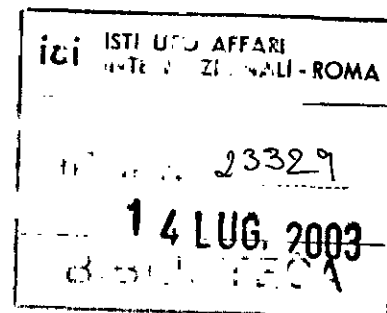
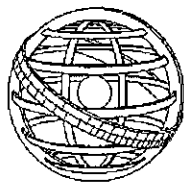


**THE ITALIAN PRESIDENCY OF THE EU**  
**(TEPSA Presidency Conference)**  
Istituto affari internazionali (IAI)  
Trans European Policy Studies Association (TEPSA)  
Roma, 27-28/VI/2003

- a. Programme
- 1. "The EU and the Mediterranean: overhauling the status quo policy approach"/ Alvaro de Vasconcelos (12 p.)
- 2. "EU policies towards the Balkans"/ Marie-Janine Calic (11 p.)
- 3. "Recoupling Russia: staying the course Russia-EU under the Italian presidency"/ Stephan De Spiegeleire (18 p.)
- 4. "The European Union and the future of Iraq"/ Roberto Aliboni (4 p.)





*Istituto Affari Internazionali*



*Trans European Policy Studies Association*

*with the support of*

*Italian Ministry of Foreign Affairs*

*The European Commission, Brussels*

*Compagnia di San Paolo*

## TEPSA PRESIDENCY CONFERENCE

### **The Italian Presidency of the EU**

**Rome, 27 and 28 June 2003**

**Circolo Ufficiali FF. AA. d'Italia**

**Palazzo Barberini**

**Via delle Quattro Fontane, 13**

**Working Languages:** Italian and English (*with simultaneous translation limited to the plenary sessions*)

#### **Friday, June 27, 2003**

**14:00 Registration**

#### **14:30 PLENARY SESSION**

**Welcome and Introductory remarks. Presentation of TEPSA projects.**

*Gianni Bonvicini*, Director, Istituto Affari Internazionali (IAI), Rome

*Wolfgang Wessels*, Professor, Jean Monnet Chair, University of Cologne;

Chairman of Trans European Policy Studies Association (TEPSA)

#### **14:45-16:00 The Future of the European Union: from the Convention to the IGC**

**Chair:** *Gianni Bonvicini*, Director, IAI, Rome

**Speakers:** *Giuliano Amato*, Vice Chairman, The European Convention  
*Elmar Brok*, Representative of the European Parliament to the Convention,  
Germany

**16:00 - 16:15 Coffee-break**

**16:15 – 18:15                      The Role of the Italian Presidency in view of the IGC**

Chair:                      *Christian Franck*, Professor, University of Louvain la Neuve;  
Secretary General of TEPSA

Speakers:  
*Ricardo Franco Levi*, Director, Policy Advisory Service,  
European Commission  
*Ferdinando Nelli Feroci*, Deputy Director General of the European  
Integration, Italian Ministry of Foreign Affairs

Comments  
*Lapo Pistelli*, Member of the Italian Parliament  
*Luigi Ramponi*, Chairman, Defence Committee, Italian Chamber of  
Deputies  
*Umberto Ranieri*, Member of the Italian Parliament  
*Wolfgang Wessels*, Professor, Jean Monnet Chair, University of  
Cologne, Chairman of TEPSA

**Saturday, June 28, 2003**

**09:30 – 12:00                      The Priorities of the Italian Presidency for Common Foreign and  
Security Policy.**

**WORKING GROUPS**

**First working group: The Mediterranean**

Chair                      *Nikos Frangakis*, Director, Greek Centre Of European Studies &  
Research (EKEME), Athens

Speaker:                      *Alvaro Vasconcelos*, Director, Instituto de Estudos Estrategicos e  
Internacionais (IEEI), Lisbon

Commentators:                      *Rosa Balfour*, Researcher, Cespi  
*Eugenio D'Auria*, Plenipotentiary Minister, Italian Ministry of Foreign  
Affairs  
*Giorgio Gomel*, Director of International Relations, Bank of Italy,  
Rome  
*Rodolfo Ragionieri*, Professor, Faculty of Political Science, University  
of Sassari  
*Jan Rood*, Director of Studies, Netherlands Institute of International  
Relations, The Hague

Roundtable discussion

### **Second working group: The Balkans**

Chair: *Dirk Wouters*, Permanent Representative to the Political and Security Committee (PSC)

Speakers: *Marie-Janine Calic*, Researcher, Stiftung Wissenschaft und Politik, Berlin

Commentators: *Francesco Bascone*, Deputy Director General for European Countries, Italian Ministry of Foreign Affairs  
*Stefano Bianchini*, Institute for east-Central Europe and the Balkans  
*Hanna Ojanen*, Senior Researcher, Finnish Institute of International Affairs, Helsinki  
*Marjan Svetlicic*, Professor, University Of Lubljana, Centre for International Relations

Roundtable discussion

### **Third working group: Russia**

Chair: *Ettore Greco*, Deputy Director, IAI, Rome

Speaker: *Stephan de Spiegeleire*, Deputy Program Director for Defence and Security, Rand Europe

Commentators: *Gianluca Bertinetto*, Plenipotentiary Minister, Casd  
*Paolo Calzini*, Professor, Faculty of Political Science, University of Milan  
*Rosanna Coniglio*, Directorate General for European Countries, Italian Ministry of Foreign Affairs  
*Antongiulio De Robertis*, University of Bari  
*Gunilla Herolf*, Senior Researcher, Swedish Institute for International Affairs, Stockholm

Roundtable discussion

### **Fourth working group: The European Union and the future of Iraq**

Chair: *Mathias Jopp*, Director, the Institut für Europäische Politik (IEP) Berlin

Speaker: *Roberto Aliboni*, Vice president, IAI, Rome

Commentators: *Filippo Andreatta*, Professor, Faculty of Political Science, University of Parma  
*Anders Mellbourn*, Director, Swedish Institute of International Affairs, Stockholm  
*Luigi Maccotta*, Head of the Irak Desk, Secretary of the Task Force Irak, Italian Ministry of Foreign Affairs

Roundtable discussion

12:00 -13.15

**PLENARY SESSION**

**Conclusions of the working groups (presented by the chairpersons) and general debate**

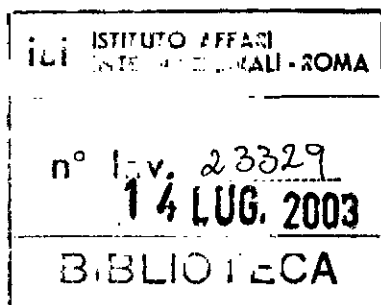
Chair:

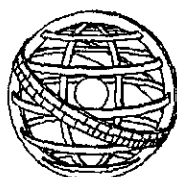
*Jacques Vandamme*, Honorary President of TEPSA

**Conclusions**

*Andrew Duff*, Representative of the European Parliament to the Convention, Great Britain

*Lamberto Dini*, Representative of the Italian Parliament to the Convention





*Istituto Affari Internazionali*

THE EU AND THE MEDITERRANEAN:  
**OVERHAULING THE *STATUS QUO* POLICY APPROACH**

*by*

**Álvaro de Vasconcelos**  
**Director, IEEL, Lisbon**

*Draft – non to be quoted*

***Paper presented in occasion of the TEPSA PRESIDENCY CONFERENCE***

The Italian Presidency of the EU

Rome, 27 and 28 June 2003

**THE EU AND THE MEDITERRANEAN:  
OVERHAULING THE *STATUS QUO* POLICY APPROACH**

Álvaro de Vasconcelos, Director, IEEI, Lisbon

With the remainder of the Balkans (Albania, Croatia, Macedonia, Serbia and Montenegro, and in effect also Kosovo whether or not as part of a larger entity) set on an “irreversible” course towards joining an EU already enlarged to the full breadth of EU-likely Central and East Europe sometime in the future, Europe as such will gradually cease to be a major foreign policy concern of the European Union. Leaving the wider world aside, two “neighbourhood” issues are paramount among current and future EU foreign policy concerns, and crucial to fulfilling its ambition of acting as a major player on the world scene reaffirmed yet again at Thessaloniki:

- Setting the trans-Atlantic relationship on a new footing, and
- Dealing with the narrower (North Africa and Near East, i.e. the current membership of the Euro-Mediterranean Partnership) and the wider Mediterranean area, including the vast implications of the new Iraq equation for the whole region.

These two issues are obviously intertwined, and clearly more so since the run-up to the Iraq war, and to some extent indistinguishable. Although EU Mediterranean policy should fully take into account relations with the US, just like the relationship with the US should fully take into account Europe’s interests in the Mediterranean, this paper is concerned with policy guidelines for the ‘narrower’ Mediterranean space as defined above.

The rift in Europe in relation to the ‘Iraq question’ was not essentially about Iraq, where some degree of broad consensus, including with the United States, had been the rule, but rather about how to deal with the inflection in US policy towards the broad Mediterranean region which contemplated so-called pre-emptive, unilateral military intervention in the region. The question will again arise should the US administration decide on a similar course of action anywhere else in the Mediterranean. Most EU members regard the region as Europe’s and their own backyard no less in terms of security, and are thus extremely sensitive and reluctant to accept any kind of



change that would upset the current equilibrium on which the EU has a vested interest.

Europe's manifold ties to its Mediterranean periphery are deeply rooted in history (which can at times be a complicating factor). The 'human dimension' predominates over strong economic, political and cultural ties: well over ten million among Europe's population indeed originates in the Mediterranean. Patterns of distribution in Europe of nationals from Algeria, Morocco, Tunisia, and also Turkey have changed in recent years. While France remains the main host country for Maghreb nationals, increasing numbers of Moroccans and Tunisians are settling in Italy, Spain and Germany. The Turkish population in Germany (2.1 million) remains the largest foreign community in any EU country, and accounts for almost 30% of the country's foreign residents. Turks have also migrated in large numbers to France, Belgium, the Netherlands and Denmark. In the latter two they represent 15% of the foreign population. The 'wider Europe' policy, intended to gradually expand the European Economic Area so as to make it coincide eventually with the 'definitive' neighbouring countries of the EU, will also likely result in a further intake of migrant workers from at least part of the current members of the Euro-Mediterranean Partnership (EMP).

Over-simplifying, it can be said that the Mediterranean is largely to Europe what Mexico is to the United States. There is one essential point of difference, however: most Americans consider that Mexico today shares the same values and the same political culture that informs their own system. Europeans, on the contrary, although wary of seemingly perennial authoritarianism in the Mediterranean, have mounting anxieties towards change, lest this should land the radical Islamist alternative in power. These anxieties, compounded by the terrorist factor, have in effect severely constrained European foreign policy options towards the region.

Paradoxically, or may be not, 'backyard' considerations do not apply to the Middle East conflict. Europe is acutely aware of its own partly self-imposed limitations as a major actor in the region, and is only too willing to leave the leading role of interested mediator to the United States and content to play whatever subsidiary role the US requests it to perform.

Although the EU is doubtless aware of the importance of the Mediterranean region and anxious to avert the spill-over effects of crises in the Mediterranean, it has not so far been able to formulate a strategy to govern both its cooperative long-term initiatives towards the region such as the Barcelona Process and the whole array of instruments for external action across all the three pillars of the Union into a comprehensive and coherent

whole primarily concerned with preventing and defusing crises and more importantly supporting democratic change, human rights, justice and the rule of law throughout the region.

The Common Strategy for the Mediterranean, adopted in 2000, falls short of providing a compass that enables the Italian presidency to steer the course of the EU's Mediterranean policy in the second half of 2004. What follows from the common strategy is broadly speaking what preceded it, i.e. what the EU had been doing since 1995 and up to the present moment.

The *Euro-Mediterranean Partnership*, which precedes the common strategy for the Mediterranean by almost five years, is a long-term initiative designed to bring about democracy and peace in Europe's southern periphery through a process of inclusion aimed at achieving shared prosperity. The Barcelona Process, as the EMP is more widely known, relies on the correct assumption that in the Mediterranean region difficulties arise mainly out of unresolved issues in the economic, social and political arena, mainly illiteracy and rising unemployment, and weakened legitimacy arising from the prevalence of "obsolete norms."<sup>1</sup> Barcelona also seeks to address the huge and deepening gap in the general public's perceptions about the Other. There is no viable alternative to this comprehensive approach. Though there is certainly room for much improvement, Barcelona can not be replaced by free trade initiatives – irrespective of whether they are labelled as partnerships or not – involving the United States. Such initiatives should however not be opposed. If successful, they could complement and reinforce the Euro-Mediterranean Free Trade Area that should be in place by 2010.

Aside from the EMP, there are no real policy guidelines to deal with crisis either in the Maghreb or the Middle East. As far as the latter is concerned, divisions among EU members led to agreement on leaving it virtually out of the common strategy for the Mediterranean, and the EU geared itself up to play a significant role only after peace had been achieved. While the peace process was seen to be progressing, the EU concentrated on building the infrastructure of the Palestinian Authority thus helping bring about the basis for a future Palestinian State. Once the destruction of the PA, designated as the "infrastructure of terror", became official Israeli policy under PM Ariel Sharon, the EU largely limited itself to putting pressure on Yasser Arafat,

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<sup>1</sup> UNDP, *The Arab Human Development Report 2002*. The linkage between economic and social development and substantial progress in citizen empowerment and strengthening the civil society as a whole, together with democratisation, human rights and the rule of law is clearly established in the UN report.

hoping the United States would keep their side of the bargain and restrain the Israeli government.

The same virtual absence of political clout arising from a lack of internal consensus is also the rule towards the West Mediterranean. There is no European policy as such either for the Maghreb as a grouping or individual crisis in the area. Again, both Algeria and the Western Sahara were left out of the common strategy altogether. In spite of the catastrophic proportions of the death toll in Algeria since the outbreak of widespread violence in 1991-92 (which conservative estimates put above 120,000), the EU has been remarkably unable to devise a single common initiative and does little more than repeatedly offering condolences to the victims of violence and terror. The pre-11 September mild appeal of the Göteborg European Council to the Algerian government "to launch a political initiative to overcome the crisis by means of dialogue among all Algerians" was not echoed by any of the subsequent presidencies.<sup>2</sup>

The EU has as a rule has preferred regime stability to political transition in the Mediterranean for fear that radical Islamist forces might come to power as a result of change, and often acts hesitantly as a result when it comes to dealing with human rights violations and the restriction of civil liberties. This attitude has been hardened in the wake of the 11 September events, as the United States and to a lesser extent the EU defined 'Islamist' terrorism as the main threat to world security, thus leading the authorities in a number of southern countries to feel justified in their heavy-handed approach to the broader Islamist phenomenon.

The concern for "stability first" which prevails in the Council and CFSP in general has been recently challenged to some extent by the Commission in the strategic guidelines for action on human rights and democratisation with Mediterranean partners, which strongly stresses the need for and makes concrete proposals to achieve coherence and consistency in all aspects of EU action, including community matters and CFSP, in light of a "more proactive approach" towards the promotion of democratisation and human rights.<sup>3</sup> Interestingly, the mid-term ministerial in Crete "recognised the

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<sup>2</sup> Presidency Conclusions. Göteborg, 15-16 June 2001.

<sup>3</sup> Communication from the Commission to the Council and the European Parliament – Reinvigorating EU actions on Human Rights and Democratisation with Mediterranean Partners. Strategic Guidelines. Brussels, 21 May 2003. COM (2003) 294 final.

necessity of allowing for an open discussion of issues related to human rights and democracy” in the context of the wider Europe initiative.<sup>4</sup>

Italy may be the last country with a strong interest in the Mediterranean to take over at the helm of the EU. This is happening at a time when the best formula to ensure that the foreign and security policy agenda reflects a correct mix of the particular sensitivities of member states has yet to be devised, and thus the Italian presidency bears a particular responsibility.<sup>5</sup> It would seem the moment has come to re-open the debate on the EU's Mediterranean policy guidelines. Should it wish to leave its mark, the Italian presidency cannot merely do well what has already been decided and simply follow on the footsteps of its predecessors. It must introduce some measure of innovation. Europe needs to take a hard look at the flaws and inconsistencies in the full panoply of tools for external action towards the Mediterranean, and make a thorough assessment of results achieved against objectives set forth, thus setting the course for future action.

### **Italian Presidency Priorities**

Re-drafting the CSM The Italian presidency should re-launch the debate on the CSM on the basis of a policy paper that takes account of the implications for its Mediterranean policies of the Wider Europe/Neighbourhood document put forward by the Commission during the Greek presidency, and spelling out clear criteria of “positive conditionality” in order to pick which EMP countries should be singled out for first-wave EEA status. This reassessment should propose the guidelines for a *truly comprehensive policy of the EU for the Mediterranean*, encompassing the political, including security and justice, the economic and social realms. This overall strategy should be consistent with the following options:

### ***Putting Democracy and Human Rights First***

The general attitude towards political change in the region should be reversed. This is indeed the main element of change that needs to be made in

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<sup>4</sup> The Euro-Mediterranean Mid-Term Meeting of Foreign Ministers, Crete, 26-27 May 2003. Presidency Conclusions.

<sup>5</sup> According to the draft Constitution presented by the European Convention, rotating presidencies will end by 2009. If this proposal is accepted by the IGC, this might be the last time Italy holds the Presidency of the EU.

overall EU policy, from which to some extent other options should be derived. Not only should the EU be more active in the promotion of human rights and individual freedoms, but it should actively support political reform conducive to democracy and the rule of law. Opposing the neo-conservative doctrine of regime change through military intervention if deemed necessary should not translate into supporting the status quo at all costs. That option does no longer even exist: it is denied in practice as a consequence of American activism, and more importantly because authoritarianism breeds all kinds of radical fundamentalist alternatives to existing regimes. The conclusion that helping the Arabs out of their present context "now dominated by anti-democratic regimes and anti-modernist religious leaders and educators" is the only way to "break the engine that is producing one generation after another of undeterrables [potential terrorists]"<sup>6</sup> is equally applicable to radical political Islamist forces. However, widely different and indeed conflicting policy options can be based on this same premise.

The awareness that lack of progress in political reform breeds radicalism and garners popular support for Islamist forces has not however led the EU to define a consistent strategy for supporting peaceful and gradual political transformation from within. On the contrary, some think that what Europe needs right now in order to counter the terrorist threat is to be surrounded by regimes where the crack down on Islamist oppositions is not inconvenienced by human rights and justice concerns. Others think that EU efforts should solely concentrate on fostering progress along the economic front, since democracy or meaningful political reform will have to wait for sound economic development.

Europe's policy towards political reform in its southern periphery should avoid the kind of contradiction that plagues US policy: whilst it is admissible to impose "democratic change" from the outside including through the use of military force (Iraq), the abandonment of concerns for human rights and justice, thus in effect legitimising repressive state strategies, is equally admissible when it comes to fighting terrorism. Two years after the "war on terrorism" was launched, the Mediterranean environment has become more repressive, not less, and on the strength of old or new anti-terrorist, NGO and other laws, heavier constraints are placed civil society and political participation more vigorously enacted, the stifling of opposition extends far beyond radical Islamists bent on violence or

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<sup>6</sup> Thomas L. Friedman, "Iraq, Upside Down", *New York Times*, 18 September 2002.

terrorism and is targeting all kinds of independent movements and individuals, including pro-democracy, pro-human rights secular activists, NGOs and political forces.<sup>7</sup>

To counter the neo-conservative radicalism of regime change, it is imperative to actively promote gradual reform, so that all political forces that refuse violence and accept the rules of the game can be included in the public space, including movements and forces with Islamist leanings. In sum, this would mean to be willing from the outset to accept the verdict of the people, even if it might be one that is not to our liking. This process of taking the moderate (i.e. those who accept to abide by the rules of the game) Islamists on board, as opposed to the “terminator” approach (*éradication*) is being attempted in Morocco and Jordan. It has been obviously successful in secular Turkey, where a democratic, pro-Europe party with an Islamic rooting is now in power through a landslide victory in a democratic election thus bringing new hopes that Islamic-Democrats are no less viable as a political option than, say, Christian-Democrats. The democratic consolidation of the Justice and Development (AK) party may come to represent a paradigm for a “wave of democratisation” in the region, especially if the Moroccan experiment were to be successful and if a democratic Palestinian State were indeed to emerge. Bringing about and consolidating transformation and change, as the wealth of experience on democratic transition clearly demonstrates, requires some form of consensus between all political forces willing to play by the rules of the game within one same national public space.

Suggesting that the EU should actively engage in promoting its own vision of democratic and thus adopt a pro-active stance with respect to the core objectives of its external action is by no means to suggest that the EMP framework should be downgraded. It means, rather, that the EU should strive more consistently to achieve the goals of the EMP, and adhere more strictly to the *common objectives* spelled out in the Barcelona Declaration, which carries 27 signatures, in particular those which were deemed as pertaining to internal and external stability, among which it might be useful to recall the following:

- develop the rule of law and democracy in their political systems, while recognising in this framework the right of each of them to choose and freely develop its own political, socio-cultural, economic and judicial system.

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<sup>7</sup> See for example Human Rights Watch, *World Report 2003* (overview of the Middle East and North Africa, as well as individual country reports).

– respect human rights and fundamental freedoms and guarantee the effective legitimate exercise of such rights and freedoms, including freedom of expression, freedom of association for peaceful purposes and freedom of thought, conscience and religion, both individually and together with other members of the same group, without any discrimination on grounds of race, nationality, language, religion or sex.

***Middle East road map: advocating an international peace force at an early stage***

The notion that peace in the Middle East can be brought about through a lengthy process of negotiations between the parties to the conflict can no longer be sustained. This was the notion behind Oslo, and any attempt at resuscitating a process that has led to nowhere except to renewed violence is doomed to failure. This is to say that if the road map to a two-state solution is indeed to lead to that end result, the current cycle of violence must be broken so that a peaceful environment in which negotiations will be allowed to proceed towards the desirable outcome can have a real chance of success. Protracted negotiations prone to sabotage at any point by extremists in both camps will only lead to frustration, increased violence and human tragedy of catastrophic proportions.

Exclusive reliance on the good faith of the parties or even their ability to deliver on concrete milestones of the roadmap up to required standards, especially as far as security is concerned, would seem to require far more than monitoring mechanisms in order to bring about a cease-fire. All previous attempts (Tenet, Mitchell recommendations), concerned exclusively or primarily with cease-fire and security arrangements have predictably failed. It is highly questionable, for example, that the Palestinian Authority, whose security forces have systematically been targeted by the IDF with far greater intensity and success than was achieved or initially intended against Hamas, for instance, can actually take full responsibility for security. The latter is actually taken in the sense of guaranteeing the utter suppression of violence, i.e. violence against any Israeli targets originating in territories under Palestinian control. Any agreement on a cease-fire or truce, however, and the length of time it will hold, depends on progress along the political track. It is also heavily dependent upon a general alleviation of the military stranglehold, including the abandonment of targeted killings, collective punishment including house demolitions, and the enclosure of Palestinian territories, to name but a few.

A degree of protection of Palestinian civilians that Palestinian security forces are not able (nor certainly expected) to provide against IDF incursions

and attacks, which are consistently causing a mounting proportion of civilian casualties, is therefore indispensable if the equally essential goal of protecting Israeli civilians from attacks originating inside the Occupied Territories or elsewhere is to be achieved. Establishing "a credible and effective monitoring mechanism" as suggested in the conclusions of the Thessaloniki Summit is a necessary first step to assist the parties in bringing about the desirable outcome of the road map. Monitoring, however, will simply not suffice. An effective abandonment of the military solution, which has proven so tragically ineffective, must be sought. An international military force with very clear rules of engagement, primarily concerned with the protection of civilians against all kinds of violence from all quarters, and possibly consisting mostly of US personnel in order to make it more palatable to Israel, should be deployed if the road map is to succeed. Israel's reluctance to accept any such solution, which the PA has been eagerly demanding for years, is certain to be huge and perhaps impossible to overcome. This does not mean that all possible degree of persuasion should not be exerted, nor should the obvious difficulties deter the EU from what would seem the only viable option to ensure meaningful disengagement. There is a very real risk that the outcome of the Israeli-Palestinian conflict in the near and not so near future is not peace, let alone a just and lasting peace. There is a very real possibility that the road map, in spite of the welcome personal commitment of the US President, will simply not lead to its intended outcome. Further escalation is not inconceivable. If all parties concerned correctly assess these risks, including the sponsors of the road map and notably the EU, there is a chance that an international force might be accepted by all the members of the Quartet and thus made acceptable to the parties involved.

### ***Differentiation as a rule, not an exception***

One of the difficulties of the Barcelona Process is that it is ill adapted to notions of "variable geometry". As a result, there are no mechanisms for positive conditionality, i.e. to reward any given country for progress in human rights and democracy or in any other area.

The Commission's Wider Europe/Neighbourhood initiative broadly endorsed at the Thessaloniki Summit, which as an alternative to future membership in the EU promises inclusion into the European Economic Area and its inherent freedoms to Mediterranean partners, could provide if adequately used ("reverse conditionality" being an obvious precondition) just the incentive for wider reform. It does clearly introduce differentiation



and positive conditionality into the process, for it is required that EEA hopefuls “be capable of delivering full transition to comply with international political, legal and human rights standards and obligations. (...) Engagement should therefore be introduced progressively, and be conditional on meeting agreed targets for reform. New benefits should only be offered to reflect the progress made by the partner countries in political and economic reform. In the absence of progress, partners will not be offered these opportunities. The principles of differentiation and progressivity should be established by means of country and/or regional Action Plans.”<sup>8</sup>

### ***EU autonomy as a key to success of its future Mediterranean policy***

The success of any cooperative approach or initiative such as the EMP requires that the EU fully develop its own foreign and security policy instruments quite independently, so as not to be held hostage at any stage by the processes in which it is engaged. For example, should the confines of the EMP prove too narrow and the consensus rule continue to impede significant progress in the promotion of democracy and human rights, then the EU should not lower its own standards but rather seek closer cooperation with “front-runners”. In other words, the EU “must define its positions and political priorities quite independently from its partners ... and from the institutions associated with it. It must not become a hostage to either the transatlantic or the Barcelona framework”<sup>9</sup>. This does not mean either to say that relations with the US are not of vital importance or that a multilateral approach is any less essential in both frameworks.

### **Operational priorities**

In line with the suggested policy priorities, it is suggested that the Italian Presidency should undertake the following concrete steps as part of its Mediterranean action plan:

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<sup>8</sup> “Wider Europe – Neighborhood: a New Framework for Relations with our Eastern and Southern Neighbours”, COM(2003) 104 final.

<sup>9</sup> For a full discussion of this issue, see Álvaro de Vasconcelos (coord.), Roberto Aliboni *et al.*, *A European Strategic Concept for the Mediterranean* (Lisbon: IEEL, Lumiar Papers 9, 2002).

### *The EMP and North/South inclusion*

- Launch specific programmes tailored to support democratic transition in those countries that are taking concrete steps in that direction, in particular in the light of Commissioner Patten's recommendations towards greater complementarity between MEDA and EIDHR resources.<sup>10</sup>
- Set up a mechanism within the EMP designed to assess progress in human rights promotion, in line with the suggestion made in the first EuroMeSCo report that proposed the creation of a "structure for the implementation of jointly assumed principles ... a collegiate 'ombudsman'" to fulfil this role.
- Address the issue of a EU immigration policy with a new sense of urgency, notably to put an end to the humanitarian tragedy in which seeking access into the EU often results. Two concerns should be paramount: guarantee humane treatment consistent with EU human rights standards to those seeking entry and correctly assess the EU's rather large needs in terms of migrant labour; and step up the fight against human traffickers and mafias that engage in this modern form of slavery.
- Working towards a successful Naples Ministerial:
  - . Ensure that the future Euro-Mediterranean Parliamentary Assembly reflects a correct balance between the European and national parliaments (in line with EuroMeSCo's recommendations<sup>11</sup>).
  - . Fully discuss the implications of the wider Europe initiative for the EMP and its future, while ensuring that it will constitute an incentive to strengthened political and security cooperation and not a substitute for it. If the latter view should prevail, the EMP's identity would be lost.
  - . Establish the Euro-Med Cultural Foundation not as a promoter of a vague dialogue of civilisations but rather as an instrument to understand diversity and above all for promoting cultural pluralism in the whole Euro-Mediterranean area.

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<sup>10</sup> Communication from the Commission to the Council and the European Parliament – Reinvigorating EU actions on Human Rights and Democratisation with Mediterranean Partners. Strategic Guidelines. Brussels, 21 May 2003. COM (2003) 294 final.

<sup>11</sup> For a discussion of this issue, see Erwan Lannon, *Parlements et société civile dans la sécurité euro-méditerranéenne*, EuroMeSCo Paper 19, November 2002.

### ***Israeli-Palestinian conflict***

- Work towards the early establishment of a “credible and effective monitoring mechanism” to assist the parties in implementing the measures contained in the road map to a two-state solution.
- Support Kofi Annan’s proposal for an international military force to support efforts to implement the road map.
- Step up the efforts to urgently address the grave and worsening humanitarian situation in Palestine.

### ***European Security and Defence Policy***

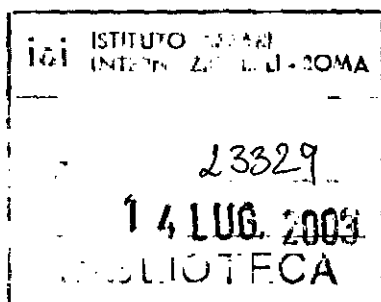
Set up the proposed defence dialogue with southern Mediterranean countries. Complete the definition of the framework and the objectives of such a dialogue, and ensure that a non-governmental dimension is added to it. It is equally crucial to ensure that the dialogue rapidly evolves from issues of scope and definition to issues of concrete cooperation. It is desirable that the idea of variable geometry as far as cooperation is concerned should be retained.

### ***Fight against terrorism***

The most worrying security development is the growing ‘banalisation’ of violence against civilians perpetrated by states and radical groups within the region. All forms of terrorism should be vehemently condemned and combated. The issue of extra-judicial killings should equally strongly be condemned, and properly addressed. Linkage between international justice and the fight against terrorism is of crucial importance so that premeditated violence against civilians can be stopped or diminished. Equally, all internal security issues, including anti-terrorism measures, must be strictly linked to co-operation over issues of justice, fundamental rights and freedoms. In the framework of Justice and Home Affairs, encouraging progress notably in what concerns the reform of the judiciary has been made, and cooperation in this vital area should be actively pursued. The promotion of a multilateral security and justice culture is in the interest of the EU and the region as a whole. Those countries that have not yet done so should be encouraged to promptly ratify the Rome Statute of the International Criminal Court.<sup>12</sup> This issue should be taken up in the EMP framework.

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<sup>12</sup> Among non-EU EMP members, only Jordan that is also the only country among the first signatories of the Rome Statute (1998) had ratified it up to 30 June 2003.





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***EU POLICIES TOWARDS THE BALKANS***

*by*

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*Marie-Janine Calic*

## EU Policies towards the Balkans

Conference: The Italian Presidency of the EU, Rome, 27-28 June 2003

From the early 1990s onwards, the European Union has assumed ever greater responsibility in conflict prevention, crisis management and post-conflict rehabilitation in Southeast Europe. Despite more recent overseas challenges, the EU is, today, more substantially engaged in the Balkans than ever before. The EU's engagement in the Balkans had a catalysing effect on the formation of its common foreign and security policy, and the region serves as the most prominent testing ground for new instruments in the field of crisis management. Against this background, and for its own sake, Europe cannot afford a failure of its policies in the Balkans.<sup>1</sup> But are the strategies and instruments used really appropriate to accomplish the ambitious goal of stabilising this conflict ridden area? And which are the challenges ahead?

### *I. The EU's Engagement in the Balkans*

Today, the European Union is involved at every level in the Balkans. The means at the EU's disposal comprise for instance development co-operation, diplomatic instruments and political dialogue, as well as new tools in the field of crisis management.<sup>2</sup> But the most powerful incentive for internal reforms, long-term stabilisation and promoting good neighbourliness in the region remains the European perspective.

#### *1. The EU perspective*

Since the creation of the Stability Pact in June 1999, the EU holds out the prospect of association with and potential membership of the Union. In June 2000, the European Council in Feira recognised the five Western Balkan countries as potential members of the Union and

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<sup>1</sup> See Morton Abramowitz and Heather Hurlburt, Can the EU Hack the Balkans? A Proving Ground for Brussels, in: Foreign Affairs, September/October 2002, pp. 2-7.

adopted a strategy of support and EU approximation. „The preparation of the countries of the Western Balkans for integration into European structures is a major priority of the European Union,“<sup>3</sup> the Commission concludes. After some initial hesitation, there is now consensus within the Union that the unification and integration of Europe will be complete only if it also includes Southeast Europe. However, there are different views with regard to the speed and the conditions of SEE accession. There are basically two schools of thinking within the EU: A first group of countries believes that the accession of the Western Balkan countries needs to follow the same criteria and procedures as the ongoing enlargement. This would imply to firmly stick to the Copenhagen criteria. A minority feels however that enlargement would create a black hole in the Balkans and that countries of the region should be granted more support and maybe special conditions for joining the EU. But there is currently little hope for the region that the Copenhagen conditionality could be watered down in the near future.

The centrepiece of the EU's approach is the Stabilisation and Association process (SAP) for the Western Balkan countries, namely Albania, Bosnia and Herzegovina, Croatia, Serbia and Montenegro and Macedonia. The SAP was launched at the Zagreb summit in November 2000, together with the assistance programme CARDS (Community Assistance for Reconstruction, Development and Stabilisation). The core of the SAP is the conclusion of a Stabilisation and Association Agreement (SAA) which commits the SEE countries to a formal association with the EU, over a transition period. The SAP provides intensive technical assistance and support for improved governance, better functioning institutions, democratisation, protection of human rights, refugee return, economic development and the fight against corruption and organised crime.

With regard to the internal conditions for EU approximation and, subsequently, the speed of reform, there is deep divergence within the region. The EU signed the first SAA with Macedonia in April 2001 and a further with Croatia in October 2001. However, both agreements have not been ratified by all EU member states. Only the Interim Agreements, covering trade and trade-related measures, concluded parallel with the SAAs have taken effect. Croatia has, in February 2003, officially applied for EU membership. The application is now under examination by the Commission. Albania has started negotiations early this year on a SAA, but still lags behind on effective implementation of reforms (in particular with regard to police and judiciary) as a prerequisite for further progress towards the EU. Since

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<sup>2</sup> Ettore Greco, South-East Europe: The Expanding EU Role, in: Roland Dannreuther (ed.), 'European Union Foreign and Security Policy: Towards a Neighbourhood Strategy?' (London: Routledge, forthcoming 2003).

<sup>3</sup> Communication from the Commission to the Council and the European Parliament. The Western Balkans and European Integration. COM (2003) 285 final, Brussels, 21.5.2003.

Bosnia and Herzegovina has recently fulfilled the obligations of the “road map“, the Commission has now launched a feasibility study. But it cautions that state institutions are still very fragile so that the conclusion of a SAA appears not very likely in the near future. Also Serbia and Montenegro have made some progress, by adopting the Constitutional Charter and, in June 2003, an Internal Market and Trade Action Plan. Harmonising trade and monetary policies is a precondition for launching a feasibility study. However, a couple of outstanding problems still need to be resolved. For Kosovo, which legally forms part of Serbia and Montenegro, a particular SAp Tracking Mechanism has been established in March 2003 in order to monitor reform progress.

## *2. Crisis management and conflict resolution*

The EU has assumed a very active role in the mediation of conflicts and crises response, as well as in peace implementation. The SG/HR Javier Solana has, at various instances, intervened in evolving crises, such as in Southern Serbia's Preshevo valley, in Macedonia, and the FRY. All cases have proven that the European perspective constituted an important element of leverage that prepared the ground for a peaceful settlement. For instance, in Macedonia, the EU played a leading role in mediating the Ohrid agreement of 13 August 2001, which brought the violent dispute between insurgent Albanians and the Macedonian government to an end. The agreement gives the EU a leading role in overseeing its implementation and thus a major responsibility for its success. Like in Macedonia, the HR facilitated a negotiated settlement between the main adversaries in Serbia and Montenegro. On 14 March 2002, the Proceeding Points between Belgrade and Podgorica were signed, which led to the adoption of the Constitutional Charter and the creation of a loose union of Serbia and Montenegro. With regard to supporting peace implementation, the Union has appointed three special envoys dealing with the region: Alexis Brouhns as EU Special Representative for Macedonia, the High Representative Paddy Ashdown for Bosnia and Herzegovina, as well as the Special Co-ordinator for the Stability Pact for SEE, Erhard Busek.

## *3. Police and security operations*

The EU is also strengthening its commitment in SEE in the security sector. Not only are EU member states supplying the bulk of the peace keeping troops in the Balkans. For instance, some 30,000 soldiers serve as members of KFOR and SFOR, that is 80% of its total strength. In addition, the EU has engaged in conducting its own security operations: In January 2003,



the EU Police Mission in Bosnia and Herzegovina was launched, after the UN's IPTF mission had expired. The launching of Operation Concordia in Macedonia in April 2003 – the first ever EU military mission – , as well as the EU's envisaged lead role in a military operation following SFOR points to the ever growing role in conducting peace keeping missions.

#### *4. Economic and financial support*

The EU – both its member states and the European Commission – is the single largest donor in Southeast Europe, providing humanitarian aid and assistance for economic reconstruction. Since 1991, the Union has provided more than € 7 billion in assistance to the Western Balkans through its various programmes. Further, the EU has substantially contributed to international reconstruction efforts in Bosnia and Herzegovina, Macedonia, and Kosovo. With CARDS, the EU has allocated € 4.65 billion up to 2006 in order to help creating the necessary conditions for a privileged relationship with the Union. It was envisaged to bolster this programme with additional € 200 million at the Thessaloniki summit.

#### *5. Regional co-operation*

Fostering regional co-operation forms part of the EU's policies towards the region. Regional co-operation is being viewed as an indispensable component of the European integration process, not the least because such co-operation is one of the founding principles of the European Union itself. Therefore, proven readiness to promote good-neighbourly relations is now a precondition for membership of the EU. The Union believes that such co-operation serves the mutual interests of all participating countries, that it is a catalyst for improved political relations and a step towards solving the economic challenges facing the region. The main instrument to promote regional solutions is the Stability Pact for Southeast Europe, created in the aftermaths of the Kosovo war in June 1999. The Pact is a EU initiative, but not a direct instrument of the EU. It provides a framework for co-operation of the EU, its member states, SEE countries, the G 8, international organisations and IFIs. The Union is a leading contributor to its work. The Stability Pact has made a critical contribution to enhancing co-operation in the region. For instance, Southeastern European countries have significantly liberalised their trade regimes by concluding a network of bilateral free trade agreements. Further, substantial progress was made with regard to solving refugee issues, fighting organised crime and corruption, improving the investment climate and developing regional

infrastructure strategies. Many believe however that the Pact should further sharpen its focus and better prove its added value with regard to the SAp.

## *II. Challenges Ahead*

While the Balkans figure prominently on the EU's foreign policy agenda, the changing political environment, financial constraints, and the implications of enlargement require a thorough reassessment of the Union's approach to the region. The following factors need to be taken into consideration:

1. *Balkan fatigue*: In light of new foreign political priorities, the international involvement in the Balkans will likely shrink: NATO will further reduce its peacekeeping presence, foreign assistance will decline, and political attention will focus on newly emerging hot spots elsewhere in the world. Having in mind that the International Community, with the EU as the single largest donor, has supplied considerable financial and technical assistance to the region (amounting to more than € 6 billion per year) donors call for a more targeted and efficient use of resources and a clearer commitment by countries of the region to assume responsibility for problem solving. One of the core question therefore is how to encourage regional ownership with regard to conducting necessary reforms and regional co-operation.
2. *Fragile peace*: Although Southeastern Europe is in better shape than it has been for a decade, peace is not yet irreversible and self-sustaining. For the first time, all governments in Southeastern Europe are firmly committed to Euro-Atlantic integration, market economy and regional co-operation, as well as to peaceful settlement of disputes. However, a number of potential conflict areas have only been frozen, such as the Kosovo status, the conflictual relationship between Serbia and Montenegro, the "cold peace" between ethnic Albanians and Macedonians, and the lack of consolidated state structures in Bosnia and Herzegovina. One could even argue that the EU has so far deliberately avoided to tackle some of the core conflicts in the Balkans, in particular questions of status, statehood, and constitutional arrangements. It should be noted however that there is no quick fix to any of the above mentioned issues. It still needs to be discussed whether or not a revision of the political landscape would create more stability or rather set a precedent for new secessionist movements elsewhere.
3. *EU enlargement* in 2004 will have significant political, economic, and psychological implications for the Balkans. It risks drawing new dividing lines between new members

and applicants and deepening divergence between the accession countries and the “left outs” in Southeast Europe. For instance, EU enlargement will further widen the gaps in economic performance between the “ins” and the “outs” of the Union. Experience shows that the prospects for EU membership increase foreign investment, because risks and transaction costs are reduced. While the new members can expect higher financial appropriations if pre-accession funds are redistributed, the Balkans will receive comparatively less aid, unless current aid policy is changed. Moreover, there is a lack of coherence between the SAp and the accession process, in particular with regard to effects on free movement of people and consequently cross-border cooperation. Further: what should happen once a Western Balkan country has successfully concluded and implemented an SAA? What would be the best way to obtain candidate status and start negotiations on membership? Since Croatia has, in February 2003, officially applied for EU membership, the hitherto unified strategic approach towards the Western Balkans is at stake.

4. *Absorptive capacity and aid dependency.* Some Western analysts, in line with aspirant countries of the region, have called for increased financial assistance and new pre-accession allocations in addition to CARDS. However, pouring new money into the region is not necessarily helpful. Because the institutional and absorptive capacity of the recipients are limited a large part of available European funding (e.g., through ISPA, PHARE and SAPARD) cannot be disbursed. For the 1998-2002 period, for the Western Balkans region as a whole, 77% of all funds have been contracted, but only 58% disbursed. In addition, there is a clear danger that external assistance is aggravating aid-dependency. For instance, in Bosnia and Herzegovina, the official development assistance/GNP ration is as high as 23%. But also the other Western Balkan countries are highly dependent on foreign financing. Evidence therefore does not suggest more assistance, but far more support for institution and capacity building as well as a more efficient and targeted use of resources. What would be needed prior to the allocation of new funds is an in-depth assessment of the actual *impact* of external assistance.
5. *Efficiency and impact of Community Action.* Independent evaluation of Commission programmes have raised many questions regarding priorities, relevance, efficiency, effectiveness, impact and sustainability of Community action in the region. An independent evaluation of CARDS will be started shortly. In particular, the question as to whether or not priorities set by donors are consistent with the most urgent needs in the region often remains unanswered. For instance, the EU’s focus of assistance is on long-

term structural reforms which prepare for Union membership and strengthen capabilities to implement the SAA. The emphasis is thus on harmonizing trade policies, improving border management and building administrative capacity. The basic assumption is that by setting the framework for structural change, the resolution of political issues will follow. Yet, urgent problems, such as ethnic conflicts or security threats, do require immediate and targeted action beyond the aims and means of the SAP. In this vein, the EU's priority of harmonizing with EU policies may be well-suited for established market economies, but it is less appropriate for the conflict-ridden, institutionally weak and economically less developed countries in the Balkans. They are in need of more immediate policies to bring about transition and sustainable economic growth, not in laying the foundations for meeting EU standards in the first place. But how can the region's dependency on aid be reduced and subsequently be substituted with indigenous growth?

6. *Coherence of bi-lateral and regional approaches.* Although rapprochement with the EU is conceived as being "both bilateral and regional", each country is expected to progress at its own pace towards membership (regatta principle). The conditions of transborder co-operation for an SAA remain vague, and only 10% of the CARDS appropriation is dedicated to regional instead of national projects within individual country strategies. There is no doubt, however, that many pressing problems in SEE can be solved only on a co-operative basis. While the Stability Pact claims complementarity with the SAP, there is a lack of communication and an inherent struggle over respective responsibilities which have prevented a clear division of labour.<sup>4</sup> The Commission continues to insist that the Stability Pact should merely reinforce the SAP, rather than seeing the two processes as complementary and mutually reinforcing instruments. Instead, one needs to consider improved instruments to assist in regional co-operation. It would include that the Stability Pact sharpens its profile and focus primarily on issues which are not sufficiently covered by the SAP, such as transborder co-operation, sustainable development, and regional security. On the other hand, more support by the EU would be needed to support regional strategies and compensate opportunity costs of regional co-operation.

### *III. The Thessaloniki Agenda*

Since the pace of the region's movements towards the EU has been relatively slow, the EU-Western Balkans Summit in Thessaloniki (21 June 2003) aimed at providing an opportunity

for evaluating strategies and goals, and giving new impetus to the EU's policies towards the region. In March 2003, the European Council confirmed that „the future of the Western Balkans is within the EU“ and invited the Council and the Commission to propose measures to further strengthen the Union's policy towards the region. Based on a proposal by the Greek EU Presidency<sup>5</sup>, the Commission, on 21 May 2003, proposed to give the SAP a new dimension through enriching it with elements taken from the Enlargement process. These include the following measures: First, European Integration Partnerships that identify priorities for action, with a timetable for progress, in preparation for EU integration. Second, enhanced support for institution building, through, for instance twinning programmes and technical assistance. In this context, the Technical Assistance Information Exchange Office (TAIEX) should start operating in the region. Third, improved political co-operation is on the agenda by which Western Balkan countries would associate themselves with EU CFSP positions and decisions. Other envisaged elements of the enhanced SAP refer to economic development, rule of law, fight against organised crime and corruption, participation in Community programmes, and enhanced regional co-operation.

Discussions prior the Summit had raised high expectations within the region. However, these could be met only partially. On 20 June, the European Council endorsed the “Thessaloniki Agenda for the Western Balkans: moving towards European integration”, as a basis for the shared policy agenda.<sup>6</sup> This document

- confirms that “the Balkans will be an integral part of a unified Europe” and that the enhanced SAP will constitute the overall framework for the EU's policy towards the region;
- underlines that further movement towards the Union would depend on each country's performance with regard to the Copenhagen criteria and the SAP conditionality, which would require “a genuine commitment of the governments of the Western Balkans and concrete steps to make the necessary reforms, establish adequate administrative capacity and to co-operate amongst themselves”;
- invites SAP countries to align themselves with CFSP related issues (demarches, declarations and common positions) and establishes a high-level multilateral political forum, the EU-Western Balkans-Forum, that will bring together periodically the heads of

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<sup>4</sup> Special Co-ordinator of the Stability for South Eastern Europe, Report on SAP – Stability Pact Complementarity, Brussels, 13 May 2003.

<sup>5</sup> Policy Paper for the Greek EU Presidency. Western Balkans. An Agenda for Stability, Development and Integration, 24.12.2002.

<sup>6</sup> General Affairs and External Relations, 2518<sup>th</sup> Council meeting, Luxemburg 16 June 2003.

state or governments of SAp countries and their EU counterparts – the first ministerial meetings will be organised by the Italian Presidency before the end of the year;

- creates European Partnerships, inspired by the Accession Partnerships for candidate countries, to measure progress and give guidance for financial assistance with a clear focus on enhancing support for institution building (through twinning, monitoring mechanisms and education measures);
- opens community programmes to Western Balkan countries, in particular regarding education and training, culture, research, energy, environment, civil society, SME support, and anti-fraud co-ordination;
- augments community financial support by an increased CARDS budget by more than Euro 200 million over the period 2004-2006;
- promotes measures in JHA and economic development sectors; and
- calls for enhanced regional co-operation. For instance, Western Balkans countries should explore the possibility of abolishing visa requirements for travel, under the auspices of the Stability Pact.

The EU views the enhancement of its policies as a “new important step in the privileged relationship between the EU and the Western Balkans.”<sup>7</sup> But although the Summit offers a number of substantial improvements, it has come as some disappointment: First, there will be *no clear roadmap for accession with more concrete conditions and a timetable* – the EU will instead continue to pursue its “all options open” policy with regard to a next round of enlargement. Croatia had publicly expressed hopes on joining the EU in 2007, together with Bulgaria and Romania. Bosnia and Herzegovina, on the other hand, wishes to be accepted by 2009. But European ministers warn that more serious efforts would be needed in tackling issues such as corruption and crime, implementing the rule of law, and building sustainable state institutions. As a second source of disappointment, the *increase in financial assistance is comparatively modest* in comparison with original claims and expectations. Greece had suggested a much higher amount to boost the CARDS programme (by up to € 900 million). And SEE countries had pressure for new pre-accession allocations, including cohesion funds for candidate countries. Third, there will be *no liberalisation of the visa-regime* towards the Union as yet – a decision that is based on the firm consensus among EU Ministers of the Interior. The Summit “acknowledges” the importance the peoples in the region attach to this

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<sup>7</sup> Declaration. EU-Western Balkans Summit, Thessaloniki, 21 June 2003.

issue, but underlines the need for substantial progress in areas such as the rule of law, combating organised crime and illegal migration. At the Thessaloniki Summit, the EU has made it clear that it wishes to reinforce existing policies, and, that there will be no substantial changes to its previous approach.

#### *IV. The post- Thessaloniki Agenda*

The Summit represented a serious attempt to create momentum and increase credibility of the EU's policy towards the region. Scholars and NGOs had however called for a much more ambitious agenda (for instance, granting the Western Balkans candidate status, increase financial assistance, and other measures).<sup>8</sup> But there is little reason to believe that the agreed Thessaloniki agenda might be amended substantially in the near future.

The main reason is that there is a certain tendency to overestimate both the potential of the EU integration process as a tool for conflict resolution and long-term stabilisation, and the institutional capacity of the EU to deal with the accelerated inclusion of new potential members. It needs to be stressed that urgent problems of the region, such as ethnic conflicts or security threats, do require immediate and targeted action beyond the aims and means of accession oriented instruments. In short, the accession process is no panacea ensuring state-building, conflict resolution, and economic growth – problems that will determine the Balkans agenda for the next years to come.

The following immediate issues will determine the post-Thessaloniki Agenda and raise a number of difficult questions:

- *Kosovo* – Belgrade and Prishtina have agreed to start a direct dialogue on practical issues of mutual interest shortly after the Thessaloniki Summit, but it will be a rocky way until both sides will agree on a common agenda – how can European conditionality be used to promote a spirit of compromise?
- *Serbia and Montenegro* – it is quite unlikely that the Union will hold together after the envisaged transition period of three years – more and more people in both republics believe that they would be better off in separate states – how to channel these aspirations into a constitutional process that will not lead to new distortions in the immediate neighbourhood?

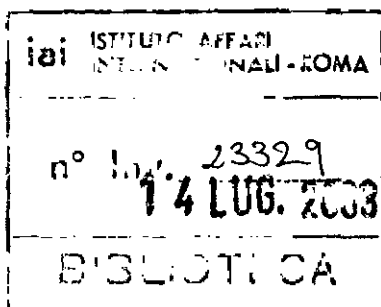
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<sup>8</sup> For instance publications by the ICG, ESI, European Balkan Observer, and the Bertelsmann Foundation.

- *Macedonia* – although both ethnic Albanians and Macedonians appear to be committed to the Ohrid Framework Agreement of August 2001, disappointment is growing because of the obvious delays in implementation of, e.g., local government and ethnic representation – how to give new impetus to the Ohrid process in the coming months?
- *Future of enlargement* – the EU's future approach towards the Balkans will pretty much depend on its own ability to digest the integration of ten new members from central and eastern Europe next year – nevertheless, following Croatia's official application for membership, the Commission has to formulate an opinion by next year – how to guarantee a fair treatment to Croatia without creating new dividing lines within SEE?
- *New peacekeeping missions* – the EU might be forced to assume even greater responsibility for international peace missions, for instance by taking over the civil administration in Kosovo, as the SRSG's had suggested – but how to avoid overstretch and consequently a loss of efficiency and thus credibility?

Now that the Thessaloniki Summit is over, serious efforts need now to be made to swiftly implement the agreed agenda, for instance by giving life to the new EU-Western Balkans Forum. This task will now be in the hands of the Italian Presidency. In this context, the focus of the EU should re-shift to addressing political problems in the region. Countries in the region, on their part, need to prove their determination to contribute as "owners" to the process of stabilisation, co-operation and reform.







*Istituto Affari Internazionali*

***RECOUPLING RUSSIA: STAYING THE COURSE  
RUSSIA-EU UNDER THE ITALIAN PRESIDENCY***

*by*  
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**Draft – non to be quoted**

**Paper presented in occasion of the TEPSA PRESIDENCY CONFERENCE**

**The Italian Presidency of the EU**

**Rome, 27 and 28 June 2003**

## **Recoupling Russia: Staying the Course**

### **Russia-EU under the Italian Presidency**

Stephan De Spiegeleire  
RAND Europe

As Russia approaches a new peak in its electoral cycle (with parliamentary elections in December 2003 and presidential ones in March 2004), and against a background of a world in turbulence, pressures for conciliatory 'grand gestures' towards Russia are once again gathering steam. The main rationale behind these efforts is that Russia deserves better compensation for its much more constructive attitude in international relations than it has so far received. The last thing we want, so the reasoning goes, is that President Putin would be electorally punished for a foreign policy that has in the Western assessment benefited both Russia itself and the West.

Apparently sensitive to these pressures, the new Italian government in the beginning of this year indicated that upgrading the EU's relationship with Russia would be one of the priorities of the incoming Italian presidency in the external relations field. Although the harsh realities of the current international system (and some minor changes made under the Greek presidency) may already have downgraded those ambitions, this paper will argue that any further more radical changes in the Russia-EU relationship are neither necessary nor even desirable. It will instead suggest that the energies of the Italian presidency in this area better be directed at some more concrete elements of this relationship – both substantive and procedural.

The paper will start by taking a look at the priorities of the incoming Italian EU presidency – to the extent that these have been made public, and will then test those against current trends in Russian domestic and foreign policies, as well as in the current Russia-EU relationship. It will come to the conclusion that there are no compelling needs for reviewing Western – especially EU – policies towards Russia at this stage. The paper will finish with some suggestions on what the EU should and should not do with respect to Russia.

### **Plans of the Italian Presidency**

The Italian Presidency has not yet published a 'Presidency Work Plan on the implementation of the Common Strategy of the EU on Russia', other than the joint one it presented together with Greece on 17 January 2003. This joint plan already argued that "developments both in the EU (establishment of EMU, development of ESDP, enlargement, process of institutional reform) and in Russia (transition to market economy, institutional reform, gradual enhancement of the rule of law) bring forward the need to assess whether the existing framework is still adequate. EU-Russia cooperation has in many areas gone beyond the PCA and new initiatives have been launched, covering a wide range of issues (economy, energy, JHA, ESDP). Furthermore, EU enlargement will bring Russia closer to the Union, offering new opportunities of

cooperation. We should prepare ourselves to cope with the needs that will emerge in the near future. Based upon an assessment of the existing framework to be presented by the Commission and the Council Secretariat before the GAERC of March, the Council will reflect on the future of EU-Russia relations. The EU-Russia Summit in St.Petersburg could provide the appropriate occasion to examine, at the highest level, the prospects of further enhancing EU-Russia cooperation." This paragraph already heralded the focus of the two presidencies on upgrading the institutional framework of the Russia-EU relationship.

Early indications from Rome suggested that raising the profile of the Russia-EU relationship was going to be one of the main priorities of the Italian Presidency of the European Union. Italy's prime minister Silvio Berlusconi said on 3 February 2003 during a visit to Moscow that the Italian presidency would look at the possibilities of setting up a consultative council with Russia in Brussels. Italian Foreign Affairs Minister Franco Frattini also proposed that Russia participate in informal EU ambassador meetings during the Italian EU Presidency. "We see Russia as one of the privileged neighbours," he said. "The EU-Russia relationship does not only have to be on economy but spread over a 360 degree level." Berlusconi made headlines when he suggested a sort of 'fuite à l'avant' policy to deal with the EU's visible CFSP problems. He argued at the end of the first EU summit in Brussels under the Greek Presidency that the way forward for the EU would be to enlarge and strengthen itself. "We either have a super power with military capabilities far greater than the EU, or else the US can have another partner - the EU - which must eliminate its divisions and enlarge to countries like Russia, with its military capabilities, Ukraine, Moldova, Turkey and even Israel."

In his presentation to the Italian Senate, Foreign Minister Frattini gave more details about the plans for the Presidency: "[T]he Italian Government is ready to institute more regular and closer consultations to prepare the main European Union-Russia relations-related issues that will have to be dealt with under the Italian Presidency. We then agreed to set up a permanent bilateral working group<sup>1</sup> and place Russia's expectations in relation to method and substance on its agenda for 2003. This agenda, if we plan it now, will make it possible to obtain concrete results during the latter half of the year under the Italian Presidency, specifically giving a powerful impetus to negotiations over the common economic area. This could be one of the most important results, because the plan of work

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<sup>1</sup> The special working groups about which Frattini spoke have taken place over the past few months but then in a three-sided format – representatives of the current Greek Presidency, of the incoming Italian Presidency of the European Union, and of Russia. The last one took place in Athens on June 19 on the tasks arising from the results of the Russia-EU summit held in St. Petersburg on May 31. The three delegations were headed by Vladimir Chizhov, Deputy Minister of Foreign Affairs of the Russian Federation; Dimitrios Kondoumas, Director General for the EU at the Greek Ministry of Foreign Affairs; and Ferdinando Nelli Feroci, Deputy Director General for European Affairs at the Italian Ministry of Foreign Affairs.

for implementing the common Russia-European Union economic space will be examined, and I hope approved, under our Presidency.<sup>2</sup>”

The Commission politely brushed off many of these great ambitions - Jonathan Faull, the European Commission's chief spokesman, said on February 4 that the Italian idea was an interesting one: “The Commission is aware of it, and we're always receptive to ideas of how to strengthen the cooperation between the EU and Russia. We have an existing institutional framework which functions well, but interesting ideas are always welcome to see how things could be further improved.<sup>3</sup>”

So far, however, only modest headway has been made on upgrading the relationship. As we will see, the May 2003 Russia-EU Summit in St. Petersburg did make a small change in the institutional setup; and both the Italian and the Greek presidencies have been consulting with their Russian counterparts on the Russian part of their presidency agenda – surely a laudable exercise in transparency. Does the Russia-EU relationship require more of a ‘push’ under the incoming Italian Presidency?

## Russia on the right track

There is a virtual consensus in the Western analytical community that Russia is on the right track, although it still has a long way to go on its painful path of normalization, both in the economic and political realms.

### Economy

The Russian economy continues to perform well, albeit far under its potential<sup>4</sup> and with a perilously high degree of micro- and macro-economic concentration<sup>5</sup>.

Despite the global economic slowdown, Russia recorded a fourth successive year of relatively strong GDP growth and large current account surplus, and a third successive year of fiscal surplus. The economy has continued to benefit from the structural impact of earlier reforms, although conjunctural factors – in particular, strong world energy prices

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<sup>2</sup> Hearing of the Minister of Foreign Affairs, Franco Frattini, on the main current foreign policy issues before the Joint Meeting of the Foreign and Community Affairs committee of the Chamber of Deputies and the Foreign Affairs and Migration Committee of the Italian Senate. Wednesday 12 February 2003. <http://www.esteri.it/attualita/2003/eng/statint/i030212a.htm>.

<sup>3</sup> Ahto Lobjakas. “EU: Brussels Ponders New Institutions In Cooperation With Russia,” RFE/RL Brussels, 5 February 2003. <http://www.rferl.org/nca/features/2003/02/05022003171732.asp>

<sup>4</sup> See International Monetary Fund. *IMF Country Report No. 03/144. Russian Federation: 2003 Article IV Consultation-Staff Report; Staff Supplement; and Public Information Notice on the Executive Board Discussion*. May 2003.

<sup>5</sup> For more on this, including scenarios for Russia in the next decade, see *Russia 2010 Scenarios*. Stephan De Spiegeleire, Thomas Corver, Ingrid Geesink. RAND Europe – ING Barings, 2002.

and the post-crisis real depreciation of the ruble – have also played an important role in growth performance. This robust economic growth has been accompanied by gradually declining inflation, rising incomes, a large increase in international reserves, and warming international investor sentiment – all signs that the Russian economy is on its way back.

But reform has been stalling recently. Following rapid progress on structural reform in 2001 (in the areas of tax reform; urban land reform; labor reform; deregulation of economic activities; pension reform; and judicial reform), the pace of structural reform slowed down significantly in 2002. Only two priority legislative initiatives (bankruptcy and agricultural land laws) were enacted and the implementation of the broader reform agenda encountered delays. Reform areas that are most central to the improvement of the business and investment climate are either at an early stage (banking, administrative reform) or delayed (natural monopolies) which, together with the long implementation schedules envisaged, suggest continued slow diversification away from natural resource dependence.

Another serious impediment to the further normalization of the Russian economy is the alarmingly high degree of economic concentration. Many sectors in Russia today are dominated by relatively few but enormous oligopolistic businesses. A 2002 survey of the 64 largest Russian companies by Brunswick UBS Warburg showed that 85 percent of privatized companies were controlled by eight large shareholder groups, whose combined revenues in 2001 significantly exceeded total federal government revenues<sup>6</sup>. The deepening and widening of these business empires (now somewhat euphemistically called ‘integrated business groups’) is further aggravating the dangers of oligopolistic behavior across sectors. Thus ‘big’ business continues to dominate Russia’s economy, and small and medium-sized enterprises – so important in the successful transition of the central European economies<sup>7</sup> – have barely made any progress over the past few years. The resulting distorted economic structure has profound implications for both the economy and the political economy of the country, and in all likelihood will not change significantly throughout this decade.

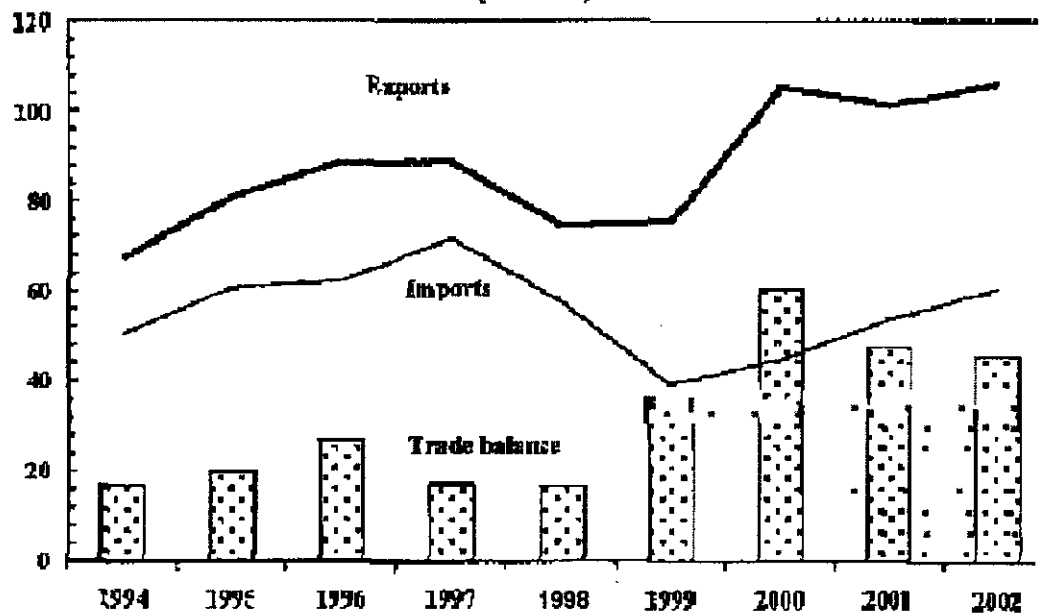
Foreign trade continues to be a critically important part of the Russian economy. In 2002, exports rose 38 percent year-on-year (with non-energy exports up 13 percent), while imports rose 24 percent. For better or for worse, the dependence of the Russian Federation on the export of its natural resources is unlikely to decline in the coming decade.

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<sup>6</sup> Peter Boone and Denis Rodionov. “Reformed Rent-Seekers Promoting Reform?” *Moscow Times*, August 23, 2002.

<sup>7</sup> Pradeep Mitra, Marcelo Selowsky, and World Bank, Transition--the First Ten Years Analysis and Lessons for Eastern Europe and the Former Soviet Union (2002).

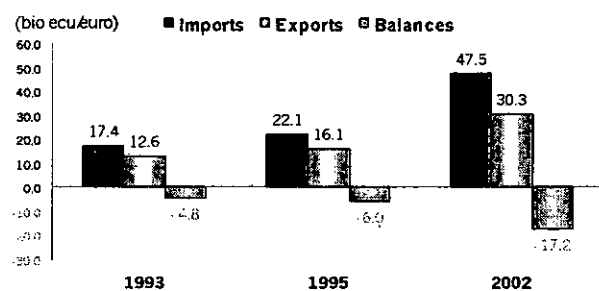
## Exports and imports (US\$ bn.)



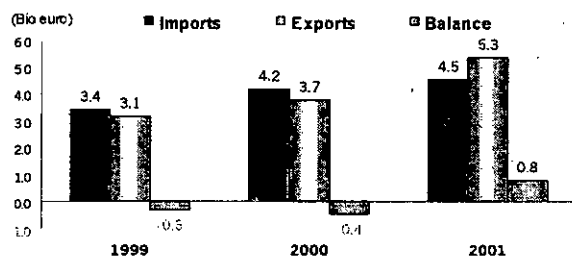
The importance of foreign trade (and especially hydrocarbon exports) to Russia's economy (and polity) is of special significance to the European Union, Russia's primary foreign trading partner and source of investment (as well as assistance). This pre-eminent position of the EU in Russia's economy will only strengthen after the EU's eastward enlargement next year.

Year	EU Exports	Δ %	EU Imports	Δ %	Trade balance
1997	25.539.262,2		27.037.650,2		-1.498.388,0
1998	21.170.478,5	-17,11	23.172.575,1	-14,30	-2.002.096,6
1999	14.726.941,9	-30,44	25.976.756,1	12,10	-11.249.814,2
2000	19.916.559,9	35,24	45.723.581,5	76,02	-25.807.021,7
2001	27.961.087,3	40,39	47.685.918,6	4,29	-19.724.831,3
2002	30.407.134,4	8,75	47.560.364,2	-0,26	-17.153.229,8

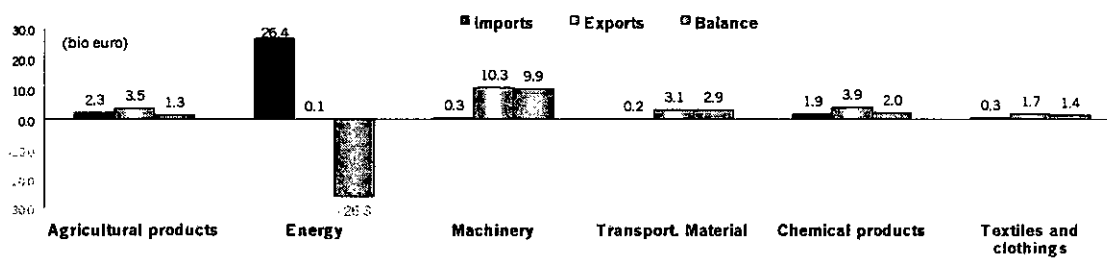
**Figure 1 EU Merchandise Trade with Russia**



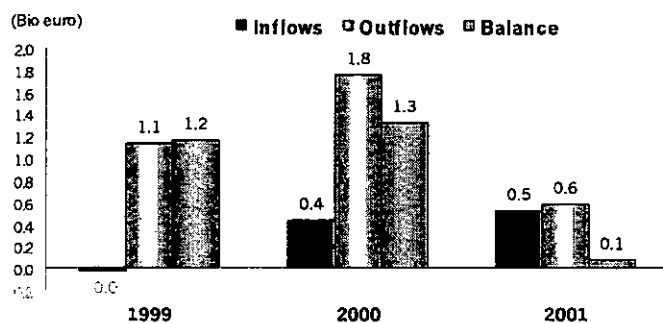
**Figure 2 EU Trade with Russia in Services**



**Figure 3 EU Trade with Russia by product**



**Figure 4 EU Foreign Direct Investment in Russia - flows**





Looking ahead, IMF projections are that GDP growth is expected to slow somewhat in 2003 (to about 4%), and could ease further in 2004 (to about 3.5%), reflecting the impact of low investment in the non-oil sector in recent years and the absence of any new impetus from structural reforms. What is important, however, is that no major economic crises are foreseen in the near-term. In the longer run, Russia will have to find ways to avoid becoming chronically afflicted with the Dutch disease and all the ensuing pathologies.

## **Polity**

Also politically, Russia continues to represent a very mixed picture<sup>8</sup>.

On the one hand, after the many turbulences of the past decade, President Putin appears to have succeeded in stabilizing Russian politics. As in the economic field, most experts do not foresee any major upheavals in the Russian political system in the short- to medium-run – until the end of President Putin's second presidential term in 2008. The basic constitutional setup of the Russian state (the slightly diluted form of presidential government, the basic democratic rules of the game, separation of powers, etc.) is unlikely to be questioned in this period.

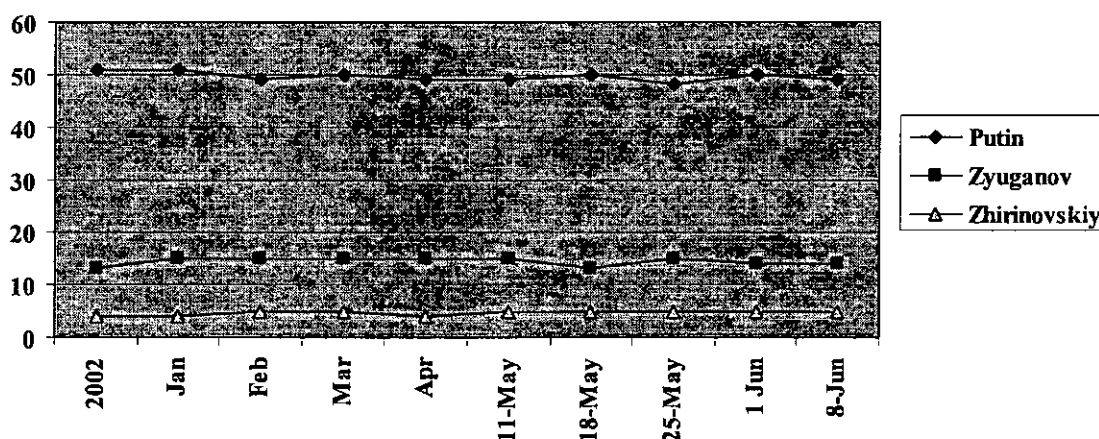
Yet the current Russian polity also exhibits some characteristics that continue to preoccupy its Western allies: an overly inflated state apparatus (with many unreformed elements, especially in the security and defense sectors), a probably still ineffectively centralized state, appallingly low quality of governance, selective problems with free speech, etc.

Taken together, however, political trends in Russia do not really trigger any major concerns – certainly not ones the European Union would be able to address by upgrading its relationship with Russia. Muted Western reactions against some of the darker sides of this mixed picture (such as Chechnya) probably already reflect the increased comfort-level with the relative stability that has been achieved in President Putin's first term in office. As to the Western politicians who seem to think that president Putin may require some help from his Western 'allies' in the upcoming electoral season, even a cursory look at the dynamics of President Putin's personal ratings is likely to transform their concern into envy.

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<sup>8</sup> De Spiegeleire e.a. Russia Scenarios 2010.

**Electoral rating**  
(% of population willing to vote for candidates)  
FOM, 2002-2003



### **Foreign policy**

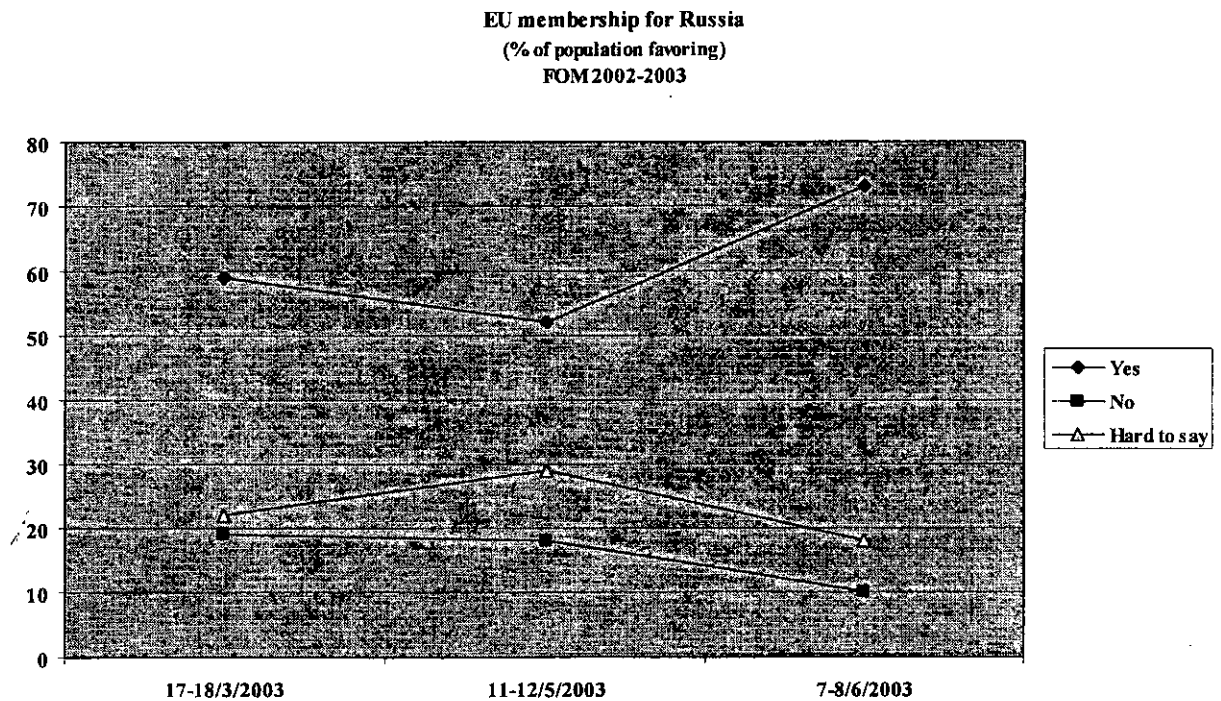
In Europe, President Putin's first steps in the international arena were warmly welcomed. The increased pragmatism, the higher emphasis put by Russia on Europe as an international actor, but also the more relaxed attitude towards the US role in Europe could not fail to please European capitals, who had been pushing hard for such an outcome for quite some time.

As he started to consolidate his power and authority in the foreign policy field, however, President Putin started going significantly further, especially also in a rapprochement with the United States. He seemingly reversing some long-held Russian reservations on key security issues such as US plans for missile defense, acquiescence to US increased presence in the Russian 'near abroad', cooperation with the US in general, and also NATO enlargement<sup>9</sup>. Many European governments seemed to have been taken somewhat aback by this apparent Russian volte-face. Fears were voiced about the sustainability of this new Russian policy, the potential consequences of a backlash, and the need for some compensation 'gesture' towards Russia.

The current contours of Russia's foreign policy after operation Iraqi Freedom are still difficult to gauge. The electoral cycle may in the coming months create more rhetorical

<sup>9</sup> Dmitri Glinski-Vassiliev nicely summarizes Putin's record so far: "The ABM Treaty has been discarded; the militaries of several NATO countries are present on the soil of Russia's immediate neighbors and, at least in a formal sense, allies, and are not rushing to leave; and NATO has apparently opted for the "big bang" scenario of admitting all nine East European applicants, while the plan to re-format Russia's relations with the Alliance into the "group of twenty" giving it an equal voice with others has been shelved." Dmitri Glinski-Vassiliev, *The Myth of the New Détente: The Roots of Putin's Pro-U.S. Policy*. PONARS Policy Memo No. 239, December 2001.

'noise' that will undoubtedly be scrutinized by Western analysts for new signals. But fundamentally, it is unlikely that President Putin's more pragmatic course will be altered, or his reprioritization of Europe. It may also be worthwhile to point out that the European Union is quite popular in the Russian Federation, increasingly so, and across all layers of society<sup>10</sup>



## Assessment

Summing up, this quick overview of Russia's current situation indicates that it offers few reasons at this stage to engage in any major review of European policies towards Russia. There remain numerous areas of concern – and they undoubtedly have to continue to be voiced through all existing channels – but none are of a nature to warrant fundamental changes in European attitudes or policies<sup>11</sup>.

<sup>10</sup> Contrary to popular perception, it is not just the youth that has positive attitude towards the EU. In the latest public opinion polls of FOM, for instance, 78% of the age category of 18-35 years supports EU membership for Russia, as opposed to 79% in the 36-50 age category and 64% of the older than 50.

<sup>11</sup> It may also be worthwhile to point out that the West has (wisely) come to the conclusion, after a decade of checkered engagement in Russia, that its leverage over Russia's domestic events is quite limited anyway.

## **Russia-EU today – Sound fundamentals**

### ***The PCA Institutions***

Since the entry into force of the Partnership and Cooperation Agreement between Russia and the European Union in, the main institutional framework for the relationship between these two actors is already quite dense. Bilateral institutionalized contacts include:

- Two summits each year (Presidency supported by the High Representative for CFSP, President of the Commission, President of Russian Federation). In 2003, the eleventh Summit took place on 31 May in Saint Petersburg, with all current and future Member States, and the twelfth will take place in Rome in November.
- Cooperation Councils (ministerial level), which meet once a year. The last meeting took place in Luxembourg in 15 April 2003. AT the last Russia-EU summit, it was decided to strengthen the Cooperation council into a 'Permanent Partnership Council', which will meet more frequently and in different formats, and will be "backed up by thorough preparation and policy co-ordination on both sides". But it is merely identified as a 'clearinghouse' for all issues of co-operation.
- Cooperation Committees (senior official level), meeting as often as necessary. In 2002 two meetings were held, one in Kaliningrad in May; and one in Brussels in October 2002. The meetings alternate between the EU and Russia.

A Joint Parliamentary Committee has also been established where members of the European Parliament and from the Russian Duma meet on a regular basis to discuss current issues. Their last meeting took place in May 2003.

Political dialogue with Russia takes place at the Summits, Cooperation Councils and in various meetings in the Troika format (Presidency, CFSP High Representative/Council Secretariat, future presidency and Commission). Meetings in this context take place at the level of Ministers (twice a year), Political Directors (four times a year) and experts (some fifteen CFSP working groups Troikas meet with their Russian counterparts twice a year). In addition, the Troika of the Political and Security Committee meets with the Russian Ambassador to the EU on a monthly basis to discuss CFSP issues.

Despite both Russia's and the EU's proclivities for institutional debates, it seems quite obvious that the current institutional setup is rich enough to cover the most complex issues (and then some). There are a number of outstanding issues in the Russia-EU relationship, but the institutional framework is more than adequate to deal with them. If anything, this framework should be rationalized and streamlined, not expanded or 'upgraded'.

## **Common Strategy<sup>12</sup>**

The instrument of 'common strategies' emerged out of the last round of tumultuous discussions on the Union's Common Foreign and Security Policy (CFSP) in the run-up to the Amsterdam Treaty. After the EU's shameful and extremely costly initial indecisiveness in the Balkan crises of the 90s, there was general agreement that the rigid consensus method that guided decision making in the second pillar was unlikely to ever yield the decisiveness the new international environment increasingly demanded. There was no agreement, however, on how precisely more 'flexibility' could be introduced into this part of the treaties. After long negotiations, a typically muddled compromise was adopted which maintained the unanimity principle at the highest level of decision-making, but allowed for qualified majority voting (QMV) in the *implementation* of those higher-level decisions.

Russia was singled out as the first 'target' for this new instrument, also to send a clear signal to the Russian leadership about the importance that the EU attached to its relationship with Russia, even after the difficult period after the August 98 economic crisis. The CSR<sup>13</sup>, as conceived, had two main ambitions:

- an internal one – to improve the EU's internal focus and coherence on this important policy issue;  
*and*
- an external one – to improve relations with Russia to the level of a 'strategic partnership'.

The CSR has succeeded in disappointing the very low expectations it had engendered.

On the *internal* dimension, the stock-taking exercises that had been announced in the CSR resulted in a questionnaire that was developed by the commission and administered by the Council secretariat. In line with the CFSP's unique approach to transparency, the results of these exercises were never made public – let alone that they would have been used for a hard look at issues such as duplication or 'value for money' in general. After the Spanish presidency in the first half of 2002, all references to the inventory were even dropped. There is little or no evidence that either coordination at all levels or consistency across presidencies have improved.

The CSR appears to have had little or no impact on what continue to be the main instruments of EU policy towards Russia: the Partnership and Cooperation Agreement and its various interaction mechanisms; and the Union's external assistance programs.

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<sup>12</sup> See also Stephan De Spiegeleire "Towards a genuinely common EU strategy on Russia," in *Challenge Europe*, The European Policy Center, Brussels, 04 March 2003..  
[http://www.theepc.net/challenge/challenge\\_detail.asp?SEC=challenge&SUBSEC=issue&SUBSUBSEC=&SUBSUBSUBSEC=&REFID=1093](http://www.theepc.net/challenge/challenge_detail.asp?SEC=challenge&SUBSEC=issue&SUBSUBSEC=&SUBSUBSUBSEC=&REFID=1093)

<sup>13</sup> For further details, see Hiski Haukkala and Sergei Medvedev (eds.) *The EU Common Strategy on Russia Learning the Grammar of the CFSP*. Helsinki, Finland, Bonn, Germany: Ulkopoliittinen instituutti. Institut für Europäische Politik, 2001.

Neither the various TACIS regulations and indicative programmes nor the overall Country Strategy Paper 2002-2006 for the Russian Federation reflect the alleged 'priorities' of the CSR. The CSR did not lead to more CFSP legal acts or to more joint actions on Russia.

What about the issue of flexibility – the original *raison d'être* for the common strategies? Even the biggest apologists of the 'QMV-trick' can only refer to the single joint action on non-proliferation and disarmament, which was useful but remained far more modest than initially intended. Not a single MS even dared to try and apply the trick to more contentious issues such as Chechnya or freedom of the press.

The *substantive* impact of the CSR on relations between Russia and the EU appears spurious at best. The CSR did not prevent the EU from almost freezing its relations with Russia because of the second Chechnya war or to continue openly protectionist policies that clearly hurt Russia. Equally, the CSR did not prevent Russia from boycotting almost all meetings with the EU under the PCA agreement as it was upping the ante (frequently unreasonably so) on Kaliningrad and the Zakaev case in the second half of 2002. The nature of the relationship between Russia and the EU on both sides seems to be based more on conjunctural pragmatism than on genuine strategic partnership.

The first common strategy on Russia was unceremoniously extended at the Thessaloniki European Council on 19-20 June 2003 by one year (until 24 June 2004).

## **Assessment**

During the past four to five years of the PCA and the EU Common Strategy on Russia, dialogue between the Union and Russian Federation has vastly increased across all pillars. As a Council document sharply pointed out: "There are altogether almost 40 joint bodies or EU bodies meeting with Russia at various levels with too many occasions for certain purposes (political dialogue), but too few for some other purposes (cross pillar coordination). Various levels and different pillars appear to work too much in isolation. There are increasing difficulties with Russia to define what matters can be discussed at which meetings."<sup>14</sup>

## **Some thoughts**

### **Economics**

For some time now, voices within EU political circles started clamouring for a new 'grand' framework for the EU-Russia relationship, which would replace the Partnership and Cooperation Agreement. It would presumably codify the somewhat nebulous concept

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<sup>14</sup> EU Council document 7146/03 "EU-Russia relations:- assessment – Summit (St Petersburg, 31 May 2003)", Brussels, 11 March 2003; and document 7414/03 "EU-Russia relations:- assessment - Summit (St Petersburg, 31 May 2003) - Common Strategy", Brussels, 13 March 2003.

of a 'common European economic space' (CEES) that is currently being explored by a joint High-Level Group (HLG), chaired by Commissioner Patten for the EU and Deputy Prime Minister Khristenko for the Russia Federation. Foreign Minister Frattini also added his weight to those voices and he suggested that the CEES (or at least the work plan for implementing the idea) would be one of the priorities during the Italian Presidency.

The attractiveness of the CEES concept – beyond the political symbolism of the idea – is questioned by many specialists<sup>15</sup>. At this stage, it is unclear whether any side would stand to gain anything at all from such an arrangement. The relationship between the two would benefit much more from an investment of political capital firstly in WTO accession and then in a possible free trade area between the EU and Russia (as promised in the PCA agreement) rather than in free-wheeling discussions about even further stages of economic integration. Nobody will dispute that accession to the WTO – another high-priority item for both the incoming Italian Presidency and the EU as a whole – is the first necessary step in this direction. And it is equally clear that much work remains to be done in this field on the Russian side. Some progress towards WTO membership has been made, but especially the last year (2002) has seen many (disappointing) slippages in passing relevant legislation, and in the current election year we are unlikely to see any renewed reformist impulses<sup>16</sup>. Accession negotiations have continued, with the most difficult areas including implicit energy subsidies; budgetary subsidies to agriculture; and protection of the automotive and aircraft industries as well as services, including financial services. However, neither the draft customs code nor other major pieces of legislation were passed in 2002. On the Western side, the EU (and the US) have granted Russia market economy status in the course of 2002, but they remain unlikely to give on the aforementioned issues.

## ***Mechanics***

One of the key issues in the Russia-EU relationship that has remained more or less untouched by the debate so far is the 'downstream'<sup>17</sup> problem – the that remain essentially untouched in the current debate – including in the European Convention<sup>18</sup>. As most of the CFSP debate, the Convention has focused predominantly on top-level (and high visibility) issues such as internal leadership, external representation and coherence within the EU itself. The final results of this discussion will become visible after the

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<sup>15</sup> See Sutela, Pekka. *Russia and Europe: Some Economic Aspects*. Forthcoming from Bank of Finland Institute for Economies in Transition, manuscript dated 12 January 2003; and Hamilton, Carl. *Russia's European Integration. Escapism and realities*. Stockholm School of Economics and CEPR, London, Forthcoming.

<sup>16</sup> The approaching parliamentary and presidential elections make the adoption of new reforms that have short-term costs for large segments of the society much more difficult and therefore less likely.

<sup>17</sup> Everts, Steven., *Shaping a Credible EU Foreign Policy*. London: Centre for European Reform, 2002.

<sup>18</sup> See European Convention, Final report of Working Group VII on External Action  
<http://register.consilium.eu.int/pdf/en/02/cv00/00459en2.pdf>

upcoming IGC. Yet for all intents and purposes, Europe's foreign policy continues to be characterized by 15 separate (national) stovepipes 'crowned' by an extra 'common' layer where the positions that emerge out of the stovepipes are aggregated – usually at the lowest common denominator. This extra layer is increasingly taking on a life of its own – certainly in foreign economic relations, but even in other areas where we see the EU emerge as an important actor in its own right (e.g. the MEPP, Cyprus, etc.) But the main engines of Europe's foreign policy are still the (enormously much larger and more expensive) national diplomatic machineries, who in almost all countries remain the biggest dinosaurs of the public service<sup>19</sup>.

In many ways, the first-order problem of today's CFSP is much less one of weak supranationalism than one of inefficient intergovernmentalism. In fact, many more inefficiencies and unnecessary duplications both within and across national foreign policy establishments are tolerated within CFSP than between and across military establishments within NATO, not even to mention the economic or other more technical ministries. And many potential synergies between the national foreign policy establishments never emerge not because of political impediments, but merely because of poor networking. This is all the more regrettable, since modern technology and the ensuing organizational design principles both allow for much more situational awareness and self-synchronization at all levels of complex bureaucracies than ever before.

As long as Europe does not start addressing those downstream 'stovepipe'-problems, the 'crown' will remain a brittle one indeed and Europe will never be able to project the influence in Russia that is commensurate with its economic and political presence and weight there. The Union maintains by far the largest diplomatic presence in Russia, both in terms of staff and in terms of coverage. Whereas the US, for instance, has 4 diplomatic posts in Russia, with 429 home-based staff, even just the UK (3 posts, with 90 home-based diplomatic staff, 161 Russian staff and 36 expatriates), France (2 posts with 85 home-based diplomatic staff, 65 Russian staff and 28 expatriates) and Germany (4 posts with 209 home-based diplomatic staff, 142 Russian staff and 52 expatriates) surpass this US diplomatic presence. European taxpayers could be forgiven for doubting whether this numerical superiority also translates into better tracking or influencing of events in Russia.

Moving from a 'stovepipe-centric' to a more 'network-centric' CFSP will certainly require a gradual approach, and from this point of view, 'common strategies' (an existing instrument written into the treaties!) may still have much to commend themselves. Very specific ideas could be written into the new Common Strategy on Russia to better network and valorize existing capabilities on Russia both at home and in the field. The ill-fated stock-taking exercise of the first CSR could still provide a useful starting point for a more critical common look at both duplication and white spots in EU's engagement of Russia – maybe even in ways analogous to the NATO defence planning process,

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<sup>19</sup> Anybody doubting this, will find her skepticism quickly abated by just taking a cursory look the technological infrastructure in most MFAs (and not only in Europe).



which yearly analyses “defence planning questionnaires” against certain jointly established force goals<sup>20</sup>. Proposals could be made to make better use of both national and common EU assets in Russia – which might range from divisions of labour in various reporting tasks over consular cooperation all the way to joint political demarches. In this way, the EU could use the CSR to turn its policy towards Russia into a ‘controlled’ experiment for a more efficient CFSP (CFSP in One Country?). It may be worthwhile to point out that some of these concrete ideas could also lend themselves to implementation through joint actions (even already under the current CSR – if it were to be merely extended).

### ***What not to do***

*Undermine the PCA.* The right vehicle for any innovations in the EU’s policy towards Russia – if required at all – remains for all intents and purposes the main substantive policy document will respect to Russia: the Partnership and Cooperation Agreement, which will have to be revisited at its own expiry in 2007 anyway. It should also be noted – as indeed EU documents regularly do too – that various aspects of the PCA have yet to be implemented. And on many of the dossiers that are being implemented, a lot of work remains to be done. These discussions – across the three pillars – frequently (often even fortunately) escape public attention, but they may be more important to the long-term prospects of the Russia-EU relations than any renewed institutional tinkering.

*Words, words, words.* But what the Russia-EU relationship needs much more than mediatised grandiloquence or strategic ‘vision’-documents are real actions with visible results. And there is certainly no dearth of policy areas that could benefit from a new injection of activism (see below under “what to do”). The same argument applies to the many other new ‘buzz-words’ that are flying around, such as ‘proximity policy’, ‘Eastern Dimension’, ‘new neighbours initiative’, ‘wider Europe’, which all seem long on rhetoric and short on substance. There can be no doubt that all of these terms reflect a real need for more attention to the EU’s ‘new neighbours’, but much more than slogans will be needed to address these policy issues.

*Institutional fetishism.* Both sides sometimes overlook the obvious fact that institutions reflect real life, and not the other way around. Russia is (re-)integrating into the wider world and especially into Europe through a myriad of genuine functional ties at all levels. Given time and adequate political will on both sides, growing functional ties will also translate into closer institutional ties. But for the time being, the current institutional hull – which already contains approximation and integration<sup>21</sup> – probably fairly

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<sup>20</sup> For a brief description, see *NATO Handbook* - <http://www.nato.int/docu/handbook/2001/hb0704.htm>.

<sup>21</sup> The core of both the PCA and the CSR is the integration of Russia into Europe. Although the PCAs admittedly do not go as far as the association agreements in preparing a country for EU membership, Article 55 of the PCA does stipulate that “Russia shall endeavour to ensure that its legislation will be gradually made compatible with that of the Community”. The CSR, in language that comes even close to the Maastricht formula of “an ever closer union”, even talks about “ever closer cooperation between Russia and the European Union”.

adequately reflects the current stage in the underlying functional relationship<sup>22</sup>. The EU really has a strategy towards Russia that is only partially captured in the CSR. It is a distinctly European strategy – with all the ensuing strengths and weaknesses: it is quite long-term; incrementally integrationist; multi-dimensional; multi-level (sub-national, national and supra-national); and both functional and institutional. It closely mirrors the neo-functional logic that has served Western Europe so spectacularly well over the past half century: economic integration 'spilling over' in political and eventually in security integration. It is a frequently excruciatingly slow process, but as we have seen a number of times in the history of Western European integration, there are dangers in trying to run ahead of one self.

*Fuite à l'avant.* One does sometimes get the impression that both sides prefer certain forms of 'escapism' – both positive and negative – over earnest attempts to deal with the many concrete issues that are already on the table. Many grand new projects have been floated on both sides. Russia is now on record as officially aspiring to all of the four EU 'freedoms' – including the most challenging one: the free movement of persons. This just seems entirely unrealistic for the foreseeable future (as the debate on transit visas for Kaliningrad has already amply demonstrated), and deflects from the more immediate problems connected to Russia's painful transition process. The discussions on the CEES certainly fall under this category. One should never forget that for the time being, neither the nature of the political and economic relationship between the two sides nor the political economy of that relationship on each side are conducive to big qualitative leaps ahead.

*Deprive Russia of 'external policy anchors'*<sup>23</sup> There is increasing evidence that the prospect of becoming a member of the European Union (and other Euro-Atlantic institutions) provided Central European countries with a uniquely valuable external policy anchor that allowed them to withstand the disruptive effects of the various painful changes required in adjusting policies, institutions and legislation to the rigors of the '*acquis communautaire*'. Russia's 'anchoring' continues to be much, and of all major international players the European Union is probably the only one that has both the capability AND the willingness to provide Russia with at least some institutional anchor. From this point of view, discussions about defining a precise answer to the question "where does Europe end" are likely to do more harm than good.

## **What to Do**

*Focus on the EU-side of the relationship.* Not much progress in the Russia-EU relationship is to be expected in the coming two presidencies. The EU will remain

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<sup>22</sup> In some areas, it may even already exceed it. See e.g. Lynch, Dov. "Face to Europe," forthcoming Chaillot Paper, EU Institute for Security Studies.

<sup>23</sup> Berglöf, Erik, and Gérard Roland. „The EU As an "Outside Anchor" for Transition Reforms". SITE (Stockholm Institute of Transition Economics and East European Economies). Working Paper (Sweden) No. 132:1-[23], October 1997.

absorbed in its own internal and other external problems (IGC, overcoming the traumas of the Iraq war, . And Russia will enter the peak of its electoral cycle, where it is unlikely that any initiatives will come from the Russian side (indeed – the EU may even come in for more criticism than usual with respect to enlargement, visa-issues or other discriminatory policies). This may give both sides a breathing spell to focus on the internal dynamics of their policy-making apparatus vis-à-vis the other side. This applies both to the ‘streamlining’ of the political dialogue structures (already presaged in the May 2003 Summit communiqué); but even more to the intra-EU aspects:

- at the EU-level: more coherence across the Russia-dimension of the different pillars; bringing different strategies AND instruments more in sync (e.g. TACIS, Northern Dimension, Common Strategy, etc.)
- between the EU and the MS (minimize bilateral and minilateral temptations); and
- between the MS themselves (see ‘mechanics’ section of this paper).

*Pick a few good topics in which both sides are personally interested and which have high-visibility.* Rather than enaging in rhetorical grandstanding, the two incoming EU presidencies would be well-advised to select of a few concrete and high-profile projects (some of which could be pursued joint actions under the CSR)

- *Energy* will obviously continue to be the lynchpin of Europe’s economic interaction with Russia for the foreseeable future. There is certainly more scope for high-visibility EU joint actions with real content in this sphere.
- *Ecology.* The Kyoto framework – however deficient – still opens up a lot of mutually advantageous possibilities for turning Russia’s ecological liabilities into assets.
- *Non-proliferation and disarmament.* The European Union has already pledged 1 billion € for this through the G8 Global Partnership against the Spread of Weapons and Materials of Mass Destruction. Yet so far, this program is unlikely to garner the kind of public visibility that for instance the Nunn-Lugar funds have had in both the United States and in Russia. This should and can be remedied.
- *Youth.* ‘Europe’ is a particularly popular theme among Russia’s younger population, which is something the European Union should capitalize on. Much is already being done here, but all of these efforts still do not get the visibility they probably deserve.

## Conclusion

It seems like Russia is unlikely to be in the center of the Union’s preoccupations during the incoming Italian presidency. Developments in the Middle East, pressures to overcome the internal (CFSP) and external (transatlantic relations) traumas of Iraq, the new intergovernmental conference which prime minister Berlusconi wants to complete by the

end of the year – all these are but the predictable elements of the agenda for the next few months. Many less predictable events – ranging from possible complications in some of the existing EU military operations to possible new terrorist attacks – may downgrade the Italian presidency's ambitions with respect to Russia even more.

But this need not be bad news. Russia's relative domestic stability coupled to the sound nature of the fundamentals of the Russia-EU relationship make a period of further consolidation quite appealing. It is important to recognize that for the time being, neither the nature of the political and economic relationship between the two sides nor the political economy of that relationship on each side are conducive to big qualitative leaps ahead.

Over the past decade, Western Europe has pursued a patient but determined long-term strategy of re-integrating Russia into Europe, and thence into the world. This strategy is quite distinctly European – with all the ensuing strengths and weaknesses: it is quite long-term; incrementally integrationist; multi-dimensional; multi-level (sub-national, national and supra-national); and both functional and institutional. It closely mirrors the neo-functional logic that has served Western Europe so spectacularly well over the past half century: economic integration 'spilling over' in political and eventually in security integration.

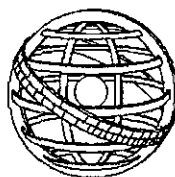
It is a frequently excruciatingly slow process, but as we have seen a number of times in the history of Western European integration, there are dangers in trying to run ahead of oneself. The fundamentals of the relationship between an enlarging Union and a normalizing Russia are sound and will almost certainly continue to lead to continued organic growth in the relationship. But for the time being, the current institutional hull probably fairly adequately reflects the current stage in that growing process.

What is left to do, for both sides to make progress on their respective sides:

- Russia generally on accelerating the transformation process it has embarked upon, and specifically on approximation of the EU acquis and better coordination of its various ministries' (and regions') interactions with the EU; and
- the European Union generally on creating a genuine (hopefully network-centric) European foreign policy, but also on improving its coordination across pillars and most of all also between the member-states.

The ultimate test of the Russia-EU relationship – also at the end of the Italian Presidency – will not be whether the institutional setup was improved, but whether any concrete changes were implemented in any area that can help in re-coupling Russia to Europe.

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**The Italian Presidency of the EU**

**Rome, 27 and 28 June 2003**

## **The European Union and the Future of Iraq**

*Roberto Aliboni<sup>1</sup>*

**Tepsa-iai Presidency Conference  
Rome, 27-28 June 2003**

### **The EU after the war on Iraq**

Over time, many American policies have had a divisive effect on Europe and transatlantic relations. None so strongly and visibly as the policy on Iraq pursued by President George W. Bush and his administration and the war that ensued from that policy in Spring of 2003.

After the war, attempts are now being made to mend rifts and recover both European and transatlantic cohesion. Efforts appear more successful in the transatlantic than in the European framework. And this does not help re-balance EU-US relations either.

In the transatlantic framework, in addition to the nations that already supported the war on Iraq, even those that did not have now taken on a broad co-operative attitude towards American-led efforts to manage post-war Iraq. As a matter of fact, nobody wants such efforts to fail. A failure would inevitably reflect on the Western alliance as a whole. Furthermore, the US administration, by initiating the "road map" process, has undertaken a decisive balancing act towards the Europeans, who can now - if so they wish - construe the war on Iraq as a first step in a wider process towards solving their long-standing and supreme interest: the Israeli-Palestinian conflict.

Sadly, there does not seem to be a parallel recovery of European cohesion. First, the United States is putting emphasis on bilateral relations and NATO, while fully neglecting (if not opposing) a possible EU role. Second, European divisions have not been left behind, not only because the transatlantic environment is not helpful but also because of the current low ebb in the process of political integration. Consequently, in the informal Council meeting in Rhodes/Kastellorizo, the EU members were unable to go beyond a very general statement pointing out that the United Nations should play a role in Iraq's political and economic reconstruction. On the contents and directions of reconstruction, however, they failed to be specific because their feelings and goals are very diverse.

Some EU members are already deeply involved in the process of Iraq's reconstruction as it is being engineered and led by the United States, whereas others are staying on the sidelines with varying degrees of sympathy and expectations. Although the Commission is implementing limited humanitarian actions, the EU as such has not been able to set out any common political platform and, consequently, has no political role to play.

The Italian government is decidedly and directly associated with the reconstruction operations and the administration in the framework of the kind of trusteeship the United States has decided to put in place with the *post factum* blessing of UNSC Resolution 1483. Italy's role in Iraq will hardly allow the Italian EU Presidency to foster a common European platform on that issue and act, as it intends to according to official statements, as a mediator mending fences between EU members and recovering some European cohesion. The whole of Middle East policy might create a similar obstacle if Italy continues to conduct the solitary, staunch pro-Israeli policy the premier has apparently adopted in opposition to broad European trends.

However, the challenge put to Europe by Iraq cannot be tackled in six months. Moreover, it cannot be isolated from the regional context. One has to take account of Iran and the Gulf and their relationship with the Near East, North Africa and the Muslim world. The EU faces both longer- and

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shorter-term problems with respect to this extensive region. What Italy can do in the next six months is to lay down the very first blocks on which the EU can develop a longer-term policy assuring Europe a role in Iraq, the Gulf and the Middle East in a more cohesive transatlantic framework. In this perspective, this paper discusses, first, longer-term EU challenges with respect to Iraq and the region and, then, challenges in the shorter-term.

### **EU and Iraq: long-term challenges**

As an official statement by the Commission candidly says, under the 24-year regime of Saddam Hussein, “the European Community (EC) never had any contractual relations with Iraq, and very limited and low level political relations. Iraq is not part of the EU-Mediterranean framework of associations (the Barcelona process), nor is it included in the EU co-operation set up for south Asia and south-east Asia. There is no official dialogue between the EC and the Iraqi government, and the Commission does not have a Delegation in Baghdad”<sup>2</sup>. As a consequence, most recent EU relations with Iraq have taken place essentially within the UN sanctions framework. Pending political decisions by the Council, this framework and Resolution 1483 are currently the only basis for an EU role in reconstruction. Thus the role is limited to humanitarian actions.

Instead, with respect to the other countries of the Gulf region - Iran and the Arab monarchies united in the Gulf Co-operation Council (GCC) - the EU countries have set out common policies. EU relations with Iran are quite old and take the form of a political dialogue – the so-called critical dialogue. There is also a comprehensive agreement between the GCC countries and the EU that contemplates a political dialogue as well as trade and economic relations.

Analysts generally consider these relations with the Gulf countries undeveloped and unsatisfactory. While EU countries have developed very significant common political approaches to the Mediterranean and the Near East (the Arab-Israeli conflict), they have always maintained an extremely low profile with respect to the Gulf area. Only a few European countries, namely the UK, France, Germany and Italy, have developed bilateral relations with Iran and/or individual GCC countries. Still, while the UK and France have always included the region in their strategic perspective, the other European countries lack such a perspective altogether. And it is this lack of strategic perception that has prevented EU policies from emerging (as in the case of Iraq and Iran) or from taking on a more adequate profile (as with the GCC). The task has largely been left up to the United States and to the European members of the Security Council, i.e. France and the UK.

With this background, no wonder the EU proved powerless when the United States decided to go to war against Iraq and was deeply divided by the US intervention. In the longer term, things will change only if EU members recognise and define common strategic interests in the Gulf such as oil, financial relations (in principle upgraded with respect to the past by their common currency, the euro), the containment of Weapons of Mass Destruction (WMD) proliferation in the region, and/or the setting up of a regional system of security co-operation. More broadly speaking, the EU’s deep interest in the Near East cannot be implemented in isolation from the Gulf region; no political aims can be attained in the Near East if de-linked from the Gulf.

If the Europeans recognise their strategic interest in these issues and challenges, they will have to develop common instruments to deal with them. If they do, they will finally break away from the two alternatives of strenuous opposition of US policies in the Gulf or staunch support of such policies. A more responsible and cohesive EU would be able to have a positive and constructive dialogue with the United States.

For sure, such a development is hindered by EU members’ national interests. On one hand, the less ambitious (or more opportunistic) members of the Union do not want to be involved in the Gulf. On

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<sup>2</sup> <http://europa.eu.int/comm/world/iraqsit/overview.htm>, visited on the 6th June 2003.



the other, most ambitious ones – those that perceive themselves as “great” powers entitled to global and high politics, like the UK and France – do not want to place their ambitions in the common EU framework.

The task of setting up common policies and strategic views with respect to the Gulf region is doubtless very difficult. The question, however, should be tabled with an eye to gradually bringing the Gulf into communitarian policy. Step by step, issue by issue, the EU needs to build up a common “Gulf culture”, upgrading Europeans’ awareness of the importance of this area for their security and prosperity. The war on Iraq has been a helpful signal – an opportunity that should not go lost. If the EU fails to work out a strategic vision with respect to Iraq and the Gulf, it will continue to be influenced by them rather than have a chance to affect events in this area.

### **Challenges in the shorter-term**

Iraq is as a factor of fragmentation in the Union. To be sure, there are many others. As is well known, fragmentation stems from an institutional deficit in the Union, in particular its inability to shift from an entirely intergovernmental to a more communitarian CFSP/ESDP. This deficit could be overcome by the decisions the next Intergovernmental Conference (IGC) will take on the basis of the results of the European Convention.

Whatever the outcome of the reform currently taking place in the EU, Iraq needs responses in the short term. These responses should have a twofold function. On the one hand, they should set out the early conditions for developing a longer-term strategy towards the Gulf and the Middle East as a whole, as pointed out in previous section. No doubt, such a policy planning effort should be assisted primarily by the Commission, the High Representative and the European Parliament, more in general by permanent EU institutions. On the other hand, they should promote policies and initiatives with a view to containing damages from current divisions on Iraq and trying to recover some cohesion within the Union. This would seem to be the task of the Presidency, in the event, the next Italian Presidency which will be underway when the postwar conditions in Iraq unfold.

The two perspectives are very different. Let’s discuss them in a separate way, beginning with the EU institutions.

The EU should prepare a comprehensive agenda for initiating and developing its relations with Iraq. The main directions of this agenda could be contained in a standard EU Communication to the Council and the European Parliament. In fact, while the Commission can hardly go beyond humanitarian aid before a political base of relations is established, it can set out an agenda and stimulate a debate in the EU that would help articulate a mid- to longer-term EU policy towards Iraq. This policy should envisage:

1. an Association agreement similar to those presently functioning with most Mediterranean countries;
2. the gradual inclusion of Iraq - and the other Gulf countries - in the very recent notion of “proximity”<sup>3</sup>; in fact, the emerging EU Iraqi policy should fundamentally provide a chance to overcome the senseless separation between the Mediterranean/Near East and the Middle East that for sheer historical reasons has dominated and distorted EU policy towards its Southern approaches. The prospect should be a EU MENA policy with distinctions, where need be, between sub-regions such as the Maghreb, the Gulf, the Near East, etc. It is high time for rationality and strategy to come back to the EU’s southern external relations;

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<sup>3</sup> Commission of the European Communities, Communication from the Commission to the Council and the European Parliament, *Wider Europe - Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours*, Brussels 11.3.2003, COM(2003) 104 final.

3. Iraq should be included in the EU's conflict prevention perspective;
4. MEDA should be enlarged and made available to Iraq as well, especially and most urgently with respect to MEDA Democracy;
4. Iraq should be allowed to export more oil products in addition to oil. Presently, EU limits such imports significantly within the framework of its relations with the GCC countries. The emerging EU policy towards Iraq should be seen as an opportunity to overcome such absurd EU protectionism towards the Gulf with respect to downstream oil productions;
5. The EU should be able to put forward an articulate plan for regional co-operative security in the Gulf, which is, at the end of the day, the key to a credible and durable peace in the region. Much has been said by individual analysts and institutions on the possibility of setting up a Gulf regional security system. Such a system was also successfully considered by the Madrid Multilateral Track Talks before they collapsed with the assassination of President Rabin. The EU-ISS should be given the task of taking stock of EU resources and know-how in this area (in governments and think tanks) with a view to co-ordinating an EU proposal on Gulf regional security. It should be clear that this proposal would be used by the EU to co-operate with the United States in supporting such a regional arrangement: hopefully, the EU would avoid another Barcelona first pillar;
6. The availability of EU peace forces should be forcefully and convincingly stated with reference to both Iraq and the Middle East in general; the link (and trade-off) between the use of such forces in the Near East and/or the Gulf must be pointed out.

This list may not be exhaustive. However, it provides indications on which the Commission and the High Representative could improve and enlarge. The basic idea is that a EU strategy for Iraq should be available shortly for public debate. The very short-term task of the Presidency should be precisely to start this process by committing EU institutions to generating an EU proposal as soon as possible. Even the Italian Presidency, so far removed from the idea of a common EU policy towards Iraq, should be able to initiate such a policy planning process, or at least should not be opposed to it.

A broad and more political task for Italy's Presidency should be to restore some cohesion among EU members. But this is close to a "mission impossible". Indeed, that cohesion was shattered by the US war on Iraq and, above all, is being entrenched by the fact that some EU members are participating in Iraq's reconstruction whereas others are not. The source of this situation is a transatlantic rift that no Presidency can overcome in six months' time. Again, what the Italian Presidency could do, however, is to lay down the first building-blocks for a transatlantic reconciliation to be fostered over time.

This could be done by a policy predicated on two elements: (a) a significant and convincing proposal for a EU common policy to be established and put forward in a spirit of transatlantic co-operation; (b) strong support for President Bush's "road map" policy (including the contribution of peace forces) with a view to merging it in a larger overall Middle East policy so as to extend EU-US understanding to the whole of the region. This second element looks like the key to whatever progress there may be in the Middle Eastern as well as Atlantic areas.

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