

FRIDE

FUNDACIÓN
PARA LAS RELACIONES INTERNACIONALES
Y EL DIÁLOGO EXTERIOR

Europe and Palestinian Democracy

FRIDE Democracy Backgrounders

Democracy Backgrounders will provide factual information relevant to topical international challenges related to democratisation, and analyse policy implications for the international community.

About FRIDE

FRIDE is an independent think-tank based in Madrid, focused on issues related to democracy and human rights; peace and security; and humanitarian action and development. FRIDE attempts to influence policy-making and inform public opinion, through its research in these areas.

Much recent debate has naturally focused on the question of how Western governments should react to Hamas' victory in the January 2006 Palestinian elections. Press comments have comprehensively reported on the dilemma that now faces the European Union (EU), in particular: as the largest donor to the Palestinian Authority (PA) its decisions over whether – and under what conditions – to continue support to a Hamas-led administration could be highly influential. This Backgrounder contributes to current debate by reviewing what has in fact been an ongoing, yet shifting European position towards engagement with Hamas, and by outlining factors relevant to the EU's policy options.

Squandered Engagement?

The EU's current dilemma flows from apparent European attempts to develop a distinctive position towards Hamas since the outbreak in 2000 of the Al-Aqsa Intifada. As an integral part of intensified debates over Palestinian reform, the EU developed and consolidated a line toward Hamas that was initially different from that of the US and Israel. However, cautious yet significant European moves to build a low level engagement with Hamas officials were reversed, and an official support for Hamas' inclusion in the political process was followed through only to a limited extent. The evolution of European policy towards Hamas is crucial to understanding the present post-election situation in which EU donors find themselves. Key points in this evolving relationship have included:

- From the late 1990s, European diplomats began to argue more forcefully that Hamas could not be defeated by force and repression, and needed to be included in the political process. On the one hand, EU support for local Palestinian social services was justified as a means of boosting alternative sources of welfare to the networks that had been key to Hamas' growing popularity. On the other hand, the US and Israel complained that European money was being channelled to Hamas-linked welfare organisations.
- In 2003, the EU expressed some sympathy with then prime-minister, Mahmoud Abbas' decision to offer Hamas political partnership in return for a ceasefire. To the contrary, the US pressured Abbas to move immediately to disarm Hamas. EU diplomats argued with increasing conviction that there was a need to recognise the social presence of the organisation and bring it into the political process. The EU argued that in terms of funding, it was possible and desirable only to isolate Islamic organisations that had proven links to the military wing of Hamas.
- Low level contacts deepened between Hamas officials and EU personnel, especially its security advisor. These contacts took the form, in particular, of facilitating dialogue between Hamas and a range of local leaders within town hall meetings.
- It was against this background that in September 2003 a significant shift in EU policy occurred, when Hamas was added to the EU list of terrorist organisations. This step – which would subsequently prove so important in determining policy options after the January 2006 elections – was taken reluctantly by several member states. To some extent it reflected US pressure; to some extent it was the result of Hamas having retracted from ceasefire commitments it had given to EU High Representative, Javier Solana. France held out longest against the shift in policy and insisted on including a clause that would make it easier to take Hamas off the terrorist list again.

- Crucially, the links that had begun to be developed between EU personnel and Hamas officials were at this stage officially discontinued. These links had not been welcomed by either Israel or some members of the PA. The true extent of links that continued thereafter on a covert basis between European governments and Hamas was not clear (and disputed); but it was widely acknowledged that systematic engagement was absent.
- During 2005, however, at the municipal level several European governments did de facto establish contacts with newly elected Hamas local officials, necessary simply to keep existing aid projects running. Predicting future problems, some EU member states did advocate Hamas' removal from the EU's terrorist list. Such pressure did not gain significant traction, however.
- In early 2004, some EU member states did begin to push for a new round of Palestinian elections; Germany, the Netherlands and the UK were the most insistent in this regard. But for other countries, pressure for elections was considered to reflect 'the US agenda' of seeking to remove Arafat. Some member states blocked EU aid for local elections for fear of Hamas winning seats. Conversely, a number of states sent electoral monitoring teams to the Occupied Territories for preparation of the electoral census.
- After the death of Yasir Arafat did eventually trigger a new round of elections, the EU sent 260 observers to monitor the January 2005 presidential election, its biggest election mission ever. The EU mission was critical of Fatah's manipulation of the poll, as well as of Israeli restrictions on free movement. However, the EU was widely seen as having given its blessing to a continuation of Fatah dominance, witnessed in the victory of Mahmoud Abbas, and a continued blurring of the division between state and dominant party.
- When new president Mahmoud Abbas postponed parliamentary elections due for July 2006 – more or less blatantly in response to predications of a strong Hamas showing - the EU response was not highly critical. During the autumn of 2005 European diplomats pushed quietly, they claimed, for there to be no further postponement of election. EU support was forthcoming to strengthen the legal framework for elections; increase voter registration; and empower the National Electoral Commission.

Elections: European Ambivalence

As European positions towards Hamas shifted, this impacted on debates over the holding of democratic elections. Until Yasir Arafat's death in November 2004, PA commitments to hold a new round of elections – delayed since 1996 – were not implemented. One issue affecting current European credibility relates to the EU's erstwhile lack of clarity in supporting democratic elections in Palestine:

- In January 2006, Ariel Sharon's hospitalisation brought concerns about the possibility of a new delay in elections. The US insisted publicly that the January elections should continue as planned. The EU also maintained its position on the need to hold elections and offered 1.4 million euros for their organisation. It was at this stage that EU officials began intimating that aid could be withdrawn in the case of a Hamas presence in the new government.
- After the elections, a 'wait and see' position was adopted by European governments. While formally the conditions were firmly stipulated that Hamas should renounce violence and recognise Israel's right to exist, informally policy-makers argued that they were keen not to withdraw funding precipitately. The position was to wait to see what type of new Palestinian government was formed.
- This was the background to the EU's 27 February decision to release 120 million euros of aid. The largest shares of this will be for UNRWA (United Nations Relief and Works Agency for Palestine Refugees in the Near East) and for covering immediate bills. This sets the EU against both the US and Israel: the latter has cut transfers to the Palestinians; the US administration is demanding a \$50 million repayment when Hamas formally forms a government. The stated EU position was that this aid allocation was to cover short-term payments while negotiations continued over the formation of a new Palestinian government, and did not foreshadow decisions on longer term aid once that administration was finalised and began to reveal its intentions.

Hamas' victory in January was a surprise that sent shock-waves through the region. As the above account shows, however, the issue of engagement between the EU and Hamas has been one of long consideration. In so far as some Palestinians had been suggesting for some time that the broad direction of politics rendered this victory entirely possible, the apparent lack of a prepared EU strategy was striking.

Shifting Patterns of European Aid

The importance of European financial assistance to the Palestinian Authority has attracted much comment. Yet, it is also essential to understand the way in which the nature of EU aid to the Palestinians has changed since 2001. An increasing orientation of aid to short-term imperatives has contributed towards a more marked culture of dependency on the part of the PA, while also detracting from the focus on longer-term political reform – exactly the type of reform that donors now stress as being acutely important in the light of the Hamas victory. Key characteristics of the European aid profile include:

- Having focused its funding overwhelmingly on the development of formal Palestinian institutional structures in the wake of the Oslo Accords, the EU responded to the eruption of the Al-Aqsa Intifada in 2000 by diverting a greater share of its funds away from institution-building projects towards

emergency relief support and the provision of basic services in the Occupied Territories.

- Formally, political reform was the main EU policy vis-à-vis the Palestinian Authority. But in practice, emergency relief support became the major European response to Israeli incursions. It was at this stage that the EU increased direct transfers to the Palestinian budget, to keep basic institutional capacity running in the face of hard-line Israeli tactics. These transfers crucially went towards paying civil servant salaries and other monthly bills. In September 2000, when the Al-Aqsa Intifada broke out, European donors doubled emergency aid to the Palestinian Authority, and the Commission began channelling 10 million euros per month to support the PA budget. In 2001, the six top funders of the PA were all European donors. The EU also convinced the US to resume modest assistance to the PA.
- Some welcomed these moves as vital to preventing a complete collapse of the PA. Others wondered whether the EU began unwittingly to aggravate problems, by both removing Israel's obligation to provide funding for the Occupied Territories and lessening a focus on Palestinian democratic reform.
- The EU played an important role in the elaboration of the Roadmap towards a final settlement of the Israeli-Palestinian conflict. In October 2002, the three stage Roadmap was presented under the auspices of the Quartet (made up of the US, the UN, the EU and Russia). The Roadmap provoked transatlantic differences over democratic reform.

President Bush insisted that institutional reform, and in particular a change of Palestinian president, had to occur prior to negotiations for a final settlement. The EU rejected the idea that democratic changes should be pressed as a way of removing Arafat from power. EU member states argued that the creation of a Palestinian state should occur in parallel with reform of the Palestinian Authority but also that democracy was desirable for progress towards a final settlement. The EU position was based on the conviction that Arafat had legitimacy as a symbol of the independence struggle, even though change was needed in his style of governance. The Roadmap represented an uneasy and fudged balance between these US and EU perspectives.

- Concomitant with the reform focus integrated into the Roadmap, by 2003-4 the EU – including most of its member states and the European Commission – was expressing a commitment to move aid away from short-term humanitarian aid to long-term institution building. A 250 million euro European Commission aid package was elaborated, ostensibly towards this end.
- Some increased commitment to pressing political reform was reflected in the conditionality attached by the European Commission to some elements of this aid package. This did succeed in pushing the PA to approve a new judicial reform law and new commitments to good governance and electoral independence. However, implementation of these reform commitments was patchy.

- From 2004 some European governments – in particular Germany, Denmark, Sweden and the UK – made available additional funding for Palestinian political reform projects. A notable area of new priority was security sector reform. Initial UK and Swedish involvement in this area was eventually strengthened into a new EU-level initiative for police training and security sector reform.
- In 2005 the distribution of the EU Commission's 250 million euro package was as follows: 70 million to the World Bank Reform Trust Fund, and another portion to UNRWA; 7 million to the Palestinian judiciary, through MEDA funds; 14 million to support the introduction of a new electoral law and a strengthening of the Central Election Commission; and 5 million euros to the anti-corruption task force, for training auditors and financial controllers.
- In practice, continuing concerns over corruption and lack of institutional capacity meant that – quite apart from the current debate over whether formal allocations should be withdrawn – some portions of aid have not been disbursed as planned.

Policy considerations

Behind current debates – and the standard observation that international disengagement could at this point weaken moderate forces both inside and outside Hamas – a number of other underlying considerations should inform the policy options contemplated by European governments:

- January's elections were widely hailed as the first democratic elections in the Arab world. However, they cannot be considered to represent a fully-fledged democratic transition because state institutions are still weak and governance problems persist. External support for reform is not less necessary after the elections; arguably, quite the reverse.
- The 2003 EU decision to put Hamas on the terrorist list now looks to have been a hostage to fortune: even if all EU member states were to decide that there were a political case for continuing support to the PA, legal complications may be a factor. One contemplated route forward is to divert more funding to civil society organisations and UNRWA.
- The challenge for the EU is to justify why it is now setting conditions that it did not introduce as requisite to supporting Hamas' participation in the electoral process. The EU supported Hamas' participation in the elections without pressing the organisation for prior commitments; but, when

elections were postponed neither did it defend that right to political participation in any tangible fashion.

- A key impact of the Hamas victory will be on politics in other Middle Eastern states, where it will provide a focal point for both advocates and opponents of democratic reform. The EU will need to be mindful of the fact the decisions it takes towards Hamas will have – indeed might be significant primarily for their – broader regional ramifications. The familiar spectre of double standards appears here, European governments having been relatively sanguine over Hizbollah's entry into government in Lebanon.
- Arab states have stressed that they will step in to cover any reduction in international funding. Therefore, the EU may have to face the ethically uncomfortable choice of whether it is desirable to keep funding a Hamas-led government to avoid the latter being funded by Iran and Syria. Previous promises by Arab states significantly to increase funding to the PA have not been met in practice.
- The irony is that Hamas has built its support on a reputation for clean government, and therefore might administer EU aid with more transparency than Al Fatah did. One major problem has been that much international assistance has failed to get through to the poorer sectors of Palestinian society – precisely those, of course, who voted in such large numbers for Hamas. The outlines of a mutually beneficial deal might be detected here: both the EU

and Hamas have expressed a priority desire to mitigate the daily suffering of the Palestinian population, and a format for engagement at this level might be sought in a way that was not scuppered by differences at the political level.

- Much debate has focused on the supposed desirability of a technocratic government being formed at this juncture. At the time of writing, negotiations on the formation of a new government remain unresolved and subject to changing speculation on the likelihood of Fatah representatives and independents agreeing to participate in the administration. It has been argued that the presence of non-Hamas technocrats in key ministerial positions would provide a means for the EU to continue support – on the grounds that assistance could flow to those areas covered by technocratic officials, without direct engagement with Hamas. Linked to this, one option widely touted would be for the international community to back a strengthening of the (still, Abbas-held) presidency vis-à-vis (the new Hamas-dominated) parliament. It might be cautioned that such a policy would apparently contradict the whole tenor of EU and US policy after 2001/2, which was to strengthen the prime-minister vis-à-vis the presidency. European governments would likely be accused of having supported parliamentarianism when they judged this would be of direct benefit, and then confusingly and opportunistically supporting presidentialism when this seemed to suit them more. Moreover, talk now of ensuring separation between state and (Hamas as newly)

dominant party rings hollow to many ears, when the international community for long accepted a de facto fusion of the state and Fatah precisely so as to keep Hamas at bay. Some would argue also that the prevalence of distant and unresponsive technocratic government has been one of the causes of the frustration that has brought Hamas to power.

- One very real problem, even if some aid continues, will be seen in relation to the EU's work in the security sector. With sections of Palestinian security services still reluctant to accept the legitimacy of

the Hamas victory, and with Hamas militant fighters possibly to be converted into security personnel, this could be an issue on which much future tension focuses. It could be the sector where an EU presence would find itself most directly in contact with the perpetrators of terrorist attacks. On the other hand, Hamas' very nature would seem to render the aim of increasing civilian, democratic control over security forces more important than ever – and one in relation to which outside training and influence over standard-setting is most imperative.

© Fundación para las Relaciones Internacionales y el Diálogo Exterior (FRIDE) 2006. All FRIDE publications are available at the FRIDE website: www.fride.org

This document is the property of FRIDE. If you would like to copy, reprint or in any way reproduce all or any part, you must request permission. The views expressed by the author do not necessarily reflect the opinion of FRIDE. If you have any comments on this document or any other suggestions, please email us at comments@fride.org

www.fride.org

Felipe IV, 9 1º Dcha. 28014 Madrid – SPAIN. Tel.: +34 915 22 25 12 – Fax: +34 915 22 73 01. Email: fride@fride.org