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SITUATION IN THE MIDDLE EAST

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Javier Solana has just eloquently demonstrated how close hope and despair are in Middle East. Following the presentation of the road map and the Sharm-el-Sheikh and Aqaba Summits there seemed to be a much better chance for peace. Alas, the ongoing violence is again putting this at serious risk. We, the European Union, - and much more so the peoples in the Middle East - cannot afford losing the opportunity for peace created by the Roadmap, small though it may be.

Now more than ever it is crucial that the Roadmap be implemented without being taken hostage by extremists who do not want peace. Despite the violence of last week I hope that Palestinians and Israelis, with the support from the international community, will generate sufficient confidence that will allow them to move forward.

We also need to reflect now on how we - the EU - could help on this. I can see several areas where the EU and the Commission in particular could make a useful contribution:

First we ought to continue supporting Palestinian institution-building and reform, as we have already done with a successful record in the past. Secondly, we should contribute to the Roadmap's monitoring process, put pressure on Arab States to help dry up funds to extremist groups, and to close their offices; put pressure on Israel to moderate its responses to the atrocious suicide bombings which many Arab leaders have themselves condemned.

We will continue our concrete **support to the reform process** and will assist the new Palestinian cabinet in achieving its ambitious goals. In 2003, the Community will provide a € 132 million support package for Palestinian institutional reform and respond to the deterioration of the economic and humanitarian situation. But clearly, the reform needs to go further in other areas as well; the judiciary is only one example. We will also like to see elections held by the end of the phase 1 of the road map.

The Commission has done a lot of work with the PA, especially with Salam Fayyad - which I am pleased to say has led to a successful reform process. This is by no means completed and



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we therefore continue working closely with the PA on reform conditions for our 2003 support. Salam Fayyad has confirmed that with our latest help he has succeeded with the consolidation of public sector revenues, budget transparency - monthly budget execution reports are now available - even on the Internet.

The reforms, together with external financial assistance, have allowed him to increase expenditure in Gaza and West Bank since the beginning of the year by meeting arrears and salary payments. Boosting aggregate demand was, in his view, the most important contribution that could be made at this stage to alleviating the severe constraints on the Palestinian economy. As a possible next step, easing restrictions on freedom of movement, including to Jordan and Egypt would help reviving economic activity.

Further progress was needed. Next week, the EU-Palestinian Joint Committee will discuss all these issues. And we will also explore ways and means of making better use of the Interim Association Agreement.

As member of the Quartet the EU will need to look at the **monitoring mechanism**. All Quartet partners should contribute to monitoring. The Commission is ready to support this important work through our experience and activities in reform and institution-building but also on economic and humanitarian issues.

There is another area where we the EU - will need to step up our efforts: the request of the roadmap for all Arab states to **cut off public and private funding** for the groups engaged in violence and terror. We discussed this point at the Euro-Mediterranean meeting on Crete. We encouraged Arab states to channel aid funds through the single account of the PA ministry of Finance. We should use our partnership with Arab countries to address this important point.

But there are issues that need to be dealt with urgently in the context of the road map and together with the US: the rapidly expanding **settlement activities** - and the so-called **security wall** which is expanding into the West Bank. Both undermine the envisaged two-State solution.

Equally worrying is the **worsening humanitarian situation**, which is compounded by **restrictions on humanitarian access**. These new measures have a negative impact on the operation of international donors and will make it increasingly difficult, if not impossible, to undertake humanitarian and development tasks.

We welcome however confidence-building measures on the Israeli side such as the removal of so-called 'illegal' settlement outposts, lifting of curfews, release of prisoners and more work permits for Palestinians. Additional pro-active measures will help win the hearts and



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minds of the population and will reduce the attraction and influence of those who are against peace.

As I said before, we are willing to help. But it is up to the parties - Israel and Palestinians - to take the first step. Without their political will and commitment nothing will change and the killings will go on.