

Security Situation in the Gulf Region Involving Iran, Iraq and Saudi Arabia as Regional Powers. Policy Recommendations for the European Union and the International Community

Discussion paper

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I The State of Affairs

1 The Regional State of Affairs

- The importance of the Gulf region as a supplier of energy, as international investor and as a market for Europe is growing. Securing energy resources has a high position on the political agenda for the European Union (EU) and its member states. In this regard, the Gulf Cooperation Council (GCC) and its six member states (Bahrain, Qatar, Kuwait, Oman, Saudi Arabia, and United Arab Emirates) are crucial partners for the Europeans.
- The region as a whole has an enormous potential. It could fully develop its capabilities if the regional conflicts over Iran and Iraq were solved and the socio-economic and political transformation processes that are on the way in many countries were continued. However, any further destabilisation would not only have negative effects on the energy security and the economic interests of the EU but also pose a security-political challenge for Europe.
- Economic dynamism is at its highest in the six member states of the GCC. European trade with these states is increasing. Moreover, they are playing an important role as investors on the regional level and increasingly on the global level, too. A diversification of the political system partly directed by the regimes themselves and partly based on social groups and an opening of the economic and financial markets might produce positive results. Especially the small Gulf states are setting the path in this respect.
- At the moment, the GCC is the most promising form of sub-regional cooperation. However, in terms of institutional development the dynamics of integration are low and focused on economic issues. The General Secretariat of the GCC in Riyadh has only limited competencies. The projects customs union and common market of the six countries have been set up only recently. The founding of a monetary union has been decided but not yet been implemented. The political relations between the various GCC-members, moreover, are burdensome. A multilateral agreement on the mutual recognition of borders of the member states of the GCC has not been concluded yet; only bi-lateral agreements exist.
- The creation of a free-trade zone between the European Union and the GCC should have been finalised already in 2006. However, because of differences in methods and cultures of negotiation the two regional actors have not been able to remove the remaining differences. These regard a few commercial issues such as export duties. The main problem, however, is the human rights clause, which is to be included obligatorily in all free trade agreements of the EU.
- In contrast to the potential of the region, the security situation in the Arab-Persian Gulf involving the regional powers Iraq, Iran and Saudi Arabia is worsening. Tehran and Riyadh are competing for regional influence. The conflict potential and the atmosphere of mistrust between the actors are on the rise because of the civil-war-like conditions in parts of Iraq, the controversy around Iran's nuclear program and the tensions in Lebanon and the Gaza Strip. An aggravating factor is that no sub-regional framework of cooperation and security exists that encompasses all three states.
- The confrontation over Iran's nuclear programme holds a great danger of escalation. Israel repeatedly made clear that it perceived Iran's nuclear ambition to be an existential threat and hence unacceptable. In the past Jerusalem nonetheless indicated that the nuclear programme was seen as an international problem. Recently, however, there are signs that Israel is considering unilateral military action in case international negotiations would fail. Meanwhile

Iran threatens to close the Strait of Hormuz, to retaliate against the state of Israel and to attack American targets in the Gulf region should there be an attack on its nuclear facilities. In addition to that, Iran might urge its allies Hamas and Hezbollah as well as Shiite groups in Iraq to engage in retaliatory actions.

- Trust in the United States as protector of Saudi Arabia and the small sheikdoms of the Gulf region is declining. Against the security-political background and in the light of rising oil revenues another arms race in the region is looming. The U.S. actually offered Saudi Arabia and the Gulf emirates a US\$ 20 billion arms deal in 2007. European countries are trying to secure a share of the business for their arms industries, too. Other arms exporters like Russia and China provide Iran with their military goods.
- During their 2006 summit the GCC member states decided to initiate a research program on nuclear technology that will be developed in close cooperation with the International Atomic Energy Agency (IAEA). In addition, the United States as well as France signed agreements with individual states from the region to cooperate in projects for the civil use of nuclear technology.
- In view of the perceived failure of their Iraq strategy, the United States have less and less authority in the region. Even though the Gulf states still depend on U.S. guarantees for their security, domestically they find themselves confronted with a population that eyes the American presence in their countries critically. A further weakening of the USA might eventually lead to a strategic vacuum opening manoeuvring space for other actors in and outside the region.
- The European Union faces huge expectations in the region (“Europe is accepted, wanted, and needed”). Up to date and probably also until further notice the EU plays only a marginal strategic role in the region and will not be in a position to compensate for the weakness of the United States. Nevertheless, other actors try to improve their access to the region and thus add to the complexity of the strategic situation. India and China have to satisfy the increasing energy needs of their economies and are therefore interested in good relations with Iran and the GCC states alike. Russia and China are using the market the region provides for their arms industries.
- The tense security situation in the region, high revenues from the exports of oil and gas as well as the war against terror might turn into stumbling blocks for political reforms and the continuation of processes of economic transformation: Increasing revenues may induce the regimes to “buy off” their populations’ demands for political and economic reform. The war against terror may induce the regimes to enhance repressive organisations and to curb the dynamics of civil society.

2 The State of Affairs Country by Country

2.1 Iraq

- Based on the number of attacks it might be argued that the security situation in Iraq has improved over the last months. Some refugees have already returned. This development can be ascribed to a number of factors: the surge of American troops; the development of a bottom-up strategy by “buying in” of support by alleged or real key actors among the Sunnites in Iraq via financial transfers or by promoting these groups as a counterpart to the Shiite groups; a (temporary) tactical reduction of activities of Shiite groups, especially the Mahdi Militia of the radical religious leader Muqtada as-Sadr.

- In light of the mangled situation it remains to be seen if this calming down of the situation will last. The security situation varies from region to region. The country is at risk of breaking apart along ethno-religious lines. A weak central government faces local and regional authorities and militias who also fight among each other. Financial transfers to violent regional and local actors have rather increased this problem. It remains to be seen if the Shiite militias can be held under control in the near future.
- Terror and civil-war-like conditions, moreover, have created and still create a climate of fear. Almost three millions Iraqis have fled from their homes to other regions of the country or to neighbouring countries. Because of these escape movements hardly any ethnically and religiously mixed quarters and cities still exist. This reduces on the one hand the direct conflict potential, but increases on the other hand the ethnic-religious segregation. Inside Iraq the humanitarian crisis of a lot of refugees opens possibilities for militias to improve their legitimacy and recruiting options with food supplies and other aid. In neighbouring countries the influx of refugees might become a source of societal and political instability. The situation in Syria is especially worrying in this regard.
- Up to now the Iraq policy of the United States and their allies could not provide a stabilisation in all parts of the country. In the light of recent successes by increasing the military presence the planned military reduction as of July 2008 was stopped. At that moment, 144,000 American soldiers are stationed in Iraq. For military, economic and political reasons this massive military presence cannot be kept up for too long. It might prove as counterproductive if it leads to a reduction of the pressure on the local actors to take first political steps in the direction of a sustainable stabilisation. In this regard the proposed agreement on a withdrawal of U.S. troops from Iraqi cities by June 2009 and a complete pullout from Iraq by the end of 2011 is a step in the right direction.
- Moreover, the threat lingers that Iraq will become (next to Lebanon, Palestine and Somalia) the central “battlefield” of American-Iranian confrontation. The question how to organise Iraq’s future, however, opens also chances: The interests of Iran, the U.S. and of other actors in the region coincide at a point that a disintegrating Iraq does not help any of them. This fact should be clear to all parties involved. The question is if there is any political will to turn this knowledge into a political process.

2.2 Iran

- Internal and external perceptions of Iranian politics are fundamentally distinct from each other: The U.S., Israel, the EU, Saudi Arabia and the small states at the Gulf perceive Iran – to varying degrees – as aggressor and as spoiler for regional and international security. Israel sees Iran even as an existential threat. Moreover, especially the GCC states view the Iranian nuclear programme not only as a security problem, but also as a serious environmental risk. In contrast to this perception the Iranian elites feel threatened by the U.S. and Israel. Therefore they give in the first instance highest priority to the continuation of their regime. The option of nuclear armament is seen as “bargaining chip.”
- An aggravating factor is that the U.S. and the Iranian government use each other as concept of the enemy in order to justify their own failures: The U.S. present Iran time and again as responsible for the unstable situation in Iraq; Tehran on the other side pretends that the international sanctions are the reason for the economic problems of the country in order to conceal the own political failures.

- Against the background of sharp rhetoric by all participants, of lacking international control options and diverging reports of the American intelligence services, of the International Atomic Energy Agency (IAEA) and of other actors a solid evaluation of the level of the Iranian nuclear program cannot be made here. It is a fact, however, that the Security Council of the United Nations (UN) considers the cooperation of Tehran with the IAEA insufficient and has applied sanctions against Iran with its resolutions 1803 (2008), 1747 (2007) and 1737 (2006). These sanctions target a number of individuals and companies closely linked with the Iranian nuclear program. In addition, the resolutions prohibit sales of sensitive technologies to Iran. The resolutions, however, are accompanied by cooperation offers toward Iran should the country heed the demands of the UN.
- At present, conservative forces dominate the political system of Iran. These are, however, not a monolithic block but divided in two dominating camps: (1) the religious establishment and the moderate conservatives dominating Iran politically, socially and economically since the Islamic Revolution of 1979; this group is represented—among others—by Ali Larijani; (2) the Iranian neoconservatives led by President Mahmoud Ahmadinejad, with their basis especially with the Revolution's Guards.
- The Iranian parliamentary elections of spring 2008 indicate that the battle for political power will continue to be fought between these two camps. Reform groups, mostly considered as adhering to former president Mohammad Khatami were marginalized even further by the outcome of the last parliamentary elections.
- Other than the goal of securing the continuation of their regime there is no strategic consensus as to how to address the challenges of foreign and domestic policy of the country. The group of conservatives around Larijani prefers to see Iran as a regional power. This is linked with a cautious process of social and economic transformation based on integration into the world economy and on a political dialogue with the neighbours and the West. The neoconservatives, however, develop a more aggressive foreign-policy design with a policy mix of isolation and threat. They consider the army of the United States as bound in Iraq. They see Iran as winner of the last war in the Gulf and therefore qualified to assume a political, economic and technological supremacy in the Gulf region.
- The foreign policy of the Ahmadinejad administration follows the neoconservative line. The United States and Israel are both considered as central threats. Rhetoric against Israel, missile tests, support for Hamas, Islamic Jihad, and Hezbollah and the nuclear program grow fear and mistrust also in Iraq and within the GCC. These conflicts feed a religious-political confrontation between Shiism under Iranian leadership and Sunnism under Saudi Arabian leadership.
- At the same time, Mahmoud Ahmadinejad and his government try to improve Iran's political position in the region by exploring international diplomatic initiatives, i.e. the corresponding travels of the Iranian president to Iraq, to the GCC summit, to Malaysia and to Indonesia. Also the Egyptian-Iranian relations seem to experience a clear rapprochement after the visit of the speaker of the Iranian parliament to Cairo. An example for an attempt to cooperate more closely with China and Russia is Iran's membership application to the Shanghai Cooperation Organisation (SCO), even though that has not been successful so far. Moreover, Iran, India and Pakistan are planning the construction of a joint gas pipeline.
- The domestic dispute between conservatives and neoconservatives not only concerns political power. Iran is a rentier economy where political domination is always connected to economic advantages. The large religious foundations and their economic power are evidence of this fact. Mahmoud Ahmadinejad and his minions in the Revolution's Guards challenge the conservative establishment not only politically but also attempt to gain the corresponding shares of the economic revenue of the country. Against this background within both groups

there are fractions that refuse any economic opening and transformation that would go as far as putting the rentier system into question.

- Ayatollah Ali Khamenei, the religious Supreme Leader, takes a special position in the political system of Iran. His reputation and authority are substantial. He is viewed as having the final say on all the important political issues. Khamenei's close advisor, the long-time Iranian foreign minister Ali Akbar Velayati, is also considered as belonging to the conservative mainstream. The initiation of a political solution of the nuclear issue certainly needs in any case the support of the religious leadership of Iran. Domestically Khamenei manoeuvres at the moment between conservatives and neoconservatives in order to keep the political balance: during the recent parliamentary elections he expressed support for a number of candidates close to President Ahmadinejad, but appointed at the same time Ali Larijani who may challenge Mahoud Ahmadinejad in the presidential elections in 2009 as Secretary General of the Security Council, the highest security-policy institution of Iran. Ali Larijani's position was further strengthened when he was elected as Speaker of Parliament in May 2008, succeeding over a candidate who was supported by President Ahmadinejad.

2.3 Saudi Arabia

- In the medium-term socio-economic stability seems the most probable forecast for Saudi Arabia. Fed by increasing revenues from oil exports multi-billion infrastructure projects have been set up resulting in increased job opportunities. At the same time, the admittance to the World Trade Organisation (WTO) in December 2005 (as last member of the GCC) consolidated the agenda of economic reforms. The creation of real jobs for the growing population—mostly young people—could thus be stimulated in the long-term, with positive effects for internal stability.
- Saudi Arabia is a consensus society. The political system has the task to provide a balance between the normative ideas of the conservative religious establishment, the interests of those parts of the population striving for societal liberalisation, the claims of the tribes and the requirements of an economic opening. This is an enormous challenge that can only be accomplished with changes in the political system. King Abdullah is aware of this and has initiated a number of projects involving also an enlargement of the possibilities of political participation, a reform of the educational system and the emergence of civil-society groups. This process has to be continued and enhanced.
- Two recent projects deserve to be mentioned here: King Abdullah set up the so-called "Allegiance Commission." This committee—comprising 35 sons and grandsons of Abdul Aziz, founder of Saudi Arabia, appointed by name—is called to administer the issue of the succession to the throne. This will institutionalise for the first time a political process in Saudi Arabia that amends the traditional succession to the throne with a selection process and that represents an additional legitimating factor. Furthermore the so-called "National Dialogue" has to be mentioned, set up by the royal house in order to provide a forum for public debates on domestic issues. This instrument introduces a discursive element into the political culture of the kingdom. The "National Dialogue" should also have an integrating effect on the various groups in society and thus contribute to the political consolidation of the kingdom.
- Saudi Arabia's foreign policy can be accurately characterised as *realpolitik*. The kingdom sees its position in the Gulf region and—linked to this—also in the Middle East as a whole challenged by Iran. Signals of *détente* like the pilgrimage of the Iranian president to Mecca ("hajj") are thwarted by Iranian backed Hezbollah's bid for power in Lebanon or the emerging

arms race between both states. The relations between Sunnite Saudi Arabia and Shiite Iran are also crucial for the development of religious conflicts in the Gulf region (especially in view of the religious confrontations within Iraq).

- Recently Riyadh is committed more openly to the settlement of the internal Palestinian power struggles as well as the advancement of the peace initiative of the Arab League to solve the Israeli-Arab conflict. With this, Riyadh underlines its claim as a decisive regional power toward Tehran, as both countries are involved in both conflicts. In this regard the latest developments in Lebanon provide a mixed picture. The compromise mediated by Qatar to end the escalations of May 2008 resulted in a weakening of the Saudi backed government and a strengthening of the Hezbollah. At the same time, however, it allowed for the election of a new Lebanese President and the return to a political process, which is a precondition for the resolution of the Lebanese conflict.
- The political signal of King Abdullah's visit with Pope Benedict XVI in November 2007 reached well beyond the region. This visit emblematises Saudi Arabia's opening to other religions. The initiative for an inter-religious dialogue between the monotheistic religions—Islam, Christianity and Judaism—launched in March 2008 continues this line. In July 2008 a first Saudi-supported inter-religious conference was held in Madrid. Related to this are Saudi Arabia's attempts to enhance the dialogue within Islam – in particular between the Sunnite and Shiite strand – by providing appropriate forums such as the interfaith dialogue which was held in Mecca in June 2008.

II Recommendations for the European Union

1 The Regional Perspective

- For the near future Europe should pursue a four-track approach vis-à-vis the Gulf region: (1) sustaining the cooperation with the GCC and expanding to new policy fields as well as developing Yemen so that the country can gradually be adducted to the GCC, (2) a concerted cooperation between the U.S. and the neighbouring states of Iraq in order to stabilise the country, (3) development of a new political, multi-laterally agreed approach to Iran and its nuclear program, and (4) support for the domestic reforms and the diplomatic initiatives of Saudi Arabia regarding the Israeli-Palestinian conflict and Lebanon.
- The negotiations to complete the EU-GCC free-trade zone should be finalized as soon as possible and in the spirit of partnership. Any further delays of this project would damage the political relations between EU and GCC and are in contradiction to the economic interests of the participating actors. Actually, there are only minor disputes remaining. The most problematic one regards a clause on human rights. The others refer to postal, maritime and financial services, reciprocal market access and quantitative restriction as well as export duties from the countries of the GCC. It is up to the member states of the EU to explain their position regarding this point to the governments of the GCC states. The clause on human rights is not particularly targeted at them, but a standard clause that the EU includes in all its free trade agreements – and indeed is obliged to do so by a decision of the EU member states.
- Furthermore, the EU and the GCC should start and enhance their cooperation in other political fields — for example in the areas security policy, education, energy and environment. In addition to development and implementation of these potentials the resentment on both sides regarding the still not concluded agreement on free trade could be countered.

- With the creation of a customs union, a common market and the envisaged monetary union the GCC has chosen for a model of integration not far from the EU's. The European Commission can offer advice and help to the GCC for the installation of its regional institutions. Especially the exchange of experiences about the best practices seems to be useful as well as acceptable to the actors in the region.
- The EU and the GCC, however, should not only focus on bilateral issues, they should also cooperate with regard to third party states and other international affairs. Development cooperation is one of these topics of special interest. The coordination of the activities of EU and GCC in economically underdeveloped Arab states would raise expectations on increased efficiency and effectiveness of the financial support. This question should be included in the agenda of the summits of EU and GCC.
- Moreover, the EU should take account of the role that the GCC-countries play in shaping the international political economy. This is apparent with view to their position as international investors, stabilizing factor for currency markets, provider of development aid and lender for governments in Europe, the U.S. and elsewhere. Therefore the EU should support the inclusion of the GCC into the main body for governance of the international economy, the G 8.
- It is logical to expand the partnership with a more intensive and regular dialog on security issues. The cooperation of NATO with the GCC states that was established in the aftermath of NATO's Istanbul Cooperation Initiative (ICI) in 2004 has been criticized for lacking precision and impact. Moreover, the ICI remained largely a bilateral project between NATO and the respective country from the region. In cooperation with the GCC states and the U.S., the EU and its member states should explore ways to improve the effectiveness of the ICI forum regarding political substance and process as well as institutional design.
- As a medium as well as long-term perspective the international community should not lose track of the sub-regional form of cooperation 6+2+1 (the GCC with Bahrain, Qatar, Kuwait, Oman, Saudi Arabia and United Arab Emirate, Iran and Iraq, and finally Yemen). It is remarkable that experts from the GCC states consider the cooperation of Yemen, Iraq and maybe even Iran on political matters like education, health, work, and infrastructure as useful. In case that the wish for regional cooperation is voiced from the region, external actors (like the U.S., the EU, the UN, China, Russia, India or Japan) should present themselves as mediator and supporter.

2 Conclusions Country by Country

2.1 Iraq

- In order to stabilise Iraq and to prevent negative spillover effects there is no alternative to a regional approach to cooperation. This approach has to comprise all neighbours of Iraq (Iran, Jordan, Saudi Arabia, Syria, Turkey), the relevant regional organisations (League of Arab States, GCC, Organization of the Islamic Conference) and all social groups of the country. To achieve this objective regular meetings on the highest level would be helpful. Such meetings like the one of high-ranking officials in Baghdad in March 2007, the meeting of the foreign ministers in Sharm El-Sheikh in May 2007 or the summit in Kuwait in April 2008 are rather rare thus far. This framework for dialogue should be institutionalized and continued on a regular basis, preferably on the level of foreign ministers. At the same time such a format could offer a point of departure for further sub-regional cooperation.

- Furthermore, the withdrawal of the American troops from Iraq by the end of 2011 as envisaged in the draft agreement that became public in August 2008 seems not too ambitious. Nonetheless, it is a political signal to the Iraqi people as well as to the region that the U.S. presence in Iraq will end. The fixing of a date puts pressure on Iraq groups to prevent further multiplication of chaotic situations and to take over responsibility for the future of the country and for security. In addition, it puts pressure on the neighbours of Iraq to prevent spillover of terror and civil war to their own countries and to engage for a structure of regional stability. Such a regional stability approach is for the time being without alternative in order to achieve a sustainable improvement of the situation.
- A righteous and fair participation of all political and ethnic groups of Iraq in the allocation of the revenues of oil export and in the building of central institutions of the federal government and the security apparatus is key to national reconciliation. The renewal of the engagement of the League of Arab States and of the religious authorities in Mecca can be helpful in order to promote the reconciliation of political opponents and religious movements. In view of growing religious tensions, a secularisation of political thinking and acting would, however, be desirable, but this is not to be expected for the near future.
- The EU can and should take a stronger part in the stabilisation of Iraq: Such an engagement includes economic cooperation and trade as in the framework of the energy agreement signed in April 2008. It refers, however, also to technical and financial support for the building of sustainable structures of state and civil society, i.e. in the judiciary and police training or in the field of educational institutions. By using its humanitarian aid services the EU should moreover join in the efforts to assuage the humanitarian crisis of the refugees in Iraq. In addition, the EU could offer to organise future regional conferences for Iraq in Brussels in order to avoid discussions about the venue as has happened before Sharm El-Sheikh. Apart from these practical political measures the Europeans should express their support of the Iraqis in an explicit statement of solidarity.

2.2 Iran

- At the moment, the confrontation over Iran's nuclear programme holds the biggest explosive force in the Gulf region. So far, the efforts of the international community to convince Iran to fulfil the demands of the Security Council have yielded only very limited results. Against this background Israel seems to consider unilateral military action against Iran. To prevent such military escalation, the EU and the U.S. should credibly guarantee Israel's security and intensify their efforts for a political resolution of the problem.
- In this context, the international community has an interest to explore all political options to restore active diplomatic relations between the U.S. and Iran. Hence, the cautious rapprochement that can be seen in the plans to open an U.S. interest section in Teheran is to be welcomed and supported. There is a chance that Iran will make considerable concessions regarding its nuclear programme in a "grand bargain" for American guarantees of its regime and its security in the region. That would have to include full compliance with the demands of the Security Council and close cooperation with the IAEA to ensure the civil nature of Iran's nuclear programme and allow for verification.
- Moreover, such a compromise would require additional concessions from the relevant actors as it would need to take into account the interests of all stake-holders, including Iraq and the GCC-members: Iran would have to abdicate its ambition for hegemony in the Gulf region, end its support for Hamas and Hezbollah, recognize Israel's security interests and play a

cooperative role in the Middle East peace process, in Lebanon and in Iraq. At the same time it would have to include an acceptance of Iran as a regional actor, diplomatic relations with the U.S., the end of the international sanctions, and international support for Iran's economic modernisation efforts.

- To allow for a political process, different formats of rapprochement or mediation between the U.S. and Iran are imaginable: the forum "Iraq plus its neighbours plus the international community" or the bi-lateral consultations on the level of ambassadors which started in Baghdad in June 2007 are options to prepare the ground for regular direct talks on a high level between the U.S. and Iran. Also possible would be a religious mediation approach on a high level, for example attached to an initiative of Pope Benedict XVI and Ayatollah Ali Khamenei. The shared guidelines regarding Faith and Reason as written down by theologians of Vatican and Iran by the end of April 2008 are an indication for possible openings within the frame of an inter-religious dialogue.
- The characteristics of the strategy of the international community toward Iran are for the time being a mix of incentives and pressure showing that especially an effective isolation of Iran is almost impossible to implement. The country has an influential political and geo-strategic position in the Middle East and in the Gulf region. A stabilisation of Iraq can hardly be reached without Tehran's support. Iran's role as exporter of oil and gas earns the country on the one hand large financial resources and turns it on the other hand into a desirable partner. So far only the sanctions against the Iranian banking sector have shown results. In order to strengthen the effectiveness of the international strategy this strategy needs a broader basis. As Japan, South Korea, China, India, and Indonesia are the principal customers for Iranian oil and gas these states must be integrated—together with the member states of the GCC as direct neighbours of Iran—into the efforts of UN-Security Council and Germany to isolate Iran. An effective enforcement of the international sanctions would be an additional important point to keep Israel from taking unilateral military steps.
- Considering the regional and security-political general conditions the Iranian question can only be dealt with by a political solution. The EU should therefore persist in pursuing its dual-track strategy on Iran—support of the restricting measures of relevant resolutions of the Security Council of the UN and continuation of the efforts for a negotiated solution. In the wake of the presidential elections in the U.S. and in Iran and by consequently implementing the sanctions time could be ripe for a "grand bargain" in 2009. The EU should prepare a corresponding diplomatic concept (including the points outlined above) and introduce it at the right moment as initiative in the transatlantic partnership and in the UN. Such an initiative must be coordinated with the GCC states and Iraq as regional partners and take their interests into account as well.
- At the same time, however, the members of the EU have to consider also an escalation of the situation. They should therefore agree at an early stage as to how to react in case of a military attack on Iran.
- The year 2009 will see presidential elections in Iran. President Ahmadinejad will try to improve his chances for re-election by provoking the West and especially Israel. Therefore, the West should apply pressure in a targeted and cautious manner and react patiently in order not to play into the hands of the radicals. This also has to be taken into account with view on the imposition of further sanctions.

2.3 Saudi Arabia

- King Abdullah has various reform projects under way in the political system of Saudi Arabia. The EU, its member states and institutions should check together with Riyadh as to what they can contribute to the success to these initiatives. Points of departure could emerge especially in the fields of political education and participation as well as economic transformation.
- The contacts between Europe and Saudi Arabia moreover should be intensified also on a sub-state level. Within the framework of the “National Dialogue” Saudi Arabia witnesses the emergence of more and more actors of civil society like associations, non-governmental organisations, and think tanks. These actors have a strong interest to build international networks. The EU and equivalent actors in Europe should actively support these efforts, present themselves as partners and open existing networks.
- The Europeans should—also within the frame of the Quartet—support the engagement of Saudi Arabia regarding a constructive role in the region, such as the Saudi Arabian initiatives to implement the vision of peace of the Arab League to solve the conflict with Israel, and the contribution Saudi Arabia is ready to make in order to implement the creation of a two-state solution in the Israeli-Palestinian conflict as agreed at the summit in Annapolis in November 2007. The failure of the Palestinian government of national unity mediated by the kingdom demonstrate that even the influence of the Saudis is limited. However, Riyadh should be asked to continue its efforts in order to strengthen the moderate groupings within Hamas.
- With regards to the recent developments in Lebanon, there are two possible readings: The positive aspect is that the mediation efforts from the Gulf (Qatar) brought about a de-escalation, the election of a new Lebanese President and the return to a political process. However, this compromise was only made possible by the strengthening of Hezbollah, thereby altering the balance of power within Lebanon. Against this background an engagement of Saudi Arabia in Lebanon is all the more needed and should be encouraged and supported by the EU.
- Saudi Arabia is the most promising market in the Gulf region, but still quite difficult to develop. An exchange on actions as to how to facilitate accession of the market—especially tailored to the needs of small and medium sized enterprises—seems useful. In addition commercial enterprises can also make a worthy contribution to the economic transformation and modernisation of Saudi Arabia.

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Additional contributions, analyses and policy recommendations are to be found in continuative strategy papers and discussion papers of the project “Europe and the Middle East”. Please check on the websites of the project partners (<http://www.bertelsmann-stiftung.org/europe-middleeast> and <http://www.cap-lmu.de/>).

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