

The EU's Future Role in the Middle East Peace Process:

Economic Aid to the Palestinian Authority

Ezekiel Wright

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Instructor: Dr. Peter Bender

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Introduction

The EU and the Israeli-Palestinian Conflict

The European Union as an institution has been actively involved in the Israeli-Palestinian Conflict for several decades now. They have taken part in negotiations, provided financial aid, and were among the first to endorse the two state solution. However, the EU's actual effectiveness has been quite limited until fairly recently.¹ The reason for this change is varied, and includes such events as the change of power in the US, the beginning of the Second Intifada, and the death of Yasser Arafat. But even as the European Union becomes a more important player, the actual role remains the same – overwhelmingly economic in nature. Regardless of efforts to internationalize the peace process (*a la* “the Quartet”), the dominate negotiator is still the United States. This is unlikely to change in the foreseeable future.

The EU role of the future?

The European Union finds itself at a crossroads in regards to their role in the Israeli-Palestinian Conflict. They have become a more important player, but this is largely due to their economic aid. There are several reasons why the European Union will most likely remain a secondary actor in the Israeli-Palestinian Conflict, which I will attempt to outline further into the paper. However the central reason is the inability of the EU (in its present form) to shape cohesive, collective foreign policy. This is, again, because of various factors which I will address later on. Will the European Union, in the case of this conflict, continue to be limited largely to providing economic stimuli? This might be the case. However, this is not to say that the European Union will remain unimportant in future negotiations. Economic aid, specifically to the Palestinian Authority, has the ability

¹ For a better overview see Elena Aoun, “European Foreign Policy and the Arab-Israeli Dispute” (2003) Vol. 8 *European Foreign Affairs Review*, pp. 291-294.

to shape the direction of the peace process. Will the EU be able to capitalize on this potential?

EU-Palestinian Relations

The EU's political role in the peace process (1973-2000)

The first notable action between the European Community and Palestine came in the form of a statement from the then nine Member States, at the beginning of the Yom Kippur War on November 6th, 1973. This statement referred to the 'legitimate rights' of the Palestinians.²

The European Community continued in this fashion on June 29th, 1977 when they proclaimed that any negotiation must include Palestinian representation, and any settlement must acknowledge the right to a Palestinian homeland.³ On June 13th, 1980, EC leaders asserted the necessity for Palestinian self-determination as well as the involvement of the Palestinian Liberation Organization in any eventual settlement, and the willingness of the European Community to help attain these goals.⁴

But the eighties saw less European activity in the Israeli-Palestinian Conflict. The deterioration of the situation, eventually leading to the First Intifada, compelled European leaders to draw up new proposals. The Europeans – by now renamed the European Union with twelve member states – supported the idea of a Middle East peace conference involving America, Russia, the EU, and the regional powers. However their role remained on the sidelines until the Oslo Accords were signed, when the Europeans pledged to finance the peace process and the newly-founded Palestinian Authority.

² Elena Aoun, note 1 above, p.291

³ ibid

⁴ ibid

Through the Barcelona Process in 1995, the European Union tried to assume a larger role in the Mediterranean, however the outcome of this is questionable (to say the least).⁵

The peace process hit another setback in 1996 with the assassination of Rabin, and the Europeans once again pressured for a larger role. The appointment of Miguel Moratinos as the EU's special envoy to the Peace Process did not meaningfully change things, although in 1997 the EU became actively involved for the first time in the diplomatic maneuvering.⁶ The European Union was excluded from the Camp David Summit in the summer of 2000, and watched the Second Intifada begin as talks failed.

The history of the European Union's involvement in the peace process seems to be mainly one of either issuing statements with no strong backing behind them,⁷ standing at the sidelines watching US diplomacy, or financial funding of the process and applicable organizations. However there has been a general increase in their involvement over time, for instance the arranging of the Weizman-Arafat meeting, or their increased relevance financially. It remains to be seen whether the EU is able to capitalize upon this chance, or whether it will remain politically feeble.

The economic nature of the EU's involvement (2000-)

In the past five years, the EU has taken a renewed role as *financier du jour*. Between 1993 and 1997, the EU and its member states contributed 54% of the total international aid flowing into Palestine, roughly 1.68 billion Euros.⁸ And their economic aid to Palestine has only continued to grow in importance. In 2000, at the start of the Second Inti-

⁵ See Mark A. Heller, "Reassessing Barcelona" (2001) no. 61 *The European Union as a Security Actor in the Mediterranean*, Center for Security Studies, pp. 75-82.

⁶ See Joseph Alpher, "The Political Role of the European Union in the Arab-Israel Peace Process: An Israeli Perspective" (1998) no. 4 *The International Spectator* <www.ciaonet.org/olj/iai/iai_98aj01.html>.

⁷ For instance - the Venice Declaration in 1980, the Berlin Declaration in 1999, and the Seville Declaration in 2002. Europa "The EU & the Middle East Peace Process" <europa.eu.int/comm/external_relations/mepp/index.htm>.

⁸ European Commission, General Report 1998, <www.europa.eu.int/abc/doc/off/rg/en/1998/x0849.htm>.

fada, the European Union assumed a very important role in funding the Palestinian Authority when Israel began withholding customs duties and taxes which were collected on the PA's behalf. These funds amount to some 60% of the PA's budget, and the EU direct budgetary assistance was integral in keeping the Palestinian Authority from totally collapsing. Israel finally resumed the tax revenue transfers in late 2002 under pressure from the US.⁹

However, this period of time was devastating to the Palestinian economy, and European Union financial assistance continued to be an important stimulus. Catherine Bertini, the Personal Humanitarian Envoy of the UN Secretary-General, observed in August 2002 that the chief reason for the humanitarian and economic crisis of the Palestinians could be contributed to Israel's severe restrictions on the movement of goods and people within the Occupied Territories. In the span of two years, 'per capita food consumption fell by 30%.¹⁰ Since the start of the Second Intifada, EU aid to Palestine has shifted from institution-building to basic humanitarian assistance largely out of necessity.¹¹

Following Yasser Arafat's death in 2004, the European Union was instrumental in providing financial support for the elections for a new Palestinian Authority President. They spent large amounts setting up polling places, on voter registration drives, voter information, and counting of the votes. Perhaps most importantly, were 'the 260 observers which the European Union sent to monitor polling places on election day.'¹² This is because one of the most important things that needed to come out of the 2004 elections was a sense of legitimacy. Whoever was elected as president, needed to get there in a legitimate manner. Only then, would Israel need to take the representative of the PA se-

⁹ For more information see UN General Assembly, Economic and Social Council, Substantive session of 2003, Item 41(b) of the preliminary list
<domino.un.org/UNISPAL.NSF/0/a3d989b11e31354285256d550054844c?OpenDocument>.

¹⁰ *ibid*

¹¹ *ibid*, explained thoroughly in section 2, sub-section B. Also see World Bank, Two Years of Intifada, Closures, & Palestinian Economic Crisis (2003)
<domino.un.org/UNISPAL.NSF/85255e950050831085255e95004fa9c3/c02c6a46032b687a85256ce00075aec3!OpenDocument>

¹² European Commission, "Working for Peace, Security, and Stability – EU in the World" (2005) Luxembourg (EUO-OP), pp. 33

riously. One of the common themes coming from Ariel Sharon, the Israeli government, and the general Israeli public after the Oslo Accords began to fail in the late nineties, was that “there is no partner for peace.”¹³ Whether this was true, or whether it was their respective extreme politics (or simply the personal enmity between the two), the peace process was at a stalemate. The death of Arafat and the election of a new President of the Palestinian Authority was the chance for a fresh start – provided the new leader had a legitimate claim to a popular mandate.

Why the political / economic dichotomy?

The European Union has proven itself willing to act both politically and economically in regards to the Israeli-Palestinian Conflict. However their political clout is severely limited for a number of reasons. The United States has been largely unwilling to cede room at the negotiating table to the European Union.¹⁴ And Israel has considered the EU to be an unacceptable negotiating power (the result of a perceived EU bias towards Palestine).¹⁵ The EU has also been limited by its organizational set-up, as well as how it attempts to exercise political clout.

The EU, up until this point, has largely been an economic union. Only recently has the notion of a Common Foreign and Security Policy (CFSP) come up. The problem with creating a CFSP is partly because of EU institutions – the guidelines which guide political decisions are not as well-crafted as those which decide economics. And the fact that the EU is now comprised of 25 different member states compounds the difficulties of forming a CFSP. Each state is wary of too much political integration, fearful of the loss of national sovereignty it will bring. With this in mind, it is easy to see why forming cohesive foreign policy is difficult.

¹³ Joshua Brilliant, “Israeli, Palestinian Doves Spread Message”, November 29 2004, *The Washington Times*, <washingtontimes.com/upi-breaking/20041129-045816-1724r.htm>

¹⁴ See Aoun, pp. 306-308 and Ben Soetendorp, “The EU’s Involvement in the Israeli-Palestinian Peace Process: The Building of a Visible International Identity” (2002) no. 7 *European Foreign Affairs Review*, pp. 286-287.

¹⁵ Soetendorp, pp. 285

But perhaps more importantly in this context, is how the EU attempts to exercise its political power. The European Union's approach to foreign policy is characterized heavily by the use of soft power. This is to say, not relying on military or economic threats ("hard power").¹⁶ In a situation like the Israeli-Palestinian Conflict, soft power is of limited consequence. To illustrate this, one needs only to look at the disregard Israel has shown to the EU in much of the past decade.¹⁷

The European Union's economic contributions, on the other hand, have been a welcomed inclusion in the peace process. Their funding of the Palestinian Authority has helped legitimize that agency. And by tying funds to needed reforms, the EU can use the carrot and stick method of moving the PA towards a position more conducive to peace.¹⁸

Misappropriation of funds?

There have been numerous allegations of the Palestinian Authority misusing EU funds. The most serious of which began in 2002, after the Israeli government claimed to find documents showing a link between EU aid and Arafat and PA-sponsored terrorism. The Israeli government published a report, and the story began circulating throughout media outlets in Europe and Israel.¹⁹ There were multiple claims – both general allegations that EU aid to the Palestinian Authority was not tracked, and ended up in any sort of terrorist activities; to other more specific claims, such as the PA skimming off a percentage of incoming money as it was converted from Euros to Shekels, or EU aid going directly towards producing anti-Semitic Palestinian schoolbooks.

¹⁶ For more on "soft power", see Joseph S. Nye Jr.'s "The Benefits of Soft Power" Spring 2004 *Compass*, (August 2004) Center for Public Leadership, John F. Kennedy School of Government, Harvard University, <hbswk.hbs.edu/item.jhtml?id=4290&t=globalization>

¹⁷ e.g. Aoun, pp. 302

¹⁸ European Commission, "Working for Peace, Security, and Stability – EU in the World", pp. 34-35

¹⁹ For example, Thomas Kleine-Brockhoff and Bruno Schirra, "Arafat Bombs, Europe Pays", *Die Zeit*, June 7, 2002

The European Union quickly began an investigation into the matter. The investigation ultimately found no such mismanagement of funds, in any shape or form. Commissioner Patten said in an address to the Foreign Affairs Committee, that, “after scrupulous examination of all the allegations that have been made, I can report to you today that there is no evidence for EU funds used for other purposes than those agreed. There is no reason to state that EU money has financed terrorism or bought weapons.”²⁰

Other claims such as the connection between the new Palestinian schoolbooks and EU aid, for instance, were also found to be untrue. According to a statement given by Commissioner Chris Patten to the Foreign Affairs Committee on June 19th, 2002, the EU had never at any point supported the new Palestinian schoolbooks – EU aid to the Palestinian educational system instead being largely for teachers’ salaries and school buildings.²¹

Although these allegations have long since been disproved, they are still widely believed and circulated. Today, European Union aid to the Palestinian Authority has very strict oversight procedures. Aid is attached to many conditions which the PA must follow to receive. Indeed, a report by a working group in the European Commission found that EU payments to the Palestinian Authority were subject to “the most extensive and intrusive monitoring system in any post-conflict situation.”²²

²⁰ Chris Patten, “Statement to the Foreign Affairs Committee on EU budgetary assistance to the Palestinian Authority”, June 19 2002, <http://europa.eu.int/comm/external_relations/news/patten/sp02_293.htm>

²¹ *ibid.*

Dealing with the Palestinian textbooks in general, it seems that the allegations of anti-Semitic content in them has been largely unfounded. A European Commission report found these allegations to be exaggerated. This was also the consensus by the Israel/Palestine Center for Research and Information (IPCRI), a joint Palestinian-Israeli public policy think tank. *Palestinian Schoolbooks*, European Commission, May 15 2002, <http://europa.eu.int/comm/external_relations/mepp/faq/heads_mission_schoolbooks.pdf> and *Analysis and Evaluation of the New Palestinian Curriculum*, Israel/Palestine Center for Research and Information, March 2003, <http://europa.eu.int/comm/external_relations/mepp/faq/ipcri.pdf>

²² “Statement of the European Commission following allegations that EC funds have been misused by the Palestinian Authority”, May 6 2002 <http://europa.eu.int/comm/external_relations/gaza/news/me02_90.htm>

Future Relations

Participation in the Quartet

The EU does have a future say in the peace process through the “International Quartet.” This is a combined effort including the US, Russia, the EU, and the UN. Top officials from the four bodies meet regularly to discuss the peace plan, to assist and facilitate its implementation. In this way, European participation could quite possibly increase from what we’ve seen in the past. However, one must keep in mind that the US will likely remain the dominant player.

The possibility of change?

As has already been stated, the European Union’s political power in the Middle East peace process has been tenuous at best. What are the chances of this changing? To answer this question, one needs to look at how the EU is slated to change in the future – specifically, whether or not a strong CFSP is in sight.

The answer to this question seems to be largely no. Especially with the recent failure of the constitution, a stronger CFSP is nowhere in sight. The recent round of enlargement contributes to the difficulty of a common EU foreign policy – more voices at the table, more divergent opinions, less chance of consensus. It seems that in their current position, the EU must work within the framework which it finds itself, which is using its position in the Quartet to its advantage, and continuing to be an important financial backer in the development and aid of the Gaza Strip and West Bank.

Increased relevance / funding the Palestinian Authority

Even if we assume that the European Union will not become more relevant *politically*, its economic role has the potential to expand enormously. Throughout the eighties and nineties, the EU provided funding to the Occupied Territories. This funding steadily in-

creased throughout the nineties as the EU sought to legitimize the Palestinian Authority. The European Union is correct in assuming that the PA needs help in this area.

As Commissioner Chris Patten said in 2002, “if there is to be a Palestinian State there needs to be a Palestinian Authority.”²³ And this is the central argument for continued EU aid to the Palestinian Authority. EU aid attempts to provide the PA with the resources that it needs to effectively run the districts that it is in control of. Especially considering the withdrawal of Israel from the Gaza Strip earlier in 2005, the PA has to prove that it is a competent governing power. Otherwise, Israel’s claim that there is no partner to peace will be effectively proven true.

Summary

Final conclusions

The European Union seems determined to play a role in the ongoing peace process in the Middle East. And indeed, it seems that there is a role for them to play. The European Union should continue to provide economic aid to the Palestinian Authority. This aid is invaluable in helping the PA to function, as well as working as an impetus for further reform and improvement. By tying aid to specific areas, and having clear oversight of the entire procedure, the EU can make sure that the money is going to where it is earmarked. The importance of a functioning Palestinian Authority can not be overstated, since the success of the peace process depends on large part whether or not the PA is able to control the areas it is assigned to – this includes controlling and subduing extremist elements. The Israeli-Palestinian Conflict is characterized by a cycle of violence – one side or the other must break this cycle for peace to ever become a reality.

²³ Chris Patten

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