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Middle East: The Multilateral Peace Talks

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ABSTRACT

This CRS report reviews developments in the multilateral Middle East peace talks since 1991; details the agendas, accomplishments, and setbacks in each of the five multilateral Working Groups established as a part of the Madrid peace process; highlights various offshoots of the multilateral talks such as the Middle East and North Africa Economic Summit (MENA) and the Middle East Development Bank (MEDB); describes the European-Mediterranean Partnership Initiative and its relationship with the multilateral track of the peace process; and discusses the potential for further regional cooperation in the context of a revived multilateral track. The report is designed as a source of ready reference for congressional offices interested in the multilateral aspects of the Middle East peace process and the prospects for regional cooperation in the Middle East. The report will be updated if major developments occur in the multilateral track of the peace process. Related CRS products are IB91137, *The Middle East Peace Talks: Issue Brief*, by Carol Migdalovitz, updated regularly, and IP397M, *Middle East Peace Prospects: Info Pack*, updated as needed.

Middle East: The Multilateral Peace Talks

Summary

In the aftermath of the 1990-1991 Gulf War, the United States and the former Soviet Union co-sponsored the Madrid Peace Conference, designed to resolve the Arab-Israeli conflict. This peace process established both bilateral tracks between the direct participants in the conflict and a multilateral track. The multilateral track was arranged as a forum to discuss issues which have region-wide implications, such as water, the environment, refugees, arms control and security, and economic development.

Since the five multilateral Working Groups began meeting in May 1992, each group has achieved modest gains toward regional cooperation. However, each of the working groups has also faced obstacles that have prevented the development of stronger cooperative ties among the parties involved in the multilateral talks. Progress on the multilateral track reached a pinnacle between the signing of the Declaration of Principles (DOP) between Israel and the Palestine Liberation Organization (PLO) in September 1993 and the election of Benyamin Netanyahu as Israeli Prime Minister in May 1996. After Netanyahu took office, regional cooperation waned as progress in the various bilateral negotiating tracks slowed.

In addition to the Working Groups, the multilateral track of the peace process spawned several offshoots that aimed to promote regional economic cooperation and integration. One such offshoot is the Middle East and North Africa Economic Summit (MENA), designed to facilitate cross-border trade and investment in the region and Arab-Israeli business partnerships. Although the MENA process ground to a halt in 1997, its annual meetings between 1994-1997 produced a successful model for future Arab-Israeli cooperation. Another offshoot of the multilateral track is the Middle East Development Bank (MEDB). Although financial and political difficulties have prevented the Bank from opening, the MEDB presents the possibility for additional regional economic development projects.

In 1995, the European Union (EU) launched the European-Mediterranean Partnership Initiative as a separate forum for creating a free-trade zone and regional prosperity by 2010. While some of the activities of Euro-Mediterranean Partnership replicate the projects of the multilateral track, this initiative has also served as a complement and parallel to the multilateral track. Specifically, the initiative has succeeded in bringing Syria, Lebanon, and (to a lesser extent) Libya into a cooperative regional framework.

The election of Ehud Barak as Israeli Prime Minister in May 1999 raised prospects for renewed regional cooperation. On February 1, 2000, the foreign ministers of the Multilateral Steering Group revived the multilateral track of the peace process. Meeting in Moscow, the Multilateral Steering Group agreed to resume formal plenary meetings for four of the five multilateral Working Groups in April and May 2000; however, lack of progress in the bilateral tracks of the peace process and Israeli attacks on Lebanon have led to the postponement of these plenary meetings.

Contents

Introduction: Madrid and the Establishment of the Multilateral Track	1
Multilateral Working Groups: Agendas, Accomplishments, and Setbacks	2
Working Group on Water Resources	3
Working Group on Environment	4
Working Group on Refugees	4
Working Group on Arms Control and Regional Security (ACRS)	5
Working Group on Regional Economic Development	7
The Middle East and North Africa Economic Summits (MENAs)	8
Middle East Development Bank (MEDB)	10
The European-Mediterranean Partnership Initiative: Complement or Competitor to the Multilateral Track?	12
Conclusion: Prospects for the Multilateral Talks	14

Middle East: The Multilateral Peace Talks

Introduction: Madrid and the Establishment of the Multilateral Track

In the aftermath of the 1990-1991 Gulf War, the United States and the former Soviet Union co-sponsored an Arab-Israeli peace conference at Madrid in October 1991. According to President Bush, the conference aimed at achieving a “just, lasting, and comprehensive settlement to the conflict in the Middle East.”¹ The peace process launched at Madrid envisioned a resolution of the Arab-Israeli conflict through direct negotiations on several simultaneous bilateral tracks; Israeli-Jordanian/Palestinian², Israeli-Syrian, and Israeli-Lebanese. In addition to these bilateral tracks, the Madrid peace process established a multilateral track to provide a forum for discussion of cross-border, region-wide issues. The multilateral track led to the formation of five Working Groups; the Working Group on Water Resources, the Working Group on Environment, the Working Group on Refugees, the Working Group on Arms Control and Regional Security, and the Working Group on Regional Economic Development.³

Although the establishment of bilateral negotiating tracks was the result of concerted and intense diplomatic efforts by Secretary of State James Baker, the multilateral track was established with less planning. Initially, U.S. policymakers envisioned the multilateral track as an added inducement to bring a reluctant Israeli Prime Minister Yitzhak Shamir to the negotiating table. The multilateral track, by creating a forum for the discussion of region-wide concerns shared by both Arabs and Israelis, was designed to provide Israel with tangible reassurance that a normalization of relations between Israel and the Arab states would proceed in the context of the peace process.⁴

¹ President George Bush, Address Before the Opening Session of the Middle East Peace Conference, Madrid, October 30, 1991, US Department of State Dispatch Supplement, vol. 3 no. 2, February 1992, p. 8.

² At the outset of the Madrid peace process, the Jordanians and Palestinians formed a joint delegation under Jordanian leadership. With the signing of the Declaration of Principles (DOP) between Israel and the Palestine Liberation Organization (PLO) in September 1993, the rationale for a joint Jordanian-Palestinian delegation lapsed and, henceforth, Israel negotiated directly with separate Jordanian and Palestinian delegations.

³ For an overview of the multilateral track, see Joel Peters, *Pathways to Peace: The Multilateral Arab-Israeli Peace Talks*, The Royal Institute for International Affairs, London, 1996.

⁴ See Dalia Dassa Kaye, “Madrid’s Forgotten Forum: The Middle East Multilaterals,” *The* (continued...)

Although the multilateral track originated in a somewhat *ad hoc* fashion, it provided a constructive framework for advancing the peace process in ways that were not always possible in the bilateral tracks. First, multilateral talks often proceeded in a fairly informal setting that provided for a frank exchange of ideas and opinions between the various parties. The informality of the multilateral talks allowed the sides to discuss outstanding issues with greater openness than was possible in the bilateral talks. Second, the technical nature of the areas covered by the multilateral talks allowed Arab and Israeli experts in such fields as desalination, environmental protection, and infrastructure development to interact and discuss cooperative plans and policies in an atmosphere of reduced rhetoric and hostility. Third, the multilateral talks often served as a “sounding board” for proposals eventually adopted in bilateral agreements. For instance, both the Declaration of Principles (DOP) signed between Israel and the PLO and the Jordan-Israel Peace Treaty contain sections on cooperative relations that were developed in the course of the multilateral talks. Fourth, the multilateral talks widened the circle of participation in the peace process by including in the negotiations regional states that have not participated directly in the Arab-Israeli conflict. Countries such as Tunisia, Algeria, Morocco, Mauritania, Saudi Arabia, Yemen, Oman, the United Arab Emirates (UAE), Qatar, Bahrain, and Kuwait have participated actively in the multilateral talks and many of these countries have hosted negotiating sessions.

However, not all countries participating in the bilateral talks agreed to participate in the multilateral talks as well. Syria and Lebanon have boycotted the multilateral talks, arguing that the multilateral framework provides Israel with a modicum of normalized relations with Arab states. Normalization of relations, in their view, should only follow and not precede a comprehensive regional peace.

Multilateral Working Groups: Agendas, Accomplishments, and Setbacks

The first multilateral talks were held in Moscow in January 1992. At the Moscow Conference, the overall structure of the multilateral talks was agreed upon. A Steering Committee was established in order to provide for a body that would coordinate the activities of the various working groups. The US and Russia⁵, as co-sponsors of the Madrid peace process, were also designated as co-chairs of the Steering Committee. In addition, a working group was established for each functional issue that the multilateral talks encompassed; the Working Group on Water Resources, the Working Group on Environment, the Working Group on Refugees, the Working Group on Arms Control and Regional Security, and the Working Group on Regional Economic Development. Each working group was chaired by what the participants termed a “gavel holder”; an extra-regional country with substantial expertise in handling negotiations in a particular field.

⁴ (...continued)

Washington Quarterly, vol. 20 no. 1, Winter 1997, pp. 171-172.

⁵ Russia replaced the USSR as an official co-sponsor of the peace process following the collapse of the Soviet Union in December 1991.

Working Group on Water Resources

The Working Group on Water Resources conducted its first round of talks in Vienna in May 1992. The United States is the sole “gavel holder” in this working group.

From its inception, this particular working group has been frustrated in developing common regional approaches to water resources due to the gap between the Israeli and Arab perceptions of the mandate of the working group. Although many Arab delegations—especially the Jordanian and Palestinian delegations—have stressed the primacy of discussing issues of water rights, Israel has taken the approach that the working group is not the suitable venue for such discussion. Israel prefers instead to relegate issues of water rights to its bilateral negotiating tracks. Israel has sought to promote joint management water projects through the working group. For example, Israel proposed a project aimed at rehabilitating municipal water systems throughout the region, which was approved by the working group.

In addition, Syria and Lebanon have not participated in the activities of the working group. Because Syria and Lebanon possess water resources that are integral to any future regional water sharing arrangement, their boycott of the multilateral talks has limited the ability of the working group to devise comprehensive regional water plans.⁶

Despite the Syrian-Lebanese boycott and the differing viewpoints over its mandate, the water working group has proved successful in founding the Middle East Desalination Research Center in December 1996. The center is located in the Sultanate of Oman and began operations with \$16.1 million funded by the United States, Oman, Israel, Japan, the Republic of Korea, and the European Union (EU).⁷ The mission of the research center is “to conduct, facilitate, promote, coordinate and support basic and applied research in water desalination and supporting fields.” In addition, the research center aims “to raise the standard of living in the Middle East and elsewhere by cost reduction and quality improvement in the technical processes of water desalination.”⁸ The research center is governed by an Executive Council which is composed of representatives of the countries funding the center, including Oman and Israel. It has conducted a number of seminars and workshops and sponsored research on the prospects for desalination in the Middle East.

Even though the Working Group on Water Resources constricted its activities as progress on the bilateral tracks slowed between 1996-1999, the activities of the Middle East Desalination Research Center have continued unabated. The Working Group on Water Resources was scheduled to hold a formal plenary meeting in Muscat, Oman between April 11-12, 2000. However, on April 5, Oman decided to postpone the plenary meeting “until the Arab League is satisfied that the Mideast peace process is heading in the

⁶ Iraq also possesses substantial water resources that will be central in developing regional water plans. However, Iraq has not been invited to participate in the multilateral peace talks.

⁷ See Press Statement by Glyn Davies, Acting Spokesman, “Establishment of the Middle East Desalination Research Center,” U.S. Department of State, December 23, 1996.

⁸ “United for Water, United for Peace,” Middle East Desalination Research Center, [<http://206.49.110.172/medrcannualrep/mission.htm>], 8/25/1999.

right direction.”⁹ This decision was taken apparently in response to a March 2000 Arab League resolution that urged Arab countries to “reconsider” their relations with Israel following Israeli strikes against Lebanese infrastructure and the lack of progress in the bilateral tracks of the peace process. A new date for the plenary meeting has not yet been set.

Working Group on Environment

The Working Group on Environment held its first round of talks in Tokyo in May 1992. Japan is the sole “gavel holder” in this working group.

The Working Group on Environment has been a fairly productive forum for addressing regional strategies for protecting the environment. A convergence of basic viewpoints between the interested parties has resulted in a number of accomplishments including joint Egyptian-Jordanian-Israeli contingency planning for an oil spill in the Gulf of Aqaba and plans to establish regional environmental research centers.

Most significantly, during an October 1994 negotiating session in Bahrain, the members of the working group signed the Bahrain Environmental Code of Conduct for the Middle East. Although the code is not a legally binding document, it is, nevertheless, an important initiative in that it recognizes that environmental concerns are best dealt with in a spirit of regional cooperation. Through the Code of Conduct, the parties to the working group proclaimed that “the parties will strive for a fair and just utilization and coordinated management policies of the shared natural resources of the region” and that “a comprehensive, just and lasting peace in the region, development and environmental protection are interdependent and indivisible.”¹⁰ However, little has been done to implement the provisions of the code, because this working group has scaled back its activities and has not met since June 1996 due to the slowdown in the bilateral tracks. The Working Group on Environment was scheduled to hold a formal plenary meeting in Tunis, Tunisia between May 31-June 1, 2000. However, in May 2000, the member states of the Arab League decided to suspend their participation in the multilateral talks “until there is substantial progress on all tracks” of the peace process.¹¹ A new date for the plenary meeting has not yet been set.

Working Group on Refugees

The Working Group on Refugees held its first round of talks in Ottawa in May 1992. Canada is the sole “gavel holder” in this working group.

⁹ “Oman Says Calls Off For Now Mideast Water Talks,” *Reuters*, April 5, 2000.

¹⁰ The Bahrain Environmental Code of Conduct for the Middle East, reproduced in Joel Peters, *Pathways to Peace: The Multilateral Arab-Israeli Peace Talks*, The Royal Institute of International Affairs, London, 1996, pp. 89-93.

¹¹ “Arabs Suspend Participation Mideast Talks,” *Arabia.com*, May 9, 2000.

The Working Group on Refugees has proved to be one of the more contentious working groups of the multilateral talks. The first few rounds of talks featured sharp disagreements between the Israeli and Palestinian delegations over the mandate of the working group. The status and rights of the Palestinian refugees living in Lebanon, Jordan, Syria, and other countries is a major issue that is to be resolved in the context of the final-status bilateral talks between Israel and the Palestine Liberation Organization (PLO), which are due to be negotiated by September 2000. However, the Palestinian delegation to the refugee working group also has used it as an alternative forum to discuss the refugee issue. Israel has focused on presenting humanitarian proposals designed to improve the economic and social conditions of Palestinian refugees. Underlying these tensions are different long-term visions of a solution to the Palestinian refugee issue. While Palestinians argue for the refugees' right of return, Israel has declared its opposition to a large-scale return and proposed compensation instead.

Despite the varying Israeli and Palestinian conceptions of its mandate, the working group has created mechanisms to facilitate family reunifications. For example, following the working group's session in Tunis in October 1993, Israel agreed to quadruple the number of family reunification cases it would process each year.¹² While such concrete steps towards solving the Palestinian refugee issue in a multilateral framework have been modest, the usefulness of the Working Group on Refugees to the parties concerned is demonstrated by the fact that it has remained active since 1996, when the other working groups atrophied.¹³ The Working Group on Refugees was scheduled to hold a formal plenary meeting in Ottawa, Canada between May 16-18, 2000. However, as noted above, the member states of the Arab League suspended their participation in the multilateral talks pending progress on the bilateral tracks of the peace process. A new date for the plenary meeting has not yet been set.

Working Group on Arms Control and Regional Security (ACRS)

The Working Group on Arms Control and Regional Security (ACRS) conducted its first round of talks in May 1992 in Washington. The United States and Russia are the co-“gavel holders” in this working group.

Despite numerous academic suggestions and blueprints for arms control in the Middle East¹⁴, the Working Group on Arms Control and Regional Security has been unable to

¹² Joel Peters, *Pathways to Peace: The Multilateral Arab-Israeli Peace Talks*, The Royal Institute for International Affairs, London, 1996, p. 33.

¹³ For summaries of the activities of the Working Group on Refugees during the tenure of Benjamin Netanyahu as Israeli prime minister, see various issues of “Peace Monitor” in the *Journal of Palestine Studies*, nos. 100-112, Summer 1996-Summer 1999.

¹⁴ For a selection of such proposals, see Steven L. Spiegel and David J. Pervin (eds.), *Practical Peacemaking in the Middle East: Volume I Arms Control and Regional Security*, Garland Publishing, Inc., New York, 1995; Alan Platt (ed.), *Arms Control and Confidence Building in the Middle East*, United States Institute of Peace Press, Washington, 1992; Robert Bowker, *Beyond Peace: The Search for Security in the Middle*

achieve substantive progress in its specialized areas. In any event, without the active participation of Iran, Iraq, Libya, and Syria in the working group, the possibility of establishing a comprehensive regional arms control regime is remote.

Like the Working Groups on Water Resources and Refugees, this group's efforts have been hampered by a divergence of Israeli and Arab opinion over the range of issues to be covered. On the whole, the Israeli delegation has sought to restrict the working group's activities to confidence-building measures (CBMs) such as conducting joint search and rescue operations and exchanging open-source military information. Many Arab delegations have opposed the Israeli focus on CBMs, viewing this approach as an Israeli attempt to avoid discussion of its weapons of mass destruction (WMD). Instead, some Arab delegations have urged the working group to consider wide-ranging proposals on eliminating WMD from regional, including Israeli, arsenals. The Egyptian delegation has been particularly adamant on this issue, arguing that Israel's refusal to sign the Nuclear Non-Proliferation Treaty (NPT) belies its stated commitment to regional arms control.

In spite of disagreements, the working group achieved modest steps towards the establishment of cooperative regional security arrangements. For instance, in March 1995, the Netherlands was instrumental in developing a regional arms control and regional security communications network. In September 1995, the working group signed a mandate for a Middle East Regional Security Center. The center is to be based in Amman, Jordan and is to be linked with subsidiary centers in Tunis, Tunisia and Doha, Qatar. Some of its functions are to "1)facilitate and provide a venue for seminars on topics that support ACRS working group activities...2)facilitate training and education in support of the ACRS process...3)facilitate and support work on arms control and regional security arrangements agreed on being pursued in the ACRS process..."¹⁵ However, the security center has been unable to fulfill its mandate because the working group has not held any sessions in recent years.

At the February 1, 2000 meeting of the Multilateral Steering Group, the attending foreign ministers did not agree to resume the activities of the Working Group on Arms Control and Regional Security, making it the only multilateral working group that was not scheduled to hold an upcoming formal plenary meeting. Instead, the foreign ministers "emphasized the importance of reaching an agreed comprehensive agenda" for the working group, "with the goal of getting formal ACRS activities underway within a few months."¹⁶ The delay in reactivating this working group is most likely due to continuing Egyptian and Israeli differences over the issue of including nuclear weapons on the agenda of the working group. Recently, Israel reportedly agreed to show greater flexibility on this issue

¹⁴ (...continued)

East, Lynne Rienner Publishers, Inc., Boulder, 1996; Peter Jones, *Towards a Regional Security Regime for the Middle East: Issues and Options*, Stockholm International Peace Research Institute, Stockholm, 1998.

¹⁵ ACRS Working Group, "Mandate for a Middle East Regional Security Center," September 20-21, 1995, Amman, Jordan, [gopher://neacd.ucsd.edu], 8/19/1999.

¹⁶ See "Moscow Multilateral Steering Group Ministerial Joint Declaration," Moscow, February 1, 2000, found at [<http://www.israel.org/mfa/go.asp?MFAH0gkz0>], 2/2/2000.

and discuss arms control issues with Egypt in a bilateral context.¹⁷ If these bilateral discussions lead to agreement on the content of future agendas for the Working Group on Arms Control and Disarmament, it could lead to the reactivation of this multilateral working group.

Working Group on Regional Economic Development

The Working Group on Regional Economic Development held its first round of talks in Brussels in May 1992. The European Union (EU) is the sole “gavel holder” in this working group.

Of the five working groups, the Working Group on Regional Economic Development has held out the most promise of achieving immediate and tangible results while furthering regional cooperative endeavors. The working group has succeeded in outlining an ambitious plan for regional economic development, known as the Copenhagen Action Plan. This plan was agreed upon in November 1993 and was updated in December 1995. In the context of the Copenhagen Action Plan, extra-regional parties such as the EU and its member states, the United States, Japan, Canada, and the World Bank, have sponsored feasibility studies, workshops, and training sessions. Topics covered have included communications and transport, energy, tourism, agriculture, and financial markets and investments.¹⁸

In addition, the working group has established two institutions that have the potential to further future regional economic cooperation plans. These are the Middle East Regional Business Council, a private organization devoted to strengthening trade and investment in the region, and the Middle East and Mediterranean Travel and Tourism Association.

The working group also has been used as a forum for discussing more ambitious regional economic cooperation and development plans. The ideas for convening a Middle East and North Africa Economic Summit (MENA) and for founding a Middle East Development Bank (MEDB) both originated in the Working Group on Regional Economic Development. The Working Group on Regional Economic Development was scheduled to hold a formal plenary session in Amman, Jordan between May 8-11, 2000. However, for the reasons mentioned above, the member states of the Arab League suspended their participation in the multilateral peace talks pending progress on the bilateral tracks of the peace process. A new date for the plenary meeting has not yet been set.

¹⁷ Aluf Benn, “For the First Time: Israel is Ready to Discuss Arms Control with Egypt,” *Ha’aretz*, May 11, 2000.

¹⁸ For a detailed list of activities, see “Regional Economic Development Working Group, Copenhagen Action Plan, November 1993” and “Copenhagen Action Plan, Update–December 1995,” reproduced in Joel Peters, *Pathways to Peace: The Multilateral Arab-Israeli Peace Talks*, The Royal Institute for International Affairs, London, 1996, pp. 94-101.

The Middle East and North Africa Economic Summits (MENAs)¹⁹

The first Middle East and North Africa Economic Summit (MENA) was held in Casablanca, Morocco between October 30-November 1, 1994 and attracted much publicity and participation. Over 1200 company executives, 400 government officials, 60 ministers, and 10 heads of state attended the first-ever joint Arab-Israeli economic summit which focused on regional trade and investment promotion. Convening shortly after the signing of the Israel-Jordan peace treaty and a Gulf Cooperation Council (GCC) decision to lift the secondary and tertiary economic boycotts of Israel in October 1994, the summit proceeded in a positive atmosphere that highlighted the incentive for regional economic cooperation. Jordan and Israel submitted ambitious development proposals exceeding \$40 billion to be implemented within a decade.²⁰ In addition, the United States floated the idea of establishing a Middle East Development Bank during this summit.

The second MENA summit was held in Amman, Jordan between October 29-October 31, 1995, and proposals exceeded those presented at Casablanca. Egypt proposed a \$200 million plan for regional transportation networks. Jordan's public and private sector proposals amounted to \$4.7 billion. The Palestinian proposals totaled roughly \$6 billion and focused on water resource management. Additionally, Israel submitted plans for over 200 proposals totaling close to \$25 billion.²¹ The highlight of the second MENA summit was the agreement reached to establish a Middle East Development Bank (MEDB) to be capitalized at \$5 billion (see next section for further details).

The third MENA summit was held in Cairo, Egypt between November 12-November 14, 1996. With progress on the bilateral Israeli-Palestinian track slowing following the election of Benjamin Netanyahu as Israeli prime minister, the third MENA summit took place in a changed regional environment. Although attendance numbers were similar to the previous MENA conferences, Arab-Israeli economic cooperation was downplayed. Instead, President Hosni Mubarak capitalized on the MENA summit to spotlight Egypt's program of economic reform and its investment potential. Israel, the country which had been most enthusiastic about the potential for regional economic cooperation, downgraded its participation at the third MENA summit. Its delegation was headed by Minister of Commerce and Industry Natan Sharansky. However, Minister of National Infrastructure Ariel Sharon and Minister of Agriculture Rafael Eitan declined

¹⁹ The Middle East and North Africa Economic Summits (MENAs) are distinct from and should not be confused with the international Donors' Conferences that have channeled economic assistance to the Palestinian Authority (PA).

²⁰ "Projects of Peace," *Middle East Economic Digest*, November 25, 1994, p. 2.

²¹ "U.S. Backing a Conference to Tie Israel to Economies of Mideast, North Africa," *Wall Street Journal*, October 27, 1995, p. A10.

offers to participate in the conference. Previous Israeli delegations were headed by the Prime Minister or Foreign Minister.²²

The fourth MENA conference was held in Doha, Qatar between November 16 - November 18, 1997. The gathering was officially downgraded from a summit to a conference, reflecting an increasing Arab hesitancy to engage in normalized relations with Israel when progress on the bilateral tracks was questionable. Despite the participation of over 950 business people from more than 60 countries, the only Arab states that participated in addition to Qatar were Jordan, Kuwait, Mauritania, Oman, Tunisia, and Yemen. Previous attendees of the MENA summits such as Algeria, Bahrain, Saudi Arabia, the United Arab Emirates (UAE) and previous hosts of the summit, including Egypt and Morocco all boycotted the proceedings.²³ Announcing Egypt's boycott, President Hosni Mubarak made clear the link between progress on bilateral peace process issues and participation in multilateral fora. "The aim of an economic conference is to build cooperation between Israel and the Arab community and this is linked to progress towards peace. But so far no progress has been achieved."²⁴

Due to the widespread boycott of the Doha conference and the impasse in the peace process that occurred during Benjamin Netanyahu's tenure as Israel's prime minister, no further MENA conferences have been held. The World Economic Forum, the sponsoring organization for the MENA summits, announced that it would not organize a fifth MENA meeting until the regional environment proved conducive to further attempts at advancing economic cooperation and integration.²⁵

Following the election of Ehud Barak as Israeli Prime Minister in May 1999, regional parties began to discuss venues for a fifth MENA summit in 2000. According to press reports, potential sites for future economic summits include Oman, Tunisia, Cairo, and Bethlehem.²⁶ According to a recent press report, Egypt is likely to host the fifth MENA summit, pending progress on the bilateral tracks of the peace process. However, after the July 2000 Israeli-PLO summit at Camp David ended without the sides reaching agreement

²² "Israel: Low-Key Approach to Co-Operation," *Middle East Economic Digest*, November 15, 1996, p. 14.

²³ "Qatar Makes a Mark and a Point at Doha Conference," *Middle East Economic Digest*, November 28, 1997, p. 26.

²⁴ Colin MacKinnon, "The Party's Over for Israeli Economic Integration into the Middle East," *Washington Report on Middle East Affairs*, January/February 1998, p. 21.

²⁵ See Mark Huband, "Plans for Mideast Economic Summit Suspended," *Financial Times*, April 25, 1998, p. 4 and "MENA Meeting Off For Now," *Arabia.On.Line*, April 27, 1998, [http://www.arabtalk.com/content/business/4_98/mena_27.4.98.shtml], 8/31/1999.

²⁶ See Lilly H. Li, "World Watch—Arab-Israeli Conference to be Revived," *Dow Jones*, August 24, 1999 and M.A. Mannan, "Efforts on to Hold MENA Conference," *Khaleej Times On-Line*, September 4, 1999.

on permanent status issues, Egyptian officials considered the convening of the fifth MENA summit unlikely in 2000.²⁷

Middle East Development Bank (MEDB)

Although former Secretary of State James Baker, Prince Hassan of Jordan, and Israeli Foreign Minister Shimon Peres all suggested creating a Middle East Development Bank in the aftermath of the Gulf War, the idea was not raised seriously in a multilateral context until the first Middle East and North Africa Economic Summit in Casablanca. However, the idea did not meet with universal support. U.S. officials, the EU, and the Israeli Ministry of Finance raised doubts about the economic rationality and feasibility of such a bank.²⁸ Also, several Gulf states feared that the Bank would necessitate substantial financial outlays on their part and serve as a vehicle for transferring wealth to Israel. Yet political calculations overrode economic considerations when Israel, Egypt, Jordan, and the Palestinians reached unanimity on the desirability of such a bank. According to one observer, “such unprecedented regional coordination was, in the view of senior State Department officials, exactly the type of cooperation for which they had hoped when launching the Madrid process,”²⁹ and thereafter the idea received the full backing of the U.S. Administration.

However, the European Union (EU) refused to endorse the idea of establishing a development bank for several reasons. First, the EU, as the sole “gavel holder” of the Working Group on Regional Economic Development felt that such initiatives should be coordinated with the EU in the context of the working group. Second, the EU has viewed its substantial developmental assistance to the region as its entree to and point of leverage in the peace process. In general, the Europeans felt that Washington’s endorsement of the bank was an attempt to undercut European influence on the direction of the peace process. Third, the EU questioned the need for a development bank. Other multilateral lending institutions, such as the World Bank, the European Investment Bank, the Islamic Development Bank, and the Arab Fund for Social and Economic Development lend substantial amounts of money to the Middle East for developmental purposes, making a new Middle East Development Bank redundant, in the European view. Accordingly, the EU proposed establishing a scaled-down version of the bank, called the Middle East and North Africa Intermediation Organization (MENAFIO), which would be responsible for

²⁷ “Al-Baz Ties the Success of the Economic Conference to Israel’s Stance on the Peace Process,” *al-Hayat*, May 3, 2000, and Jaber al-Qarmuti, “Convening the Regional Economic Conference in Egypt is Unlikely in the Current Year after the Failure of the Camp David Summit,” *al-Hayat*, August 7, 2000.

²⁸ Dalia Dassa Kaye, *Banking on Peace: Lessons from the Middle East Development Bank*, Institute on Global Conflict and Cooperation, University of California, Policy Paper #43, October 1998, p. 11.

²⁹ *Ibid.*, p. 12.

preparing development projects to be funded by the already existing multilateral and regional lenders.³⁰

Despite European misgivings, the participants of the second MENA summit in Amman, Jordan agreed to establish the Middle East Development Bank to be capitalized at \$5 billion. In November 1995, the bank's initial articles of association were agreed upon and a transition team was created in order to formulate the bank's operating procedures.³¹ However, Congress, unconvinced of the economic feasibility of the bank, did not appropriate the \$52.5 million requested by the Administration for FY1997. This appropriation was to be the first instalment of a pledge to provide the capital necessary for the United States to fulfill its commitment to purchase a 21% share in the bank.³² According to the bank's operating procedures, with a 21% stake, the United States would have controlled the largest stake in the bank and would have had enough voting power in the board of directors to veto any decision. The total American subscription would have amounted to approximately \$260 million, paid in five yearly installments of \$52.5 million.³³

The opening of the bank was further complicated by the stance of Prime Minister Benjamin Netanyahu's government regarding cooperative endeavors. According to an Israeli governmental source, upon becoming prime minister in 1996, Netanyahu attached a low priority to the Middle East Development Bank.³⁴ Without adequate funding and due to "difficulties" in the bilateral tracks of the peace process, the Middle East Development Bank officially shut down its Cairo-based operations in December 1998.³⁵

³⁰ "Middle East Development Bank: A Folly in the Making," *The Economist*, October 28, 1995, p. 92.

³¹ Alan Spence, "New Bank is Watched with Interest," *Financial Times*, July 10, 1996, p. 12.

³² See *Foreign Operations, Export Financing, and Related Programs Appropriations Bills, 1997*, H.Rept. 104-600 and S.Rept. 104-295. Although no money was appropriated, Congress authorized U.S. participation in the bank. See P.L. 104-208, 110 Stat. 3009-179-181, September 30, 1996.

³³ For further details on the Administration's appropriation request, see the testimony of Secretary of the Treasury Robert E. Rubin, "Foreign Operations, Export Financing, and Related Programs Appropriations for 1997: Hearings before a Subcommittee of the Committee on Appropriations, House of Representatives, 104th Congress, Second Session," Washington, U.S. Government Printing Office, 1996, pp. 163, 171-173, 186-190, 201-202, 208.

³⁴ Douglas Stanglin, "Can the Middle East Bank on Bibi?" *U.S. News and World Report*, July 15-22, 1996, p. 20.

³⁵ Nicky Blackburn, "Four Years after Casablanca: Mideast Development Bank Shuts Down," *Jerusalem Post*, December 18, 1998, p. 10.

The European-Mediterranean Partnership Initiative: Complement or Competitor to the Multilateral Track?³⁶

In November 1995, Spain hosted a European-Mediterranean Conference of 27 Mediterranean basin countries, including the member states of the European Union (EU), Morocco, Algeria, Tunisia, Egypt, Israel, the Palestinian Authority (PA), Syria, and Lebanon. The conference, which was held at the foreign ministerial level, endorsed the European-Mediterranean Partnership Initiative³⁷ through the Barcelona Declaration. The declaration affirmed the parties' resolve to establish "a multilateral and lasting framework of relations based on a spirit of partnership, with due regard for the characteristics, values and distinguishing features peculiar to each of the participants."³⁸

The Barcelona Declaration is divided into three main parts. The first centers on creating a political and security partnership among the countries involved in order to establish "a common area of peace and stability." Such an area will be created through a dialogue stressing respect for human rights, the rule of law, democracy, and diversity, and by promoting regional security measures. The second part of the document strives to promote an economic and financial partnership among the nations of the Mediterranean basin in order to create "an area of shared prosperity." According to the Barcelona Declaration, prosperity will be achieved through the gradual creation of a European-Mediterranean free-trade zone by 2010. Mediterranean countries participating in the initiative are expected to sign bilateral association agreements with the EU as a preliminary step toward achieving a fully integrated economic zone. Finally, the third part of the declaration aims to establish a partnership in social, cultural, and human affairs by "developing human resources, promoting understanding between cultures and exchanges between civil societies." This partnership is to be achieved through cooperation in various fields such as immigration, anti-terrorism, and anti-drug trafficking and by promoting the development of educational and health care sectors in Mediterranean countries.

Although the ambitious nature of the Euro-Mediterranean Partnership is readily evident, the motives for establishing such a partnership are somewhat more ambiguous. According to the Barcelona Declaration, the initiative "is not intended to replace the other activities and initiatives undertaken in the interests of peace, stability and development of

³⁶ Some observers believe that the origin of this initiative was wholly unrelated to the Middle East peace process. In their view, the initiative stemmed from southern European security concerns over the prospects of mass immigration from North Africa. The European emphasis on a security dialogue was countered by a North African desire to create an economic dialogue with Europe. These two components of dialogue subsequently were expanded into a European-Mediterranean framework.

³⁷ The initiative is more commonly known as the Barcelona Process.

³⁸ For the full text of the declaration, see "Barcelona Declaration Adopted at the Euro-Mediterranean Conference, 27 and 28 November 1995," [<http://www.euromed.net/key-docs/barcelona.htm>], 8/20/1999.

the region, but that it will contribute to their success.”³⁹ In other words, the EU views the initiative as a complement to and not a competitor with the multilateral aspects of the Middle East peace process. However, the Euro-Mediterranean Partnership, to a large extent, duplicates the efforts being exerted within the framework of the multilateral talks, prompting some observers to wonder if the initiative is designed to increase European influence in the peace process to the detriment of American influence.⁴⁰

Whether the Euro-Mediterranean Partnership Initiative ultimately will serve to enhance or detract from regional cooperation envisioned in the framework of the multilateral talks remains unclear. However, in one respect, the Barcelona Process has been more successful than the multilateral talks in widening the circle of participation in regional cooperative plans. Most significantly, as opposed to the multilateral talks, Syria and Lebanon have participated in the Euro-Mediterranean Partnership, even though these two countries are opposed to the normalization of ties with Israel prior to a comprehensive peace agreement. Apparently, according to Syrian and Lebanese calculations, the benefits to be gained from closer relations with the EU outweigh the disadvantages of participating in multilateral fora with Israel.⁴¹ In April 1999, Libya handed over two suspects accused of masterminding the explosion of Pan Am Flight #103 over Lockerbie, Scotland, and as a result it too has been invited to join the Euro-Mediterranean Partnership. Libya sent a representative to the last Euro-Mediterranean Conference in April 1999, marking the first joint Libyan-Israeli appearance in a regional multilateral setting.⁴²

Since its inaugural meeting, the Euro-Mediterranean Partnership has held two major bi-annual conferences at the foreign ministerial level. The first of these took place in Malta in May 1997 and the second conference was held in Germany in April 1999. Progress on implementing the Barcelona Declaration has remained limited, however, because the prospects for achieving regional cooperation decreased as the pace of progress on the bilateral negotiating tracks slowed.⁴³ More specifically, both conferences failed to produce

³⁹ “Barcelona Declaration Adopted at the Euro-Mediterranean Conference, 27 and 28 November 1995,” [<http://www.euromed.net/key-docs/barcelona.htm>], 8/20/1999.

⁴⁰ For a discussion of the EU’s policies toward the Middle East and EU diplomacy as a counterweight to American diplomacy in the region, see Rosemary Hollis, “Europe and the Middle East: Power by Stealth?” *International Affairs*, vol. 73 no. 1, 1997, pp. 15-29.

⁴¹ At the most recent Euro-Mediterranean Conference in Germany in April 1999, the Syrian Foreign Minister Farouq ash-Shara’a and his Israeli counterpart Ariel Sharon exchanged viewpoints on the peace process. See “Sharon, Sharaa ‘talk’ in Stuttgart as IDF Re-Enters Lebanon’s Arnoun,” *Mideast Mirror*, April 16, 1999, p. 1.

⁴² James Blitz, “Italy Champions Rehabilitation of Gaddafi’s Libya,” *Financial Times*, April 8, 1999, p. 5 and Danna Harman, “Sharon to Promote Desalination Project at Euro-Med Conference,” *Jerusalem Post*, April 15, 1999, p. 2.

⁴³ For overviews on the course of the Euro-Mediterranean Partnership since Barcelona, see Eberhard Kienle, “Destabilization through Partnership? Euro-Mediterranean Relations after the Barcelona Declaration,” *Mediterranean Politics*, vol. 3 no. 2, Autumn 1998, pp. 1-20; Richard Edis, “Does the Barcelona Process Matter?” *Mediterranean Politics*, vol. 3 no. 3, Winter 1998, pp. 93-105; Stephen C. Calleya, “The Euro-Mediterranean Process after

an agreed upon Charter for Peace and Stability that would provide a blueprint for implementing the political and security partnership envisioned in the Barcelona Declaration. Like the multilateral talks, the Euro-Mediterranean Partnership is based on a *quid pro quo* that Arab normalization of relations with Israel will progress at a pace parallel to the progress achieved in the negotiations between Israel and the Palestine Liberation Organization (PLO), Syria, and Lebanon.

Conclusion: Prospects for the Multilateral Talks

In retrospect, the pace of progress on the multilateral aspects of the Middle East peace process can be divided into four distinct time periods. Between the convening of the Madrid summit in October 1991 and the signing of the Declaration of Principles (DOP) between Israel and the Palestine Liberation Organization (PLO) in September 1993, the multilateral talks moved at a cautious pace. A Steering Committee to oversee the multilateral talks was established at the January 1992 Moscow Conference and five multilateral Working Groups convened their first rounds of talks in May 1992. During this period, the parties involved tested the waters of regional cooperation, proceeding with organizational plans and establishing professional contacts between the sides.

The second distinct time period occurred between the signing of the DOP in September 1993 and the election of Benjamin Netanyahu as Israeli Prime Minister in May 1996. This period witnessed a marked quickening and deepening of the multilateral aspects of the peace process. The working groups intensified their discussions and established plans for far-reaching regional cooperation. During these three years, the series of Middle East and North Africa Economic Summits (MENAs) commenced, plans were discussed for establishing a Middle East Development Bank (MEDB), and the European-Mediterranean Partnership was initiated.

However, after the election of Benjamin Netanyahu in May 1996, the pace of multilateral negotiation and cooperation dramatically slowed. The MENA economic summit faltered at Doha in 1997 and the yearly gathering has not been resumed to date. The activities of the various Working Groups were constricted and, for the most part, halted in wake of the Arab League's recommendation of April 1997 to suspend further measures of normalization with Israel until substantial progress is achieved on the bilateral negotiating tracks. Also, implementation of the Barcelona Declaration proved difficult, although the process remains alive.

Following the election of Ehud Barak as Israel's Prime Minister in May 1999, there was renewed optimism for progress on the multilateral track. Barak has made clear that he seeks a comprehensive peace on all of the bilateral negotiating tracks, thereby potentially facilitating the multilateral process. Israel's progress in implementing interim

⁴³ (...continued)

Malta: What Prospects?" *Mediterranean Politics*, vol. 2 no. 2, Autumn 1997, pp. 1-22; Fred Tanner, "The Euro-Med Partnership: Prospects for Arms Limitations and Confidence Building after Malta," *The International Spectator*, vol. 32 no. 2, April-June 1997, pp. 3-25.

measures on the Israeli-Palestinian bilateral track after September 1999 and the resumption of Israeli-Syrian bilateral negotiations in December 1999 paved the way for a renewal of the multilateral track of the peace process. On February 1, 2000, the Multilateral Steering Group met in Moscow at the foreign ministerial level. As noted above, the Steering Group agreed to reactivate four of the five multilateral working groups in the near future. Formal plenary meetings were scheduled to be held for the Working Group on Water Resources in Muscat, Oman between April 11-12, 2000; the Working Group on Regional Economic Development in Amman, Jordan between May 8-11, 2000; the Working Group on Refugees in Ottawa, Canada between May 16-18, 2000; and the Working Group on the Environment in Tunis, Tunisia between May 31-June 1, 2000. However, as noted above, in May 2000 the member states of the Arab League decided to suspend their participation in the multilateral talks until there is additional progress on the bilateral tracks of the peace process. As a result of this decision, the scheduled plenary meetings have been postponed and have yet to be rescheduled.

Over the past eight years, the course of the multilateral track of the peace process demonstrates a clear and positive link between progress achieved between Israel and the Palestinians, Jordan, Syria, and Lebanon in their bilateral negotiations and regional cooperation in the context of the multilateral talks. A diplomatic breakthrough on one of the remaining bilateral negotiating tracks could trigger an interest in reinvigorating previous plans for regional cooperation that are currently on hold. If and when such progress on the multilateral track occurs, the parties can build on a fairly sophisticated infrastructure of institutions and procedures already established to facilitate regional cooperation.