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**COMEM 2
COMAG 3**

NOTE

From : Council Secretariat
To: Council

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Subject : Interim Report on an "EU Strategic Partnership with the Mediterranean and the Middle East"

1. Following discussions in Coreper, the Council Secretariat, on behalf of the Presidency hereby transmits the revised draft Interim Report on an "EU Strategic Partnership with the Mediterranean and the Middle East".
2. Draft Council Conclusions on the matter are set out in doc. 7477/04 COMEM 1 COMAG 2.

Draft Interim Report on an
EU Strategic Partnership with the Mediterranean and the Middle East

1. INTRODUCTION

Mandate

The December 2003 European Council asked the Presidency and SG/HR, in co-ordination with the Commission, to present concrete proposals on a strategy towards the region of the Middle East. This paper addresses this question and the related mandate from the European Council on developing relations with the Arab world.

Purpose of this Report

The purpose of this interim report is threefold:

- to give an overview of discussions on the strategy to date
- to present an analysis of the EU's current engagement with the region and flag key upcoming developments
- to suggest core elements for a strategy on a common partnership with the region, to set out an agenda for consultation with our partners in the region and to provide guidance for discussions with other external actors in the coming three months.

Progress to date

This first phase in developing an EU Strategy has been used primarily to explore the views of EU partners on this issue. Since December there have been eight substantive discussions: in Working Groups (COMAG/COMEM), by Political Directors, at the Political and Security Committee, at COREPER and at the GAERC on 23 February. Fourteen EU partners have submitted formal papers. In addition the Commission and HR/SG have contributed inputs.

It is envisaged that the next phase (April-June 2004) will be directed primarily at consulting with the partners in the region. This point is key. EU relations with our partners in the region have been built on consultation. There is a view in the region that its perspectives have not been fully taken into account in the development of the current initiative. While there has already been contact with partners in the region at both official and political level, the period up to the European Council in June 2004 will provide a vital platform for active consultation with the countries of the region. This paper proposes a set of objectives and the development of Work Programmes, which might be the basis for consultation with the region.

There have been a number of important developments in recent months in respect of the region. These include the development of this strategy, the creation of the Neighbourhood policy, the mandate from the Naples EuroMediterranean Ministerial meeting, other proposals by individual EU member states and the Greater Middle East initiative of the United States.

The Union should use the period ahead to explain the objectives and the opportunities of the EU's strategy and to develop a sense of shared ownership of it by our partners in the region.

Following this period of consultation it is envisaged that the EU strategy and the means to implement it will be adopted at the European Council in June 2004.

2. EU PARTNERS – SHARED UNDERSTANDINGS

Europe and the region are joined together by history and geography. The Mediterranean Sea has linked our peoples for centuries. A growing number of EU citizens have origins in the countries of the region. It is in our shared interest to build a common zone of peace, prosperity and progress.

The EU and its partners in the region share two major principles in respect of the proposed strategy:

- in order to be credible, the strategic partnership must be the subject of effective consultation with the region. Its success depends in the first place on the countries themselves who must feel a sense of “ownership” of the initiative. Governments, the Arab League, regional organisations and civil society all have a role to play in this common endeavour
- the strategic partnership must also include a strong commitment to the resolution of the Arab-Israeli conflict and a strong re-iteration of the Union’s intention to remain fully engaged on this question

Discussions to date have, in addition, revealed a number of other shared perspectives in respect of the proposed EU strategy including the following:

- partnership should be a cornerstone of the strategy
- the primary focus of the strategic partnership will be the countries of North Africa and the Middle East
- the strategy should take account of differentiation and the requirements of individual countries in the region – this is not a one size fits all approach
- the strategy should take due account of the question of Iraq when addressing concerns in the region
- the strategy should aim to build on existing structures where they exist - the Euro-Mediterranean Partnership, cooperation with the GCC etc. – and, should the need arise, we should reflect upon new structures for those countries with which no bilateral or regional framework exists

- there are shared security concerns which we should tackle in a spirit of partnership; we should adopt a broad concept of security which addresses domestic concerns in the region e.g. unemployment and economic underdevelopment
- the strategy should encourage progress towards democracy and respect for human rights
- significant populations with origins in the region live in Europe - this is an important factor in our relations
- the engagement should be long-term and coherent with pragmatic implementation

3. THE CHALLENGES FACING THE COUNTRIES OF THE REGION

While different countries face different challenges, there are particular challenges facing the majority of countries in the region. These are well known and have been extensively set out elsewhere, including in the relevant UNDP Human Development Reports. Political, economic and social reform is required in order to meet these challenges. Such reforms cannot be imposed from outside. They must be generated from within. The key impetus for movement is the high expectations of a predominantly young population – more than half of those living in the region are under eighteen. They need education and jobs. Political stability requires that these young people can achieve a stake in their society. How to achieve this is the major challenge facing the governments of the region.

4. HOW IS THE EU CURRENTLY ENGAGED IN THE REGION?

Although the EU has a Common Strategy for the Mediterranean region, there is currently no overarching set of objectives governing the EU's relations with all the countries concerned by this report. There is general agreement that we should differentiate between the Mediterranean countries, where we have a solid and substantial set of co-operation activities in place, and elsewhere in the region where our framework for relations is generally less substantial, e.g. east of Jordan. We should work on parallel tracks seeking articulation between our actions in the region where appropriate.

The development of an EU strategic partnership for the region should provide a set of objectives and principles through which the developments outlined below in respect of the countries of the region can be carried forward.

Middle East Peace Process (MEPP)

The Middle East Peace Process is also a major preoccupation of the EU's external relations policy. A commitment to finding a solution to this conflict is highlighted in the EU Security Strategy. The Union is active in seeking a peaceful settlement, including through its presence in the Quartet and in a variety of other fora. In order to contribute better to the resolution of the conflict the Council has appointed an EU Special Representative to the MEPP.

The EU reiterates its commitment to regional economic reconstruction.

Progress on the resolution of the Middle East conflict cannot be a pre-condition for confronting the urgent reform challenges facing the countries of the region, nor vice versa. But it is clear that it will not be possible to build a common zone of peace, prosperity and progress unless a just and lasting settlement of the conflict is in place. The lack of clear prospects for peace is already making it harder for reformers in the region to succeed.

The countries of the Euro-Mediterranean Partnership - Europe's neighbours

Europe's ancient links with its immediate neighbourhood (Morocco, Algeria, Tunisia, Jordan, Egypt, Israel, Turkey, Syria, Lebanon, the Palestinian Authority and the soon to accede countries Cyprus and Malta) found new expression in the EuroMediterranean Partnership (EMP) created in 1995.

EMP – a comprehensive framework

Created in the wake of positive developments in the Middle East Peace Process, the objectives of the EMP include fostering a relationship covering political and security dialogue, economic relations, including the creation of a Free Trade Area (FTA), and social and human relations. Political dialogue under the EMP offers opportunities to discuss WMD, terrorism and human rights and the EU has been developing policies over recent years for the conduct of these talks. It remains the only forum where Israel, Syria, Lebanon, the Palestinian Authority (and Libya, currently as observer) sit together.

The creation of a free trade area, together with substantial financial support to promote modernisation, is a key aspect of the EMP. The EU has now signed Association Agreements with all but one of the Mediterranean partners. When the full ring of Association Agreements is in force the North-South free trade framework will be in place. The relationships established through the Association Agreements have also helped the countries achieve important successes in the area of economic reform. These include the adoption of fiscal and sectoral reforms (transport, financial services and telecommunications); upgrading of manufacturing industry; and promotion of regional integration by adopting common rules of origin. It is envisaged that the work on sub-regional south-south integration, e.g. through the recently signed Agadir Agreement, will be built upon.

The EU is the most important regional economic power and the dominant trade partner in the region. In addition the EU contributes between €800M-€1bn per annum in MEDA programme and other support. Including EIB loans the EU's financial assistance to the region approaches €3 billion per year.

Co-ordination of different EU financial instruments will make them more effective, with funds and technical assistance flowing more rapidly and more effectively.

Neighbourhood Policy – Deepening the EMP

The EU's Neighbourhood Policy will deepen relations with countries in the EMP and will be a valuable instrument in the Union's continued engagement with these partners. Through it the EU can offer a more intensive political dialogue and greater access to EU programmes and policies, including the Single Market, as well as reinforced co-operation on justice and home affairs. Such close and co-operative relations will depend on a better mutual understanding of security concerns and the strengthening of commitments to common values and common principles. It will be important to discuss issues such as positive conditionality and incentives as the Action Plans envisaged under the Neighbourhood Policy are developed in the coming period. In contact with our partners in the region, we should clearly situate the Neighbourhood Action Plans in the context of a reinforcement of the Barcelona Process. The policy, based on country differentiation, represents an essential plank in the implementation of the strategic partnership as it relates to the Mediterranean countries.

Follow-up to the Naples Ministerial: reflection on EMP

Further reflection on the EMP is taking place in line with the mandate set out by Ministers at the Naples Ministerial. The aim here is also to enhance the effectiveness of the partnership.

Libya

Following its announcement on WMD last December relations with Libya are set to improve (particularly if progress can be made on resolving outstanding issues with individual Member States) and eventual membership of Libya in the EMP will hopefully follow.

Mauritania

Mauritania is a member of the Arab Maghreb Union, a significant regional organisation within the geographical scope of the initiative, and one in which several other EMP members are participants. Mauritania will be included in the current initiative taking full account of existing instruments, i.e. the Cotonu Agreement and the structures emanating from it.

Countries of the Gulf Cooperation Council

The EU's relationship through its Cooperation Agreement with the countries of the GCC (Saudi Arabia, Kuwait, UAE, Bahrain, Oman and Qatar) is currently focussed primarily on trade and economic issues. Negotiations on an FTA are ongoing. There is a clear need for a broader agenda. The Cooperation Agreement has allowed for a limited political dialogue, but this has not reflected the strategic significance of the countries involved. This dialogue should be broadened, deepened and become more inter-active. There is a need also for greater dialogue with the individual countries of the GCC.

Yemen

There is already a Trade and Cooperation Agreement (TCA) with Yemen and a formal political dialogue is likely to commence this year.

Iran

With Iran there are negotiations pending for a TCA and a parallel political agreement. The EU has also engaged in a “Comprehensive Dialogue” and a “Human Rights Dialogue” with Iran.

Iraq

There are no formal relations with Iraq though preparations are underway for a Medium-Term Strategy, which will make proposals for future relations with a sovereign Iraqi government. The EU plays a role in supporting reconstruction in particular through the World Bank and the UN.

5. WHAT SHOULD BE THE EU’S OVERARCHING OBJECTIVES IN DEALING WITH THE REGION?

The EU’s overall engagement could be underpinned by a series of overarching objectives and principles in line inter alia with the European Security Strategy. These should take into account concerns for the security of the region and for that of the Union itself.

Eleven Union Objectives and Principles

Eleven Key Objectives and Principles of the Union in respect of the strategy might include the following:

1. The primary objective is to promote the development, through partnership, of a common zone of peace, prosperity and progress. The goal is to enjoy close and co-operative relations responding as far as possible to demands from within the region.

2. The partnership strategy will include, primarily, relations between the EU and the countries of North Africa and the Middle East
3. Resolution of the Arab-Israeli conflict will be a strategic priority. Neither progress on the MEPP nor reform in the region should be a precondition for the other. Both are desirable in their own right and should be pursued in partnership with equal determination
4. Partnership should involve a long term and sustained engagement
5. Partnership requires a strengthening of the Union's political dialogue with the region
6. The EU will avail of opportunities provided through the dialogue in partnership to promote its concerns regarding respect for human rights and the rule of law
7. The EU will avail itself of opportunities provided through partnership with the countries of the region to promote action and cooperation on terrorism, WMD and non-proliferation
8. The EU will work in partnership to support internally driven reforms in the economic, political and social spheres through engagement with state and civil actors bearing in mind the framework of the relevant UNDP Human Development reports in terms of advancing knowledge (education), freedom (governance) and women's empowerment
9. The EU will promote enhanced security dialogue with the region including through its own initiatives aimed at Mediterranean partners within the framework of the ESDP on the one hand, and through exchanges of views within the fora linking NATO and the European Union on the other

10. The EU will promote WTO membership for countries in the region and will facilitate improvement in the business environment, modernisation of the regulatory environment, and liberalisation of import and export trade

11. The EU will also work closely with the US, the UN and other external actors in pursuit of these goals

The EU will implement its strategy for the region primarily through existing instruments and, where appropriate, new instruments. The principal idea is to reinforce the existing instruments on which our partnership with the Mediterranean and the Middle East are based, in co-ordination with the countries in the region, through the development by the appropriate EU institutions of Work Programmes for the countries involved covering political, security, economic and social spheres. The Work Programme for the Mediterranean countries should draw on the implementation of the EU's Neighbourhood Policy.

The EU will reflect on the implications any increase in the level of our ambition in the region will have for existing resources both financial and human.

Consultation with the Region

It is envisaged that there would be active consultation with our partners in the region in the coming months on shared objectives and principles of our partnership efforts and on elements for the Work Programmes to accomplish these.

The Presidency, the High Representative and the Commission should make use of contacts with Arab partners, including at the Summit of the League of Arab States in Tunis, 29-30 March, 2004, to present our vision and to encourage a locally owned approach on the questions covered by this strategy.

Full use should be made of bilateral opportunities to intensify this dialogue in the coming months including through the Euro-Mediterranean Partnership Mid-Term Ministerial Meeting on 5-6 May 2004 and at the EU-GCC Ministerial meeting on 18 May 2004.

6. HOW DO WE ENSURE COMPLEMENTARITY WITH OTHER EXTERNAL ACTORS IN THE REGION?

Greater Middle East Initiative

The US has been promoting an initiative for the region over the last two years, in particular through keynote speeches by President Bush and other senior administration figures. The US proposals centre on the “Greater Middle East” (incorporating Pakistan and Afghanistan) and focus on democratisation, economic reform and education working primarily in a programmatic manner. The US has proposed joint declarations on the region at three major June Summits (EU-US, G8 and NATO).

An EU response

While the Union should continue to pursue its own distinct strategy, we should welcome the possibility to work together and to co-ordinate with the US in the framework of the Transatlantic Partnership. The Union should define a complementary but distinct approach. The Union should adopt a proactive approach on this matter. The Presidency, High Representative and the Commission should maintain active engagement with the US in the lead up to June.

G8 Summit (Sea Island, 8-10 June, 2004)

In the G8 process a Declaration on a Common Future has been suggested. It is envisaged that this might respond to a statement at the Tunis Arab League Summit. It is also envisaged that the elements in this paper might be drawn on by the EU G8 members, the Commission and the Presidency.

EU-US Summit (26 June, 2004)

At the EU-US Summit both parties could spell out their shared readiness to assist the countries of the region in their efforts to bring about political, economic and social development. We could set out the extent of our individual efforts in this regard and stress our determination to work together, including through our parallel dialogue with the countries of the region.

NATO Summit (Istanbul, 28-29 June, 2004)

At the NATO Summit, NATO is likely to present a set of initiatives aimed at strengthening its Mediterranean Dialogue and offering countries in the Middle East proposals in the field of security. The Summit could call for an EU-NATO dialogue within the relevant fora (NAC/PSC) on their respective initiatives.

7. CONCLUSION

The EU needs to raise the level of its engagement with the region. It is an area of enormous strategic significance for Europe. It faces serious challenges requiring political, economic and social reform. The drive and initiative to take on these challenges and to implement the necessary reforms must come from within the region itself. The Union must work in partnership with the region to help it meet these challenges. Our goal should be to create a common zone of peace, prosperity and progress. The Union should adopt a set of guiding principles for its engagement and implement these primarily through sharpening the focus of existing instruments and ensuring coherence between them. Success in this endeavour will be of mutual benefit to Europe and the region.
