

PROMOTING POLITICAL AND ECONOMIC REFORM IN THE MEDITERRANEAN AND THE MIDDLE EAST

The EU has a major interest in the reform process of its neighbors. However, the EU is not entitled to “impose” the ground rules of political, economic and social behavior that it requires from member countries upon its southern neighbors the way it is able to upon its European neighbors and potential member countries. The EU’s “sticks and carrots” are insufficient to motivate national authorities to implement reforms that weaken their own power status. This article considers the importance of the region for the EU, assesses the achievements of the Barcelona Process, evaluates present EU policies towards the region, asks whether democracy is possible in the region and examines the prospects for EU-U.S. cooperation in the wider Middle East. The author suggests a number of recommendations for EU action although it is recognized that progress will depend on decisions made by the countries in the region themselves.

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The geopolitical situation of the Mediterranean and the Middle East has changed significantly since the Barcelona Process began in late 1995. The terrorist attacks of September 2001 and the war in Iraq have given the region a new centrality in global affairs. For the US the wider Middle East is now the most crucial area for US foreign and security policy. The EU has also agreed to give priority to its southern neighbors who had been feeling neglected as the EU was heavily involved in eastern enlargement and negotiations for a new constitution.

The economic situation of the region has improved in recent years, thanks above all to substantially higher export revenues from oil/gas that remain their economic mainstay, together with tourism. But politically, nearly all Arab countries have been slipping further behind. The third Arab Human Development Report (2004) has rightly drawn attention to a long catalogue of deficiencies including lack of democracy and slow economic reforms.

The Importance of the Region to the EU

The Mediterranean and the Middle East (defined here as reaching from Morocco to the Gulf) is of crucial importance to the EU. It is part of the EU's neighborhood and together with Russia its most important source of energy. The EU is the main trading partner of all countries in the region. The MED countries are sending 50 percent of their exports to the EU. Europe is the largest foreign investor of its MED neighbors (55 percent of total FDI). The EU is the largest provider of financial assistance and funding for most MED countries, with nearly 3 billion EUR per year in loans and grants. The member states of the EU provide substantial additional amounts. The EU is also the main source of tourism. It is the first destination for migrants, legal and illegal, that form a sizeable diaspora (almost 10 million people altogether, mostly from the Maghreb) in France, Netherlands, Belgium and other EU member states.

The EU is rightly concerned about the situation of its southern neighbors. European leaders worry that the south may not be able to cope with the challenges ahead (rising unemployment, social unrest, rapid urbanization, globalization, population growth, fundamentalism, water scarcity, etc). Many Europeans fear that the flood of illegal immigrants into Europe will keep growing and profoundly perturb the European labor market and society. The region's precarious political, social and economic systems constitute a potential security threat.

For these reasons, the EU has a major interest in the reform process of its neighbors and should be as forthcoming as possible in providing assistance. The first priority is political reform – more democracy and respect for the rule of law. Economic reform is another priority, as the southern neighbours need to create 5 million jobs a year to cope with the new entrants to their labor markets. A third priority is improving the quality of education for females as well as males, and last not least the region has to fight against rapid deterioration of the environment.

In encouraging the reform process, the EU has to take into account a profound difference between its neighbours in Eastern Europe and those around the southern shores of the Mediterranean. The EU is entitled to “impose” upon its European neighbors - and potential member countries - the ground rules of political, economic and social behavior that it requires all member countries to respect. The EU does not have the same rights in the case of its southern neighbours. It can only encourage and play the role of facilitator. Equally the European neighbours are serious about reforms, because they all want to join the EU and therefore have no alternative but to engage in painful reforms. That has been the single most important reason for the profound transformations that have taken place in Central and Eastern Europe. Furthermore the very high educational and scientific standards in the region have also helped it to make far greater progress in socio-economic development than our southern neighbours.

Whatever these differences, any reform process must remain the exclusive responsibility of the country concerned. Outsiders, even close neighbours, should only interfere if there is a serious violation of human rights. Even if the EU tried to “impose” reforms in the south, it would lack the power to implement them: implementation always remains the resort of the national authorities. One of the major problems is that the EU’s “sticks and carrots” are insufficient to motivate national authorities to implement reforms that weaken their own power status.

Barcelona – an Assessment

The tenth anniversary of the Barcelona Declaration on 28 November 2005 will be a useful occasion to take stock. The Process was ambitious. Its goal was to convert the Mediterranean Sea into a zone of peace, stability and prosperity. To that end, the EU proposed the establishment of a vast Euro-MED free trade area to be completed by 2010, a substantial increase of its development assistance, the conclusion of Association agreements with each of the neighboring countries in the MED, and the establishment of a political dialogue with all the countries around the MED, Israel included.

Since 1995 the parties have established numerous ministerial and official bodies to oversee the process but crucially have failed to secure visibility and popular support. Not one person in a thousand in the EU and even less on the other side of the MED has any idea of what the Barcelona Process is about, though official documents remain widely optimistic. The most recent Commission Communication (April 2004) talks of a “strong partnership driven by a common political will to build together a space of dialogue, peace, security and shared prosperity.”□

What has been achieved concretely in the past 10 years?

First, all MED countries have negotiated Association Agreements providing for reciprocal free trade with the EU.¹

¹ Agreements are in force with Morocco, Tunisia, Egypt, Jordan, Israel, Palestinian Authority, and Lebanon. With Algeria the agreement has been signed and is awaiting ratification. With Syria an agreement has been initialled. Libya is not formally part of the Barcelona Process and has therefore not entered in negotiations for an Association Agreement.

But only Israel has completed the elimination of all obstacles to trade with the EU. The other neighboring countries, with the exception of Syria and Libya, are in the process of completing free trade with the EU; but only Tunisia and Morocco will have abolished all tariff barriers on manufactured products on imports from the EU by the target date of 2010. The completion of the Euro-MED free trade area will therefore be delayed beyond 2015.

Second, Morocco, Tunisia, Egypt and Jordan have signed a free trade agreement (Agadir Agreement) in 2004. It provides for free trade by 2006. This agreement has considerable potential in encouraging more intensive trade relations among MED and EU countries, provided all parties will apply identical and “generous” rules of origin (the so-called pan-European rules of origin). It is open to other MED countries to join; Lebanon has already expressed its intention to do so. At a later stage Arab countries in the Gulf might also join. Unfortunately, by May 2005 the agreement is not yet in force!

Third, both sides have proceeded with specific trade liberalization measures on the main agricultural products. Essentially, the EU grants tariff free access for the main products coming from the south, potatoes, tomatoes, citrus products, olive oil, beans etc. during the winter season, but within rather modest tariff free quotas. These arrangements are being periodically reviewed. However, agricultural products amount to less than 10 percent of bilateral trade between the EU and its MED neighbours; and its potential remains modest whatever the protection applied by either side.

Fourth, there has been a timid expansion of regional arrangements including a Euro-Med parliamentary assembly, a cultural dialogue and a Cultural Foundation in Alexandria.

Fifth, the two sides have held a multitude of meetings, seminars and workshops. They meet every 18 months at the level of foreign ministers and several times per year at the level of high officials to discuss such issues as terrorism, weapons of mass destruction, illegal immigration, liberalization of services etc. Trade ministers have also met occasionally. This flurry of meetings and reciprocal visits certainly has had a useful socialization effect. But despite innumerable hours of discussion, the parties have failed to agree on a common Charter for Peace and Stability, which they had to take off the agenda in 2000.

In conclusion, progress towards the goals set out in the Barcelona Declaration has been slow, partly because of the political difficulties caused by the continuing conflicts in the region (most notably the Arab-Israeli), partly because of reluctance to implement agreements and partly because of the consensus principle.

For pragmatic reasons, the EU has preferred to try and stimulate economic reforms – free trade, customs administration, protection of intellectual property rights,

competition policies, macro-economic stability – rather than touching upon political sensitivities relating to democracy or the rule of law. Progress has been greatest in Tunisia, Morocco and Jordan that concluded Association agreements almost 10 years ago.

The most regrettable shortcoming of the past 10 years has been the slow pace of socio- economic development. Per capita incomes have gone up 1-2 percent per year rather than by 4 percent as in Eastern Europe or even more in the Asian “tiger countries.” The MED region has therefore further fallen behind global developments. Their combined efforts of reform have been insufficient in view of the huge challenges all the countries are confronted with, in particular rising unemployment and environmental hazards.

Unfortunately, economic cooperation among the southern MED countries still remains in an infant stage, due to a lack of political will, low economic complementarity, inadequate transport links and high trade barriers. That may change in the future as the level of development is bound to rise and trade obstacles will be progressively removed.

The EU’s Neighbourhood Policy (ENP)

In 2003/04 the EU conceived its neighborhood policy (ENP), in view of offering its new East European neighbours (Ukraine, Belarus, Moldova, Georgia, Armenia and Azerbaijan) an alternative to membership. After some hesitation, it decided to extend the ENP also to the south. This created some confusion, as the southern neighbours found themselves contractually in a more advanced situation than the new eastern neighbours. Indeed, their Association Agreements were more substantial than the Partnership Agreements with Ukraine, Moldova or the Caucasus countries.

In accordance with this new approach, in 2004, the EU signed Action Plans with Morocco, Tunisia, Jordan and Palestine. These documents, valid for a 5-year period, constitute a sort of “check list” of some 100 political, legal and economic reform steps, which partner countries should define with more precision, including appropriate timetables, according to their own political priorities. The EU has no control over the implementation of the Action Plans in the partner countries. It should, however, offer as much technical assistance (e.g. twinning) and financial support (e.g. for overdue educational reforms or population policies) as possible. But it will not be in the driver’s seat and should not try to impose itself. If a country does not want to push ahead with reforms it will have to bear the consequences.

The Action Plans are innovative in relation to the past practice of bilateral cooperation: they provide an all-embracing blueprint for modernization of legislation and executive practices; and they reach not only towards the economic

and financial sphere but right into the core of political issues, from election practices to freedom of assembly and media, and full respect of the rule of law. Those governments who wish to proceed with reforms will find the Action Plans a useful guide. It allows them to draw upon the extensive experience of EU countries, especially the new ones, in devising and implementing reforms.

The EU should therefore be fully prepared to assist those countries that are truly willing to engage in reforms. It should focus its limited energy on these. Sooner or later others will follow suit, when they realize the benefits of reforms in their neighborhood. □

Priorities for the Next 10 Years

Compared to 1995, the overall setting in the MED has changed. Three of the former neighbours have “changed sides” or are in the process of doing so: Malta and Cyprus have become member states, while Turkey is now a candidate for EU accession.

The nine Arab states (excluding Libya, including Palestine) on the southern and eastern shores of the MED will therefore constitute the primary “target” of ENP in the South. It is there that the problems of governance, freedom, education, environment and, last but not least, demographic growth and employment will persist, with potential negative fall-outs on the northern shores by way of illegal migration, drugs trafficking and even terrorism.

The EU continues to have a fundamental interest in political stability, rising welfare levels, lower unemployment and higher environmental standards throughout the region. It will constantly have to check and review its policies upon their consistency with the over-arching policy objectives of the Barcelona Declaration: peace, stability and prosperity. It cannot afford to deviate into non-essentials areas.

First, it must continue to press Israel with much more insistence to withdraw from the Palestinian territories and help pave the way towards a peaceful arrangement between the hostile cousins. This is essential not only for the two small neighbors themselves but for the entire region: as long as there is no peace between Israel and Palestine, Arab regimes will always use the ongoing conflict as a pretext for not vigorously tackling their domestic priorities.

Israel has distanced itself more and more from its Arab neighbours: It has turned into a high-tech country, not very different from an EU member state. Its political governance and technical rules and regulations have become similar to those applied by the EU, and it is more deeply integrated with the EU – through scientific and cultural changes, similarities of values and work/consumption patterns – than any other country of the MED and Middle East. It could even become an ideal

economic partner for its Arab neighbours if it finally seized the opportunity of making peace with the four million Palestinians by withdrawing from their territories and thus paving the way for Palestinian statehood.□

For similar reasons it is overdue for the EU to more forcefully “meddle” in the unending saga of the Western Sahara, which has been one of the stumbling blocks of more economic cooperation/integration among the Maghreb countries. If the neighbours are serious with partnership it should be possible for the EU (or individual member states) to convince Algeria and Morocco to finally come to terms over this issue and address their common Maghreb future, taking inspiration from Franco-German history since 1950.

Second, there is no alternative to EU-MED free trade. The MED neighbours, most of them WTO members, will have to dismantle protection among themselves and the EU in order to emerge with more competitive manufacturing industries at the global scale. They have for too long indulged in the perception that there is no need for their textile, garment and mechanical industries to raise standards of efficiency e.g. by outsourcing. Now China’s super-competitiveness poses them serious problems.

The EU cannot do much in this regard but to encourage its neighbors to improve the investment climate, abandon excessive controls and bureaucratic regulations, accelerate privatization and dramatically improve the quality of the judiciary, with special emphasis on commercial courts. Judicial quality is lacking in practically all the neighboring countries. All southern partners need better trained and well-paid judges, appointed for life, acting in full independence from any political influence. As long as international business does not have trust in the effectiveness and independence of the judiciary it will continue to shun the countries around the Mediterranean. An inflow of more FDI from whatever origin is the best contribution to higher competitiveness, as we have witnessed in the new member states. The improvement of the business climate must therefore be the number one priority for the Action Plans.

Third, in the long-term perspective the region must tackle its failures in the field of education and training. This goes for the inclusion of females, modernization of teaching methods and curricula, the training of teachers, enhanced alphabetization efforts in the countryside and improved buildings and equipment. The EU Commission has rightly put education among the priorities for future financial assistance. It must also implement this good intention as quickly as possible and by resorting to unconventional methods of financing, e.g. substantial multi-annual grants to countries able to demonstrate political will and administrative probity to revolutionize their educational systems, with an emphasis on primary and technical education.

Fourth, the region must tackle its deteriorating environment. Cities are suffocating

from toxic emissions and noise due to increasing traffic, increasing scarcity of water, pollution of riverbeds and the seaside caused by industrial activities and maritime shipping. Governments have seriously neglected this issue and thereby exposed their growing populations to rising health hazards. The Commission rightly insists on the need to clean up the Mediterranean Sea and to protect it against oil and waste spills from shipping. But the Action Plans also contain the basic elements for tackling the more domestic issues that require effective answers through environment policy. The EU has an excellent record in setting environmental standards for itself. It should convince at least some of its southern neighbours to adopt similar standards and implement them progressively. Urgency is essential in this case, as the implementation of strict environmental standards will require some 10-year transition periods.

Does Democracy Have a Chance? What Role for the EU?

In recent months a number of developments have given rise to speculation that democracy might be breaking out in the Arab world. The most important events include the peaceful presidential elections in Palestine and the spectacle in January 2005 of some 8 million Iraqis turning out to vote in the first free elections ever. President Bush has publicly called for change even in Saudi Arabia and Egypt, two long-standing authoritarian allies of the US.

However, although there are some buds of a democratic spring, the latest UN Arab Human Development Report paints a bleak picture of democracy's progress in the region. The report blames the "freedom deficit" for a wide range of ills, including lagging rates of growth, poor performance in science and innovation and widespread human rights abuses. Oppression is bad for governments too, because it deprives them of legitimacy and provides outside powers with a pretext to intervene in Arab affairs.

Indeed many Arab regimes practice what the report terms a "legitimacy of blackmail", sustaining their power by posing as the only bulwark against chaos or a takeover by Islamist extremists. Another common feature is what the authors call the "black hole" state. Arab republics and monarchies alike grant their rulers such unchallengeable power as to "convert the surrounding social environment into a setting in which nothing moves and from which nothing escapes." The authors describe a life-long system that whittles away personal freedoms, beginning with patriarchalism and clannishness in Arab family life, extending through school systems that favor the parroting of fixed ideas rather than open inquiry, and on through citizenship restricted by arbitrary laws and limits to free expression. Out of 21 Arab countries, 17 prohibit the publication of journals without hard-to-get licences, seven ban the formation of political parties altogether, and three (Egypt, Sudan and Syria) have declared permanent states of emergency that date back decades.

Aside from piecemeal reforms in several Arab countries, the most significant trend noted is the growing acceptance, by governments as well as the public, of the urgency of change. In recent years a broad consensus has emerged around the idea “that the heart of the failing lies in the political sphere, specifically in the architecture of the Arab state.”

Yet in no Arab country has pressure for change yet resulted in a fundamental shift of power away from long-ensconced elites. Bahrain, for example, is often praised for moving towards democracy. Yet its parliament remains half appointed, and the 70 percent Shia majority complains it is woefully under-represented. Qatar is another small, rich Gulf state that has progressed quickly, but its rulers have just stripped some 5,000 Qataris of their citizenship, apparently because they belong to a clan deemed disloyal.

The EU has never been totally serious about using conditionality to promote reform. There are clauses in the Association Agreements (Art. 2) that provide for its suspension in light of violations of human rights and democratic principles; but they have never been invoked.

To give it credit, the Commission keeps on trying:

- It put forward a Communication in May 2003² arguing that political reform was the key to achieving sustainable security and stability.
- The Action Plans contain a long chapter concerning democracy and the judicial.
- It has proposed a conference on human rights in 2006.
- Most important, it pledges to increase financing for partners with a clear commitment to political reforms.

Nothing would be more inappropriate than excessive zeal. The EU neighbor countries in the South understand perfectly well the mechanisms and advantages of democracy, respect of human rights, the rule of law and a well-functioning judiciary. But, for various reasons, above all the self-interest of those at the top, their governments fail to take the appropriate action. Their elites benefit too much from the status quo to ask for reforms that may leave them worse off.

Democracy cannot be imposed from the outside, however well intentioned the outside parties may be. Ukraine is a case in point. But who dares to envisage an “Orange Revolution” with the necessary follow-up – eradicating corruption, democratic decision-making and strict observance of the rule of law – in many Arab countries in any near future. Lebanon has become the most shining hope for establishing a functioning democratic system. The country has gone through something similar to the “Orange Revolution” in Kiev. Beirut has seen the biggest ever peaceful demonstrations in the Arab world. There is a better chance than

² Reinvigorating EU actions on Human Rights and Democratisation with Mediterranean Partners, COM (2003) 294 final, 21 May 2003.

ever for democratically free elections in May/June and the formation of a government of national unity to tackle the huge challenges the country faces in the wake of 30 years of exasperating internal conflicts and external occupation/domination by Syria. Superficially, the EU role in this process has been marginal. Still, the call from Paris and Brussels for withdrawal of foreign troops was audible. Lebanese civil society and opposition knew perfectly well that Europe was more than glad about the changes towards freedom and the rule of law in their country. Equally the Syrian government was only too well aware that without the full withdrawal of their army and “security forces” there would be no chance for upgrading cooperation with the EU.

Equally, the EU should assist the emerging opposition of Egypt in preparing and freely campaigning for the presidential elections this autumn. The EU should let it be known that it would consider the fairness of the elections as a test case for serious political reforms. The idea of having election monitors from Europe and the MED oversee presidential and parliamentary elections should be pressed forward. Hopefully, Egypt might become a first case of application in the fall of 2005.

Those who press for reforms in the South must have trust in the EU coming to help them in their struggle to promote democracy and human rights. The EU should also abandon its restraints to enter into a dialogue with Islamists, provided they renounce the use of force as a means of gaining power. The forthcoming elections in Palestine will be an interesting test case for an open democratic struggle between secular and “religious” parties.

Publishing annual “reform progress reports” in English and Arabic for the MED countries, as the EU has successfully done for the accession countries, would be another useful step to disseminate objective information about the reform process across the region.

In conclusion, the buds of democracy in the Arab world are bound to gain in strength. People want to have a say on who governs them, not only in Europe but also in the Arab world. They want to be free to criticize their governments and overturn them through the ballot box. The EU has to become more vocal in pressing this basic point to its partners in the South. It has to find the right - discreet- way of passing this message to those who are at the helm and convince them of the need to introduce long overdue changes in the system of governance.

Working with the U.S.

One of the questions to be discussed is to what extent the EU and U.S. should cooperate in pushing the reform process in the region. In 2003 the U.S. launched its Greater Middle East Initiative with much fanfare, but with few resources and with very little consultation with the EU or indeed the countries in the region. The initiative, now renamed the Broader Middle East Initiative is the flagship foreign policy of Bush’s second term and is a direct response to 9/11 and the “war on terrorism”.

Given the dismal public image of the U.S. in the region, it is questionable whether the EU would gain anything from too open an association with the U.S. The U.S. is trying to improve its public image, notably through the appointment of Bush's aide, Karen Hughes, as head of the State Department's Public Diplomacy, but it is difficult to see a change in attitudes until the U.S. is regarded as a more neutral power broker in the Arab-Israeli dispute.

For these reasons the EU would not be well advised to "gang up" with the U.S. in its efforts to help its Arab neighbours advance political and economic reforms. However, the EU should informally liaise with the U.S. as much as possible. Both should share their assessments of the situation and their experience but they should operate separately rather than appear together in the Middle East. □

Iraq will remain a key issue. Despite past divisions, the EU and U.S. share several interests, notably ensuring stability and democracy in a country that holds 10 percent of the world's oil reserves. There remain lingering doubts about U.S. policy in Iraq, but the EU has a major interest in overcoming these differences not least because Iraq shares a lengthy common border with Turkey. □

A related question is to what extent the EU and NATO should cooperate in the region. Although the EU is far more engaged than NATO, the Alliance does play a useful role in holding security dialogues with Mediterranean partners and promoting security sector reform. Yet NATO is widely identified with the U.S. in the region and hence the same caution applies regarding the EU and NATO as the EU and U.S.

A More Forceful Policy towards the Gulf Countries?

The 9 Gulf countries – from Iran to Yemen – are even more important to the EU than the Arab countries around the MED as they hold more than 50 percent of global oil reserves and one third of the known gas reserves. The prospects for economic growth for the coming 20-30 years also appear much brighter than in the MED, thanks to further rising prices of fossil energy.

The intensity of economic, cultural and political links with the Gulf countries is substantially lower than for the MED neighbours, due to greater geographic, historic and cultural distance. Even more importantly, the Gulf countries look beyond Europe for their economic and political ties. Asia is their future export outlet; and the US is the provider of "security" and higher education for them, with the notable exception of Iran.

The EU has been at pains, therefore, to engage in a productive dialogue and cooperation. The level of contacts is infinitely lower than with any of the MED countries. Until 2004 the EU Commission did not have a single full-fledged Delegation anywhere in the region! Yes, Cooperation Agreements have been in force with the 6 GCC countries³ for more than 15 years, and with Yemen for

almost 10 years. Yes, the EU has been trying to establish contractual links with Iran for more than 15 years, without success so far. And EU and GCC foreign ministers meet regularly once a year for a broad exchange of views. But all this is far from the strategic relationship the EU – and individual member states – have established with Russia, China or Ukraine.

The EU should not be content with these lukewarm achievements. It can do more to improve the relationship, in substance and atmospherics. But the EU cannot change geography, energy or geo-strategic realities. The following are a few practical suggestions of what might be done to improve the relationship with the 9 Gulf countries.

First, the EU has to devote substantially more human resources to the region. Less than a dozen officials deal with a region that is vitally important for the EU. The Commission and, after its establishment in 2007, the “European Union External Action Service” should remedy this shortcoming as a matter of urgency.

Second, the EU should intensify its long-standing energy dialogue with the GCC countries. EU officials should meet their counterparts every six months to discuss the medium and long-term market trends, investment opportunities in the region, transport aspects and so on. Whenever appropriate, European energy companies should also be involved.

Third, the EU should encourage all countries in the region to join the WTO and offer them whatever technical assistance necessary to that end. □

Fourth, the EU should bring the negotiations on a free trade agreement with the GCC to a rapid conclusion. With a bit of imagination and good will from both sides it should be possible to find a mutually acceptable solution for the issue of “double-pricing” on oil-gas feed stuff for down-stream operations. □

Fifth, the EU should encourage the GCC and MED countries to establish free trade among themselves: linking GCC and AGADIR FTA’s. □

Sixth, European businessmen in the region should be encouraged to establish “EU Chambers of Commerce” in the major trading countries: Saudi-Arabia, Kuwait, Iran, and Iraq, following the successful precedents in Korea, Philippines, Thailand, China and Taiwan. The EU should offer a modest financial assistance for the launch period.

Seventh, and most important of all, the EU should try to convince the three principal powers – GCC, Iran and Iraq – of the need for a comprehensive security relationship among themselves. This sounds like a surreal proposition at the present moment when Iran seems bent on nuclear power status, Iraq is busy restoring its sovereignty and the GCC cooperation shows signs of weakness. But

³ GCC (Gulf Coordination Council) countries are: Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and the Sultanate of Oman.

strange as it might appear the EU might be the only credible power to undertake such an impossible task that is of vital importance for the stability in the region and the world.

Conclusion

The region will remain of critical importance to the EU for decades to come. The EU has no choice but to become deeply and permanently involved in the reform process as a failure to reform could seriously affect the EU's security and future energy supplies.

Though the emphasis will continue to be on the Mediterranean countries, the EU should progressively encompass the countries in the Gulf, from Iran to Yemen in its wider neighborhood policy, as it has done in the Caucasus and as the U.S. is doing with its Broader Middle East Initiative.

The EU must recognize the limits of its influence and understand that in order to be successful it has to respect the sensitivities and priorities of its neighbours. It has to understand and support their agenda while remaining faithful to its own values. It should not hesitate to abandon its support to governments that undertake only token reforms or, worse, deny essential political rights and personal freedoms. Both patience and perseverance are required. One key area will be to support the emergence of moderate democratic opposition groups. Too often current rulers portray choice as stability or chaos.

Finally, in today's world, public diplomacy is very important and the EU must not overlook visibility. The EU should use all options of mass media to address clear and consistent messages to the man and woman in the street. Ultimately it is a battle for hearts and minds in the wider Middle East and the EU must seek to spread its democratic values as widely as possible.

In terms of policy recommendations, the following should take priority:

- the EU has a major long-term interest in the stability of the Mediterranean and Middle East. It must prioritise its assistance to support for political and economic reform – and education;
 - the EU can only promote and facilitate reform – it cannot impose reform on the region. But it must be more consistent and use the conditionality clauses in the Association Agreements; and the review clauses in the Action Plans;
 - the EU should maintain pressure for a regional Free Trade Association (FTA) and a wider FTA with the EU;
 - the EU must remain active in the Middle East Peace Process and seek to defuse other conflicts such as the Western Sahara;
 - the EU should cooperate where possible with the U.S. but not be seen as a puppet of the US;
 - the EU needs to take the Gulf region more seriously, devote more resources to it, promote regional free trade and re-start the energy dialogue;
 - the EU should promote the establishment of a 'security community' in the Gulf.
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