



Compass 2020

Germany in international relations
Aims, instruments, prospects



The Middle East and North Africa

A Gridlocked Region at a Crossroads

Andrä Gärber

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The Compass 2020 project represents the Friedrich-Ebert-Stiftung's contribution to a debate on Germany's aims, role and strategies in international relations. Compass 2020 will organise events and issue publications in the course of 2007, the year in which German foreign policy will be very much in the limelight due to the country's presidency of the EU Council and the G 8. Some 30 articles written for this project will provide an overview of the topics and regions that are most important for German foreign relations. All the articles will be structured in the same way. Firstly, they will provide information about the most significant developments, the toughest challenges and the key players in the respective political fields and regions. The second section will analyse the role played hitherto by German / European foreign policy, the strategies it pursues and the way in which it is perceived. In the next section, plausible alternative scenarios will be mapped out illustrating the potential development of a political field or region over the next 15 years. The closing section will formulate possible points of departure for German and European policy.

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Abstract

The Middle East and North Africa are blessed with c. 65% of worldwide oil reserves and a good 45% of global natural gas reserves, but suffer the curse of a distinct lack of democracy and thwarted development, caused by the paralysing mixture of a high level of political conflict and the authoritarian structure of most of the region's regimes.

The pressure of rising population, imminent changes in political leadership, the challenge of providing adequate education and access to information technology all affect the prospects for this region's future, which could be endangered by the continued dependence on resource rents, the tribalism which still dominates society and the unresolved question of how to deal with the phenomenon of political Islam (Islamism). This area's future will also be decided by the further unfolding of its great unresolved issues: the Arab-Israeli conflict, the Iraq conflict, the regional conflict between Sunni and Shia, the latest war in Iraq and the conflict over Iran's nuclear programme. These disputes are increasingly interdependent, as was clearly demonstrated by the „accidental“ war between Israel and Hizbullah in the summer of 2006.

From the German and European standpoint these conflicts and structural problems, if not settled, will inevitably increase the risks to German and European security, stability and prosperity.

To demonstrate these dangers clearly, three scenarios have been developed, „Storm in the Desert“, „Devastation“ and „Mirage“. All three proceed from the conflict over Iran's nuclear ambitions and follow different cause-and-effect paths which lead from the attempt to prevent Iran (by force) from acquiring nuclear weapons, or from reactions to Iran as a nuclear state. This was a conscious decision: Iran exemplifies the increasing alienation between the West and the Muslim world. Iran's support for terrorism and (probable) nuclear ambitions illustrate the extremism in political Islam and the danger of the proliferation of weapons of mass destruction. Iran's potential influence as a regional hegemon gives it a crucial role in solving the Arab-Israeli conflict, stabilizing Iraq and Afghanistan and shaping the relationship between Sunnis and Shiites in the region. The conflict over Iran's nuclear ambitions is also critical. The country has the world's third-largest oil reserves and the second-largest natural gas reserves. It depends on the resource rents and exemplifies the increasing insecurity of global energy supplies.

This background makes it clear that only a holistic political concept can offer a sustainable, comprehensive solution to defuse the crisis in the region. Germany, with its political and economic strength and its network of relationships with the most significant external and regional players, could make a vital contribution, following 10 key points: harmonizing European policy towards the region, reviving the comprehensive Middle East peace process, securing Israel and establishing Palestine, strengthening Lebanon, involving Syria, integrating Iran, stabilizing Iraq, shaping a broad-based policy of disarmament and detente, supporting socioeconomic development and integration, and finally, demanding political openness.

I. Framework Conditions

I.1 A Gridlocked Region

The Middle East (Mashrek) and North Africa (Maghreb) include the Arab world and the states which directly influence its security: Iran, Israel and Turkey (a borderline case).¹ The region contains c. 65% of world oil reserves and 45% of world natural gas reserves, the largest deposits in the world. At the same time, it is one of the most arid areas in the world. 5% of the world's population lives there, but they have access to only 1% of the world supply of fresh water. In 1963, water reserves in the region still exceeded 3,000 cubic metres per person per year. Today's figure is well below 1,000 cubic metres in more than 14 countries in the area.²

In addition, the oil and gas wealth is confined to a few countries: Saudi Arabia, above all, followed by Iran, Iraq, Kuwait, the United Arab Emirates, Libya, Qatar and Algeria. The area's fresh water resources are also very unevenly distributed: in Iran, about 1,800 cubic metres per person per year are available, in contrast to Yemen, with a mere 125 cubic metres.

The region's 2003 population of c. 375 million, excluding Turkey, is also concentrated in a few countries: about 40% of the total population live in Iran and Egypt, which each have more than 71 million inhabitants. This contrasts with the large number of small and very small states with populations of less than 5 million (including the United Arab Emirates, Kuwait, Oman) or of less than 1 million (including, Qatar, Bahrain).

This amounts to huge differences in production factors, such as the labour, human and real capital available in these countries, as well as differences in natural resources and per capita income, despite the fact that they are very homogeneous in terms of language, culture and religion and have close historical ties. The spectrum includes countries which are poor in natural resources and which export labour, such as Egypt, Jordan, Lebanon, Morocco, Tunisia and the Palestinian Territories, those which are rich in resources and have a large population, such as Algeria, Iran, Iraq and Syria, and last but not least, those which are rich in resources and import labour, such as Libya and the six Gulf Cooperation Council (GCC) countries of Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, Oman, Bahrain. Per capita income in 2003 ranged from almost USD 38,000 in Qatar to less than USD 600 in Yemen and Sudan.

In addition, these countries have very heterogeneous political systems. The spectrum includes monarchies (GCC states, Morocco and Jordan), republics with secular, authoritarian presidential regimes (Egypt, Syria, Tunisia and Algeria) or Islamist (military) regimes (Sudan and Iran), dysfunctional democracies (Lebanon), occupied countries moving towards democracy (Palestinian Territories, Iraq) and democracies (Israel).

The countries of the region have some of the world's worst scores on a number of political, economic and social development indicators. These shortcomings adversely affect each other and are potentially explosive.

The number of armed or political conflicts between states is frighteningly large in international comparison: several large-scale conflicts of international significance – the

¹ Turkey is a candidate for EU membership, but nonetheless an important non-Arab player in the region in relation to strategic-military cooperation with Israel, the issue of water in the area and the Kurdish question, inter alia. Therefore Turkey is also included in this analysis.

² In comparison, the figure for Germany is 2,286 cubic metres.

Middle East territorial conflict over Palestine, the Iraq conflict, the hegemony conflict in the Persian Gulf, and the international conflict over Iran's nuclear ambitions – as well as many smaller cross-national or domestic armed conflicts with regional ramifications, such as the Darfur conflict in Sudan, the West Sahara conflict and the Kurdish conflict.

It is therefore hardly surprising that the region has one of the highest arms concentrations in the world: average military expenditure as a proportion of GDP in these countries has decreased, but remains more than double the world average³ and thus has the dubious distinction of holding the world record. In addition, the globe's highest concentration of refugees and internally displaced people is found here.

Furthermore, the countries in this region are among the least free in the world. The most recent Freedom House report designates 11 as „not free“, six as „partly free“ and only one as „free“, making the region even worse than Sub-Saharan Africa in this respect. The Arab-Islamic world suffers not only from lack of freedom, but also from inequality and a knowledge deficit. Expert Arab commentators have examined the region critically for the United Nations Development Programme's annual Arab Human Development Report, which first appeared in 2002. They have identified the area as the least free in the world, in terms of civil and political human rights, as the area where women are least empowered politically, socially and economically and as having one of the world's worst educational systems, and they state that these are the central democracy and development deficits.

Economic and social development indicators also cause concern. Between 1970 and 1985, the area in fact enjoyed a steady oil-induced boom, which led to some of the world's fastest growth and development rates, second only to East Asia. However, the drastic drop in the oil price since 1985 and the continuous loss of productivity created a crisis which lasted until 2001, except in Morocco, Tunisia, Turkey and Israel. The oil boom did not resume until 2002. Coupled with an average population growth of 2.7% a year, this meant that per capita income in the Arab countries of the region only grew by 0.2% annually between 1975 and 2003.⁴ Average unemployment in the area is correspondingly high, c. 20% according to official statistics. These figures constitute a negative record in international terms, only surpassed by countries south of the Sahara. However, poverty is still much less widespread in these nations than in comparable developing areas, and some success has been achieved in macroeconomic stabilization.

The region is poorly integrated in world markets and only accounts for 3.4% of world trade. Trade still concentrates on a few categories of goods. On average over 70% of all exports are raw materials (above all, oil and natural gas), chemicals and other primary products (mainly potash and phosphates). At best 30% of total exports consist of manufactured goods, and 50% of non-oil exports come from Israel. A similar pattern of concentration can be seen in imports. Two thirds of imports are manufactured goods. On average 15% of imports are food. In the GCC states this proportion is even higher. Accordingly, the terms of trade are subject to extreme fluctuations. The region relies heavily on the EU market. An average of 30% of exports go to the EU and 50% of imports come from the EU. However, exports to the EU have diminished considerably in importance since 1980, from c. 24% to not more than 10% at present. Japan, the U.S. and China are far behind as the next most important trade partners.

3) Cf. in detail: the Stockholm International Peace Research Institute (SIPRI) Yearbook 2006, Armaments, Disarmament and International Security, Stockholm, 2006, p. 343 ff.

4) Cf. UNDP, Arab Human Development Report 2005, New York 2006, p. 288 ff.

There is still a high level of trade protection. With the exception of the GCC states, Israel and Turkey, tariff barriers to trade averaged 20% in 2005, and non-tariff barriers were only slightly less.⁵ Trade openness is also limited further by high transport, communication and administrative costs.

The region is one of the least integrated in the world in terms of investment and trade. Intraregional trade is well below 10%. The positive exception is the intraregional migration of labour. In addition, the region is still divided into two economic sub-regions, the Maghreb and the Mashrek. Accordingly, the existing sub-regional institutions, which are intended to coordinate political and economic cooperation, are either suspended (e.g. the Arab Cooperation Council), frequently impeded and unable to act (e.g. the Arab League) or only exist on paper (e.g. Arab Maghreb Union). The only exceptions to this are the GCC, which was originally founded as a security alliance against the Iranian threat and which will have evolved into a currency union by 2010, and the Organization of Arab Petroleum Exporting Countries (OAPEC).

In comparison with other countries, the region's economies are extremely dependent on resource rents, which consist of oil and other resources, rents for the use of land and waterways, transfer payments, mostly in the form of regional and foreign technological, financial and military aid, and remittances from migrant workers. Hence, these resource returns constitute a large share of the countries' income or GDP. The state still dominates the economic sector. An average of 30% to 60% of the indigenous population is employed in the public sector. In some GCC countries, this proportion amounts to as much as to 95%. Public companies dominate many countries' economies, holding an average GDP share of 50%. The number and proceeds of privatizations are proportionately small and are concentrated in a few countries (Morocco, Egypt, Jordan and Saudi Arabia). According to the World Bank Privatization Database, privatization proceeds in the region made up less than 5% of total privatization proceeds for developing and transitional countries between 1990 and 2003. In view of the continuing dominance of public companies in the economies of the region, direct foreign investment is also modest, with a proportion of less than 4% in 2005. It is also concentrated in a few countries (the United Arab Emirates, Egypt, Saudi Arabia and Morocco) and only the countries of Sub-Saharan Africa receive less.⁶

Most of the region's capital and stock markets – with the exception of Israel and the GCC states – are fragmentary and undercapitalized. Monopolist structures in the public sector, legal limits on foreign interests, corruption and bureaucracy prevent the financial markets from channelling the (abundantly) available capital into efficient projects. Thus, they are also partly responsible for the very low productivity compared to other countries. Tourism is underdeveloped, very segmented and suffers from the many conflicts in the region. The entire income from tourism in 2005, c. USD 17.7 billion (excluding Turkey), was only a little above that of Austria, a country with a population of 8 million.

1.2 Causes of the lack of democracy and development

The causes of the inadequate development in the region can initially be traced to a mixture of the very high potential for political conflict and the authoritarian structure of most of the regimes. These factors have led to the emergence of an extremely unfavourable climate for regional economic development and cooperation. Authoritarian sys-

5] Cf. World Bank, Middle East and North Africa, Economic Developments and Prospects 2006, Financial Markets in a New Age of Oil, Washington D.C. 2006, p. 82.

6] Cf. UNCTAD, World Investment Report 2005, Geneva 2006.

tems, which buy their legitimacy by distributing resource rents and relying on the creed „no taxes – no participation“, subordinate not only the development of civil society but also economic activity to national political and security concepts. The result of the ever-present mistrust is that relations between states also concentrate to a great extent on bilateralism, and market forces are replaced by bilateral treaties which can be cancelled at any time if political tensions arise.

In addition, the region is obviously still suffering from the colonial legacy. The artificial borders from colonial drawing boards resulted in many border disputes, especially on the Arabian Peninsula, which still cause friction today. The period of foreign control has also had a lasting influence on economic policies, political legitimacy and the role of the state. Colonial states tended to be authoritarian and discriminatory, while at the same time practising economic *laissez-faire*. In response to this experience, almost all states – with the exception of Lebanon – adopted a postcolonial development strategy based on state interventionism.

Last but not least, decades-long proxy wars by the superpowers, transnational ideologies (Pan-Arabism, Pan-Islamism and the out-dated, traditional Zionism), which were felt to be acutely threatening to young national regimes, as well as massive differences in distribution of wealth and resources, have all led to making power politics and geopolitics the dominant factors in the conduct of states in this region.

Most of the countries have similar problems despite their political and economic differences. Large resource rents enable them to postpone necessary reforms and to preserve structures inherited from the policies of import substitution and autarky of the 1960s and 1970s. This can be observed in all areas of the economy. This inevitably limited complementarity in production and trade structures and consequently reduced intraregional trade.

The high level of labour migration, which is usually the last stage of regional integration, is an anomaly in this region and has made it possible to postpone necessary structural change for a long time. Labour migration led to the comprehensive distribution of oil wealth and to the export of excess labour. It provided those countries which exported labour with an easy way to acquire foreign currency which could not be earned by their protective import substitution policy. Oil-exporting countries gained the necessary labour to fulfil their national economies' demands for non-tradable goods – above all, in construction, education and domestic private and public services.

A high level of military spending is another obstacle to financing economic development. A vicious circle of arms purchasing is a characteristic of the region. It proceeds as follows: if Saudi Arabia, e.g., purchases arms as a deterrent against Iran, Israel feels threatened. When Israel purchases arms, Syria feels threatened. Syrian arms purchases provoke Turkey. Turkey's arms purchases threaten Iran. Iran's arms purchases provoke Saudi Arabia. And so the vicious circle starts all over again. It is obvious that there is no clear bloc formation in the Middle East, which also means that there is no unified Arab Goliath bloc against the Israeli David, a frequently propounded but inaccurate idea. Saudi Arabia feels threatened by Yemen and Israel as well as by Iran and Iraq.

In addition, the five permanent members of the United Nations Security Council are the biggest arms exporters into the region and have a vested interest in perpetuating this lucrative market. Neither is there any real attempt to achieve a military balance. Saudi Arabia and Iran both aim to dominate the Gulf, and Israel's strategic doctrine is based on

maintaining military superiority over an Arab-Islamic threat in any possible combination. Israel will not give up its nuclear monopoly because it needs the deterrent potential in case it returns occupied territory and so loses strategic depth. At the same time, the Arab states attempt to compensate for Israel's superiority by a further build-up of (conventional) arms. This trend is likely to continue in future because the dichotomy which has arisen in the Middle East is unfavourable for the Arab states. Iran could become the next non-Arab state after Israel to possess nuclear weapons.

The structural problems described here have so far prevented the requisite job creation. Rising unemployment and the increasing divergence in income between the region and Europe lead to increasing pressure of migration, especially to Europe.

1.3 Perspectives for development

The general hope has indeed often been expressed that the states in this area are bound to become more politically and economically open because of developments which are obvious to the objective observer. Multilateral agreements (WTO) and interregional initiatives – such as the European-Mediterranean Partnership (EMP), the Barcelona Process from 1995 onwards, and the European Neighbourhood Policy since 2003 – increase external pressure on these countries to improve competitiveness and productivity and to deepen their integration in global trade and financial markets. The Greater Arab Free Trade Area (GAFTA), which has been functioning since the end of 2005, is intended to increase trade openness.

The pressure of competition from the world economy and the internal pressure to create more and better jobs should be the key triggers of long-term structural change. In addition, the hope is that demographic development, a new generation of political leaders, education and information technology will all support this structural change.

The pressure caused by rising population is, however, more likely to increase. Between now and 2050, the population of Iran and the Arab world will double to over 700 million.⁷ Even today over 60% of the population is under 25. This favourable demographic structure can only become a blessing rather than a curse, despite increased pressure on natural resources such as water and on the infrastructure, if these young people find productive jobs. Countries across the region are about to experience a sweeping change of the political guard, as the autocrats are ageing. However, the hope that the new leadership generation will bring significant progress towards democracy has not been fulfilled thus far. The reforms introduced to date in Morocco, Jordan and Bahrain, for example, can at best be described as political liberalization.

The situation is similar for information technology. Political liberalization is undoubtedly encouraged by the fast-growing amount of globally accessible information, costing authoritarian systems a vital element of their stabilizing capacity, namely their monopoly on information. However, so far, less than 10% of the total regional population uses the Internet and 60% of those Internet users are in Israel and Iran. In addition, Internet access is often state-controlled.

At the same time, it is to be feared that other factors which were partly responsible for the lack of development and democracy in the past may not evolve in the desired direction in future to support structural change. These include, above all, the dependence of

7] According to current United Nations Population Fund (UNFPA) estimates, Egypt will have a population of 126 million by 2050, Iran will have 102 million, Iraq 64 million, Algeria and Saudi Arabia 50 million each.

the states in the region on returns from natural resources, tribalism, which still dominates their societies, and how they deal with Islamism.

Oil and gas revenues will tend to stabilize at a high level in future, too. While it is true that measures to improve energy efficiency and the increasing use of alternative renewable energy sources will slow the rise in demand for oil and gas in the long term, the growing energy hunger in China, India and other economically developing countries is leading to an increased demand for Primary energy. This is clearly shown by the 2.7% growth in worldwide consumption of primary energy in 2005.

Official Development Assistance (ODA) will not be reduced in the near future either. On the contrary, the United Nations Millennium Goal that developed countries should donate 0.7% of their GDP for ODA remains far from achieved. In 2004, OECD states only spent an average of 0.42% of their GDP for this purpose. It can be assumed that this region, which is so significant for security and energy policy, will be able to count on increasing amounts of ODA in future. At the same time, the revenues of oil-exporting countries will steady at a high level, so a significant reduction in intraregional financial aid is not to be expected in the middle term.

The remittances of guest workers, which are still a very important economic factor for resource-poor countries such as Jordan, Yemen, Lebanon and Morocco,⁸ will stabilize at the present low level for the foreseeable future. The safety valve of intraregional labour migration has in fact been gradually closing since 1991. On the one hand, the resource-rich countries which import labour have started to develop a policy of „nationalizing“ their labour forces, replacing foreign workers with domestic labour. On the other hand, the labour market in many of the region’s resource-rich countries has become „de-Arabized“, in that politically „low-maintenance“ and cheaper guest workers from South and South-East Asia have been substituted for politically „difficult“ and expensive Arab workers, especially from the Palestinian Territories, Sudan and Egypt. The proportion of Arabs in the non-native population of the GCC states has therefore dropped from 72% to 32% between 1975 and 2004.

Altogether, it can be assumed that the dependence of these states on resource rents will not be significantly reduced in the foreseeable future. In view of the recent jump in the global oil price and the resulting huge windfall profits, the regimes in the region can rely on the available resource rents being large enough for years to come to enable them to permit political opening only in very small doses. According to the U.S. Energy Information Administration, the region’s oil exports alone yielded revenues of around USD 357 billion in 2005. In 1998, when prices were at their lowest, this return was around USD 96 billion.⁹

Tribalism still dominates the region’s traditional societies and defines politics and economics according to membership of male-dominated clans (*hamula*). Thus clans also control major segments of the private and public sectors and are partly responsible for the high levels of corruption, a core problem. Strategies for democratization and development, such as supporting multi-party democracy and good governance, which are exclusively oriented towards Western ideas of democracy and development and ignore tribalism, will naturally continue to have little chance of success in future.

8] According to the World Bank, the relative share of guest worker remittances in 2001 was 22.8% of GDP in Jordan, 16.1% in Yemen, 13.8% in Lebanon, and 9.8% in Morocco. In all other states, this figure is now only 5.5% or less.

9] In comparison to earlier oil booms, the resource-poor states in the region experienced the negative aspects of a rise in oil prices for the first time, because the positive transmission channels - especially remittances from migrant workers and financial aid - between oil exporters, who are using their windfall profits more rationally, and oil importers have weakened, and the costs have increased because the domestic oil market subsidies have been retained despite the price increase.

In addition, the West's diffuse fear of Islamism¹⁰ provides regimes in the region with a *carte blanche* to institute massive repression, in the name of fighting Islamism, of all actors in civil society who might criticize the regime. The best examples of this are the authoritarian presidential regimes of Tunisia, Egypt and Syria.

Lastly, the prospects for the future depend to a large extent on how the great conflicts pending in the Middle East and North Africa develop.

1.4 The Madrid Middle East Peace Process – from euphoria to collapse

The unstable balance of power in the region was shaken to its foundations by two events – the collapse of the former Eastern bloc (1989/1990) and the disintegration of the Soviet Union (1991) and the Gulf crisis and the second Gulf War (1990/1991).

The old, but now sole superpower, the U.S., used pressure and diplomacy and managed – for the first time in history – to get all parties directly involved in the conflict (Israel, Syria, Lebanon and a Jordanian-Palestinian delegation) around the negotiating table for a grand Middle East peace conference, which began in Madrid on 30 October 1991.

The Madrid peace talks were admittedly not international, under the aegis of the United Nations – as the Arabs demanded – but only regional, led by the U.S. and the USSR, or its successor, Russia, as requested by Israel. Nevertheless, it was possible to involve the international community of states: alongside the bilateral negotiations, multi-lateral peace negotiations took place on economic development and cooperation, refugees, water, disarmament and the environment. The EU only had a minor role as the gavel holder for the multi-lateral Regional Economic Development Working Group; the United Nations, as an observer, was a mere extra. United Nations Security Council Resolutions 242 and 338 formed the legal basis. The aim of the peace negotiations was a lasting, just and comprehensive peace based on the principle of „land for peace“.

However, the euphoria about a comprehensive solution to the Arab-Israeli conflict being apparently within reach gradually yielded to disillusionment. The Palestinian-Israeli negotiations suffered most from the format of the talks, modelled on a slightly altered version of the three-stage plan of the Camp David Agreement, which had been on hold since 1978. After the signing of the Oslo I Agreement on 4 May 1994, the five-year interim period began with the Israeli withdrawal from the Gaza Strip and the city of Jericho on the West Bank. By the beginning of the third year of the interim period at the latest, negotiations were to start on the so-called final status issues: Jerusalem, refugees, settlements, external security, border questions, relations and cooperation with neighbouring countries and other topics of common interest. As in the Camp David Agreement, the final status of the Palestinian Territories was not defined.

The gradualist approach, founded on building trust, certainly produced a number of bilateral agreements.¹¹ However, keeping to phases gave the Palestinians no land, in view of Israel's continuing settlement and infrastructure policy, and the Israelis gained no peace because of the large number of Palestinian suicide attacks.

10] The phenomenon of Islamism first came to the world's notice through the Iranian revolution in 1979. The West's anxiety was reinforced by the prospect of a landslide victory of the Front Islamique du Salut (FIS) in the 1991 Algerian National Assembly elections, which was prevented by a military putsch and ended in the Algerian civil war. This uneasiness was aggravated by the success of the Muslim Brotherhood in Egypt in 2005 and the Hamas victory in the 2006 Palestinian election.

11] The Declaration of Principles of 13 September 1993, the Cairo Agreement (Oslo I) of 4 May 1994 (including the Paris Protocol on Economic Cooperation of 29 April 1994), the Israel-Palestinian Interim Agreement (Oslo II) of 28 September 1995, the Hebron Protocol of 15 January 1997, the Wye River Memorandum of 23 October 1998 and the Wye River Agreement II of 4 September 1999.

Although the Palestinian interim period had already ended on 4 May 1999, the final status negotiations only began on 8 November 1999 and were broken off without results on 7 February 2000. The attempt to solve the final status issues in a summit meeting between Bill Clinton, Ehud Barak and Yasser Arafat also failed.¹² The Camp David summit concluded on 25 July 2000 without achieving anything. After Ariel Sharon's visit to the Temple Mount, the Second Intifada erupted on 28 September 2000. The outbreak of the Second Intifada finally put the Madrid Peace Process on hold. The only remaining tangible results were the mutual recognition between Israel and the PLO, the establishment of an autonomous Palestinian Authority (PA) which was increasingly ineffective and the Israel-Jordan Peace Treaty of 26 October 1994. The negotiations between Israel and Syria were broken off and Israel withdrew unilaterally from Lebanon in 2000 – without negotiating a bilateral solution with Lebanon. The Taba talks in January 2001, designed to continue the final status negotiations, were also postponed without any results because Ariel Sharon's election on 6 February 2001 as Israel's new prime minister was already a foregone conclusion.

The 11 September attacks significantly impacted the region and further progress of the peace negotiations. After 9/11 it again became fashionable to create a hostile image of the Arab-Islamic world. Islamophobia and Arabophobia have increased markedly since then, above all in the West.

Before 9/11, the West and the Arab-Islamic world (especially Syria and the Palestinians) at least had similar ideas about the use of violence in the Middle East territorial conflict over Palestine: violence was not terrorism *per se*, but was also seen as legitimate resistance against occupation, e.g. as expressed in the United Nations General Assembly Resolution 2649 of 30 November 1970. After the attack on the World Trade Center, it was chiefly the Bush administration which almost fully adopted Israel's definition, which does not make this distinction. From the U.S. standpoint after 9/11, this disqualified Syria. From the Israeli point of view, a Palestinian negotiating partner no longer existed.

U.S. attempts to curb the violence in the Holy Land by making further proposals failed. The ceasefire plan announced by U.S. special envoy Anthony Zinni on 26 March 2002 – like the Mitchell Report of 5 May 2001 and the Tenet Plan of 16 June 2001 – turned out to be merely a paper tiger. Saudi Crown Prince Abdullah's peace plan, passed on 28 March 2002 at the Arab League summit in Beirut, also vanished without a trace. The unheeded paper envisages the recognition of Israel by the Arab states if Israel withdraws to its 1967 borders and permits the founding of a Palestinian state. At the same time, a new series of attacks cost dozens of Israeli lives and led to the Israeli Army's Operation Defensive Shield, which marked the start of the reoccupation of the West Bank on 29 March 2002.

The Middle East Quartet, which was created by the decisive external actors U.S., EU, UN and Russia in 2002, presented a new peace plan, the Road Map, on 30 April 2003. This timetable for a lasting two-state solution in the Israeli-Palestinian conflict again envisages three phases prior to the founding of a final Palestinian state in 2005 and revives the three-stage plan from Camp David in a more compressed time frame. However, since the Israeli government recognized no Palestinian negotiating partner, this initiative did not get out of the starting blocks either.

¹² The Palestinians, who in a historic miscalculation had vehemently rejected the c. 46% of the Holy Land allotted for a Palestinian state in the 1947 UN partition plan, saw the acceptance of the 1967 borders, which reduced their territorial claims to c. 23% of the Holy Land, as the culmination of the historical territorial compromise, whereas Israel saw it as the starting point for further territorial negotiations.

Consequently, the Israeli government expressed displeasure and rejected the so-called Geneva Accord, which was officially signed on 1 December 2003 in Geneva in a blaze of publicity by prominent figures from both camps: Israeli opposition leaders and representatives of the Israeli peace movement, and Palestinian delegates acting with Arafat's blessing. The Geneva Accord deserves special attention above all for its concrete proposals for the settlement of most of the final status issues – apart from the water question – which had been postponed in all previous agreements. Thus, the Geneva Accord can be seen as a supplement or a detailed draft of the Middle East Quartet's Road Map and the two-state solution put forward in June 2002 by President Bush.

In response to the Geneva Accord and to increasing domestic and international pressure, Ariel Sharon published the unilateral Gaza withdrawal plan on 14 April 2004. It envisaged the withdrawal of Israeli troops from the Gaza Strip, the demolition of all settlements in Gaza and a limited number of isolated settlements on the West Bank. This policy of unilateral separation was rounded off by construction of a security barrier between Israel and the West Bank, which consists for the most part of a dividing fence, but takes the form of a wall up to eight metres high between East Jerusalem and the West Bank and around Kalkilya on the West Bank. On 12 September 2005, the unilateral Gaza withdrawal plan was fully implemented – without any coordination with Abbas or any involvement of the Middle East Quartet. Altogether, c. 8,000 settlers from 21 settlements in the Gaza Strip and four settlements in the West Bank were evacuated.

Hamas emerged as the clear victor of the January 2006 Palestinian parliamentary elections, which the international community had insisted on. After they had taken power in Ramallah and Gaza City in March 2006, most Israelis were even more strongly inclined to build a security or dividing fence, abandon isolated settlements and opt for demographic security – all of this unilaterally.

In addition, Israel chose a strategy of isolation and a boycott of Hamas, which is on the list of terrorist organizations not only in Israel, but also in the U.S. and the EU. This strategy is to be maintained until Hamas fulfils three conditions: it must renounce violence, recognize Israel's right to exist and accept the current treaties between Israel and the PLO. The West has endorsed this isolation strategy, especially the Palestinian Authority's heaviest financial backers, the U.S. and the EU. Fatah and several Arab states give tacit support to this policy.

This isolation strategy is based on clear moral principles but has several negative political consequences, *de facto* leading to widespread poverty among the Palestinian population. It also gives the impression that the Palestinian people are being collectively punished for a „wrong“ vote in a democratic election. If new elections, compelled by the isolation strategy, were actually held, the West would once again lose a massive amount of credibility in the Arab-Islamic world with respect to their demands for democracy: they will continue to call for new elections until the result desired by the West is achieved. Last but not least, this strategy entails a collapse of the Palestinian state-building process, started in 1994, with the danger, now becoming very real, of violent escalation of the inner-Palestinian conflict, especially between Fatah and Hamas. The final resort would be to return administrative responsibility for the Palestinian Territories to Israel.

Whatever happens, the continuation of this strategy, tempered by the introduction in June 2006 of the Temporary International Mechanism for Assistance for the Palestinian People (TIM), which was intended to bypass the Hamas government, combined with Israel's withholding of Palestinian tax and customs revenues and the reduction of foreign aid, will lead to a further escalation of violence.¹³

13] On 19 January 2007, Israel announced the first and so far only release of Palestinian tax and customs revenues since March 2006,

I.5 The 2003 Iraq war – Operation Neo-Con a success; patient Iraq (almost) dead

In the shadow of the old Arab-Israeli conflict, new lines of conflict have now developed. They centre on Iraq and have regional and global dimensions. The military attack on Iraq has been politically instrumentalized, mainly by the Islamists, to trump Western hegemony and legitimize worldwide terrorism. In addition, the military intervention in Iraq has not been legitimized in international law and has already jeopardized the successfully forged international political coalition – Enduring Freedom – against global non-state terrorism.

9/11 spawned an increasing Arabophobia and Islamophobia in the West. The most recent Iraq war, which is perceived in the Arab-Islamic world as a further example of *double standards* in Western Middle East policy, has clearly strengthened Westophobia in the Arab-Islamic world, as revealed in the latest Pew Global Attitudes Project surveys. Above all, the U.S. has suffered a huge loss of credibility, not only because of the exposure of torture scenes from the Iraqi Abu Ghraib prison and the establishment of the Guantanamo Bay internment camp in violation of international law. Of the many justifications given for the war – above all, the existence of weapons of mass destruction and the cooperation between Al Qaida and the Saddam Hussein regime – all that finally remained were the forceful removal of a despotic regime, the U.S.'s strategic oil interests and securing the U.S. dollar as the world's reserve currency.

The security situation in Iraq is now disastrously plagued by insurgency, attacks, suicide bombings, raids and kidnappings. Yet security is the fundamental prerequisite for any political and economic development.

This situation is the result of serious political mistakes by the U.S. and its „Coalition of the Willing“, which have had grave consequences. The precipitous and unnecessary dissolution of the Iraqi security forces, the comprehensive, unfocussed de-Baathification¹⁴ and the hand-picking by the U.S. of the first Iraqi Interim Governing Council according to ethnic and religious criteria have all accelerated the erosion of Iraqi identity and the Lebanonization of Iraqi society. At the same time, the Iraqi economy, destroyed or isolated by decades of war and sanctions, was subjected to unprecedented shock treatment by being opened up to the market of the „Coalition of the Willing“.

Neither the U.S.'s early exit strategy nor an extension of the occupation could improve the situation. In order to prevent the drift to open civil war, the international community of states managed to give the stabilization process in post-Saddam Iraq legitimacy by unanimously passing United Nations Security Council Resolution 1546 in 2004.

The legitimacy of the political process in Iraq was to be achieved step by step in the framework of a defined interim period by three elections in 2005.¹⁵ The elaboration of a new constitution was crucial in this context. The draft faced a double hurdle in the referendum planned for 15 October: it had to obtain a positive majority throughout the country, and additionally, would fail to pass if rejected by two thirds of the voters in three of the 18 provinces. This was originally intended to provide the Kurds with a veto – three of Iraq's 18 provinces are dominated by Kurds. In fact, it almost turned into a Sunni veto.

amounting to USD 100 million.

14] Thousands of Iraqi civil servants were dismissed without notice simply because they were members of the Baath Party, although it was known that public service jobs were only open to party members under Saddam's regime.

15] Parliamentary elections on 30 January 2005, a referendum on the draft constitution on 15 October 2005 and new parliamentary elections on 15 December 2005 and the formation of a permanent Iraqi government.

The constitutional process and the referendum on the draft constitution have once again done lasting damage to the political process in the interim period.

Not only did the U.S. exert massive influence on the composition of the Iraqi constitutional commission and the establishment of the framework for the constitutional discussions, but it also intervened directly in constitutional deliberations. On the other hand, no one actually knew what they were really voting on because until three days before the referendum, important changes and additions were being made to the draft. The constitution was declared to have been accepted by a nationwide majority of 78.8%, despite the two-thirds majority who rejected it in the Sunni-dominated provinces of Anbar and Salah-ad-Din. In view of the many complaints – especially in the provinces of Nineveh, Diyala and Kirkuk – it must be assumed that there was a considerable amount of electoral fraud.¹⁶

Significantly, the provisions of the constitution in its present form accelerate the violent disintegration of the country. The articles of the constitution appeared to many Sunnis to be a condemnation: the Sunnis were to be punished for the sins of the Baath Party. The liberators (U.S.) and the liberated (Shiites and Kurds) were to be rewarded.

Under the constitution, the Iraqi federal government is weak and possesses too little authority to safeguard Iraq's territorial integrity. Consequently, the goal of a federal system has not been achieved. The state is quite simply an accumulation of autonomies. In addition, future regional governments receive full responsibility for internal security, including the right to maintain their own military forces, so-called „regional guards“. The constitution also contains potentially explosive material in relation to the future distribution of natural resources. On the one hand, regional governments may decide in future who may develop and exploit new oil sources and under what terms. On the other hand, Article 110 of the constitution also implicitly envisages selling off national resources to international oil companies.¹⁷

The international community of states has succumbed to the specious illusion that the three elections which were „pushed through“ in 2005 have established the legitimacy of the political process in Iraq and that the interim period foreseen in United Nation Security Council Resolution 1546 has been successfully concluded.

However, the opposite is the case: the elections have augmented the existing trends – polarization and fragmentation. The Iraqi population voted predominantly along ethnic and religious lines. The trial of Saddam has further deepened the schism between the Sunnis on one side and the Kurds and Shiites on the other.¹⁸

Now there is the danger that Iraq, like Lebanon, could be used for a new proxy war between Sunnis and Shiites, with Saudi Arabia and Iran pulling the strings.

16] For example, in the first elections after the fall of Saddam's regime in January 2005, only c. 16.8% of the votes were given for Kurdish and Shiite party candidates in the mixed, but Sunni-majority province of Nineveh. It then suddenly appeared that almost three times as many people voted for the draft constitution which had been recommended by Shiites and Kurds, thus reducing the rejection of the draft in this province to 55%.

17] This article mainly targets the production sharing agreements (PSA). All new oilfields entering production, which make up 64% of Iraq's known reserves, are to be developed and exploited by multinational companies from now on. This would make Iraq the first country in the Middle East to hand over the exploitation of its oilfields to foreign companies through PSA. For a detailed account of the potential losses this could entail for Iraq: Greg Muttitt, *Crude Designs: The Rip-Off of Iraq's Oil Wealth*, Global Policy Forum, November 2005.

18] After the International Criminal Court in the Hague could not try Saddam (statute) and the United Nations was reluctant to establish a special tribunal (death penalty), an Iraqi special tribunal was set up. It started work on 19 October 2005 and was intended to conduct 12 trials. The first trial, which covered the execution of 143 people in Dudschail in 1982, led to the death penalty for Saddam Hussein, who was executed on 30 December 2006. By executing Saddam Hussein, the Kurds and Shiites have deprived themselves of the opportunity to come to terms with the dictatorship of 1979 to 2003 and to subject it to legal review - especially the massacres of Kurds in 1988 and the brutal suppression of the Shiite revolt in 1991. The close U.S. ties with the Saddam regime at that time can now no longer be completely exposed for history.

I.6 The spectre of the Shiite crescent

Iraq is the first Arab country to be ruled by a Shiite majority. The Shiite takeover in Iraq has also permanently altered the decades-old regional balance of power between Sunnis and Shiites, tipping the scales in favour of the Shiites. Only c. 10% of c. 1.3 billion Muslims worldwide are Shiites. However, the absolute majority of Shiites live in the Middle East. They form the majority of the population in Iran, Iraq and Bahrain and are the largest religious group in Lebanon. They also constitute significant minorities in the Arabian Gulf states, especially in Saudi Arabia, Yemen and Syria.

The increase in Shiite power not only endangers the stability of Saudi Arabia, whose Wahhabite state ideology is fundamentally hostile to Shiism; it also fuels Sunni extremism, which aims to shake off Western influence and the presence of Western troops and reestablish Sunni dominance in the region.

I.7 Conflict with Iran over its nuclear programme – *déjà vu* of an (un)avoidable escalation

In 2002, almost simultaneously with the diplomatic escalation regarding the crisis in Iraq, it became known that Iran had been running a secret nuclear programme for years.

Like Argentina and Brazil, Iran also has the basic right to generate nuclear energy for civilian use, operating a closed fuel cycle within the bounds of the Non-Proliferation Treaty (NPT), and to run an independent programme of uranium enrichment. The international community of states is opposed to this; it profoundly distrusts Iran because of many years of nuclear programme secrecy and demands that Iran renounce this right and put an end to uranium enrichment on its territory. The main reason is that Iran has also long pursued a very ambitious programme to develop medium-range missiles and carrier systems. This extremely expensive and complex technology only makes military sense if the missiles and carriers are armed with nuclear warheads.

International suggestions that Iran be enabled to participate in uranium enrichment, but not on its own territory, automatically meet with reservations from Iranian leadership. Iran has had an unfortunate experience with a similar scheme in the past. In 1974, Iran signed a nuclear cooperation treaty with France and bought a partnership in the European Gaseous Diffusion Uranium Enrichment Consortium (Eurodif). When Iran wanted to obtain enriched uranium in 1991, a legal dispute with France arose because Iran had not fulfilled its financial obligations in the 1980s. Since then, Iran has not received any enriched uranium from Eurodif.

Against this background, Iran, now bristling with self-confidence as the hidden winner in the international military interventions in Iraq and Afghanistan, will not accept complete abandonment of uranium enrichment on its territory. The only choice which remains is between a compromise and the escalation of the conflict.

Both sides seem to have made an early decision in favour of escalation, without coming close to exhausting the options for a diplomatic solution. After the failed negotiations between the EU-3 (Britain, France and Germany) and Iran, the next stage of escalation has now been reached. The Iranian nuclear programme is before the United Nations Security Council. Iran ignored both the non-binding statement of the President of the Security Council of 29 March 2006 and the binding UN Security Council Resolution 1696 of 31 July 2006, which both called on Iran to put an immediate stop to all uranium enrichment

activities. The Security Council reacted to this by unanimously passing Resolution 1737 on 23 December 2006. This resolution defined the Iranian nuclear programme as a threat to world peace on the basis of Chapter VII of the UN Charter, but explicitly ruled out the use of force. In order to gain the support of China and Russia – as the price of unanimity – only very limited sanctions have been envisaged thus far.¹⁹

1.8 The „accidental“ war between Israel and Hizbullah in summer 2006

After an Israeli soldier was kidnapped by Palestinians in the Gaza Strip on 25 June 2006 and two others by Hizbullah on 12 July 2006, many observers of the region were surprised by how quickly and massively the conflict escalated into a bloody war. Explanations were quickly attempted, but none could be conclusively verified and all illuminated only one facet of the war. According to one, Khaled Mashaal, head of the external leadership of Hamas based in Damascus, apparently asked Sheikh Nasrallah, the leader of Hizbullah, to start a war by kidnapping Israeli soldiers to give Hamas new impetus for the fight against Israel. According to other accounts, Tehran asked Hizbullah to allow the conflict with Israel to escalate before the G8 summit in St. Petersburg, Russia, on 15 August 2006, in order to remove the question of Iran's nuclear programme from the summit agenda, which briefly succeeded. Another theory was that the U.S. had been encouraging Israel for a long time to seek a military solution to the conflict with Hizbullah as a kind of trial run for the foreseeable confrontation between Washington and Tehran. All that was needed was the right opportunity.

However, these attempted explanations show that the war between Israel and Hizbullah was a multidimensional conflict with local, bilateral, regional and international impact.

The war resulted in the deaths of many civilians on both sides and caused billions of dollars' worth of damage, though the number of victims and the amount of damage in relation to the domestic economy was significantly higher on the Lebanese side. Israel did not fully achieve any of its clearly defined war aims, such as the unconditional release of the Israeli soldiers and the destruction or long-term weakening of Hizbullah. Unlike Israel, Hizbullah had no precisely formulated military aims and could therefore fabricate a claim of „divine victory“ in the face of massive destruction in Lebanon. Using asymmetric warfare and hit-and-run guerrilla tactics, however, they succeeded in permanently damaging the myth of Israel's military invincibility.

The war helped improve Hizbullah's image as a resistance movement, not just in Lebanon but in the whole Arab-Islamic world, and to legitimize its use of arms. Hizbullah has been strengthened by the conflict and will no doubt aim for two political changes. In relation to Lebanese identity and international ties, Hizbullah will try to prise Lebanon away from the U.S. and French sphere of influence and to prevent it from becoming part of the American „New Middle East“.

Hizbullah's stance against its disarmament will become more firm. Since the highly motivated, modern Israeli Army did not succeed in disarming it, the Lebanese Army and potentially UNIFIL are unlikely to manage. UN Security Council Resolution 1701 of 12 August 2006 resulted in the ceasefire between Israel and Hizbullah. However, this ceasefire is very fragile because the resolution is unclear in relation to border controls, Hizbullah disarmament and the use of force. In addition, it only provides one-sided security for Israel and does not offer a complete political concept to solve Middle East crises.

19] A ban on delivery of technology for uranium enrichment in heavy water reactors and for nuclear carrier systems, freezing foreign assets of companies and individuals who take part in the Iranian nuclear programme and are active in the arms industry, and individual travel bans.

II. Germany's policy

The region is extremely important from the German and European point of view.²⁰ Germany has a genuine historical and moral responsibility towards the state of Israel. Because of the geographical proximity, Germany and Europe's security, economic, social and cultural policies also play an important part.

Germany has no officially declared policy towards this area, however,²¹ apart from the communiqués of German political parties, such as the principles of social democratic policy on the Middle East passed by the Social Democratic Party (SPD) parliamentary group in the German Bundestag in 1992 and 1997, and the initiative for a comprehensive political concept for the Middle East, passed by the SPD presidium on 18 August 2006.

However, in historical retrospect, the three indisputable priorities of German Middle East policy can be identified very quickly. Germany's Middle East policy is based, first, on its unconditional support for Israel's security, because of the special moral and historical responsibility of the German people for the Jewish people. Second, the policy pursues a comprehensive peace between Israel and Palestine as a strategic aim in order to guarantee Israel's lasting security. Finally, Germany earnestly seeks good neighbourly relations with the countries of the Arab-Islamic world.

Germany very quickly joined the effort to harmonize European foreign policy and has supported the most important stages of developing a common European Middle East policy for all EU Member States.²²

At the same time, Germany has always been able to assert its own independent policy towards the region in cases where conflict has arisen within the European decision-making process. The EU's Common Foreign and Security Policy (CFSP) is still not a joint process, but the result of cooperation between governments of the Member States. In addition, the EU's Common Strategy towards the Mediterranean region, which was passed in 2000, will not come into effect until a comprehensive Middle East peace settlement has been reached. Thus, the EU maintains the unanimity principle in relation to its Middle East policy. For the future, this means not only the time-consuming search for consensus and agreeing on the lowest common denominator but also, if the worst comes to the worst, the paralysis of European Middle East policy – as happened before the most recent war in Iraq.

Last but not least, Germany has proved its independence many times, through bilateral arms cooperation with Israel, particularly with reference to the delivery of GAL-class or Dolphin-class submarines. The former Chancellor of the Federal Republic, Gerhard Schröder, emphasized in 2002 that Israel would receive whatever it needed to maintain its security, and would receive it whenever it was necessary.²³

Against this background, Germany acts as Jerusalem's advocate, in the words of Joschka Fischer, Germany's former Foreign Secretary, and takes the role of Israel's spokesperson

20] Cf. the most recent survey of foreign policy opinion makers – above all, chief editors and foreign affairs department heads in print media, radio and TV – commissioned by the German Council on Foreign Relations (DGAP) and carried out by the German Institute for Market and Political Research (dimap) in July 2006. Of the 15 central topics on the current foreign policy agenda, eight of the highest ranked relate directly or indirectly to the Middle East and North Africa.

21] The most recent Federal Ministry of Defence White Paper also almost entirely ignores this subject.

22] From the Venice Declaration of the Palestinians' right to self-determination of 1980 to the Barcelona Process in 1995, the nomination of an EU Special Envoy for the Middle East Peace Process in 1996 and the EU's Berlin Declaration in 1999 up to the development of the European Neighbourhood Policy in 2003.

23] Ottfried Nassauer, Christopher Steinmetz, Die Goldene Hochzeit der Waffenschmieden, 50 Jahre deutsch-israelische Rüstungskooperation, [The Armourers' Golden Wedding, 50 Years of German-Israeli Arms Cooperation] in: Das Parlament, Issue 15, April 2005.

and supporter in European institutions. The recent war between Israel and Hizbullah demonstrated this clearly: a majority of EU countries called for an immediate ceasefire, but this demand was not endorsed by Germany, Britain and the Czech Republic and was reduced to an appeal to end hostilities without a deadline.

At the same time, Germany pursues a discourse of balance and has shown itself to be the EU's most generous single financial donor to the Palestinians. Germany was also the first Western European country to advocate the Palestinians' right to self-determination in 1974. German policy has not changed since reunification.

Israel views Germany today as its second-best friend after the U.S. The Arabs also have a high opinion of Germany. There are good reasons for this, but also one very dubious reason. On the one hand, German technology has an excellent reputation in the Arab world. Germany is also free of the colonial past which colours French and British relations with the Arab world. On the other hand, Germany is seen as an example. It has twice achieved national unification: in 1871 under Bismarck, and in 1990 under Kohl. This is a dream that has not yet been fulfilled in the Arab world. Arab public opinion of Germany is also influenced by a further factor: approval of Hitler and Nazi Germany. This shocking reason for Arab approval of Germany is not just the result of a lack of knowledge about the European Holocaust, which is almost completely omitted from Arab history books and school textbooks, but also arises from the deep, sometimes hate-filled frustration which the Arab-Islamic world feels in the face of Israel's military, technological and economic superiority. The founding of the state of Israel is still referred to as *nakba* (a catastrophe) and it is seen as a western imperialist implant.

At the same time, Arab countries overestimate reunited Germany's political and economic power in the EU. There is a belief current among Arabs that Germany could effect a solution to the Arab-Israeli conflict by its sheer size. What they fail to see here is that, despite its special relationship to Germany, Israel is critical of EU involvement in the Middle East. The mainstream of Israeli opinion, accuses Europe of a constant, prevailing anti-Israeli, or even anti-Semitic tendency, mostly latent and sometimes open. The reason for this lies in the European Holocaust.²⁴

III. Scenarios

From a German and European perspective, security, stability and prosperity will inevitably continue to grow if the conflicts and structural problems described so far remain unsolved. The threats arise from terrorism, the proliferation of weapons of mass destruction, organized crime, growing (illegal) migration, increasingly insecure energy supplies and Islamic extremism.

The various scenarios which follow have been developed to elucidate these dangers more clearly. Developments in the Middle East and North Africa are influenced by many factors, as the detailed description of the framework conditions has illustrated.

The positive or negative modification of each factor in future will have a direct effect on subsequent developments in the region. Combining these factors in their positive or negative manifestations permits the development of countless, quite different scenarios for the Middle East.

24] The opinion poll commissioned in 2003 by the European Commission on the Iraq war and world peace did much to confirm this suspicion. Of the Europeans surveyed 59% saw Israel as a threat to world peace, far more than „rogue states“ such as Syria, Iran, Libya and North Korea.

The following possible future realities, „Storm in the Desert“, „Devastation“ and „Mirage“ have one thing in common: they proceed from the conflict over Iran’s nuclear ambitions and follow cause-and-effect paths which result from the attempt to prevent Iran (by force) from acquiring nuclear weapons or from reactions to Iran as a nuclear state. This was a deliberate choice: Iran exemplifies the increasing alienation between the West and countries heavily influenced by Islam. Its support for terrorism and (probable) nuclear ambitions represent the extremism in political Islam and the danger of the proliferation of weapons of mass destruction. Iran’s potential influence as a regional hegemon makes it a decisive factor in solving the Arab-Israeli conflict, stabilizing Iraq and Afghanistan and structuring the relationship between Sunnis and Shiites in the region. The conflict over Iran’s nuclear ambitions is also important: the country has the third-largest oil reserves and the second-largest natural gas reserves in the world, so it depends on the resource rents and exemplifies the increasing insecurity of global energy supplies.

III.1 Storm in the Desert

The conflict between the international community of states and Iran over its nuclear ambitions has escalated since 2006. The original specifically targeted sanctions of the United Nations, which were finally agreed by the members of the Security Council after months of difficult negotiations, had little effect. The extension of the sanctions which followed in the form of a comprehensive economic blockade, to which China and Russia only agreed after a great deal of persuasion, simply intensified Iran’s siege mentality. At the same time, the U.S. attempts to destabilize the Iranian regime even more by supporting acts of sabotage carried out by the Iranian resistance movement, above all in the oil-rich area of Khuzestan, which has an Arabic majority. After failing to obtain the Security Council resolution which would make military action by the international community of states possible, the U.S., Israel and Europe decide to form a new „Coalition of the Willing“ outside the auspices of the United Nations. Selective air strikes of this U.S.-led „Coalition of the Willing“ against actual and suspected Iranian nuclear sites which are scattered around the country, above and below ground, provoke an Iranian reaction. Iran withdraws unilaterally from the Nuclear Non-Proliferation Treaty – and thus terminates the international inspections – and works even more determinedly to acquire nuclear weapons.

Iran also reacts with acts of sabotage and asymmetric warfare. It almost completely chokes the Straits of Hormuz, through which up to 60% of all oil transports worldwide pass. This results in a sharp oil price increase – due to the risk premium and international speculation – with inevitable negative consequences for the global economy. The actions against Iran deepen the alienation of Muslims around the world and of the Muslim minorities in the U.S. and Europe and trigger a further increase in terrorism.

Iran wears down the U.S. troops, which are still stationed in Iraq, with its asymmetric warfare. The weak Iraqi federal government can no longer prevent the disintegration of Iraq. Iran encourages the Shiite majority in Iraq to proclaim a Shiite state. At that, the Kurds proclaim an independent Kurdish state and provoke reactions from Turkey, Iran and Syria, who have their own large Kurdish minorities and perceive this act as a direct threat to their own domestic security. In addition, the Shiite Arab state is a threat to Saudi Arabia, which has a large Shiite minority in its northeastern province. The Sunni Arab rump of Iraq, which lacks natural resources, becomes a breeding ground and a hub for Islamist terrorist groups with regional and global dimensions.

Iran urges Hezbollah to attack Israel. Syria, still internationally isolated, supports the call. Once again, Lebanon becomes a proxy battlefield, and Israel is faced again with a war on

several fronts. The settlement and infrastructure policy Israel has continued to pursue on the West Bank has blocked the path to a two-state solution, so it is now forced to take charge of the military and civilian administration of the Palestinian Territories again. The reoccupation of the Palestinian Territories and demographic trends in the Holy Land end the Jewish majority between the Mediterranean and the River Jordan. For the first time, the Palestinian minority in Israel, who for so long have been seen and not heard, take up arms and demand, alongside their Palestinian brothers in the occupied territories, the creation of a bi-national state.

The widespread destabilization results in the region further delinking from the global economy.

III.2 Devastation

Iran has the atomic bomb and has thus achieved its aims: a huge increase in prestige and influence in the region, a deterrent against other regional actors, the right to exist and security for the clerical regime and a challenge to U.S. hegemony in the Persian Gulf. On the other hand, neighbouring states, especially Israel and the Arab Gulf states, feel very threatened, not only by the atomic bomb, but also by the potential extension of Iran's support for terrorism and the proliferation of weapons of mass destruction.

The international community of states reacts in the short and medium term with a comprehensive policy of deterrence and containment. The U.S. spearheads attempts to weaken Iran economically and politically, borrowing some of the containment strategies employed against the Soviet Union during the Cold War.

The Iranian atomic bomb leads to an uncontrolled nuclear arms race in the region.

The Wahhabi Sunni regime of Saudi Arabia is the first country to aim for the construction of the atomic bomb in its battle with Iran for hegemony in the Persian/Arabian Gulf. Saudi Arabia is less dependent on the U.S., has sufficient capital and long ago signed the IAEA Small Quantities Protocol, which excludes it from certain nuclear inspections.

Egypt follows Saudi Arabia, in order to retain its aura as an Arab military superpower and to contain the growth of Shiite power. Saudi Arabia supports Egypt in the battle against Iranian hegemony by compensating for Egypt's loss of U.S. financial aid. Egypt is prepared to pay the price of a confrontation with Israel.

Turkey sees the Iranian atomic bomb as a threat to its own hegemonic ambitions in relation to the Turk republics of the former Soviet Union. Not having been accepted into the European Union, Turkey shifts from its Western orientation towards its Ottoman heritage. Turkey attempts to become the new Middle East hegemonial power through nuclear armament. Syria's potentially aggressive policy increases under the protective umbrella of Iran's nuclear capability.

Iran does not behave as a responsible member in the nuclear club, but uses the atomic bomb for leverage.

The Non-Proliferation Treaty (NPT) is dealt a lethal blow by the uncontrolled arms race in the Middle East. The permanently weakened treaty permits a power vacuum, which cannot be filled by other international partnerships not supported by treaties – such as the Proliferation Security Initiative (PSI), which was sponsored by the former Bush administration.

Iran tests its new power as a nuclear state. It will go to any lengths to extend its power in the Persian Gulf by forming closer ties with weakened states such as Syria or Iraq or by attempting friendly embraces of smaller Arab Gulf states. At the same time, it is to be feared that groups like Hamas or Hizbullah will act more aggressively against Israel under the Iranian nuclear umbrella and will provoke an Israeli or U.S. counterreaction against Iran.

Iran will also be more aggressive in the conflict over sources of energy in the Caspian Sea and will seek direct confrontation with the U.S. and also with Russia.

III.3 The Mirage

Iran has the atomic bomb. However, this does not lead to an uncontrolled nuclear arms race in the region. The smaller states in the Arabian Gulf – Bahrain, Qatar, Kuwait, the United Arab Emirates and Oman – have already introduced the „Japanese Model“ and permit stationing of U.S. troops on their territory. The security guarantees provided by the U.S. nuclear umbrella are sufficient; these states have no need to attempt to acquire their own nuclear weapons.

Egypt and Turkey both have the money and the capacity to develop nuclear weapons, but they choose not to do so for security reasons. Egypt is dependent on U.S. financial aid and does not dare threaten its direct neighbour Israel with a nuclear arms programme. Turkey is a member of NATO and now of the EU as well and does not wish to endanger its strategic ties with the West. Syria maintains friendly relations with Iran, but does not choose to risk a direct confrontation with Israel. Iraq is still utterly dependent on international financial aid, is still occupied and under Shiite domination. It will not aim to acquire its own nuclear weapons. Even Saudi Arabia – guardian of the two Holy Places of Islam, Mecca and Medina – forgoes the atomic bomb in the battle with Shiite Iran for hegemony in the Persian/Arabian Gulf and follows the example of its smaller Gulf brothers. Israel maintains its policy of nuclear ambiguity in order to avoid direct confrontation with Egypt.

Iran behaves as a responsible member and rational actor in the Nuclear Club. In its own interests, it will not pass on military nuclear arms technology to groups which it cannot control. Despite its aggressive anti-Semitic rhetoric about exterminating Israel, which is primarily intended to gain opinion leadership in the Islamic world, Iran will not use nuclear weapons in an attempt to destroy Israel, almost 300,000 Israelis of Iranian ethnic origin, the third most holy city in Islam, Jerusalem and the Palestinians. The risk of a retaliatory nuclear strike which would annihilate Iran is a very convincing deterrent.

The NPT will undoubtedly be weakened by Iran's withdrawal. However, even a weakened NPT does not lose all meaning. Many states value the NPT as evidence that their nuclear programmes are purely civilian. The vacuum created by the weakness of the NPT is already being filled by other international partnerships not supported by treaties – such as the Proliferation Security Initiative (PSI) which was sponsored by the former Bush administration. The PSI now includes a large number of countries and pursues a deterrence strategy against the proliferation of weapons of mass destruction, impeding it sustainably or preventing it altogether.

Once again, Iran will test its new power as a nuclear state. However, as during the Cold War, the escalation will decrease as soon as a formalized, institutionalized deterrent balance has been reached. This, though, will only be the case if other states in the region do not enter the nuclear arms race.

In the medium to long term, the relationship with Iran will develop into something similar to that with the former Soviet Union during the Cold War. A policy of *détente* will emerge – as it did in the past, towards a similarly „evil“ regime at the beginning of the 1970s. Like the Soviet Union, Iran, „with its finger on the nuclear button“, is characterized by an exhausted dictatorship, a worn-out ideology and support for international terrorism. As in the past, the *détente* is designed to topple the regime.

In the course of time, the U.S. establishes diplomatic relations with the nuclear state Iran. The U.S. reduces its military presence considerably by offshore balancing. The containment and deterrent policies are relaxed, U.S. sanctions lifted and trade relations expanded. Lastly, Iran is removed from the historic „Axis of Evil“.

In return, Iran offers long-term support for the two-state solution in the Israeli-Palestinian conflict and for a stable, Shiite-dominated Iraq, ceases to support terrorist groups in the region, puts more pressure on Syria to give up its hegemony in Lebanon and states its unreserved recognition of Israel's right to exist.

IV. Policy Options

The large number of conflicts identified and the three scenario sketches make it clear that only a joint international initiative with a holistic political concept can offer a sustainable, comprehensive solution to defuse the crisis in the region. Germany, with its political and economic strength and its network of relationships with the most significant external and regional players, could make a vital contribution to this solution.

Along with France and Britain, Germany plays the most important role in defining the EU's Common Foreign and Security Policy towards this region. It carries great political weight in the EU, as the biggest single contributor to European development cooperation. In addition, it is not burdened with a colonial legacy in the region, unlike France and Britain, which means it enjoys considerably more trust. Because of its special relationship to Israel, Germany also has far better access to Israeli decision makers than all other EU states and can communicate European policy in Israel convincingly, if not effectively, despite or because of the special sensitivities in the German-Israeli relationship. Of all European states, Germany also has the closest cultural and economic ties to Iran. Despite the recent Iraq war, and the crisis of confidence it caused, Germany remains the United States' most important European ally, after Britain. Much the same is true for Germany's relations with Russia and China.

IV.1 Harmonizing European policy towards the region

Germany should make clear that the many initiatives, most of which run parallel to each other, such as the Western European Union (WEU)'s Mediterranean Initiative from 1992, the Organization for Security and Cooperation in Europe's (OSCE) Mediterranean Dialogue from 1994 and NATO's Mediterranean Dialogue from 1994 are offers which hardly interest the states on the Mediterranean's southern shore and which contribute little to the transfer of stability. Above all, NATO is accused in the region of just being on the lookout for new enemies to safeguard its own institutional survival.

The Barcelona Process, the core of EU Mediterranean policy, is also politically extremely prone to interference because of the crises in the Middle East peace process; it has not nearly lived up to expectations. It is undoubtedly right to prioritize relations with the di-

rect neighbours among the Mediterranean states, as is also emphasized by the European Neighbourhood Policy (ENP), introduced in 2003. At the same time, it is also true that the Barcelona Process and the ENP make an artificial distinction between the Middle East and North Africa, and are thus incapable of adequately addressing regional political challenges. EU relations to the Gulf Cooperation Council (GCC) states, to Yemen, Iraq, Iran and the EU's role in the Middle East peace process are all dealt with separately in various instruments for consultation, decision-making and negotiation, with consequent attrition, duplication, inconsistencies and uncoordinated political approaches. Germany should insist on harmonizing European policy towards this region.

IV.2 Reviving the comprehensive Middle East peace process

The Arab-Israeli peace process which started at the Madrid Peace Conference has been completely neglected diplomatically since 2000. It is high time not just to revive this politically comprehensive process, but to reinvent it.

The chances of success are better than in 1991 because since 2002 the most significant external actors, the U.S., the EU, the UN and Russia, have come together in the international Middle East Quartet. The Middle East Quartet also has a clearly defined goal: the two-state solution.

The U.S., which in the past primarily saw EU policy as a matter of reactive and ineffective declarations, has now also become aware of EU strengths: the development of long-term concepts, supporting measures for diplomatic initiatives and financial support for the peace process. Thanks to the CFSP the EU is also better equipped today to react more quickly and efficiently to political crises and conflicts. This was demonstrated by the most recent European-led UNIFIL-II mission in Lebanon. Israel has also given up some of its reservations against the EU and has permitted it a more active role in the Middle East conflict, as was shown from 2005 onwards by the first deployment of European officials at the border between Rafah and Egypt (EU Border Assistance Mission).

Germany should push for the extension of the Middle East Quartet's mandate, which has so far been limited to the Israeli-Palestinian conflict, to include other conflicts in the region, especially the Arab-Israeli conflict, the Iraq conflict and the conflict over Iran's nuclear programme. Inclusion of China as an important new actor in the Quartet would be worth considering, particularly in order to gain options to deal with Iran.

Political upgrading of the Quartet would send a double message: the international community of states is working together on crisis prevention, conflict management and conflict solution in the region. At the same time, they are ready to involve the extended „Axis of Evil“ – Syria and Iran – in view of the multidimensional crisis in the region.

IV.3 Securing Israel and establishing Palestine

Solving the Israeli-Palestinian conflict is fundamental to the future development of the region.

The violence can be stopped by ending the occupation and finding a bilateral solution to the conflict. If Hamas is not prepared to do this, the negotiations could be conducted indirectly with the democratically elected president of the PA and the head of the PLO, which technically is Israel's legal negotiating partner. The result of the negotiations could be put to a referendum by the Hamas government. The preconditions for commencing talks and negotiations with, as well as cooperation and support for, Hamas must be elab-

orated as criteria which Hamas can fulfil step by step in talks. The positive conditioning of progress in direct negotiations would make cooperation with Hamas feasible.

The Palestinian National Reconciliation Document, signed in Cairo on 25 June 2006 by 13 groups – including Hamas and Fatah – on the basis of a proposal by Palestinian prisoners, and which aims to establish a government of national unity, certainly does not fulfil all preconditions. However, this document could be the starting point for testing Israel's and the Middle East Quartet's isolationist strategy once more.²⁵

International Middle East policy can only regain credibility and legitimacy if the Middle East Quartet can verifiably implement the intended timetable for peace or the Peace Road Map and enforce them internationally. Their disadvantages – gradualism and phase orientation – must be overcome. In retrospect, the phases have not built more trust. Gradualism and the principle of reciprocity have not produced any tangible results so far.

Against this background, it would be better to start directly with the final status issues because proposals for compromise solutions to these questions have been on the table for a long time. Immediate final status negotiations are also essential because the window of opportunity for the two-state solution will soon be shut by demographic developments and Israeli settlement and infrastructure policies in the Holy Land. A bi-national state, the logical consequence of this development, is an Israeli nightmare because it would destroy Israel's Jewish and democratic foundations.

IV.4 Strengthening Lebanon

Solving the Israeli-Palestinian conflict is a necessary precondition for a long-term solution of the Middle East crisis, but of course it is not the only requirement.

Resumption of the internal dialogue within the country on the full implementation of the Taif Agreement of 1989 and United Nations Security Council Resolution 1559 is fundamental to peace in Lebanon. Disarming Hizbullah and the consequent re-establishment of the Lebanese state's monopoly on the imposition of force can only succeed if Hizbullah is offered incentives in return.

Political incentives are the most important. Up to now the Shiites have only had 27 out of 128 seats in the Lebanese parliament, a 21.1% share, following the predetermined quota system based on religious affiliation. Unofficial estimates put the Shiite proportion of the population at a much higher level.²⁶ Economic incentives are also important. The main areas of Shiite settlement in South Lebanon and the Bekaa Valley are economically underdeveloped, socially neglected and require special assistance.

This process of establishing internal peace must be complemented by resolving other outstanding issues between Israel and Lebanon, such as the successful exchange of Israeli and Lebanese prisoners and international financial aid, above all from Arab states, to enable internal refugees to return and areas which have been destroyed to be rebuilt.

25] In the Madrid negotiations with Syria, Israel did not insist on the fulfilment of preconditions before starting peace talks. The U.S. has also demonstrated more flexibility in other countries in the region, regarding organizations which are on U.S. terrorist lists. Until recently the Lebanese government contained three ministers who were directly or indirectly linked to Hizbullah. Yet the U.S. did not boycott this government. The policy towards the present Iraqi government and members of the People's Mujahedin of Iran (MEK) is similar. In addition, Hamas had shown that it is capable of renouncing violence by adhering to the hudna (truce) from February 2005 until 8 November 2006. Hamas' participation in the elections to the Palestinian Legislative Council in January 2006 marked a clear change in its original position and showed at least indirect recognition of the legitimacy of the Oslo Process – the legitimacy of Israel as a negotiating partner.

26] Since the Taif Agreement, Christians and Muslims have each been allotted 50% of the seats in the Lebanese Parliament. The Maronites hold 34 of the 64 Christian seats; of the 64 Muslim seats, the Shiites and Sunnis hold 27 each, the Druze eight and the Alevites two.

IV.5 Involving Syria

Developments in Lebanon are not only determined by the relationship between Hizbullah and Israel and the inter-religious political imbalance, but also by the actions of the regional players Syria and Iran.

There is a rule of three in the Arab world: no war without Egypt, no peace without Syria and no agreement without Saudi Arabia. This refers to Egypt's military might, Syria's destabilizing potential and Saudi Arabia's financial power. This is also valid for Lebanon of course. Unless Syria is actively involved, international efforts to stabilize Lebanon will remain incomplete.

Syria is a multi-religious and multi-ethnic state, which has been internationally isolated to a large extent since 11 September 2001. Syria will only be ready to renounce Hizbullah as its pawn, its direct influence in Lebanon, its stance of blocking the establishment of an international tribunal to uncover the truth behind political assassinations (namely the assassination of the former Lebanese prime minister, Rafiq Hariri), its support for the Iraqi resistance and its tactical alliance with Iran when international pressure on Israel leads to serious and fruitful negotiations on the Golan Heights, when the EU adds the EURO-MED Association Agreement, which has long been on hold to the scale, when the U.S. offers to annul the Syria Accountability and Lebanese Sovereignty Act (SALSA) of 2003 and when Saudi Arabia makes an agreement between Syria and Israel financially attractive. Sorting out the demarcation of the Lebanese-Syrian border, especially in relation to the Shebaa Farms, can only be accomplished as part of this complete package.²⁷

IV.6 Integrating Iran

Iran can only be expected to play a constructive role in the Middle East conflict, i.e. to forfeit using Hizbullah for asymmetric warfare and acts of sabotage, if a compromise is found in the dispute over its nuclear ambitions, which the Iranians consider to be face-saving.

There are several reasons why it is still possible to escape the spiral of escalation which has already been described. First, time is not only on Iran's side, an idea which is often erroneously circulated, but it is also in favour of the international community of states. According to the National Intelligence Estimate of summer 2005, an important U.S. intelligence report about Iran, it will be at least 5-10 years before Iran is in a position to use uranium enrichment for military purposes.

So far, the U.S., which identifies Iran as the greatest threat to the U.S. in its latest National Security Strategy (NSS), has not participated in negotiations. This fact was the main reason the EU-3 negotiating process with Iran ended in failure. It is obvious that only Washington can offer Tehran the security guarantees, economic incentives and status enhancement which could change Iran's cost-benefit calculation in relation to its nuclear programme.

Lastly, proposals for political compromise exist, such as those offered by Tim Guldimann, Swiss ambassador in Iran from 1999 to 2004, and Bruno Pellaud, Deputy Director

27] United Nations Security Council Resolution 425 of 1978 was confirmed by a Security Council statement in 2000 that Israel had withdrawn completely from Lebanon on the basis of at least two documents, the Sykes-Picot Agreement of 1916 and the 1949 ceasefire line between Israel and Syria, which assign the Shebaa Farms to Syria. So far, Lebanon and Syria resist this interpretation, without being able to refute it.

General of the IAEA and Head of the IAEA Department of Safeguards from 1993 to 1999.²⁸

In this agreement Iran would pledge to limit its own nuclear activity and accept wide-ranging international nuclear inspections. In return the West would permit the country a very limited enrichment capacity, provide technological support and offer attractive cooperation. The agreement would envisage two phases: the first five-year phase would aim to build mutual trust. After the successful completion of the first phase, further agreements would be made for the second phase. In particular, these would include extending the enrichment capacity, as Iran demands. However, this would have to be organized in a multilateral framework including an international partnership for ownership, management and product marketing. Of course, an element of risk remains: Iran might continue its nuclear programme in secret: the „sneak-out“ scenario.

Promising medium- and long-term deescalation proposals could be: uranium enrichment under IAEA control, establishment of an NBC-weapon-free zone and an agreement to limit the range of carrier systems.

IV.7 Stabilizing Iraq

Iraq's disintegration can only be prevented if four basic conditions can be fulfilled in the national context: the Shiites must accept that they cannot govern Iraq on their own. The Sunnis, on the other hand, must accept that they can no longer govern Iraq. Then the Kurds must accept that they cannot govern outside Iraq. Finally, and most importantly, all three groups must realize that political compromise is a better option for their joint future than violence. Only then will it be possible to find sustainable solutions to the central problems: amnesty and national reconciliation, including thorough revision of the present constitution, review of the current de-Baathification policy, future rights to the oil and gas deposits and the distribution of the income from these sources, settling the Kirkuk issue, restoring the state monopoly on the use of force and security by disbanding the militias, improving government leadership by ensuring that basic infrastructure is provided and reducing corruption and, last but not least, strengthening the central government by establishing a federal system.²⁹ There is still time to achieve these objectives. The time span of four months for reviewing the constitution, originally foreseen after Nouri al Maliki's government took office in May 2006, was extended in September 2006 until September 2007.

Without broad commitment of the international community of states and the involvement of neighbouring states in the region, the hostile ethnic groups will not be able to maintain Iraq's territorial integrity. However, the new U.S. strategy in Iraq, presented by President Bush on 10 January 2007, involves increasing the number of American troops by c. 20,000, continues to pursue a military solution and ignores the possibility of political solutions – especially those involving Syria and Iran. This will not help to stabilize Iraq.

One basic precondition for improving the security situation in Iraq is increasing political legitimacy. But it is equally important to improve the quality of the Iraqi security forces, the tools for improving security. Merely counting heads does not help in this context. It is indeed significant whether 150,000 or 200,000 Iraqi security personnel are deployed.

28] For a detailed picture see: Clemens Ronnefeldt, Iran-Konflikt, Akteure, Interessen und Wege aus der Eskalation, [The conflict in Iran, actors, interests and ways out of the escalation] Action Committee Service for Peace (AGDF), zivile Konfliktbearbeitung, [civil conflict prevention] Bonn, 4 April 2006.

29] The Baker-Hamilton Commission's Iraq Study Group Report of 6 December 2006 confirms these central questions overwhelmingly, but completely ignores the production sharing agreements.

Even more important, however, is their effectiveness, which has not yet been achieved. The main problem, apart from inadequate equipment and training, is lack of motivation. The main incentives are jobs and pay, but loyalty to the federal government is missing.

The number, quality, equipment, motivation and loyalty of Iraqi security and military personnel must be considerably improved in a short time, above all with NATO training support. Only then can the situation in Iraq be stabilized so foreign troops can actually be withdrawn, a necessary step, but one which must be taken gradually, not to a deadline.

IV.8 Shaping a broad-based policy of disarmament and *détente*

Solving the conflict in the Middle East, stabilizing Iraq and settling the conflict with Iran over its nuclear programme are also preconditions for a broad-based regional policy of disarmament and Middle East *détente*, with the aim of setting up a zone free of weapons of mass destruction. This would lead to more security and cooperation in the region, similarly to the OSCE process in Europe.

However, there are several reasons why the OSCE process cannot simply be transferred to the Middle East and North Africa. In this region, the conflict is not bipolar but multipolar, running through Turkey, Iran, Israel and the Arab world along overlapping demarcation lines. Weapons of mass destruction are more than a deterrent there; they have actually been used. There is no territorial *status quo*; many border disputes are unresolved. No regional multilateral institution appears able to create trust – apart from the Arab League. Last but not least, the OSCE does not enjoy an entirely good reputation in the Arab world. The OSCE process is too clearly associated with the disintegration of the Soviet Union in the region. The authoritarian Arab regimes would, of course, prefer to be spared such a fate.

Other models – the Association of Southeast Asian Nations (ASEAN) and the Organization of American States (OAS) – could also provide useful models for a regional security structure. External players will be limited to the role of mediators, however. This initiative must, of course, come from within the region itself to create a sense of regional ownership. Many approaches are already discernable: the Mubarak Initiative, that of former Saudi Crown Prince Abdullah, not forgetting that of Hassan, former Crown Prince of Jordan. This process can only be successful in the long term if a joint, sustainable code of conduct can be established. It must be a dynamic process and include the Arab world, Israel, Iran and Turkey so a dialogue can take place between the states in the region and within these states, a dialogue between governments and (civil) society. The term „security“ should be given as broad a definition as possible, so that it can be adapted to suit these (very) heterogeneous states.

IV.9 Supporting socioeconomic development and integration

With the European Neighbourhood and Partnership Instrument (ENPI),³⁰ the EU is making 14.3 billion available from 2007 until 2013 to the 10 Mediterranean states and six Eastern European states, far more than in the past through the separate MEDA and TACIS (8.5 billion between 2000 and 2006) programmes. ENPI makes the EU the most important external actor in development cooperation in the region and can support long-term socioeconomic development and integration. This support should not be limited to trade liberalization, but must also foster structural change and concentrate on the following aspects: selective privatization and deregulation, diversification of economic structures,

30] The European Neighbourhood Policy (ENP) replaces the European-Mediterranean Partnership (EMP), but not the Barcelona Process. However, the EMP has been subordinate to the ENP since 2003.

reform of public finance, improving the functioning of the job market, developing human capital, increasing local and foreign investment, improving the financial infrastructure and, last but not least, liberalizing trade markets and capital markets along with a supporting macroeconomic mix of fiscal, monetary and exchange rate policies.

The ENP, which is derived from the European security strategy and the text of the EU constitution, profits from the lessons of the EU enlargement to the east and the bilateral accession process. Germany should make sure that ENP does not weaken the integration process in the region and the EMP's multilateral approach. The ENP certainly offers more than the EMP, namely theoretical access to the four freedoms: capital, goods, services and people. However, the ENP must also prove itself by liberalizing trade in agricultural products and by developing a common immigration policy.

IV.10 Demanding political openness

Germany should push for more political openness in the region. Two forums are available.

With the ENP, the EU is completing a qualitative change in its strategy, giving up the threatened, but never used stick of the EMP (the suspension clause) and counting on positive incentives (positive conditioning). The more the joint aims of the bilateral action plans are achieved, the greater the political, economic and financial rewards. Germany should insist that specific issues of domestic policy reform be included in the action plans as well as the many concrete goals for economic modernization.

In relation to the Broader Middle East and North African Initiative (BMENA), which was set up to demonstrate transatlantic solidarity after the dispute about the recent Iraq war in 2004, Germany should ensure that the initiative rests on the four principles. Apart from regional ownership and avoiding a one-size-fits-all approach, the important aspects are credibility and support for democracy. The BMENA initiative can only gain credibility if consistent, non-violent efforts are made to solve the Arab-Israeli conflict, the Iraq crisis and the conflict over Iran's nuclear programme.

The support for democracy must also answer the not-yet-resolved question of how to deal with Islamism. The goal must be to politically integrate those parts of the Islamist movements which are ready and willing to integrate, which unequivocally renounce violence, support peace and respect the rules of democracy in their countries. The West could assume the role of mediator here, too, and offer fora for dialogue between secular and Islamist groups, focusing on issues and joint projects.

Islamist movements should never be lumped together and stigmatized *in toto* as „a danger to the state“ or „terrorist“, marginalized and completely suppressed. Participation in the work of parliament or government not only assists integration, but also inevitably leads to demystifying the Islamist movements and their doctrines of salvation, which can best be summed up in the Islamist creed „Al Islam huwa al hall“ (Islam is the answer). Accordingly, it is also possible to identify branches of the Islamist movement which are prepared to commit violent acts and urge radical changes to the system, and, when identified, to remove the basis of their legitimation, to isolate and combat them.

However, that is only part of the strategy. It is equally necessary to intensify support for a secular democratic alternative founded on solidarity and gender equality.

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