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The EU and the Middle East Peace Process

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CONTENTS

	<i>Paragraph</i>	<i>Page</i>
FOREWORD—What this Report is about		5
Chapter 1: Introduction	1	7
Chapter 2: The Historical Perspective	9	9
Box 1: The Venice Declaration		9
Box 2: The Oslo Process		10
Box 3: The Road Map		11
Box 4: The National Unity Government (NUG)		12
Chapter 3: The EU's Relations With the Key Players in the Political Process	21	14
Israel	21	14
The Palestinian Authority	34	17
The rise of Hamas and the Quartet conditions	34	17
Box 5: Hamas		18
The deteriorating situation in the Palestinian territories	38	19
The three Quartet principles	42	19
Relations with the United States	59	22
The Regional Dimensions—changing dynamics	64	23
Box 6: The Arab Peace Initiative		24
Syria	71	25
Lebanon	77	26
Box 7: The Shebaa Farms		28
Iran	85	28
Chapter 4: The EU's Political Role in the Middle East Peace Process and the Institutional Perspective	92	30
The EU's objectives and approach to the Middle East Peace Process	92	30
The EU and the Member States—a need for greater unity and coherence?	95	30
The EU as a member of the Quartet	101	32
The Quartet—a reflection of the EU's growing role in the MEPP	101	32
Box 8: The Quartet		33
A more active EU role in the Quartet?	108	35
Box 9: The Final Status Issues		36
The High Representative for the CFSP and the EU Special Representative for the Middle East Peace Process	111	36
Box 10: The EU Special Representative for the Middle East Peace Process		37
Chapter 5: The EU's Economic and State-Building Role	118	38
Towards a viable Palestinian state—the EU's role in capacity and institution building	118	38
Box 11: EU and Western Aid		39
The Temporary International Mechanism (TIM)	130	41
Box 12: The Temporary International Mechanism (TIM)		42

Coherence and coordination of EU aid	142	44
The European Security and Defence Policy (ESDP) missions	144	45
Box 13: EUPOL COPPS and EUBAM Rafah		46
The Euro-Mediterranean Partnership and European Neighbourhood Policy	156	49
Chapter 6: The Events of June 2007 and their Consequences	162	51
Chapter 7: Conclusions and Recommendations	166	52
Appendix 1: Sub-Committee C (Foreign Affairs, Defence and Development Policy)		58
Appendix 2: List of Witnesses		59
Appendix 3: Call for Evidence		60
Appendix 4: Maps		62
Appendix 5: Acronyms		65
Appendix 6: Correspondence with Ministers 2005		66
Appendix 7: General Affairs and External Relations Council, 18 June 2007		70
Appendix 8: Recent Reports		72

NOTE: References in the text of the report are as follows:

(Q) refers to a question in oral evidence

(p) refers to a page of written evidence

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FOREWORD—What this Report is about

Recent violent events in the Middle East demonstrate once again the desperate problems for both peoples in the Israel/Palestine dispute and in the wider region. At the beginning of 2007 moves by actors in the region and by the US and EU gave reason to hope that progress might be made in the peace process. The EU's role in taking the Middle East Peace Process (MEPP) forward is the particular subject of this report.

Our Inquiry has revealed the EU's extensive political involvement in the central Israel/Palestine dispute as a member of the Quartet (UN, US, Russia, EU). Moreover the EU provides financial assistance both to the Palestinian Authority and directly to the Palestinian people, with the aim of sustaining the existing institutions and building capacity for the future Palestinian state under the plans for a two state solution.

Though the US has led the politics, the EU has made a significant policy contribution, not least by taking a lead in producing imaginative ideas, including the two state solution, which were subsequently adopted by the Quartet and the Arab League. We believe the EU has an important role in the policy sphere which should be maintained. At the same time the EU and the Member States individually should act more closely in concert on both political and economic aspects; and the EU should press on the US the importance to the region of sustained US engagement in the MEPP.

We found that the boycott by key members of the Quartet of the National Unity Government (NUG) in the Palestinian territories had damaged the prospects for a viable Palestinian state. We suggest that a more flexible approach would have been preferable, whilst reaffirming the importance of the three Quartet principles.

We believe that the EU should be prepared to strengthen its relationship with Israel in the context of progress in the peace process. The EU should use all the instruments at its disposal, including the European Neighbourhood Policy.

We welcome the greater engagement by Saudi Arabia and other Arab League states and believe the EU should support their recent initiatives. We recognise the importance of the EU's continuing its engagement with Syria. We consider that the EU should give full support to the government of the Lebanon in its efforts to sustain the independence and territorial integrity of the country.

We conclude that the EU should not allow the peace process to be held hostage by any faction, individual, or state and should resist attempts by extremists on both sides to derail the process. Nor should the events of June 2007 be used as an excuse for inaction. Indeed the EU needs to increase and sustain its efforts to work more closely with all the main players towards an inclusive peace process and settlement.

The EU and the Middle East Peace Process

CHAPTER 1: INTRODUCTION

1. After many years of crisis, fighting, political stalemate, apathy on the part of the international community, and despair that the apparently intractable problems of the Israeli/Arab conflict can ever be resolved, there were in the Spring of 2007 a number of hopeful signs that progress could be made. The case for a renewed effort to make progress is urgent, even if current circumstances are unpromising. This inquiry focuses on what the European Union's role has been so far, and whether this is the moment for the European Union (EU), whose involvement in the Middle Peace Process has been largely unsung, to put all its weight behind re-launching efforts to bring the parties together and make progress at the negotiating table and on the ground.
2. During our inquiry events moved constantly. In February 2007, Saudi Arabia took an unprecedented lead in sponsoring an agreement between the Palestinians to form a coalition government, and in renewing the commitment of the Arab League to the 2002 Arab Peace Initiative. (See Box 6, Chapter 3). This "Mecca Agreement" led in mid-March 2007 to the formation of a new Palestinian National Unity Government (NUG) (see Box 4, Chapter 2). On the diplomatic front, the United States Secretary of State, Dr Condoleezza Rice increased the number of her visits to the Middle East in an attempt to unblock the negotiating deadlock. The EU's High Representative, Javier Solana, was also tasked by the EU's Council with missions to the Middle East, including direct talks with the Syrian and Saudi governments. The events of June 2007 occurred after the substantial completion of this report. These are discussed in Chapter 6.
3. The changed dynamics among the Arab League group sponsoring the Arab Peace Initiative were stimulated by growing concerns over the fragility of Iraq, the spread of sectarian Sunni-Shi'ia violence beyond Iraq's borders, and the growing regional influence of Iran: in Iraq, Lebanon, Syria, as well as in Palestinian affairs (see Chapter 3).
4. The EU, and the international community, need to decide whether, if a single Palestinian entity is restored, to return to the bilateral, negotiations-based Road Map with its incremental path (see Box 3 Chapter 2), which has so far failed to produce results; or whether, in addition, to start work on the final status issues (see Box 9 Chapter 4), a path which has become known as the "political horizon", a formulation used by Dr Condoleezza Rice. In an atmosphere in which countries in the region have increased their active interest in the conflict, can a wider regional settlement be achieved through the kind of formula represented by the Arab Peace Initiative? Should the EU support a process between Israel/Palestine which does not also address issues such as Syria and the Golan Heights, and Lebanon (Chapter 3) or should it continue to pursue a comprehensive approach to a peace settlement? How can progress be made in the EU's relations with the Palestinian Authority government? (Chapter 4)

5. **The credibility of the Middle East Peace Process needs to be restored by a renewed, concerted and sustained effort by the whole international community. We believe therefore that the EU, which has many interests at stake in this region, should participate actively and forcefully in such an effort.**
6. The shifts in Middle Eastern power relations have had both direct and indirect impacts on the dynamics of peace-making between Israelis and Palestinians, leading some to doubt whether either party could engage in or sustain a renewed peace process. There are serious risks in continuing a policy of neglect of the central issue of Palestine and this underlines the need to make progress towards the achievement of the two state solution. It is not, for example, certain that the current support for the two state solution will continue indefinitely in the absence of any progress.
7. In this report we have sought to assess the value that could be added by European Union policies and actions over and above what individual national governments can achieve. How effective has EU action been and how can the EU's collective influence be better directed towards establishing an international and regional consensus on the way forward? We listened to witnesses from both sides of the conflict and to key players in the EU, as well as academic and other experts in the field and we present our findings. In Chapter 2 we outline the recent historical perspective. In Chapter 3 we discuss the EU's relations with key players—Israel, the Palestinian Authority and the US. The final part discusses the EU's relations with a number of states in the region, notably Syria, Lebanon and Iran. Chapter 4 discusses the EU's objectives and approach to the MEPP and we consider the institutional arrangements, including the operation of the EU, the EU's High Representative for the Common Foreign and Security Policy and the EU Special Representative for the Middle East peace process, together with roles played by and interactions between the EU and its member states. We also examine the EU's role in the Quartet (see Box 8, Chapter 4). In Chapter 5 we examine the EU's economic and state-building support for the Palestinian people and territories, including the Temporary International Mechanism (TIM), the European Security and Defence Policy (ESDP) missions, as well as the Euro-Mediterranean Partnership and the European Neighbourhood Policy. Chapter 6 was prepared after our report had been substantially completed to discuss the events of June 2007 and their consequences. Our conclusions appear in bold print in the text, and are presented together in Chapter 7.
8. **We make this Report to the House for debate.**

CHAPTER 2: THE HISTORICAL PERSPECTIVE

9. Until 1980, policy towards the Middle East was largely the province of individual Member States, with the then European Community (EC) restricting itself to issuing statements at key points, such as the 1973 joint Resolution by the 9 EC States following the Yom Kippur war. Attempts were also made to build a relationship between the EC and the Arab world with, for example, the foundation in 1974 of the Parliamentary Association for Euro-Arab Cooperation.
10. In June 1980 the EC decided to issue the Venice Declaration which formulated a clear European policy towards the Arab/Israeli conflict and set out principles for initiating a Middle East peace process (MEPP) (see Box 1 below). At the time, thirteen years before Israel recognized the PLO as its negotiating partner in the Declaration of Principles of 1993, the EC's defence of the principle of self-determination implicitly recognised the Palestinians' right to aspire to a state alongside Israel and was the basis for the EU's support for a negotiated two-state solution. In asserting this, the European Community was well in advance of the prevailing international consensus on the principles to be adopted towards resolving the conflict. This aroused criticism in particular from the US, opposed to recognising the PLO on the grounds of its role as a terrorist organisation.

BOX 1

The Venice Declaration

Joint European policy towards the Arab/Israeli conflict was formulated in the Venice Declaration of June 1980 which recognised the principle of the Palestinians' right to self-determination, of the association of the Palestine Liberation Organisation (PLO) with peace negotiations, and of Israel's right to a secure existence. It was adopted at the Venice European Council by the then nine Member States of the European Community, and subsequently formed the basis of European Union policy and also influenced the gradual acceptance by both the international community (above all the United States) and local actors (Israel and the Palestinians) of a two-state solution to the Israel/Palestine conflict.

The main principles underlying this approach are set out in Article 4 of the Venice Declaration, namely "to promote the implementation and recognition of ... the right to existence and to security of all States in the region, including Israel, and justice for all the peoples, which implies the recognition of the legitimate rights of the Palestinian people". Article 7 also states that "[t]he Palestinian people, which is conscious of existing as such, must be placed in a position, by an appropriate process defined within the framework of the comprehensive peace settlement, to exercise fully its right to self-determination."

11. **The EU's consistent support since 1980 for a negotiated two-state solution as the basis for a final and comprehensive settlement of the Israeli-Palestinian conflict has subsequently gained the adherence of the majority of the international community and, above all, since 2002, of the US. This is one of the major successes of EU diplomacy in the MEPP, particularly in influencing the evolution of US policy. The**

seriousness of the current situation is a major test for the EU which again needs to put its full weight behind the search for a comprehensive solution. For 20 years extremists have been allowed to dictate the agenda. Any resumed peace process now needs to be proofed against their acts.

12. The history of international involvement in peace-making has been chequered, despite the EU's increased and sustained engagement in support of the MEPP. The 1993 recognition by Israel of the PLO (then led by Yasser Arafat) and the PLO's recognition of Israel's right to exist brought the EU more directly into contact with the parties from the inception of the Oslo process, which provided the template for peace-making until the end of the 1990s (see Box 2 below). The EU encouraged both Israelis and Palestinians to negotiate and implement interim and staged objectives as a means of building confidence between the parties moving towards the negotiation of final-status issues.

BOX 2

The Oslo Process

The Oslo Process was launched in 1993 under the auspices of Norway (not an EU Member State). This prescribed an approach based on staged implementation by both sides of commitments to the Oslo Accords, otherwise known as the Declaration of Principles on Interim Self-Government Arrangements, following the Declaration of Principles (DOP) in which Israel and the Palestine Liberation Organisation (PLO) formally recognised each other as legitimate negotiating partners. These agreements were finalised in Oslo, Norway on August 20 1993 and were officially signed at a public ceremony in Washington D.C. on September 13 1993. Mahmoud Abbas signed for the PLO and Shimon Peres signed for the State of Israel.

In September 1995 a further set of interim agreements, 'Oslo II', were signed under which Israeli forces were scheduled to redeploy from major Palestinian population areas in the West Bank, retaining control over Israeli settlements and designated military areas. On the Palestinian side, the newly-formed Palestinian Authority (PA), set up in 1995 with its main base in the West Bank city of Ramallah, was due to assume full responsibility for civilian affairs and local security in the main Palestinian municipalities of the West Bank. It was also envisaged that the PA would share security responsibilities with the Israeli military command in rural areas, from which the Israeli Defence Forces (IDF) would eventually withdraw.

The weakness of the Oslo approach was that it required each party to reach staged objectives before moving on to the next stage, and both sides failed to meet their mutual obligations under an agreed timetable. This resulted in the opposite of what was intended: an erosion of confidence and backward-looking, mutually blocking recriminations about what had not been fulfilled, rather than a forward-looking process based on trust. The process was also designed to lead to a mutually agreed outcome at the end, rather than reaching the clear objective of a two-state solution posited from the outset.

13. In September 1995, an Israeli-Palestinian Interim Agreement (referred to as 'Oslo II') was signed to cover Israeli troop redeployments from major Palestinian population centres in the West Bank, allowing a newly-formed

Palestinian Authority to assume control of civilian affairs and local security in return for a commitment to prevent terrorist attacks against Israel. The full implementation of this agreement however, fell victim to the actions of extremists on both sides, and the outbreak of the second Palestinian *intifada* in 2000. Despite the dedicated efforts of US President Clinton to re-focus the efforts of both Israelis and Palestinians to conclude agreements on final status issues at Camp David in 2000 and Taba in 2001, the Oslo process had effectively stalled by 2001. Unofficial attempts to revive negotiations, such as the Geneva Accords of 2003 sponsored by one of the Israeli architects of the Oslo process, Yossi Beilin, and the former Palestinian Minister, Yasser Abed Rabbo, also failed to bring the parties back to the negotiating table. In 2002, active Saudi diplomacy led to the adoption by the Arab League of the Arab Peace Initiative, but the Israelis did not consider it an acceptable basis for peace talks, notably due to the difficult issue of the “right of return” of refugees (see Box 6 Chapter 3).

14. In 2002, in the wake of the failure of the Oslo Process, the Danish presidency of the EU drafted and gained EU-wide support for a new ‘Road Map’ approach as a framework for Israeli-Palestinian negotiations towards the goal of a two-state solution (see Box 3 below). Since President Bush’s commitment to a two-state outcome in 2002, and the acceptance by the US of the Road Map, this position also represents the international consensus¹. At the same time the Quartet was formed of the US, EU UN and Russia (see Box 8 Chapter 4) which began to shape international policy towards the MEPP.

BOX 3

The Road Map

The Road Map was launched at the Sharm el-Sheikh summit of April 2003 (hosted by US President Bush and attended by Prime Minister Sharon for Israel and (the then) Prime Minister Mahmoud Abbas for the Palestinians). The Road Map, or agreed framework for peace, combines a clearer commitment than Oslo to the outcome of a negotiated settlement—namely, a two-state solution—with phased and timetabled actions to be implemented in parallel by both sides in order to progress to a stated, and mutually agreed two-state solution by the projected date of 2005. Since 2003, the official position of the EU and the Quartet has been to facilitate the staged implementation of the Road Map.

15. From its inception, and like the Oslo process, the Road Map fell victim to the shortcomings of unfulfilled mutual obligations and the erosion of trust. No direct negotiations have taken place over peace between Israelis and Palestinians and neither side has fulfilled its obligations. Since 2003, while reducing the number of suicide attacks against Israeli civilians, the Palestinians have not curbed militia activity nor missile attacks on Israel from within Gaza; the Israelis have not stopped the expansion of settlement building in the West Bank, nor have they dismantled the illegal outposts, despite unilaterally withdrawing settlers from Gaza in 2005.

¹ The UN Security Council endorsed the Road Map in its Resolution 1515 of 19 November 2003.

16. Israeli Prime Ministers Ariel Sharon until January 2006, and Ehud Olmert since then, chose the path of unilateral disengagement. The Israeli government successfully withdrew Israeli settlers from Gaza in 2005, only to suspend plans to withdraw from the West Bank in the wake of the Lebanese war of the summer of 2006. Israel has also completed approximately 60 per cent of the construction of a security barrier/wall, which it sees as essential to its security, citing the reduction in the number of attacks by Palestinians. However, the wall in the occupied Palestinian territory encloses both settlements and roads to the settlements within the West Bank in ways that have separated Palestinian communities from each other. While Israel argues that this is a temporary expedient, the Palestinians see it as a form of *de facto* annexation of Palestinian territory. In an advisory opinion of 9 July 2004, the International Court of Justice declared the wall and its associated regime to be contrary to international law.
17. On the Palestinian side, the commitment to the Road Map by Mahmoud Abbas, elected President in early 2005, has been consistent but beset by internal divisions between the Fatah majority of the PLO and the Islamist militants of Hamas. In January 2006, elections were held in which Hamas gained a majority of the vote and formed the administration. The ensuing violent internal Palestinian struggles between the defeated Fatah organisation (led by President Abbas) and Hamas provoked the Saudis to broker an agreement to form a National Unity Government (NUG) in February 2007 (see Box 4 below). The outgoing Hamas Prime Minister Ismael Haniya resigned on 15 February 2007 and by mid-March had formed the National Unity Government. The situation continued to deteriorate in Palestine as this report was in preparation (See Box 4).

BOX 4

The National Unity Government (NUG)

The formation of a National Unity Government (NUG) was agreed in negotiations between different Palestinian parties in February 2007 under the auspices of Saudi Arabia in the so-called "Mecca Agreement" which was backed by Arab nations. In the agreement Hamas, which won the 2006 elections, and Fatah, which heads the Presidency, agreed to cooperate in government with each other and with independent members. The 25-member cabinet of the NUG was ratified by the Palestinian Legislative Council on 17th March 2007. The Prime Minister remained Ismael Haniya of Hamas, but key portfolios, such as Finance (Salam Fayyad) and Foreign Affairs (Ziad Abu Amr) were reserved for independent candidates. This ended the violent factional strife for a short while, but neither the Hamas nor Fatah political leadership were able to control a resurgence of clashes between the dozens of militias active in Gaza that broke out in May 2007.

In mid-May 2007 the (independent) Interior Minister, Hani al-Kawasmeh resigned over the refusal of the local Fatah security chiefs, Mohammed Dahlan and Rashid Abu Shahak, to give him full control over the security forces of Gaza. Subsequently, factions of the military wing of Hamas, the Izz Ad-Din Qassem Brigades, broke a two year unilateral ceasefire to launch over 250 Qassam rockets against Israeli territory, killing two Israeli citizens by early June 2007. Retaliatory air-strikes on Gaza by the Israeli security forces killed at least 60 Palestinians, most of them militia. President Abbas dissolved the NUG in the wake of the take-over of Gaza by Hamas militias.

18. In early 2006, the Quartet ended contacts with the Hamas-led administration, though not with the President, following Hamas' failure to accept three key principles drawn up by the Quartet for a resumption of direct contacts and aid (see Box 8 Chapter 4). At the same time the Israeli government withheld the Palestinians' taxes and revenues, leading to increased and severe economic problems for the Palestinian Authority and the Palestinians and have subsequently only resumed partial payments. (See footnote 5, p.16, and Chapter 4)
19. There is an increasing recognition in the EU that short-term crisis management cannot, on its own, pave the way to peace in the Middle East. As High Representative Javier Solana said in a speech to the European Parliament² "... the moment has come to move on from a policy of crisis management [...] to a policy together with crisis management, of conflict resolution. We need to work for a political horizon that will really start to lead to a solution ...". He then underlined the significance of this "profound change" in approach: "for the first time, the Quartet is committed to starting to work for a political horizon". To mark this change of approach, the Quartet planned to meet together with the Palestinians and the Israelis before the end of June.
20. **We are not convinced that the Road Map, as originally conceived in 2003, is the only vehicle for progress, and consider that the interim steps it describes should no longer be pursued to the exclusion of the consideration of final status issues such as the territorial limits of the two states, the fate of refugees and the status of Jerusalem. We are reinforced in this view by the recent statement by High Representative Javier Solana that the time has come for the EU and the Quartet to focus more directly on resolving the issues which are at the heart of the conflict.**

² Address to the European Parliament on the Middle East by Javier Solana, EU High Representative for the Common Foreign and Security Policy, Brussels, 6 June 2007.

CHAPTER 3: THE EU'S RELATIONS WITH THE KEY PLAYERS IN THE POLITICAL PROCESS

Israel

21. Despite extensive trade and economic relations, the EU is not seen by Israeli governments as sharing the same capacity to defend their core interests as the US. (Q 58, Lord Patten Q 363). Israel enjoys a stronger political relationship with the US than with the EU, with a set of bilateral influences that constitute a two-way street: of Israeli influence over US public perceptions of the Israeli-Palestinian conflict, as well as extensive US support for Israel's strategic interests. In the 1990s, the EU's financial and technical support for the development of the Palestinian Authority and economy gave rise to a widespread perception amongst Israelis, but also further afield, that European governments were biased towards Palestinian interests. In the context of the Association Agreement concluded between Israel and the EU under the Euro-Mediterranean Partnership, a number of bilateral trade disagreements over rules of origin further aggravated Israeli-European tensions in the 1990s.
22. The demise of the Oslo process and the advent of the Quartet (See Chapter 4) have begun to change this. The Israeli Ambassador to the EU, Dr Oded Eran, told us that the Quartet allows for greater coordination when "[it] is very important not to send to the parties in the Middle East different messages and create different expectations" (Q 300). The Ambassador also noted the recent and "positive" development of the EU's High Representative Dr. Solana being tasked to continue the dialogue with Syria on behalf of the whole EU (Q 301). Sir John Sawers, then Political Director of the FCO, had a positive view of the effects on Israel of the EU's role in the Middle East peace process which has "led to a greater degree of trust on the Israeli side as well as on the Palestinian side that the European Union has an important voice and has a role to play" (Q 10).
23. The reluctance of the Israeli government to re-engage in direct negotiations with the Palestinians pre-dated the election of the Hamas government in 2006; even with a Fatah-led Palestinian Authority and the election of Mahmoud Abbas to the Palestinian Presidency in 2005, Israel's support for the 'Road Map' was marred by suicide bombings against Israeli targets, and continuing rocket attacks from Gaza on Israeli residential areas that followed the withdrawal of settlers from Gaza in 2005 (Ambassador Eran, Q 292). A number of witnesses (e.g. Yossi Mekelberg, Q 41) also noted the weakness of the current Israeli government and the dramatic drop in public support resulting both from its own internal difficulties, relating to allegations of corruption, and to the set-backs in the war against Hizbollah in Lebanon in the summer of 2006 and the findings of subsequent public inquiries.
24. This places the EU in a difficult position in terms of finding ways to bring the Israeli government back into the MEPP. The first fear is that Prime Minister Olmert's coalition government can neither marshal sufficient cross-party support to build a consensus over re-engaging in peace, nor deliver on its results, despite apparent Israeli (and Palestinian) public support for a two-

state solution³. The second is that, following the abandonment of the policy of former Prime Minister Ariel Sharon of unilateral withdrawal from the West Bank, which was to follow on from Gaza, there is little appetite in the Israeli public to engage in risk-taking over their own security and to face the consequences of withdrawing a far larger number of settlers from the West Bank than from Gaza.

25. Officially, the Israeli government shared the EU's commitment to the Road Map, provided that the Palestinian National Unity Government (NUG) accepted the Road Map and the three conditions set by the Quartet (Ambassador Eran, Q 293) (see Box 8, Chapter 4). In the absence of this, and in an agreement brokered by US Secretary of State Condoleezza Rice in February 2007, Prime Minister Olmert agreed to bi-weekly meetings with Palestinian President Mahmoud Abbas to discuss technical and practical aspects of coordination, but not the parameters for a settlement. Like the EU, the Israeli government was waiting for clearer signs that the NUG was committed to the three Quartet conditions, and that Mahmoud Abbas could represent all Palestinians, divided as they are over the issue of whether the two-state solution envisaged under the Road Map is the desired outcome of peace negotiations (Ambassador Eran Q 293).
26. **We believe that the EU needs to explore more imaginative ways of re-engaging the Israelis in the search for peace. EU policy contains a clearly stated position calling on the Israeli government to take “further steps, including the freezing of settlement activities and dismantling of settlement outposts and Israeli abstention from measures which are not in accordance with international law, including extra-judicial killings and collective punishment.”⁴**
27. One reason for the lack of consistency in following up its policy position is that internal EU divisions and the diversity of the EU's bilateral relations with Israel have diminished the impact of the EU's common positions, and EU pressure on the Israeli government to comply has rarely been followed up. According to former European Commissioner Lord Patten of Barnes, the EU's experience is that it has few political levers to apply to Israeli governments or Israeli public opinion that will not be undermined by “at least some members of the US administration encouraging Israeli politicians to think that there is no political cost for vetoing any movement towards the Arabs” (Q 363).
28. Witnesses, especially from Arab States, nevertheless argued that the EU's credibility and influence over the MEPP would be greater if Europeans required the Israeli government to fulfil its obligations under the Road Map—and especially the cessation of settlement activity—at the same time

³ Recent opinion polls demonstrate strong public support for a return to a political process leading to a permanent settlement—a poll conducted jointly by the Harry S. Truman Research Institute for the Advancement of Peace at the Hebrew University of Jerusalem and the Palestinian Center for Policy and Survey Research in Ramallah, between December 11 and 16, 2006, examined a range of optional tracks for the resumption of the Israeli-Palestinian political process including the Roadmap, the 2002 Arab Peace Initiative, and an interim plan postponing the settlement of the refugees issue to the future. The findings indicate strong preference in both Israeli and Palestinian publics for the comprehensive settlement option with 58% of the Israelis and 81% of the Palestinians supporting this track compared to only 30% of the Israelis and 16% of the Palestinians supporting an interim track. [<http://truman.huji.ac.il/polls.asp>]

⁴ The EU Position on the Middle East Peace Process http://ec.europa.eu/external_relations/mepp/index.htm

as pressuring the Palestinians to commit themselves to both the Road Map and the Quartet principles (Q 85). They felt it was also disappointing that the EU had not at that time been pressing the Israelis to transfer the remainder of the withheld customs revenues and taxes to the Palestinian authorities (Q 90) (See Chapter 5). On the first question, Dr. Eran, Israeli Ambassador to the EU, observed that the Israeli government had taken responsibility for removing illegal settlements and hoped that it would implement its decisions on this issue (Q 298). On the second question, he observed that while the Israeli government has never disputed that the revenues belong to the Palestinians, they needed to make sure “that the money goes to positive, constructive causes.” In recent months, \$100 million and 30 million shekels had been passed to the Palestinian President Mahmoud Abbas, and according to the Ambassador, “the Israeli government would be willing to continue the flow of money to the Palestinian Authority provided that they could create a clear cut mechanism monitoring where the money goes” (Q 293). Following the creation of the new Government under Prime Minister Fayyad the Israelis have announced that money is to be transferred⁵.

29. Other witnesses also pointed to the fragility of the investment of the EU in building Palestinian infrastructure, which had been “destroyed during the second intifada by Israel” in the view of the Egyptian Ambassador to the UK, Ambassador Madi (QQ 153, 159). This has not represented good value for European tax-payers (Dr Ahmad Khalidi, Senior Associate member, St. Antony’s, Oxford University QQ 65, 66). For Yossi Mekelberg, Head of the International Relations Department of Regent’s College London, a course of action based on seeking incentives—for both sides—was more likely to produce longer term results (Q 43).
30. There may be ways in which the EU can engage further with Israel in the absence of the likelihood, or political expediency, of the EU’s exercising direct pressure on the Israeli government. One area where the EU’s bilateral relations with Israel have improved significantly in recent years is through the development of a much broader set of relationships under the Association Agreement and the activities of the European Neighbourhood Policy (ENP) (Sir John Sawers, Q 9) (See Chapter 5). Dr Jana Hybášková, MEP and head of the Delegation for Relations with Israel at the European Parliament, outlined the unprecedented depth of this extended economic and political relationship. Under the ENP’s EU-Israel Action Plan, for example, there was already a working group on counter-terrorism. “Four or five years ago no-one would have thought we could have a common EU/Israeli counter-terrorism working group ... We have it now and it works perfectly’ (Q 219).
31. The EU could promote more parallelism between this expanded activity and encouraging Israel back to the negotiating table. According to Hugues Mingarelli, Director, Middle East, in the Commission: “we have a number of levers in order to push both partners in certain directions and we will have to use these ENP action plans as soon as we can” (Q 203). For Dr Jana Hybášková, however, this means working more with the Israelis to “tell them

⁵ At its Cabinet meeting on the 24th of June 2007 the Israeli Government decided “Israel will resume the transfer of tax funds, which have been collected as per agreements between Israel and the PLO and which are being held in Israel, according to a format and a timetable to be agreed upon with the emergency government and upon verification that these funds do not reach terrorist elements.”

that they should care more for the Palestinians and that does not necessarily mean only talking to the Palestinians and telling the Israelis ‘you do your own job’” (Q 217).

32. One clear opportunity lies in Israel’s decision “slowly but surely” to harmonise its economy in line with the EU’s internal market, which includes greater bilateral cooperation with the EU over climate change, the environment and Information Technology where the Israelis have much expertise to offer. The political consequences for this, in the view of Dr Jana Hybášková, will take time and are better constructed in a step by step way, building relations through the individual Directorate-Generals of the European Commission. There is also strong pressure from the Israeli business community to move in this direction. (Q 227)
33. **We believe the EU needs to use all the instruments at its disposal. The European Neighbourhood Policy, in particular, offers a promising route through which the EU can work for a deepening bilateral relationship with Israel within the context of steps towards resolving Israel’s conflict with the Palestinians. The EU needs to make clear to the Israeli government that there could be opportunities for developing the relationship within the Neighbourhood Action Plan. Conversely, a lack of engagement by Israel in the MEPP would in the long run hinder the process of economic harmonisation and bilateral technical and security cooperation.**

The Palestinian Authority

The rise of Hamas and the Quartet conditions

34. Hamas (See Box 5 below) came to power in early 2006, winning 74 of 132 seats in the Palestinian Legislative Council (PLC). Mahmoud Abbas⁶ had previously been elected as President of the Palestinian Authority (PA) in early 2005, following the death of President Arafat in November 2004. President Arafat’s Fatah party had previously formed the government. The EU had strongly supported the holding of democratic elections, but the election result and the formation of a Hamas-led government presented it with a challenge.
35. The EU took a firm position together with its partners in the Quartet (US, Russia, UN), calling⁷ for the new government to commit itself to three principles of “non-violence, recognition of Israel, and acceptance of previous agreements and obligations, including the Road Map” (see Box 3 Chapter 2). At the end of March 2006, the Quartet concluded that the three principles had not been fulfilled, and key members called for an international boycott against the Palestinian government. The office of the Presidency of the PA was not similarly treated, and it continued to receive assistance from the EU and other donors.

⁶ Mahmoud Abbas is also President of the PLO and the leader of the Fatah party.

⁷ Quartet statement, dated 30 March 2006. This also refers to its statement of 30 January 2006, which is more precise and calls on “all members” of a future Palestinian government to commit to the three principles.

BOX 5 **Hamas**

The Islamic Resistance Movement, or Hamas, was founded in 1987 and has both a political and a military wing, the Izz ad-Din al-Qassem Brigade. The military arm has been involved in some of the worst acts of terrorism against Israel but engaged in a unilateral ceasefire ('calm') from March 2005 to April 2007, since when it has renewed Qassam missile attacks against Israel from Gaza. Hamas's Charter of 1988 states that it is a resistance movement committed to ending the Israeli occupation of Palestine. Its popularity stems in large part from the wide range of social, educational and welfare work which it carries out for ordinary Palestinians, especially in its main base in Gaza. As a political party, Hamas participated successfully in the January 2006 elections, winning over half of the seats in the Legislative Council (74 out of 132) which entitled it to form a government. It subsequently formed an important part of the National Unity Government of the Palestinian Authority. There are several groups within Hamas, including its external leadership under Khaled Mishaal, based in Damascus, who also leads and controls the al-Qassem brigade; Hamas's internal political leadership under the Prime Minister Ismael Haniya in Gaza; and a smaller following in the West Bank and in the diaspora. Under the pressure of the international boycott and the tensions, spilling into violence, with the former governing party, Fatah, there are increasing indications that Hamas has split into radical and less radical elements, subject to only limited central controls.

36. The boycott of the Palestinian government has in practice been implemented in different ways by the international community. The EU suspended all contacts with the government and halted aid transfers to the government's Single Treasury Account—an account of the Ministry of Finance at the Arab Bank through which all the PA's revenues and expenditures are channelled, and which is monitored continuously by the IMF⁸. The EU also suspended other forms of assistance, such as the Coordinating Office for Palestinian Police Support (EUPOL COPPS) (see Chapter 5). However, the EU had already suspended direct budgetary assistance to the government before the election due to concerns about the use of funds, corruption and maladministration under the previous administration. (Q 26)
37. Although the EU position has been quite closely aligned with the firm approach taken by the United States, the EU has been more pragmatic and was less keen on trying to force Hamas out of government. The EU encouraged Hamas to accept the Quartet principles, in particular by holding out the prospect of a resumption of direct financial and other assistance⁹. Moreover, the United States went further than the EU by announcing it would blacklist any bank that continued doing business with the government. As a result, Hamas resorted to bringing millions of dollars in cash into the Palestinian territories in suitcases¹⁰. Arab and Islamic states dealt with the

⁸ On 11 June 2007 the EU announced a 4 million Euro project to help the Minister of Finance in ensuring that Palestinian taxpayers' money was spent efficiently and with a high level of accountability.

⁹ Declaration on the Middle East Peace Process, European Council Presidency Conclusions 14–15 December 2006.

¹⁰ International Crisis Group, Middle East Report, no. 62, 28 February 2007

problem either by depositing funds in an Arab League account in Cairo or by sending their money to the President's office.

The deteriorating situation in the Palestinian territories

38. The boycott has had a serious effect on the finances of the PA government, which faced severe difficulties, although Robert Cooper of the Council Secretariat offered a word of caution on this point. "I do not have the impression that there is really a shortage of money in this area" (Q 259). However, the severance of international aid is just one factor contributing to a crisis which is having a devastating effect on the socio-economic fabric and on the human rights situation in the Palestinian territories. The steep rise in poverty has been matched by an unravelling of social cohesion and a rise in crime and internal violence. As the Egyptian Ambassador to the UK said "They have no present to live or a safe future to think about for themselves and their families." (Q 164)
39. The underlying reason for the crisis is the occupation ("Israel's closure regime has a devastating effect on the Palestinian economy"¹¹) and the partial suspension of the transfer of taxes and customs duties which Israel collects on behalf of the PA. (Q 255) In normal circumstances, this is the PA's most significant source of revenue, amounting to the \$50–60m a month. However, unlike international aid, these withheld funds belong to the Palestinians, and the EU has consistently called on Israel to release the outstanding amount. The problems of internal security resulting from the occupation deter potential overseas investors, including those from the Palestinian diaspora.
40. **We are gravely concerned about the security, human rights and socio-economic situation in the occupied Palestinian territories. It is becoming evident that the Quartet approach contributed nothing to ameliorate the crisis.**
41. **The EU should engage more urgently and consistently with the Israeli government to persuade them to transfer the remainder of the withheld Palestinian tax and customs revenues to the Palestinian authorities in a way that benefits all Palestinians¹².**

The three Quartet principles

42. Progress on the three Quartet principles by the NUG was very mixed. Whilst there were some positive signs on respect for previous agreements and recognition coming from the National Unity Government (NUG) and its main coalition partner, Hamas, non-violence continued to be a major stumbling block. This was despite Hamas' unilateral ceasefire from March 2005 to April 2007 (see box 5 above on Hamas).
43. It appears that Hamas saw terrorism and violence as a legitimate strategy to resist Israeli occupation as the breakdown in the ceasefires in May 2007 showed. This was a major obstacle to the peace process. While members of Hamas participated in government, the movement had an even greater responsibility to respect the democratic institutions by which it came to

¹¹ Parliamentary Under-Secretary of State, Lord Triesman, FCO, Official Report of the House of Lords, Written Answers, 9 May 2007.

¹² The situation changed following the events of June 2007 (see footnote 5 at para. 28).

- power. There is a contradiction between claiming democratic legitimacy while committing acts of violence, whether against Israel or rival factions.
44. A distinction has to be made between a commitment by the NUG to non-violence, and its effective implementation by the politicised state apparatus and the various factions of which the governmental coalition were members. The government did not have full control over the multiple security forces operating on Palestinian territory due to the weakness of the Palestinian administration. Therefore, achieving an effective end to violence required further efforts to build the cohesion and accountability of the Palestinian security forces, work which has been severely hampered by the boycott. (See Chapter 5)
 45. **We believe that the European Union's support for a Palestinian coalition government, including Hamas, could not have been unconditional. To require that a Hamas-led government not only renounce attacks on Israel but use its governmental authority to prevent such attacks by others was entirely justified.**
 46. **However, the EU should not allow the peace process to be held hostage by any faction, individual, or state. The history of the Middle East is scarred by peace initiatives that have been derailed by extremists on both sides. Although each situation is different, recent experience in other situations, such as Northern Ireland, can serve as a source of inspiration and valuable lessons on how to bring into the peace process individuals and movements who previously espoused violence and how to avoid the process succumbing to acts of violence.**
 47. **We believe that the EU's objective should be to attempt to maintain a peace process that is as inclusive as possible, while firmly rejecting attempts by outsiders and extremists to derail it. Dialogue with the key parties is an essential aspect of the peace process, and channels of communication should as far as possible be kept open.**
 48. The approach taken by the EU on the Quartet principles is not beyond criticism. The requirement that the NUG should recognise Israel seemed to amount to a pre-condition for peace talks. This represented a significant change of approach from previous international efforts to broker a peace and was undoubtedly seen by Hamas as expecting them to concede an important point before any progress on substantive issues was guaranteed. Hamas regards recognition of Israel as the object of the peace talks themselves, rather than a condition that can be met prior to discussions.
 49. We are also concerned that the notion of recognition is ambiguous and has led to some misconceptions. Under diplomatic practice, it is states which undertake acts of recognition, not non-state entities. Robert Cooper told us that this was "an area of great ambiguity" and that recognition in the formal sense is not what is at stake so much as "people accepting that there is going to be a state called Israel." (Q 236) This interpretation is very much in line with the EU's call for Palestinian factions to "recognise Israel's right to exist"¹³.
 50. The NUG did not formally accept this principle, but made some important moves. Firstly, by signing the Mecca agreement Hamas committed itself to

¹³ Presidency statement on behalf of the European Union on the Palestinian Legislative Council elections, Brussels, 26 January 2006, doc. 5738/06.

respecting legitimate Arab and international resolutions and agreements signed by the PLO. This went a considerable way towards fulfilling the third principle concerning previous agreements and would “*de facto* mean a recognition of Israel [...]” in the view of David Quarrey at the FCO. (Q 17) Secondly, the acceptance by the Palestinians of the Arab Peace Initiative at the summit of the Arab League in 2007 showed a willingness by the NUG to recognise Israel as part of a peace settlement.

51. **The requirement that the Palestinian government accept and respect positions established collectively by the Arab side, most recently at the Arab League Summit in Riyadh, is entirely justified. But conditions about the formal recognition by Hamas of the state of Israel amalgamate elements of any final status negotiations with the preliminaries to such negotiations. We believe that the interpretation of the conditions set by the Quartet was undesirably rigid and we would urge the Government and the EU to reconsider the precise formulation of any conditions and to apply them in future with a reasonable amount of flexibility.**
52. Although the boycott may have pressured the government and Hamas into some concessions on the three principles, this meagre progress has come at a price. Among its greatest failings is that it has reversed progress on building Palestinian capacity and institutions. According to Robert Cooper, the Palestinian administration is in extremely poor shape and he admitted that “there is a risk of a failed state.” (Q 254) The violence in Gaza in May 2007 and the resignation of the Minister of the Interior pointed to a further deterioration of the situation. A further negative consequence of the boycott has been that it has focused international attention on Palestinian commitments, thereby diverting attention from Israel’s failure to implement key aspects of its own commitments and respect international law.
53. There were signs that the EU was rethinking its approach. Following the EU Council meeting of the 14 May 2007, the Commissioner for External Relations Benita Ferrero-Waldner was reported as having assessed that there were “positive movements” with regards to lifting the sanctions. FCO Minister Kim Howells and David Quarrey confirmed that the EU was committed to the Quartet principles, but that the assessment of whether they were being fulfilled would be based on a careful consideration of the NUG’s policies and actions, including its “direction of travel.” (Q 331) The EU was assessing whether and how to engage with the NUG. Hugues Mingarelli of the European Commission set out the three main scenarios: full engagement with the NUG, assuming the three Quartet principles are met; selective engagement with Ministers who commit to the three principles; or a continuation of the boycott. (Q 184)
54. The EU seemed to prefer the second option, with Commissioner Ferrero-Waldner meeting on 11 April 2007 with the then NUG Finance Minister Salam Fayyad, who is an internationally-respected figure, to discuss a resumption of direct budget support to the finance ministry. Selective engagement was also UK policy¹⁴. However, this represents a break from previous EU and Quartet positions which judged the Palestinian government as a whole, rather than its individual members. While engaging selectively had its attractions, such as the possibility of resuming direct financial

¹⁴ Written statement by Baroness Amos on behalf of the UK Government, Hansard, 14 May 2007, WS1.

assistance, it was not without its risks. Selective engagement could create incoherence in the EU's assistance, heighten rivalries and tensions between the factions represented in the government, and weaken the principle of the collective accountability of the government to the PLC¹⁵.

55. Against this background, the United States reportedly provided \$59m in aid to the presidential guard of PA president Mahmoud Abbas, essentially for training, equipment and capacity-building, in consultation with Israel¹⁶. **We are concerned that military support for one faction over another heightened tensions in the occupied Palestinian territories.**
56. **We also believe that the EU should engage in a frank dialogue with the United States on this issue, with a view to ensuring that all aid provided by members of the Quartet improves the cohesion of the Palestinian administration and avoids increasing tensions.**
57. **We also believe that it is a necessary condition for any peace settlement between Israel and its Arab neighbours that there should be a Palestinian Authority capable of fulfilling any responsibilities it has accepted under such a settlement. It should also be able to provide stability and good governance within the Palestinian party to a two-state solution. Accordingly, the European Union needs to keep that ultimate objective firmly in mind at every stage of its dealings with the Palestinians and Israelis and the wider international community; and to concentrate its efforts on moving towards that objective. The provision of emergency humanitarian aid by the EU must not conceal the need to move as soon as possible to a situation where the EU's resources go directly to properly constituted Palestinian governmental institutions.**
58. **The present situation on the ground is far removed from the stated objective of creating a viable Palestinian state. But the "Mecca agreement" between Hamas and Fatah brokered by the Saudi government offered the possibility of a first step along that road. The European Union needs, by its statements and its actions, to encourage further progress along these lines.**

Relations with the United States

59. The EU's key relationship with the US on the Middle East Peace Process remains their common membership of the Quartet, and the Quartet has been a catalyst for maintaining a regular and intense policy dialogue with the US, from the level of Secretary of State downwards. In theory the four partners (US, Russia, UN, EU) are equal within the group, each playing a complementary role. But it is not possible to determine exactly the weight of any partner relative to the others, nor to what extent the EU and US are working together. Moreover we heard few references to the roles of Russia and the UN. The perception is that the US dominates the political agenda. David Quarrey of the FCO however felt that it would be "unfair to say that the EU merely signs up to whatever line the US wants to take in the Quartet"

¹⁵ The principle of joint responsibility of the government before the Palestinian Legislative Council is enshrined in Article 68 of the Basic Law of the Palestinian National Authority.

¹⁶ "Congress okays \$59m in U.S. funds for Abbas' security forces", 10 April 2004, <http://www.haaretz.com>.

(Q 341). In Chapter 4 we describe the way in which the EU is often one step ahead of the US, leading the way in the Quartet.

60. A key perception, and reality, is that the US, and Israel, prefer the EU to play a subordinate role in any peace process (See Chapter 3, paragraph 21) Yossi Mekelberg, an academic specialist on Israel, thought “the way it is seen ... the Palestinians want a stronger EU around the table ... the Israelis do not want a stronger one” ... “politically Israel prefers to see the US as the main broker” (QQ 54, 58). He felt, however, that events in Lebanon, with the deployment of European troops on the ground, had changed perceptions slightly in Israel (Q 58). Conversely the EU seems more comfortable than the US in speaking to countries such as Syria and Iran. Dr Ahmad Khalidi, an academic specialist on Palestine, also saw a dual role for the EU both in engaging the Arab States and in acting as a bridge between the Arab States and the US (Q 64).
61. The US’s (Dr Rice’s) recent readiness to discuss “political horizons” has opened the way for the EU to explore paths beyond the Road Map without necessarily confronting the US. In addition, the US did not immediately reject the establishment of the National Unity Government containing Hamas ministers and with Dr Rice’s visits to the region is currently showing more flexibility in handling the problem.
62. As far as aid is concerned, the Americans seem to perceive that EU/US cooperation on the ground works well in the main, assisted by the EU Special Representative for the Middle East peace process, Mark Otte. However, Prof. Robert Springborg of the London School of Oriental and African Studies thought the Americans preferred to “go it alone”. “There is very little coordination on the ground between the Americans and anyone else that I can diagnose ... There is no attempt to co-ordinate their projects with the Europeans or the European Union ... At the highest level the Americans tend to pursue matters independently and that translates into activities on the ground that are seen [as] ... very much a relationship between America, Israel and Palestine, not between America and the other donors who are engaged.” (Q 137)
63. **We believe that a key role for the EU in the EU/US relationship is to press upon the US the importance to the future of the region of its sustaining an active, balanced and consistent interest and engagement in the MEPP, and supporting the Palestinians as well as Israel in achieving the two state solution. In pursuit of this objective, the EU and Member State governments should give their full support to their parliamentarians, in making full use of existing relationships and in increasing links to explain and discuss the European position with their counterparts in the US Congress.**

The Regional Dimensions—changing dynamics

64. One of the most significant changes over the past few months has been the greater activity of a core group of Arab states, led by Saudi Arabia. While the Saudis have given financial support to the Palestinians over a number of years, their political support for the MEPP has been constrained by their lack of direct diplomatic relations with Israel and a tacit acceptance, at least for the duration of the Oslo process, that the US was in charge of brokering the main peace negotiations.

65. Following the collapse of the Oslo process, and in response to the increasing unilateralism of Israel, the Saudi government, and the then Crown Prince Abdullah in particular, were responsible for gaining Arab League support for a two-state solution, in the form of the 2002 Arab Peace Initiative. This was re-visited in early 2007 as part of the Arab effort to support the Mecca agreement between different Palestinian political factions to form the National Unity Government, which was brokered by the Saudis in February 2007.

BOX 6

The Arab Peace Initiative

The Arab Peace Initiative was initially launched in 2002 and re-endorsed by the Arab League at the Riyadh summit of late March 2007. The main basis of the Initiative—which was acknowledged, but largely ignored by the US, EU, Russia and the UN on its launch—was an offer to Israel of full normalisation of relations and comprehensive security guarantees by all those Arab League member states who had not already done so. This would include Syria which had been long opposed to a normalisation of relations with Israel. In return, Israel would withdraw to the pre-1967 borders and from the Golan Heights (part of Syria)—the so-called “land for peace” bargain. The Initiative also changes the emphasis from previous processes (Oslo, and the Road Map), in which both Israelis and Palestinians undertook to fulfil undertakings in a nominally coordinated and simultaneous fashion. In this case, it is Israel that will be rewarded with a comprehensive and regional ‘normalisation’ on completing its withdrawal.

An informal group of the Saudi, Egyptian, Jordanian and United Arab Emirates (UAE) governments, (sometimes termed the ‘Arab Quartet’ by outsiders) initially provided the impetus for the renewed initiative of 2007, but the Arab League has now given the leading role to Egypt and Jordan to take the initiative forward, as the only governments having diplomatic relations with Israel.

66. Israeli reservations notwithstanding, it is a sign of the changing regional climate that the government of Ehud Olmert expressed “some interest” in examining the Arab initiative further. The Israeli Ambassador to the EU, Dr Eran, however maintained that Israeli concerns over the Arab League’s continuing support of the right of return of Palestinians to Israel as well as Gaza and the West Bank continues to render the initiative unacceptable to Israel as a framework for renewed peace negotiations. (Q 294)
67. A number of other witnesses attributed the more active role of Saudi Arabia, Egypt and Jordan to their wider regional concerns about countering Iranian influence, especially following Israel’s attacks against Hezbollah during the summer 2006 war in Lebanon, and, to a lesser extent, their concerns about Sunni-Shi’a relations (QQ 92, 133).
68. An additional set of reasons has been the effect of Hamas’s electoral victory in 2006 combined with the US failure in Iraq which has moved the Saudis to assume a leadership role in the region and to defy US prohibitions—for example in receiving members of Hamas, above all the Hamas leader-in-exile, Khaled Mishaal—in the course of brokering the Mecca agreement, and in making direct contacts with Iranian officials prior to the US’s own change

of approach to Iran over Iraq, in seeking ways to resolve the continuing governmental crisis in Lebanon.

69. A more direct and obvious objective has been the attempt to draw the Syrians fully back into the fold of the Arab League, from which the Assad regime has been isolated in recent years. The Saudis' underlying fears that Syria will be further absorbed into Iran's sphere of influence have been compounded by the US administration's reluctance to engage with the Syrian Government on policy matters because of the Assad regime's alleged support of terror (above all in supplying arms to Hezbollah) and the still unresolved UN investigation into the Syrian role in the assassination of former Lebanese Prime Minister Rafiq Hariri in 2005. (See the Lebanon section paragraphs 77–82).
70. **We acknowledge the importance of the diplomatic energy and commitment to reviving the MEPP demonstrated in recent months by Saudi Arabia and other Arab League states, and the facilitating role played by Saudi Arabia in the formation of the Palestinian National Unity Government as having been one of the most helpful developments in recent months. While it is premature, and perhaps unwise, to focus too closely on the machinery and form that the new, and unprecedented, engagement of the Arab states in the MEPP will take, the EU and other members of the Quartet should take seriously and encourage the renewal of Arab regional leadership. Recent initiatives, such as the designation by the Arab League of Egypt and Jordan as the League's interlocutors with Israel and the Palestinians in the MEPP, should be fully supported by the EU.**

Syria

71. Syria is important to any resolution of the Israeli/Palestinian dispute. It has its territorial dispute with Israel over the Golan Heights, which Israel has occupied since the 1967 war. One of the key questions is whether Israel's withdrawal from the Golan Heights should be an integral part of any comprehensive peace settlement, or whether this issue should be dealt with separately from any negotiations between Israel and the Palestinians. Syria also remains an influential player in Lebanon, another of Israel's neighbours, which, despite the withdrawal of Syrian military forces from Lebanon in 2005, continues to lead to a difficult relationship between the West and Syria. Finally, Khaled Mashaal, the head of Hamas' Political Bureau, and the movement's main overseas representative, is exiled in Damascus and supported by the Syrian authorities.
72. Both the EU and individual EU governments have been open to exploring the possibilities presented by the new regional developments, especially in support of a renewal of the MEPP. Robert Cooper of the Council Secretariat questioned the effectiveness of too many uncoordinated national European visits to Damascus. (Q 263) In recent months, and as a result of closer coordination within the Quartet, the representation of EU interests has been more closely coordinated through the office of the EU's High Representative. The FCO Minister, Dr Kim Howells, thought that Javier Solana would continue his contacts with Damascus in the future. (Q 330)
73. The importance of Syria's role was evident to many witnesses, even though opinions differed over the timing and conditions attached to engagement with Damascus. Lord Patten supported negotiations between Israel and Syria

first on the grounds that the main point of contention, namely Israeli withdrawal from the Golan Heights, would be easier for Israel to achieve than addressing the complex final status issues of the Palestinian track and would remove the risk of Syrian interference with Palestinian groups. Moreover, security measures for the withdrawal of the 20,000 Israeli settlers from the Golan Heights and subsequent border management issues had already been well-examined. (QQ 372, 374)

74. Lord Patten believes that President Assad is sincere in his search for re-engagement with the Israelis (Q 372). The irony now is that having sought a Syrian interlocutor for peace in the 1990s, the Israelis are now reluctant to engage. (Q 374) For some witnesses, however, High Representative Javier Solana's recent and public support, whilst visiting Damascus, for the return to Syria of the Golan Heights was seen as neither politically well considered (Q 223) nor something that either Javier Solana, or the EU, could deliver on without the cooperation of Israel. (Q 302)
75. Syria's role in Lebanon is a serious cause for concern. According to the Syrian Ambassador in London, Dr Sami Khiyami, Syrian forces occupying Lebanon withdrew swiftly after the adoption of UN Security Council (UNSC) resolution 1559 of September 2004. (Q 173) However, Syria can influence the political situation in the Lebanon and undermine the independence of Lebanese institutions (Q 96). Other provisions of the resolution, such as the disbanding and disarmament of militias. (which means, primarily, Hezbollah) have not been fulfilled. Syria has been accused of facilitating the supply of arms to Hezbollah across the Syrian-Lebanese border. Syria also has close links to the Lebanese President Emile Lahoud and Hezbollah, which until recently participated in the Lebanese government. Syria's role is all the more important given Iran's ideological and military links to Hezbollah. With the exception of Israel, Syria has exclusive control of access to Lebanese territory by land. If Syria were to cooperate with the international community, Iran's influence over developments in Lebanon could be greatly reduced although not eliminated.
76. **We recognise the importance of the EU continuing its engagement with Syria, not least to test President Assad's seriousness of purpose. Syria has clear and legitimate national and strategic interests at stake in the MEPP. Both the Israelis and Palestinians have an interest in ensuring that Syria does not undermine the prospects for peace, either by supplying weapons to support Hezbollah attacks from Lebanon into Israel, or by providing a safe haven and financial support for a Hamas leadership in exile.**

Lebanon

77. A regular flashpoint of the conflict, Lebanon is a key part of any overall peace process. Tensions are once-again running high since the conflict of the summer of 2006, in which Israeli forces sought to destroy the Hezbollah fighters in southern Lebanon. The EU has played a greater role in Lebanon since the outbreak of the war, on the basis of the principle that peace in the region depends on a stable situation in Lebanon as set out in the relevant UN Security Council Resolutions (UNSCRs), including UNSCR 1701, adopted in August 2006.
78. Unfortunately the EU was divided over whether to call for an immediate ceasefire following the outbreak of the war. Several Member States

supported this proposal as a matter of urgency, but it was resisted by the UK Government. The mounting civilian casualties and developments at the UN eventually led to a change of approach, with the EU calling on the 1 August for an “immediate cessation of hostilities to be followed by a sustainable cease-fire”. The destruction of Lebanese infrastructure and the loss of over 1,000 lives caused outrage in many countries in the Middle East. The EU was criticised for being too close to the line taken by the United States, and for failing to uphold international law and protect the victims of the conflict. In the eyes of Arab public opinion, this event damaged the EU’s reputation and credibility.

79. Since the cessation of hostilities, the EU’s approach to Lebanon has focused on supporting the efforts of the Lebanese Government and the UN, both at political level and through the provision of financial assistance and peacekeeping forces on the ground. EU Member States were instrumental in providing adequate troop strength for the reinforced UN peacekeeping mission, UNIFIL II. According to David Quarrey of the FCO, “it was the strength of the EU’s bilateral relations with Israel and the Lebanon last summer which allowed the EU to play the key role in bolstering UNIFIL, which was then the essential pre-condition to achieving the ceasefire.” (Q 31) The EU has supported the UN-led process to bring to justice those responsible for the assassination of former Lebanese Prime Minister Rafik Hariri, including through the setting up of the Special Tribunal for Lebanon in accordance with UNSCR 1664. Syria has not supported the creation of the Tribunal, and the Syrian Ambassador cited specific Syrian concerns about its proposed statute. (Q 174) In mid-May, the Lebanese Prime Minister Fouad Siniora made a direct request to the United Nations for the setting up of an international tribunal under chapter VII of the UN Charter, which the UN Security Council has now created by voting a resolution on 31 May 2007 (with abstentions by China and Russia).
80. Lebanon has frequently served as a proxy battleground for regional conflicts, and for this reason it is important that Lebanon should be included in a broader regional settlement. The EU’s approach recognises the interrelationships between the conflicts in the region, and achieving a comprehensive peace which brings in all the parties to the conflict is therefore a central goal. The EU has affirmed its “determination to reinforce Lebanon’s sovereignty, territorial integrity and independence”, and its commitment to a long-term political and economic partnership with Europe. At the Paris international conference on Lebanon held on 25 January 2007, the European Commission presented a new assistance package to help Lebanon achieve crucial political and economic reforms, bringing the EU’s total assistance for Lebanon to €522 million since the beginning of the conflict in July 2006¹⁷. The President of the European Investment Bank (EIB) also announced that the Bank would fund the recovery, reconstruction and reform plan drawn up by the Lebanese Government totalling €960 million over the following 5 years by financing key projects under the Public Investment Programme, and by supporting both private sector activity and public investment under the Bank’s Facility for Euro-Mediterranean Investment and Partnership (FEMIP)¹⁸

¹⁷ Source: EC website, http://ec.europa.eu/commission_barroso/president/focus/lebanon_conference_en.htm

¹⁸ European Investment Bank, press release, 25 January 2007, ref. 2007-005.

81. The EU's relationship with Lebanon was further enhanced by Lebanon's endorsement of an Action Plan under the EU's European Neighbourhood Policy (ENP) on 12 January 2007. The jointly agreed programme is financially supported by the EU and includes provisions on upgrading the scope and intensity of political cooperation, including on issues related to the peace process.
82. For full peace to be restored between Israel and Lebanon, progress is necessary on issues such as Israeli withdrawal from the Shebaa farms, (see Box 7 below) the demilitarisation of southern Lebanon, and the control of the legitimate armed forces of Lebanon across the whole country. (Q 31) Achieving this objective will require the cooperation of Syria. (see previous section).

BOX 7

The Shebaa Farms

Israel occupied, but does not claim, the area known as the Shebaa farms during the 1967 six days war, and it has remained a flashpoint of the conflict with Hezbollah, which uses the continuing occupation of this area by Israeli forces as a main pretext for continuing its armed struggle against Israel. Covering approximately ten square kilometres, the area is disputed between Lebanon and Syria, and is not subject to territorial claims by Israel. It is recognised that the village of Shebaa itself lies in Lebanon, but most of the farms fall into an undefined area in between Syria and Lebanon.

83. **We believe negotiations for a comprehensive settlement of the Arab-Israeli dispute must involve Lebanon, whose political stability and viability is a necessary element for progress towards such a settlement. We urge the EU to continue to give full support to the government of Lebanon, including by continuing to support the establishment of an international tribunal to try those suspected of involvement in the assassination of former Prime Minister Rafik Hariri and other Lebanese public figures.**
84. **The stability of Lebanon requires the continuing absence of hostilities along the country's border with Israel. We urge the EU therefore to give full support to UNIFIL II in its strengthened form and mandate, including the prevention of attacks on Israel from southern Lebanon, and to make clear to Israel that any military action from their side will be met by the condemnation of the international community. Given that the only remaining territorial dispute in the area concerns the Shebaa Farms, and in order to neutralise it as a source of conflict, we suggest that the EU seeks to convince Syria and Lebanon to refer the issue to the International Court of Justice, and to convince Israel to declare that it will respect any judgement by the Court and evacuate the area in dispute forthwith.**

Iran

85. Over the past year, Iran has come to the fore as a "player on the Arab-Israeli scene" (Dr Khalidi, Q 44), especially since Israel's war against Hezbollah in Lebanon in the summer of 2006. Iran enjoys long-standing relations with the Shi'ias of south Lebanon, from which the support base for Hezbollah is

drawn, and it was Iran which first funded the creation of Hezbollah in the early 1980s to attack the American forces stationed at the time in Beirut. Iran's relations with Lebanese Shi'ias are not, according to Dr Ahmad Khalidi, a passing phenomenon, or a result of the Iranian revolution of 1978–9. The relationship between the Shi'ias of both states is centuries old, and thus southern Lebanon constitutes "a natural zone of influence for the Iranians". (Q 44)

86. The relevance for the MEPP is that this brings Iran "almost immediately onto the borders of northern Israel." (Q 44) Iran also has strong ties with Syria, based on their shared opposition to Israel and the US military presence in Iraq, and strengthened by their mutual isolation. The Alawites regard themselves as fellow Shi'as with the Iranians. Finally, Iran has built up links with both Hamas and Fatah among the Palestinians, but more especially Hamas.
87. While these alliances are a major preoccupation for Israel, especially in the wake of the Iranian-funded Hezbollah attacks against northern Israel in 2006, it is Iran's nuclear programme and its adoption of "policies that are totally destructive to what we want to achieve" that cause the Israeli government most concern (Ambassador Eran, Q 316).
88. Through the EU-3 (UK, France and Germany, with Javier Solana now in the lead), the EU's involvement in attempts to resolve the Iranian nuclear issue is clearly relevant to the EU's, and the wider international community's, relationship with Iran but Robert Cooper, Director General at the Council Secretariat, considered that relations with the Iranians should be kept separate from discussions of the MEPP: "Iran is about the only country in the region that rejects a two-state solution. So clearly they are a player, but they are one that we would rather not have involved." (Q 252)
89. A number of witnesses thought the Iranians had clearly inserted themselves into the interstices of the Israeli-Palestinian conflict, but their objectives are seen in a more negative than positive light. In contrast to Syria, for example, Iran has few concrete or strategic interests to promote or defend in the MEPP, except to act as "spoiler" to the process, especially in its refusal to accept the legitimacy of the existence of Israel. (QQ 252, 348)
90. For the EU, the priority in relation to Iran is clearly to minimise and, to the extent possible, eliminate the negative effects that Iranian regional networks, funding and arms transfers have on the prospects for peace. It is also important for the EU, however, to balance pressure with engagement with Iran in order to find a diplomatic solution to the problems posed by Iran's nuclear programme (Lord Patten, Q 373). According to Sir John Sawers of the FCO, this balance, although difficult to maintain, is beginning to pay off: "(w)hat is getting across to the Iranians is that , if they want to have a more normal relationship with the rest of the world ... they have to address our concerns on issues like their nuclear aspirations." (Q 31)
91. **We believe that it is important that the EU continues to engage with Iran diplomatically, but it should not allow the content of these negotiations to "leak into" or create a direct linkage to the MEPP. Iran should not be allowed to have a veto over the MEPP.**

CHAPTER 4: THE EU'S POLITICAL ROLE IN THE MIDDLE EAST PEACE PROCESS AND THE INSTITUTIONAL PERSPECTIVE

The EU's objectives and approach to the Middle East Peace Process

92. Since 2003 the official position of the EU has been to support the staged implementation of the Road Map, working within the Quartet, on the possibilities for a political settlement and, as a major funder, mounting assistance and state-building operations in the Palestinian territories. The EU role has been active but low-key, and is largely unseen by the Western public, though it is visible on the ground and recognised as helpful by the Arabs. The Israelis are, however, more ambivalent about the European role, as has been discussed above. (Chapter 3)
93. The EU has contributed substantial funding to the Palestinian Authority (PA) with the aim of sustaining the PA and building a viable Palestinian state with functioning institutions, necessary if the two state solution is to become a reality. In addition to budgetary support, (see Chapter 5) the EU has taken practical steps to assist state-building, with the establishment of the Co-ordinating Office for Palestinian Police Support (EUPOL COPPs) and the Rafah border crossing mission (see Chapter 5). EU election monitors also oversaw the 2005 and 2006 elections. According to Dr Richard Youngs of FRIDE, Madrid, a Spanish policy research institute, the EU's strong point has been to try to build an on-the-ground presence with links between the Israelis and Palestinians as "a kind of secondary back-up to the high-level politics of Middle East diplomacy." (Q 116)
94. A further aim of the EU has been to build and retain good relations with all states of the region, in particular those which have a role in the resolution of the conflict. Through the Euro-Med Partnership and under the European Neighbourhood Policy (see Chapter 5) the EU has strengthened relations with Israel, Lebanon, Egypt, Jordan, as well as the Palestinian Authority, based on Action Plans. (Signature of a Syrian Action Plan awaits Syrian co-operation with the UN Investigation Commission on the death of the former Lebanese Prime Minister Hariri—see Chapter 3). The implementation of the Action Plan with the Palestinian Authority was suspended following the election of Hamas in January 2006 (see Chapter 3).

The EU and the Member States—a need for greater unity and coherence?

95. The need for better cooperation and coordination between the Commission, Council and the Member States has been a recurring theme of many of our reports on EU foreign policy¹⁹. Where cooperation has been lacking or the Member States have not had a common approach, this tends to lead to slow decision making and a lowest common denominator approach and the oft quoted frustration of not knowing from the outside who is speaking for the

¹⁹ Particularly in the report "Europe in the World", 48th Report of Session 2005–06 HL paper 268.

EU. Dr Ahmad Khalidi saw the lack of a single united voice as at the root of the problem "... the more parties you bring in under the purview of the EU, the harder it is to find a common policy which has an impact on the ground." (Q 73) Dr Richard Youngs described the problems of the six-month rotation of the Presidency which militated against continuity with one Presidency pushing the EU for greater engagement and the next wanting to rein back. (Q 136) The message of lack of coordination made it very difficult, he thought, to understand who was speaking on behalf of the EU. Dr Oded Eran, the Israeli Ambassador to the EU, was concerned that the visits of individual EU Member State foreign ministers did not enhance the image of the EU as a unified force. (Q 301)

96. EU Member States have not demonstrated a unity of purpose and action in respect of the MEPP, in ways that are familiar to critics of the Common Foreign and Security Policy (CFSP). (Dr Youngs, Q 136). However, the differences between Member States have had more serious consequences for the realisation of the MEPP. There is still a tendency amongst Middle Eastern actors to exploit the differences between EU member States. In the view of Professor Manuel Hassassian, Palestinian General Delegate in the UK, the policy of France, for example, had "been personalised" (Q 98) and influenced by the character of the President. Although close to that of the British, the German position has also been constrained for historical reasons, though the reticence to engage over substantive issues is now more keenly felt on the German side than by the Israelis (Mekelberg, Q 76). In turn, Mediterranean Member States also "feel greater pressures and greater connections with the Arab world and countries in North Africa than ... with Israel and the countries of the Gulf" according to the then FCO, Political Director, Sir John Sawers. (Q 35) This has led to a Mediterranean-based conception of the EU's common policies towards the Middle East, in the view of Dr Jana Hybášková, MEP. (Q 217) New Member States in East and Central Europe have their own perspective on the EU's approach to the MEPP, especially from their recent experience of the importance of democracy in bringing about and consolidating peace. (Dr Hybášková Q 223)
97. The real division in EU policy, however, lies not so much in the articulation of commonly agreed positions, as in the "clear disconnect between the political diplomatic level and the on-the-ground initiatives and presence of the EU and various EU governments", according to Dr Richard Youngs. (Q 136) Prof. Robert Springborg of the School of Oriental and African Studies in the University of London, concurs that the six monthly rotation of presidencies and competitive national diplomacy have undermined "the ability of the EU to act as singular, coherent actor." (Q 136) Commission officials likewise admit there have been "difficulties" in coordinating national positions, but point to the role of the EU representations in Tel Aviv and Jerusalem in bringing "people together" in the field. According to Hugues Mingarelli, of the Commission, the advent of the European Neighbourhood Policy (ENP) has also encouraged the development of new instruments directly under the EU which could allow for future progress. (Q 203)
98. At the political level too, there has been room for the informal coordination of the positions and leadership of key EU members (Britain, France, Spain, Germany and Italy), if not the whole 27 Members of the EU. (Sir John

Sawers Q 36). Even if the EU-3 model used by the EU to negotiate with Iran might be too narrow for the purposes of the MEPP, the greater prominence accorded to the role of the High Representative, Javier Solana, to act on the EU's behalf in recent months points to a greater awareness of, and acceptance by EU Member States of the need to speak with one voice on key issues. Dr. Solana himself expressed the importance of the EU presenting a common platform with regards to the MEPP: "I will tell you frankly what we should do: firstly we must maintain unity amongst ourselves." (Q 289)

99. **We believe that leading EU Member States have an important role to play in any renewed peace effort and that this needs to be coordinated within and designed to support an overall EU position. The Government should direct the UK's involvement with these objectives in mind.**
100. **The EU has a very wide range of instruments at its disposal, in addition to those available to the Member States, and plays an important role in coordinating aid to the Palestinian territories. We believe that the EU Member States should carefully consider the value of engaging in competing or parallel initiatives and démarches, and that they should closely coordinate their efforts in the framework of a coherent EU policy.**

The EU as a member of the Quartet

The Quartet—a reflection of the EU's growing role in the MEPP

101. The Quartet was formed in 2002, with the US, EU, UN and Russia as participants, originally to plan an international conference on the Middle East. (See Box 8 below). Its formation represented a shift in the international community's involvement in the Arab-Israeli conflict, which had for decades been dominated by the United States as the main mediator. The Quartet was constituted at a time of widespread feeling among the Palestinians and other Arab nations that the US had not lived up to expectations in its role as an honest broker and peace facilitator and that others, in particular the EU, should play a greater role. The Palestinian General Delegate to the UK told us that "the United States policy as a third party has been a total failure". (Q 87) The Quartet as a mechanism reflects several fundamental principles of EU foreign and security policy, such as a belief in multilateralism. It is in effect now a "team of brokers." (Q 241)
102. The inclusion of the EU within the Quartet was an acknowledgement of the growing political role of the EU in the MEPP and the legitimacy of the EU's involvement as a major contributor to funding and institution building. At the same time the EU was increasing its involvement with Israel as a trusted interlocutor, not only in trade terms but also as a partner for political dialogue. (Q 240, p 140) Israel now accepts the EU as an active mediator in the Peace Process, albeit not on par with the US. (See Chapter 3)

BOX 8**The Quartet**

The Quartet was formed in 2002 with the aim of organising a Middle East conference in the summer of that year, following President Bush's speech on the Arab-Israeli crisis on 4 April. The conference was not in the event called but the Quartet met and evolved a Road Map for Israeli-Palestinian peace and Palestinian statehood. The Quartet has continued to meet intermittently, with increased frequency in 2007.

The Quartet comprises the United Nations, Russia, the United States and the European Union. It meets both at Principals' and Envoys' level.

The Principals are: the UN Secretary General, the Russian Foreign Minister and the U.S. Secretary of State. The EU is represented by the Foreign Minister of the Presidency, the High Representative for the Common Foreign and Security Policy and by the European Commissioner for External Relations. At the Envoys' level the EU is represented by the EU Special Representative for the Middle East Peace Process, Marc Otte.

In response to the election of the Palestinian Hamas-led government in 2006, the Quartet broke off contact with the government (though not with the President) and drew up three principles, (which have been widely interpreted as conditions) for a resumption of direct contacts and aid: non-violence, recognition of Israel, and acceptance of previous agreements and obligations, including the Road Map.

103. The precise dynamics within the Quartet are difficult to ascertain. Yossi Mekelberg commented that the EU and US played the leading roles in the Quartet, whereas the contributions of the United Nations and Russia were less significant (Q 59). Robert Cooper referred to the Quartet as a "machinery for mutual influence" (Q 239), but mostly the US is seen as the dominant partner. Dr Ahmad Khalidi saw the EU as inclined to follow the lead of the US (Q 43).
104. There is a perception that the EU is content simply to follow the US lead but there was general agreement among our witnesses that the European Union plays an important role in the Quartet (QQ 10, 183). This is apparent in the recent revitalisation of the Quartet, which has now issued a number of statements at Principals' level since January 2007 (p 140) and in the EU's role in leading the international debate and in influencing the US position. David Quarrey of the FCO commented that: "[...] over the last year the EU has within the Quartet encouraged more regular meetings of the Quartet and we have achieved that. The EU has encouraged the idea of meetings between the Quartet and regional parties, that is now effectively Quartet policy. The EU has also championed the Temporary International Mechanism (See Box 12, Chapter 5) as a vehicle for maintaining humanitarian and other support to the Palestinians, that is a continuing part of Quartet policy, so it would be unfair to say that the EU merely signs up to whatever line the US wants to take in the Quartet". (Q 341) Sir John Sawers, then FCO Political Director, thought that the EU could act politically as a rallying point in a mediating role acceptable to all parties: "I think also it is fair to say that the European Union represents the middle ground of the international community ..." (Q 10) He thought it was

nevertheless still “unrealistic” for the EU “to aspire to have a greater role than the United States in bringing about peace between Israel and the Palestinians” (Q 12).

105. Politically, the Europeans have taken the lead on more than one occasion. The European Community’s Venice Declaration led over time to a broad international consensus on a two-state solution (QQ 235, 240). According to Christian Jouret of the EU Council Secretariat, Europe was the first major international actor to defend three ideas which are today considered to be central to any peace settlement: self-determination for the Palestinians, (Venice Declaration, see box 1 Chapter 2); a Palestinian state; and thirdly, a state which is viable, with all that this implies in terms of independence and sovereignty (Q 240). Another recent example is the position taken by the Council of the EU on the three Quartet principles, where the subtle language used by the EU in the General Affairs External Relations Council (GAERC)’s conclusions of 15 September 2006 was adopted by the Quartet on 20 September 2006 (Q 237).
106. The EU’s membership of the Quartet has enabled it to extend its access and influence to policy-makers in the region, particularly as the EU is now also perceived as having a more unified voice than in the past. Its principal representative in the Quartet, the High Representative for the CFSP, Javier Solana, is seen as an important interlocutor in the Middle East (see Chapter 4). Membership of the Quartet has also enhanced the EU’s access to US policy-makers and it is seen as a useful bridge between the Arab world and the US. Javier Solana painted a vivid picture of his efforts to build greater mutual understanding and convergence of positions during his recent visit to the Middle East (QQ 268–284). This role seems to be particularly valuable at a time when analysts see the US and some individual EU Member States as having suffered damage to their credibility in the Middle East.
107. According to Robert Cooper, of the EU Council Secretariat, the major weakness of the Quartet is that it has failed to reach out to the neighbours (of Israel and Palestine). At the time, it was planned that the next meeting of the Quartet would be held in Cairo with some of the important neighbours (Q 237). Subsequently the Quartet issued a statement, on 30 May 2007, that it “had agreed to meet in the region with members of the Arab League to follow up on the Arab Peace Initiative.”²⁰ This commitment of the EU to a broad regional involvement is consistent with its longstanding position that a settlement to the Arab-Israeli conflict must be comprehensive and inclusive. The December 2006 Declaration on the MEPP by the European Council illustrates this approach. The Declaration states that²¹:

“The European Council invited the Quartet to stand ready to lead an effort by the international community to build on the outcome of successful negotiations between Israel and the Palestinians in order to reach a comprehensive settlement of the Israeli-Arab conflict, including peace agreements with Syria and Lebanon and full normalisation of relations between Israel and the Arab countries. This

²⁰ A working level meeting with important neighbours was held on June 6.

²¹ Declaration on the Middle East Peace Process, Presidency Conclusions, European Council, 14–15 December 2006, Annex I, p 22.

will require an inclusive approach involving all relevant actors; all need to engage constructively in the region to support these efforts. In accordance with the Roadmap, the Quartet, in consultation with the parties, should in due course convene an international conference to realise these goals”.

A more active EU role in the Quartet?

108. There was some divergence of views on the future role of the EU within the Quartet, but there was agreement that the EU should continue to play a more active role. This reflects the objectives of the UK Government with regards to EU policy. FCO Minister of State Dr Kim Howells confirmed that: “It is certainly an important Government objective to achieve a more active and influential role for the EU in the Middle East [...]” (Q 320). To achieve this, he underlined the importance of the EU taking a “balanced policy approach” (Q 320), working through both “the political and practical tracks” (Q 320). This suggests that the EU’s political role and credibility in the Quartet is closely linked to its practical activities and to the trust that these have built up with the parties on the ground.
109. Many witnesses maintained that the EU could play the role of an honest broker, which the Palestinian General Delegate, Professor Manuel Hassassian, described as being one of even-handedness: “as you put pressure on the Palestinians, we believe that you will also put pressure on the Israelis. This is what we call honest brokerage” (Q 87). The Syrian Ambassador to the UK stated his desire for the EU to play the role of a counterweight to what he perceived to be the hegemonic role of the United States in the region (Q 175). A more active EU role in the Quartet nevertheless depends on the willingness of Israel and the United States to accept such an enhanced role.
110. **We see the Quartet of the US, the EU, Russia and UN as continuing to be the essential diplomatic tool for coordinating the involvement of the wider international community in any such peace effort. The EU has already played an influential, but largely unacknowledged, role within the Quartet, introducing innovative proposals for the way forward. We believe that the EU’s role within the Quartet needs to be more active and assertive than it has been in the past, providing leadership with imaginative ideas, including on final status issues and through engaging in a frank and intensive dialogue with other partners, in particular the US. This should however be done in private and with the aim of building consensus as the best means to preserve the Quartet’s influence with both the parties to the conflict, with whom the EU and the Quartet should seek to pursue an even-handed approach. It is essential to ensure that fewer opportunities exist than in the past for the parties to the conflict to exploit divisions between international actors within the Quartet, and most especially those between the EU and US. We urge the Government to seek to ensure that the EU’s representatives in the Quartet, notably the High Representative, get the backing they need to play a more active and assertive role.**

BOX 9

The Final Status Issues

The “Final Status Issues” comprise three main issues which are particularly difficult to resolve and over which the parties hold strong and uncompromising positions. They include: the boundaries between the state of Israel and the state of Palestine to emerge from a comprehensive settlement; the question of the ‘right of return’ of Palestinian refugees to their original homes, or only to the state of Palestine once created, together with compensation for those unable to exercise this right; and the status of the city of Jerusalem.

The High Representative for the CFSP and the EU Special Representative for the Middle East Peace Process

111. The role of the High Representative for the Common Foreign and Security Policy (CFSP)²² has grown steadily since its creation in 1999. In the person of Dr. Javier Solana, he now commands much trust and authority within the European Union and is a respected figure in the international community. Dr. Solana has become well known on the international scene for his personal and intensive involvement in managing international crises such as the Iranian nuclear dispute. According to Dr Kim Howells, both Dr. Solana and the EU Special Representative for the Middle East peace process, Marc Otte, are “real assets for the EU”, and he commended their level of active engagement, both on the ground and in working closely with the other members of the Quartet (Q 320). This is demonstrated by Dr Solana’s visits to the Middle East in February and March 2007, where he was received by the King of Saudi Arabia and other senior leaders.
112. According to the Treaty on European Union, the High Representative assists the Presidency, which “represents the Union in matters coming within the Common Foreign and Security Policy”²³, and he works closely with the Commission and individual Member States. As the number of Member States has grown, the High Representative has helped to ensure the continuity and consistency of EU foreign policy given the six-month rotation of the Presidency.
113. The High Representative has been particularly active in relation to the MEPP, and has made a significant contribution to advancing the EU’s objectives in the region. Our evidence session with Dr. Solana gave us a very valuable insight into his level of involvement and his deep knowledge of the Arab-Israeli conflict. Together with the Presidency and the Commissioner for External Relations, the HR represents the EU at Principals’ level within the Quartet. This is a recognition of the HR’s role and is a visible illustration of the contacts that the EU maintains with the other members of the Quartet at the highest level, including US Secretary of State Condoleezza Rice (Q 352).
114. The High Representative, assisted by his Office, does not only operate in political circles. UNRWA²⁴ underlined how involved the Office of the HR is

²² Treaty on European Union , Art. 18.

²³ Treaty on European Union , Art. 18(1).

²⁴ United Nations Relief and Works Agency for Palestine Refugees in the Near East.

at the field level in the Near East: “the first-hand involvement of the Office of the EU High Representative for Common Foreign and Security Policy and its willingness to engage with humanitarian actors on the ground is a very appreciated and important aspect of the EU’s involvement in the region.” (p 161)

BOX 10

The EU Special Representative for the Middle East Peace Process

The EU has long had a presence on the ground in relation to the Middle East Peace Process, with an EU Special Envoy first being mandated in 1996. Currently the EU Special Representative (EUSR) represents the EU in the region. Since 21 July 2003 this position has been held by Marc Otte, a former Belgian Ambassador to Israel. The EUSR supports the work of the HR and actively promotes EU policies in relation to the MEPP. The mandate of the Special Representative is based on the EU’s policy objectives regarding the Middle East peace process, which include a two-State solution with Israel and a democratic, viable, peaceful and sovereign Palestinian state living side-by-side within secure and recognised borders enjoying normal relations with their neighbours in accordance with UN Security Council Resolutions 242, 338, 1397 and 1402 and the principles of the Madrid conference.

115. In terms of the effectiveness of the EUSR, Dr. Richard Youngs appeared to suggest that the EUSR is able to achieve much by working at a low-profile level, but that he was somewhat limited by the “need to take care to make sure that nothing is done that contravenes the political will of any European government” (Q 139).
116. **We welcome the greater role attributed to the High Representative’s office in providing a focus for collective EU efforts, but consider that a more structured approach is required to coordinate and synchronise the diplomatic efforts of the High Representative with the economic and other instruments deployed by the Commission. The pro-active role of Dr Solana has gone a long way towards improving the situation.**
117. **We consider that the High Representative, Javier Solana, assisted by the EU Special Representative, Marc Otte, has worked very actively and effectively towards achieving the objectives of the EU in relation to the MEPP. The question now arises as to whether the EU has the capacity in place to participate in intensive negotiations on a comprehensive peace settlement. We would encourage the Council to make the necessary preparations so that the EU can quickly mobilise a full negotiating team to assist the peace process.**

CHAPTER 5: THE EU'S ECONOMIC AND STATE-BUILDING ROLE

Towards a viable Palestinian state—the EU's role in capacity and institution building

118. In addition to shaping the political conditions for the Oslo process to emerge, the EU's main contribution in the 1990s was, from 1995, to provide financial and technical assistance for the creation and functioning of the institutions of a nascent Palestinian Authority. This included support for the Legislative Assembly, elected in 1996, and encompassed a package of measures and instruments devoted to Palestinian state-building. The EU's infrastructural support and development assistance to the Palestinian economy have also been critical not only to developing Palestinian capacities to assume the eventual responsibilities of statehood, but has also led in the recent years of Israeli border closures and rising Palestinian unemployment, to the EU providing direct budgetary support to the Palestinian Authority from June 2001 until the end of 2002.
119. This assistance ceased, abruptly, in the immediate aftermath of Hamas's winning a majority in the Palestinian Legislative Council in January 2006. In the summer of 2006, the EU created a Temporary International Mechanism (TIM) to channel funds to the Palestinian population to enable them to survive (see below).
120. Despite the increase in overall financial assistance delivered to the Palestinians since the creation of the TIM, the EU has been blamed by both Palestinians and wider regional opinion for the Quartet's decision to suspend direct financial assistance to the Palestinian Authority. The EU was perceived to have even less political leverage over developments within the Palestinian Authority than before the boycott, and the earlier EU's state-building efforts have been largely reversed by the inability of public institutions to withstand the EU's withdrawal of funding. As a result, and despite the EU's increase in financial support, the inability of the PA to meet public salary bills and uphold public order, and the deterioration this has entailed in the living standards and day-to-day security of Palestinian citizens, has had a negative effect on the EU's standing with both Palestinians and the EU's Arab Middle Eastern partners.
121. From 1994 to the end of 2005, the European Community committed approximately 2.3 billion Euros in assistance to the Palestinians (not counting bilateral assistance of EU Member States). The EU continues to be by far the largest aid donor to the Palestinian Territories, transferring over 680 million Euros in 2006. In 2006 188 million Euros of EU funds went through the TIM and, according to FCO Minister, Dr Kim Howells, approximately 900,000 persons will benefit directly from it (Q 320). The extent of this funding is well known to the parties. The Palestinian General Delegate to the UK said that since the Oslo process, the EU had paid half of the PA's budget in terms of infrastructural development as well as inducing reforms. (Q 77)
122. Figures for the EU, both collectively and as individual countries are available, as well as those from the United States (see Box 11, below). But it is not possible to ascertain the total amount of aid which is going to the

Palestinians overall, either in funds or in kind. Some funding from elsewhere is known, for example the agreement by the Arab League Summit in Riyadh to provide \$55 million a month to the Palestinians, but the full extent of assistance from others, notably Arab countries and Iran, whether to the Palestinian Authority or to the various factions in the territories, is not publicly available. It has not been possible to ascertain the full extent of aid from Non-Governmental Organisations working on the ground. What is clear however is that the EU and its Member States have been given insufficient credit for the substantial and increasing sums disbursed to the Palestinians. In fact, EU aid per head to the Palestinians is one of the highest to any country.

BOX 11

EU and Western Aid

The table below sets out total bilateral aid to the Palestinians between 2000 and 2005 from the US, the European Commission and the (pre-2004 enlargement) EU-15 Member States, which are members of the OECD's Development Assistance Committee (DAC). Amounts are shown in US\$ million.

	2000	2001	2002	2003	2004	2005
United States	60.11	84.29	138.1	194.1	273.86	180.16
EU 15 member states	149.13	129.23	187.04	213.03	229.46	269.21
European Commission budget	62.53	118.48	170.94	181.06	186.69	206.71
Commission and Member States	211.66	247.71	357.98	394.09	416.15	475.92

Figures for US aid in 2006 are not yet available; similarly the DAC will not report with 2006 figures until late 2007/early 2008. However, during 2006 total EU aid to the Palestinians amounted to over €680 million, its largest ever contribution in a single year. It comprises €348 million from the Member States and €335 million from the European Commission.

123. The EU seeks to control where its aid goes and to monitor expenditure but in the past the situation of violence in the territories and the absence of a fully functioning government has meant that it was not always possible to establish viable controls. EU officials know that there has been some corruption and that some aid has not gone to its intended purpose. Dr Kim Howells, Foreign and Commonwealth Office (FCO) Minister, described the misuse of funds in the past under Fatah rule (Q 333). David Quarrey of the FCO pointed out that the EU had suspended direct budgetary assistance to the PA before the 2006 legislative elections and the boycott, "precisely because of concerns about how the then Fatah-run P.A. was using some of those funds and our concerns about maladministration and so on" (Q 26). The Palestinian Delegate-General to the UK also admitted that there had

been cases of misappropriation in the past (Q 100). But he also insisted that the lessons had been learned, while stressing the difficulties of building accountable state structures under occupation.

124. There appears to have been an improvement over the last few years in the controls on international funding and a decline in corruption, although this is difficult to evaluate. Dr Ahmed Khalidi thought that for the past five years or so great efforts had been put into mechanisms for transparency and accountability (Q 71): he thought that very little EU or US money now went into private pockets.
125. The EU was also involved in building closer relations with the Palestinian Authority. The Commission was one of the few donors to continue its assistance to the Palestinian reform process throughout the Intifada. The Action Plan which the Commission agreed with the PA under the European Neighbourhood Policy (adopted on 4 May 2005) sets out the main PA institution-building and reform priorities in the areas of the judiciary, rule of law, administrative capacity and public finances, but its implementation was suspended due to the boycott. However, the EC resumed direct technical assistance following the formation of the National Unity Government, but this may change given the events of June 2007 (see chapter 6)²⁵. The Commission also made proposals in October 2005 on how the EU could contribute to making progress towards a viable Palestinian state, including²⁶:
- the negotiation of an Association Agreement with the Palestinians while working to ensure the full implementation of the EU-PA Interim Association Agreement;
 - that the Commission act as a “clearing house” for the coordination of EU actions and assistance; and that the Council consider the creation of an EU Agency for Reconstruction in Palestine.

The important EU role in coordinating aid to the Palestinians is further discussed in paras 142 and 143.

126. The fact that the Presidency was not controlled by Hamas made it much easier for the EU and other donors to work directly with the Presidency. The EU provided support for the Central Elections Commission, the judiciary and the Palestinian Monitoring Authority (Q 356). However, Prof. Robert Springborg sounded a warning about Parliamentary oversight: the EU’s aid never passed through the Palestinian Legislative Council but was provided to the executive branch essentially without conditions. (Q 124) Dr Youngs also thought that there was something “counter-intuitive” about going back to a situation where the EU favoured “a small clique of Fatah elites around the President’s office” whose record on governance had been part of the reason why Hamas won the 2006 election. He warned against equating support for democratic reform with supporting the President or “our kind of moderate allies.” (Q 124)

²⁵ See also footnote 8 at para.36.

²⁶ Communication from the Commission to the Council and the European Parliament “EU-Palestinian cooperation beyond disengagement—towards a two-state solution” ref. COM(2005) 458 final, Brussels 5 October 2005. These proposals were the subject of an exchange of correspondence between the EU Committee and the Minister for Europe at the FCO (see letter from Douglas Alexander MP, Minister for Europe, dated 29 November 2005—Please see appendix 6 for this correspondence).

127. One of the most frequent comments we heard was that the EU did not use the political influence it could have as the largest aid contributor to the Palestinians, and a substantial trade partner with Israel. Dr Richard Youngs felt that “the EU has failed to use its economic leverage ... and its on-the-ground presence ... built up through various aid initiatives ... to try and nudge progress on the bigger final settlement issues.” Prof. Robert Springborg thought that “the EU has gotten remarkably little for the money it has spent in Israel and Palestine ... and it has done so with regard to both actors.” (Q 124) His advice was to use the purse-strings to bring the two parties together in a balanced way whether “in the variety of agreements with the Israelis regarding access or with the Palestinians for budgetary support.” The view was that the US ran the policy and the EU “signed the cheque”. Dr Ahmed Khalidi told us “We have an EU that plays the role of financier ... and it seems to be happy to leave the politics to the United States. I am convinced there is space for an EU role, a more robust political role ...” (Q 43). “The economic role ... seems to have been the dominant one and the one with the least return, it is taken almost for granted that Europe will pick up the cheque, and ... that has to change.” (Q 55)
128. **We believe that the EU’s extensive budgetary assistance and humanitarian aid has been vital to the establishment and maintenance of Palestinian institutions and to sustaining the Palestinian people and this should be publicised both in the region and outside. The EU should continue to make every effort to monitor the distribution of its aid in difficult circumstances.**
129. **The EU should link its financial and technical assistance more directly to its political goals and make that assistance conditional on progress in institutional reform in the Palestinian territories and in the peace process. The EU role is important to strengthening the Palestinians’ capacity both to assume their responsibility for achieving peace and to enhance governance standards and accountability in the everyday lives of Palestinian citizens which is critical to public support for the objectives of peace.**

The Temporary International Mechanism (TIM)

130. With the election of the Hamas-led government, the Quartet ended aid to the Palestinian Authority government, but on 9 May 2006 addressed the humanitarian situation in the Palestinian Territory and asked the European Union to propose a “Temporary International Mechanism”²⁷ to set up a mechanism to facilitate needs-based assistance directly to the Palestinian people. The Commission’s proposal was endorsed by the European Commission and the European Council on 16 June 2006 as well as by the Quartet on 17 June 2006.
131. Generally speaking, witnesses felt that the TIM had worked well. According to Patrick Child, Chef de Cabinet to Commissioner for External Relations Ferrero-Waldner, the “TIM is effective and in fact is the only game in town as far as bringing much-needed support to the Palestinian people ...” (Q 214) Michael Anderson of DFID praised the Commission for its high-quality work on the TIM, noting that its approach had been innovative,

²⁷ Source: EU Fact Sheet on the TIM.

highly flexible, and extraordinarily quick. He stressed that the TIM was accompanied by some very tight control mechanisms. (Q 354)

132. However, there was general agreement that the TIM is not a long-term solution to the humanitarian needs of the Palestinian population, nor a substitute for the resolution of the key political issues, such as the occupation, the partial withholding of Palestinian revenues by the Israeli Government and the boycott of the PA (Q 255; p 161). It is a “desperate measure” (Q 103) and a “drop in the ocean compared to the magnitude of challenges facing the occupied territories” (Q 120). For Patrick Child, “the sort of assistance we are providing through the TIM [...] is manifestly unsustainable over the long term. The only sustainable solution is for Israel to open up the flows of tax revenues which are legitimately due to the Palestinian people and territories for their economic activity” (Q 194).

BOX 12

The Temporary International Mechanism (TIM)

TIM is a European operation with a team of officials from the European Commission, staff of EU Member States and experts. The TIM Management Unit manages the financial contributions from the EU Member States and the European Commission and, potentially, contributions from other donors. The TIM works in close consultation with the Office of the President, which acts as an interlocutor and facilitates TIM’s direct assistance to the Palestinian people. The Office of the President submits data on eligible beneficiaries to TIM for validation, audit, and control. Funds are transferred directly to the beneficiaries or to the contracted suppliers. The TIM has most recently been extended for three months until September 2007 by the Council of the EU at its meeting on the 23rd April 2007.

Objectives of the TIM:

- Relieve the current socio-economic crisis in the occupied Palestinian territories
- Ensure the continued delivery of essential social public services to the Palestinian population
- Facilitate the maximum level of support by international donors and the resumption of Palestinian revenue transfers by Israel

TIM beneficiaries:

- Patients of public and NGO hospitals and public health care centres, Gaza
- Access to water, health care and sanitation for 1.3 million people in Gaza
- Up to 12,000 employees in public health facilities
- Up to 50,000 Low Income Cases (LICs) among public sector workers and 5,500 pensioners
- Up to 40,000 Social Hardship Cases (SHCs)

Approximately 100,000 heads of households received financial support through TIM. With an estimated household size of six, 600,000 persons directly benefit from TIM. Payments of additional allowances will depend on the pledges of other donors.

133. The TIM has prevented a very serious humanitarian crisis from becoming even worse, and it has also contributed to preventing the collapse of the PA: “On the humanitarian side, it alleviated the suffering of the Palestinians straightforwardly by allotting immediate aid for them. Secondly, it prevented the political authority from collapsing [...] [The] TIM has contributed immensely in alleviating suffering, particularly in the health sector, by providing essential supplies and non-wage current expenditures” (Q 103). This is not to say that the Palestinian administration has not been affected by the provision of funds outside the established channels, and Professor Manuel Hassassian stressed the need to make sure that the EU also deals with the Palestinian NGOs and institutions, “because part and parcel of the EU objective is to build institutions, capacity and institution building” (Q 101).
134. **We firmly support the Temporary International Mechanism (TIM) but believe that it has been no more than a stop-gap measure, whose usefulness must not conceal or delay the need to move as soon as possible to a situation where the European Union’s resources go to properly constituted Palestinian governmental institutions. The TIM cannot be a substitute for more normal economic conditions, in particular free movement and access, and the full transfer of withheld Palestinian revenues by the Israeli government.**
135. **The TIM should accordingly not divert the attention of the EU from the root causes of the insecurity and poverty in the Palestinian territories. The Commission is to be commended on the way in which it quickly set up the Temporary International Mechanism in response to the boycott of the Palestinian government and on its leading role in co-ordinating humanitarian aid, including from the Member States. We would encourage the Commission to continue to work towards the effective coordination of humanitarian aid with other donors, including Arab states and the United States.**
136. At an operational level, three important issues were raised by our witnesses: the scope of the TIM; the question of dependency; and financial controls to combat fraud. Professor Manuel Hassassian argued for the scope of the TIM to be extended to cover the wage bill of civil servants, pointing out that the current set-up is having incidental repercussions on the political side: “When we talk about 162,000 employees in the public sector, all of them are predominantly Fatah and not Hamas. The boycott has impacted on Fatah and President Mahmoud Abbas more than Hamas” (Q 104). Patrick Child pointed out that the scope of the TIM had already been extended several times into “new areas of activity” (Q 214), but the question is whether this is enough. Work is ongoing to develop a new “international support mechanism” with an integrated approach to improving governance and capacity-building, with a particular focus on accountability and transparency (QQ 214; 356). Some observers have criticised the fact that the wages of security forces are not being covered, which they see as a major factor of instability, but this was not a subject taken up in detail by our witnesses.
137. Dr Richard Youngs agreed with the need to extend the scope of the TIM, but pointed out that the EU would have to tackle the problem of aid dependency, so as to “move back towards a situation where most of the help is focused on trying to help sustaining economic regeneration and [...] away

- from the kind of short-term service provision” (Q 140). Currently, sustainable activity is simply not possible in the absence of a political settlement due to multiple restrictions on movement and the constant interruption of Palestinian economic life (Q 141).
138. The TIM is less prone to corruption because it is an international mechanism which provides aid directly to Palestinians outside the governmental structures. Several witnesses expressed confidence about the correct use of TIM funds and explained that tight controls are in place to prevent the misappropriation of funds. Hans Duynhouwer, Head of Middle East Unit, EuropeAid in the European Commission took time to explain that a great deal of attention had been paid to control measures, and gave some practical examples of measures that are currently in place (Q 214). The Commission has worked closely with an international auditing firm on the delivery of fuel to the Gaza power plant on the basis of agreed audit plans starting from the delivery up to the payment, providing a very high level of assurance. Similarly, concerning the payment of social allowances an international audit firm has been asked to carry out “all sorts of checks—*ex ante*, *ex post*—in terms of beneficiaries.” (Q 214)
139. Michael Anderson of DFID described the mechanisms of transparency and accountability, including five checks on every individual payment, in the TIM, as “unparalleled in the aid world”, as far as he was aware (Q 354). It was of the utmost importance that the very rigorous measures for monitoring the expenditure were maintained. Michael Anderson also described the EU’s monitoring of Palestinian school text-books for their content when evaluating aid distribution. (QQ 347, 354) The Committee had received written evidence from Palestine Media Watch about this point (pp.156–161) which was a matter of concern. He also described the ways in which the EU is seeking to channel funding. (Q 354)
140. Hans Duynhouwer mentioned that the Commission has been working through an international bank, which is responsible for checking compliance with various regulations in terms of fraud, money laundering, *et cetera*, and this provided “a very high degree of assurance” (Q 214). Furthermore, payments are made directly into the bank accounts of beneficiaries, and where they do not have a bank account, claimants are required to show proof of identity.
141. **We support the European Commission’s plans to establish a successor mechanism to the TIM, even though the events of June 2007 re-opened the question of how EU funding mechanisms would evolve. In the meantime it will be important that aid should be available to Palestinians in all the occupied territories. Strict guarantees should be provided that funds will not be diverted to purposes other than those for which they are intended and, over the longer term, particular attention should be paid to reducing the aid dependency of Palestinians.**

Coherence and coordination of EU aid

142. One problem described in the evidence was the lack of coherence between the aid provided by the Commission and by Member States, particularly since the Commission and the Member States have signed the 2005 Paris declaration on aid effectiveness which set standards on coordination and harmonisation. Mr Anderson had high praise for the way in which the

Commission had taken a strong leading role in trying to encourage more harmonised aid (Q 357) but he described the frustration at the lack of progress compared with many of the programmes and countries where the UK provides assistance. He ascribed the reasons to domestic political pressures in most donor states to have their own programmes labelled as such²⁸. The EU was working to co-ordinate more closely with Arab donors and had held a meeting on 4 February 2007 of European and Arab donors to establish better means of communication on objectives and assistance for co-ordinating. (Q 360)

143. Prof. Robert Springborg thought that Palestinians, when looking for aid partners, rarely looked to the EU, but rather to individual European Member States or to the US—which he described as “shopping around”. “The donors themselves have failed to establish a mechanism between themselves on the one hand and the Palestinians on the other. It is essentially a chaotic situation ... of donors looking for activities to support and those who would be involved in the activities looking for donors. The consequence is ... that the aggregation of these particular projects amounts to very little ... They are one off projects not integrated into a broader strategy”. (Q 136) On the other hand, Prof. Robert Springborg thought that European actors have tended to keep one another informed of joint projects outside the structure of the EU which are arranged on a bilateral and multilateral basis between European countries, and through regular donor meetings²⁹. (Q 137)

The European Security and Defence Policy (ESDP) missions

144. Towards the end of 2005, the EU adopted Joint Actions setting up two ESDP missions in the Palestinian territories: the European Coordinating Office for Palestinian Police Support (EUPOL COPPS), and EUBAM Rafah, a border assistance mission (see Box). Arguably, their symbolic and political significance has outstripped their operational impact. The boycott of the Palestinian Authority resulted in the suspension of EUPOL, and the EUBAM border assistance mission has been severely curtailed due to the closure of the Rafah crossing point for 80% of the time since June 2006³⁰ (p 140). However, the acceptance by the parties of a limited security role for the EU is a significant political breakthrough (Q 9), showing the growing trust placed in the Europeans in this very sensitive area, especially by the Israelis.

²⁸ The UK had been evaluated by the OECD to be among the best donors at not labelling aid as the UK’s and for being co-ordinated with others and in the Palestinian area more than 90% of UK aid was spent in co-ordinated ways (Q 359).

²⁹ The European Union is closely involved in the main international donor coordination structures for aid to the Palestinians, and plays a leading role in several of them. At the strategic level, the EU is a co-chair of the Ad-Hoc Liaison Committee (AHLIC). This forum is a 12-member committee that was set up in 1993 as a result of multilateral talks, and serves as the principal policy-level coordination mechanism for development assistance to the Palestinian people. The EU also co-chairs the Governance Strategy Group (p 139).

³⁰ Coinciding with the kidnapping of an Israeli soldier and the launching of Israeli incursions into Gaza.

BOX 13**EUPOL COPPS and EUBAM Rafah³¹***EUPOL COPPS (Co-ordinating Office for Palestinian Police Support)*

The European Union's police mission for the Palestinian Territories started on 1 January 2006, but was suspended as part of the EU decision to boycott the Palestinian Authority government following the Hamas victory in the legislative elections.

EUPOL COPPS is a civilian mission in the framework of the European Security and Defence Policy (ESDP). EUPOL COPPS aims at contributing to the establishment of sustainable and effective policing arrangements under Palestinian ownership in accordance with best international standards. The mission's headquarters is in Ramallah, with field presences elsewhere in the West Bank and in Gaza. More specifically the tasks of the mission are as follows:

- Assist the Palestinian Civil Police in implementation of the Police Development Programme by advising and closely mentoring the Palestinian Civil Police, and specifically senior officials at District and Headquarters level;
- Co-ordinate and facilitate EU Member State assistance, and—where requested—international assistance to the Palestinian Civil Police;
- Advise on police-related Criminal Justice elements.

The new Mission acts in close co-operation with the European Community's institution building programmes as well as other international efforts in the security sector including criminal justice reform.

EUPOL-COPPS is set in the wider context of the international community's effort to support the Palestinian Authority in taking responsibility for law and order, and in particular, in improving its civil police and law enforcement capacity. Close co-ordination is maintained between the mission and other international actors involved in security assistance, including the US Security Coordinator.

EUBAM Rafah (European Union Border Assistance Mission—Rafah)

EUBAM's mandate comes from the "Agreed Arrangement on the European Union Border Assistance Mission at the Rafah Crossing Point on the Gaza-Egypt Border", which is a protocol based upon the "Agreement on Movement and Access" reached by the Government of Israel and the Palestinian Authority on 15 November 2005. Through this Agreement the EU was invited to play a third party role.

- EUBAM was officially launched on 25 November 2005. Its mandate was extended on 24 May 2007 for a further year at a cost of Euros 7 million.
- The Mission's role is to monitor, mentor, verify and evaluate the performance of the PA border control, security and customs officials who do all the work at the terminal.

³¹ The information in this box is taken from EU fact sheets posted on the Council website.

- In the initial phase about 75 Police officers from 17 Member States have been deployed. In the first year of operation, a total of 98 monitors from Member States have worked with EUBAM.
- Since the crisis of 25 June 2006, the Rafah Crossing Point has been closed for normal operations. Since then, the Mission has been on immediate standby to resume operations, and considerable efforts have been made to enable the crossing to open as often as possible under the circumstances.
- EUBAM continues to work very hard in consultation with the Parties to try and secure a return to normal operations at the Rafah Crossing Point; monitors remain at a high state of readiness in order that teams can be deployed at short notice when necessary.

145. These two missions should be seen in the context of the overall EU strategy for political engagement in and practical assistance to the parties to the MEPP. Their overall goals are to contribute to confidence-building and the implementation of agreements between the parties, especially the Agreement on Movement and Access of November 2005 in the case of EUBAM; and to build the capacity of the Palestinian administration to manage its own security challenges.
146. However, one question that arose was what the missions could achieve under conditions of occupation and in the absence of a coherent overarching framework for building up a viable and democratic Palestinian state. Dr Richard Youngs and Prof. Robert Springborg were particularly critical of the missions. Dr Youngs expressed the strong view that such small-scale missions would have no impact unless they were linked to a high-level political engagement (Q 117), as otherwise they would simply amount to token gestures. This position was echoed by Dr Ahmed Khalidi who emphasised the importance of the EU speaking out on issues of substance, remarking that: “I do not think that our main problem is that of not having enough policemen” (Q 55).
147. A related point made by several witnesses was that attempting to build a democratic and viable Palestinian state is a difficult or even impossible task under conditions of occupation, and therefore the EU’s operational missions can in any case only achieve as much as the political and security conditions allow. The Palestinian General-Delegate to the UK Professor Manuel Hassassian stated that the occupation was the key factor hindering progress, arguing that: “The occupation has played a detrimental role. We cannot undermine the fact that the Israelis have not been very helpful, cooperative or happy to see the involvement of the Europeans in building capacity for the Palestinians. The intention of the Israelis is still not to have an independent Palestinian state” (Q 107).
148. However, Dr Richard Youngs recognised that there is a two-way relationship between the occupation and the reform of Palestinian institutions: “[...] one cannot not have a fully functioning, democratic Palestinian state until occupation is ended, so that is still the big issue, and that focusing and pressing on issues of corruption, for example, should not be a kind of pretext for taking the critical spotlight off occupation, but, on the other hand, I think the EU did realise that neglecting issues of underlying reform was itself militating against the prospects for longer-term peace [...]” (Q 124) Seen

from this angle, the yardstick of success for the ESDP missions is whether they can improve the conditions for peace despite being caught up in the fluctuating dynamics of the conflict.

149. In contrast to the sceptical views outlined above, several witnesses were very positive about the ESDP missions, especially Palestinian General-Delegate Professor Manuel Hassassian and Ambassador Madi of Egypt. Professor Manuel Hassassian said: “In all fairness, all those missions that have been dedicated to work in helping the Palestinian people in their infrastructural development, in their capacity building, in the development of their human resources, have been very efficient” (Q 107). This was echoed by Dr Kim Howells, who took the view that the missions have “proved to be effective instruments” (Q 320).
150. Ambassador Madi was unequivocal about the success of EUBAM: “We look at it as one of the most important roles played by the Europeans so far. Why? For many years we were asking for a European presence in the Palestinian-occupied territories, presence in the form of monitoring the situation. I have to go back every time to how we look at the European role as an honest broker, because, this is why we are in favour of a European presence on the ground [...] We hope that this role can be expanded further and the Europeans can play more of a role inside the Palestinian territories, whether in the monitoring or any assignment which would be accorded to the Europeans in the future” (Q 166). This positive evaluation was echoed by UNRWA, which underlined the critical contribution of EUPOL and EUBAM in facilitating movement in and out of Gaza, essential for economic and social recovery (p 161).
151. EUPOL COPPS, which started out as a UK programme, failed to get off the ground in early 2006 because of the boycott of the Palestinian government. Dr Richard Youngs said it had showed great potential and felt that it had been disappointing to see it rendered inoperative: “It is often asserted that the EU has had more of a focus on genuine underlying reform of the security sector and does talk about the need to strengthen civilian control over security forces over the need to help create a single security service, and that contrasts with the US approach where we know that the US has approved quite large funding directly for the presidential guard” (Q 128).
152. Despite the EU’s attempts to link security assistance to the strengthening of the rule of law, Dr Richard Youngs highlighted some weaknesses in the EU’s approach, noting that most of the aid had gone to the provision of hardware, such as anti-riot equipment, rather than being directed at more fundamental reform issues (Q 128). He criticised the EUPOL mission for its tendency to increase factionalism, as there was a perception in the Palestinian territories that the EU was “helping to try and quash Hamas more than giving Hamas a legitimate stake in the provision of security” (Q 128).
153. **We believe that work to set up EUPOL COPPS should resume when conditions allow, but it should be re-oriented and strengthened. The EU must address the weaknesses of EUPOL COPPS. In particular, the mission must focus on capacity-building and reform rather than equipment, and should strengthen rather than weaken the rule-of-law. Coordination with other operational actors and donors also appears to be an area of concern.**

154. The partial success of the EU's operational missions, as well as the high-profile contribution of EU Member States to the UN mission in Lebanon (UNIFIL II) raises the question of whether the EU could play an operational role in the framework of a future peace settlement, in a monitoring or peacekeeping role. Several witnesses were positive about this idea (Q 166). Yossi Mekelberg was particularly enthusiastic about the prospect for such a role, given recent experience in Lebanon: "in Lebanon, the deployment of a multilateral force is a change [...] The multilateral [force], of now almost 12,000 in Lebanon, [...] changed the perception actually that [a] multilateral, including a European force, can serve as peace-keepers ... there, and it can set a precedent, an important precedent, as far as agreement with the Palestinians is concerned" (Q 58).
155. **We believe that discussions with the parties to the conflict and the members of the Quartet should commence with a view to identifying whether the EU may be in a position to support a peace settlement through the deployment of a peacekeeping mission. In the light of these discussions, the Council of the EU could consider undertaking scenario development and planning work for a possible EU operational mission to the Palestinian territories.**

The Euro-Mediterranean Partnership and European Neighbourhood Policy

156. The Euro-Mediterranean (Euro-Med) Partnership was launched in 1995, in part as an adjunct and support mechanism for the Oslo peace process then taking place between Israel and the Palestinians (Youngs, Q 116). The Euro-Med's political focus stopped short of entering into the details of the continuing conflict, but sought to support peace-building efforts by seeking to build regional integration, including through the promotion of a Mediterranean Free Trade Zone by the year 2010. Unfortunately, this skirting around of the core issues has led, in the words of Mr. Quarrey of the FCO, to "a rather sterile debate around issues to do with Israel-Palestine" and an ineffective way of making the Euro-Med Partnership contribute to the MEPP (Q 33). In the views of Professor Manuel Hassassian and Ambassador Madi, the Euro-Med Partnership also failed because the EU lacked more of an assertive political role in the peace process (QQ 106, 163).
157. The regional aspirations of the Euro-Med Partnership also suffered from the stalling of the Oslo Peace Process, and the subsequent suspension of direct peace negotiations. At the tenth anniversary of its launch in Barcelona in 2005, only one Arab head of state attended the official summit (Youngs, Q 132). Yet, as Ambassador Eran notes, the Euro-Med Partnership remains the only regional forum in which Israelis and Arabs have continued to meet, even at the height of bilateral tensions (Q 313). Sir John Sawers also observed that the tenth anniversary summit also changed the direction of the Barcelona Process towards increasing the proportion of EU funding spent on good governance, education and private sector reform, from 25% of the budget to 50% projected for 2007 to 2010 (Q 32).
158. The European Neighbourhood Policy (ENP) has emerged as a different type of instrument, based on deepening the EU's bilateral relations with neighbouring states with few or no prospects of joining the EU in the near future, and partly as a means of using the bilateral approach to overcome the blockages inherent in region-wide policies exemplified by the Euro-Med

Partnership (Youngs, Q 146). The 'ENP Action Plans' bilaterally negotiated by the EU with each partner also carry the advantage of bringing the political and economic instruments of the EU closer together under the Commission, which is thus able to create approaches better tailored to the individual circumstances of each partner (Dr Eran, Q 313).

159. In respect of the MEPP, David Quarrey of the FCO said the ENP has greater potential than the Euro-Med Partnership to engage the desire of both Israel and the Palestinians to normalise their relations with the outside world (Q 33). If the tools of the ENP are used creatively, this broader goal of normalisation could be used both as a lever and as an incentive to both sides to re-engage in peace. To date, however, the Action Plan negotiated with the Palestinian Authority has not been implemented, due to the EU's suspension of relations with the PA government (Mingarelli, QQ 207, 208). However, Dr Youngs—speaking before the formation of the NUG—said that if a unity government was formed and the EU was able to engage with it, the ENP could provide the EU with the possibility of offering new inducements to both Fatah and Hamas to move in the direction of peace (Youngs, Q 146).
160. The lower level of the Commission's direct financial assistance to Israel lessens the opportunities for it to use development assistance as a lever over the direction of Israeli policy. However, the significant increase in bilateral cooperation taking place under the EU's Action Plan with Israel has opened the way for more opportunities for the Commission to exercise its political as well as economic influence (Youngs, Q 146) (See Chapter 3). Dr Jana Hybášková referred to several relevant examples in this respect (Q 231).
161. **We believe that while the Euro-Med Partnership has been useful in the past, it is now the European Neighbourhood Policy (ENP) that can make a contribution to developing relations with the parties to the MEPP. The advantage of the ENP is that it allows the EU to develop bilateral relations which are suited to each individual partner country. Progress made by each country is not dependent on progress made by other countries. Under the ENP, the EU offers various financial and other incentives to support the implementation of each country's Action Plan.**

CHAPTER 6: THE EVENTS OF JUNE 2007 AND THEIR CONSEQUENCES

162. The increasing hostilities in Gaza and the West Bank, between Fatah and Hamas, the take-over of Gaza by Hamas militias, the dismissal of the NUG and the declaration by President Mahmoud Abbas of a state of emergency, all occurred after we had completed taking evidence for this report. Clearly these developments are, in the short term at least, going to complicate greatly any effort to resume a Middle East Peace Process and to be a serious delaying factor.
163. On 18 June 2007, the General Affairs and External Relations Council condemned the coup by Hamas militias in Gaza and called for the immediate cessation of all violence and hostilities, including in the West Bank (see appendix No. 7). Among a number of measures, the Council supported the Arab League's call for restoring Palestinian National unity and the unity of Palestinian territory, and for ongoing efforts by the Egyptian government to mediate a cease-fire. The EU supported President Abbas and his decision to declare a state of emergency and install an emergency government and restated that reconciliation and national unity behind the President's programme of peace was the only way to achieve Palestinian national goals. The EU would do its utmost to ensure the provision of emergency and humanitarian assistance to the population of Gaza including through the Temporary International Mechanism which had been extended until September 2007. The Council reiterated its call on Israel for the immediate release of withheld Palestinian tax and customs revenues³². The EU would resume normal relations with the PA immediately including urgent practical and financial assistance.
164. **There is a danger that the situation will deteriorate rapidly and that the crisis will spread beyond the Palestinian territories. In addition, events such as those of June 2007 may be used, as they have often been used in the past, as an excuse for inaction and neglect. We do not believe the international community can afford yet again to repeat these errors and should recognise an even greater urgency in seeking a solution.**
165. **These recent events, in our view, reinforce the overall conclusion of our report, that the EU now needs to play a more active and imaginative role in the search for peace in the Middle East than it has done in recent years; they underline the importance of the main policy recommendations we have made. Indeed our view is strengthened that the EU needs to increase and sustain its effort to work more closely with all the main players towards an inclusive peace process and settlement.**

³² The situation changed following the events of June 2007 (see footnote 5 at para. 28).

CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS

166. The credibility of the Middle East Peace Process needs to be restored by a renewed, concerted and sustained effort by the whole international community. We believe therefore that the EU, which has many interests at stake in this region, should participate actively and forcefully in such an effort. (Para 5)
167. The EU's consistent support since 1980 for a negotiated two-state solution as the basis for a final and comprehensive settlement of the Israeli-Palestinian conflict has subsequently gained the adherence of the majority of the international community and, above all, since 2002, of the US. This is one of the major successes of EU diplomacy in the MEPP, particularly in influencing the evolution of US policy. The seriousness of the current situation is a major test for the EU which again needs to put its full weight behind the search for a comprehensive solution. For 20 years extremists have been allowed to dictate the agenda. Any resumed peace process now needs to be proofed against their acts. (Para 11)
168. We are not convinced that the Road Map, as originally conceived in 2003, is the only vehicle for progress, and consider that the interim steps it describes should no longer be pursued to the exclusion of the consideration of final status issues such as the territorial limits of the two states, the fate of refugees and the status of Jerusalem. We are reinforced in this view by the recent statement by High Representative Javier Solana that the time has come for the EU and the Quartet to focus more directly on resolving the issues which are at the heart of the conflict. (Para 20)
169. We believe that the EU needs to explore more imaginative ways of re-engaging the Israelis in the search for peace. EU policy contains a clearly stated position calling on the Israeli government to take "further steps, including the freezing of settlement activities and dismantling of settlement outposts and Israeli abstention from measures which are not in accordance with international law, including extra-judicial killings and collective punishment." (Para 26)
170. We believe the EU needs to use all the instruments at its disposal. The European Neighbourhood Policy, in particular, offers a promising route through which the EU can work for a deepening bilateral relationship with Israel within the context of steps towards resolving Israel's conflict with the Palestinians. The EU needs to make clear to the Israeli government that there could be opportunities for developing the relationship within the Neighbourhood Action Plan. Conversely, a lack of engagement by Israel in the MEPP would in the long run hinder the process of economic harmonisation and bilateral technical and security cooperation. (Para 33)
171. We are gravely concerned about the security, human rights and socio-economic situation in the occupied Palestinian territories. It is becoming evident that the Quartet approach contributed nothing to ameliorate the crisis. (Para 40)
172. The EU should engage more urgently and consistently with the Israeli government to persuade them to transfer the remainder of the withheld

Palestinian tax and customs revenues to the Palestinian authorities in a way that benefits all Palestinians³³. (Para 41)

173. We believe that the European Union's support for a Palestinian coalition government, including Hamas, could not have been unconditional. To require that a Hamas-led government not only renounce attacks on Israel but use its governmental authority to prevent such attacks by others was entirely justified. (Para 45)
174. However, the EU should not allow the peace process to be held hostage by any faction, individual, or state. The history of the Middle East is scarred by peace initiatives that have been derailed by extremists on both sides. Although each situation is different, recent experience in other situations, such as Northern Ireland, can serve as a source of inspiration and valuable lessons on how to bring into the peace process individuals and movements who previously espoused violence and how to avoid the process succumbing to acts of violence. (Para 46)
175. We believe that the EU's objective should be to attempt to maintain a peace process that is as inclusive as possible, while firmly rejecting attempts by outsiders and extremists to derail it. Dialogue with the key parties is an essential aspect of the peace process, and channels of communication should as far as possible be kept open. (Para 47)
176. The requirement that the Palestinian government accept and respect positions established collectively by the Arab side, most recently at the Arab League Summit in Riyadh, is entirely justified. But conditions about the formal recognition by Hamas of the state of Israel amalgamate elements of any final status negotiations with the preliminaries to such negotiations. We believe that the interpretation of the conditions set by the Quartet was undesirably rigid and we would urge the government and the EU to reconsider the precise formulation of any conditions and to apply them in future with a reasonable amount of flexibility. (Para 51)
177. We are concerned that military support for one faction over another heightened tensions in the occupied Palestinian territories. (Para 55)
178. We also believe that the EU should engage in a frank dialogue with the United States on this issue, with a view to ensuring that all aid provided by members of the Quartet improves the cohesion of the Palestinian administration and avoids increasing tensions. (Para 56)
179. We also believe that it is a necessary condition for any peace settlement between Israel and its Arab neighbours that there should be a Palestinian Authority capable of fulfilling any responsibilities it has accepted under such a settlement. It should also be able to provide stability and good governance within the Palestinian party to a two-state solution. Accordingly, the European Union needs to keep that ultimate objective firmly in mind at every stage of its dealings with the Palestinians and Israelis and the wider international community; and to concentrate its efforts on moving towards that objective. The provision of emergency humanitarian aid by the EU must not conceal the need to move as soon as possible to a situation where the EU's resources go directly to properly constituted Palestinian governmental institutions. (Para 57)

³³ The situation changed following the events of June 2007 (see footnote 5 at para. 28).

180. The present situation on the ground is far removed from the stated objective of creating a viable Palestinian state. But the “Mecca agreement” between Hamas and Fatah brokered by the Saudi government offered, the possibility of a first step along that road. The European Union needs, by its statements and its actions, to encourage further progress along these lines. (Para 58)
181. We believe that a key role for the EU in the EU/US relationship is to press upon the US the importance to the future of the region of its sustaining an active, balanced and consistent interest and engagement in the MEPP, and supporting the Palestinians as well as Israel in achieving the two state solution. In pursuit of this objective, the EU and Member State governments should give their full support to their parliamentarians, in making full use of the existing relationship and in increasing links to explain and discuss the European position with their counterparts in the US Congress. (Para 63)
182. We acknowledge the importance of the diplomatic energy and commitment to reviving the MEPP demonstrated in recent months by Saudi Arabia and other Arab League states, and the facilitating role played by Saudi Arabia in the formation of the Palestinian National Unity Government as having been one of the most helpful developments in recent months. While it is premature, and perhaps unwise, to focus too closely on the machinery and form that the new, and unprecedented, engagement of the Arab states in the MEPP will take, the EU and other members of the Quartet should take seriously and encourage the renewal of Arab regional leadership. Recent initiatives, such as the designation by the Arab League of Egypt and Jordan as the League’s interlocutors with Israel and the Palestinians in the MEPP, should be fully supported by the EU. (Para 70)
183. We recognise the importance of the EU continuing its engagement with Syria, not least to test President Assad’s seriousness of purpose. Syria has clear and legitimate national and strategic interests at stake in the MEPP. Both the Israelis and Palestinians have an interest in ensuring that Syria does not undermine the prospects for peace, either by supplying weapons to support Hezbollah attacks from Lebanon into Israel, or by providing a safe haven and financial support for a Hamas leadership in exile. (Para 76)
184. We believe negotiations for a comprehensive settlement of the Arab-Israeli dispute must involve Lebanon, whose political stability and viability is a necessary element for progress towards such a settlement. We urge the EU to continue to give full support to the government of Lebanon, including by continuing to support the establishment of an international tribunal to try those suspected of involvement in the assassination of former Prime Minister Rafik Hariri and other Lebanese public figures. (Para 83)
185. The stability of Lebanon requires the continuing absence of hostilities along the country’s border with Israel. We urge the EU therefore to give full support to UNIFIL II in its strengthened form and mandate, including the prevention of attacks on Israel from southern Lebanon, and to make clear to Israel that any military action from their side will be met by the condemnation of the international community. Given that the only remaining territorial dispute in the area concerns the Shebaa Farms, and in order to neutralise it as a source of conflict, we suggest that the EU seeks to convince Syria and Lebanon to refer the issue to the International Court of Justice, and to convince Israel to declare that it will respect any judgement by the Court and evacuate the area in dispute forthwith. (Para 84)

186. We believe that it is important that the EU continues to engage with Iran diplomatically, but it should not allow the content of these negotiations to “leak into” or create a direct linkage to the MEPP. Iran should not be allowed to have a veto over the MEPP. (Para 91)
187. We believe that leading EU Member States have an important role to play in any renewed peace effort and that this needs to be coordinated within and designed to support an overall EU position. The Government should direct the UK’s involvement with these objectives in mind. (Para 99)
188. The EU has a very wide range of instruments at its disposal, in addition to those available to the Member States, and plays an important role in coordinating aid to the Palestinian territories. We believe that the EU Member States should carefully consider the value of engaging in competing or parallel initiatives and démarches, and that they should closely coordinate their efforts in the framework of a coherent EU policy. (Para 100)
189. We see the Quartet of the US, the EU, Russia and UN as continuing to be the essential diplomatic tool for coordinating the involvement of the wider international community in any such peace effort. The EU has already played an influential, but largely unacknowledged, role within the Quartet, introducing innovative proposals for the way forward. We believe that the EU’s role within the Quartet needs to be more active and assertive than it has been in the past, providing leadership with imaginative ideas, including on final status issues and through engaging in a frank and intensive dialogue with other partners, in particular the US. This should however be done in private and with the aim of building consensus as the best means to preserve the Quartet’s influence with both the parties to the conflict, with whom the EU and the Quartet should seek to pursue an even-handed approach. It is essential to ensure that fewer opportunities exist than in the past for the parties to the conflict to exploit divisions between international actors within the Quartet, and most especially those between the EU and US. We urge the Government to seek to ensure that the EU’s representatives in the Quartet, notably the High Representative, get the backing they need to play a more active and assertive role. (Para 110)
190. We welcome the greater role attributed to the High Representative’s office in providing a focus for collective EU efforts, but consider that a more structured approach is required to coordinate and synchronise the diplomatic efforts of the High Representative with the economic and other instruments deployed by the Commission. The pro-active role of Dr Solana has gone a long way towards improving the situation. (Para 116)
191. We consider that the High Representative, Javier Solana, assisted by the EU Special Representative, Marc Otte, has worked very actively and effectively towards achieving the objectives of the EU in relation to the MEPP. The question now arises as to whether the EU has the capacity in place to participate in intensive negotiations on a comprehensive peace settlement. We would encourage the Council to make the necessary preparations so that the EU can quickly mobilise a full negotiating team to assist the peace process. (Para 117)
192. We believe that the EU’s extensive budgetary assistance and humanitarian aid has been vital to the establishment and maintenance of Palestinian institutions and to sustaining the Palestinian people and this should be publicised both in the region and outside. The EU should continue to make

every effort to monitor the distribution of its aid in difficult circumstances. (Para 128)

193. The EU should link its financial and technical assistance more directly to its political goals and make that assistance conditional on progress in institutional reform in the Palestinian territories and in the peace process. The EU role is important to strengthening the Palestinians' capacity both to assume their responsibility for achieving peace and to enhance governance standards and accountability in the everyday lives of Palestinian citizens which is critical to public support for the objectives of peace. (Para 129)
194. We firmly support the Temporary International Mechanism (TIM) but believe that it has been no more than a stop-gap measure, whose usefulness must not conceal or delay the need to move as soon as possible to a situation where the European Union's resources go to properly constituted Palestinian governmental institutions. The TIM cannot be a substitute for more normal economic conditions, in particular free movement and access, and the full transfer of withheld Palestinian revenues by the Israeli government. (Para 134)
195. The TIM should accordingly not divert the attention of the EU from the root causes of the insecurity and poverty in the Palestinian territories. The Commission is to be commended on the way in which it quickly set up the Temporary International Mechanism in response to the boycott of the Palestinian government and on its leading role in co-ordinating humanitarian aid, including from the Member States. We would encourage the Commission to continue to work towards the effective coordination of humanitarian aid with other donors, including Arab states and the United States. (Para 135)
196. We support the European Commission's plans to establish a successor mechanism to the TIM, even though the events of June 2007 re-opened the question of how EU funding mechanisms would evolve. In the meantime it will be important that aid should be available to Palestinians in all the occupied territories. Strict guarantees should be provided that funds will not be diverted to purposes other than those for which they are intended and, over the longer term, particular attention should be paid to reducing the aid dependency of Palestinians. (Para 141)
197. We believe that work to set up EUPOL COPPS should resume when conditions allow, but it should be re-oriented and strengthened. The EU must address the weaknesses of EUPOL COPPS. In particular, the mission must focus on capacity-building and reform rather than equipment, and should strengthen rather than weaken the rule-of-law. Coordination with other operational actors and donors also appears to be an area of concern. (Para 153)
198. We believe that discussions with the parties to the conflict and the members of the Quartet should commence with a view to identifying whether the EU may be in a position to support a peace settlement through the deployment of a peacekeeping mission. In the light of these discussions, the Council of the EU could consider undertaking scenario development and planning work for a possible EU operational mission to the Palestinian territories. (Para 155)
199. We believe that while the Euro-Med Partnership has been useful in the past, it is now the European Neighbourhood Policy (ENP) that can make a

contribution to developing relations with the parties to the MEPP. The advantage of the ENP is that it allows the EU to develop bilateral relations which are suited to each individual partner country. Progress made by each country is not dependent on progress made by other countries. Under the ENP, the EU offers various financial and other incentives to support the implementation of each country's Action Plan. (Para 161)

200. There is a danger that the situation will deteriorate rapidly and that the crisis will spread beyond the Palestinian territories. In addition, events such as those of June 2007 may be used, as they have often been used in the past, as an excuse for inaction and neglect. We do not believe the international community can afford yet again to repeat these errors and should recognise an even greater urgency in seeking a solution. (Para 164)
201. These recent events, in our view, reinforce the overall conclusion of our report, that the EU now needs to play a more active and imaginative role in the search for peace in the Middle East than it has done in recent years; they underline the importance of the main policy recommendations we have made. Indeed our view is strengthened that the EU needs to increase and sustain its effort to work more closely with all the main players towards an inclusive peace process and settlement. (Para 165)

APPENDIX 1: SUB-COMMITTEE C (FOREIGN AFFAIRS, DEFENCE AND DEVELOPMENT POLICY)

The Members of the Sub-Committee which conducted this Inquiry were:

Lord Anderson of Swansea
Lord Boyce
Lord Chidgey
Lord Crickhowell
Lord Hamilton of Epsom
Lord Hannay of Chiswick
Lord Lea of Crondall
Lord Roper (Chairman)
Lord Swinfen
Baroness Symons of Vernham Dean
Lord Tomlinson

The Sub-Committee was assisted by Dr Claire Spencer as Specialist Adviser.

Declaration of Interests

A full list of Members' interest can be found in the Register of Lords Interests:

<http://www.publications.parliament.uk/pa/ld/ldreg.htm>

Members have drawn particular attention to the following interests relevant to this inquiry:

Lord Anderson currently chairs the Anglo Israel Association.

APPENDIX 2: LIST OF WITNESSES

The following witnesses gave evidence. Those marked ** gave both oral and written evidence; those marked * gave oral evidence only; those without asterisk gave written evidence only.

- Dr Nomi Bar-Yaacov, Independent Foreign Policy Adviser on Middle Eastern Affairs, UK
- * His Excellency Dr Oded Eran, Israeli Ambassador to the European Union
- ** European Commission
- * European Union Council Secretariat
- * Foreign and Commonwealth Office
- The Funding for Peace Coalition
- * Professor Manuel Hassassian—Palestinian General Delegate, London
- * Dr Kim Howells MP, Minister of State (Middle East), FCO
- * Dr Jana Hybášková MEP
- * Dr Ahmad Khalidi, Senior Associate Member, St Antony's College, Oxford University
- * His Excellency Ambassador Sami M Khiyami of the Syrian Arab Republic
- * His Excellency Ambassador Gehad Refaat Madi of the Arab Republic of Egypt
- * Mr Yossi Mekelberg, Head of International Relations Department, Webster University, London; Associate Fellow, Middle East Programme, Chatham House
- NGO Monitor
- Palestine Media Watch
- * The Rt. Hon. Lord Patten of Barnes
- * Dr. Javier Solana, Secretary-General of the Council of the EU, High Representative for the Common Foreign and Security Policy (CFSP)
- * Professor Robert Springborg—London School of Oriental and African Studies
- UNRWA (United Nations Relief and Works Agency for Palestine refugees in the Near East)
- * Dr Richard Youngs—Fundacion para las Relaciones Internacionales y el Dialogo Exterior (FRIDE), Madrid, and Warwick University

APPENDIX 3: CALL FOR EVIDENCE

The foreign policy, defence and development Sub-Committee (Sub-Committee C) of the House of Lords Select Committee on the European Union has decided to undertake an inquiry into “The European Union and the Middle East Peace Process”. The Sub-Committee is chaired by Lord Roper.

Achieving a lasting settlement to the Arab-Israeli conflict in the Middle East has for many years been a priority of the United Kingdom Government and of the European Union. Since the second Intifada started in 2000, the conflict has deepened and has led to significant loss of life, suffering and hardship on all sides. Recent events, including the war in Lebanon during the summer of 2006, have heightened tensions and led to renewed international attention to find a way out of the current impasse.

The European Union plays a significant role in the context of the Middle East Peace Process (MEPP) as a member of the international Quartet (UN, USA, Russia, EU), as a major funder and through its operational missions. The Sub-Committee therefore believes the time is right for an inquiry into the EU’s role. The purpose of the Sub-Committee’s inquiry will be to ascertain:

- What role the EU currently plays in the context of the Middle East Peace Process
- Whether the EU’s policies, diplomatic initiatives, and financial and operational instruments are effective and coherent
- How the EU’s policies could be improved, and what initiatives the EU could now take, on its own and in conjunction with its partners, to take a new process forward.

In the framework of this inquiry, the Sub-Committee will consider written evidence. The Sub-Committee would therefore welcome submissions on following questions:

- (1) What should be the objectives of EU policy in the Middle East Peace Process?
- (2) How effective have the EU’s relations and activities been in supporting the Peace Process and in influencing the actors in the region, in comparison with the bilateral relations of individual Member States? To what extent are the roles of the EU and the Member States complementary?
- (3) What is your assessment of the effectiveness of existing instruments in achieving EU objectives? What other instruments, if any, does the EU need to be effective in the Middle East Peace Process? How could the available instruments be used more effectively to achieve these objectives? Are the EU’s policies and instruments coherent?
- (4) How successfully has the EU operated in the framework of the Quartet, and with its individual members, especially the United States? How effective is the EU participation in the political process, given the constraints on dialogue with and amongst key parties in the region?
- (5) What is your assessment of the EU’s policy towards the states and international organisations in the region which have an influence or role in the MEPP? What more could the EU do?

- (6) How well adapted are the European Neighbourhood Policy (ENP) and the Euro-Mediterranean (Euromed) Partnership to supporting the EU's policies on the MEPP?
- (7) What contribution have EU operational missions (e.g. EU COPPS, EUBAM Rafah, election observation missions) made to achieving EU objectives and advancing the Peace Process?"
- (8) What roles have the EU High Representative (HR) and the EU Special Representative (EUSR) for the Middle East Peace Process played, and how effective have they been in representing the EU's position?
- (9) What steps can the EU now take, including economic steps, to assist a return to and implementation of the Peace Process in the short and medium term? How far should the Peace Process be renewed or should we move to the final status negotiations?

GUIDANCE TO THOSE SUBMITTING WRITTEN EVIDENCE

Written evidence is invited in response to the questions above, **to arrive by no later than Monday 5 March 2007.**

This inquiry naturally deals with a very broad range of topics and it is preferable for individual submissions to deal with a limited number of these. Evidence should be kept as short as possible: submissions of not more than approx. five sides of A4 paper of free-standing text, excluding any supporting annexes, are preferred. Paragraphs should be numbered.

Evidence should be sent in hard copy and electronically to the addresses below.

Evidence should be attributed, dated and signed, and include a note stating the author's name and position. Please also state whether evidence is submitted on an individual or corporate basis. Please note that material which is submitted to the Sub-Committee having already been published or circulated elsewhere cannot be treated as evidence, but may be circulated to the Sub-Committee and referred to in the Report.

Evidence becomes the property of the Sub-Committee, and may be printed or circulated by the Sub-Committee at any stage. You may publicise or publish your evidence yourself, but in doing so you must indicate that it was prepared for the Sub-Committee.

Submissions will be acknowledged. Any enquiries should be addressed to: Kathryn Colvin, Clerk to the Sub-Committee on EU foreign affairs, defence and development policy, Committee Office, House of Lords, London SW1A 0PW; telephone: 020 7219 6099; fax: 020 7219 6715; e-mail: colvink@parliament.uk

This is a public call for evidence. You are encouraged to bring it to the attention of other groups and individuals who may not have received a copy directly.



APPENDIX 5: ACRONYMS

CFSP	Common Foreign and Security Policy
DOP	Declaration of Principles
EC	European Community
ENP	European Neighbourhood Policy
ESDP	European Security and Defence Policy
EU	European Union
EUBAM Rafah	European Union Border Assistance Mission, Rafah
EUPOL COPPS	European Union Coordination Office for Palestinian Police Support
EUSR	European Union Special Representative
FCO	Foreign and Commonwealth Office
FEMIP	Facility for Euro-Mediterranean Investment and Partnership
GAERC	General Affairs and External Relations Council
HR	High Representative
IDF	Israeli Defence Forces
MEPP	Middle East Peace Process
NUG	National Unity Government
PA	Palestinian Authority
PLC	Palestinian Legislative Council
PLO	Palestine Liberation Organisation
PNA	Palestinian National Authority
QUARTET	Group of UN, US, Russia, EU
TIM	Temporary International Mechanism
UN	United Nations
UNRWA	United Nations Relief and Works Agency

APPENDIX 6: CORRESPONDENCE WITH MINISTERS 2005

EU-PALESTINE: CO-OPERATION BEYOND DISENGAGEMENT— TOWARDS A TWO STATE SOLUTION (13521/05)³⁴

Letter from the Chairman to Rt Hon Douglas Alexander MP, Minister for Europe, Foreign and Commonwealth Office

Thank you for your EM dated 25 October 2005 which Sub-Committee C considered at its meeting on 3 November. The Sub-Committee decided to hold this document under scrutiny.

The Committee considers this Communication on EU-Palestinian co-operation beyond disengagement to be very important. We are disappointed that the Government did not provide a fuller account of HMGs view of the Commission's proposals, particularly the suggestions directed specifically to the Council.

The Committee would accordingly like to know the Government's view on the Commission's proposals that the Council:

- agree a better mechanism for co-ordination of EU actions, reflecting the Commission proposal to act as a “clearing house”;
- confirm the objective of the negotiation of an Association Agreement with the Palestinian Authority, as well as a number of intermediate steps; and
- consider the creation of an EU Agency for Reconstruction in Palestine, along the lines of the EU Agency for Reconstruction in Kosovo?

In general, the Commission also invited the Council to endorse the objectives and priorities set out in the Communication. Does the Government have a view on priorities in what is a long list of desirable actions in support of the economic and political viability of the Palestinian Authority? Should the Member States co-ordinate their aid according to agreed priorities?

Finally, the Sub-Committee discussed the considerable problems of corruption plaguing the Palestinian Authority. Could the Government give a fuller explanation of the conditionality that will be applied to the aid? In this Communication the Commission has proposed a very considerable increase in aid to the Palestinian Authority. Is the Government fully satisfied that there will be sufficient control on the use of this money?

3 November 2005

Letter from Rt Hon Douglas Alexander MP to the Chairman

Thank you for your letter of 3 November requesting further details about the Government's position on the above-mentioned Commission Communication. I hope this response, which has been agreed with the Department for International Development, provides you with a fuller account of the points that you have raised.

³⁴ Communication from the Commission to the Council and the European Parliament: EU-Palestinian cooperation beyond disengagement—towards a two-state solution, Ref. COM (2005) 458 final, Brussels 5.10.2005.

1. MECHANISM FOR CO-ORDINATED EU ACTIONS-CLEARING HOUSE

We strongly support enhanced donor co-ordination within the Palestinian territories. DFID has seconded a senior official to James Wolfensohn's team to work on strengthening donor co-ordination systems. Donors and the Palestinian Authority (PA) are now close to finalising simplified local aid co-ordination structures. These new arrangements will focus on the four key areas of infrastructure, governance, economic and social/humanitarian issues. The EU will act as lead donor on governance issues.

A good mechanism to co-ordinate donor assistance is essential. In our view, the recently established joint PA-donor Local Aid Co-ordination Committee should undertake this clearing house role.

2. COMMISSION'S OBJECTIVE TO COMMENCE NEGOTIATIONS IN DUE COURSE WITH THE PALESTINIAN AUTHORITY ON AN ASSOCIATION AGREEMENT

An Interim Association Agreement on Trade and Co-operation between the European Commission and the Palestinian Authority came into force on 1 July 1997. We believe that this is an important framework to contribute to the social and economic development of the West Bank and Gaza Strip as well as to foster closer relations between the EU and the PA, in particular in the field of economic co-operation. We therefore welcome the Commission's renewed efforts to ensure the full implementation of the Agreement. We also support the Commission's proposals to overcome difficulties faced by Palestinian and EU producers in gaining access to their respective markets as well as to press for full recognition of the Interim Association Agreement by Israel.

Alongside the Interim Association Agreement; the EU and the Palestinian Authority have agreed a European Neighbourhood Policy (ENP) Action Plan. The inclusion of the Palestinian Authority in the ENP reflects the political importance of the EU's relationship with the Palestinians. The Action Plan defines the way ahead for the next three years and covers a number of key areas for specific action. It also builds on and reflects the existing state of relations with the Palestinian Authority and includes commitments on the fight against terrorism and the proliferation of weapons of mass destruction. We believe that the approach in the Action Plan rightly combines opportunities for closer co-operation in areas of common interest, with a stronger desire from the EU to establish a set of shared common values. We hope that the Action Plan will provide support and impetus to the Palestinian Authority's own reform programme aimed at improving governance and services for the Palestinians. In setting out jointly agreed areas for reform, the Action Plan will also serve as an effective tool for targeting technical assistance.

Looking towards the longer-term, we support the Commission's ambition that upon the establishment of an independent Palestinian State, the EU should commence negotiations on a full Association Agreement, similar to those that have been agreed with other third countries in the region.

3. EU AGENCY FOR RECONSTRUCTION IN PALESTINE

We think the idea of creating an EU Agency for Reconstruction in the Palestinian territories a good one, on the basis that it may well increase the effectiveness of development assistance. There are risks of extra bureaucracy and duplication, which would need to be addressed. It is particularly important that such an Agency complements existing and proposed donor structures, works closely with

the Wolfensohn team and contains staff who are skilled in civil policing, governance, institutional development and donor co-ordination. It is also important that the Agency is fully in touch with diplomatic efforts on the Middle East Peace Process and that its structure is relatively light. Once the Commission decides to take forward its planning for the Agency we will liaise with it on its plans to help to ensure that our concerns are addressed.

4. PRIORITIES

It is important that EU Member States co-ordinate their aid according to agreed priorities. Pooled and harmonised funding arrangements within the Palestinian territories are already beginning to develop momentum. These include the World Bank's Reform Trust Fund, through which a number of donors including the UK provide budget support to the PA. The EU Coordinating Office for Palestinian Police Support (EU COPPS) brings together policing expertise from across the EU to support the capacity development on security. The new Infrastructure Facility should do the same for infrastructure. It is particularly important that future donor assistance is focused on responding to the various priorities identified within the PA's forthcoming three-year Medium Term Development Plan (MTDP).

We support the various economic priorities identified in the Commission's Communication through both our provision of budget support to the Palestinian Authority and of technical assistance: The Government's approach is particularly centred on support for four of the Commission's economic priorities:

- In providing specialist assistance to the building up of Palestinian capacity in customs administration and border controls. In particular, we are contributing to the EU's "third party" monitoring role at the Rafah checkpoint that will enable the direct export of Palestinian goods. The Government fully recognises the importance of improved access, trade and movement to Palestinian economic viability and the possibility of successful future peace negotiations;
- To improve the management of public finances by providing budget support (both directly through bilateral funding and indirectly through our 18% contribution to EC funding) in response to the Palestinian Authority's attainment of agreed financial reform benchmarks. The purpose of the existing budget support instrument is to support Public Financial Management reforms and better planning and budgeting. Future European donor efforts centred around a redesigned budget support instrument will rightly ensure a greater focus on Palestinian identified priorities and increased aid predictability;
- In providing support to the private sector through supporting the domestic enabling environment for investment and various initiatives to support domestic enterprise (for example, the establishment of loan guarantee schemes); and
- In developing bilateral and regional trade relations at the point of final status negotiations. In the meantime, we along with other EU Member States will work closely with the Commission in supporting James Wolfensohn's efforts on improving movement, access and trade.

We will also continue to ensure that all-important needs are covered through the Ad Hoc Liaison Committee. The Commission's political priorities that the UK Government focuses on are:

- Improving security, as progress on Palestinian delivery of their security commitments is crucial. The EU should continue to work closely with the US Security Co-ordinator (General Dayton has been appointed as successor to General Ward to lead on the enhanced mission) and the Palestinians on this. The EU is committed to continued and enhanced support for Palestinian civil policing (eg through EU COPPS) in order to help build the necessary security environment in Gaza following Israeli disengagement;
- Making public administration more effective as it is vital that the Palestinians develop credible and effective institutions in order to develop effective control of Gaza and the northern West Bank. Only then will the Palestinians in these areas enjoy a greater quality of life and the Israelis benefit from greater security. This in turn should create an environment where both sides can make progress on their Roadmap commitments; and
- Addressing the refugee issue beyond immediate humanitarian needs through our support for the current UNRWA external review.

5. CORRUPTION ISSUES

Much of the Commission's support to the PA has been through providing budget support through the multi-donor Reform Trust Fund. Disbursement of funding is conditional on the achievement of benchmarks for reform, progress against which is carefully monitored. These conditions have helped the PA improve its financial control and management and reflect the EU's commitment that aid should be properly accounted for, used for the intended purposes and represent value for money. Donors also agree that there is a need to refocus a future Trust Fund. In order to address structural change, the new programme will need a set of broader conditions encompassing development planning, recurrent expenditures and reforms that address the size and efficiency of the civil and security services.

The European Anti-Fraud Office (OLAF) has recently completed an investigation into alleged irregularities concerning EC budget assistance to the PA. This investigation found no conclusive evidence of support of armed attacks or unlawful activities financed by EC contributions to the PA budget. However, primarily due to the fact that audit capacity in the PA was still underdeveloped, OLAF felt that the possibility of misuse of its budget could not be excluded. Strengthening audit is one of the requirements under the Reform Trust Fund.

29 November 2005

APPENDIX 7: GENERAL AFFAIRS AND EXTERNAL RELATIONS COUNCIL, 18 JUNE 2007

doc. 10657/07 (Presse 138)

Middle East Peace Process—Council conclusions (extract pp.19–20)

The Council adopted the following conclusions:

- (1) “The Council expresses its deep concern regarding the extremely serious events in Gaza. The Council condemns in the strongest possible terms the violent coup perpetrated by Hamas militias, in particular attacks against and the destruction of the legitimate security services of the Palestinian Authority, the summary execution of many of its members, the attacks against hospitals and the cruel treatment of captives. The Council deeply deplores the loss of human life, including civilians and humanitarian workers. The Council calls for the immediate cessation of all violence and hostilities, including in the West Bank, and for the restoration of law and order. All those responsible for criminal acts in violation of the standards safeguarded by international humanitarian law and of fundamental human rights must be held accountable.
- (2) The Council supports the Arab League’s call for restoring Palestinian National unity and the unity of Palestinian territory. The Council also supports ongoing efforts by the Egyptian government to mediate a cease-fire. It appeals to all the countries of the region to join these efforts and to help stop the supply of weapons to the militias.
- (3) In calling for an urgent political solution of the crisis, the EU expresses its full support for President Abbas and his decisions taken within his mandate to declare a state of emergency and to install an emergency government for the Palestinian Territories under Prime Minister Fayyad, underlining the importance of the Palestinian basic law. All Palestinian parties should abide by his decisions. It recalls that reconciliation and national unity behind the programme of peace articulated by President Abbas is the only way to achieve Palestinian national goals.
- (4) Gravely concerned by the critical humanitarian situation in Gaza, the EU will do its utmost to ensure the provision of emergency and humanitarian assistance to the population of Gaza, whom it will not abandon. Unimpeded access to humanitarian aid deliveries must be guaranteed. The extension of the Temporary International Mechanism (TIM) for a further three months until September 2007 will also contribute to the emergency relief. The EU calls on Israel to facilitate the provision of humanitarian help.
- (5) The Council reiterates its call on Israel for the immediate release of withheld Palestinian tax and customs revenues.
- (6) The EU will resume normal relations with the Palestinian Authority immediately. With this objective, the EU will develop the conditions for urgent practical and financial assistance including:
 - direct financial support to the government;
 - support to the Palestinian Civilian Police through the resumption of EUPOL COPPS;

- the resumption of the EU Border Assistance Mission (EUBAM) Rafah;
 - intensive efforts to build the institutions of the future Palestinian state.
- (7) In the current circumstances it becomes all the more urgent to take forward a credible peace process which can give the Palestinian people the perspective of an independent, democratic and viable state living side by side with Israel, and bring peace and stability to the Middle East.”

APPENDIX 8: RECENT REPORTS

Recent Reports from the Select Committee

Evidence from the Minister for Europe on the Outcome of the December European Council (4th Report, Session 2006–07, HL Paper 31)

Government Responses: Session 2004–05 (6th Report, Session 2006–07, HL Paper 38)

The Commission's 2007 Legislative and Work Programme (7th Report, Session 2006–07, HL Paper 42)

Evidence from the Ambassador of the Federal Republic of Germany on the German Presidency (10th Report, Session 2006–07, HL Paper 56)

The Commission's Annual Policy Strategy for 2008 (23rd Report, Session 2006–07, HL Paper 123)

Evidence from the Ambassador of the Federal Republic of Germany on the German Presidency (24th Report, Session 2006–07, HL Paper 125)

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