989a, 1989b), van Bergeijk (1994), and Mansfield and Bronson (1997) estimate gravity models and find that conflict lowers trade. In contrast, Morrow et al. (1998, 1999), Mansfield and Pevehouse (2000), and Penubarti and Ward (2000) also utilize gravity models, but find that the effect of conflict, though negative, is not statistically significant.

is a delayed response, based on contracts and agreements signed prior to the conflict's emergence.

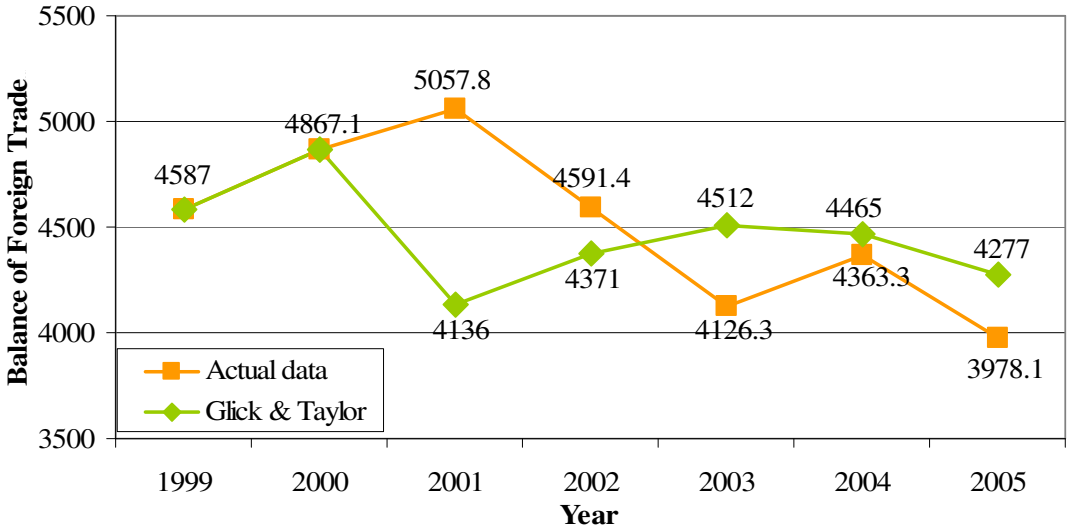

Figure 8: The Balance of Trade Between Israel and the EU Preceding and Following the Second Intifada
Source: Central Bureau of Statistics, (2006), *Statistical Abstract of Israel*, No. 56.

The Second Lebanon War

In Figure 9 we show the trend in the balance of trade simulated according to the Glick and Taylor model. After the Second Lebanon War, their model predicts a decline in the balance of trade. Their **model** predicts a decline of 12% during the first year of the war, with the decline leveling off as the years pass to about 5 percent until the effect vanishes 7 years after the war. Because the level of the trade did not return to its former peak of **5057.8** after the Second Intifada **we see a double affect, the affect of the Second Intifada is still felt today, after the second Lebanon War.** If the war's effect on trade behaves according to the Glick and Taylor model, the trade balance between Israel and the EU is expected to decline by 11.5 percent between 2004 and 2011, a decline of 7.3 percent annually on average.

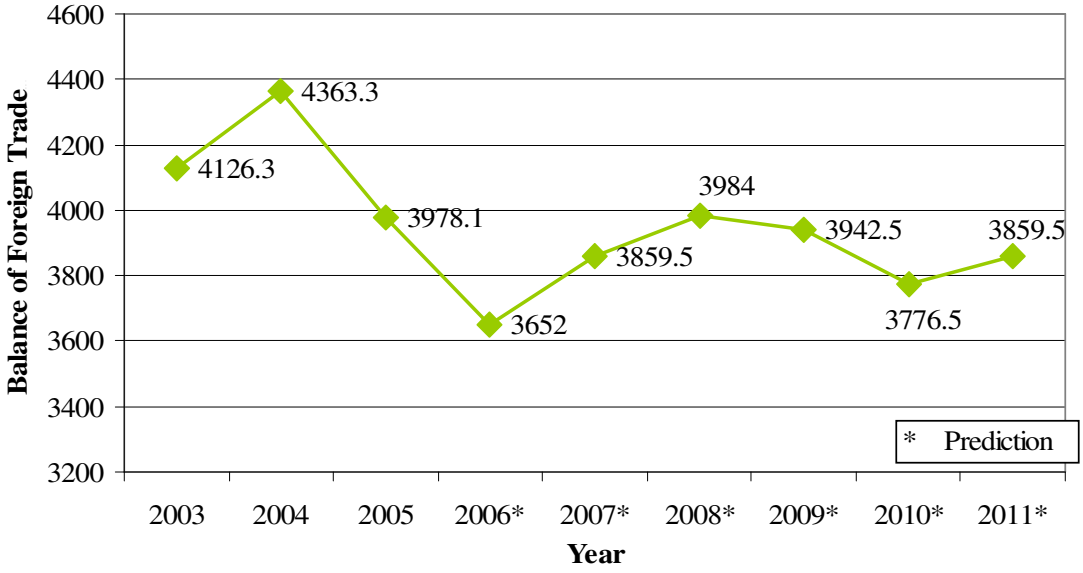

Figure 9: Estimated Balance of Trade Between Israel and the EU Preceding and Following the Second Lebanon War
Source: Central Bureau of Statistics, (2006), *Statistical Abstract of Israel*, No. 56.

Limitations of the Research: The Uniqueness of the Israeli Case

The conclusion that growth in GDP per capita in Israel will decline to about 0 percent after absorbing the effects of the two wars is problematic in wake of the data. The official GDP growth estimate for 2007, as published by the Bank of Israel, is 4%, higher than the figure estimated by the models. Although GDP in the third quarter of 2006, the quarter that witnessed the Second Lebanon War, did decline, with the growth rate per capita falling to -0.63%, it rose again in the following quarter, to reach a growth rate of 1.46 percent. These two events show that the models do not accurately portray the functioning of the Israeli economy during war.

The models cannot accurately predict Israel's growth rate in GDP because the Israeli economy consists of two separate sectors: Traditional and Hi-tech. The Traditional sector is comprised of the Agriculture, Tourism and Construction industries, which react primarily to internal developments. Alternatively, the Hi-tech sector – which contributes about 12% of Israel's GDP – reacts to internal *and* external shocks. Israeli Hi-tech firms are strongly affected by changes in the international Hi-tech market. These shifts are readily captured in GDP per capita as well as in the Industrial and the Business sector GDP. Figure 1 depicts the association between trends in the NASDAQ composite index and trends in Israel's GDP.

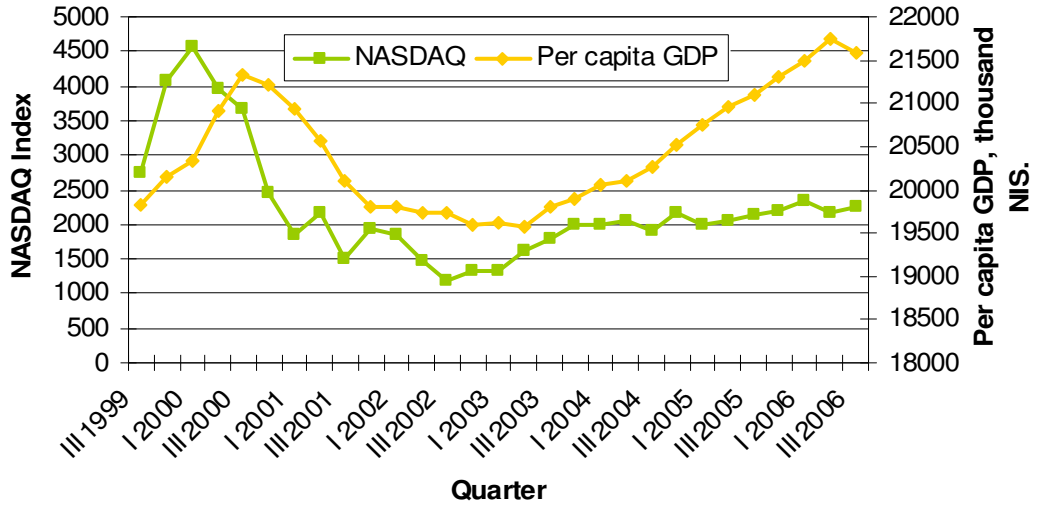

Figure 10: Israeli GDP Per Capita and the NASDAQ Composite Index, First and Third Quarters (Third Quarter 1999 to Third Quarter 2006)
Source: Central Bureau of Statistics, (2006), Time series – National Accounts.

Because Traditional sector industries are more responsive to internal changes, they are less likely to be affected by changes in the international markets but more likely to react to wars in the area. As can be seen from Figure 2, changes in the international Hi-tech market strongly influenced the Industrial and Business sectors but barely influenced Traditional sector activity.

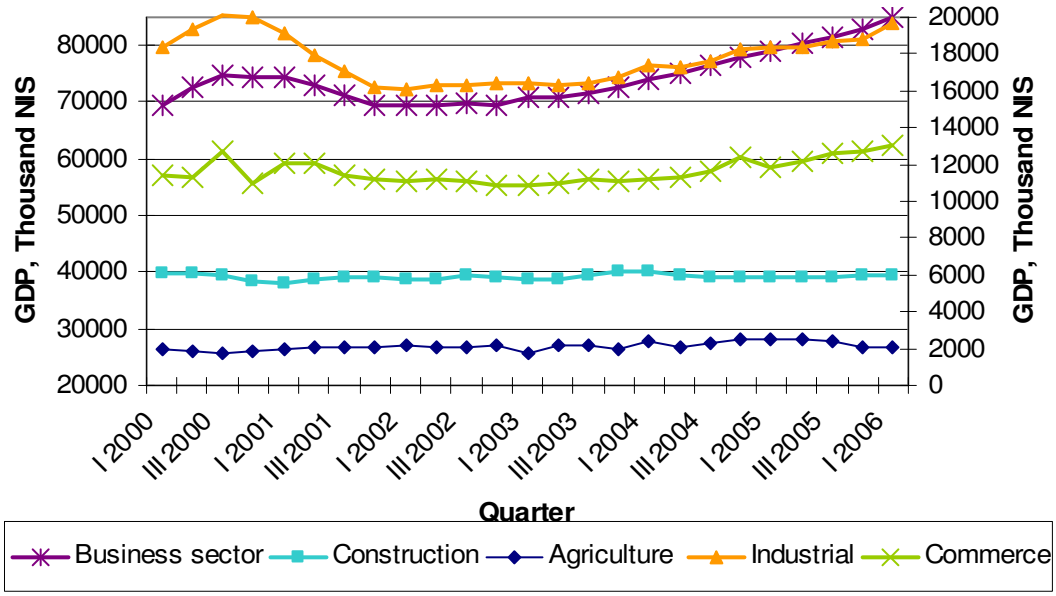

Figure 11: First and Third Quarter Growth in Israel's GDP, by Sector (2000-2006)
Source: Central Bureau of Statistics, (2006), Time series – National Accounts.

As shown in Figure 2, GDP in the Traditional sector remained stable, like the Industrial sector, but declined after the Second *Intifada* broke out. From Figure 3 we learn that war did affect Traditional industries, with little change in their low growth rate over the years.

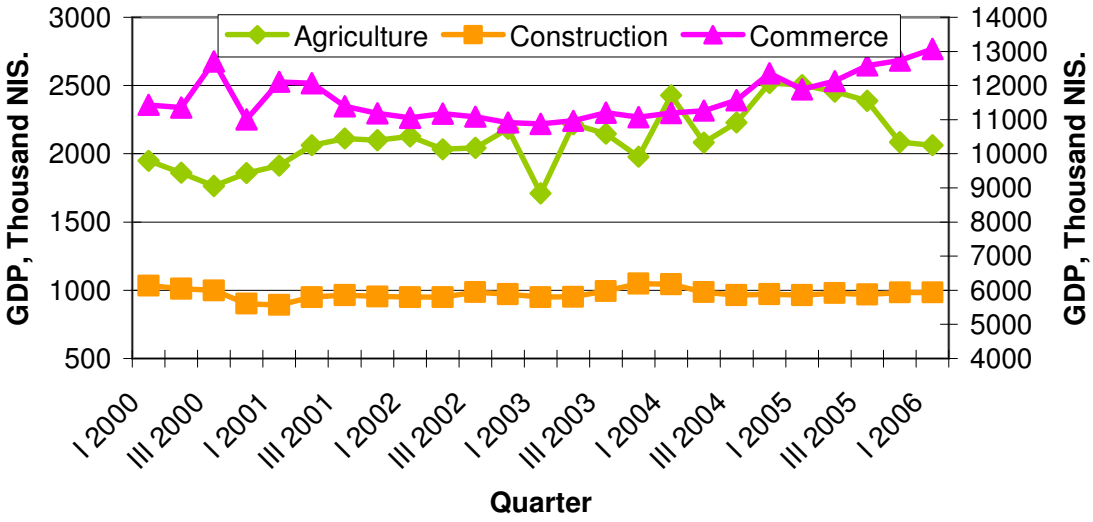

Figure 12: First and Third Quarter Growth in Israel's GDP, by Sectors (2000-2006)
Source: Central Bureau of Statistics, (2006), Time series – National Accounts.

We can therefore conclude that the growth rate in GDP per capita will actually be above zero percent. The Israeli economy, with it's strong Hi-Tech sector, can thus be expected to grow given the positive situation in the international market at present. Because the model's estimates are heavily weighted by the Traditional sectors, they ignore the impact of Israel's other, stronger sectors.

Conclusion

Israel has suffered from a comparatively large number of wars since its establishment in 1948. War has a devastating effect on many aspects of economic activity. In this paper we looked at the economic effects of two recent violent conflicts in the region – the Second Intifada and the Second Lebanon War – on selected aspects of the economy: per capita growth rate in GDP, investment as a proportion of GDP and the balance of trade with neutral countries (The EU).

We used the models from Collier (1999) and Imai and Weinstein (2001) to estimate the patterns of GDP per capita growth rates, that of Imai and Weinstein (2001) to

estimate the patterns of investment and that of Glick & Taylor (2005) to estimate the trends in of the balance of trade with the EU.

Our conclusions with regard to the three parameters are that the Second Intifada had a negative effect resembling that predicted by the models and evidence regarding other countries in the world. The Second Lebanon War, which broke out in the summer of 2006, occurred too recently to produce clearly defined long-term trends; hence, we have been able to observe only a decline in the quarterly growth rate. Nevertheless using solely the models based on evidence from the Second Intifada, we expect the per capita growth in GDP to decline close to zero percent after absorbing the effects of the two wars. However, since the Israeli economy has a strong Hi-Tech sector it is more likely to expect growth given the positive situation in the international market. Because the model's estimates are heavily weighted by the Traditional sectors, they ignore the impact of Israel's other, stronger sectors.

Concerning investment as a proportion of GDP, we expect it to decline more mildly than the decline observed after the Second Intifada, that is, an average decline of 0.6 percent of the GDP annually. Finally, we expect the balance of trade with the EU to increase by an average of 7.25% by the end of the next 7 years.

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The Role of Civil Society in EU/ Israeli-Palestinian Cooperation

Marcella Simoni

Abstract

This paper analyses the role of civil society cooperation in EU-Israel-Palestine relations as sketched out in the ENP AP-Israel and AP-Palestine. From the point of view of cooperation – a term which is open to several interpretations – it would seem that these two APs remain suspended between a bilateral and a multilateral framework. They in fact suggest cooperation at the bilateral governmental level within the framework of the ENP although they also hint at a regional dimension in which cooperation is to develop in the spirit of Barcelona. Given that governmental multilateral cooperation was halted after severance of relations between the EU and Israel and the Hamas-led government in early 2006, cooperation between the conflicting parties must be entrusted to civil society actors. While analysing trends toward civil society associationism in Israel and the PA in this paper, I point to the shortcomings of the EU reading of the term 'civil society'. This term is generally used in a rather broad and uncritical way, rooted in a partial, but not necessarily progressive and positive understanding of the phenomenon. In closing, this paper proposes several policy recommendations which point to the need of more stringent, binding definitions and the consideration of Israel and Palestine as parts of one geo-political context.

Introduction: Is Bilateralism Diluted in a Regional Context?

As instruments for the implementation of the European Neighbourhood Policy (ENP) with Israel and the Palestinian Authority (PA), Action Plan-Israel and Action Plan-PA seem caught in apparently contradictory frameworks – an obvious bilateral one, and a more nuanced regional and/or sub-regional one – a dual situation which seems more limiting than empowering. On the one hand, both documents express the bilateralism detailed in the 2004 ENP Strategy Paper – distinct Action Plans (AP) according to the "existing state of relations with each country, its needs and capacities". On the other, such differentiation was framed to include a "regional approach". In the Strategy

Paper, cooperation "among the EU's neighbours themselves, especially among those that are geographically close to each other" – was in fact presented, among other things, as one of the variables "to achieve conflict resolution" in the Mediterranean and the Middle East.[121] This broader perspective was further underlined in the 2006 ENP Progress Report on Israel, where progress in EU–Israel bilateral relations was explicitly framed "in the overall political situation in the Middle East", with particular reference to the conflict's "serious escalation" in Lebanon and in the PA territories during 2006.[122]

Such a two-fold scenario finds a more precise and explicit framing in the reference to the Barcelona Process in the ENP Strategy Paper as well as the two APs. In reference to the countries to the south of Europe, "the ENP" was to "encourage the participants to reap the full benefits of the Euro-Mediterranean Partnership (the Barcelona process) (...) and to develop new forms of cooperation with their neighbours".[123] Moreover, in the AP-Israel and the AP-PA, the Barcelona Process was quoted in the context of incremental promotion of "regional peace and security".[124] Further hints at the wishful and broad approach of the Barcelona Declaration appear in connection with the themes addressed and developed in its third 'basket' – the emergence of a "new dimension based on comprehensive cooperation and solidarity," detailed in the Declaration's sub-sections, especially *Partnership in social, cultural and human affairs*.[125] Therefore, while the ENP – and the APs as its empowering instruments – stress bilateralism, we also find acknowledgement of a greater regional and local complexity. In different degrees and in various ways, all these documents acknowledge the contingencies of the Middle Eastern context and the conflict within which Israel and the PA are located, operate and clash.

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[121] Commission of the European Communities, *Communication from the Commission, European Neighbourhood Policy, Strategy Paper*, 12 May 2004, COM (2004) 373 final (henceforth COM (2004) 373 final), pp. 3, 4, 8.
[122] Commission of the European Communities, *Commission Staff Working Document Accompanying the Communication from the Commission to the Council and the European Parliament on Strengthening the European Neighbourhood Policy, ENP Progress Report Israel*, 29 November 2006, SEC(2006) 1507/2 (henceforth SEC (2006) 1507/2), p. 2.
[123] COM (2004), 373 final, p. 4.
[124] EU/Israel Action Plan, p. 6; http://ec.europa.eu/world/enp/pdf/action_plans/israel_enp_ap_final_en.pdf, accessed 27 February 2007 (henceforth EU/Israel Action Plan); EU/Palestinian Authority Action Plan, p. 7; http://ec.europa.eu/world/enp/pdf/action_plans/pa_enp_ap_final_en.pdf, accessed 27 February 2007 (henceforth EU/Palestinian Authority Action Plan).
[125] http://ec.europa.eu/comm/external_relations/euromed/bd.htm accessed 26 February 2007

However, such theoretical recognition of the conflict's multilateral dimension – and of its all-encompassing nature – does not seem to have been translated into practice in the Israeli and Palestinian APs. As we shall see in the following section, these documents remain generally dependent on bilateralism and do not provide for adoption of a multilateral operational framework which could involve the conflicting partners and the EU. Even though regional cooperation and a multi-lateral operational framework appears to have been partially established in fields such as trade, transportation and the environment, to name just three,[126] issues which are more directly connected to the Israeli-Palestinian conflict itself do not appear to be treated in the same multi-lateral context.

The existence of such a dual framework is further obfuscated by the language used in the AP-Israel and the AP-Palestine, two documents which – partially due to the vagueness of their formulation – could really be seen as non-binding agreements, statements of mutual interest or, even more confusingly, "a process" according to the definition found in the 2006 ENP Progress Report on Israel.[127] The ambiguity of language pervading these documents, their broad meanings and the multiple layers of interpretation offered, are certainly not amenable to clarification in a political context where definitions have historically played a crucial role. The overall ambiguity of the two APs examined here has been the subject of remarks betraying different degrees of harshness in addition to criticism as a shortcoming in the intractable and all-encompassing nature of the Israeli-Palestinian conflict.[128] However, it cannot but be acknowledged that this ambiguity also allows a great deal of flexibility by the contracting parties both in the interpretation of its contents and their application. Such flexibility can be limiting as well as empowering; in either case, it provides a framework through which further negotiations can be developed within the short- and medium-term perspectives embodied by the APs. Much less ambiguous appears to be

[126] COM (2004), 373 final; EU/Israel Action Plan; EU/Palestinian Authority Action Plan.
[127] SEC (2006) 1507/2, p. 2.
[128] H. Grabbe, *How the EU should help its neighbours*, "Policy Brief", Centre for European Reform, June 2004, www.cer.org.uk accessed 15 November 2006; R. Del Sarto, *The EU and Israel: An enhanced political cooperation? An assessment of the Bilateral ENP Action Plan*, in R. Nathanson and S. Stetter, *The Monitor of the EU-Israel Action Plan*, Tel Aviv Vienna, Friedrich Ebert Stiftung, 2006, pp. 220-245; G. M. Steinberg, *Europe's failed Middle East policies*, *Security Dialogue*, 35 (4), 2004, pp. 389-92.

the role which the EU has cut out for itself: If the ENP represented "an offer made by the EU to its partners",[129] the APs reaffirm the centrality of the EU in its relationship with each of them.

By placing the EU at centre stage, the AP-Israel and the AP-PA stress a bilateralism which further disconnects the Israeli from the Palestinian situation even though the regional framework always appears in the background, at least in theory. In practice, each partner is placed in separate contexts, a choice which further accentuates the differences in the relationship maintained by the EU with Israel on the one hand and the PA on the other vis-à-vis the one question the two certainly share, though on opposite fronts: their ongoing confrontation.

Twin Action Plans? The AP-PA and the AP-Israel

By stressing the differences between the Israeli and the Palestinian partner, the AP-Israel and the AP-PA somewhat contribute to undermining one of the ENP's central objectives, i.e., promotion of stability in the European neighbourhood. Viewed from a comparative stance, the Israel and the PA APs are twin documents which reveal more differences than similarities. While a result which emphasizes distinctions between parallel documents may certainly be apt for those numerous countries which – though placed in the same Mediterranean or Middle Eastern context – do not have a shared past, present or eventual future, it can hardly be applied to the Israeli and the Palestinian cases. There, the ongoing conflict is defined by the linkage of historical claims, land and economic issues, security considerations and social questions – a linkage which constitutes one of its peculiarities and one of the reasons for its intractability.

These two documents underline the institutional differences between Israel and the PA as well as their different stages of economic, juridical, political, administrative and social development, differences which indeed reflect the situation in the field. However, this stress on divergence prevents the emergence of a common context within which to structure a multilateral framework of cooperation. This is even more obvious when the documents specifically address the conflict: both the top-down

[129] COM (2004), 373 final, p. 8.

approach for its settlement and the bottom-up practical measures for its solution are in fact disguised behind general principles and statements of goodwill. A combination of the two perspectives – acknowledged by a large body of research to be one of the main if not the only possibility for eventually reaching a comprehensive solution[130] – is hardly considered.

The very issue of the conflict involving Israel and the Palestine – and its eventual resolution – is, moreover, referred to in different terms in the two APs. In the AP-PA, the conflict's settlement is presented as a necessary prerequisite for the institutional normalization which is considered crucial for consolidation of working relations with the EU, in part to move beyond the Interim Association Agreement (1997). In the case of Israel, the settlement of the same conflict provides the background for several other factors: first, the series of cooperative agreements in various fields which have connected Israel and the EU for decades; second, the Association Agreement (signed in 1995, ratified in 2000); third, the historical and cultural proximity which the AP-Israel duly emphasizes; and finally, the functioning of institutions – administration, judiciary, economy, education, etc. –irrespective of the conflict. While the AP-PA considers the overall economic and social consequences of the conflict – reference to which is found at various points in the document – the AP-Israel refers more sparingly to those consequences. Again, such a distinction only mirror the two countries' situation and may not appear problematic *per se*; the fact remains that Palestine and the Palestinian population are more affected by the ongoing conflict than are Israel and the Israelis. However, the way in which the conflict is addressed in the two APs again implicitly strengthens bilateralism to the detriment of a more comprehensive approach.

Cooperation

At the centre of these tensions stands the question of cooperation, invoked as a key for most areas in which a process of bonding between the partners is to be constructed and/or strengthened: economy, the judiciary, education, health and, in the Palestinian case, governance reform. In the ENP Strategy Paper as well as the APs, cooperation is

[130] J. P. Lederach, *Building Peace: Sustainable Reconciliation in Divided Societies*, Washington, United States Institute of Peace Press, 1997; M E. Bouillon, *The Peace Business: Money and Power in the Palestine-Israel Conflict*, London, I. B. Tauris, 2004.

presented as the preliminary stage from which to move on "to a significant degree of integration".[131] The *Priority for Action* sections in both APs bring cooperation into play, for example, "to alleviate the humanitarian situation", as an instrument for the "enhancement of political dialogue" and more pragmatic issues, such as improvement of "transport and energy issues".[132] In AP-Israel, cooperation functions as a buzz word "for strengthening the fight against terrorism, promoting the protection of human rights, improving the dialogue between culture and religions".[133] As above, cooperation likewise emerges in other fields: migration, the war against crime and organised crime, transport.

Of the various general and ambiguous terms that both documents leave unspecified, 'cooperation' stands out as one of the vaguest due to its multiple interpretations and multi-layered applicability. Moreover, despite the hundreds of time that we find cooperation mentioned in the two APs, no specification is made of the means to bring it about. Although leaving such term unspecified and unstructured may lead to an emptying of its meaning, cooperation is nevertheless invoked in the two APs in relation to just about everything, from political to social, economic to environmental, medical to security aspects. Most of all, it is invoked in relations to everyone, whether governments, civil society and/or non-governmental organizations (NGOs). Cooperation appears, moreover, to be possible in at least two directions: one more obvious, between the EU and the each partner; and one less immediately apparent, between Israel and Palestine.

The former dimension is extensively addressed in the ENP Strategy Paper and the two APs as one of the main instruments for building a bilateral relationship between each partner and the EU although at an unspecified political level – for example, between governments – for the purpose of building joint infrastructure projects and for environmental policy implementation.[134] The latter is, however, also framed into a more general regional context. In the AP-PA and in the AP-Israel, political cooperation – which accompanies political dialogue – is in fact to be "strengthened

[131] COM (2004), 373 final, p. 8; EU/Palestinian Authority Action Plan, p. 1; EU/Israel Action Plan, p. 1.
[132] EU/Israel Action Plan, p. 3; EU/Palestinian Authority Action Plan, p. 3.
[133] EU/Israel Action Plan, p. 3.
[134] COM (2004), 373 final, pp. 8 and 22.

and extended" to "resolve the Middle East conflict, including intensified efforts to facilitate the peace process".[135] If, therefore, these documents appear suspended between a bilateral and a regional framework from the perspective of cooperation, the question arises as to which actors are supposed to be promoting, enhancing and strengthening cooperation, especially after the 2006 break in contacts between the EU, Israel and the Hamas-led government.

Cooperation and Civil Society: Some Theoretical Considerations

Civil society has always been a key theme in major EU policy documents and declarations (as well as in the Barcelona process, as previously mentioned); civil society is also presented in the ENP as an important factor for "developing various forms of cross-border co-operation" to support, among other things, "human rights and democratisation".[136] Once again, a specific definition of the term "cross-border" is nowhere to be found in the documents examined. This crucial term may be understood in a bilateral perspective; yet, for lack of a more precise indication, it may also be suggested that cross-border cooperation pertains to a wider regional context, too. In a diplomatic situation where, as mentioned, governments and institutional agents have severed relations, cross-border cooperation can easily fall onto the shoulders of civil society. This should not, of course, be simplistically understood to mean that conflict resolution, too, should be entrusted to civil society representatives even though the latter are viewed as players fostering cooperation in many of the areas which the two APs shortlist for cooperation efforts: health, the environment, education, general welfare, alleviation of poverty, democratization, governance and so on. First, civil society is understood to play an important role in holding government accountable; second, reporting and monitoring by civil society and NGOs – "whether national or international" – is considered to be one of the sources on which the EU will rely in assessing the progress made. In this respect, but especially regarding politics and the judiciary – the relationship between civil society and government seems to be sketched in terms of "complementarity": The EU is seeking a set of

[135] EU/Palestinian Authority Action Plan, p. 4; EU/Israel Action Plan, p. 6 (with a slightly different wording).
[136] COM (2004), 373 final, pp. 4 and 23.

reforms outside which "civil society and non-governmental organisations are promoting inside their countries".[137]

Like 'cooperation' and 'cross-border', 'civil society', too, is left undefined in the ENP as well as in the APs. However, it would seem that the EU – as these documents show – attribute a generally positive and progressive role to civil society, indicating a rather uncritical, or, more correctly, imprecise use of the term. To give just one example of this one-sided interpretation, civil society in the Mediterranean was recently defined as an agent "bringing people together nationally and over the borders", encouraging the "full participation of citizens" in political processes as well as "a fundamental factor in promoting welfare, democracy and human rights".[138] Although it would seem that the EU is simply following the road paved by the media, press and politicians in the broad and unspecified use of such terminology, the lack of its definition in documents defining a political strategy – or in those meant to regulate such strategy – is quite striking. This is even truer considering the fact that the use of these two words – and the notion they embody – appears to conceal more complexity than it demonstrates transparency.

No consensus has been achieved on *one* exclusive definition to cover the multi-faceted phenomenon of civil society. However, there is general agreement on at least one of its main functions: the transformation of social and political reality according to a set of shared values and for a generally agreed-upon purpose (whether progressive or conservative). As a construct that anticipates, influences and reflects reality, civil society can in fact be seen – and has accordingly been studied – in three different ways: first, in a conventional way, as a bundle of networks organized in the space between the state, the market and the private sphere; second, as a type of social interaction based on self-organization and self-reliance, which operates in the public sphere and which is generally acknowledged as pluralistic and heterogeneous; and third, as the relationship linking social configurations with the polity.[139] As opposed to much of the literature in the social and political sciences on the subject, the role

[137] http://ec.europa.eu/world/enp/faq_en.htm; accessed 28 February 2007.
[138] Message from Erkki Tuomioja, Minister for Foreign Affairs of Finland to the EU Presidency, delivered by Ambassador Risto Veltheim at the Euromed Civil Forum held in Marrakech, Morocco, on 4-7 November 2006.
[139] P. Wagner (ed.), *The Languages of Civil Society*, Oxford, UK, Berghahn Books, 2006.

generally attributed to civil society as an agent of social and political transformation is by no means necessarily positive or progressive. An alternative, conservative model of civil society, engaged in the defence of tradition, appears to have played a significant role in the Israeli-Palestinian confrontation. In all cases, at least two paradoxes characterize the reappearance of civil society in historical and political analysis in addition to policy circles, as if it were "new and free of baggage".[140] First of all, its borders have expanded, with civil society been transformed into an entity which has become elusive as an idea, and "more fugitive as a reality".[141] This is the source of a second irony associated with the extensive use of civil society in historical and political analysis: the temptation of to apply prescriptive definitions as a means to encapsulate a naturally evolving concept.

In order to maintain the analytical and political usefulness of 'civil society' in the midst of these varying and sometimes conflicting approaches, a conception of civil society, understood as a source of autonomy, has also been put forward. If civil society organizations/actors are sources of autonomy for the larger group involved – provided that there is respect for the moral and physical integrity of other groups and other individuals, and a respect for political pluralism in a given polity – they qualify as 'civil society' institutions.[142] This kind of approach does not designate the types of organizations that might belong to civil society; rather, it stresses the variety of civil society's contributions (good or bad), be they political, cultural and/or social. In all cases, civil society cannot be understood without emphasizing the transient character of many of its manifestations, or the possible conflict between them. This last way of conceiving civil society may come closer to the uncritical use of the term as found in EU documents even though – as stated above – the role attributed there to civil society seems to fall more in the sphere of the progressive than in the sphere of the neutral or the conservative.

From this perspective, civil society is seen as holding one of the keys needed to promote bilateral and regional cooperation, accomplished through the work of its

[140] J Comaroff and J. L. Comaroff, (eds.), 'Introduction' in *Civil Society and the Political Imagination in Africa: Critical Perspectives*, Chicago, University of Chicago Press, 1999, pp. 1-43.
[141] D. Williams and T. Young, 'Governance, the World Bank and Liberal Theory', *Political Studies*, 42 (1), 1994, pp. 84-100, p. 84
[142] B. Challand, *Donors, Civil Society and Autonomy*, EUI Working Papers of the Robert Schuman Centre: Florence, 2006.

actors, NGO of various kind and orientation, study centres, academic institutions, think tanks, etc. These represent, in fact, some of the institutions which, on the one hand, mediate and negotiate between people and governments and, on the other hand, optimally transmit values, norms and attitudes across the generations, therefore laying the foundations for a long-term process of social and political transformation. In practical terms, this means that civil society actors are in a position to reach those directly afflicted by the consequences of a lack of "security, stability and well-being": those who live under the poverty line, the uneducated, the ill, etc. By the same token, it also means that they are able to provide the social, educational and environmental services often not available otherwise. This clearly gives them a role in socio-economic development as well as in the possible nourishment of a leadership which can then be effective in the political and economic arena. In this respect, civil society works as a connecting agency on the vertical and horizontal level: It integrates a top-down with a bottom-up approach. In the specific case of the Israeli-Palestinian confrontation – and of the EU's vision of that confrontation – civil society also contributes to integrate peace-making and peace-building to maintain a multilateral framework in the context of the EU's shifting attitude between multilateralism and bilateralism.

Civil Society in the Ongoing Israeli-Palestinian Conflict

The civil society that the EU refers to in its documents in its statements may therefore be seen more aptly as its progressive part. As such, it excludes all those groups which maintain a conservative agenda and which do not support trans-national or cross-border cooperation, either in a bilateral or a regional framework. Following this reading, this and the paper's following sections will consider these progressive components of civil society cooperation while drawing attention to their potential for achieving some of the ENP's goals. Special reference will be made to the question of regional and cross-border cooperation as addressed in the AP-Israel and in the AP-PA.

The two APs under consideration present a top-down approach which is highly reminiscent of the idea of the ENP as an "offer made by the EU to its partners", most likely a result of the APs being negotiated by the EU only with governments. In the context of the ongoing Israeli-Palestinian conflict, such an approach has been shown to be insufficient. The list of agreements and treaties signed at a governmental level to

become dead letters in the past twenty-five years (from the Madrid Conference to the Disengagement Plan) is in fact long enough to demonstrate that an exclusively top-down approach alone does not bear fruit.[143] In this respect, references to civil society activities and cooperation in the APs complement such a top-down idea with a bottom-up strategy which could help individual participation on the micro level. The integration of these two approaches can reduce the inevitable risks of detachment from the situation on the ground which a top-down oriented strategy alone may cause. The convening of at least two forums (the 'Euro-Med Civil Forum' and the less visible – though potentially more politically significant – 'Alternative Mediterranean Conference'[144]) concurrently with the launching of the Barcelona Declaration seem to express recognition of such need.

However, it can also be suggested that the repeated reference to civil society cooperation in the ENP and in the two APs represents an acknowledgement of civil society's entry as an important social, economic and political actor in the region. According to estimates from Benjamin Gidron and others, civil society (or, to use the authors' own definition, the 'the third sector') has swelled in numbers and participation in the past twenty years. By 1995, civil society in Israel employed full time 150.000 individuals or 9.3% of total non-agricultural employees; when including volunteers, this figure rose to 10.7%. In addition, the third sector had twice as many full-time positions as the entire financial services industry (banking and insurance), and half as many as the entire industrial sector (manufacturing and mining). In the same year, total expenditures of non-profit organizations equalled 12.7% of Israeli GDP. While this should not be simplistically understood to mean that the entire Israeli third sector is involved in peace-related activities or in cross-border cooperation, the contribution of civil society to social and educational issues, politics and the economy remains impressive, ranking Israel fourth from an international comparative perspective.[145] If, moreover, one of the fundamental traits of civil society is the

[143] For the text of the numerous agreements and documents relating to the so-called Peace Process, see http://www.knesset.gov.il/process/eng/eng_docs.asp; accessed 28 February 2007.
[144] Http://Www.Euromedplatform.Org/Spip/Index.Php?Lang=En and http://www.pangea.org/events/cma95/eng/english.html, respectively, accessed 19 November 2006
[145] B. Gidron, H. Katz, H. Bar-Mor, J. Katan, I. Silber, M. Telias, *Through a New Lens: The Third Sector and Israeli Society*, "Israel Studies", 8 (1), 2003, pp. 20-60, see pp. 24-25.

broadly conceived cultural homogeneity of its actors,[146] it can be suggested that civil society can and does in fact play a relevant role in cooperation activities, whether on an internal, bilateral or regional scale. Although the Palestinian situation is less impressive, still, in 2000 there were at least 20,000 registered NGOs were involved in health, education, advocacy, environment and sustainable development, humanitarian issues and the promotion of governance in the occupied Palestinian territories (oPt).[147] While such growth and diversification can be considered part and parcel of the "associationism revolution" of the 1980s,[148] they are also connected to the contingencies of a protracted conflict which has been affecting – although in different ways – the needs of Israelis and Palestinians. In the latter case, especially in the absence of a governmental authority until 1993, civil society played, among other things, the role of service provider.[149] In all cases, civil society initiatives stress standards and principles central to the EU's vision and commitment, i.e., support of a way of dealing with conflict different from violence and confrontation. For this reason, too, civil society has been central in questions of bilateral or regional cooperation.

Civil society has also been a core element given the substantial amount of funding channelled to the area for cooperation activities from various sources: from institutional donors – such as the EU, various UN agencies, various governments, etc; from so-called Diaspora donors – communities connected in various ways to one of the two conflicting parties; from other NGOs of diverse size and financial capability, whether large international bodies or smaller associations belonging to one or the other of the national member states. Indeed, a large body of literature on civil society cooperation in the Israeli-Palestinian conflict has recently focused on this last point – foreign aid, donors and funding – while stressing how financial aid, in all cases, is never neutral. In contexts of protracted conflict, financial aid can in fact promote connections between contending parties; it can also support divisive factors; as a third

[146] E. Gellner, The importance of being modular, in J. A. Hall (ed.), *Civil Society, Theory, History, Comparison*, Polity Press, Cambridge, 1995, pp. 32-55.
[147] www.vispo.com/PRIME/ngostudy.htm accessed 20 November 2006.
[148] H. K. Anheier and L. M. Salamon, *The Civil Society Sector*, "Society", 34 (2) 1997, pp. 60-65.
[149] G. R. Robinson, *Building a Palestinian State. The Incomplete Revolution*, Bloomington and Indianapolis, Indiana University Press, 1997; N. J. Brown, *Palestinian Politics after Oslo. Resuming Arab Palestine*, University of California Press: Berkeley, Los Angeles, London, 2003.

option, foreign financial aid targeted at cooperation – and emergency aid in particular – can contribute to normalizing the situation on the ground.[150]

Even if we look only at civil society cooperation between the EU, Israel and the PA through the lenses of financial aid, we find a discrepancy in attitude and policies that mirrors the various differences already mentioned regarding the two APs. Cooperation with Israel has, in this respect, been implemented at the civil society level mainly through pre-existing agreements and several Euro-Med programmes (such as Euro-Youth for example). One example is that of the financial support granted to Israel, as one among thirty countries, to participate to the European Initiative for Democracy and Human Rights (EIDHR) for 2002-2004.[151] Cooperation with the PA has followed a completely different route. Lacking the same (or a similar) record of association claimed by Israel , the PA has seen cooperation with the EU realized partly through what has been termed 'chequebook diplomacy'.[152] It is, however, worth noting that while such disbursement has helped alleviate a humanitarian situation which was (and still is) deteriorating with impressive speed in the short term, the outpouring of such a quantity of funds in the absence of political stability may stimulate dramatic consequences in the long term. Among these is the potential subversion of attempts to promote good governance, democracy and the rule of law, which the AP-PA strongly emphasizes.[153] Not by chance does the very same document claim "a more *targeted* financial support (...) to the Palestinian Authority"[154] as the solid grounds required for opening new perspectives of partnership and cooperation. Again, while such ambiguous terms may mean just about everything, it is perhaps worth pointing out

[150] M. Keating et al. (eds.), *Aid Diplomacy and Facts on the Ground. The Case of Palestine*, London, Chatham House, 2005; B. Challand, *The Power to Promote and to Exclude*, PhD thesis, European University Institute: Florence, 2005; Ibid., *Donors, Civil Society and Autonomy*, EUI Working Papers of the Robert Schuman Centre: Florence, 2006.

[151] Commission of the European Communities, *Commission Staff Working Paper, European Neighbourhood Policy, Country Report Israel*, 12 May 2004, SEC (2004) 568, p. 4 (henceforth, SEC (2004) 568).

[152] S. Lasensky, *Chequebook Diplomacy: the US, the Oslo process and the role of foreign aid* in M. Keating et al. (eds.), *Aid Diplomacy and Facts on the Ground*, pp. 41-58; data on EU disbursements to the PA and for the oPt, either in relative or absolute terms, are easily and variously available in several EU, UN, World Bank and other official publications, as well as in the sources of the PA Ministry of Planning. See Commission of the European Communities, *Commission Staff Working Paper, European Neighbourhood Policy, Country Report Palestinian Authority of the West Bank and Gaza Strip*, 12 May 2004, SEC (2004) 565 (henceforth, SEC (2004) 565); World Bank, *Four Years of Intifada, closures and Palestinian economic crisis: an assessment*, 2004.

[153] EU/Palestinian Authority Action Plan, pp. 5-6.

[154] Ibid., p. 2, emphasis added.

here that one of the main findings of projects such as 'Do no harm' (DNH), a collaborative effort of many UN agencies, donor governments, international and local NGOs, begun in the early 1990s.[155] While its main thesis substantially reaffirms the centrality of the idea that donors' aid should be disbursed carefully in view of its lack of neutrality, one central DNH recommendation supports the idea that such aid should be directed towards civil society activities which promote bonding *in loco* and between local partners. It is to this last question that I now turn.

P2Ps, PfP, Peace-Building and the European Perspective

As noted above, the semantics of the ENP Strategy Paper and of the APs under consideration, as well as that of the ENP Country Reports, appear to be altogether lacking in precision or, at least, definition. Although such a concern may appear to be of academic interest only, it does have implications in terms of policy-making. While leaving terms undefined may indeed represent an advantage at the negotiating stage, an ambiguous starting point will rarely lead to a successful implementation of policy on the ground. After 'cooperation', 'cross-border' and 'civil society', another term which belongs to the same group of words/concepts meant to promote connection and bonding between partners – People-to-People projects (P2Ps) – is left undefined, notwithstanding its repeated mention and the overall importance attached to it. As one centre of civil society, cooperation as delineated in the ENP as P2Ps are meant to promote "civil society initiatives in support of human rights and democratisation, (...) youth organisations, and (...) intercultural dialogue through educational and youth exchanges, as well as human resource mobility and transparency of qualifications".[156] P2Ps are also designated valuable tools to "enhance mutual understanding of each others' cultures, history, attitudes and values, and to eliminate distorted perceptions".[157] Similar tasks are indicated for P2Ps in the AP-Israel and the AP-PA.[158]

While such references to P2Ps can be found in most APs regulating the ENP, their relevance within the Israel and Palestine picture appear altogether inadequate, especially in view of the very specific function of bridging attributed to P2P

[155] http://www.cdainc.com/dnh/, accessed 19 November 2006,
[156] COM (2004) 373 final, p 23.
[157] Ibid., p. 19.
[158] EU/Israel Action Plan, p. 23; EU/Palestinian Authority Action Plan, p. 10.

programmes in the aftermath of Oslo. Most of all, references to P2Ps in the context of the Israeli-Palestinian conflict seems preposterous as by the time the APs were being negotiated, the failure of P2Ps had been widely acknowledged.[159]

References to P2P programmes in the ENP and in the APs should therefore not be understood in terms of the original model attributed in Oslo to the government of Norway and to the Norwegian FAFO Institute of Applied Science. Rather, it should be examined within the framework of the new civil society cooperation scheme launched in 2000, after the outbreak of the Second Intifada had induced the progressive dismantlement of most cross-border trans-national Israeli-Palestinian cooperation activities, until them developed at a civil society level. Launched by the EU under the title Partnership for Peace Programme (PfP), this effort has tried to further mutual understanding, foster the formulation and consideration of alternative political options through a financial contribution of about €50 million. Most of all, the PfP effort has publicly upheld the crucial concept that conflict resolution and transformation requires active engagement and commitment by civil society.[160]

Within the PfP framework, civil society appears more contextualized and used in a less uncritical way: Its activities were in fact acknowledged to sustain "dialogue between the peace camps on both sides" and to "stimulate other political forces to join in" as "effective messengers for peace, 'keeping the door for dialogue open' even during times of crisis". P2P and PfP therefore address the same question of civil society cooperation from alternative perspectives. At the core of the difference stands the idea of conflict *resolution* versus conflict *transformation*, the latter aiming at much more comprehensive re-formulation of the whole process than does the former. This element was in fact considered crucial in PfP for re-creating "the conditions for re-launching the peace process", to include a perspective of long-term sustainability

[159] Interview of the author with Alexandra Meir, EU Partnership for Peace Programme, Delegation of the European Commission to the State of Israel, Ramat Gan, 28 December 2006. See the issue of the "Palestine-Israel Journal of Politics, Economy and Culture", 12 (4) and 13 (1), 2005-2006, *People-to-People. What Went Wrong and How to Fix It;* S. Herzog and A. Hai, *The Power of Possibility: The Role of People-to-People Programs in the Current Israeli-Palestinian Reality*, Friedrich-Ebert-Stiftung, Israel Office, 2005; I. Maoz, *Peace Building in Violent Conflict: Israeli-Palestinian Post-Oslo People-to-People Activities*, "International Journal of Politics, Culture and Society" 17 (3), 2004, pp. 563-574; Y. Hirschfeld and S. Roling, *The Oslo Process and the People-to-People Strategy*, "Development" 43 (3) 2000, pp. 23-28.

[160] Interview of the author with Mark Ghallagher, First Secretary, European Union, European Commission Technical Assistance Office (West Bank, Gaza Strip), 4 January 2007.

and, most of all, to found cooperation on the basis of "equality and reciprocity between Arabs and Jewish societies".[161] In 2005, the PfP was funding about 45 projects, approved in 2003 and 2004; the selection process for 2005 allowed another 28 projects to be funded for a total of more than €7.5m. PfP moreover addressed one of the central questions at the core of any cooperation activity between Israeli and Palestinian civil society actors, i.e., the inevitable asymmetry between the cooperating partners. If P2P necessarily included both partners, PfP could be undertaken unilaterally or jointly, within and between eligible countries. If P2P and other grassroots activities contributed to some sort of integration between the bottom-up and the top-down approach, the blending of peace-making and peace-building seems to be more in the range of PfP.

Among the successful PfP applicants we find – not by chance – some civil society organizations which operate jointly, i.e., Israeli-Palestinian mixed NGOs, of which about fourteen exist in all: 'Israel-Palestine Centre for Research and Information' (IPCRI, 1984), 'Alternative Information Centre' (AIC, 1984), 'Physicians for Human Rights' (PHR, 1987), 'Windows' (1991), 'Bat Shalom/The Jerusalem Link (1994), 'Friends of Earth Middle East' (FOEME, 1994), 'The Palestine-Israel Journal' (1994), 'Middle East Children Association' (MECA, 1996), 'The Parents Circle' (1998), 'Peace Research in the Middle East' (PRIME, 1998), 'Crossing Borders' (2000), 'Faculty for Israeli-Palestinian Peace' (2001), 'All for Peace Radio (2004), 'Combatants for Peace' (2005)'.[162]

In the same way as supra-national institutions and national governments were blamed for lacking contact with the reality on the field, transnational associationism of this kind has been charged with comparable errors, which emphasized their lack of political strategy and excessive idealism. At best, this kind of associationism has been considered problematic for at least two reasons: it challenged conflict resolution and peace-building theories based on a prominent role for State and it tried to cross two

[161] The European Commission, *The European Union's Programme EU Partnership for Peace. Guidelines*, November 2005, p. 2.

[162] To be found at the following websites, all accessed 2 March 2007: www.ipcri.org; www.alternativenews.org; www.phr.org.il; www.win-peace.org (temporarily inaccessible); www.batshalom.org; www.foeme.org; www.pij.org; www.mecaed.org;www.parentscircle.com; www.vispo.com/PRIME; www.crossingborder.org; www.ffipp.org; www.allforpeace.org; www.combatantsforpeace.org.

sets of boundaries, those between the realms of State and society, and those between enemy fields. At worse, it has been criticized for its quite apparent inability to halt the collapse (or to promote the renewal) of the peace process in those same areas in which it was operating. Despite this criticism, it remains true that throughout the general degeneration of all cooperative efforts during the years of the Second Intifada, this kind of associationism – for those mixed NGOs which then existed – represented the only version which remained active.

Conclusions and Policy Recommendations

In the context of a confrontation which shows all the features of a protracted conflict,[163] transnational associationism and PfP certainly do not represent the only possible approach for resuming conditions for the conflict's future settlement. By the same token, foreign, governmental and/or supra-national involvement alone – whether through financial means or through cooperation agreements – seems insufficient. The following policy recommendations were formulated on the basis of this analysis.

- In the **first** place, integration of the two perspectives could certainly help amplify the positive aspects of cooperation at the level of civil society, thereby multiplying the impact of cooperation and outreach.
- Beyond the integration of these two dimensions, a **second** step towards placing cooperation at the crossroads between peace-making and peace-building would be adoption of a broader and more comprehensive view of Israel and Palestine as part of one context, notwithstanding the significant differences that separate them as a result of their different – if not opposite – histories. Moreover, unilateralism, as policy and as ideology, is deeply entrenched on both sides; yet, this approach has proven itself not to be conducive to settlement of the conflict. As it was argued above, this is so due to the intermeshing of historical claims, land and economic issues, security considerations and social questions – a combination which constitutes one of the peculiarities as well as one of the reasons for this conflict's intractability.
- **Third**, A more coordinated and comprehensive approach by European, PA and Israeli top-down actors would also help avoid contradictory depictions of the two contending parties, as in the case of representation of civil society's role in the

[163] J. P. Lederach, *Building Peace: Sustainable Reconciliation in Divided Societies*, Washington, United States Institute of Peace Press, 1997.

peace process. While civil society's bridging activities towards Palestinians in Israel are described in the 'ENP Israel Country Report' as "low profile after the outbreak of the Second Intifada", the same kinds of activities are presented in the 'ENP PA Country Report' as central for "relaunching the peace process." This may simply constitute an example of a contradiction which possibly stems from the lack of a coordinated approach between negotiating teams; such contradictions are, however, striking. Let these documents speak for themselves:

NGOs supporting peace efforts were prominent at the end of the nineties, but were paralysed after the outbreak of the second Intifada. Grass-roots contacts between Palestinians and Israelis have continued through the Intifada, albeit with a low profile.[164]

A number of NGOs promote intercultural dialogue based on equality and reciprocity between Arabs and Israelis, including the Arab Palestinian minority in Israel with the aim of working together for mutual benefit and tangible results. These initiatives are designed to help re-create the conditions among civil society for relaunching the peace process.[165]

- In the **fourth** place, the documents which have been analysed here clearly present a problematic aspect in their choice of language and, most of all, in the political choice of not giving stringent definitions of those terms presented as central to the implementation of the ENP and the realization of its objectives in the Mediterranean. Though, as stated, leaving issues undefined may certainly have advantages in the short-term, other recent experiences have taught that postponement of issues resting at the core of the conflict leads to general failure in the long-term.
- In this respect, a **fifth** recommendation concerns the need not only to acknowledge that both countries share the same battleground, but also that a part of that battleground is currently under occupation. Without such an acknowledgement, the EU runs the risks of contributing to a process of normalization which is detrimental to both sides.
- The main **sixth** and **final** recommendation would be to increase the support and favour the activities of those parts of civil society cooperation which aim at transformation of the conflict at the micro-level by favouring changes of mentality

[164] SEC (2004) 568, p. 10
[165] SEC (2004) 565, p. 11

and of attitudes and working with the younger generation so as to as to set in motion a permanent, sustainable process of change.

The EU, Israel and Lebanon: The Political Economy of Post-War Reconstruction[166]

Tal Sadeh

Abstract

The fragility of the situation in Lebanon calls for external involvement. The EU's involvement in the region is considered by most Lebanese as constructive. Together with the lack of serious US attempts to broker an Arab-Israeli peace, this situation provides the EU with an opportunity to show leadership. The EU has a strategic interest in political stability in the Levant. Thanks to the extensive array of trade agreements and political institutions that the EU developed under the ENP with the region's countries, it has excellent access to local political processes as well as better information and influence than that obtained by other foreign players.

The EU must find a way to apply pressure on Hizbullah without pushing it into a corner. If the EU offers a special reconstruction package, Hizbullah can be cajoled into maintaining a constructive approach. The EU should emphasize positive incentives for 'good' behaviour rather than sanctions for 'bad' behaviour. The application of sanctions against Hizbullah should be left to the UN and/or the US; in any case, the EU should not lead such efforts. The EU should also support the 14 March movement and allow it to apply its pressure on Hizbullah. Finally, the EU should engage Syria's supporters and allow them to benefit from liberalization and even some economic integration with Israel.

It is important that the EU and its Member States manage their military tasks in Lebanon efficiently and professionally so as not to provide Israel with any excuse for further military involvement. However, the EU should avoid trying to monitor the

[166] This paper was written in fall 2006. Events in Lebanon have since moved on, as tensions increased between pro-Syrian groups, most notably Hizbullah, and anti-Syrian groups led by the Siniora government. The costs of the war have become clearer since the paper was written, and higher than initially estimated, at least on the Israeli side. However, the paper's main findings and conclusions, especially those related to EU policies and actions, remain unchanged."

Syrian-Lebanese border. The disillusionment of many residents of Northern Israel with their government's handling of the crisis provides the EU with an opportunity to leverage its credibility among the Israeli public and show greater balance in its response to the crisis. The EU can use its facilities to offer small-scale financial aid to municipalities in Northern Israel. It is also highly recommended that the EU foster the kind of Israeli-Lebanese economic integration that avoids flows of labour and goods. For example, cooperation in tourism and financial services can develop vested interests expect to oppose further hostilities. The EU can offer Israel and Lebanon privileged access to its Internal Market in these sectors in response to their cooperation.

The Economic and Military Scene Following the War

The second Lebanon war in the summer of 2006 devastated the Southern region of Lebanon as well as parts of the Beqa'a Valley and Beirut, and caused damage to infrastructure as far as the northern parts of Lebanon. Israeli forces targeted oil tanks, power stations, bridges, roads, airports and sea ports (along with their control systems), together with the communication infrastructure, and imposed a naval and aerial blockade on Lebanon.

In the course of the fighting, private homes and public buildings were demolished or heavily damaged, especially in the south. Some 1,000 Lebanese civilians lost their lives and hundreds of thousands had to leave their homes until the end of the war (European Union, 2006). As many as 130,000 people were left homeless. Direct structural damage from the war has been estimated at $3.6 billion (*The Economist*, 2006c). Capital flight from Lebanon reached $1.4 billion (*The Economist*, 2006b). In Israel, Hizbullah's missile attacks caused damage to many residential buildings in the Galilee and the coastal region north of Haifa (up to 12,000 apartments by one estimate). Tens of thousands of Israelis temporarily left their homes, too.

Private business suffered great damage in Lebanon as well as in Northern Israel. Exports from the border area fell sharply. The war devastated the tourism industry, which had previously been thriving. A loss is expected for 2006 by El Al, Israel's national carrier (*The Economist*, 2006e). The war also caused damage to the

environment in both countries, with oil spills in Lebanon and many forest fires in Israel.

By some estimates, direct damage in Lebanon amounts to some $9 billion, while in Israel they amount to 14 billion shekels Indirect damages, such as lost business days, factory closures, higher insurance premiums, insecure access to fields and impoverished clientele, are significant as well. All told, JPMorgan estimates that the fighting cost Lebanon about a quarter of its GDP. The Lebanese government estimates the damages and lost income at $6.5 billion (*The Economist*, 2006b). Israel's government estimated the costs of the war at $3.3 billion, of which $1.9 billion was allocated to military expenditures.

The cease fire agreement that ended the hostilities on 14 August left both sides arguing for victory on the one hand, but armed with reasons for a fresh round of violence on the other. From Hizbullah's point of view, the Israeli army was deterred or prevented from a full-blown invasion of Lebanon of the kind it had launched in 1982. Furthermore, Hizbullah maintained its ability to launch hundreds of missiles daily into Israeli territory in spite of heavy Israeli artillery and air strikes; it also still holds the two soldiers whose kidnapping initiated the violence.

However, as the cease fire entered into force, Israel maintained a 10-5 kilometres-deep strip of Lebanese land along the border; even after forfeiting this land to United Nations Interim Force in Lebanon (UNIFIL), Israel still holds a few Hizbullah members as 'unlawful combatants'. The 4,000 missiles that Hizbullah fired into Israel had no strategic impact, the great majority of them having landed in open space. Indeed, the organization's threats to bomb Tel Aviv or otherwise surprise Israel with some strategic weapon did not materialize. All these factors continue to inspire the organization and its sympathizers in their vowed attempt to continue the fight against Israel.

From an Israeli point of view, Hizbullah's arsenal of missiles suffered a severe blow, either by Israeli strikes or by depletion. Hizbullah's fighters suffered 500 casualties (of an estimated force of 3,000), were distanced from the border and thus prevented from launching more raids into Israeli territory. The deployment of UNIFIL to the areas

gradually evacuated by the Israel Defence Forces (IDF) during September and October has prevented Hizbullah from re-establishing its (at least overt) presence along the border.[167] Furthermore, increased international surveillance of Lebanon's waters, air space and land perimeters in the wake of the war may slow Hizbullah's rearmament plans.[168] The multinational fleet patrolling Lebanon's coasts is among the largest to be assembled in peacetime. Many Israelis had hoped that the damage and displacement caused by the war in Lebanon would restore Israeli deterrence, which is argued had been eroded in the 1990s and 2000s.

For all the talk of victory over Israel, few in Lebanon have an appetite for another round of hostilities. Lebanon's economy was in trouble even before the war erupted. The first half of 2005 had already seen an economic downturn. The killing of ex-Prime Minister Hariri affected tourism, trade, construction and the banking sector. The trade deficit increased by nearly 7% compared to the first half of 2004. Lebanon was challenged by its high level of debt (178% of GDP in 2004, half of it in foreign currency) and its unsustainable fiscal deficit (8% of GDP), which have led to a vicious cycle of an ever-increasing public debt stock and debt service burden (Gardner and Schimmelpfennig, 2006). In 2005, interest payments accounted for one-third of government spending. At 751%, Lebanon's ratio of debt to revenue was the world's worst (*The Economist*, 2006b).

These fiscal imbalances were coupled by trade imbalances. Lebanon's large trade deficit (€6 billion, on average, during 2000-2004, roughly 35%-40% of GDP) was partially offset by exports of tourism, banking and insurance services. That still left a huge current accounts deficit (16% of GDP), financed by capital inflows and remittances from the Lebanese Diaspora. Against this backdrop, the consequences of the war to Lebanon's economy can be disastrous.

In contrast, the war has barely dented the Israeli economy, which recovered in recent years from its worst recession ever. Following the outbreak of the Palestinian *Intifada*

[167] 5,000 UN troops were deployed by mid-September, and 10,000 more were expected by February (*The Economist*, 2006c, 49). By 1 October 2006, only a small Israeli military contingent remained in Lebanese territory, occupying the village of Ragher, which is a disputed area.
[168] For example, in early September, Cyprus seized a cargo of North Korean air-defence equipment bound to Syria. See *The Economist*, 2006c.

al-Aqsa in September 2000 and the global hi-tech crisis, Israel's economic growth rate was negative in 2001 and 2002. However, by 2005, growth exceeded 5%. Unemployment in Israel reached 9.1% in early 2005, down from 11 percent at the start of 2004. Before the war Israel was the world leader in private-equity investment as a share of GDP. Israel was particularly favoured by venture-capital firms, which raised $1.2 billion in Israel in 2005 (*The Economist*, 2006e). These foreign investors did not leave during or in the wake of the recent war; and, after an initial plunge, the Tel Aviv stock market has rebounded to its pre-war levels. Growth, which was initially forecast to slow by 1%-1.5% this year, now seems not to have slowed at all. Recent data suggest that industrial production in Israel grew by more than 8% in the year ending August 2006, which includes the war period.

However, despite these positive aspects of the situation for Israel, Hizbullah still maintains an arsenal of a few thousands missiles. Moreover, there is yet no force in sight capable of disarming the organization. In fact, Syria and Iran are intent on rearming Hizbullah. Without a change in Lebanon's political environment or some further external intervention, Hizbullah may very well eventually restore its military capabilities.

The fragility of the situation in Lebanon calls for some kind of external involvement to provide guarantees, ensure the credibility of policies, monitor the fulfilment of the United Nations Security Council Resolutions (UNSCR) and allow for gradual disarmament. Any foreign entity involved, whether a major power or an international organization, would also have to balance the influence in Lebanon of forces that wish to resume confrontation and the hostilities. This situation, it is argued here, poses a special opportunity, perhaps an historic one, for the European Union (EU), which may be able to fill the vacuum and become the leading foreign power in the Levant.

The paper proceeds as follows. The next two sections survey the EU's involvement in the region before, during and after the war. Section 4 describes the sophisticated and elaborate system of association agreements that the EU has concluded over the years with the region's countries. This political-economic infrastructure has institutionalized the EU's political role in the region. The fifth section considers the other players

having a stake in post-war Lebanon's reconstruction and their likely influence on the EU's role there. Section 6 summarizes the paper's conclusions.

EU Involvement in Pre-War Lebanon[169]

Ever since the withdrawal of Israeli forces from South Lebanon in May 2000, the security situation there remained fragile. Israel's withdrawal was motivated primarily by its desire to deprive Syria of its most potent bargaining chips in the 2000 negotiations over the Golan Heights. The withdrawal took Lebanon and Syria by surprise, allowing Hizbullah to fill the security vacuum. Although the United Nations (UN) ruled that the Israeli withdrawal put an end to Israel's 18-year occupation in Lebanon, Lebanon considered the Israeli step to be incomplete lest it be seen as doing Israel's bidding. The Lebanese government has persistently declined international appeals ever since to deploy its army at the border while treating Hizbullah as a legitimate resistance force to this alleged continued occupation (Norton, 2000).

The EU supported Israel's claim that the withdrawal ended its presence in Lebanon. However, the EU did not include Hizbullah in its list of terror organizations, issued in December 2001 as part of measures taken by the Council to combat terrorism. The EU and its Member States believed that Hizbullah was well entrenched in Lebanon's politics and society; they assumed that engaging and maintaining a dialogue with the organization provided a better way to influence it than confronting or isolating it. Hizbullah was thus able to avoid the restrictive measures that are applied to listed organizations in accordance with UNSCR 1373. In short, Hizbullah remained free to become influential in formulating Lebanon's foreign and security policy in the South.

Until 2006, both Israel and Hizbullah preferred to avoid large-scale hostilities between themselves in spite of occasional small-scale border clashes. Hizbullah would occasionally abduct or attempt to abduct an Israeli soldier, or fire the odd round of ammunition into Israel. Not withstanding a few artillery and air strikes, Israel usually preferred diplomatic solutions to such incidents. Most notably, in January 2004, a German-brokered exchange of prisoners took place between Israel and

[169] Until recently the term 'pre-war' when writing about Lebanon commonly referred to the period before the 1976-1989 civil war. This paper uses it to refer to the period between Israel's withdrawal in May 2000 and the recent Second Lebanon War in July-August 2006.

Hizbullah. The ability of Europeans to play the role of mediators was no doubt helped by the EU's policy of dialogue with Hizbullah.

Meanwhile, international pressure was building up on Syria to also withdraw its military from Lebanon and to allow the latter to develop an independent policy. UNSCR 1559, adopted in September 2004, called for the withdrawal of Syrian forces from Lebanon, the restoration of Lebanese sovereignty and independence in addition to the disarmament of Lebanon's local militias. Syria resisted these attempts, led by France and the US, which it regarded as meddling in its internal affairs. The more the international pressure grew, including direct statements by French President Jacques Chirac, the more Syria intensified its attempts to secure key positions for its supporters in Lebanon. These attempts caused a political crisis in 2004, when the constitution was amended to allow President Emile Lahoud, a supporter of Syria who was elected in 1998 for a six-year period, to extend his term until 2007, rather than stand for re-election.

The assassination in February 2005 of ex-Prime Minister Rafik Hariri, a prominent critic of Syria's presence in Lebanon, was the turning point. Syrian troops withdrew from Lebanon following mass demonstrations. New parliamentary elections were called in June. Following agreement with the government, the EU deployed an Election Observation Mission (EOM) to oversee the elections as part of the European Initiative for Democracy and Human Rights (EIDHR) program (see below). Hariri's anti-Syrian tripartite alliance won a majority of parliamentary seats.

UNSCR 1595 set up an investigation commission in April 2005 to probe the assassination of Mr. Hariri. In its October 2005 report, the commission found Syria, with its military presence, primarily responsible for the political tension created prior to the assassination. It further underscored the involvement of Lebanese and Syrian intelligence services in the assassination. In response, the UN Security Council adopted Resolution 1636, which bans the travel of suspects in the assassination, freezes their assets and urges Syria to fully co-operate with the investigation team.

Thus, during the pre-war period, the EU – and particularly France and Germany – were major players in the UN's efforts to free Lebanon from Syrian control. The EU

was also involved 'on the ground', with financial aid, election monitoring and frequent visits by senior officials. It played a constructive role in mediation between Israel and Hizbullah and established itself as an unbiased foreign power.

The EU Response to the Crisis

The EU's response to the Lebanon crisis initially consisted of political statements and high-profile visits by its officials (Commission of the European Communities, 2006b, 2006d). Javier Solana, the EU High Representative for the Common Foreign and Security Policy (CFSP), visited the region twice in July 2006, followed by a visit of the EU Troika. Towards the end of the month, Commissioner for External Relations and European Neighbourhood Policy (ENP) Bettina Ferrero-Waldner visited Lebanon as well as Israel. In her speeches she stressed the futility of military solutions to political conflicts. In August, Commissioner of Economic Development and Humanitarian Aid Louis Michel made a similar visit to both countries, conveying EU sympathy to all innocent civilians as well as coordinating relief efforts with the IDF (Commission of the European Communities, 2006a). Last but not least, the president of the European Parliament (EP), Joseph Borrell visited Lebanon in September. This visit was reciprocated later that month by a visit to the EP of Fouad Siniora, the Lebanese Prime Minister (Commission of the European Communities, 2006c).[170]

The EP was among the first EU institutions to call for a cease fire. Its resolution of 7 September, which was unanimously adopted, maintained that there is no military solution to the conflict and asked the EU for efficient and strong action in reconstructing Lebanon**.** It further declared that the Middle East peace process should be brought back to the top of the international agenda and that violations of human rights should be investigated by the UN (Commission of the European Communities, 2006d). It further demanded that abducted Israeli soldiers and imprisoned members of the Palestinian government be released (Commission of the European Communities, 2006b).

[170] However, a Euro-Mediterranean parliamentary delegation cancelled its visit to Lebanon on 18 September after the Lebanese authorities refused to admit one of its members, an Israeli parliamentarian.

In September 2006, a Commission assessment mission travelled to the Beqa'a Valley as well as to the South. The mission visited the villages and towns of Aytaroun, Bint Jbeil, Tyre, Nabatiyeh, Marjayoun and Khiam to study the economic difficulties there and the material damage caused by the conflict. The assessment focused on public infrastructure, energy, water, environment, transport as well as economic and social development but allowed the EU to determine the type of support it would offer. Representatives of the Member States accompanied the mission, which met with Lebanese officials in different ministries, municipalities, professional groups and other institutions and persons in charge of projects funded by the EU (Commission of the European Communities, 2006d).

This assessment mission became part of the Commission's mechanism for Lebanon's reconstruction. The Commission set up a €42 million package that consists of assistance to the government (€20 million) and support for the private sector (€18 million). The package also entails support for the rule of law and improvement of internal security (€4 million), in line with UNSCR 1701. The Commission's mechanism comes on top of €11 million allocated during the hostilities to evacuate migrant workers and €50 million allocated for humanitarian relief. The humanitarian relief was used mainly to resettle displaced people. It concentrated on improving water distribution, rehabilitating private houses, providing medical support (including psychological aid and mobile clinics), de-mining and reconstructing land irrigation.[171] So far, 23 contracts were concluded as of mid-September, of which 6 were concluded with UN agencies and 16 with European Non-Governmental Organizations (NGOs). Thus, the total funds committed by the Commission for Lebanese reconstruction amount to more than €100 million (Commission of the European Communities, 2006d).

To this aid one should add bilateral humanitarian assistance from the separate Member States. This assistance was material, consisting primarily of medicines and medical equipment, bare necessities and fire-fighting equipment. Member States were also involved in the evacuation of more than 40,000 of their nationals from Lebanon

[171] The de-mining activity was helped by maps of all mines laid during the Israeli occupation of 1982-2000, which Israel forwarded on 9 October to the UN in accordance with UNSCR 1701. However, Israel still refuses to reveal at which targets it fired cluster bombs. Cluster bombs were also used by Hizbullah against Israeli towns (Human Rights Watch, 2006).

during the war, as well as 10,000 third country nationals. The Presidency was active in securing evacuation corridors and assisting Cyprus in addressing the influx of evacuees (Commission of the European Communities, 2006d; European Union, 2006).

The EU also assisted Lebanon in dealing with the war's environmental damage. Danish and French experts and equipment assisted in targeted mopping-up operations, especially around fishing ports. Since August, these experts, together with the Lebanese army, have extracted more than 120 tons of oil from the Byblos port and cleaned the Beirut fishing port, the Movenpick Marina (12 cubic meters of oil) and 500 meters of the Ramlet el Baida's public beach (50 cubic meters of waste) (Commission of the European Communities 2006d).

The EU also has strong representation in the strengthened UNIFIL. The 6,900 soldiers from its member states will form a little less than a half of UNIFIL's planned 15,000 member force and support deployment of the Lebanese army in the South while providing maritime and air resources in terms of command, communication and logistics (Commission of the European Communities, 2006d; Council of the European Union, 2006). This is more or less the number of British soldiers present in Iraq, considered not a negligible force (*The Economist*, 2006d).

Thus, alongside the UN and the World Bank, the EU is already leading international efforts to address humanitarian and environmental needs, restore civilian infrastructure and promote economic recovery reflected in the 31 August 2006 Stockholm conference on the reconstruction of Lebanon (Ferrero-Waldner, 2006).

The Commission sees EU engagement in the region as part of a concerted international effort. Its officials consistently refer to UN resolutions as a basis for policy legitimation and prefer that action be taken in cooperation and consultation with other major players. Thus, the Commission called for Lebanese national dialogue as well as international involvement, especially by the UN, in addressing the underlying political causes of the war. These were identified as the inability of Lebanon to assert its independence and sovereignty, the ambiguity surrounding the disarming of Hizbullah, the status of the Shebaa farms, the stalemate in the Israeli-

Palestinian peace process and the destabilizing role played by Syria and Iran (Ferrero-Waldner, 2006). Recently there has indeed been growing international consensus, reflected in the 20 September statement of by members of the Quartet (the UN, US, the EU and Russia), that all these issues are linked and should be dealt with together (Commission of the European Communities, 2006c).

However, the EU has an advantage over other players when it comes to promoting stability in the Eastern Mediterranean. That advantage is its sophisticated, elaborate system of association agreements with the region's countries, an infrastructure that provides for the development of economic ties and acknowledges the political role of the EU in the region, as discussed next.

The EU's Regional Policy

The EU considers the South and East Mediterranean and the Middle East as areas of vital strategic importance, a key external relations priority. In the context of its 2004 enlargement, the EU recently developed its European Neighbourhood Policy (ENP). The stated aim of the ENP is to strengthen stability, security and well-being for the EU as well as for all of the Mediterranean and Eastern European countries that are neither Member States nor candidate countries (Commission of the European Communities, 2004).

The basis of the ENP is mutual commitment to common values of democracy and human rights, rule of law, good governance, market economy principles and sustainable development. Partner countries are invited to enter into close political, economic and cultural relations with the EU, enhance cross-border co-operation and share responsibility in conflict prevention and resolution. The Union offers these countries the prospect of a stake in its Internal Market and further economic integration. The speed and intensity of this process depend on the will and capability of each partner country to engage in this broad agenda.

Technically, the ENP is implemented through bilateral Action Plans signed between the EU and each partner country. These build upon existing agreements, which in the case of Mediterranean countries consist of the Barcelona Process Association Agreements. The Action Plans are also based on country reports, which the

Commission produces. The country reports assess when and how it is possible to deepen relations with that country given its political and economic situation.

The Action Plans set out an agenda of political and economic reforms during a three- to five-year period. They are meant to be tailor-made for each country, rooted in the country's needs and capacities as well as EU interests. The EU offers financial and technical assistance for implementation of the Action Plans while promoting and monitoring them through sub-committees. Periodic Commission progress reports are then produced.

The Association Agreements emphasize the importance of the observance of human rights, democratic principles and economic freedom. They underline priorities of regional political stability and economic development through encouragement of regional co-operation. These agreements thus provide a framework for political dialogue and co-operation in economic policy, including approximation of laws and application of EU standards as well as cultural exchanges (the famous 'three baskets').

Within the economic 'basket', each Association Agreement establishes a bilateral free trade area in industrial goods and liberalizes trade in agricultural goods and services, capital movements and government procurement. The Association Agreements also encompass policies regarding competition and protection of intellectual property rights. Their goal is to achieve sustainable economic and social development in the partner countries and the gradual establishment of a free trade area among the EU and all Mediterranean partner countries by 2010.

The political dialogue emphasizes peace, security, regional cooperation and the need to contribute to the stability and prosperity of the Mediterranean region. Dialogue is maintained in two main bilateral bodies: An Association Council, in which EU Commissioners and partner country ministers meet, and an Association Committee, in which senior officials of both sides meet. Bilateral meetings also take place at the parliamentary level through contacts between members of the EP and the partner-country's parliament.

In addition to the vertical (i.e., bilateral) dimension of the ENP, the EU has also developed horizontal (i.e., regional) bodies. Annual foreign, industrial and trade ministers' conferences have been held to develop the Barcelona Process as a common interest; in addition, a Euro-Mediterranean committee acts as a steering committee. Working groups have been established on industrial cooperation, rules of origin, services, and trade measures that are related to regional integration. Business, environmental, research, and cultural networks have been established as well.

Relations with Israel

Israel signed a three-year Action Plan with the EU in early 2005. Israel's Action Plan encourages the approximation of Israeli legislation to EU legislation as a means to improve its access to the EU's Internal Market and greater liberalization of trade in goods (including agricultural goods) and services. The Action Plan prioritizes co-operation in a variety of areas, including the Middle East conflict, counter-terrorism and the environment.

The Euro-Israeli Association Council met five times prior to December 2004, when both sides endorsed Israel's Action Plan and discussed various political issues. At the December meeting, Israel raised its concern over the situation in Lebanon and Syria. The Association Council identified the following key areas for strengthening co-operation and for advancing implementation of the Action Plan: (1) political dialogue and co-operation, (2) industry, trade, services and internal market, (3) justice and legal matters, (4) research, innovation, education and culture, (5) tariffs and taxation and (6) joint EU-Israel-Palestinian co-operation in energy and transport. The 2004 meeting of the Association Council was followed in April 2005 by an Association Committee meeting, which was devoted mainly to outlining steps and priorities for the implementation of the Action Plan. Eight Euro-Israeli sub-committees have since started to implement this plan, with two more planned to meet.

Israeli officials have already observed practical benefits from work on the Action Plan in its contribution to better coordination among the different Israeli government ministries as well as among the different Commission ??Directors General. However, Action Plan has yet to produce the much-anticipated major shift in EU-Israeli relations. Israeli policy makers have traditionally preferred that the EU regard Israel

as a non-member European country, such as Norway or Switzerland, at the same time ignoring the political reality of the Middle East. The EU, in contrast, has always viewed Israel as a Mediterranean and Middle Eastern country, downplaying its economic exceptionality in the region (with the exception of the Galileo Project – see below). This clash of perspectives has not changed much in the wake of the Action Plan.

A good example is the bilateral free trade area in services that Israel proposed establishing in concert with the EU. After all, Israel proclaimed itself to be EU-compatible in the General Agreement on Trade in Services (GATS). In 2005, Israeli officials believed that the EU was prepared to accept this proposal although it preferred to call it an agreement on liberalization in services. However, at its March 2006 Marrakech meeting, the EU announced that negotiations on such an agreement will be opened with all ENP countries. Although the horizontal part of the negotiations will be accompanied by a vertical part, all countries will eventually be required to award one another with Most Favoured Nation (MFN) status. In other words, Israel once again will not receive any significant preferential status over its neighbours. What frustrates Israeli officials most is the EU's selective willingness to accept exceptions to its regional policy. For example, the EU does not require members of the Again Agreement (establishing a free trade area among the Maghreb countries) to accord MFN status to other ENP countries.

The Action Plan builds on the EU-Israel Association Agreement, which was signed in November 1995. In effect, under the 1975 EU-Israel free trade area agreement on bilateral trade in industrial goods has been tariff-free in both directions since 1989. The EU and Israel also signed two government procurement agreements in December 1995 (in force since August 1997). A third agreement, on Good Laboratory Practice, provides for the reciprocal acceptance, under certain conditions, of safety studies on chemicals and related data provided by the test facilities of the two parties. Thus, the agreement, which was signed in July 1999 and came into force in May 2000, improves market access primarily for Israeli firms operating in Europe.

Perhaps the most unique feature of economic integration between the EU and Israel is their scientific and technical cooperation, which is unparalleled in EU relations with

neighbourhood countries. Israel was the first non-European country to be associated with the EU's Framework Program for Research and Technical Development (RTD), beginning in August 1996 with the Fourth Framework program. Israel's July 2004 agreement with the Commission allows its participation in the EU's Galileo project for a global navigation satellite system.

This infrastructure of agreements gave rise to extensive Euro-Israeli trade. The EU is Israel's major trading partner. Total EU trade turnover with Israel (exports plus imports) rose from €19.4 billion in 2003 to €21.4 billion in 2004. In the latter year, 33% of Israel's exports went to the EU and almost 40% of its imports came from the EU. EU exports to Israel reached €12.8 billion in 2004, while imports from Israel were €8.6 billion. In sum, Israel's trade deficit with the EU was €4.2 billion in 2004.

Relations with Lebanon

The Lebanese government warmly accepted the ENP initiative in January 2005. However, Lebanon is still in process of negotiating its Action Plan, following issuance of its country report in March 2005. The country report reflects the progress achieved in EU-Lebanese relations under existing agreements. It describes the development of political institutions, co-operation in justice and home affairs together with the economic and social reforms that will enable Lebanon to participate in the EU's Internal Market (Commission of the European Communities, 2005).

The Euro-Lebanese Association Agreement was signed in June 2002.[172] Since March 2003, Lebanese industrial and but mainly agricultural products (within tariff quota limits) enjoy free access to the EU market; progressive elimination of tariffs on imports to Lebanon will be put into effect between 2008 and 2015. With a turnover of €3.7 billion in 2004, the EU is Lebanon's principal trading partner (50% of Lebanese imports and 20% of total exports).

The EU as a whole (the Union, member states, and the European Investment Bank taken together) is Lebanon's leading donor although engagement with the International Monetary Fund (IMF) is a condition for EU macro-financial assistance.

[172] Co-operation to counter terrorism is covered in a separate exchange of letters between Lebanon and the EU.

Lebanon is one of the Mediterranean beneficiaries of community assistance through the MEDA facility (to be replaced in 2007 by the European Neighbourhood Partnership Instrument). The total amount of funds committed under MEDA I (1995-1999) was €182 million while under MEDA II (2000-2006) the total allocated is €74 million. The National Indicative Program (NIP) 2005-2006 for Lebanon involves total funding of €50 million, focusing on four main priorities: (1) support for the implementation of the Association Agreement, (2) support for the knowledge economy (vocational training, Tempus, scientific co-operation), (3) strengthening the competitiveness of the private sector, and (4) water reform and the environment.

Since 2001, the European Initiative for Democracy and Human Rights (EIDHR) has supported measures that promote democracy, the rule of law, civil and socio-economic rights and the protection of vulnerable individuals. The EU also funds the Samir Kassir Prize for freedom of the press, established after the June 2005 assassination of this Lebanese journalist.

Additional aid programs include a special program for improving the living conditions of Palestinian refugees, which provides €20 million for Lebanon, Syria and Jordan together. Large parts of this sum are to be used in Lebanon, which hosts 250,000-300,000 Palestinian refugees. Following the 2005 parliamentary elections, the Commission also committed €10 million to support internal reform. Taken together, this aid should be added the total of €479 million in EIB loans that have been committed to Lebanon since 1978. These EIB resources are available in the form of long-term loans and risk capital facilities. Priority sectors are productive infrastructure, private sector and environment.

To summarize, the EU has a strategic interest in political stability in the Mediterranean in general and in the Levant in particular. For this reason it has developed an extensive array of trade agreements and political institutions, which legitimate its involvement and its routine involvement in the region's politics. This involvement is apparent in visits by senior officials and resolutions of EU institutions, but also in more 'behind the scene' quiet diplomacy.

The EU engages not only senior decision makers but also the region's bureaucracies and professionals. The EU is a major trading partner for both Israel and Lebanon and an important source of aid for the latter. Thus, it has excellent access to local political processes, which allows access to better information than available to other foreign players while enabling it to exert greater influence. However, many Israelis are disappointed by the EU's approach and would like it to implement practical integration schemes that acknowledge the Israeli economy's advanced state of development. The next section considers the other players that have a stake in post-war Lebanon's reconstruction, and their likely influence on the EU's role there.

The Political Economy of Lebanese Reconstruction

Lebanon

The first player or, rather, set of players to consider is the Lebanese political system. Two main forces in Lebanese politics are assumed to have the greatest potential to shape the reconstruction period and the EU's role. These are Hizbullah and the '14 March' movement.

When Israel withdrew from Lebanon in 2000, there was some speculation that mounting international pressure would encourage Hizbullah to disband its military wing (Zisser, 2002). However, it is now accepted that the withdrawal did not diminish Hizbullah's support largely because it is based on ethnic and religious interests that transcend the struggle against Israel (Salhani, 2003). Surveys conducted among Shi'a respondents reveal that Hizbullah's supporters are not concentrated in a certain age group, income level, education or gender (Haddad, 2005). Rather, Hizbullah, which is most popular among the religious, retains its original profile as a protest movement (against Shi'a disenfranchisement). Thus, Hizbullah's standing in Lebanese politics and society makes its disarming a very complex issue, one that is aggravated by the international factors discussed below (Byman, 2003).

The EU has long recognized this situation. However, without a disarmed Hizbullah, Lebanon will be unable to benefit from significant foreign investments and international trade. Fiscal stability and consolidation of its balance of payments also depend on such an action. Thus, the EU must find a way to apply pressure on Hizbullah without driving it into a corner.

It is important to bear in mind that because of its broad social base, Hizbullah has much to lose if chaos erupts in Lebanon (Norton, 2000). There is a growing awareness in Lebanon of the tension between Hizbullah's role in Lebanese politics as a respected defender of the rights of the Shi'a population, and its commitment to the struggle against Israel, which stands in the way of Lebanese reconstruction and prosperity. Some Hizbullah politicians have recently tried to ease this tension. For example, the head of the Hizbullah faction in the *Raed*, the Lebanese parliament said on 19 October that UNIFIL was not a hostile force, and that Hizbullah accepts it role in the South. Speaker of the Lebanese Parliament Beri called on for a resumption of the Arab-Israeli peace talks 19 October. Beri, who heads the Amal party, is widely regarded as Nasrallah's ally.

Thus, an EU policy emphasizing positive incentives for 'good' behaviour should be more successful than an EU policy threatening sanctions for 'bad' behaviour. There is reason to believe that Hizbullah can be cajoled into maintaining a constructive approach if the EU offers a special reconstruction package.

The '14 March' movement is the ruling coalition in Lebanon, which includes Sunni Muslim, Christian and Druze parties as well as liberal independents. '14 March' blames Hizbullah for having started the war and maintains that rather than deterring Israel, Hizbullah's attack had turned Lebanon into "a battle ground used by Iran to improve its bargaining position with the international community and by the Syrian regime to exercise its hegemony over Lebanon" (*The Economist*, 2006c, 49).

No doubt this movement would like to see Lebanon engage in the international economy; this requires Hizbullah's cooperation. However, in spite of its increasingly aggressive tone, this movement is wary of a full confrontation with Hizbullah lest it re-ignite a civil war in Lebanon. Since the costs of such a scenario are much higher than forgone reconstruction and the gains of globalization, any shift of the political balance in Lebanon towards a more pro-EU stance depends on the combination of a credible and generous EU plan as well as local and international pressure on Hizbullah to cooperate.

It would be better if the EU left the application – or the threat – of sanctions against Hizbullah to the UN and/or the US. Of course, any multilateral decision will be binding on the EU, but the EU should not lead such efforts. The EU should also support the '14 March' movement and allow it to independently pressure Hizbullah. However, the EU should avoid been seen as engineering such a campaign.

Another important divide in Lebanon's political economy that bears on EU policy choices is that between merchants and industry. The merchant class in Lebanon, represented by the powerful Beirut Traders Association (BTA), has traditionally promoted openness and engagement in the international economy. In contrast, Lebanese industry, represented by the Association of Lebanese Industrialists (ALI), expresses protectionist tendencies (Gates, 1998). This divide was often been reflected in cabinet portfolios, with the Minister of Industry voicing the concerns of industry and the Minister of the Economy and/or Trade espousing the cause of the merchants (Baroudi, 2001). Again, an EU plan for Lebanon would have to address the concerns of Lebanese industrialists, offering them special terms that they would be unable to resist.

Israel

Israel's influence over the choice of EU policies can be divided into its influence on the situation in Lebanon and its handling of reconstruction in its own northern region. Regarding the reconstruction of Lebanon, Israel has so far shown little interest in the development of the Lebanese economy. Prior to its 2000 withdrawal from Lebanon, Israel had allowed villagers to conduct small-scale border trade and distributed work permits in exchange for political allegiance; such arrangements became impossible when Hizbullah gained control over the border area after 2000. The main concern on the part of Israeli security services was and still is that some Lebanese workers will double as Hizbullah agents, providing it with information on potential Israeli targets as well as running drug-smuggling rings. If the experience with Israeli-Palestinian industrial zones is anything to go by, frequent border closures will disrupt production in any case. Israeli employers are therefore also unenthusiastic at the prospect of hiring Lebanese workers.

Israel's security policy is the main channel through which it will affect the course of events in Lebanon. Until recently, Israel maintained a sea and air blockade of Lebanon because it feared that Lebanon's naval and aerial space would be used to re-arm Hizbullah. On 7 September, Israel removed the aerial closure from Lebanon, following the arrival of German security specialists in Beirut's international airport. Recently, European naval forces replaced Israeli patrols and the marine blockade was lifted, too, but the Israeli government says that it may again intervene if arms shipments to Lebanon are not blocked.

Thus, it is important that the EU and its Member States manage their military tasks in Lebanon efficiently and professionally so as not to provide Israel with any excuse for further military involvement. To avoid been seen as doing Israel's bidding, the EU and its Member States should be as resolute in enforcing the cease fire agreement with Israel as they are with Hizbullah. Recent friction between UNIFIL and the IDF suggests this is indeed UNIFIL's intention.

Through its participation in UNIFIL, the European military presence in Lebanon probably enjoys greater Lebanese and international legitimacy than any other military force other than Lebanon's small army. Many of the concerned parties are suffering some kind of crisis of confidence (*The Economist*, 2006d). Israelis are shocked at the IDF's perceived dismal military achievements during the war. Nasrallah admitted on television that he would never have ordered the cross-border kidnapping of Israeli soldiers if he had been aware of the magnitude of Israel's response. The US is considered by most Arabs to be a biased supporter of Israel and an unwelcome foreign occupying force in Iraq and elsewhere.

In contrast, the EU's involvement in the region is considered constructive by most Lebanese. France helped in persuading Syria to withdraw its soldiers from Lebanon. The EU has always been involved in the Middle East peace process, providing financial aid and advice for Palestinian institution-building, monitoring Palestinian elections, and promoting Israeli-Palestinian projects. More recently, the EU deployed policemen to monitor the Rafah crossing following the Israeli-Palestinian agreement on the PA's border with Egypt. The EU belongs to the 'Quartet', which together with the US, Russia and the UN presides over the so-called 'Road Map' to peace. Together

with the lack of serious US attempts to broker an Arab-Israeli peace agreement, this situation provides the EU with an opportunity to show leadership.

The EU could try to use this credibility to broker an Israeli-Lebanese peace process, but it is doubtful whether it can achieve much without progress in Israeli-Syrian relations. Israeli policy makers, including Prime Minister Olmert and Minister of Foreign Affairs Livni, have called for peace talks with the Lebanese government. However, in a press conference on 30 August Prime Minister Siniora reiterated the Lebanese mantra that Lebanon will be the last Arab country to sign a peace treaty with Israel.

As for reconstruction of Israel's northern region, the Israeli government is confident that it can compensate its citizens for all damages, direct and indirect, incurred as a result of the war. Prime Minister Olmert stated on 3 October that the government plans to invest up to NIS 3 billion on reconstruction efforts.

However, northern residents are wary of such promises because stories of government neglect abound. Mayors complain that schools and public infrastructure are still in poor condition. The MoF practice of using 2005 data to forecast potential earnings may eliminate the effects of the economic boom that northerners were expected to experience in 2006, especially in tourism. According to MoF data, as of the end of October 2006, expenditure on support schemes was lagging behind stated goals, and a public surplus of NIS 2 billion accumulated. Tellingly, only 4 of the 18 ministers showed up to the special cabinet meeting summoned on 3 October to show solidarity with the North. Officials at the Ministry of Finance (MoF) and other observers estimate that damage to business was much lower than initially feared, pronouncements that infuriate Northern residents.

This regional tension in Israel provides the EU with an opportunity to leverage its credibility in Israeli public opinion and to show greater balance in its response to the crisis. The EU can use MEDA and other facilities to offer small-scale financial help to municipalities in Northern Israel. Since Israelis are often too developed to qualify for MEDA funding, this aid should be given on special terms.

It is also highly recommended that the EU foster Israeli-Lebanese economic integration of the kind that avoids the difficulties outlined above. For example, trade in services – which is not based on cross-border flows of labour and goods – can do much to development vested interests that would object to further hostilities. Tourism and finance are two sectors that stand to benefit greatly from such cooperation because they are well-established in both countries and have shared interests. The EU can offer Israel and Lebanon privileged access to its Internal Market in these sectors if they cooperate.

Syria and Other Regional Powers

Syria maintains intensive though often undocumented and unregulated economic ties with Lebanon. Hundreds of thousands of Syrian workers have migrated or commute to Lebanon. Syrian businessmen and politicians are involved in various Lebanese industries. Yet, Lebanese exports to Syria are restricted. This mode of economic integration between Syria and Lebanon poses problems for their trade with the EU because it complicates the application of rules of origin. Some Lebanese products may in fact originate in Syria, which heavily subsidizes its industry (Baroudi, 2005).

Syria, which is still primarily a command economy and an unenthusiastic partner in the ENP,[173] has threatened to close its borders with Lebanon if foreign troops are deployed there. However, it would be hard for Syria to give up the estimated $5 million in daily wages pocketed by Syrian labourers as well as the revenues of Syrian traders, especially vegetable vendors (Norton, 2000). The Syrian economy is running out of oil reserves, which raises the costs of economic disintegration from Lebanon and makes it more vulnerable to foreign influence. The main competitors for influence in Syria are, therefore, Iran and the Gulf states (*The Economist* 2006a, 28).

Iran declared its interest in helping the (mostly Shi'a) population of South Lebanon overcome the war's damages; it could thus create a challenge to EU interests in the region. Iran is known to have sent emergency generators to southern villages, but it is likely that Iran is sending covert financial aid, too (*The Economist*, 2006c, 49). Indeed, the governor of Lebanon's central bank affirmed on 31 August that the money

[173] For Syria the ENP is not yet activated since no association agreement is yet in force and thus no country report has been produced.

paid by Hizbullah to families with damaged houses in the south originates outside Lebanon.

The Arab League and Sunni Arab states such as Egypt, Saudi Arabia and Jordan are interested in countering Iranian influence in Lebanon (as well as in Iraq). The Gulf states presently have plenty of oil cash, which they can use to rebuild Lebanon. Indeed, Saudi Arabia and Kuwait have offered $2.3 billion to stabilize Lebanon's currency and rebuild its infrastructure (*The Economist*, 2006b). And Lebanon can count on a large and wealthy Diaspora.

However, the EU can be influential as well. Syria was displeased with the European position in recent years, which demanded that Syria withdraw its troops from Lebanon. The slow progress in the negotiations on an Association Agreement is further evidence of EU-Syrian difficulties. Yet, Syria still respects the role of the EU in Middle Eastern and Mediterranean politics and participates in meetings and forums related to the Barcelona process. Thus, there are reasons to believe that the Syrians would tolerate EU involvement in Lebanon, subject to EU respect of Syrian sensitivities. One such sensitivity involves the presence of foreign troops along Syria's borders. Since the EU has no capacity at all to confront the Syrian army, it could only gain if it avoided trying to monitor that border.

A more difficult issue is Syrian economic interests in Lebanon, which might be compromised if full liberalization took place. However, if Syria's supporters are allowed to benefit from liberalization and even some economic integration with Israel, especially if this is done away from the limelight, then Syrian economic interests could be satisfied.

Conclusions

The Second Lebanon War between Israel and Hizbullah in the summer of 2006 devastated the southern region of Lebanon as well as parts of the Beqa'a and Beirut; it even caused damage to infrastructure in the northern parts of Lebanon. In Northern Israel, hundreds of buildings were damaged. Private business suffered great damage in Lebanon as well as in Northern Israel. The war also caused damage to the environment in both countries. Against the backdrop of significant fiscal and trade

imbalances, the consequences of the war to Lebanon's economy are likely to be disastrous. In contrast, the war has barely dented the Israeli economy.

The cease fire agreement that ended the hostilities left both sides arguing for victory on the one hand, but armed with reasons for a fresh round of violence on the other. The fragility of the situation in Lebanon calls for external involvement to provide guarantees, ensure the credibility of policies and allow for a gradual process of disarmament. The vacuum created poses a special opportunity for the EU to become the leading foreign power in the Levant.

The EU has a strategic interest in political stability in the Mediterranean in general, and in the Levant in particular. For this reason, it has developed an extensive array of trade agreements and political institutions under the ENP, which legitimates it's routinely involvement in the region's politics. This involvement is apparent in visits by senior officials and resolutions of EU institutions, but also in 'behind the scenes', quiet diplomacy.

The EU engages not only senior decision makers but also the region's bureaucracies and professionals. The EU is a major trading partner for Israel and Lebanon as well as an important source of aid for the latter. It thus has excellent access to local political processes, which provides it with influence and better information than that obtained by other foreign players. If the ENP is to retain its credibility and effectiveness, it is imperative that the EU play a leading role in political and economic developments in the post-war period.

Indeed, prior to the war, the EU, but particularly France and Germany, were major players in the UN's efforts to free Lebanon from Syrian control. The EU was also involved 'on the ground', with financial aid and election monitoring among other activities. It played a constructive role in mediation between Israel and Hizbullah and established itself as an unbiased foreign power. Similarly, in the wake of the war, the EU has led international efforts to address humanitarian and environmental needs, restore civilian infrastructure and promote economic recovery in Lebanon.

If Hizbullah is not disarmed, Lebanon will be unable to benefit from significant foreign investments and international trade. The EU must therefore find a way to apply pressure on Hizbullah while avoiding overt confrontation cornering it. An EU policy emphasizing positive incentives for 'good' behaviour should be more successful than an EU policy threatening sanctions for 'bad' behaviour. There is reason to believe that if the EU offers a special reconstruction package Hizbullah can be cajoled into maintaining a constructive approach. It would be better if the EU left the application of sanctions against Hizbullah to the UN and/or the US, and in any case the EU should not lead such efforts.

The EU should also support the 14 March movement and allow it to apply its pressure on Hizbullah. However, the EU should avoid been seen as engineering such pressure. An EU plan for Lebanon would also have to address the concerns of Lebanese industrialists, offering them special terms that they cannot resist.

It is important that the EU and its member states manage their military tasks in Lebanon efficiently and professionally so as not to provide Israel with any excuse for further military involvement. To avoid been seen as doing Israel's bidding the EU and its member states should be as resolute in enforcing the cease fire agreement with Israel as they do with Hizbullah.

The EU's involvement in the region is considered by most Lebanese as constructive. The EU is part of the 'Quartet', and has always been involved in the Middle East peace process, promoting Palestinian institution-building and Israeli-Palestinian projects. Together with the lack of serious US attempts to broker an Arab-Israeli peace this situation provides the EU with an opportunity to show leadership. The EU could try to use this credibility to broker an Israeli-Lebanese peace process, but it is doubtful whether it can achieve much without progress in Israeli-Syrian relations.

The disillusionment of many residents of North Israel with their government's handling of the crisis provides the EU with an opportunity to leverage its credibility among Israeli public opinion and to show greater balance in its response to the crisis. The EU can use its facilities to offer small-scale financial help to municipalities in North Israel.

It is also highly recommended that the EU foster Israeli-Lebanese economic integration of a kind that avoids flows of labour and goods. For example, trade in services can do a lot to the development of vested interests against further hostilities. Tourism and finance are two sectors that stand to benefit greatly from such cooperation, because they are well-established in both countries and have shared interests. The EU can offer Israel and Lebanon privileged access to its Internal Market in these sectors if they cooperate.

Syria is expected to tolerate EU involvement in Lebanon, subject to EU respect of Syrian sensitivities. Especially, the EU should avoid trying to monitor the Syrian-Lebanese border. A more difficult issue are Syrian economic interests in Lebanon, which might be compromised if full liberalization took place there. However, if supporters of Syria are allowed to benefit from liberalization and even some economic integration with Israel, especially if this is done away from the limelight, then Syrian economic interests could be satisfied.

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VI. Annex 1
Authors' Biographies

Professor Dr. Sven Biscop is a senior research fellow in Egmont - The Royal Institute for International Relations in Brussels and professor of European security at Ghent University. In 2005 he has published 'The European Security Strategy - A Global Agenda for Positive Power' (Ashgate Publishing).

Professor Mark A. Heller is Director of Research and Principal Research Associate at the Institute for National Security Studies (formerly the Jaffee Center for Strategic Studies), Tel Aviv University, and editor of INSS Insight. He received his B.A. in Political Science and Economics at the University of Toronto and did his graduate studies at Harvard University, where he earned an M.A. in Middle Eastern Studies and a Ph.D. in Political Science. Prof. Heller has written extensively on Middle Eastern political and strategic issues.

Dr. Roby Nathanson, Economist, Chair of the Macro Center for Political Economy (formerly the Israeli Institute for Economic and Social Research) also serves as visiting lecturer, the Academic College of Tel Aviv-Yafo, attached to Tel Aviv University.

Dr. Costanza Musu is Assistant Professor of Public and International Affairs at the University of Ottawa, Canada. She obtained her PhD from the London School of Economics. She has published widely on European foreign policy, transatlantic relations in the Middle East and EU and NATO policies in the Mediterranean.

Dr. Tal Sadeh, assistant professor at the Department of Political Science in Tel-Aviv University. Dr. Sadeh has a Masters degree in Economics and completed his PhD in International Relations at the Hebrew University of Jerusalem. He specializes in European integration and in International Political Economy and his publications focus on the political economy of the European single currency and of EU-Israeli relations. Dr. Sadeh co-chairs the Political Economy Section of the European Union

Studies Association, and is a member of the executive committee of the Israeli Association of International Studies, and a member of the Israeli Association for the Study of European Integration.

Dorothée Schmid is a researcher on Mediterranean/Middle Eastern issues at IFRI (Institut français des relations internationales, Paris). An expert on European policies vis-à-vis the region, she works as a regular advisor for the French administration and teaches at the École spéciale militaire de Saint-Cyr and at the Institut des relations internationales et stratégiques (IRIS).

Dr. Shlomo Shpiro, Director of the Center for International Communications and Policy (CICP) at Bar-Ilan University, is a graduate of the universities of Jerusalem, Salford and Birmingham. He researched and taught at leading universities in Europe before joining Bar-Ilan University in 1998. He specialises in security, intelligence and international communications.

Dr. Marcella Simoni is a researcher at the University of Venice where she also lectures on the history of the Israeli-Palestinian conflict. She has widely published on different aspects of Israeli and Palestinian history in various international and Italian journals.

Dr. Stephan Stetter is Lecturer in International Relations at the Department of Political Science, Faculty of Sociology as well as the Institute for World Society Studies, University of Bielefeld. His publications cover areas such as politics in Israel and Palestine, EU Middle East policies, Euro-Mediterranean Relations, EU foreign policies and International Relations theory. Jointly with Dr. Raffaella A. Del Sarto, Stephan Stetter is one of the European coordinators of the IEPN.