The Middle East and North Africa

U.S. and European Response to Change

Mehdi Vermeirsch
Editor

Politics and Economics of the Middle East

NOVA

POLITICS AND ECONOMICS OF THE MIDDLE EAST

THE MIDDLE EAST AND NORTH AFRICA

U.S. AND EUROPEAN RESPONSE TO CHANGE

Politics and Economics of the Middle East

Additional books in this series can be found on Nova's website under the Series tab.

Additional e-books in this series can be found on Nova's website under the e-book tab.

African Political, Economic, and Security Issues

Additional books in this series can be found on Nova's website under the Series tab.

Additional e-books in this series can be found on Nova's website under the e-book tab.

POLITICS AND ECONOMICS OF THE MIDDLE EAST

THE MIDDLE EAST AND NORTH AFRICA

U.S. AND EUROPEAN RESPONSE TO CHANGE

MEHDI VERMEIRSCH
EDITOR

nova publishers
New York

For permission to use material from this book please contact us:
Telephone 631-231-7269; Fax 631-231-8175
Web Site: http://www.novapublishers.com

Additional color graphics may be available in the e-book version of this book.

Library of Congress Cataloging-in-Publication Data

ISBN: 978-1-62808-920-2 (eBook)

Published by Nova Science Publishers, Inc. † New York

CONTENTS

PREFACE

Over the last two years, many U.S. policymakers, Members of Congress, and their European counterparts have struggled with how best to respond to the wide range of challenges posed by the popular uprisings and political upheaval in many countries in the Middle East and North Africa (MENA). Almost immediately after the onset of the so-called "Arab Spring" in early 2011, U.S. and European leaders alike declared their intention to put greater emphasis than in the past on democratic reform and economic development in formulating their respective policies toward countries such as Egypt, Tunisia, Jordan, and Morocco. In Libya, the United States and many European allies participated in the NATO-led military intervention in support of rebel forces that ultimately toppled the Qadhafi regime. And as demonstrations in Syria escalated into a bloody civil war, the United States and the European Union (EU) have imposed sanctions, called for an end to the ruling Asad regime, and are considering greater material and financial support to the Syrian political and armed opposition. Possibilities for U.S.-European cooperation and potential obstacles in light of the immense changes and what many have long viewed as common U.S. and European interests in the Middle East and North Africa, numerous analysts have advocated for significant U.S.-European cooperation to promote a more peaceful and prosperous MENA region. Such collaboration, they argued, would help prevent a wasteful duplication of Western diplomatic and economic resources amid competing domestic political priorities and financial constraints on both sides of the Atlantic. This book provides a broad overview of European and U.S. responses to the changes in six MENA countries (Egypt, Tunisia, Jordan, Morocco, Libya, and Syria).

Chapter 1 – Over the last two years, many U.S. policymakers, Members of Congress, and their European counterparts have struggled with how best to respond to the wide range of challenges posed by the popular uprisings and political upheaval in many countries in the Middle East and North Africa (MENA). Almost immediately after the onset of the so-called “Arab Spring” in early 2011, U.S. and European leaders alike declared their intention to put greater emphasis than in the past on democratic reform and economic development in formulating their respective policies toward countries such as Egypt, Tunisia, Jordan, and Morocco. In Libya, the United States and many European allies participated in the NATO-led military intervention in support of rebel forces that ultimately toppled the Qadhafi regime. And as demonstrations in Syria escalated into a bloody civil war, the United States and the European Union (EU) have imposed sanctions, called for an end to the ruling Asad regime, and are considering greater material and financial support to the Syrian political and armed opposition.

Chapter 2 – U.S. interest in deepening economic ties with certain countries in the Middle East and North Africa (MENA) has increased in light of the political unrest and transitions that have swept the region since early 2011. Policymakers in Congress and the Obama Administration are discussing ways that U.S. trade and investment can bolster long-term economic growth in the region. In May 2011, President Obama announced the MENA “Trade and Investment Partnership Initiative” (MENA-TIP), through which various federal government agencies are engaged in efforts to enhance trade and investment with the region. Such activities are in line with long-standing U.S. trade policy goals and measures. Some Members of Congress have called for deeper economic ties with MENA countries undergoing political change. However, continued political uncertainty and changing security environments in the region have prompted greater scrutiny of U.S. engagement. This report analyzes policy approaches that Congress might consider concerning U.S.-MENA trade and investment.

Chapter 3 – The United States often looks to Europe as its partner of choice in addressing important global challenges. Given the extent of the transatlantic relationship, congressional foreign policy activities and interests frequently involve Europe. The relationship between the United States and the European Union (EU) has become increasingly significant in recent years, and it is likely to grow even more important. In this context, Members of Congress often have an interest in understanding the complexities of EU policy making, assessing the compatibility and effectiveness of U.S. and EU policy approaches, or exploring the long-term implications of changing transatlantic dynamics.

Chapter 4 – The political change and unrest that have swept through the Middle East and North Africa since early 2011 are likely to have profound consequences for the pursuit of long-standing U.S. policy goals in the region with regard to regional security, global energy supplies, U.S. military access, bilateral trade and investment, counter-proliferation, counterterrorism, and the promotion of human rights. The profound changes in the region may alter the framework in which these goals are pursued and challenge the basic assumptions that have long guided U.S. policy.

This chapter assesses some of the policy implications of recent and ongoing events in the region, provides an overview of U.S. responses to date, and explores select case studies to illustrate some key questions and dilemmas that Congress and the executive branch may face with regard to these issues and others in the future. Questions for possible congressional consideration raised in this report and in corresponding country reports include:

- What overarching principles and interests should guide the U.S. response to change in the Middle East? With what relative importance and priority? Should U.S. responses be tailored to individual circumstances or guided by a unified set of principles, assumptions, and goals? How can U.S. interests in security, commerce, energy, good governance, and human rights best be reconciled?
- What are the relative risks and rewards of immediately or directly acting to shape the course of unrest and transitions in the Arab world? What are the potential risks and rewards of a gradual response or of a "wait-and-see" approach? What are other regional and global actors doing or not doing to shape outcomes? Why or why not? At what risk or benefit to U.S. interests?
- How have established patterns of interaction and existing policies in the Middle East served U.S. interests over time? How have they shaped the range of choices now available to U.S. decision makers, both from a regional perspective and in specific countries? In what ways, if any, should legislative precedent,
- bureaucratic infrastructure, and funding patterns be revisited? What are the relative roles and responsibilities of Congress and the executive branch in defining future policy?
- How are U.S. interests and options affected by trends associated with the ongoing change in the Middle East, such as the democratic

empowerment of Islamist parties, the weakening of state security authority, or the increased assertiveness of public opinion as an influence on regional policy makers? What new opportunities and risks might these trends entail?

How should U.S. policy responses to political change in the broader Middle East be informed by parallel and longer-standing concerns about the Iranian nuclear program, transnational terrorism, and the Israeli-Palestinian conflict? How should an understanding of the implications of Arab political change inform U.S. policy on other major policy questions?

In: The Middle East and North Africa
Editor: Mehdi Vermeirsch
ISBN: 978-1-62808-919-6

Chapter 1

The United States and Europe: Responding to Change in the Middle East and North Africa*

Kristin Archick and Derek E. Mix

Summary

U.S. and European Responses to Changes in the Middle East and North Africa

Over the last two years, many U.S. policymakers, Members of Congress, and their European counterparts have struggled with how best to respond to the wide range of challenges posed by the popular uprisings and political upheaval in many countries in the Middle East and North Africa (MENA). Almost immediately after the onset of the so-called "Arab Spring" in early 2011, U.S. and European leaders alike declared their intention to put greater emphasis than in the past on democratic reform and economic development in formulating their respective policies toward countries such as Egypt, Tunisia, Jordan, and Morocco. In Libya, the United States and many European allies participated in the NATO-led military intervention in support of rebel forces that ultimately toppled the Qadhafi regime. And as demonstrations in Syria

* This is an edited, reformatted and augmented version of the Congressional Research Service Publications, CRS Report for Congress R43105, Dated June 12, 2013.

escalated into a bloody civil war, the United States and the European Union (EU) have imposed sanctions, called for an end to the ruling Asad regime, and are considering greater material and financial support to the Syrian political and armed opposition.

Possibilities for U.S.-European Cooperation and Potential Obstacles

In light of the immense changes and what many have long viewed as common U.S. and European interests in the Middle East and North Africa, numerous analysts have advocated for significant U.S.-European cooperation to promote a more peaceful and prosperous MENA region. Such collaboration, they argued, would help prevent a wasteful duplication of Western diplomatic and economic resources amid competing domestic political priorities and financial constraints on both sides of the Atlantic. Despite notable cultural, historical, and geopolitical differences, some commentators early on drew analogies with the way the United States and its West European allies worked together to support the transitions in Central and Eastern Europe after the end of the Cold War, and hopes were high for a similar robust transatlantic effort in the MENA region.

As events in the MENA region have unfolded, U.S. and European policymakers have been in frequent contact with each other. Analysts suggest that U.S. and European policies have been closely aligned on most issues regarding the changes underway. There have been some U.S.- European efforts to promote a more coherent international response through institutions such as the G8, the European Bank for Reconstruction and Development, and the International Monetary Fund (especially with respect to reaching a financial assistance agreement for Egypt).

Nevertheless, many observers contend that so far, tangible joint or coordinated U.S.-European initiatives to encourage political transitions and economic opportunities in the MENA countries have been modest at best. Debate thus continues about the prospects for greater U.S.-European collaboration and the possible benefits of it for U.S. interests. Skeptics point out that both the United States and Europe are limited in what they can do to influence events in the region and they worry that the political and economic difficulties facing many MENA countries in transition, combined with deeply problematic issues involving Iran, the Israeli-Palestinian conflict, and Syria, could lead to a progressively worse regional situation in the years ahead.

Others are also concerned that more intensive Western involvement could be counterproductive if viewed in the region as an attempt to protect U.S.-European interests, or if used by some MENA leaders to deflect blame for domestic and regional problems.

Issues for Congress

Many Members of Congress have closely followed events in the MENA region. Congress has been and will be considering the appropriation of U.S. aid to the MENA countries. As such, some Members may be interested in ways to coordinate U.S. and European foreign assistance, debt relief, and trade and investment policies in order to maximize their effectiveness as well as to conserve U.S. political capital and economic assets in the years ahead. Members may also be interested in European responses to the transitions in the MENA region, and the degree of U.S.- European cooperation, as a test of whether Europe can be an effective partner for the United States in protecting shared global interests and addressing common challenges.

At the same time, many Members of Congress are concerned about the eventual political orientation of emerging regimes in countries such as Egypt and Tunisia, and about the implications of regional change for Israel's security and U.S. counterterrorism efforts. Some Members may be apprehensive about working too closely with European governments or the EU if policy differences begin to emerge between the two sides, or if doing so might constrain future U.S. policy choices toward the MENA countries. Congress may also want to consider whether more robust U.S.-European cooperation in the MENA region could have implications for U.S. options in addressing challenges elsewhere in the greater Middle East (such as those related to Iran or the Israeli-Palestinian conflict).

THE UNITED STATES, EUROPE, AND TRANSITION IN THE MIDDLE EAST AND NORTH AFRICA (MENA)

Over the last two years, U.S. policymakers, many Members of Congress, and their European counterparts have struggled with how best to respond to the swift pace of change in several countries in the Middle East and North Africa (MENA). Fueled by deeply rooted economic, social, and political frustrations, popular uprisings began in Tunisia in late 2010 and quickly spread to Egypt and Libya in early 2011. In all three of these countries, this so-called “Arab Spring” or “Arab Awakening” led to the downfall of autocratic leaders in power for decades. Such events also encouraged some citizens in Morocco and Jordan to press the existing monarchies for further political and constitutional reforms. And in Syria, demonstrations challenging the ruling Asad regime triggered a brutal government response that has since escalated into a civil war, in which tens of thousands have been killed.[1]

Almost immediately after the onset of the “Arab Spring,” analysts on both sides of the Atlantic began calling for robust U.S.-European cooperation to help promote a more peaceful and prosperous MENA region. Those of this view noted that the United States and Europe share a multitude of common concerns in the region (from countering terrorism to guaranteeing a reliable flow of energy exports), and similar interests in ensuring that the transitions underway result in more open and democratically accountable governments, greater economic opportunities, and long-term stability and security. These experts argued that greater transatlantic cooperation, in particular between the United States and the European Union (EU), would enable both sides to leverage one another’s strengths, ensure synergy in trade and development policies, and prevent a duplication of diplomatic and economic resources at a time when the United States and Europe are each facing their own political and economic challenges. Despite significant cultural, historical, and geopolitical differences, some commentators early on drew analogies with the way the United States and its West European allies worked together to support the transitions in Central and Eastern Europe after the end of the Cold War.

In light of the sweeping changes, U.S. and European officials alike asserted their intentions to pursue policies in the MENA region that emphasized supporting democratic and economic reforms to a greater degree than before in countries such as Egypt and Tunisia. At the same time, some observers have criticized U.S. and European responses to date as modest at best. Although only one gauge, analysts point out that the bulk of EU financial assistance for the MENA countries for 2011-2013 was budgeted prior to the start of the “Arab Spring,” and that U.S. financial support for the transitions in the MENA region over the last two years has largely come from reallocating funding from existing programs.

Experts contend that stronger EU efforts toward the MENA region have been hindered by different member state policy preferences and competing priorities such as managing the Eurozone financial crisis. Similarly, many note that the United States has been constrained in its response by its own economic and budgetary problems, a growing sense of “intervention fatigue” among the American public after more than a decade of war, and policy debates over the appropriate design and funding level for assistance programs in the region. For example, although the Obama Administration requested new funding to support the changes underway in the MENA region for FY2013, Congressional approval of this request was largely derailed by broader disagreements over the U.S. budget and how to handle the national debt. Some analysts suggest that the September 11, 2012 terrorist attack on the U.S. diplomatic mission in Benghazi, Libya—which resulted in the death of U.S. Ambassador Christopher Stevens and three other Americans— may also weaken the U.S. political appetite for robust engagement in the MENA region.

Amid such political and fiscal realities, several commentators have suggested that U.S.-European cooperation may be crucial to providing a significant, effective, and complementary package of Western economic and political support to help shape a positive outcome for the MENA region as a whole. The United States and the EU already share a dynamic political and economic relationship, and the United States often looks to the EU for partnership on an extensive range of global challenges. For years, many Members of Congress have called for European allies and friends—both in NATO and the EU—to shoulder a greater degree of the burden in protecting shared interests and addressing common challenges, including many of those emanating from the greater Middle East.

However, others contend that despite the possible benefits of greater U.S.-European coordination toward the Middle East and North Africa, it is likely to remain a lofty and elusive goal. Both the United States and Europe face inherent difficulties in dealing with a changed political landscape in the MENA region in which new actors and unsettled conditions make for considerable uncertainty. As events unfold in the region, potential U.S.-European policy differences—on issues ranging from how best to encourage Egypt’s democratic progress and prevent state failure, to how to manage the role of Islamist parties, or what to do about the deteriorating situation in Syria— could arise and complicate the prospects for closer U.S.-European cooperation. Some U.S. policymakers and Members of Congress may also be cautious about working too closely with European governments or the EU if doing so might constrain U.S. policy choices toward the MENA countries or U.S. options in managing challenges elsewhere in the region.

Furthermore, experts note that the United States and its European partners are limited in what they can or should do to influence events in the region. Past U.S. and European policies that emphasized stability and good relations with autocratic regimes may continue to taint public perceptions in the MENA countries. Others point out that too much Western involvement could be counterproductive if perceived as an attempt to protect U.S.-European interests at the expense of the aspirations of local populations, or if used by some MENA leaders to deflect blame for domestic and regional problems. And some note that the United States and Europe do not have the same tools or global standing as they did when seeking to bolster the transformations in Central and Eastern Europe after the end of the Cold War—i.e., the ability to provide significant economic incentives to the MENA countries given current domestic financial concerns, or to offer a European or transatlantic "perspective" in the form of EU and/or NATO membership.

Scope of the Report

This report provides a broad overview of European and U.S. responses to the changes in six MENA countries (Egypt, Tunisia, Jordan, Morocco, Libya, and Syria). European countries have different histories and relationships in the MENA region, but much of the European response to the events of the last two years has been focused through the EU. As such, the report emphasizes EU efforts, although it also discusses how bilateral member state relations are influencing EU policy.

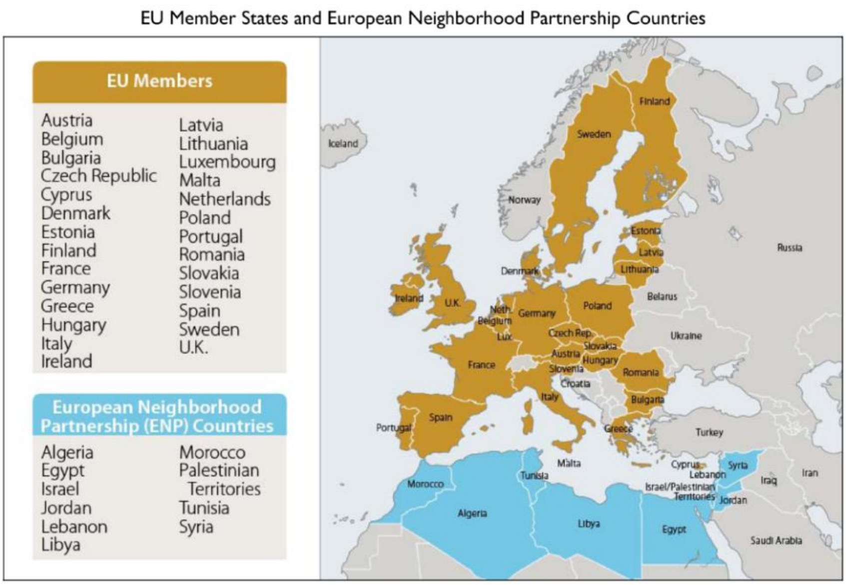
All six of the MENA countries discussed in this report are either part of or considered eligible for the EU's European Neighborhood Policy (ENP)—the centerpiece of EU efforts in the region. Discussion of U.S. and European policies toward most of these countries is focused on measures aimed at promoting political reform, good governance, and economic development. The report does not address U.S. and EU policies toward Algeria (although future iterations may do so should reform efforts there gain more momentum), the Middle East peace process, or Gulf states such as Yemen and Bahrain (which are not included in the EU's ENP).

The final section of the report describes the current status of U.S.-European efforts to coordinate political and economic policies toward the MENA region, including ongoing diplomatic contact and U.S.-European initiatives to promote a more coherent international response through institutions such as the G8, the European Bank for Reconstruction and Development, and the International Monetary Fund (especially with respect to Egypt). It also presents an array of potential areas and options for further U.S.-European cooperation, and discusses possible challenges and pitfalls to the

United States and Europe working more closely together in the MENA region in the future.

EUROPEAN POLICIES IN THE MENA REGION

Europe's geographic proximity to and history with the Middle East and North Africa, as well as the nature of its economic ties, shape its relations with the region in ways that are distinct from those of the United States. Over the years, the European Union has established an array of formal policies that seek to guide its relations and those of its member states with the MENA region. Many critics contend, however, that the EU in the past focused more on promoting stability and protecting economic interests—prioritizing concerns such as controlling migration, fighting terrorism, and ensuring access to energy supplies—at the expense of pressuring governments in the MENA region to reform.



Source: Congressional Research Service.

Notes: Croatia will join the EU on July 1, 2013. The ENP countries include all those that the EU considers eligible for participation in the ENP; the ENP is not fully "activated" for Algeria, Libya, or Syria.

Figure 1. Europe and the MENA Region.

EU policies toward the transformations in the Middle East and North Africa continue to evolve in response to ongoing events. In general, however, the EU has been seeking to impose greater conditionality in its relations with the MENA countries in the wake of the “Arab Spring,” offering more financial support and closer ties to those countries more committed to instituting political and economic reforms. But some experts contend that despite such rhetoric, EU policies toward the Middle East and North Africa remain largely the same as before and many stress that the EU’s influence on events in the region is limited by a variety of factors.

European Interests and Perspectives

Europe and the MENA region have a long and complex history, and some MENA countries were once European colonies. Today, most European leaders and EU policymakers view the Middle East and North Africa as part of Europe’s “backyard.” They consider stability in the region as key to Europe’s own political and economic security for several reasons.

First, Europe’s geographic proximity to the MENA region makes it the destination of choice for many refugees and migrants fleeing political repression or economic hardship. The political upheaval and unrest in North Africa and parts of the Middle East in early 2011 at the start of the “Arab Spring” sparked new refugee flows, especially from Tunisia and Libya, to European countries such as Italy, France, and Malta. Although these refugee flows were relatively small and soon dissipated as the former regimes crumbled, they were a stark reminder for many in Europe about the potential for problems and instability in the MENA region to spill over into Europe.[2]

Second, a number of European countries (including France, Belgium, Denmark, Spain, and the Netherlands) have large immigrant populations or diaspora communities with roots in various MENA countries (especially Morocco, Tunisia, and Algeria). Some experts assert that the presence in Europe of these diaspora communities, many of which are predominantly Muslim, makes unrest or conflict in the Middle East not just a foreign policy concern but also a domestic one for European governments. Over the last four decades, for example, groups or individuals with ties to the MENA region have carried out or planned terrorist attacks in Europe; although some incidents have been driven by grievances related to colonial legacies, others have been linked to the ongoing Israeli-Palestinian conflict or opposition to European foreign policies (especially those aimed at the “war against terrorism" that are perceived by some Muslims as a "war against Islam"). Studies also indicate that upticks in anti-Semitic attacks in Europe, many of which have been committed by disenfranchised Muslim youth in recent years, often correspond to surges in violence or unrest in the Middle East.[3]

Third, Europe's dependency on the region's natural resources, especially oil, and its extensive trade ties with many MENA countries, engender significant European economic interests in the MENA area. The EU is the largest trading partner for most of the MENA countries that border the Southern Mediterranean (and which take part in or are eligible for the EU's European Neighborhood Policy), and has free trade agreements with many of them. Oil and trade in manufactured goods currently account for the biggest portion of trade between the EU and the MENA region.

As Table 1 shows, in 2012, total EU trade in goods with the Southern Mediterranean countries was valued at over $241 billion, with exports and imports nearly in balance. In comparison, the EU exports more than four times as much to these countries and imports almost three times as much from them as does the United States.[4] Some European officials and business leaders believe that additional economic development in these MENA countries would increase their potential as European export markets. Finally, many European policymakers view stability in the Middle East and North Africa as imperative for ensuring a reliable flow of energy exports and commercial transit in and through the region given that it straddles key maritime trading routes and links Europe commercially to Asia and the Persian Gulf.

Role of the European Union and its Member States

For many years, European countries have supported a strong EU role in managing European relations with the Middle East and North Africa, believing that the EU's collective political and economic weight provides greater clout and influence in dealing with the region. The EU has sought to develop common policies toward the MENA countries in order to encourage the political and economic conditions seen as necessary for long-term stability and prosperity in the Southern Mediterranean. Some analysts question, however, the degree to which the EU has succeeded in keeping the policies of its individual member states' on the same page.

Table 1. EU Exports to and Imports From Selected MENA Countries in 2012 (in billions of U.S. dollars)

Country	EU Exports	EU Imports
Algeria	25.7	32.29
Egypt	18.97	10.39
Israel	21.16	14.23
Jordan	4.07	0.43
Lebanon	7.86	0.47
Libya	6.32	38.83
Morocco	21.14	11.68
Syria	1.44	0.34
Tunisia	13.81	12.01
TOTAL	**120.47**	**120.67**

Source: International Monetary Fund, *Direction of Trade Statistics* database.

Notes: All of these MENA countries either participate in or are eligible for the EU's European Neighborhood Policy (ENP). Although the Palestinian territories are also included in the ENP, EU data in the IMF's *Direction of Trade Statistics* does not break out trade statistics for the West Bank and Gaza Strip separately from those for Israel.

Undoubtedly, bilateral member state relations with the MENA countries play a significant part in shaping EU policies toward the region. EU member states have their own national interests, historical relationships, and regional priorities in the Middle East and North Africa. Although the EU strives for consensus and foreign policy coordination in the MENA region, each EU member state retains its own national foreign and defense policy, and commercial ties or military relations are often managed country-to-country. For example, EU member states that border the Mediterranean tend to have greater political and economic interests in the region than do the Nordic countries. As such, the differing national priorities of the various member states may generate conflicting policy preferences and commercial rivalries, and at times, complicate the formulation of common EU policies toward the MENA region.

In the early part of 2011, some experts suggested that close relations between certain EU member states and authoritarian governments in the MENA region led to what they viewed as the EU's slow response to the changes underway, as well as to a number of incidents considered embarrassing for member state governments. The French Foreign Minister, for example, was forced to resign in February 2011 amid revelations about her personal ties to members of the former Tunisian regime.[5] In addition, as the Qadhafi regime began a violent campaign against the Libyan opposition in February 2011, media sources reported that member state governments had issued a total of €343.7 million worth of arms export licenses and shipped €173.9 million of arms exports to Libya in 2009.[6] The licenses included approximately €160 million for small arms and electronic jamming equipment and Italy, the former colonial power in Libya, granted nearly €108 million in export licenses for military aircraft and related equipment. In 2010, EU member states approved €531 million of arms export licenses to the governments of Egypt, Libya, and Tunisia.[7]

Past EU Policies: Focus on Stability

For much of the last decade, the EU's European Neighborhood Policy has served as the focal point for EU efforts to engage many of the MENA countries. The ENP was launched in 2004 to coincide with the addition of ten new EU member states; it aimed to develop deeper political and economic relations with a "ring of friends," i.e., countries in close proximity to an enlarged Union. The ENP was proposed to six countries on the EU's eastern periphery, and ten countries or entities to the EU's south along the shores of the Mediterranean (Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, the Palestinian territories, Syria, and Tunisia).

The ENP is chiefly a bilateral policy between the EU and each partner country. It offers an enhanced relationship with the EU—including enhanced trade and economic ties, increased mobility, and foreign aid and technical assistance—in return for a demonstrated commitment to EU values such as the rule of law, human rights, good governance, and market economy principles. To date, however, the ENP is not yet fully "activated" for Algeria, Syria, or Libya, and EU relations with each are at different stages of development.

Since 1995, the EU has also sought to engage in regional, multilateral cooperation with the MENA countries on common political, economic, and social challenges through the Euro- Mediterranean Partnership (formerly known as the Barcelona Process). In addition to fostering greater stability and prosperity, many hoped that this initiative would complement the Middle East peace process by helping to build trust and confidence among all the Mediterranean partners, including Israel and the Palestinians. In 2008, the Barcelona Process was re-launched as the Union for the Mediterranean (UfM) in an effort to reinvigorate the initiative; emphasis in the UfM has been placed on cooperative projects in the areas of economic development, the environment, energy, health, migration, and culture.[8]

Although supporters maintain that the ENP and the UfM provide avenues through which the EU can advocate for the adoption of common political and economic values, others assert that these initiatives have failed to produce any significant reforms in the MENA countries. Critics contend that many MENA citizens have long viewed EU policies in the region as seeking to exploit their markets while backing stable, yet autocratic regimes. Libya's Qadhafi regime, in particular, was viewed as a key partner in controlling migration from Africa to Europe, and the renewed focus of many Europeans on migration issues related to the "Arab Spring" has presumably reaffirmed regional perceptions of European priorities to some extent. Observers note that perceived past policy trade-offs of values for interests and long-standing relations with autocrats may continue to taint views of Europe among the populations of transitioning MENA countries. Many also point out that cooperation in the UfM (like the Barcelona Process before it) has been at least partially stalled by the stalemate in the Middle East peace process and tense Arab-Israeli relations.[9]

Revising EU Policies: "More for More"

Although the long-term conditions leading to the events of the "Arab Spring" were well known to observers of the region, the exact timing and sequence of developments were not anticipated. European officials, too, appeared to be caught unprepared as events quickly outpaced the relevance of the EU's policy approach. Consequently, EU officials acknowledged the need to dramatically reassess the ENP and have sought to develop a more values-oriented, conditionality- based ENP, with terms and incentives linked more tightly to the implementation of democratic reforms and free market economic principles. In mid-2011, the EU outlined this "more for more" approach by unveiling a revised ENP ("A New Response to a Changing Neighborhood") that will apply to all ENP partners on both the EU's eastern and southern borders, and a new "Partnership for Democracy and Shared Prosperity with the Southern Mediterranean," which sets out EU priorities and a roadmap for their implementation in the southern ENP countries.[10]

EVOLUTION OF EU POLICIES IN THE MENA REGION

1995	Multilateral Euro-Mediterranean Partnership (the Barcelona Process) launched
2004	European Neighborhood Policy (ENP) established to develop deeper bilateral political and economic relations with 16 countries in close proximity to the EU, including 10 countries or entities to the EU's south along the shores of the Mediterranean
2008	Union for the Mediterranean (UfM) created as successor to the Barcelona Process
2011	ENP revised (A New Response to a Changing Neighborhood) largely in response to the events of the "Arab Spring," with emphasis on "more for more"
	New Partnership for Democracy and Shared Prosperity with the Southern Mediterranean announced, setting out a roadmap for implementation of EU policies toward the Southern Mediterranean ENP partners

Over the last two years, the EU has stressed that ENP partner countries that go further and faster with reforms will be able to count on greater EU support. EU officials have also asserted that for those partners that stall or retrench on agreed reform plans, EU support will be reallocated or refocused. EU efforts in the region now focus on three key goals:

- Promoting "deep democracy" (i.e., building respect for the rule of law, an independent judiciary, and basic human rights) and institution-building;
- Fostering civil society and encouraging more people-to-people contacts; and
- Boosting economic growth, development, and job creation, especially by supporting small and medium-sized enterprises and expanding trade and investment relations.

To promote these goals, the EU has devised incentives for the MENA countries largely organized around the three broad themes of "money, markets, and mobility," also known as the "3Ms." EU leaders maintain that these incentives will be deployed following the "more for more" principle. (See the text box on the next page for details on the "3Ms.")

From a diplomatic and organizational perspective, the EU has sought to improve its capacity to respond to the changes in the MENA region by taking steps to enhance dialogue and improve the provision of its financial assistance. In July 2011, the EU appointed Bernardino Leon to a newly- created position as the EU's Special Representative to the Southern Mediterranean. Leon's primary responsibility has been to coordinate the EU's response to countries in transition in the MENA region. Leon's remit includes not only Egypt, Tunisia, and Libya, which have undergone regime change, but also Jordan and Morocco, given their efforts to institute political and economic reforms. The EU has also developed a "task force" concept for countries in the MENA region, bringing together officials from the MENA countries with those from the EU and its member states, international financial institutions, the private sector, and civil society. These task forces seek to better identify a given country's political and financial needs and to coordinate offers of assistance from the international community. To date, EU task forces have been launched with Tunisia, Jordan, and Egypt.

EU Incentives for the MENA Region: Money, Markets, and Mobility

Since mid-2011, the EU has sought to revise its policies toward the countries of the Southern Mediterranean to better support political reforms, civil society, and sustainable economic development based on the principle of "more for more." For European Neighborhood Policy (ENP) partners in the MENA region that commit to these goals and demonstrate tangible progress, the EU has offered to enhance relations and provide additional incentives, organized around the three broad concepts of "money, markets, and mobility" (the "3Ms").

Money: The EU will provide additional financial assistance to ENP countries. In May 2011, the EU announced a total of €1.24 billion in new funding for ENP partners (in both the MENA region and those to its east), on top of the €5.7 billion already allocated for the ENP for the 2011-2013 period. The largest part of these additional resources appears slated for the Southern Mediterranean countries in transition, and will be channeled through a new Support for Partnership, Reform and Inclusive Growth program (known as SPRING), established in September 2011 with a budget of €540 million for 2011-2013.

Measures supported by SPRING will focus on promoting democratic transformation and institution-building, as well as sustainable and inclusive growth.

The rest of the new ENP funding has been allocated mostly to mobility programs (see below) and support for civil society organizations and non-state actors. The EU has created a new Civil Society Facility, covering all ENP partners (to both the south and east) aimed at developing the capacity of civil society organizations and non-state actors to promote reform and increase public accountability in their countries. The EU has dedicated roughly €12 million annually between 2011 and 2013 from the Civil Society Facility for the ENP countries in the Southern Mediterranean.

In addition, the EU has been working to mobilize greater international investment and financing for the region. The European Investment Bank (EIB)—the EU's financing institution, which is active in over 150 countries and supports EU external cooperation and foreign assistance policies primarily by investing in projects aimed at private sector and infrastructure development—will increase lending to the Southern Mediterranean countries by almost €2 billion (€1 billion to the ENP partner countries and up to €700 million for projects related to climate change), thereby providing almost €6 billion in loans between 2011 and 2013. The EU has also helped extend the mandate of the European Bank for Reconstruction and Development (EBRD) to allow it to finance projects in the MENA region (see "Prospects for U.S.-EU Cooperation" for more information on the EBRD's new role in the Southern Mediterranean).

Markets: The EU has pledged further EU market access for ENP partners through the creation of Deep and Comprehensive Free Trade Areas (DCFTAs). Compared to current free trade agreements, DCFTAs are meant to go beyond tariff removal to provide the fullest possible liberalization of trade in goods, services, and investment, as well as convergence on trade-related regulatory issues such as technical standards, sanitary measures, and intellectual property rights. In December 2011, the EU approved negotiating directives for DCFTAs with Morocco, Jordan, Tunisia, and Egypt; negotiations have begun with Morocco and preparatory work is underway with Jordan and Tunisia.

Given that the negotiation and conclusion of such comprehensive trade accords will likely take several years at least, the EU is also pursuing trade measures that can be implemented in the shorter term.

The EU has accelerated negotiations on expanding existing free trade agreements with the MENA countries in manufactured goods to include other sectors (such as agricultural products and trade in services), and is working to negotiate Agreements on Conformity Assessment and Acceptance (ACAA) of industrial products with several countries.

Mobility: The EU views increasing mobility and people-to-people contacts as crucial to developing close and stable relations with the MENA countries. The EU is seeking to establish "mobility partnerships" with the Southern Mediterranean countries to develop comprehensive arrangements governing issues such as regular and irregular migration, visa policies, border control measures, and security concerns. The EU has begun dialogues on these issues with Tunisia, Morocco, and Jordan.

In September 2011, the EU announced the expansion of two existing academic mobility and educational exchange programs with the MENA region: the Erasmus Mundus program, which enables students and academic staff from the MENA region to study in Europe, will be expanded by increasing the number of scholarships and the funding available; and the Tempus program, which seeks to help modernize higher education institutions and create partnerships between European universities and their counterparts in the Southern Mediterranean, will also receive new funding.

Note: This box highlights major new EU initiatives launched in response to the "Arab Spring" and should be considered illustrative, not comprehensive, in nature.

Sources: European Commission Press Release, "EU Response to the Arab Spring: New Package of Support for North Africa and Middle East," September 27, 2011; and European Commission Press Release, "EU's Response the Arab Spring: The State-of-Play After Two Years," February 8, 2013.

In addition, the EU has established a European Endowment for Democracy (EED), similar to the long-established U.S. National Endowment for Democracy, to help support political actors striving for democratic change. The EED is to function as a private foundation in both the EU's southern and eastern neighborhoods. Proponents argue that its independence should allow the EED to respond to new developments quickly and with greater flexibility. After a slow start-up process due to prolonged debates about the structure of the foundation, the EED has reportedly raised about €16 million, including an initial allocation of €6 million from the European Commission in November 2012, plus €5 million from Poland, whose foreign minister originally proposed the idea in early 2011. Additional member state pledges are expected.[11]

Nevertheless, some analysts suggest that EU commitments to a "new approach" to the MENA region and the revised ENP have merely amounted to a re-branding of existing practices, and note that to a large extent, the EU has continued to rely on the technical components and bureaucratic process of the ENP. These critics argue that EU leaders do not possess the political will to impose true conditionality in their relationships in the MENA region, especially if that essentially results in a deterioration of relations with some countries. For example, they contend that despite what some view as backsliding in countries such as Egypt and Tunisia on political reforms, the EU has not withheld or reduced its foreign assistance to those countries. Other experts question the use of conditionality by the EU in the MENA region, viewing it as less valuable and possibly off-putting in countries where change and reform came about as a result of domestic, not external, pressure.[12]

Many experts also point out that the EU's capacity to shape the Southern Mediterranean's future is severely limited. Many observe that in contrast to the EU's ability to encourage political and economic reforms in Central and Eastern Europe after the end of the Cold War, the EU does not have the same incentives available today with respect to the MENA region. Perhaps most obvious is that EU membership is not an option for the MENA countries because they are not part of Europe. The prospect of EU (and NATO) membership for the former communist countries of Central and Eastern Europe—and the extensive political and economic reforms required of these countries in order to permit their accession to the EU (and/or NATO)—are viewed by many analysts as key factors in transforming most of these countries into stable democracies and more affluent societies.

In addition, the Eurozone crisis and the resulting political fall-out in many European governments continues to consume EU policymakers' time and attention, and has put severe pressure on European treasuries. As such, providing large-scale EU financial assistance for the MENA region is unlikely to be politically possible in the near term. Many EU governments have imposed or are considering austerity measures and European publics do not appear to support spending significantly more money abroad given their economic problems at home. Although the EU has allocated some additional financial support in response to the events of the "Arab Spring," many commentators view it as relatively marginal and analysts note that it is not of the same magnitude as that committed to Central and Eastern Europe after the revolutions of 1989, or to the countries of the Balkans following the break-up of the former Yugoslavia.[13] Critics assert that the additional incentives the EU has offered in the form of "money, markets, and mobility" are inadequate to meet the immense needs of the region.

Moreover, skeptics question the feasibility of certain EU incentives. For example, some experts doubt that any MENA countries will actually be able to conclude Deep and Comprehensive Free Trade Areas—intended to further liberalize trade in goods, services, and investment with the EU (see text box above on the "3Ms")—given the complex EU rules and demands embedded in them. In addition, analysts point out that several possible EU incentives can only be delivered if agreed to by the member states. However, a number of EU governments are unenthusiastic about certain measures—such as greater trade liberalization in the agricultural sector or visa liberalization in the mobility field—viewing them as too politically sensitive because they could impinge on national interests or conflict with key domestic sectors.[14]

EU Responses to Change in Selected MENA Countries[15]

Although the MENA countries share a number of significant common challenges, each also has its own particular set of circumstances, and the relationship of individual countries with the EU varies. The EU therefore has a differentiated approach to each MENA country, with relations defined by Association Agreements (AAs) and ENP Action Plans. Association Agreements are bilateral in nature; they set out a broad framework for political, economic, social, and cultural cooperation between the EU and each partner country. AAs are considered treaties, and must be ratified by both the EU and the partner country; they usually include free trade agreements for industrial goods and serve as the basis for the gradual liberalization of trade between the EU and the partner country. An Association Agreement must be completed before a country can participate in the ENP.

Central to the ENP are bilateral Action Plans, which set out specific political and economic reforms and priorities in the short and medium-term. In contrast to AAs, Action Plans are political documents, and reflect agreement between the EU and each European Neighborhood Policy partner country on the objectives and priorities for future relations. The EU may also grant a partner country "advanced status" relations or a "privileged partnership" to reflect the EU's satisfaction with political, economic, and social conditions and reform efforts in the partner country. An "advanced status" relationship or "privileged partnership" may allow for cooperation in a wider number of areas, increased EU aid, and privileged access to the EU market for the partner country's industrial and agricultural goods.

Countries such as Tunisia, Egypt, Jordan, and Morocco have received EU economic support since joining the ENP through the European Neighborhood and Partnership Instrument (the EU financial instrument that provides the main source of funding for the ENP). In general, EU financial support referred to in this section for the period 2011-2013 does not represent entirely new funds allocated specifically in response to the "Arab Spring." Rather, while EU support may now have been increased or re-directed in response to events, initial EU funding levels were budgeted in advance as multi-year allocations that continued previous support committed in national ENP Action Plans. Libya and Syria are considered eligible for the ENP, but as noted above, the ENP is not fully activated for either of these countries, and EU relations with Syria are largely suspended at present.

KEY ACTORS IN THE EU'S EUROPEAN NEIGHBORHOOD POLICY (ENP)

The European Neighborhood Policy is managed by the *European Commission*, one of the EU's main institutions, which essentially acts as the EU's executive branch. The Commission is composed of 27 Commissioners, one from each member state, but they are independent of national governments and seek to uphold the common interest of the EU as a whole. The *President of the European Commission, José Manuel Barroso*, is the highest authority in representing the Commission's policies at the heads of state or government level.

Each of the other Commissioners holds a distinct portfolio (e.g., agriculture, energy, trade, education) and the Commission is divided into departments called Directorates-General (DG), Each DG covers a specific policy issue or set of policy issues and is headed by one of the Commissioners. The DGs are, in effect, the EU's executive departments and agencies, and the Commissioners are comparable to U.S. department secretaries or agency heads.

Direct responsibility for implementing and managing the European Neighborhood Policy rests with the *Commissioner for Enlargement and ENP, Štefan Füle*. He serves as the voice of ENP at the ministerial level.

Among her many duties, the *High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton*, is a Vice President of the European Commission and is responsible for coordinating all external dimensions of the Commission's activities. (In addition to the ENP, the central areas of Commission activity in external affairs include trade, humanitarian aid, development, and EU enlargement.) She therefore plays a role in the oversight, formulation, and management of the ENP, and represents all Commission external policies at the ministerial level.

Table 2. Status of EU Relations with Selected MENA Countries

	Association Agreement (AA)	ENP Action Plan	Free Trade Agreement (FTA)/Advanced Status/Other	Allocated Aid for 2011- 2013	Trade
Egypt	Signed 2001; entered into force 2004.	Adopted 2007.	FTA for industrial goods and some agricultural/ fisheries products.	€449 million development aid, plus €253 million in new grants for 2012-13	About one-third of Egypt's trade is with the EU (€23.9 billion in 2012).
Jordan	Signed 1997; entered into force 2002.	Initially adopted 2005; updated Action Plan adopted 2012.	FTA for industrial goods and some agricultural/ fisheries products. Advanced Status relations agreed in 2010.	€293 million development aid (increased from €223 million)	Trade between the EU and Jordan was about €3.8 billion in 2012.
Libya	None.	None.	Negotiations on a Framework Agreement including an FTA to be resumed after 2011 suspension.	€107 million development aid €85 million humanitarian aid during 2011 conflict	More than half of Libya's trade is with the EU (about €39.1billion in 2012). Over 90%of EU imports are petroleum and related products.
Morocco	Signed 1996; entered into force 2000.	Adopted 2005; negotiations on updated Action Plan in progress.	FTA for industrial goods and some agricultural/ fisheries products; deep and compre-hensive FTA talks begun in 2013 Advanced Status relations agreed in 2008.	€660.5 million development aid (increased from €580.5 million)	More than half of Morocco's trade is with the EU (€26 billion in 2012).

	Association Agreement (AA)	ENP Action Plan	Free Trade Agreement (FTA)/Advanced Status/Other	Allocated Aid for 2011- 2013	Trade
Syria	Negotiated in 2004; revised draft agreed in 2008 but not in force; progress put on hold May 2011.	None.	EU has imposed sanctions and suspended all bilateral cooperation.	Budgeted €129 million – currently suspended €200 million humanitarian aid	In 2011, about 20% of Syria's trade was with the EU (€6.1 billion). Trade contracted to €1.5 billion in 2012.
Tunisia	Signed 1995; entered into force 1998.	Adopted 2005.	FTA for industrial goods and some agricultural/ fisheries products. Privileged Partnership agreed in November 2012.	€400 million development aid (increased from €240 million)	Over half of Tunisia's trade is with the EU (€20.6 billion in 2012).

Sources: European External Action Service [http://www.eeas.eu]; and the European Commission [http://ec.europa.eu]

Tunisia and Egypt

EU relations with Tunisia and Egypt are framed by Association Agreements and ENP Action Plans established prior to the events of the "Arab Spring." Following the overthrow of longtime leaders in Tunisia and Egypt, the EU has supported democratization and economic modernization efforts in both countries. Although some European leaders and publics worry about the rise of Islamist parties in Tunisia and Egypt, the EU and most member states maintain that they welcome any truly democratically-elected government that embraces inclusivity, respects the rule of law and human rights, and is responsible and accountable to the people it serves.

EU cooperation with Tunisia has been particularly close since the demise of the former regime of Ben Ali. For much of the last two years, the EU has viewed Tunisia as making tangible progress on political reforms and has touted its enhanced relations with Tunisia as a key example of its "more for more" approach. An EU observer mission helped monitor Tunisia's October 2011 elections for a Constituent Assembly, which the EU praised as largely free and fair. Among other measures taken in support of the transition in Tunisia, the EU has:

- Increased its planned financial assistance to Tunisia for the period 2011-2013 from an initial €240 million to €400 million; this includes

€20 million for the poorest areas of Tunisia in order to improve living conditions, provide access to microfinance, and create jobs;
- Established a joint EU-Tunisia Task Force to bring together officials from the EU, Tunisia, and international financial institutions to improve dialogue and the delivery of political and economic support;
- Launched a dialogue with Tunisia on migration, mobility, and security issues;
- Begun preparatory work with Tunisia on establishing a Deep and Comprehensive Free Trade Area; and
- Concluded a “privileged partnership” with Tunisia in November 2012, signifying a deepening of relations across a wide range of political and economic areas, and announced an agreement to launch negotiations on an air services accord to help boost Tunisia’s tourism sector.

In early 2013, however, EU officials became alarmed by rising political tensions in the country. In particular, the EU has expressed concern about the February 2013 killing of a prominent Tunisian opposition leader and the increasing number of violent acts committed by extremist groups.[16]

Some experts view the EU’s response to the changes in Egypt as more tentative. Following the end of the Mubarak regime, the EU was hopeful that Egypt’s transition from military to civilian rule would proceed relatively quickly, but EU leaders were dismayed by its slow pace during 2011 and much of 2012. The EU re-directed some previously allocated ENP funding (€150 million per year for 2011-2013) in response to the political changes, but did not immediately allocate new funding. The EU provided technical assistance to Egyptian election officials for parliamentary and presidential elections in 2011-2012 and supported voter education through civil society organizations. In December 2011, the EU approved a negotiating directive for a Deep and Comprehensive Free Trade Agreement with Egypt, but preliminary work has yet to begin.[17] EU- Egypt frictions rose in early 2012 following Egypt’s arrest of personnel affiliated with U.S., Egyptian, and European nongovernmental organizations engaged in democracy promotion.

Amid Egypt’s ongoing economic problems and Egyptian President Morsi’s moves to decrease the role of the military in government, the EU appears to have enhanced its support for Egypt. In November 2012, an EU-Egypt Task Force was established. The EU, together with the European Investment Bank and the European Bank for Reconstruction and Development, also pledged a combined additional financial package of roughly €5 billion in grants, loans, and concessional loans for the 2012-2013 period; a significant portion of this pledged funding, however, is conditional on Egypt concluding a deal on a loan agreement with the International Monetary Fund and on implementing substantive economic reforms.[18] At the same time, EU officials and many Members of the European Parliament remain concerned about Egypt's progress toward democracy, the Morsi government's respect for human rights (including freedom of expression), the independence of the judiciary, and rising societal and sectarian tensions.[19]

Morocco and Jordan

Neither Morocco nor Jordan have experienced political upheaval on the scale of Tunisia, Egypt, or Libya, but both have responded to domestic pressures by initiating a process of gradual— though some would argue limited—political reform. The EU has been strongly supportive of the reform initiatives in both countries. Some observers assert that the pace and nature of change in Morocco and Jordan align with the EU's strengths and preferences, and the EU has, for the most part, been able to maintain its established approach to the two countries. Others criticize the EU for not being more forward-thinking in its relations with Morocco and Jordan, and still view EU efforts as shying away from vigorously encouraging more political reforms in the interest of preserving stable monarchies that are friendly to EU and European interests.

Morocco is the largest recipient of ENP funds, with €580.5 million initially budgeted for 2011- 2013 to support five priority areas: the development of social policies; economic modernization; institution-building; good governance and human rights; and environmental protection. In 2008, Morocco became the first Southern Mediterranean country to be granted "advanced status" in its relations with the EU. In November 2011, the EU deployed a team of election experts to assess Morocco's parliamentary elections. Among recent measures aimed at bolstering and further encouraging Morocco's reform efforts, the EU has:

- Allocated an additional €80 million to Morocco for projects in the human rights, governance, and socio-economic fields;
- Launched a dialogue with Morocco on migration, mobility, and security issues;

- Approved a new accord that will expand Morocco's existing free trade agreement with the EU in goods to include preferential market access for agricultural and fisheries products; and
- Begun negotiations on a Deep and Comprehensive Free Trade Area.[20]

Jordan was upgraded to an "advanced status" partnership with the EU in 2010. For 2011, the EU increased its planned allocation of €71 million in assistance to Jordan to €111 million, bringing forward funds that were part of €223 million in aid initially budgeted for Jordan in 2011-2013 to support small- and medium-sized enterprises, innovation, and public financial management reform. In February 2012, the EU announced it would make an extra €70 million available (in two tranches) to support small businesses, vocational training, and good governance, and thus increasing total EU assistance to Jordan to almost €300 million for 2011-2013; EU officials stressed that the release of the second tranche would be linked to progress on democratic reforms. In January 2013, an EU election observer mission was deployed to help monitor Jordan's legislative elections, which initial EU assessments deemed to be in line with democratic standards. Over the last year, the EU has also:

- Established a joint EU-Jordanian Task Force;
- Started a dialogue with Jordan on migration, mobility, and security issues; and
- Begun preliminary work on a Deep and Comprehensive Free Trade Area.

The EU remains concerned, however, about Jordan's deteriorating economic situation, due in part to the unrest in Egypt and especially, Syria. The EU is considering a €200 million Jordanian request for macro-financial assistance (which would likely be provided as a loan). The EU has also provided €137 million in humanitarian and other financial assistance since the outbreak of the Syrian crisis to help Jordanian authorities deal with the large influx of Syrian refugees.[21]

Libya and Syria

As noted previously, the EU has always considered both Libya and Syria as eligible for membership in the ENP, but the ENP mechanisms for these two countries have not been fully activated due to the lack of a prerequisite Association Agreement.

Regarding Libya, the EU began informal and limited cooperation with the former Qadhafi regime in 2004 (following the lifting of international sanctions that had been imposed for two decades) and provided small amounts of financial and technical assistance related to migration and health issues. With the Qadhafi regime apparently uninterested in joining the ENP, negotiations on a Framework Agreement—a less intense contractual arrangement than an Association Agreement— began in 2008 to formalize EU-Libya relations. These negotiations were suspended, however, in February 2011 following the outbreak of hostilities between rebels and forces loyal to Qadhafi.

As the United Nations began debating whether to authorize a military intervention against the Qadhafi regime, EU member states (21 of which also belong to NATO) were unable to form a consensus regarding the use of military force. France and the UK played a leading role in the 2011 NATO air operation in Libya; Germany, after abstaining from the U.N. Security Council vote that authorized force, was not among the operation's participants. During the conflict, the EU and its member states provided roughly €155 million in humanitarian assistance (of which €80.5 million was from the EU itself), and set up a liaison office in Benghazi in support of Libya's Transitional National Council (TNC).

In October 2011, following the fall of Qadhafi, the EU announced that it stood ready to resume negotiations on a Framework Agreement with Libya's new government at an appropriate time. In 2012, an EU monitoring mission observed Libya's July elections, and the EU established a training program on parliamentary and constitutional process for Libya's new National General Congress. The EU is preparing to deploy a civilian border management mission to Libya under its Common Security and Defense Policy (CSDP) in June 2013.

Prior to the revolution, the EU had budgeted €60 million in financial and technical support to Libya for the period 2011-2013, but this was suspended during the hostilities. Since the demise of the Qadhafi regime, the EU has been working with the TNC to conduct various need assessments and direct EU funding to areas such as health, migration, border management, the security sector, human rights, democratization, public administration, and the media. The EU put in place a package of short-term assistance measures at the end of 2011 worth €39 million, and has announced it will provide at least €68 million for 2012-2013.[22]

As for Syria, the escalation of the conflict into a civil war (in which an estimated 70,000 people have been killed) has become a matter of central concern for the EU, the United States, and the international community. The

EU negotiated an Association Agreement with Syria in 2004, and the draft was revised in 2008, but progress on its formal approval was put on hold by the EU in 2011 in response to the Syrian regime's violent response to anti-government protestors. Since then, the EU has taken a leading international role in condemning the Asad regime's actions, and has progressively introduced an extensive set of sanctions aimed at pressuring the regime to agree to a ceasefire and negotiate a political solution (see Table 3).

Table 3. EU Sanctions against Syria

Category	Measures Adopted
Arms Embargo	The first round of EU sanctions, adopted in May 2011, had imposed an embargo on the sale, supply, transfer, and export of arms and related material of all types. The embargo was later tightened to include equipment that could be used in monitoring communications, and equipment which might be used for internal repression. The EU amended the arms embargo in February 2013 to allow delivery of non-lethal military equipment for the protection of civilians or for the Syrian National Coalition for Opposition and Revolutionary Forces. The EU arms embargo expired on June 1, 2013, allowing member states to proceed according to their national policies with providing military equipment to the Syrian National Coalition for Opposition and Revolutionary Forces. Member states agreed to require adequate safeguards against misuse, and to refrain from supplying arms and related material until a review of the situation in August 2013.
Oil and Energy Industry	In September 2011, the EU imposed an embargo on Syrian oil and petroleum products and banned financing or insuring activities of the Syrian oil industry. It also prohibited loans and credits to the Syrian oil industry; acquisition or extension of participation in enterprises of Syrian oil industry; or creation of any joint venture with enterprises in Syria that are engaged in Syrian oil industry. In December 2011, the EU prohibited the sale or transfer of equipment or technology for the Syrian oil and natural gas industry. It also prohibited participation or financing for enterprises engaged in the construction of new power plants for the production of electricity in Syria. In April 2013, the EU changed terms of the oil embargo and restrictions on business with the Syrian oil and gas industry to allow transactions after member state authorities consult with the Syrian National Coalition for Opposition and Revolutionary Forces.

Category	Measures Adopted
Financial and Economic	EU sanctions have: Prohibited the delivery of Syrian denominated money to the Central Bank of Syria (September 2011); Prohibited the disbursement of European Investment Bank loan payments; prohibited continuation of EIB Technical Assistance Service Contracts (November 2011); Prohibited new commitments for grants, financial assistance, loans, or insurance for the Syrian government, including through international financial institutions (December 2011); Prohibited the sale, purchase, or brokering of Syrian bonds (December 2011); Prohibited opening new branches or subsidiaries of Syrian banks in member state territory, or entering into new business relationships with Syrian banks (December 2011); Prohibited transactions of gold, precious metals, and diamonds with the Syrian government and central bank (February 2012); and Prohibited the sale, transfer, or export of luxury goods (April 2012). The EU has also frozen the assets of the Central Bank of Syria, although legitimate trade may continue under strict conditions (February 2012); Member states have agreed to exercise restraint in entering into commitments for financial support (export credits, guarantees, insurance) for trade with Syria (December 2011).
Transportation	In February 2012, the EU banned cargo flights operated by Syrian carriers from EU airports. In July 2012, the EU instructed member states to inspect cargo of vessels and aircraft bound for Syria given reasonable grounds to suspect transport of arms or prohibited equipment. In October 2012, the EU banned all flights operated by Syrian Arab Airlines from EU airports.
Visa Ban and Asset Freeze	Since May 2011, the EU has steadily expanded its listing of individuals and entities (companies and government agencies) involved in violence and repression or closely associated with the policies of the Asad regime. As of April 2013, 54 entities were subject to an asset freeze and 179 individuals were subject to an EU entry visa ban and asset freeze.

Sources: http://eur-lex.europa.eu/ and The Council of the European Union, "The European Union and Syria Factsheet," April 22, 2013.

The EU had budgeted €129 million in bilateral assistance to Syria for the period 2011-2013, but all bilateral cooperation has been suspended. Financing and loan disbursements from the European Investment Bank have also been suspended. In December 2012, the EU recognized the National Coalition for Syrian Revolutionary and Opposition Forces as the "legitimate representative" of the Syrian people. EU members France and Britain extended bilateral recognition to the group. To date, the EU and its member states have provided €626 million in humanitarian aid for Syrian refugees and civilians remaining in Syria (€265 million from the EU's humanitarian assistance budget and over €361 million from the member states).[23]

European policymakers have debated arming the Syrian rebels and possible military intervention, but many have remained reluctant to pursue either option. In early 2013, the UK and France began seeking to lift the EU arms embargo on Syria in order to arm opposition forces; given a lack of consensus at the EU foreign ministers' meeting in late May, the arms embargo was allowed to expire despite strenuous objections from a number of member states.[24] As a result, arms exports to the opposition may be authorized on a national, case-by-case basis, with safeguards intended to prevent misuse, although member states also agreed to refrain from such deliveries pending a review of the situation in August 2013. European countries have thus far provided non-lethal equipment, humanitarian assistance, and some training. In April 2013, the EU eased a number of its sanctions in order to help the opposition and the Syrian population, allowing member states to authorize oil-related transactions and investments after consultation with the opposition National Coalition.

U.S. Policies in the MENA Region[25]

In the wake of the "Arab Spring," the U.S. government, like its European counterparts and the EU, has been examining long-standing U.S. policies in the Middle East and North Africa. This section provides a broad overview of U.S. policy in the region. It focuses largely on U.S. initiatives to encourage post-transition political and economic development in the MENA countries and highlights similarities and differences with European efforts to provide a basis for comparison when considering prospects for future U.S.-European cooperation. U.S. programs and policies described in this section should be considered illustrative, rather than exhaustive.

U.S. Interests and Perspectives

For decades, U.S. policy in the Middle East and North Africa has largely focused on promoting stability and security. Although U.S. officials also sought to encourage political reforms, protect human rights, and foster economic growth in the region, many experts viewed these U.S. goals as largely secondary, and at times, sacrificed to preserve cooperation with autocratic allies. For example, the United States maintained a strategic partnership with Egypt's former Mubarak regime as a means of ensuring Egyptian-Israeli peace and combating terrorism, despite the regime's stifling of internal dissent. Some U.S. policymakers and analysts, along with many in Europe, also doubted that any Western attempts to promote democracy in the region would succeed, given the political history and lack of civil society in many MENA countries. Meanwhile, others in both the United States and Europe feared that the introduction of democratic reforms in these countries could lead to anti-Western factions, including Islamists, winning elections.

Over the last two years, however, the United States has declared its intention to put greater emphasis than in the past on supporting democratic transitions, economic development, and the aspirations of the people of the MENA region. In a speech in May 2011, President Barack Obama asserted that the United States "respects the right of all peaceful and law-abiding voices to be heard, even if we disagree with them. We look forward to working with all who embrace genuine and inclusive democracy;" he also set out a new framework for U.S. policy toward the MENA region "based on ensuring financial stability, promoting reform, and integrating competitive markets with each other and the global economy."[26]

For many Europe-watchers, the degree to which President Obama highlighted working with the international community, particularly the EU, to help the transitions underway in the MENA region was particularly notable. Such measures outlined by the President in his May 2011 address included: U.S. support for expanding the mandate of the European Bank for Reconstruction and Development; the launch of a U.S. Trade and Investment Partnership for the Middle East, in possible cooperation with the EU; and U.S. efforts to work with international partners and multilateral financial institutions to provide economic assistance to the MENA region (for more information on these initiatives, see "Prospects for U.S.-EU Cooperation" below).

Political Development, Diplomatic Initiatives, and U.S. Foreign Assistance

The United States has sought to respond to the transitions in the MENA region with a mix of diplomatic outreach, political engagement, and foreign aid. Initially by utilizing the State Department's existing Middle East Partnership Initiative (MEPI) and the U.S. Agency for International Development's Office of Transition Initiatives (USAID-OTI), U.S. officials and contract personnel worked directly with emerging political groups and civil society organizations in countries such as Tunisia and Libya. In Egypt, however, efforts in 2011 to expand U.S. democracy-support programs were strained by resistance from the former military transitional government, and severely dampened by police raids on U.S. and European non-governmental organizations engaged in democracy promotion in early 2012.

In September 2011, the State Department established an Office for Middle East Transitions, led by Special Coordinator Ambassador William Taylor. This office has responsibility for managing U.S. outreach and transition support for Egypt, Tunisia, and Libya. It also coordinates U.S. engagement with international partners, including European allies and the EU, aimed at promoting political change and economic growth in the MENA region. Jordan and Morocco, however, are not included in Ambassador Taylor's mandate because they have not experienced regime change. U.S. policy toward Jordan and Morocco seeks to balance continued support for the ruling monarchies in those countries with efforts to encourage political and economic reforms.

The Obama Administration has also reallocated portions of U.S. aid to support the transitions throughout the MENA region. For example, a Middle East Response Fund/Middle East and North Africa Incentive Fund (MERF/MENA-IF) was created from unobligated FY2011 and FY2012 Economic Support Fund (ESF) appropriations to support democratic and economic reforms.[27] According to the U.S. State Department, in response to the events of the "Arab Spring," over $1.5 billion in total was identified in FY2011 and FY2012 from existing bilateral program accounts and other sources; this amount could presumably include humanitarian aid and security assistance, in addition to activities aimed at promoting democracy and economic opportunities.[28]

In its FY2013 budget request, the Obama Administration proposed $770 million over five years for the MENA-IF in order to meet continuing needs in the region, provide greater flexibility for responding to new contingencies, and create a lasting framework to support reform efforts in the MENA countries. Of this request, $700 million would have been new funding with the remainder intended for existing programs. However, Congress did not appropriate funding for MENA-IF in the FY2013 continuing resolutions covering State-Foreign Operations activities, in part because of broader disagreements over the size of the U.S. budget and how best to reduce the national debt. For

FY2014, the Administration has requested $580 million over five years for the MENA- IF, of which $475 million would be new funding, $75 million would be for the existing Middle East Partnership Initiative, and $30 million would be for USAID's Office of Middle East Programs. The Administration does not specify how the MENA-IF funding would be allocated (or to what countries), but envisions that it could be used for a wide variety of interventions, including enterprise funds, loan guarantees, and humanitarian assistance.[29]

As for Syria, the United States has been providing humanitarian assistance to international organizations aiding Syrian civilians and non-lethal support to unarmed elements of the Syrian opposition.[30] In 2012, the Obama Administration notified Congress of its intent to establish a USAID Office of Transition Initiatives program for Syria at an initial cost of $5 million in order to begin laying the foundation for U.S. support for Syria's political transition in the longer term. The Administration has also significantly expanded existing U.S. sanctions on Syria, freezing all U.S.-controlled assets of the Syrian government, prohibiting U.S. persons from engaging in any transaction involving the Syrian government, and banning U.S. imports of Syrian-origin petroleum products, among other measures.

Economic Development and Trade Initiatives

The Obama Administration views improving the socio-economic conditions of many MENA countries as crucial to reducing inequalities, ensuring successful transitions, and creating a more affluent and peaceful region in the long term. Major Administration initiatives have focused on providing debt relief and loan guarantees (especially for Egypt and to a lesser extent, Tunisia), promoting private investment, and facilitating more trade with the Middle East and North Africa. The U.S. Overseas Private Investment Corporation (OPIC) has launched a $2 billion initiative to support private investment across the MENA region, and Congress has approved the establishment of U.S. enterprise funds (similar to those set up in Central and Eastern Europe after the revolutions of 1989) for Egypt, Tunisia, and Jordan. These enterprise funds will seek to encourage and support the development of small- and medium-sized businesses.

As noted previously, a key proposal in President Obama's May 2011 speech called for launching a comprehensive Trade and Investment Partnership Initiative in the Middle East. This would seek both to facilitate more trade within the MENA region and to promote more trade and investment between the region and markets in the United States, the EU, and elsewhere. President Obama asserted, "Just as EU membership served as an incentive for reform in Europe, so should the vision of a modern and prosperous economy create a powerful force for reform in the Middle East and North Africa."[31]

Since then, the Administration has established a program called the Middle East and North Africa Trade and Investment Partnership (MENA TIP), to create a regional platform to foster greater trade and investment among the MENA countries and with international partners, as well as to encourage regulatory reform. Under this initiative, the United States has engaged primarily with Egypt, Jordan, Morocco, and Tunisia (holding an initial meeting on MENA TIP with these four countries in April 2012), and to a lesser extent, with Libya. Investment, trade facilitation, support for small- and medium-sized enterprises, and regulatory practices and transparency, have been identified as initial areas for discussion and cooperation. However, some analysts point out that there has been little concrete progress to date and no significant efforts yet toward involving other international actors, such as the EU, in this process.[32]

Various experts have also argued for an expansion of bilateral U.S. free trade agreements (FTAs) in the MENA region. The United States already has FTAs with Jordan and Morocco, and some analysts have urged the United States to negotiate similar ones with Egypt and Tunisia as a way to advance economic development and other reforms related to transparency, good governance, and regulatory standards. To date, the pursuit of new FTAs in the MENA region does not appear to be a current goal of the Obama Administration, given domestic political tensions and ongoing political uncertainty in some MENA countries.

However, the Administration has made some attempts to strengthen bilateral U.S. trade and investment ties with several MENA countries. For example, U.S. officials have been working to develop a country-specific action plan for Egypt aimed at increasing exports, supporting SMEs, and enhancing U.S. investment. The United States has also re-launched discussions under the U.S.-Tunisian Trade and Investment Framework Agreement (TIFA) to explore options for deepening bilateral and intra-regional trade and investment ties. And U.S. and Libyan officials have reportedly discussed possibilities for increasing market access, addressing intellectual property rights, and improving scientific cooperation. Such efforts could potentially lead to larger-scale trade and investment agreements in the future.[33]

Congressional Views

For many Members of Congress, responding to the rapid pace of events and significant changes in the Middle East and North Africa since early 2011 has been challenging. Although many Members welcome the emerging aspirations of the people of the MENA region for political reform, economic equality, and self-determination, they are also concerned about how best to maintain the benefits of long-standing U.S. partnerships and to protect U.S. global security interests amid regional change. In particular, initial successes by Islamist parties in elections in countries such as Egypt and Tunisia have raised concerns among some Members given uncertainties about how such parties view Israel and whether they will respect social and political rights, particularly those pertaining to women and religious minorities.

Congress has supported some of the policy proposals outlined by President Obama in May 2011 for the MENA region. As noted above, Congress has authorized debt relief and the creation of U.S. enterprise funds for some MENA countries. Nevertheless, these initiatives have been controversial among Members who worry about new spending commitments given U.S. fiscal constraints, and among those concerned about the eventual shape and political orientations of emerging regimes in the MENA region. For example, Congress attached new conditions on U.S. foreign assistance to Egypt in FY2012, requiring the U.S. Secretary of State to first certify that Egypt had held free and fair elections, was protecting civil liberties, and was meeting its obligations under its 1979 peace treaty with Israel. Congressional efforts to restrict or condition U.S. aid and debt relief to Egypt remain ongoing.

Although U.S. foreign assistance to Libya has been more limited given Libya's vast resources, especially its petroleum reserves, Congress has supported a range of security and transition assistance programs in Libya. However, many Members continue to worry about security in the country, especially with regard to Qadhafi-era weapons and border security, and in light of the reported presence of Al Qaeda-related groups. Such security concerns have intensified since the September 2012 terrorist attack on the U.S. diplomatic mission in Benghazi. Identifying and bringing to justice those responsible for the Benghazi attack has become an important issue for many Members, with some calling for future U.S. assistance to Libya to be conditioned on full Libyan cooperation in the Benghazi investigations. Some Members have made similar calls regarding Tunisia, which recently released a suspect in the Benghazi attack from detention.

As for Syria, some Members of Congress have called for more active U.S. and/or NATO engagement in support of the rebels, arguing that U.S. hesitation to arm the opposition forces or intervene militarily has prolonged the conflict, worsened the humanitarian situation, and allowed Islamist elements to seize the initiative. At the same time, many Members of Congress also worry that more direct U.S. intervention could further exacerbate the conflict and result in regional spillover, destabilizing countries such as Turkey or Lebanon, threatening Israel's security, and heightening tensions further with Iran.

Prospects for U.S.-EU Cooperation

The United States and its European partners share similar interests in ensuring that the changes underway in the Middle East and North Africa result in a more stable, secure, and prosperous region. Common U.S. and European concerns in the region include: countering terrorism, weapons proliferation, and transnational crime; curtailing Islamist extremism; ensuring a reliable flow of energy exports and commercial transit; and ensuring Israel's security and advancing peace negotiations with the Palestinians. Europe's geographic proximity to the MENA region also makes controlling migration a key priority for individual European countries and for the EU as a whole, while preserving military cooperation with MENA countries remains critical for the United States, especially given long-standing U.S. interests in Israel and the Persian Gulf.

Many analysts suggest that to date, U.S. and EU policies have been closely aligned on most issues regarding the changes underway in the MENA region. As noted previously, numerous experts also argue that greater U.S.-European cooperation may be essential to providing robust and effective Western support to the region. This section describes the current status of U.S.- European efforts to coordinate political and economic policies toward the MENA region, presents an array of potential areas and options for future consideration, and discusses possible challenges and pitfalls to closer U.S.-European cooperation.

Diplomatic Contacts and Ongoing Efforts

Various sources indicate that U.S. and EU officials, from the cabinet level to the working level, have been in frequent and continuing contact with each other as events in the Middle East and North Africa have unfolded. In October 2011, then-U.S. Assistant Secretary of State for European and Eurasian Affairs Philip Gordon asserted that "Close transatlantic cooperation is the indispensable starting point in our efforts to respond effectively and efficiently to locally driven demand for real and lasting change across the Arab world." He went on to note that, "while the transatlantic agenda...is vast and there are hundreds of topics on it, we probably spent more time on this particular challenge over the past six to nine months than on any other."[34] The U.S. State Department's Office for Middle East Transitions, led by Ambassador Taylor, and the office of the EU's Special Representative to the Southern Mediterranean Bernardino Leon, have reportedly developed close ties and a good working relationship with each other.

Beyond such dialogue and diplomatic contact, U.S. and European policymakers point to two key initiatives on which they have cooperated closely in an effort to support the transformation of the MENA region as a whole: expanding the mandate of the European Bank for Reconstruction and Development, and establishing the Deauville Partnership. In addition, many observers note that U.S. and EU officials have been working together over the last two years in the International Monetary Fund to provide financial assistance to several MENA countries (including Egypt).

The European Bank for Reconstruction and Development (EBRD)

The Obama Administration has strongly supported EU efforts to extend the area of operations of the EBRD beyond Europe and central Asia into the MENA region. The EBRD is an international financing institution established in 1991 to support the emergence of market economies in Central and Eastern Europe following the collapse of the former Soviet Union; it is owned by 64 member countries in both Europe and worldwide, the EU, and the European Investment Bank. The United States is a founding member of the EBRD and the largest contributor after the EU institutions and EU member states combined; the U.S. Treasury Secretary sits on the EBRD's board of governors. The EBRD invests mainly in private sector enterprises, usually together with commercial partners, and helps mobilize foreign direct investment into the countries in which it operates.

In October 2011, EBRD shareholders (including the United States) backed the expansion of the bank's activities into the MENA region. As this decision still requires the approval of national governments and/or legislatures to take full effect, the EBRD has opened "preliminary offices" in Egypt, Morocco, Tunisia, and Jordan to lay the groundwork for its expansion into these countries. Tunisia and Jordan joined the EBRD in December 2011 (Egypt and Morocco have been members of the EBRD since its inception). In May 2012, shareholders approved the creation of a special €1 billion fund to start the process of investments in Egypt, Morocco, Tunisia, and Jordan. The EBRD is expected to invest up to €2.5 billion a year in the MENA region by 2013.[35]

The Deauville Partnership

The United States, the EU, and key EU member states have cooperated to forge the Deauville Partnership in the context of the Group of Eight (G8).[36] Launched in May 2011 under the French G8 presidency, the Deauville Partnership seeks to support strategies for sustainable and inclusive economic growth in the MENA region, encourage political reforms aimed at establishing accountable governments based on the rule of law, and create the conditions necessary for greater citizen participation in economic life. The Partnership brings together the members of the G8, international and regional financial institutions, several key Arab countries, and Turkey, to provide financial assistance to Tunisia, Egypt, Jordan, Morocco, and Libya (as well as Yemen).

By September 2011, G8 leaders announced that the Deauville Partners, including the multilateral and regional development banks, had pledged a total of $38 billion (in loans, grants, budget support, and technical assistance) between 2011 and 2013 to support reform efforts in the MENA countries. The United States, which held the G8 presidency in 2012, developed a three-pillar structure for the Deauville Partnership to focus efforts on trade and integration, economic growth, and governance. The UK, which currently holds the G8 presidency, has identified a number of priorities within these areas for the Deauville Partnership for 2013, including the development of small and medium-sized enterprises and women's economic participation.

Partnership members have also been working to establish several assistance vehicles, including: a Transition Fund (with an initial capitalization target of $250 million) to provide short-term, quick response technical expertise for MENA countries in implementing reforms; a Capital Market Access Initiative to help transitioning countries gain easier and cheaper access to international capital with reasonable financing terms; and an Asset Recovery Action Plan, to facilitate the return of frozen assets to MENA countries such as Libya. Nevertheless, various observers criticize the Deauville Partnership for being slow to produce tangible benefits for the MENA countries and note that some of the financial institutions and donor countries have not yet followed through on their funding commitments.[37]

The International Monetary Fund (IMF)

U.S. and European officials have also worked in tandem in the context of the IMF to provide financial support to several MENA countries in transition. The United States and the EU countries combined are the largest IMF shareholders, and thus wield considerable influence within the IMF. Over the last two years, Jordan, Morocco, and Tunisia have all reached financing agreements with the IMF to help promote economic stability and the conditions conducive to political reform. Egypt's deteriorating economic conditions since the demise of the former Mubarak regime and acute cash flow problems are of particular concern, and U.S. and European officials have been devoting considerable efforts to help finalize an IMF loan agreement for Egypt.

Many U.S. and European policymakers alike contend that without IMF assistance, Egypt's fragile economic situation could jeopardize both its political transition and the stability of the region as a whole. Those of this view assert that a potential economic collapse in Egypt could have serious implications for U.S. and European interests in terms of access to the Suez Canal, Egypt's peace treaty with Israel, and Egyptian cooperation on counterterrorism. Although a "staff level" agreement was reached between Egyptian and IMF authorities in November 2012 for almost $5 billion in IMF assistance, it has not yet been finalized because Egyptian officials continue to balk at IMF conditions that would require politically unpopular structural reforms (such as tax and fuel price increases), and which some Egyptians believe could ultimately worsen the country's debt. Despite such difficulties, U.S. and European leaders continue to press for an IMF-Egyptian loan agreement as soon as possible.[38]

Possible Future U.S.-EU Approaches[39]

Despite the cooperative U.S.-EU efforts toward the MENA region described above, some commentators view such measures as relatively modest to date. Many observers continue to urge the United States and the EU to further coordinate their policies toward the region or explore options for joint action. Some argue that this is particularly necessary given the political and economic constraints facing both sides of the Atlantic. The United States and the EU could consider a number of possible cooperative approaches to further promote economic development, democratic governments, and civil society in the MENA region. These include:'

- **Joint or Coordinated Trade and Investment Initiatives.** Some analysts assert that economic growth and job creation are crucial to achieving successful transitions in the MENA countries. While direct financial assistance (including through institutions such as the World Bank and the IMF) is a visible way to support development programs and ease cash flow problems, many experts argue that the key to long-term success lies more in stimulating and developing domestic economies, rather than in aid. A focus on trade is potentially one of the main organizing principles for these efforts, and some contend that the United States and the EU should pursue joint or coordinated trade and investment initiatives with the countries of the region, not only to benefit the MENA countries, but also to avoid negotiating competing trade arrangements with different regulatory requirements. Possible measures could include both sides' entering into new free trade agreements that open access to U.S. and EU markets; efforts that promote inter-regional trade and cooperative regional projects in areas such as energy and infrastructure; or technical assistance for regulatory and legal reforms that encourage greater foreign investment. As noted previously, the Obama Administration proposed working with the EU to launch a comprehensive Trade and Investment Partnership for the MENA region, but most observers suggest that it remains in the early stages.
- **Coordinated Debt Relief and Debt Swaps.** The United States and member countries of the EU could offer coordinated debt relief and debt swaps, allowing MENA countries in transition to use money for economically beneficial projects rather than repaying debt. Coordinating such efforts would hopefully help to reduce duplicative projects and help stretch such funds farther. The issue of debt relief is the responsibility of the individual EU member states, rather than the EU, and such coordination of debt relief initiatives would presumably take place in the Paris Club grouping of major creditor nations.[40]
- **Cooperation on Democracy Promotion and Civil Society.** The United States and the EU also have a shared interest in maintaining and expanding support for a range of projects and organizations that relate to democratization, the development of civil society, security sector reform, and the values of a free and open society. In these areas

too, analysts assert that it is important for the United States and EU (along with other countries) to coordinate their political messages and policies to avoid duplication and working at cross purposes. Some contend this is especially important "on-the-ground," and suggest that there should be regular meetings of U.S. and European embassy officials and development workers serving in the various MENA countries. Another possibility would be to arrange conferences bringing together U.S. and European non-governmental organizations with local civil society activists to encourage dialogue and partnership (along the lines of a forum organized by the EU in May 2012 that brought together Libyan and European NGOs). At the same time, experts have expressed concerns that associating a high degree of conditionality with democracy promotion policies could generate perceptions of Western interference or encourage regional partners to seek support elsewhere; on the other hand, the United States and the EU may not be able to influence intransigent decision- makers without insisting on coordinated aid conditionality.

- **Cooperation on Police, Judicial, and Rule of Law Training.** Both the United States and the EU have assisted a wide range of countries in political transition, from those of the former Yugoslavia to Iraq to East Timor, in developing their police and judicial services in line with the rule of law. Many observers point out that the EU in particular is well-suited to conducting such training, having developed the necessary institutional support structures and civilian capacities. Some analysts contend, however, that U.S. and EU civilian and rule of law missions in countries like Afghanistan have been duplicative or disadvantaged by a lack of coordination; as such, they assert that it might be more beneficial for the United States and the EU to cooperate closely in designing and establishing any potential rule of law or police training missions for the MENA region.
- **Enhancing the Roles of the U.S. Congress and the European Parliament.** Increased engagement by the U.S. Congress and the European Parliament with their counterparts in the MENA region could play a useful role in supporting democratic transitions and offering assistance on parliamentary procedure and process. Both Congress and the Parliament have prior experience in assisting legislatures in emerging democracies. In the past, the U.S. House Democracy Partnership, which grew out of House efforts to provide help to legislatures in Central and Eastern Europe in the 1990s, has

worked with partner legislatures in numerous countries ranging from Haiti to Kenya to Iraq and Lebanon. Since the “Arab Spring,” the European Parliament has increased its contacts and cooperation with elected assemblies in European Neighbourhood Partnership countries; for example, Members of the European Parliament served in the EU observer mission that helped monitor Tunisia’s assembly elections in October 2011 and some Parliamentarians have been working to assist their Moroccan counterparts in contributing to the country’s reform process. Some observers also suggest that greater Congress-Parliament coordination might be beneficial; among other possible steps, the two sides could consider undertaking joint trips to the MENA countries or establishing a parliamentary forum with elected representatives from the MENA region.

- **U.S. Participation in EU Forums.** Some observers advocate that the United States should have a role in the recently-established EU task forces with Tunisia Jordan, and Egypt, or similar ones that might be set up in the future with other MENA countries. This could potentially be a way to institutionalize U.S.-EU coordination toward individual countries in the MENA region and avoid unnecessary duplication of programs and projects. Skeptics of this option suggest that U.S. participation in EU task forces might be redundant given close working ties between U.S. and EU officials on MENA issues and existing forums such as the Deauville Partnership.

Other experts contend that the most effective and practical form of U.S.-EU cooperation toward the MENA region might be through a “division of labor” approach. This would allow each side to play to its strengths, build upon the varying U.S. and EU pre-existing relationships with different MENA countries, and thus stretch limited financial resources farther. The United States could, for example, devote the bulk of its political and economic assistance to Egypt, given its extensive and long-standing ties to that country, while the EU could focus on Tunisia, Jordan, and Morocco. Many view the EU as already somewhat more engaged than the United States in bolstering reform efforts in Jordan and Morocco. As discussed earlier, the EU has included these two countries in the remit of its Special Representative for the Southern Mediterranean, but the mandate of the U.S. State Department’s new Office for Middle East Transitions does not extend to Jordan and Morocco because the United States does not view these countries as undergoing the same sort of wholesale transition as other countries in the region. Critics of a "division of labor" approach argue that it would be impractical and that neither the United States nor the EU would be willing to cede complete influence over certain MENA countries to the other.

Challenges Ahead

Some analysts contend that despite the ongoing U.S.-EU dialogue and the potential benefits of greater U.S.-EU coordination toward the Middle East and North Africa, more robust and sustained cooperation between the two sides of the Atlantic faces numerous challenges. First, many point out that U.S. and European leaders remain preoccupied with their own respective economic and budgetary issues. Given the domestic pressures in both the United States and Europe, some observers suggest that both U.S. and EU policymakers are focusing on relatively low-cost initiatives that could attract multilateral or private sector investment. "Big ideas," such as a Marshall Plan for the MENA region, are not currently on the table, nor is there, as noted previously, a transatlantic "perspective" available for the MENA countries in the form of NATO and/or EU membership.

Second, many commentators assert that the EU is still struggling to forge common foreign and security policies among member states that have different viewpoints and national interests. In the early months of the "Arab Spring," for example, EU leaders were divided on whether to pressure former Egyptian President Mubarak to resign and on whether to intervene militarily in Libya. A degree of intra-EU tensions also may exist over the European Neighborhood Policy; while many member states in southern Europe have been advocating for the EU to do more to support the transitions underway in the Mediterranean, some Central and East European members worry that doing so could take EU attention and financial aid away from those countries on the EU's eastern periphery. An EU unable to "speak with one voice" may be a less reliable partner for the United States in promoting political and economic reforms in the MENA region. In addition, some analysts contend that the Eurozone crisis, as well as the resulting political challenges facing both the EU as a whole and individual member states, may generate a more inward-looking EU, at least in the short term, and impede Europe's ability to enhance its cooperation with the United States toward the MENA region.[41]

Third, observers suggest that potential policy differences between the United States and the EU could arise and complicate efforts to forge more cooperative or coordinated U.S.-European policies. For example, some experts posit that U.S. concerns about the effects of regional change on Israel's security and counterterrorism efforts could make some U.S. officials more hesitant than their European counterparts about imposing strict conditionality (i.e., aid for reforms) on countries such as Egypt. A number of analysts contend that European reactions to the June 2013 conviction in Egypt of 43 employees of U.S. and German pro-democracy organizations were much stronger and harsher than that of the Obama Administration. At the same time, some Members of Congress warned that the court's verdict would have "significant negative implications" for U.S.-Egyptian relations.[42] Thus, some experts point out that divisions among U.S. policymakers as they struggle to balance competing interests in the MENA region could also potentially hinder greater transatlantic cooperation.

Fourth, despite the emphasis in both the United States and the EU on increasing trade and investment opportunities as a way to promote economic development, some suggest that U.S. and EU commercial interests and businesses may be in competition in the MENA region. This could limit the political will on both the U.S. and EU sides to forge complementary trade and investment policies.

Fifth, some skeptics question whether greater U.S.-European cooperation in the MENA region is desirable. Some European analysts argue that the EU would be better off having a more independent policy from the United States, given the negative perception of the United States among some segments of Arab society as a result of U.S. policies toward Israel and the U.S.-led invasion of Iraq in 2003. Meanwhile, some U.S. commentators suggest that Europe should take the lead in the Middle East and North Africa because Europe's proximity to and history with the region gives European governments not only a more intimate understanding of the MENA countries, but also a more immediate stake in their positive transformation.

Finally, regardless of the extent of cooperation between the United States and EU, most experts agree that as external actors, the ability of the two partners to influence events in the MENA region will be limited and that ultimately, the governments and peoples of the region will be the main determinants of their own futures. Many analysts worry that the political and economic difficulties facing many MENA countries in transition, combined with deeply problematic issues involving Iran, the Israeli-Palestinian conflict, and Syria, could lead to a progressively worse regional situation in the years ahead. Whatever dynamics of U.S.-EU cooperation emerge, therefore, in the foreseeable future developments in the MENA region are likely to remain a significant foreign policy interest for policymakers on both sides.

RELATED CRS REPORTS

CRS Report RL33487, *Armed Conflict in Syria: U.S. and International Response*, by Jeremy M. Sharp and Christopher M. Blanchard.

CRS Report R42393, *Change in the Middle East: Implications for U.S. Policy*, coordinated by Christopher M. Blanchard.

CRS Report RL33003, *Egypt: Background and U.S. Relations*, by Jeremy M. Sharp.

CRS Report R43053, *Egypt and the IMF: Overview and Issues for Congress*, by Rebecca M. Nelson and Jeremy M. Sharp.

CRS Report R41959, *The European Union: Foreign and Security Policy*, by Derek E. Mix. CRS Report RS21372, *The European Union: Questions and Answers*, by Kristin Archick. CRS Report RL33546, *Jordan: Background and U.S. Relations*, by Jeremy M. Sharp.

CRS Report R42393, *Change in the Middle East: Implications for U.S. Policy*, coordinated by Christopher M. Blanchard.

CRS Report RS21579, *Morocco: Current Issues*, by Alexis Arieff. CRS Report RS21666, *Political Transition in Tunisia*, by Alexis Arieff.

CRS Report R42621, *State, Foreign Operations, and Related Programs: FY2013 Budget and Appropriations*, by Susan B. Epstein, Marian Leonardo Lawson, and Alex Tiersky.

CRS Report R43043, *The FY2014 State and Foreign Operations Budget Request*, by Susan B. Epstein, Marian Leonardo Lawson, and Alex Tiersky.

CRS Report R42153, *U.S. Trade and Investment in the Middle East and North Africa: Overview and Issues for Congress*, coordinated by Shayerah Ilias Akhtar.

End Notes

[1] For CRS background and analysis on individual MENA countries, see “Related CRS Reports.”

[2] The refugee flows at the start of the “Arab Spring” also renewed tensions among EU member states over immigration policies, put pressure on the EU’s Schengen system (which allows for freedom of movement among most EU members), and highlighted long-standing concerns among European publics over continued immigration to the EU and the degree to which such immigration is changing the culture and character of European society. See, for example, Yves Pascouau, “Schengen and Solidarity: The Fragile Balance Between Mutual Trust and Mistrust,” European Policy Centre, July 4, 2012, http://www.epc.eu/documents/uploads/pub_2784_schengen_and_solidarity.pdf.

[3] "Gaza Strip Conflict Engendering Wave of Anti-Semitic Violence in Europe," Associated Press, January 7, 2009; Gil Shefler, "Global Anti-Semitic Violence Fell 27% in 2011," *Jerusalem Post*, April 18, 2012.

[4] In 2012, total U.S. exports to the MENA countries that border the Southern Mediterranean and are included in or eligible for the EU's European Neighborhood Policy were $27.29 billion, while U.S. imports from them were $42.24 billion collectively. See the International Monetary Fund, *Direction of Trade Statistics* database.

[5] "French Foreign Minister Alliot-Marie Quits Over Tunisia," BBC News, February 27, 2011.

[6] This report frequently presents figures in euros (€). As of June 12, 2013, €1=$1.3277 (European Central Bank).

[7] Andrew Rettman, "Libya Replete with EU Arms as Gaddafi Massacres Protesters," *EUObserver.com*, February 22, 2011; Andrew Rettman, "EU Figures Show Crisis-busting Arms Sales to Greece," *EUObserver.com*, March 7, 2012.

[8] Of the Mediterranean countries eligible for the ENP, Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian territories, Syria, and Tunisia are members of the UfM (although Syria has suspended its participation at present); Libya has observer status in the UfM. All EU member states, the countries of the Western Balkans, and Turkey also belong to the UfM.

[9] Roberto Aliboni, "Southern Europe and the Mediterranean: From Cold War To the Arab Spring," in *Southern Europe and the Mediterranean: National Approaches and Transatlantic Perspectives*, The German Marshall Fund, 2011.

[10] For the EU's Partnership for Democracy and Shared Prosperity with the Southern Mediterranean, released in March 2011, see: http://eeas.europa.eu/ euromed/docs/com2011_200_en.pdf; for the EU's revised ENP, released in May 2011, see: http://ec.europa.eu/world/ enp/pdf/com_11_303_en.pdf.

[11] European Commission Press Release, "The European Endowment for Democracy – Support for the Unsupported," November 12, 2012.

[12] Nathalie Tocci, "One Year On: A Balance Sheet of the EU's Response to the Arab Spring," The German Marshall Fund of the United States and Instituto Affari Internazionali, May 2012.

[13] One recent study asserts that in the wake of the transitions in the countries of Central and Eastern Europe and the Balkans, EU assistance added several percentage points to the GDP of each country. See Richard Youngs, "Funding Arab Reform?," The German Marshall Fund of the United States Policy Brief, August 2012.

[14] Richard Gillepsie, "Europe and Its Arab Neighbors: New Wine in Old Skins," Carnegie Endowment for International Peace, June 15, 2011; Tocci, *Op. cit.*

[15] Much of the country-specific information in this section is drawn from the relevant country pages of the following EU websites: European External Action Service, http://eeas.europa.eu/countries/index_en.htm; European Commission Development and Cooperation Directorate-General, http://ec.europa.eu/europeaid/where/neighbourhood/country-cooperation/index_en_htm; and European Commission Trade Directorate-General, http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries-and-regions/;and from the following two EU documents: "Delivering on a New European Neighbourhood Policy," Joint Communication from the European Commission and the High Representative for Foreign Affairs and Security Policy, May 15, 2012; and "Partnership for Democracy and Shared Prosperity: Report on Activities in 2011 and Roadmap for Future Action," Joint Staff Working Document, May 15, 2012, both available at: http://ec.europa.eu/world/enp/documents_en.htm. Also see: European Commission Press Release, "EU's Response to the Arab Spring: The State-of-Play After Two Years," February 8, 2013.

[16] Also see: European Commission Press Release, "EU Response to the Arab Spring: New Package of Support for North Africa and Middle East," September 27, 2011; Danya Greenfield and Rosa Balfour, *Arab Awakening: Are the U.S. and EU Missing the Challenge?*, Atlantic Council, June 2012; European Neighbourhood Info Center, "EU and

Tunisia Seal Privileged Partnership with Agreement on New Action Plan," November 19, 2012; European Neighbourhood Info Center, "Ashton and Füle Strongly Condemn Killing of Tunisian Opposition Leader Choukri Belaid," February 7, 2013.

[17] Also see the following EU press releases: "ENP Package, Country Progress Report 2011 – Egypt," May 15, 2012; EU Press Release, "ENP Package, Country Progress Report 2012 – Egypt," March 20, 2013.

[18] Of this €5 billion financial assistance package for 2012-2013, the EU will provide €253 million in the form of grants (including €90 million from the SPRING program), and upon agreement of an Egypt-IMF financial assistance package, the EU will provide an additional €50 million in grants and €450 million in concessional loans. The European Investment Bank and the European Bank for Reconstruction and Development are each expected to provide €2 billion for the period 2012-2013. See "EU-Egypt Task Force Co-chairs Conclusions," November 14, 2012.

[19] On March 14, 2013, the European Parliament adopted a non-binding resolution expressing a wide range of concerns about Egypt's political transition and economic situation. In particular, it called on the EU to withhold financial assistance if "no major progress is made regarding respect for human rights, and freedoms, democratic governance and the rule of law." European Parliament Resolution P7_TA(2013)0095.

[20] Also see the following European Commission press releases: "EU-Morocco: Agricultural Agreement Sign of Credibility," February 17, 2012; "EU-Morocco: Preparing for the Action Plan on Reforms," April 23, 2012; "Increased EU Support for the Moroccan Government's Sectoral Reforms," July 30, 2012; "EU and Morocco Start Negotiations for Closer Trade Ties," April 22, 2013.

[21] Also see the following EU press releases: "EU-Jordanian Task Force Co-chairs Conclusions," February 22, 2012; "ENP Package, Country Progress Report 2011 – Jordan," May 15, 2012; "ENP Package, Country Progress Report 2012 – Jordan," March 20, 2013; "Jordan: EU Provides New Support to Deal with Syrian Refugee Crisis," June 3, 2013.

[22] Also see European Commission Press Release, "EU's Response to the Arab Spring: The State-of-Play After Two years," February 8, 2013; EU Press Release, "ENP Package, Country Progress Report – Libya," March 20, 2013.

[23] European Commission ECHO Factsheet, "Syria Crisis," May 11, 2013.

[24] Council of the European Union, "Council Declaration on Syria," May 27, 2013.

[25] This section draws heavily from other CRS products, including CRS Report R42393, *Change in the Middle East: Implications for U.S. Policy*, coordinated by Christopher M. Blanchard. For additional CRS products on U.S. policy toward the MENA region, see "Related CRS Reports."

[26] President Barack Obama, "Remarks by the President on the Middle East and North Africa," May 19, 2011.

[27] In FY2011 and FY2012, a total of $210 million was identified for the MERF/MENA-IF. U.S. Department of State, FY2013 Congressional Budget Justification, Volume 2, Foreign Operations, p. 53, available at: http://www.state.gov/documents/organization/185014.pdf.

[28] U.S. Department of State, FY2014 Executive Budget Summary, Function 150 and Other International Programs, p. 97, available at: http://www.state.gov/documents/organization/207305.pdf.

[29] For more information, see CRS Report R42621, *State, Foreign Operations, and Related Programs: FY2013 Budget and Appropriations*, by Susan B. Epstein, Marian Leonardo Lawson, and Alex Tiersky; and CRS Report R43043, *The FY2014 State and Foreign Operations Budget Request*, by Susan B. Epstein, Marian Leonardo Lawson, and Alex Tiersky.

[30] While Syria's status as a U.S.-designated state sponsor of terrorism and related U.S. sanctions limit the availability and use of direct U.S. aid to Syria, the Obama Administration has availed itself (in consultation with Congress) of special authorities in U.S. law that permit the use of limited amounts of U.S. assistance funds to provide approximately $250 million

in non-lethal support to the Syrian opposition. To date, the United States has also provided nearly $510 million in humanitarian assistance funding to help those affected by the conflict. See U.S. Department of State Fact Sheet, "U.S. Government Assistance to Syria," May 9, 2013.

[31] President Barack Obama, "Remarks by the President on the Middle East and North Africa," May 19, 2011.

[32] Remarks by Deputy U.S. Trade Representative Miriam Sapiro, "Trade and Investment Engagement with the Middle East and North Africa," September 15, 2011; U.S. Department of State Press Release, "U.S., Four Arab Nations on New Trade and Investment Partnership," April 12, 2012; Danya Greenfield and Rosa Balfour, *Arab Awakening: Are the U.S. and EU Missing the Challenge?*, Atlantic Council, June 2012.

[33] Greenfield and Balfour, *Op. cit.*; also see CRS Report R42153, *U.S. Trade and Investment in the Middle East and North Africa: Overview and Issues for Congress*, coordinated by Shayerah Ilias Akhtar.

[34] Philip Gordon, U.S. Assistant Secretary of State for Europe and Eurasia, "The Democratic Wave in the Arab World: Transatlantic Perspectives," Remarks at the EU Washington Forum, October 27, 2011.

[35] European Union Press Release, "EU Outlines New Policy in Response to Arab Spring," May 25, 2011; Geoff Paul, *Europe Moves to Reward "Arab Spring" with Big Increase in Development Aid—Helped by U.S.*, European Institute, October 2011; EBRD Press Release, "EBRD Shareholders Approve Fund To Start Investment in Emerging Arab Democracies," May 19, 2012. For more information on the EBRD, see its website, available at: http://www.ebrd.com.

[36] The G8 consists of: Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, the United States, and the European Union. The presidency of the G8 rotates annually among the member countries.

[37] See the "Declaration of the G8 on the Arab Spring," G8 Summit of Deauville, May 27, 2011; "G8 Statement of the Deauville Finance Ministers," September 10, 2011; Danya Greenfield and Rosa Balfour, *Arab Awakening: Are the U.S. and EU Missing the Challenge?*, Atlantic Council, June 2012; "Chair Summary of the Deauville Partnership with Arab Countries in Transition Meeting," April 20, 2013, available at: https://www.gov.uk.

[38] David Lipton, IMF First Deputy Managing Director, "Enabling Economic Transformation in the Middle East and North Africa," Speech before the London School of Economics, November 13, 2012; "Egypt Stalls on IMF Terms, No Deal Seen," Reuters, April 14, 2013. For more information, see CRS Report R43053, *Egypt and the IMF: Overview and Issues for Congress*, by Rebecca M. Nelson and Jeremy M. Sharp.

[39] The options discussed in this section are drawn from a variety of sources, including: Uri Dadush and Michele Dunne, "American and European Responses to the Arab Spring: What's the Big Idea?," *Washington Quarterly*, Fall 2011; Danya Greenfield, *A US-EU Action Plan for Supporting Democratization: Egypt, Libya, Tunisia*, Atlantic Council, November 2011; Greenfield and Balfour, *Op. cit.*; and discussions with U.S. and European officials.

[40] The Paris Club is an informal group of official creditors whose role is to find coordinated and sustainable solutions to the payment difficulties experienced by debtor countries. See: http://www.clubdeparis.org/en/.

[41] Evita Neefs, "South and East Fight for the Money," *De Standaard*, March 9, 2011; Stephen Castle, "Lady in Waiting*," Foreign Policy*, March 31, 2011.

[42] "Egypt Convicts NGO Workers, Including 16 Americans," Associated Press, June 4, 2013; Amy Hawthorne, "What the United States Should Have Said To Egypt About the NGO Trial," Atlantic Council, June 6, 2013.

In: The Middle East and North Africa
Editor: Mehdi Vermeirsch
ISBN: 978-1-62808-919-6

Chapter 2

U.S. TRADE AND INVESTMENT IN THE MIDDLE EAST AND NORTH AFRICA: OVERVIEW AND ISSUES FOR CONGRESS*

Shayerah Ilias Akhtar, Mary Jane Bolle and Rebecca M. Nelson

SUMMARY

U.S. interest in deepening economic ties with certain countries in the Middle East and North Africa (MENA) has increased in light of the political unrest and transitions that have swept the region since early 2011. Policymakers in Congress and the Obama Administration are discussing ways that U.S. trade and investment can bolster long-term economic growth in the region. In May 2011, President Obama announced the MENA "Trade and Investment Partnership Initiative" (MENA-TIP), through which various federal government agencies are engaged in efforts to enhance trade and investment with the region. Such activities are in line with long-standing U.S. trade policy goals and measures. Some Members of Congress have called for deeper economic ties with MENA countries undergoing political change. However, continued political uncertainty and changing security environments in the region have prompted greater scrutiny of U.S. engagement. This report

* This is an edited, reformatted and augmented version of the Congressional Research Service Publication, CRS Report for Congress R42153, dated March 4, 2013.

analyzes policy approaches that Congress might consider concerning U.S.-MENA trade and investment.

MENA Economies and Integration in the Global Economy

Economic performance in the MENA as a whole lags behind other regions in the world in terms of gross domestic product (GDP) per capita (living standards), employment, and economic diversification, despite the fact that several MENA countries are major producers of oil and natural gas. Limited integration in the global economy is frequently cited as an obstacle to the region's overall economic development. MENA's trade with the world is concentrated in a small number of products (oil exports and imports of manufactured goods) and among a small number of trading partners (particularly the European Union). Tariffs also remain high in some MENA countries, and intra-regional trade and investment flows are relatively low. With regard to the United States, the MENA region accounts for less than 5% of U.S. total trade and 1% of U.S. foreign direct investment (FDI) outflows. U.S. businesses face a number of non-tariff barriers, such as lack of transparency, bureaucratic red tape, corruption, weak rule of law, and differences in business cultures.

Policy Approaches and Challenges

Current U.S. trade and investment policies with MENA countries are quite varied. The United States has free trade agreements (FTAs) with five MENA countries (Bahrain, Israel, Jordan, Morocco, and Oman), but more limited ties with other countries, such as Libya, which is not a member of the World Trade Organization (WTO). Important exceptions to overall U.S. trade policy objectives in the region are Iran and Syria, which are both subject to trade sanctions.

Analysts disagree about the merits of deepening U.S. trade and investment ties with the MENA region. Some analysts maintain that new trade and investment agreements help anchor domestic reforms, such as in governance and rule of law; support sound economic growth; are a cost- effective way to support transitioning countries in an environment of budgetary constraints; and could promote U.S. exports and investment. Others argue that the empirical record between economic openness and democracy is weak and that it is unclear whether protesters in various Arab countries favor more economic liberalization, which they sometimes associate with corruption, inflation, and inequality. They also argue that political uncertainty in the region, such as the fluidity of Egypt's political transition, merits a "wait-and-see" approach before proceeding with substantial policy changes.

The 113th Congress could consider a number of approaches regarding U.S. trade and investment with the region, including

- maintaining the status quo until the impact of the political changes in MENA countries is clear;
- providing technical assistance to countries working towards WTO membership, as well as trade capacity building support to countries working to implement WTO commitments;
- negotiating new trade and/or investment agreements with countries in the region that do not already have them, such as Egypt and Tunisia;
- utilizing existing trade frameworks for greater dialogue and progress on trade and investment and encouraging regional integration;
- reauthorizing existing trade preferences through the Generalized System of Preferences (GSP) program or creating a U.S. trade preference program, differing from GSP, that grants preferential market access to exports from MENA countries; and
- increasing assistance from federal export and investment promotion agencies to the region.

In considering such approaches, some questions that could arise include

- Should the U.S. government promote expanded trade and investment in the near term in order to support democratic transitions, or should it wait until the political situation stabilizes in various countries? To what extent should the United States balance a regional approach of increased trade and investment with more tailored policies to the specific needs of individual countries?
- To what extent should the United States cooperate with the European Union or others on trade and investment in the MENA region?

Are existing U.S. frameworks and agreements on trade and investment with MENA countries benefitting the region, and achieving the intended objectives? What lessons can be learned from past U.S. efforts to promote trade and investment? How effective are current efforts to expand trade and investment under the MENA-TIP initiative?

INTRODUCTION

The political unrest and transitions that have swept through several countries in the Middle East and North Africa (MENA) since early 2011—often referred to as the "Arab Spring" or "Arab Awakening"—have prompted the United States, along with the broader international community, to discuss approaches and take actions to support democratic political transitions in the region.[1] A key focus is the role that economic growth can play in solidifying and supporting political transitions in the region.

Calls for greater U.S. trade and investment with the region in support of economic growth have come from policymakers in the Administration and Congress. In May 2011, President Obama announced the MENA "Trade and Investment Partnership Initiative" (MENA-TIP) to facilitate trade and investment with the region. The initiative has a primary focus on Egypt, Jordan, Morocco, and Tunisia.[2] Within Congress, some Members have called for new free trade agreements (FTAs) with Egypt and Tunisia, and deeper economic ties with Libya.[3]

Presently, U.S. trade and investment policy in the region is focused on using trade and investment to foster economic growth, promote greater economic reforms, provide support for successful and stable democratic transitions, and generally support U.S. foreign policy objectives.[4] The U.S. government is pursuing such efforts both as part of the MENA-TIP initiative and through broader or long-standing U.S. trade policy measures. Measures to bolster trade and investment ties are often long-term in nature, and could build on other shorter-term measures to support transitioning countries.[5] However, continued political uncertainty and changing security environments in the region could prompt greater scrutiny of U.S. engagement, as policymakers grapple with questions of timing, feasibility, and political support for such efforts.[6]

Congress has oversight, authorization, and appropriation responsibilities related to U.S. trade and investment policy. New U.S. trade and investment initiatives with the MENA region could require congressional involvement. For example, legislative action would be needed to implement new free trade agreements. Congress also may want to exercise oversight over any changes to government programs that promote U.S. trade and investment.

The structure of this report is as follows:

- The report begins with background and analysis for policymakers considering a re-evaluation of U.S. trade and investment in the MENA in light of political change in the region. In particular, the report examines the economic challenges facing many countries in the region and the area's limited economic integration—both in the world economy, including relatively weak economic ties with the United States, and in the MENA regional economy.
- The report then analyzes current U.S. trade and investment policy efforts in the region and various policy options for increasing trade and investment with MENA countries.
- The report concludes by discussing (1) the premise of the policy agenda, specifically whether increased trade and investment can support or lead to successful democratic transitions and political stability; and (2) if such a policy agenda is pursued, possible implementation questions that policymakers may face.

ECONOMIC CHALLENGES IN THE MENA REGION

Weak Economic Development Despite Abundant Natural Resources

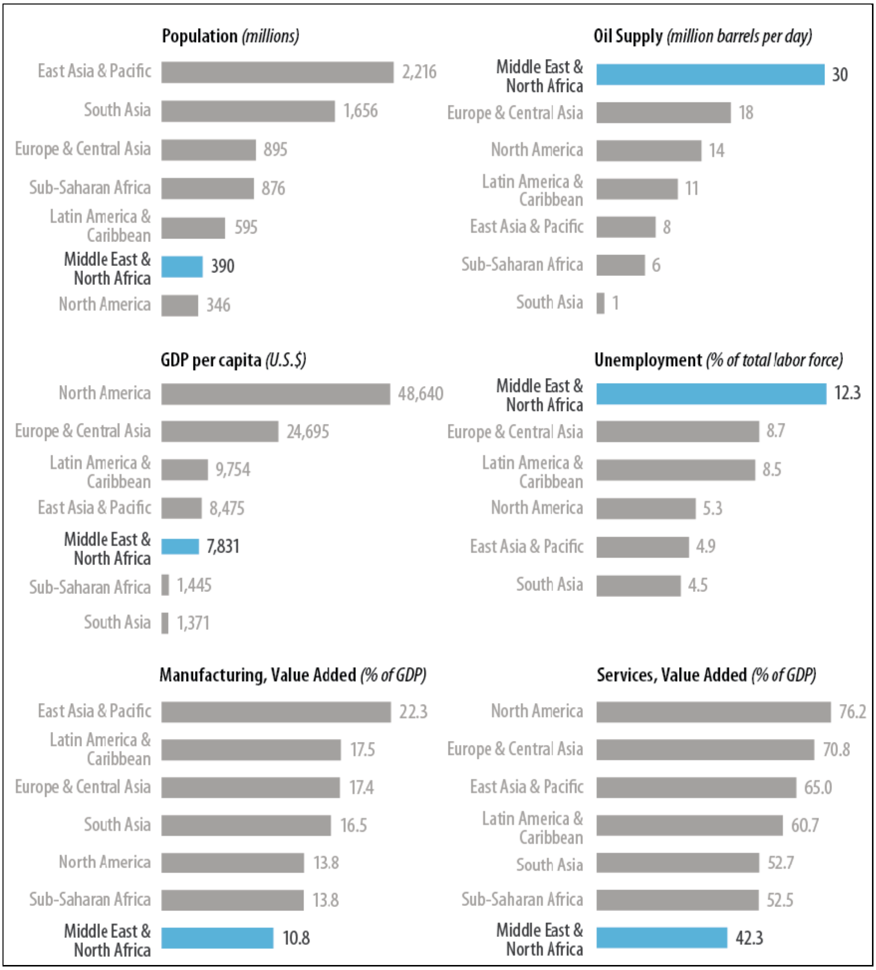
As a whole, the MENA region lags behind other regions on many key economic indicators (**Figure 2**). In 2011, the region accounted for 5.6% of the world's total population, but its economic output is disproportionately smaller, accounting for just 4.4% of the world's gross domestic product (GDP). Additionally, the region's GDP per capita in 2011 ($7,831) was lower than those of Latin America and the Caribbean ($9,754) and East Asia and the Pacific ($8,475). The region generally has poorly developed manufacturing and service sectors; the value-added of manufacturing and services relative to GDP in MENA in 2010 was the smallest in the world. Weak economic opportunities, combined with one of the fastest-growing populations in the world, have resulted in high levels of unemployment. Unemployment in the region was 9.7% in 2008, more than double the unemployment rate in East Asia and the Pacific (4.7%) in 2009. Unemployment among youth in particular is a challenge. For example, in 2009, youth (15-24 year-olds) unemployment was 27% in Jordan, and 22% in Morocco. By contrast, youth unemployment in Thailand, which has a similar GDP per capita to Jordan's, was markedly lower at 4.3% in 2009.[7]

While several countries in the region are rich in natural resources, especially oil and natural gas, the revenues from these resources have been poorly utilized and the development of other production and export industries has lagged. MENA countries produced 30% of the world's oil and 22% of the world's natural gas in 2011.[8] Oil production is concentrated in Algeria, Bahrain, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, the United Arab Emirates (UAE), and Yemen. Other countries in the region typically import more oil than they produce, or do not produce any oil at all. The mismatch between endowments of natural resources and weak economic development is frequently called a "resource curse," since endowments of natural resources like oil seem to have deterred, rather than jumpstarted, broad economic development in many countries and potentially exacerbated inequality. In some countries, notably in the oil-rich Gulf region, governments are now actively seeking to leverage state oil export revenues to support the development of non-hydrocarbon economic sectors and the expansion of employment opportunities. In countries where energy resources must be imported, governments may struggle with fiscal pressures.

Source: CRS.

Note: World Bank definition of the MENA. For more information, see footnote 1.

Figure 1. Map of Middle East and North Africa (MENA).



Source: World Bank, *World Development Indicators*; U.S. Energy Information Administration, *International Energy Statistics*.

Notes: Data are for the most recent year available. Population, oil production, and GDP per capita data are for 2011; unemployment data are for 2005; and service and manufacturing data are for 2010. Unemployment data for the Sub-Saharan Africa region as a whole are not available.

Figure 2. The MENA Economy in Comparative Perspective: Key Indicators.

Obstacles to Development

Numerous explanations have been put forward to explain why economic development in the MENA region has lagged behind other regions.[9] For example, it has been argued that:

- Weak integration in the global economy has prevented the region from reaping the opportunities of globalization;
- “Easy money” from natural resources in some MENA countries has provided few incentives to develop sound economic policies or other productive industries, with the benefits of natural resources going to a few and not the public at large;
- Non-democratic political institutions have stifled innovation and economic competition, leading to slow growth and distortions in the economy;
- A weak business environment, stemming from heavy government involvement in the economy, red tape, corruption, and weak rule of law, has deterred foreign investment;
- A weak educational system has not equipped youth in the region with the skills demanded by the private sector in a competitive global environment;
- Subsidies and lack of government infrastructure spending, with large portions of the budget going to defense and subsidies for basic needs, creates distortions in the economy; and
- Women constitute a low proportion of the labor force, preventing the region from tapping all its productive potential.

Important Caveats: Areas of Success, and Heterogeneity among Countries

Despite the economic challenges faced by the region as a whole, it is important to note that there have been some areas of economic success. Appreciating economic diversity among the MENA economies may have implications for the types of economic policies that might be pursued to bolster growth in the region, and suggests that policy solutions may need to be tailored to the specific circumstances of each economy.

For example, the World Bank and the International Monetary Fund (IMF) have applauded success on various social indicators of well-being and macroeconomic stability for the region.[10] In 2010, the MENA had a life expectancy of 72 years and a primary education completion rate of 91%, and an under-5 mortality rate of 31 per 1,000 births. Absolute poverty in the region is also relatively low, with approximately 4% of the population living on $1.25 a day.[11] Additionally, the IMF has noted that, over the past two decades, the region has generally been successful in reining in inflation, improving trade balances, and reducing public debt levels. However, some countries undergoing political transition are experiencing macroeconomic instability.

Substantial diversity also exists in the region, and some countries have achieved greater levels of economic success than others (Table 1). For example, some of the region's small, oil-exporting countries are among the richest countries in the world; GDP per capita is higher in Kuwait and Qatar ($62,664 and $92,501 respectively in 2011) than in the United States ($48,111 in 2011). Likewise, some countries have stronger political and legal institutions than others; according to the World Bank's *Worldwide Governance Indicators*, Qatar ranked in the 74th percentile among countries worldwide in strength of rule of law in 2011.[12] Economic reforms have taken root in some countries; in the World Bank's *Doing Business* Report, Saudi Arabia is ranked as the 22nd- easiest country in the world in which to do business.[13] While female participation in the labor force is low in many countries, women made up 47% of the labor force in Israel in 2010.

Finally, some countries in the region continue to grapple with various social challenges and macroeconomic stability, areas where the region as a whole is viewed as having succeeded. For example, poverty in Egypt is relatively high, with nearly one in six Egyptians (15.4%) living on less than $2 a day in 2008. The under-5 mortality rate in Yemen was 77 per 1,000 births in 2011, more than twice the average for the region as a whole. In terms of macroeconomic stability, Lebanon has a high level of public debt (forecasted to be 135% of GDP in 2013), and Egypt is running a large budget deficit (forecasted to be 9.8% of GDP in 2013).[14]

WEAK INTEGRATION IN THE GLOBAL ECONOMY

With some exceptions, MENA countries face serious economic challenges despite some countries' large oil and gas production. Weak integration in the global economy, including weak integration within the region, is frequently cited by economists as a factor impeding economic development in the region.

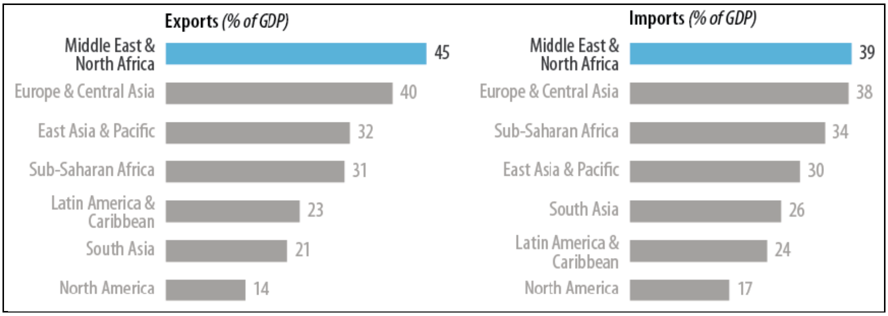
Table 1. Selected Economic Indicators for MENA Countries

	Population	Oil Supply	GDP	GDP per capita	Manufacturing	Services	Unemployment
	Millions	Thousand barrels per day	Billion US$	US$	Value added, % of GDP	Value added, % of GDP	% of total labor force
	2011	2011	2011	2011	Most recent year available since 2008	Most recent year available since 2008	Most recent year available since 2008
Oil exporters							
Algeria	36.0	1,884	189	5,244	5.6[c]	31.0[b]	11.4[b]
Bahrain	1.3	47	23[b]	18,184	–	–	–
Iran	74.8	4,234	331[c]	4,526	–	–	10.5[d]
Iraq	33.0	2,635	115	3,501	–	–	–
Kuwait	2.8	2,682	177	62,664	–	–	–
Libya	6.4	502	62[c]	9,957	4.5[d]	19.9[d]	–
Oman	2.8	889	72	25,221	–	–	–
Qatar	1.9	1,638	173	92,501	–	–	–
Saudi Arabia	28.1	11,153	577	20,540	9.7[b]	37.8[b]	5.4[c]
UAE	7.9	3,088	360	45,653	9.7[b]	43.6[b]	4.0[d]
Yemen	24.8	163	34	1,361	6.1[b]	62.9[b]	14.6[c]
Oil importers							
Djibouti	0.9	0	1[c]	1,203	–	–	–
Egypt	82.5	727	230	2,781	15.2[a]	49.3[a]	9.4

	Population	Oil Supply	GDP	GDP per capita	Manufacturing	Services	Unemployment
	Millions	**Thousand barrels per day**	**Billion US$**	**US$**	**Value added, % of GDP**	**Value added, % of GDP**	**% of total labor force**
	2011	**2011**	**2011**	**2011**	**Most recent year available since 2008**	**Most recent year available since 2008**	**Most recent year available since 2008**
Israel	7.8	4	243	31,282	–	–	6.6[b]
Jordan	6.2	0	29	4,666	19.4[a]	65.6[a]	12.9[c]
Lebanon	4.3	0	42	9,904	8.2[a]	72.4[a]	–
Malta	0.4	0	9	21,209	13.4[b]	65.4[a]	6.9[b]
Morocco	20.8	4	100	3,054	15.5[a]	55.0[a]	10.0[b]
Syria	10.7	331	59[b]	2,893	–	46.5[c]	8.4[c]
Tunisia	4.0	70	46	4,297	17.6[a]	59.7[a]	14.2[d]
West Bank	0.9	0	–	–	–	–	24.5[c]

Source: World Bank, *World Development Indicators*, 2012; U.S. Energy Information Administration, *International Energy Statistics*, 2012.

Note: "–" denotes not available. a. 2011 data; b. 2010 data; c. 2009 data; d. 2008 data.



Source: World Bank, World Development Indicators.
Note: Includes trade in goods and services.

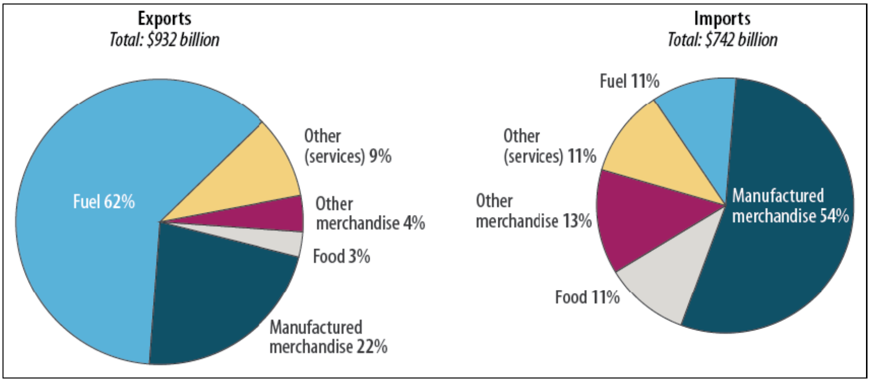
Figure 3. MENA's Trade as a Percent of GDP Compared to Other Regions, 2010.

MENA's Trade and Investment with the World

On the surface, MENA appears to be relatively active in global trade. Relative to GDP, the region had the highest level of exports (45% of GDP in 2010) of any major geographic region in the world in that year, and the highest levels of imports (39% of GDP in 2010, see Figure 3).[15] Net inflows of foreign direct investment (FDI) into MENA countries were 2.0% of GDP in 2011, slightly below the average for countries worldwide (2.3% of GDP).[16]

Delving deeper, however, reveals the limitations of MENA's interactions in the global economy. First, MENA's trade tends to be highly concentrated in a few key products. Figure 4 shows that oil dominates the region's exports, with fuel accounting for 62% of the region's total exports in 2009. MENA's imports are also heavily concentrated on manufactured goods, which accounted for 54% of total imports in 2009, as shown in Figure 4.[17] Some lower-income countries in the region still have relatively high levels of protectionism. Tariff rates averaged 6.1% in 2010 among developing MENA countries, compared to an average of 4.3% among developing countries and 2.7% for countries worldwide.[18]

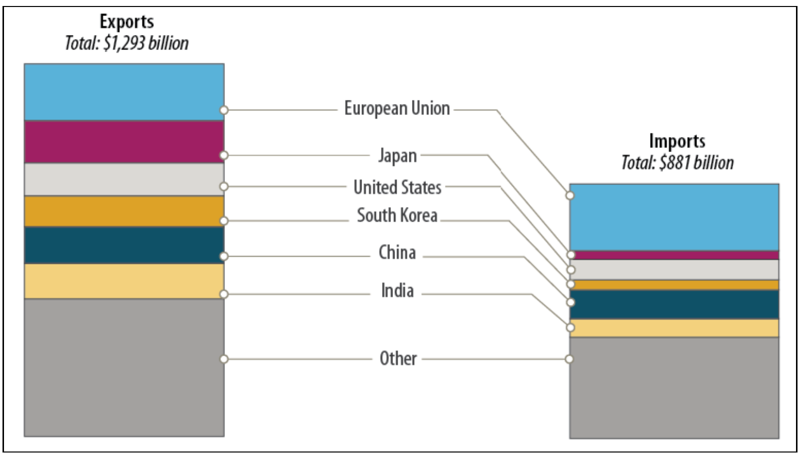
For trade in goods, MENA's biggest trading partner is the European Union (EU), although countries in the region also trade heavily with Japan, the United States, and large emerging markets, including China and India, as shown in Figure 5.[19] Intra-MENA trade is relatively limited, accounting for just 10% of total exports and 16% of total imports in 2011.[20]



Source: World Bank, World Development Indicators.

Figure 4. MENA's Exports and Imports of Goods and Services with the World, by Commodity or Type of Service, 2009.

There are a number of economic and political explanations for why trade within the region is limited. Some of the countries in the region produce similar products, limiting the opportunities for intra-regional trade. Political tensions among countries also may restrict intra-regional trade. For example, the Arab League, an umbrella organization of more than 20 Middle Eastern and African countries and entities, has maintained an official boycott of Israeli companies and Israeli- made goods since the founding of Israel in 1948.[21]



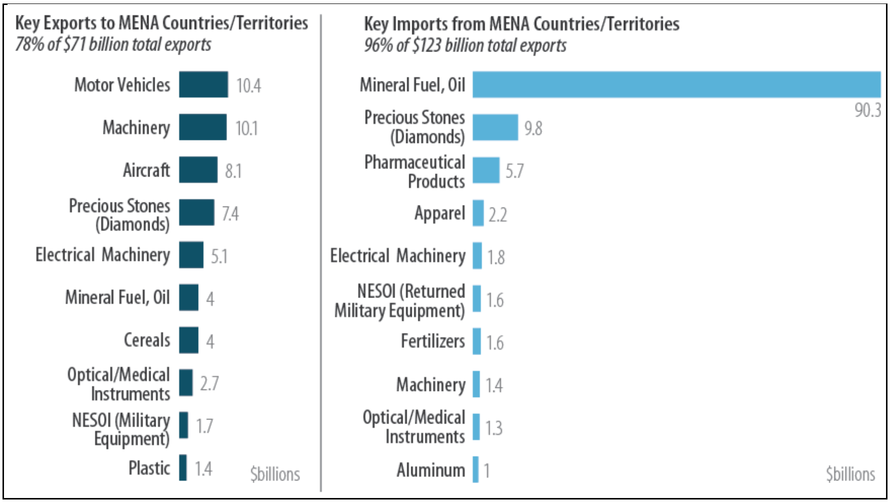
Source: International Monetary Fund (IMF), *Direction of Trade Statistics*.
Notes: Merchandise data only; services data not available.

Figure 5. MENA's Major Trading Partners, 2011.

U.S.-MENA Trade and Investment

Trade

Trade and investment between the MENA and the United States is relatively limited, suggesting scope for deeper economic ties. U.S. trade with MENA countries accounts for a small share of total U.S. trade: $193 billion, about 5% of the U.S. total, in 2011. U.S.-MENA trade primarily consists of exchanging a wide variety of U.S. goods for crude oil, which is then processed and refined into such petroleum end-products as gasoline, diesel fuel, heating oil, kerosene, and liquefied petroleum gas. As shown in Figure 6, oil accounted for 73% of all U.S. imports from the MENA in 2011 ($90 billion out of $123 billion). If Israel were removed from the list of countries, oil's share of all U.S. imports from the region would rise to over 90%. Despite the fact that the MENA consists of several oil exporters, it still ranks as the second-largest U.S. oil supplier, accounting for about one-fifth (21%) of U.S. oil imports, with Canada ranking first (24%) and Mexico third (10%). The United States exports a range of goods to the MENA region, including motor vehicles, machinery, aircrafts, and diamonds (Figure 6).

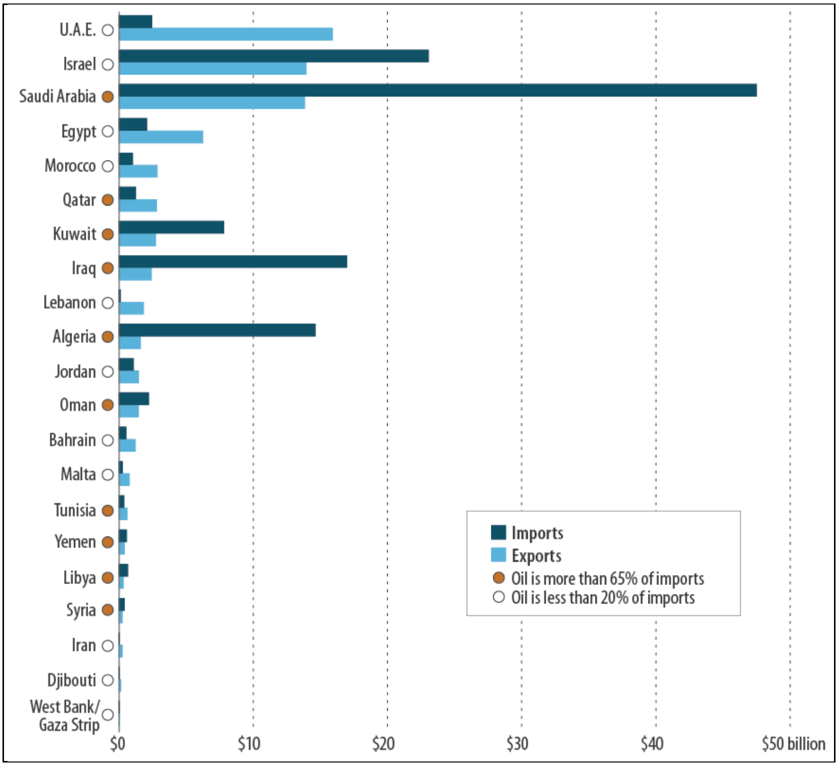


Source: USITC Dataweb--total exports and general imports.

Notes: NEOSI = Not elsewhere specified or included. See the Appendix for more detailed data.

Figure 6.Top U.S. Exports to and Imports from the MENA Region, 2011.

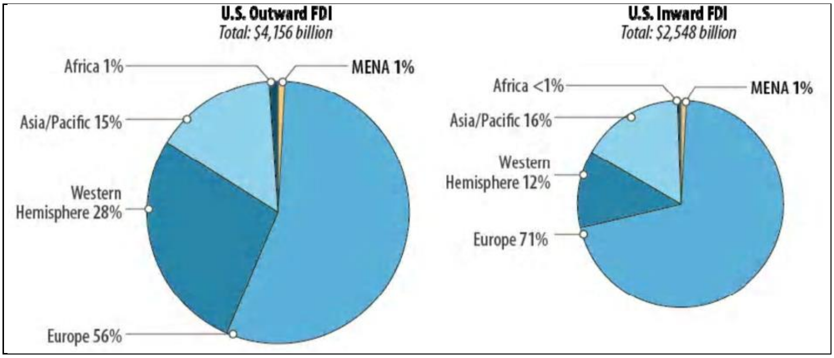
Within the region, the value of U.S. trade with individual economies varies widely (Figure 7). In 2011, U.S. trade with the MENA region was concentrated in eight countries: Saudi Arabia, Israel, Algeria, Iraq, UAE, Egypt, Kuwait, and Qatar. Together, these eight countries accounted for more than 90% of all U.S. trade (exports and imports) with the region. For four of these countries— Saudi Arabia, Algeria, Iraq, and Kuwait (designated by a red dot in Figure 7)—oil constituted nearly all of their exports to the United States. Other countries for which oil represents more than 65% of its exports included Qatar, Oman, Tunisia, Yemen, Libya, and Syria. In contrast, Israel exports a broader mix of products to the United States. More detailed trade data are provided in the Appendix.



Source: Global Trade Atlas.

Note: U.S. exports to MENA total $71 billion; and imports total $123 billion. See the Appendix for more detailed data.

Figure 7. U.S. Exports to and Imports from MENA Countries/Territories, 2011.



Source: Department of Commerce, Bureau of Economic Analysis (BEA).

Notes: BEA classification of countries by region, with the exception of Egypt, Algeria, Djibouti, Libya, Morocco, and Tunisia re-classified to be in the MENA region rather than the African region. U.S. "outward" FDI refers to U.S. FDI into MENA countries/territories. U.S. "inward" FDI refers to FDI flowing from MENA countries/territories to the United States. Data are for the stock of FDI, rather than flows of FDI, and are on a historical-cost basis.

Figure 8. U.S.-MENA Foreign Direct Investment (FDI), 2011.

Foreign Direct Investment (FDI)

Closely linked to trade is FDI. Figure 8 shows that the MENA region accounts for a small share of global FDI by U.S. firms ("outward" FDI). In 2011, the total stock of U.S. outward FDI was $4.2 trillion.[22] Of this, about only $56 billion, or 1%, was invested in the MENA region.[23]

Likewise, the total stock of FDI in the United States ("inward" FDI) in 2011 was $2.5 trillion. Firms located in MENA countries accounted for approximately $17 billion, or 1% of total FDI into the United States.[24]

Figure 9 shows the stock of U.S. foreign direct investment in specific MENA economies in 2011. FDI from the United States to the region was concentrated in a small number of countries, including Egypt, Qatar, Israel, Saudi Arabia, Algeria, and the UAE. Figure 9 also shows that Israel accounted for roughly 90% of FDI into the United States from MENA countries, with more than $15 billion invested in the United States.

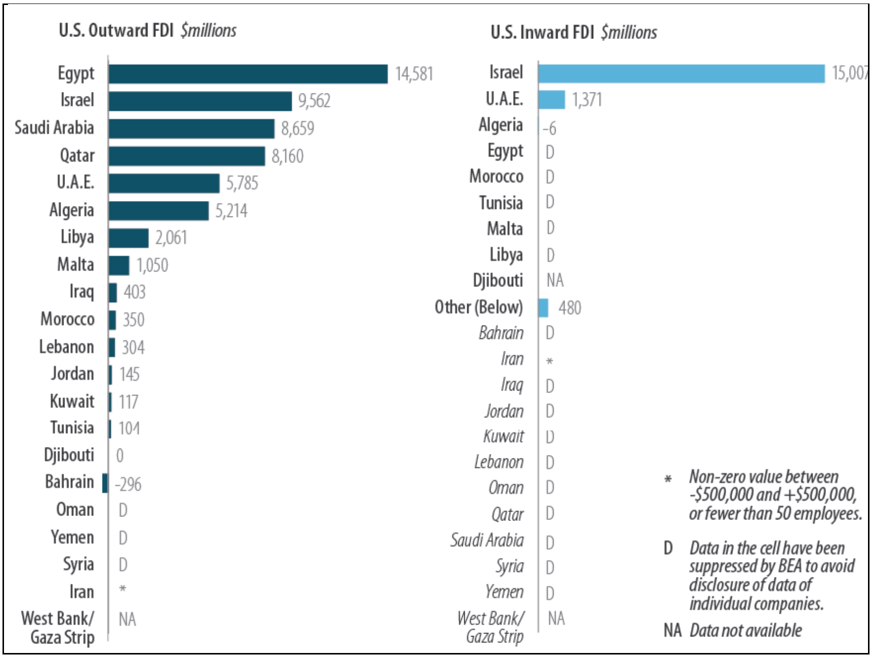
Obstacles to Closer U.S. Trade and Investment Ties with MENA Countries

What factors have limited U.S.-MENA trade and investment ties? Some countries in the region have undertaken efforts to improve their regulatory and business environments. However, serious challenges remain to international firms, including U.S. firms, looking to do business in the region. One source of information about obstacles to doing business in various countries overseas is the *Country Commercial Guides* published by the U.S. Commercial Service, part of the Department of Commerce.[25] For the region, the reports generally emphasize impediments to U.S. firms seeking to do business in MENA countries related to lack of transparency, bureaucratic red tape, weak rule of law, corruption, and differences in business cultures. Some examples of issues raised by these U.S. government reports in selected MENA countries are listed below.

- **Egypt:** corruption; ill-defined regulatory framework; generally unresponsive commercial court system; and multiplicity of regulations and regulatory agencies.[26]
- **Tunisia:** inconsistent procedures in customs administration and delays in customs clearance.[27]
- **Morocco:** irregularities and lack of transparency in government procurement procedures; corruption; and counterfeit goods.[28]
- **Saudi Arabia:** weak enforcement of arbitration of private sector disputes; foreign visitors need to obtain a local sponsor to obtain a business visa; and preference to local firms in government contracts.[29]
- **UAE:** difficult to dismiss non-performing local employees; difficult to sell without a local partner; slow payments; and cumbersome dispute resolution mechanisms.[30]

U.S. TRADE AND INVESTMENT POLICY WITH MENA

Given the economic and governance challenges, recent political upheaval, and the MENA region's limited integration into world markets, policymakers, both domestically and internationally, have discussed how trade and investment could foster support for successful and stable democratic transitions. For example, President Obama said in his May 2011 speech on the region that, "just as democratic revolutions can be triggered by a lack of individual opportunity, successful democratic transitions depend upon an expansion of growth and broad-based prosperity."[31]



Source: U.S. Department of Commerce, Bureau of Economic Analysis (BEA).

Notes: U.S. "outward" FDI refers to U.S. FDI into MENA countries/territories, and totaled $56 billion in 2011. U.S. "inward" FDI refers to FDI flowing from MENA countries/territories to the United States, and totaled $17 billion in 2011. Data are for the stock of FDI, rather than flows of FDI. Data are on a historical-cost basis. Note that for inward flows to the United States, "other" includes Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, and Yemen.

- Negative positions can occur when a parent company's liabilities to the foreign affiliate are greater than its equity in and loans to the foreign affiliate.

Figure 9. U.S.-MENA Foreign Direct Investment (FDI): Country Breakdown, 2011.

U.S. trade policy in the region is focused on using trade and investment to foster economic growth, promote greater economic reforms, provide support for successful and stable democratic transitions, and generally support U.S. foreign policy objectives. Such goals also fit into long- standing and overall U.S. trade policy goals of creating and sustaining U.S. jobs by opening international markets and through rules-based trade, as well as by monitoring and enforcing U.S. rights under trade agreements.

Important exceptions to overall U.S. trade policy objectives in the region are Iran and Syria. There is broad international support, including from the United States, to support progressively strict economic sanctions on Iran to try to compel it to verifiably confine its nuclear program to purely peaceful uses.[32] Likewise, the State Department has designated Syria as a state sponsor of terrorism, making Syria subject to a number of legislatively mandated penalties, including export sanctions and ineligibility to receive most forms of U.S. aid or to purchase U.S. military equipment.[33] Should fundamental political change occur in Syria, Congress may revisit long- standing restrictions in consultation with the Administration.

Overview of U.S. Trade Policy Tools

The United States uses policy tools to promote trade and investment, both with the MENA and globally, that may be grouped into two broad categories: (1) formal agreements and discussion frameworks to liberalize trade and investment and advance rules-based trade, such as free trade agreements and bilateral investment treaties; and (2) U.S. federal government programs that aim to encourage international trade and investment, such as export assistance and financing. Details on selected policy tools are provided in the text box below.

MENA Trade and Investment Partnership Initiative

The U.S. government has organized much of its trade policy response to the political change in the region through the MENA "Trade and Investment Partnership" (MENA-TIP). Announced by President Obama in May 2011, the objectives of the initiative are to facilitate trade within the region; promote greater trade and investment with the United States and with other global markets; and "open the door to willing and able MENA partners—particularly those adopting high standards of reform and trade liberalization—to construct a regional trade arrangement."[34] Under this initiative, the United States has engaged primarily with Egypt, Jordan, Morocco, and Tunisia, focusing cooperation initially on investment, trade facilitation, support for small- and medium-sized enterprises (SMEs), and regulatory practices and transparency.[35] The United States also has engaged, to a lesser extent, with Libya.

BACKGROUND ON SELECTED U.S.TRADE AND INVESTMENT POLICY TOOLS

Multilateral Trade Agreements

- The **World Trade Organization (WTO)** is a multilateral body that establishes liberalized and rules-based trade through negotiations; implements a rules-based system for trade in goods and services and other trade- related matters; and adjudicates disputes under the rules. Accession to the WTO includes implementation of WTO agreements, the establishment of stable and predictable market access for goods and services, and the development of a proven framework for adopting policies and practices that promote trade, investment, growth, and development. The WTO has 159 members.

Bilateral Trade and Investment Discussions

- **Trade and Investment Frameworks (TIFAs)** are agreements between the United States and another country or a group of countries to consult on issues of mutual interest in order to facilitate trade and investment. TIFAs are non-binding, do not involve changes to U.S. law, and therefore, do not require congressional approval. TIFAs may lead to free trade agreement negotiations (see below).

Bilateral Trade and Investment Agreements

- **Free Trade Agreements (FTAs)** are reciprocal agreements in which member countries agree to eliminate tariff and non-tariff barriers on trade in goods, services, and agriculture between or among countries covered by the agreement, and to establish rules in trade-related areas, such as investment, intellectual property rights (IPR), labor, and the environment. FTAs also can enhance and “lock in” domestic economic reform in partner countries, such as on transparency of regulatory policies, IPR protection, and customs procedures.

U.S. FTAs generally are comprehensive and "high-standard" agreements and, in certain cases, go beyond WTO commitments. Congress must approve implementing legislation for FTAs in order for U.S. commitments under the agreements to enter into force. The United States has entered into 14 FTAs with 20 countries.

- **Bilateral Investment Treaties (BITs)** establish binding rules for the reciprocal protection of investment in each other's territories. Most BITs contain provisions that assure U.S. and foreign partner country investors of non-discriminatory treatment of investments by the host country, place limits on expropriation of investments, and provide for due process to settle investment-related disputes with host governments, among other things. As treaties, U.S. BITs are ratified by the Senate. The United States has 41 BITs in-force.

U.S. Federal Government Programs to Encourage Trade and Investment

- **Export promotion** constitutes a wide variety of functions that may directly or indirectly support the expansion of U.S. exports, including providing information, counseling, and export assistance services; funding feasibility studies; financing and insuring U.S. trade; conducting government-to-government advocacy; and negotiating new trade agreements and enforcing existing ones. Congress authorizes and provides appropriations for export promotion-related programs.
- **Trade preference programs** provide preferential treatment, usually in the form of lower tariffs or duty-free treatment, to a range of imports from eligible developing countries to promote their economic development and growth by stimulating exports and investment. Congress authorizes trade preference programs. The **Generalized System of Preferences (GSP)** is the most comprehensive of all U.S. trade preference programs. Specifically, GSP provides non-reciprocal, duty-free tariff treatment to certain products imported from designated beneficiary developing countries. Certain "import sensitive" products are specifically excluded from preferential treatment. These include most textile and apparel goods, watches, footwear, and other accessories, most electronics, steel and glass products, and certain agricultural products subject to tariff-rate quotas.

- **Qualifying Industrial Zones (QIZs),** established by Congress in 1996, permit Jordan and Egypt to export duty-free certain products manufactured in designated zones in their countries to the United States, provided that they contain a certain percentage of inputs from their respective countries and from Israel.

Note: Congress has oversight, authorization, and appropriation responsibilities related to U.S. trade and investment policies and programs.

The Office of the U.S. Trade Representative (USTR), which formulates, coordinates, and implements U.S. trade policy, takes the lead on implementing the MENA-TIP initiative. Other government agencies, including the Departments of Commerce, State, and the Treasury, also participate in the initiative.

Efforts under the MENA-TIP initiative include:

- **Egypt**: In January 2012, the United States and Egypt announced their intention to develop an "Action Plan" to enhance the bilateral trade relationship. The two sides have outlined possible steps to achieve objectives in three main areas. Actions to (1) *boost exports* could include enhancing Egypt's utilization of the Generalized System of Preferences and Qualifying Industrial Zones programs; (2) *promote investment* could include business missions and investment conferences, the development of a joint statement on investment and services, and technical assistance; and (3) *strengthen Egypt's SME sector* could include sharing best practices, establishing SME business centers in Egypt, and providing Overseas Private Investment Corporation financing to encourage lending by Egyptian banks to Egyptian small businesses.[36]
- **Morocco**: In December 2012, the United States announced the completion of two bilateral agreements with Morocco to stimulate bilateral and regional trade and investment. The non-binding "Joint Principles for International Investment" is intended to signal commitment to adopt and maintain an open, stable investment environment. Similarly, the non-binding "Joint Principles for Information and Communication Technology (ICT) Services" is intended to demonstrate commitment to the global development of ICT services. Both sets of principles are modeled after U.S.-EU agreements. The United States and Morocco also are discussing a

third, possibly binding agreement on trade facilitation, modeled after negotiations in the World Trade Organization. The agreement could include new commitments reflecting electronic and other developments in trade facilitation since the U.S.-Morocco free trade agreement (FTA) was signed in 2004.[37]

- **Jordan**: In January 2013, the United States announced the completion of two bilateral agreements with Jordan, a "Joint Principles for International Investment" and "Joint Principles for Information and Communications Technology (ICT) Services." These agreements are the same as the December 2012 agreements signed between the United States and Morocco (discussed above). In addition, the United States and Jordan concluded an "Implementation Plan Related to Working and Living Conditions of Workers," which reaffirms Jordan's commitment to protect internationally recognized worker rights and to enforce its labor laws. Follow-up cooperation on labor issues is planned, including through the Labor Subcommittee established as part of the U.S.-Jordan FTA.[38]

The United States may negotiate similar sets of agreements on principles with other countries in the region, such as Egypt.[39]

Formal Agreements and Discussion Frameworks to Liberalize Trade and Investment

Current U.S. trade and investment initiatives with MENA countries are the result of previous efforts undertaken to expand economic and political ties with the region. The Bush Administration in 2003 launched a plan to create a U.S. Middle East Free Trade Area (MEFTA) by 2013. MEFTA aimed to support economic growth and prosperity in the Middle East through liberalizing trade and investment regionally and bilaterally with the United States, as part of a broader plan to fight terrorism. The plan included actively supporting membership in the World Trade Organization (WTO) for countries in the region who were not yet members, negotiating formal bilateral investment treaties (BITs) with interested countries, and negotiating comprehensive free trade agreements (FTAs), among other provisions. The initiative, carried out over several years, fell short of creating a regional free trade area, but did result in the completion of new FTAs with four countries in the region: Bahrain, Jordan, Morocco, and Oman. FTAs were also explored with the UAE and Egypt. Before MEFTA, the only FTA that the United States had in the region was with Israel, completed in 1985.

Table 2. U.S.-MENA Trade and Investment Agreements

	WTO membership (year joined)[a]	**Generalized System of Preferences[b]**	**Trade and Investment Framework Agreements (year signed)**	**Bilateral Investment Treaty with the United States (year entered into force)**	**Bilateral Free Trade Agreement with the United States (year entered into force)**
Algeria	(Observer)	√	√ 2001		
Bahrain	√ 1995		√ 2002	√ 2001	√ 2006
Djibouti	√ 1995	√			
Egypt	√ 1995	√	√ 1999	√ 1992	
Iran	(Observer)				
Iraq	(Observer)	√	√ 2005		
Israel	√ 1995				√ 1985
Jordan	√ 2000	√		√ 2003	√ 2010
Kuwait	√ 1995		√ 2004		
Lebanon	(Observer)	√	√ 2006		
Libya	(Observer)		√ 2010		
Malta	√ 1995				
Morocco	√ 1995			√ 1991c	√ 2006
Oman	√ 2000	√	√ 2004		√ 2009d
Qatar	√ 1996		√ 2004		
Saudi Arabia	√ 2005		√ 2003		
Syria	(Observer)				
Tunisia	√ 1995	√	√ 2002	√ 1993	
United Arab	√ 1996		√ 2004		
Emirates					
West Bank /Gaza Strip		√			
Yemen	(Observer)	√	√ 2004		

Source: CRS Report RL32638, *Middle East Free Trade Area: Progress Report*, by Mary Jane Bolle; CRS Report RL33663, *Generalized System of Preferences: Background and Renewal Debate*, by Vivian C. Jones.

Notes: Countries listed are based on the World Bank's classification of countries in the region (excluding West Bank).

[a] The purpose of observer status for international intergovernmental organizations in the WTO is to enable these organizations to follow discussions therein on matters of direct interest to them.

[b] Based on Generalized System of Preferences (GSP) eligibility criteria, some countries on the table are ineligible for GSP because, for example, they are developed (e.g., Bahrain, Israel, UAE) or are designated as state sponsors of terrorism (e.g., Iran, Syria).
[c] FTA includes investment chapters with updated investment provisions.
[d] FTA includes investment chapter modeled after BIT provisions.

The United States currently has a network of trade and investment agreements in the MENA region that vary dramatically across countries (Table 2). Most of the countries in the region are members of the WTO. The MENA countries that are not—Algeria, Iran, Iraq, Lebanon, Libya, Syria, and Yemen—have "observer status," which enables them to follow discussions on matters of direct interest to them. With the exception of Syria, all of these countries are in various stages of the process to join the WTO.[40] The United States has supported some of these efforts, for example, providing technical support to Iraq, Lebanon, and Yemen for their WTO accession efforts.[41]

Presently, the United States has Trade and Investment Framework Agreements (TIFAs) with most MENA countries, and bilateral investment treaties (BITs) with five MENA countries: Bahrain, Egypt, Jordan, Morocco, and Tunisia. It also has FTAs with five countries in the region: Bahrain, Israel, Jordan, Morocco, and Oman. U.S. FTA negotiations with some MENA countries have experienced complications. For example, discussions on a potential FTA between the United States and Egypt were put on hold in 2005 due to concerns over election results and human rights. Issues of particular concern included questions about Egypt's willingness to negotiate a comprehensive FTA, the adequacy of Egypt's intellectual property rights regime, and import duties for certain apparel and textile products.[42] As another example, negotiations between the United States and the UAE on an FTA were placed on hold in 2007, complicated by differing views on issues related to labor, market access for services, and government procurement.

Elements of this network of trade agreements and policy initiatives serve as additional components of U.S. economic engagement with the MENA. For instance, in support of Tunisia's political transition, in October 2011, the United States and Tunisia "re-launched" talks under the TIFA, originally established in 2002.[43] In March 2012, they met under the bilateral TIFA Council to explore options for bolstering bilateral and intra-regional trade and investment ties.[44] The United States also seeks to enforce U.S. rights under existing trade and investment agreements with MENA countries.

Other Federal Programs to Promote Trade and Investment

In addition to formal agreements to liberalize trade and investment and advance rules-based trade, the United States relies on federal programs to encourage and support international trade and investment. For the MENA countries, the most important of these programs include the Generalized System of Preferences (GSP); Qualifying Industrial Zones (QIZ); and export finance and other export promotion programs run by various federal government agencies. Certain elements of such programs are a part of the MENA-TIP Initiative.

Generalized System of Preferences (GSP)

The United States grants preferential treatment to imports from certain developing countries under the GSP program.[45] GSP beneficiary countries in MENA include Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Oman, Tunisia, the West Bank/Gaza Strip, and Yemen. Specifically, GSP allows certain products from designated developing countries to enter the United States duty-free. In order to be eligible for GSP, countries must comply with trade, investment, labor, and other conditions.[46] The United States first authorized the program in 1974. In October 2011, President Obama signed legislation authorizing GSP through July 31, 2013 (P.L. 112-40).

Overall, GSP program utilization among beneficiary developing countries, including in the MENA region, remains low. In 2011, 0.8% of total U.S. imports from beneficiary developing countries in the MENA constituted goods entering the United States under GSP.[47] One reason for this is that oil accounts for more than 70% of all MENA exports to the United States, but oil from most MENA countries is not eligible for GSP tariff benefits. Additionally, some of the region’s other major exports, including apparel, iron, and steel, are goods that are excluded from preferential treatment under the GSP program.

Qualifying Industrial Zones (QIZs)

QIZs, established by Congress in 1996, permit the West Bank, the Gaza Strip, and qualifying zones in Egypt and Jordan to export certain products to the United States duty-free.[48] Products eligible for duty-free export to the United States must be manufactured in the West Bank, the Gaza Strip, or specified designated zones within Jordan or Egypt and must contain a certain percentage of inputs from Israel. The purpose of the QIZ legislation is to support the Middle East peace process and to build closer economic ties between Israel and its Arab neighbors. U.S. imports under the QIZ programs in both Egypt and Jordan are dominated by apparel products.

- **Jordan**: Exports from Jordan to the United States under the QIZ program grew from about $159,000 in 1999 to about $95 million in 2011. However, the QIZ share of Jordan's total exports to the United States has declined in recent years, from a high of about 90% in 2002 to about 9% in 2011. This is because most imports from Jordan increasingly enter the United States duty-free under the U.S.-Jordan FTA rather than the QIZ program.
- **Egypt**: Exports from Egypt to the United States under the QIZ program have grown from about $266 million in 2005 to about $1 billion in 2011. The QIZ share of Egypt's total exports to the United States also has grown during this time period, from about 13% in 2005 to about 52% in 2011.[49]

Certain issues have emerged in the QIZ programs. For example, in Jordan's QIZ facilities, labor issues related to working conditions, particularly for migrant laborers, have emerged; the United States is working with Jordan to resolve these issues (see previous discussion on engagement with Jordan under the MENA-TIP initiative).[50]

Government Export Finance and Promotion Programs

The U.S. government plays an active role in promoting U.S. exports of goods and services by administering various forms of export assistance through federal government agencies. A combination of congressional mandates and executive branch actions has directed U.S. export promotion efforts. Most recently, such efforts have been focused through the National Export Initiative (NEI), the Obama Administration's plan to double exports to support U.S. jobs.[51] The NEI does not have a specific emphasis on the MENA, but federal agencies' efforts to boost U.S. exports worldwide under the NEI, such as through more trade missions and greater levels of export financing, may nevertheless contribute to MENA-specific U.S. trade policy goals.

Key export promotion agencies that may play a key role in promoting U.S. commercial ties with MENA countries include the Department of Commerce, Export-Import Bank (Ex-Im Bank), Overseas Private Investment Corporation (OPIC), and Trade and Development Agency (TDA). Taken together, these agencies have representation and/or provide support for U.S. exports and investments for most countries in the region (see Table 3). The specific countries in which these agencies provide support may vary according to factors such as their missions, mandated policy criteria, or availability of resources.[52]

Table 3. Federal Export and Investment Promotion Support in MENA

Country	Department of Commerce[a]	OPIC[b]	TDA[c]	Ex-Im Bank[d]
	Commercial Service Posts and Representation in-Country	Availability of Support	Availability of Support	Availability of Support
Algeria	√	√	√	√
Bahrain	*Represented through the State Department "Partner Post"*	√	X	√
Djibouti	X	√	√	√
Egypt	√	√	√	√
Iran	X	X	X	X
Iraq	√	√	√	√
Israel	√	√	X	√
Jordan	√	√	√	√
Kuwait	√	√	X	√
Lebanon	√	√	√	√
Libya	√	X	X	√
Malta	*Represented through the State Department "Partner Post"*	√	X	√
Morocco	√	√	√	√
Oman	*Represented through the State Department "Partner Post"*	√	X	√
Qatar	√	*Suspended (worker rights concerns)*	X	√
Saudi Arabia	√	*Suspended (worker rights concerns)*	X	√
Syria	X	X	X	X
Tunisia	√	√	X	√
United Arab Emirates	√	*Suspended (worker rights concerns)*	X	√
West Bank	√	√	√	√[e]
Yemen	X	√	√	√

Source: Department of Commerce, OPIC, TDA, and Ex-Im Bank agency websites and annual reports; http://www.export.gov; U.S. Government Accountability Office (GAO), *National Export Initiative: U.S. and Foreign Commercial Service Should Improve Performance and Resource Allocation Management*, GAO-11-090, September 2011, p. 57, http://www.gao.gov/new.items/d11909.pdf; and International Trade Administration (ITA) response to CRS inquiry, February 8, 2013.

[a] Department of Commerce: A check (√) denotes countries in which there is Commercial Service presence; a cross (X) denotes countries in which the Commercial Service does not have a presence, nor is represented through a "partner post" via the Department of State.

[b] OPIC: A check (√) denotes countries in which OPIC support is available; a cross (X) denotes countries in which OPIC support is not available. A list of countries which are eligible for OPIC support is available at http://www.opic.gov/doing-business/investor-screener. OPIC operations were suspended in Qatar, Saudi Arabia, and the UAE in 1995 over concerns about worker rights; see 2013 Investment Climate Statements for the countries (http://www.state

[c] TDA: A check (√) denotes countries in which TDA support is available; a cross (X) denotes countries in which TDA support is not available. Information on TDA project activity in the MENA region is available at http://www.ustda.gov/program/regions/mena&europe/.

[d] Ex-Im Bank: A check (√) denotes countries in which Ex-Im Bank support is available; a cross (X) denotes countries in which Ex-Im Bank support is not available For information on the specific types of Ex-Im Bank financing for which countries are eligible (such as short-term or long-term), see Ex-Im Bank's Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.cfm.

[e] Ex-Im Bank financing for U.S. exports to the West Bank is available, provided that the obligor or guarantor of the transaction is located in a country in which Ex-Im Bank currently has programs available, such as Jordan.

Department of Commerce

The Department of Commerce, through its International Trade Administration (ITA), is the lead agency providing export promotion services for non-agricultural U.S. businesses. With respect to the MENA , ITA's major objectives are to expand U.S. exports, engage in commercial diplomacy (such as through government-to-government advocacy) in support of U.S. business interests, remove market access barriers, and promote and facilitate inward investment to the United States. ITA's activities include a focus on supporting SMEs in the region. ITA supports USTR's implementation of the MENA-TIP initiative.[53]

The U.S. and Foreign Commercial Service unit of the ITA has a domestic and international network of trade specialists, along with high-level representation at certain U.S. foreign missions, who provide export assistance and advocacy services to U.S. companies seeking foreign business opportunities. The Commercial Service has a presence in many MENA countries (see Table 3). At U.S. diplomatic posts where Commercial Service Officers are not present, U.S. Foreign Service Economic Officers of the State Department often conduct U.S. government commercial outreach functions, including through "partnership posts."[54]

Examples of ITA's activity in the region include the following:

- **Trade missions:** In March and April 2011, the Commercial Service led trade missions to Tunisia (focused on investment opportunities); Morocco (energy and port logistics projects); and Saudi Arabia (information technology sector).[55] In 2012, the ITA led a trade mission to Israel (focused on the oil and gas sector). A 2013 trade mission is planned to Egypt and Kuwait, focused on the energy, infrastructure and safety, and security technology sectors.[56]
- **Trade shows:** In January 2013, Commercial Service staff in the UAE supported 200 U.S. exhibitors at the "Arab Health 2013" trade show, the second-largest medical equipment sector show in the world.
- **Business development conferences:** ITA assisted in organizing and promoting the first U.S.-Morocco Business Development Conference in December 2012, which included approximately 200 U.S. participants from the private sector.
- **Advocacy:** ITA is working to ensure that U.S. companies can compete for infrastructure projects in Qatar.[57]

Export-Import Bank (Ex-Im Bank)

The Ex-Im Bank provides direct loans, guarantees, and insurance to help finance U.S. exports when the private sector is unable or unwilling to do so, with the goal of contributing to U.S. employment. While MENA is not a specific focus for the agency, Ex-Im Bank authorizations for financing in the region increased markedly between FY2011 and FY2012, from $443 million to $8.9 billion. The share of Ex-Im Bank authorizations for the region also grew, from about 1% in FY2011 (of $32.7 billion in Ex-Im Bank financing worldwide) to about 25% in FY2012 (of $35.8 billion in Ex-Im Bank financing worldwide).

The increase in financing for the region was driven in part by large authorizations to Saudi Arabia, including for U.S. exports for power and petrochemical projects (totaling $5.5 billion in FY2012), and the UAE, for U.S. exports of commercial aircraft and nuclear power plant components and services (totaling $3.3 billion in FY2012).[58]

Overseas Private Investment Corporation (OPIC)

OPIC provides political risk insurance and finance to support U.S. investment in developing countries, which may contribute to U.S. exports and employment. Governed by the Foreign Assistance Act of 1961 (P.L. 87-195), as amended, OPIC's activities are intended to support U.S. foreign policy goals. In FY2011, OPIC committed $108.7 million for new investment projects in MENA countries, close to 4% of OPIC's commitments for new investment projects worldwide in that year ($2.8 billion). The largest destinations for new OPIC commitments in the region were the West Bank and Gaza Strip ($40 million), followed by Iraq ($20.5 million) and Jordan ($3.2 million). In FY2011, OPIC's portfolio exposure in MENA totaled $2.6 billion, close to one-fifth of OPIC's total exposure worldwide in that year ($14.5 billion).[59] OPIC's support in the MENA historically has focused on four key areas: support for SMEs, infrastructure development (including housing, energy, and telecommunications), agriculture and food security, and humanitarian assistance.[60]

In response to the political change in the region, OPIC has targeted up to $3 billion in support of investment in the region, based on two separate announcements by the Administration:

- In March 2011, Secretary of State Clinton announced that OPIC would provide up to $2 billion in financial support "to catalyze private sector development" in the region to spur economic growth and job creation. Eligible countries include Egypt, Tunisia, Morocco, Iraq, Jordan, Lebanon, and the Palestinian Territories (and potentially Algeria, Oman, and Yemen). The initiative aims to prioritize investments in SMEs, infrastructure (especially renewable resources), and other key sectors. It will also include "fast-track" approval, to ensure "rapid deployment" of capital, while maintaining "OPIC investment policy standards" related to the environment and worker rights.[61]
- In May 2011, President Obama announced that OPIC would provide up to $1 billion in financing to support infrastructure and job creation specifically in Egypt.[62]

Following the 2011 announcements, OPIC approved $500 million in lending to Egypt and Jordan ($250 million to each country) to support small businesses in those countries. Under the facility, OPIC will guarantee loans by local banks in Egypt and Jordan to small businesses, microfinance institutions, non-banking financial institutions, and other approved borrowers. OPIC is collaborating on the loan guarantee facility with the U.S. Agency for International Development (USAID), which will provide grant funding and technical assistance to the initiative.[63] The Egypt loan guarantee facility currently is not operational; the U.S. project sponsors reportedly are awaiting the required permits from the Egyptian government.[64] In comparison, implementation of the Jordan loan guarantee facility reportedly is further along.

Trade and Development Agency (TDA)

TDA, authorized under the Foreign Assistance Act of 1961, as amended, operates under a dual mission of promoting economic development and U.S. commercial interests in developing and middle-income countries. TDA connects U.S. businesses to export opportunities for priority development projects by funding feasibility studies, pilot projects, reverse trade missions, and other activities. In some cases, TDA projects can lead to follow-on financing by OPIC and Ex-Im Bank. The Middle East is one of TDA's major focus areas, and TDA has identified Egypt and Morocco as among 18 "key markets" in which it will focus its programs in FY2013.[65] TDA projects span sectors such as transportation and trade logistics, ICT, energy supply, and water supply management. In FY2012, TDA program funding for the region totaled $5.6 million and constituted about 13% of worldwide TDA funding ($43.9 million), similar to FY2011.[66] Examples of projects include:

- In September 2012, TDA concluded two grant agreements to expand Egypt's information communication technology (ICT) infrastructure, one for technical assistance to support implementation of an integrated airport ICT system in Cairo, Egypt ($622,225) and the other for a feasibility study to support building a data center in Katameya, Egypt ($351,000).[67]
- In June 2011, TDA sponsored an *Egypt: Forward* initiative, bringing together 250 U.S. company representatives and 50 Egyptian public and private sector leaders in the energy, ICT, transportation, and agribusiness sectors, in an effort to foster greater commercial and economic ties.[68]

POSSIBLE POLICY APPROACHES FOR INCREASING U.S.-MENA TRADE AND INVESTMENT

Government initiatives that foster U.S. private sector trade and investment in MENA countries may be attractive policy options compared to others under discussion, such as debt relief and foreign aid, in a time of tight U.S. budget constraints. They also may provide new opportunities for U.S. businesses overseas and generate stronger economic growth. However, the effects of trade and investment initiatives may be borne out over the long term, and they may not provide immediate economic relief. A range of potential options—at the unilateral, bilateral/regional, and multilateral levels—are available to Congress, as well as the executive branch, for increasing U.S. trade and investment ties with countries in the MENA region, should there be interest in doing so. This section analyzes policy options for increasing U.S. trade with and investment in MENA economies.

Unilateral Options

Congress could consider a number of unilateral trade policy tools to support and expand U.S. economic relations with countries in transition and other economies in the MENA region. Such policy tools constitute non-reciprocal trade benefits that would not necessarily require negotiations with MENA trading partners, and thus might be easier to implement in the short term. Countries that receive such trade benefits often have to meet certain criteria (such as worker rights and intellectual property protection requirements) in order to be designated as beneficiaries and to maintain such status. Thus, the U.S. extension of non-reciprocal trade benefits to MENA countries may provide a mechanism to encourage improvement on potential issues of concern.

- **Trade preference programs:** The U.S. government could work with MENA governments to increase their use of existing trade preference programs. For example, under the MENA-TIP initiative, the U.S. government is pursuing efforts to expand Egypt’s utilization of the GSP program. Additionally, Congress could revise provisions of the GSP program to facilitate and expand use by MENA beneficiary countries, such as by expanding product coverage. Such issues could be examined in the context of possible debate in the 113th Congress on extending the authority of the GSP program, which currently expires July 31, 2013.

Congress also could create a regional trade preference program for the MENA region using existing agreements elsewhere as possible models. Currently, Congress has established five regional or targeted trade preference programs: (1) the Andean Trade Preference Program; (2) the Caribbean Basin Economic Recovery Act (CBERA); (3) the Caribbean Trade Partnership Act (CBTPA); (4) the African Growth and Opportunity Act (AGOA); and (5) the Haitian Opportunity through Partnership Encouragement (HOPE) Act.[69]

- **QIZ program**: Congress could consider revising the QIZ program. One option, as currently being discussed by the U.S. and Egyptian governments, could be to expand existing QIZs in Egypt by approving additional zones in these countries.[70] Another option may be to encourage a MENA-wide QIZ, or create QIZs in other countries. Egypt and Jordan were targeted initially for the QIZ program, because they were two Arab countries that had signed peace treaties with Israel. Proposing new Israeli content requirements for QIZ programs may draw criticism from groups opposed to trade with Israel in some MENA countries.
- **Export finance and promotion programs:** Congress could consider boosting U.S. export assistance, financing, and other efforts targeted toward the MENA region, or encouraging the executive branch to do so. For instance, with the end of U.S. combat operations and the formation of a governing political coalition in Iraq, economic development in that country could arguably represent export and investment opportunities for U.S. businesses in areas such as transportation and infrastructure, which could require U.S. export financing and political risk insurance. As another example, assuming the political situation in Libya stabilizes, commercial opportunities may emerge in areas such as energy, housing, and infrastructure. U.S. exporters and investors may benefit from federal assistance in pursuing such opportunities.

Bilateral and Regional Options

Bilateral and regional policy options also may present avenues for congressional efforts to facilitate U.S. trade and investment with MENA partners. Initiatives for trade and investment agreements may be viewed as longer-term policy options, given the timeframes most agreements take to finalize and the readiness of trading partners to negotiate specific commitments. However, the broader scope of most agreements creates opportunities to affect multiple sectors, foster important economic and governance reforms, and support greater regional integration. To reduce and eliminate tariff and non-tariff barriers to U.S. exports, trade negotiations would allow the United States to gain greater market access to MENA countries, which could assuage U.S. political opposition from import-sensitive sectors of the economy.[71] On the other hand, increased U.S. and other foreign import penetration of regional economies may be opposed by regional economic actors seeking protection from international competitors. In the past, Middle East countries have pursued FTAs with the United States in part to help lock in and advance domestic economic reforms and diversify their economies by building economic ties with the United States, among other objectives.

- **Launching and re-launching TIFAs**: The United States has TIFAs with most "developing countries" in the MENA region, Iran and Syria notwithstanding. In 2011, the United States re-launched discussions under the 2002 TIFA with Tunisia to support bilateral trade and investment and regional economic integration.[72] In the same vein, the United States could re-launch TIFAs with other MENA countries. One candidate could be Egypt, in order to reinvigorate potential FTA discussions, although it is worth noting that the United States and Egypt conduct trade and economic dialogues through other mechanisms as well.[73]
- **Negotiating new trade and investment agreements, bilaterally or regionally:** Longer-term, the United States could choose to focus its negotiations on trade and investment agreements with selected countries currently undergoing political transitions, such as Egypt or Tunisia. According to some experts, expanding the U.S. partnership with Egypt through an FTA could help to promote economic development, support political reform, contribute to rising living standards for Egyptians, and serve as an incentive for Egypt to play a

constructive role in the region and strengthen its ties with economic partners.[74] An FTA with Egypt could also potentially advance other reforms, such as those related to transparency, governance, regulatory standards, and privatization that support economic growth more broadly.[75] However, it is worth noting that under a potential U.S.-Egypt FTA, economic benefits of greater trade and investment for Egypt likely would occur in the longer term; they would not necessarily help to directly address Egypt's short-term economic problems, such as pressures on the country's public debt. In addition, there is concern that, unless complementary reforms are undertaken, the benefits of an FTA may be limited to a narrow section of Egyptian society, and not contribute to general improvement of Egypt's economic conditions and living standards.[76] Some industries, firms, and workers could be adversely affected if increased foreign competition results from an FTA or if particular provisions of the FTA disadvantage their interests.

Separately, the United States could focus on countries that currently are not undergoing political transitions. For example, the United States could renew FTA negotiations with the UAE. Additionally, the United States may consider negotiating regional investment and trade agreements, in order to bolster regional economic ties in addition to U.S.-MENA trade and investment.

Negotiating new FTAs may be complicated by the fact that Trade Promotion Authority (TPA) expired in 2007.[77] TPA is the authority Congress grants to the President to enter into certain FTAs and to have their implementing bills considered under expedited legislative procedures, provided they meet certain statutory obligations in negotiating them. The President could request and the 113th Congress could consider the renewal of TPA. Negotiating new BITs may have more momentum given the Obama Administration's conclusion of its review of the U.S. Model BIT in April 2012. The United States negotiates BITs on the basis of a model, which has been subject to periodic reviews and revisions. The Administration is resuming BIT negotiations previously halted during the Model BIT review.[78]

- **Updating existing FTAs and BITs:** Congress could consider updating the U.S. BITs with Egypt and Tunisia. Since these BITs came into effect, the U.S. Model BIT framework has been revised periodically, most recently in 2012. The Model BIT also serves as the template for investment provisions in current U.S. FTAs. Congress could also consider revising and "updating" the U.S.-Israel FTA. The U.S.-Israel FTA, signed and entered into force in 1985, was the first FTA ever entered into by the United States. Since then, the scope of issues discussed in trade negotiations has expanded. For example, the U.S.-Israel FTA does not contain provisions on electronic commerce and technical barriers to trade, has limited coverage of services and IPR, and has had limited effect on trade in agricultural products.[79]

- **Conducting oversight of existing FTAs:** Congress could examine existing U.S. FTAs in the region. In particular, it may be interested in examining how well they have achieved their objectives, and their impact on increasing and diversifying bilateral trade flows.

Multilateral Options

Congress additionally has multilateral tools at its disposal to foster economic ties with MENA countries. Trade policy at the multilateral level may yield benefits, such as requiring countries to adopt international rules, not available through unilateral or bilateral actions. Congress could encourage the United States to intensify existing efforts to support WTO accession for MENA countries such as Iraq, Libya, and Yemen, and provide technical assistance for countries working towards WTO accession. The United States could work with countries to fully implement their WTO accession commitments, such as through enhanced trade capacity building efforts. The United States could also cooperate more closely with the EU and other countries in international forums.

In May 2011, the G-8 launched the "Deauville Partnership with Arab Countries in Transition," a forum for coordinating assistance to "transitioning" MENA countries, currently defined by the Partnership to include Egypt, Jordan, Libya, Morocco, Tunisia, and Yemen. The Partnership also includes the G-8 countries, other countries from the region (Saudi Arabia, the United Arab Emirates, Qatar, Kuwait, and Turkey), and several international financial institutions (IFIs). The Partnership is pursuing a number of policy tools to bolster sustainable, inclusive, growing economies in the region, and could be a fruitful avenue for coordinating with other countries on efforts to increase trade and investment with MENA countries. The current MENA-TIP initiative can be viewed as part of the U.S. contribution to international efforts under the trade and investment "track" of the Deauville Partnership.[80]

ISSUES FOR CONGRESS: POSSIBLE CHALLENGES AND IMPLEMENTATION QUESTIONS

Congress may face a number of issues if it addresses policy options to facilitate greater U.S. trade and investment with the MENA region.

First, some analysts question whether increased trade and investment can support democratic political transitions. Current discussions for increasing trade and investment with the MENA region are rooted in the belief that these policy tools will bolster economic growth and help support the democratic political transitions occurring in the region. However, the link between trade and investment, on the one hand, and democracy, on the other, is contentious. Some experts argue that trade and investment promote governance; increase the size of the middle class; facilitate the flow of ideas; and develop institutions related to protection of property and rule of law, which in turn, it is argued, create popular pressure for democracy.[81] Additionally, some analysts argue that pursuing FTAs and BITs in particular with various MENA countries could help anchor reforms, such as related transparency, governance, and rule of law, that can provide foundations for democratic political transitions and institutions.[82]

Others argue that the links between trade, investment, and democracy are not straightforward.[83] They argue that governments can gain legitimacy by opening their economies and securing economic growth, without reforming or opening politically. They cite a number of economies that have opened to the world economically while sustaining governments that are not fully democratic; China is often cited as an example in this context. This raises questions about whether trade and investment could be effective in helping Arab countries transition to more democratic political systems. Additionally, some analysts question whether protestors in various MENA countries want greater trade and investment ties. In Egypt, for example, public opinion indicates that many believe that the economic liberalization pursued under the old regime enabled corruption and exacerbated economic inequality.[84]

Second, questions abound about whether U.S. trade policy tools could be effective in overcoming the obstacles to greater U.S. trade and investment in the MENA region. Some analysts question whether trade and/or investment liberalizing agreements will result in increased U.S. trade and investment to the MENA region. According to the U.S. Commercial Service, some of the greatest obstacles to U.S. firms hoping to do business in

MENA countries relate to corruption, transparency, governance, rule of law, and bureaucratic red tape, among others. Some argue that completing FTAs or BITs, or encouraging countries to join the WTO, could help MENA governments push through reforms that address many of these impediments. Others express concern that even if such reforms are pursued in the context of FTA, BIT, or WTO negotiations, there could be implementation problems, and that U.S. trade and investment with MENA countries and the region could remain limited. Additionally, a number of factors affect investment and trade flows beyond government policies, including market size, economic growth, labor force, endowment of natural resources, political stability, and infrastructure, among others, which raise questions about how effective policy options could be at dramatically increasing trade and investment flows.

In addition, the capacity of federal export finance and other promotion agencies to support U.S. trade and investment in the MENA may be limited. For instance, while Ex-Im Bank and OPIC could work to incentivize exports to the MENA region, U.S. firms' interest in doing business in the MENA region will drive their demand for Ex-Im Bank and OPIC financing.

Third, if an agenda of increased trade and investment is further pursued, a host of questions arise that may be considered in implementing this policy agenda. For example:

- **Timing:** The political situation in some MENA countries is highly uncertain. Should the United States wait to enhance its trade and investment ties in the region until the political situation stabilizes? Or should the United States continue to enhance trade and investment ties sooner, in order to facilitate political outcomes it views as favorable? If the United States delays engagement, will others—such as EU countries, Turkey, and China—take advantage of business opportunities in the region sooner, depressing opportunities for U.S. businesses?

- **Region-Wide Policies vs. Country-Specific Policies:** Current U.S. trade and investment policy is quite diverse across countries in the MENA region, and the MENA economies themselves are quite heterogeneous. Should the United States pursue a region-wide agenda of increasing trade and investment, while tailoring policies to fit the individual needs of specific countries? For example, some argue that Egypt and Tunisia are better positioned than, say, Libya, to enter FTA negotiations with the United States, because they are members of the

WTO and have BITs with the United States, while Libya only has WTO observer status and is experiencing political upheaval. While WTO accession is not explicitly required for the United States to negotiate BITs or FTAs with a country, U.S. trade agreements generally build on WTO commitments, and WTO membership is viewed as a stepping stone to a FTA.

- **Cooperation with the EU:** In his May 2011 speech on MENA, President Obama suggested that U.S. efforts to increase trade and investment in the region would be pursued cooperatively with the EU. Such cooperation efforts are underway, and questions arise about the scope and depth of the cooperation. In the past, the United States and the EU have adopted different approaches in the MENA. For example, under the MEFTA effort during the Bush Administration, the United States negotiated comprehensive FTAs with individual countries with the goal that such efforts would expand into a region-wide free trade area agreement. In contrast, the EU adopted a more regional approach to economic integration from the start. Other factors may complicate cooperation. For example, the United States and the EU have differing views on regulatory policy and standards, and some view U.S. and EU businesses as competitors in the MENA region. Finally, some of these countries already have strong economic ties with the EU and want to develop closer economies ties with the United States, as was the case with the U.S.-Morocco FTA.

  U.S.-EU cooperation on the MENA region could expand should the United States and the EU launch negotiations on a Transatlantic Trade and Investment Partnership. As an example of the potential for future collaboration, the "Joint Principles for International Investment" and the "Joint Principles for Information and Communication Technology (ICT) Services"—agreed to bilaterally by the United States with Morocco and Jordan—were modeled after U.S.-EU agreements.[85]
- **Congressional Interest:** In October 2011, Congress approved the implementing legislation for FTAs with Colombia, South Korea, and Panama, years after the agreements were formally negotiated.[86] Will their approval provide momentum for further FTA negotiations, or does their lengthy approval point to the polarization in Congress regarding future FTAs? How should Congress prioritize FTAs in the MENA region with ongoing trade negotiations, including with regards to the Trans-Pacific Partnership (TPP) and a potential Transatlantic Trade and Investment Partnership?[87] How should Congress prioritize

countries within the MENA region for FTAs? Trade promotion authority (TPA) likely will play a major role in any future FTA negotiation with MENA countries.

OUTLOOK

U.S. trade policy responses to political change in the MENA can be characterized as incremental and long-term—focused on creating "building blocks" that could potentially lead to larger-scale trade and investment agreements in the future. For example, present USTR engagement with Egypt is centered on making the country's business environment more conducive to trade and investment. Such efforts could pave the way for FTA negotiations in the future, though this is not necessarily a current goal for the Administration.[88]

Going forward, any trade policy agenda pursued by U.S. policymakers in the region could be affected by a host of external factors, including the following:

- U.S. trade and investment relationships in the region are diverse, resulting in different "starting points" for engagement.[89] At one end of the spectrum, Libya is not yet a member of the WTO, which many view as a starting point for further U.S. engagement. At the other end of the spectrum, the United States has well-established trade relationships with Morocco and Jordan—which include a bilateral FTA with each country—that serve as a foundation for the recent bilateral agreements on principles on investment and ICT services under the MENA-TIP.
- Countries in the region have markedly diverse economic situations and priorities. Some countries, such as Egypt, are more focused on maintaining macroeconomic stability over the short term, delaying longer-term initiatives, including trade and investment liberalization. Other countries with more stable economic conditions may be able to engage more effectively with the United States on trade policy issues.[90]
- Ongoing political uncertainty in some countries can make it challenging to negotiate on trade policy—or even, more fundamentally, know with whom to negotiate. For instance, despite the long-standing U.S.-Egyptian bilateral relationship, it is difficult

for U.S. trade negotiators to know with whom to negotiate on the Egyptian side, given the fluid nature of Egypt's political situation. As another example, political uncertainty also can make it more difficult for Foreign Commercial Service staff to operate in the region.[91] In contrast, Tunisia's relatively "smoother" transition has facilitated U.S. engagement with Tunisia under the re-invigorated TIFA process.[92]

- U.S. trade policy responses are affected by the demand of U.S. companies for doing business in certain areas of the world. While agencies such as OPIC, Ex-Im Bank, and TDA can choose to make supporting U.S. commercial activity in the region a top priority and make resources available for this purpose, U.S. businesses will take advantage of the financing and funding only if they have sufficient commercial incentives to do so.

Depending on the type of trade policy responses pursued in the region, questions may arise about the effectiveness of policy tools used to promote increased trade and investment, as well as their impact on political transitions, and how quickly their benefits would be borne out. Additionally, how these policies are designed could have substantial implications for U.S. interests. However, in a constrained budgetary environment, trade and investment may be attractive policy tools compared to other options, such as foreign aid, for supporting economic development in MENA countries—as well as encouraging transparency, governance, and other reforms in the region—while also potentially creating new economic opportunities for U.S. businesses.

APPENDIX. TRADE TABLES

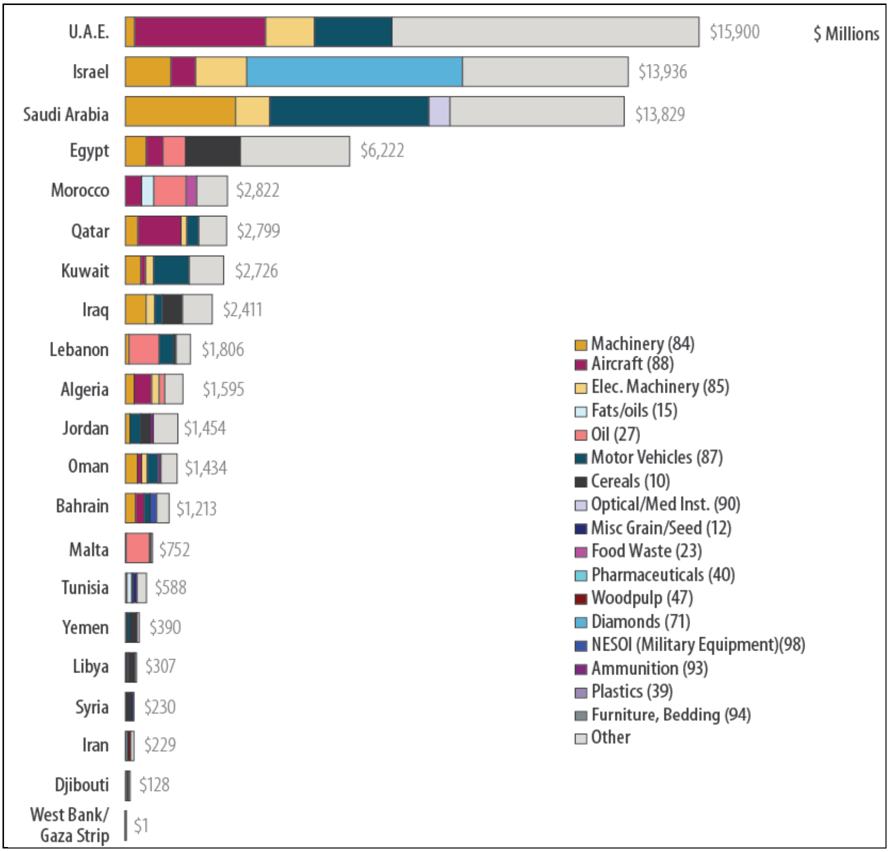
Table A-1. Top U.S. Exports to MENA Countries/Territories, 2011

Country	Total Exports ($ Millions)	Major U.S. Exports and Shares of Total (with Harmonized Tariff Schedule [HTS] Numbers)
Algeria	1,595	Aircraft Parts, 30% (88) Machinery, 15% (84); Electrical Machinery, 13% (85); and Oil, 10% (27)=68%
Bahrain	1,213	Machinery 23%, (84); Aircraft Parts, 20% (88); NESOI, 15% (98); Motor Vehicles 13% (87)=71%
Djibouti	128	Fats and Oils, 28% (15); Cereals, 24% (10); Machinery, 12% (84); Electrical Machinery, 7% (85) =71%
Egypt	6,222	Cereals, 24% (10); Oil, 10% (27); Machinery, 9% (84); Aircraft Parts, 8% (88)=51%

Country	Total Exports ($ Millions)	Major U.S. Exports and Shares of Total (with Harmonized Tariff Schedule [HTS] Numbers)
Iran	229	Woodpulp, 25% (47); Pharmaceutical Products, 17% (30); Plastics, 13% (39); Optical, Medical Instruments, 10% (90)=65%
Iraq	2,411	Machinery, 24% (84); Cereals, 23%, (10); Electrical Machinery, 10% (85); Motor Vehicles, 9% (87)=66%
Israel	13,936	Precious Stones (Diamonds), 43% (71); Electrical Machinery, 10% (85); Machinery, 9% (84); Aircraft Parts, 5% (88)=67%
Jordan	1,454	Motor Vehicles, 21% (87); Cereals, 18% (10); Machinery, 9% (84); Arms and Ammunition, 6% (93)=54%
Kuwait	2,726	Motor Vehicles, 36% (87); Machinery, 16% (84); Electrical Machinery, 8% (85); Aircraft Parts, 5% (88)=65%
Lebanon	1,806	Oil, 46% (27); Motor Vehicles, 23% (87); Machinery, 6% (84); Cereals, 4% (10)=79%
Libya	307	Cereals, 56% (10); Motor Vehicles, 16% (87); Machinery, 8% (84); Fats and Oils, 5% (15)=85%
Malta	752	Oil, 86% (27); Aircraft Parts, 3% (88); Optical/Medical Instruments, 3% (90); NESOI (Military Equipment) 2% (98)=94%
Morocco	2,822	Oil, 32% (27); Aircraft Parts, 16% (88); Fats and Oils, 12% (15); Food Waste, 10%, (23)=70%
Oman	1,434	Machinery, 23% (84); Motor Vehicles, 22% (87); Electrical Machinery, 10% (85); Aircraft Parts, 9% (88)=64%
Qatar	2,799	Aircraft Parts, 43% (88); Machinery, 12% (84); Motor Vehicles, 12% (87); Electrical Machinery, 6% (85)=73%
Saudi Arabia	13,829	Motor Vehicles, 32% (87); Machinery, 22% (84); Electrical Machinery, 7% (85); Medical, Surgical Instruments, 4% (90); =65%
Syria	230	Cereals, 64% (10); Grain, Seeds, 26% (12); Optical/Medical Instruments, 3% (90) Food Waste, 3% (23); =97%
Tunisia	588	Fats and Oils, 22% (15); Grain, Seeds, 21% (12); Machinery, 8% (84); Cereals, 5% (10) =56%
United Arab Emirates	15,900	Aircraft Parts, 23% (88); Machinery, 16% (84); Motor Vehicles, 14% (87); Electrical Machinery, 8% (85)=61%
West Bank	1	Machinery, 62% (84); Furniture and Bedding, 14% (94); Seeds, Grain, 8% (12); Motor Vehicles, 7% (87)=91%
Gaza Strip	.05	Machinery, 89% (84);Electrical Machinery, 6% (85); Aircraft Parts, 5% (88)=100%
Yemen	390	Cereals, 47%, (10); Motor Vehicles, 23% (87); Machinery, 8% (84); Pharmaceuticals 4% (30)=82%
TOTAL	70,772	

Source: Global Trade Atlas.

Note: NEOSI = Not elsewhere specified or included.



Source: Global Trade Atlas.

Notes: Harmonized Tariff Schedule (HTS) numbers in parentheses in legend. NEOSI = Not elsewhere specified or included.

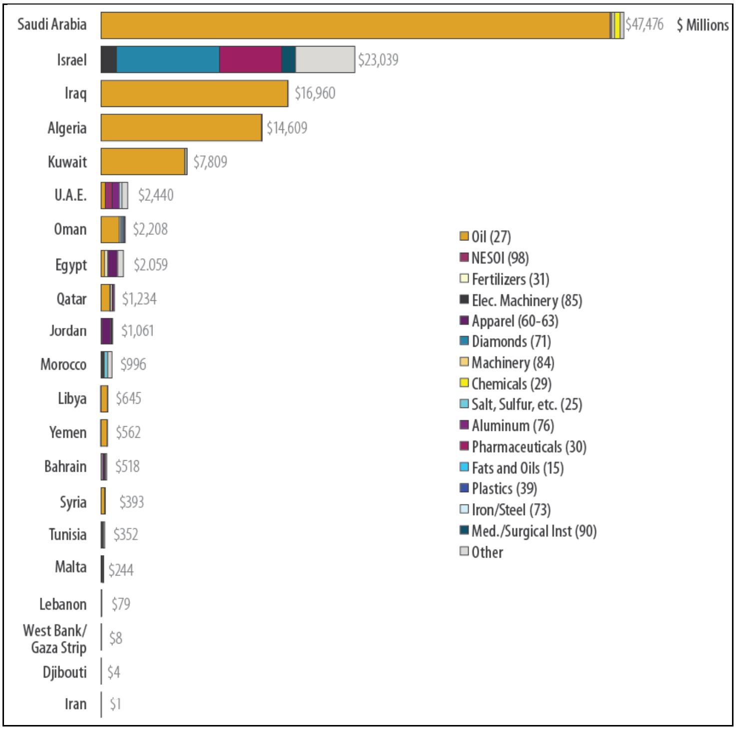
Figure A-1. U.S. Exports to MENA Countries/Territories, 2011.

Table A-2. Top U.S. Imports from MENA Countries/Territories, 2011

Country	Total Imports ($ Millions)	Major U.S. Imports and Shares of Total(with Harmonized Tariff Schedule [HTS] Numbers)
Algeria	14,609	Oil, 100% (27)
Bahrain	518	Textiles and Apparel, 34% (61-63), Fertilizers, 29% (31); Aluminum, 19% (76))=82%
Djibouti	4	NESOI (military equipment) 77% (98 -99); Spices, Coffee, Tea, 20% (09);Vegetables and roots, 1% (07)=98
Egypt	2,059	Textiles and Apparel, 43% (61-63); oil, 17% (27); Fertilizers, 13% (31)=73%
Iran	1	Art and Antiques, 80%, (97); Preserved food, 11% (20); Printed Materials, 6%(49); Nuts and Fruit 2% (08)=99%
Iraq	16,960	Oil 100% (27)
Israel	23,039	Precious Stones (Diamonds), 41% (71); Pharmaceuticals, 25% (30); ElectricalMachinery, 6% (85); Medical, Surgical Instruments, 5% (90)=77%
Jordan	1,061	Apparel, 85% (62-63); Precious Stones (Gold Jewelry), 5% (71); NESOI(military equipment, 4% (98)=94%
Kuwait	7,809	Oil, 97% (27); Fertilizers, 2% (31);=99%
Lebanon	79	Precious Stones (Gold and diamonds),15% (71); Preserved Food, 15% (20);Machinery, 14% (84); NESOI (returned machinery)10% (98)=54%
Libya	645	Oil, 96% (27); Fertilizers, 4% (31)=100%
Malta	244	Electrical Machinery, 73% (85); Pharmaceuticals, 9% (30); Machinery 5% (84);Fabrics 2% (60)= 89%
Morocco	996	Salt, Sulfur (Calcium), 30% (25); Electrical Machinery,13% (85); Fertilizers,12% (31); Apparel, 7% (62)=62%
Oman	2,208	Oil, 76% (27); Precious Stones, 8% (71);); Plastic, 7% (39);Fertilizers, 7% (31)=98%
Qatar	1,234	Oil, 67% (27); Aluminum, 14% (76); Fertilizers, 13% (31); NESOI (militaryequipment being returned to the United States for repair), 2% (98)=96%
Saudi Arabia	47,476	Oil, 97% (27); Chemicals, 1% (29); Fertilizers, 1% (31)=99%
Syria	393	Oil, 93% (27); Spices, Coffee, Tea, 3% (09) Art and Antiques, 1% (97);Apparel, 1% (61) =100%
Tunisia	352	Fats and Oils, 21% (15); Apparel, 20% (62); Electrical Machinery, 14% (85);Machinery, 11% (84)=66%
United Arab Emirates	2,439	Aluminum, 27% (76); NESOI (Military equipment returned to the UnitedStates for repair), 26% (98); Oil, 16% (27); Iron and Steel Products, 8% (73);=77%
West Bank	5	NESOI (Military Equipment returned to the United States for repair), 38%(99); Fats and Oils, 28% (15); Grains and Seeds, 18% (12); Vegetables and roots 6% (07)=84%
Gaza Strip	3	Woven Apparel, 99% (61)
Yemen	562	Oil, 100% (27)
TOTAL	**$122,696**	

Source: Global Trade Atlas.

Notes: NEOSI = Not elsewhere specified or included.



Source: Global Trade Atlas.

Notes: Harmonized Tariff Schedule (HTS) numbers in parentheses in legend. NEOSI = Not elsewhere specified or included.

Figure A-2. U.S. Imports from MENA Countries/Territories, 2011.

End Notes

[1] There is no standard definition of which countries belong to the Middle East and North Africa (MENA) region; different organizations define the region differently. This report primarily relies on the categorization used by the World Bank. The World Bank defines the MENA region to include Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Malta, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, the United Arab Emirates (UAE), the West Bank, and Yemen. Some may disagree with the categorization; for example, Malta, may be a particular point of contention because it is a member of the European Union (EU). However, given the data constraints for the MENA region and the availability of data from the World Bank, the World Bank's categorization is used in this report.

[2] Office of the Press Secretary, "Remarks by the President on the Middle East and North Africa," The White House, State Department, Washington, DC, May 19, 2011, http://www.whitehouse.gov/the-press-office/2011/05/19/remarks-president-middle-east-and-north-africa.

[3] For example, see Prepared Remarks of Senator Joseph Lieberman, Carnegie Endowment for International Peace, July 22, 2011, http://carnegieendowment.org/files/Lieberman_Prepared_Remarks.pdf; John McCain, Lindsey Graham, Mark Kirk, and Marco Rubio, "The Promise of a Pro-American Libya," *Wall Street Journal,* October 7, 2011. In addition, in November 2011, Representative Dreier introduced a resolution, co-sponsored by Representative Meeks, that calls for the United States to initiate free trade agreement (FTA) negotiations with Egypt (H.Res. 472).

[4] In this report, terms such as "trade policy" or "trade relations" refer to policies related to both trade and investment.

[5] For examples of other approaches in the context of Egypt, see CRS Report RL33003, *Egypt: Background and U.S. Relations*, by Jeremy M. Sharp.

[6] CRS Report R42393, *Change in the Middle East: Implications for U.S. Policy*, coordinated by Christopher M. Blanchard.

[7] World Bank, *World Development Indicators*.

[8] U.S. Energy Information Administration, *International Energy Statistics*. Calculations based on total oil supply and gross natural gas production, using World Bank regional grouping.

[9] For example, see Marcus Noland and Howard Pack, "The Arab Economies in a Changing World," *Peterson Institute for International Economics*, June 2007, http://bookstore.piie.com/book-store/3931.html; United Nations, "Arab Human Development Report 2002: Creating Opportunities for Future Generations," 2002, http://www.arab-hdr.org/publications/other/ahdr/ahdr2002e.pdf; Howard Schneider, "Arab Nations Lag Behind Rest of World Economically, Despite Oil and Natural Gas," *Washington Post*, February 23, 2011; and Arvind Subramanian, "Arab Spring Will Not See an Economic Boom," *Financial Times*, February 21, 2011, http://www.iie.com/publications/opeds/oped.cfm?ResearchID=1770.

[10] For example, see International Monetary Fund (IMF), "IMF Note on Economic Transformation in MENA: Delivering on the Promise of Shared Prosperity," May 27, 2011, Prepared for the G-8 Summit in Deauville, France, http://www.imf.org/external/np/g8/052611.htm; and World Bank, "Middle East and North Africa Regional Brief," September 2011, http://go.worldbank.org/1JVC0DGRS0.

[11] World Bank, "Middle East and North Africa Regional Brief," September 2011, http://go.worldbank.org/ 1JVC0DGRS0.

[12] World Bank, *Worldwide Governance Indicators*, http://info.worldbank.org/governance/wgi/index.asp.

[13] World Bank, *Doing Business*, 2012, http://www.doingbusiness.org/rankings.

[14] IMF, *World Economic Outlook*, October 2012.

[15] World Bank, *World Development Indicators*.

[16] Foreign direct investment (FDI) refers to a company expanding its operations overseas by created a subsidiary, branch, factory, or similar enterprise in a different country. World Bank, *World Development Indicators*.

[17] World Bank, *World Development Indicators*.

[18] World Bank, *World Development Indicators*. Data are for applied tariff rates for all products (weighted mean).

[19] IMF, *Direction of Trade Statistics*.

[20] Ibid.

[21] For more on the Arab League, see CRS Report RL33961, *Arab League Boycott of Israel*, by Martin A. Weiss.

[22] FDI data are from the Department of Commerce, Bureau of Economic Analysis (BEA). BEA defines FDI as a business enterprise that is owned 10% or more, directly or indirectly, by a foreign person or company.

[23] Includes FDI from the United States to Algeria, Bahrain, Djibouti, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, UAE, and Yemen. Uniworld, a privately held publishing firm, maintains a database on

overseas investments by private firms. Its listings show that many of the investors in the MENA countries/territories are familiar U.S. corporations, including Starbucks, Pitney Bowes, Polo Ralph Lauren, Sodexo, Coca-Cola, Hertz, Ritz Carlton, Tupperware, UPS, W.R. Grace & Company, Wachovia, 3M, Century 21, Curves, Dale Carnegie, Hewlett Packard, Johnson & Johnson, McDonalds, Microsoft, Motorola, Office Depot, Dun & Bradstreet, Estee Lauder, and Xerox, as well as numerous oil and drilling companies including Chevron, Exxon Mobil, Conoco Phillips, Occidental Petroleum, and Schlumberger.

[24] Includes FDI to the United States from Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, UAE, and Yemen.

[25] The *Country Commercial Guides* are available at http://export.gov/worldwide_us/index.asp. The State Department's *Investment Climate Statements* are included as part of the FCS's *Country Commercial Guides*. The State Department publishes their *Investment Climate Statements* on their website at http://www.state.gov/e/eeb/rls/othr/ics/.

[26] U.S. Commercial Service, "Doing Business in Egypt: 2012 Country Commercial Guide for U.S. Companies," http://www.buyusainfo.net/docs/x_8534139.pdf.

[27] U.S. Commercial Service, "Doing Business in Tunisia: 2012 Country Commercial Guide for U.S. Companies," http://photos.state.gov/libraries/tunisia/231771/PDFs/2012%20Tunisia%20Country%20Commercial%20Guide.pdf.

[28] U.S. Commercial Service, "Doing Business in Morocco: 2011 Country Commercial Guide for U.S. Companies," http://www.buyusainfo.net/docs/x_1606158.pdf.

[29] U.S. Commercial Service, "Doing Business in Saudi Arabia: 2011 Country Commercial Guide for U.S. Companies," http://export.gov/saudiarabia/static/CCG_Latest_eg_sa_056382.pdf.

[30] U.S. Commercial Service, "Doing Business in the United Arab Emirates: 2012 Country Commercial Guide for U.S. Companies," http://export.gov/unitedarabemirates/build/groups/public/@eg_ae/documents/webcontent/eg_ae_052507.pdf.

[31] Office of the Press Secretary, "Remarks by the President on the Middle East and North Africa," The White House, State Department, Washington, DC, May 19, 2011, http://www.whitehouse.gov/the-press-office/2011/05/19/remarks-president-middle-east-and-north-africa.

[32] For more on Iran sanctions, see CRS Report RS20871, *Iran Sanctions*, by Kenneth Katzman.

[33] State Department, "Background Note: Syria," March 18, 2011, http://www.state.gov/r/pa/ei/bgn/ 3580.htm; CRS Report RL33487, *Armed Conflict in Syria: U.S. and International Response*, by Jeremy M. Sharp and Christopher M. Blanchard.

[34] Office of the Press Secretary, "Remarks by the President on the Middle East and North Africa," The White House, State Department, Washington, DC, May 19, 2011, http://www.whitehouse.gov/the-press-office/2011/05/19/remarks- president-middle-east-and-north-africa. Office of the United States Trade Representative (USTR), "Remarks by Ambassador Miriam Sapiro on Trade and Investment with the Middle East and North Africa," press release, September 15, 2011, http://www.ustr.gov/about-us/press-office/speeches/transcripts/2011/september/remarks-ambassador-miriam- sapiro-trade.

[35] USTR, "Agreed Summary: Initial Meeting on Building a New Trade & Investment Partnership," press release, April 2012, http://www.ustr.gov/webfm_send/3348.

[36] USTR, "Egypt-U.S. Trade and Investment Partnership Promotion Opportunity & Job Creation," press release, January 2012, http://www.ustr.gov/about-us/press-office/press-releases/2012/january/egypt-—-us-trade-and-investment-partnership-promot. For information on efforts underway to expand the QIZ program, see USTR, "U.S. Trade Representative Ron Kirk Announces New Opportunities for Egypt-Israel Qualifying Industrial Zone Program," press release, March 3, 2013, http://www.ustr.gov/about-us/press-office/press-releases/2013/march/USTR-Kirk-new-QIZ-opps.

[37] USTR, "United States and Morocco Reach Agreement on Trade Facilitation, Joint Investment Principles and Joint Information and Communication Technology (ICT) Principles," press

release, December 7, 2012, http://www.ustr.gov/about-us/press-office/press-releases/2012/december/us-morocco-reach-agreement.

[38] USTR, "U.S. Trade Representative Ron Kirk Announces Agreements Between the United States and Jordan to Boost Investment and Economic Growth, Enhance Labor Cooperation," press release, January 28, 2013, http://www.ustr.gov/about-us/press-office/press-releases/2013/january/ustr-kirk-announces-us-jordan-agreements. Electronic communication with USTR official, January 30, 2013.

[39] Meeting with USTR officials, January 10, 2013.

[40] See World Trade Organization (WTO), "Accessions," http://www.wto.org/english/thewto_e/acc_e/acc_e.htm.

[41] USTR, *2012 Trade Policy Agenda and 2011 Annual Report*, Annex II, http://www.ustr.gov/about-us/press- office/reports-and-publications/2012-0.

[42] Barbara Kotschwar and Jeffrey J. Schott, *Reengaging Egypt: Options for US-Egypt Economic Relations*, Peterson Institute for International Economics, January 2010.

[43] USTR, "United States and Tunisia Re-Launch Bilateral Trade and Investment Talks in Support of Tunisia's Democratic Transition," press release, October 2011, http://www.ustr.gov/about-us/press-office/press-releases/2011/october/united-states-and-tunisia-re-launch-bilateral-trad.

[44] USTR, "United States and Tunisia Discuss New Approaches to Foster Trade and Investment," March 2012, http://www.ustr.gov/about-us/press-office/press-releases/2012/march/united-states-and-tunisia-discuss-new- approaches-fos.

[45] For more information on the GSP program, see CRS Report RL33663, *Generalized System of Preferences: Background and Renewal Debate,* by Vivian C. Jones.

[46] Certain "import sensitive" products are specifically excluded from preferential treatment. These include most textiles and apparel goods, watches, footwear and other accessories, most electronics, steel and glass products, and certain agricultural products subject to tariff-rate quotas.

[47] Ibid.

[48] §9 of P.L. 99-47, as amended by P.L. 104-234; 19 U.S.C. §2112 note.

[49] CRS analysis of data from the USITC, Interactive Tariff and Trade Data Web.

[50] USTR, *2011 Trade Policy Agenda and 2010 Annual Report*. In addition, a 161 page report released by the National Labor Committee in 2006: *U.S.-Jordan Free Trade Agreement Descends into Human Trafficking and Involuntary Servitude*, is a compilation of stories from over 100 guest workers in Jordan.

[51] *Report to the President on the National Export Initiative: The Export Promotion Cabinet's Plan for Doubling U.S. Exports in Five Years,* Washington, D.C., September 2010. Trade Promotion Coordinating Committee (TPCC), *2011 National Export Strategy: Powering the National Export Initiative*, June 2011.

[52] For more information, see CRS Report RL31502, *Nuclear, Biological, Chemical, and Missile Proliferation Sanctions: Selected Current Law*, by Dianne E. Rennack and CRS Report RS20871, *Iran Sanctions,* by Kenneth Katzman.

[53] ITA response to CRS inquiry, February 8, 2013.

[54] U.S. Government Accountability Office (GAO), *National Export Initiative: U.S. and Foreign Commercial Service Should Improve Performance and Resource Allocation Management*, GAO-11-909, September 2011, p. 4, http://www.gao.gov/new.items/d11909.pdf.

[55] U.S. Commercial Service, *2011 Annual Report: Powering Export Growth*.

[56] "Trade Mission to Egypt and Kuwait," press release, June 13, 2012, http://export.gov/trademissions/egyptkuwait/.

[57] ITA response to CRS inquiry, February 8, 2013.

[58] Export-Import Bank (Ex-Im Bank) activity levels are based on CRS analysis of data from Ex-Im Bank annual reports, applying the World Bank definition of the MENA region.

[59] Overseas Private Investment Corporation (OPIC) activity levels are based on CRS analysis of data reported in OPIC's FY2011 annual report and FY2013 congressional budget justification. CRS analysis uses the World Bank definition of the MENA region.
[60] OPIC, FY2013 congressional budget justification.
[61] OPIC, "OPIC to Provide Up to $2 Billion for Investment in Middle East and North Africa," press release, March 11, 2011.
[62] Office of the Press Secretary, "Remarks by the President on the Middle East and North Africa," The White House, State Department, Washington, DC, May 19, 2011, http://www.whitehouse.gov/the-press-office/2011/05/19/remarks- president-middle-east-and-north-africa.
[63] OPIC, "OPIC Board Approves $500 Million for Small Business Lending in Egypt and Jordan," press release, July 1, 2011.
[64] Electronic and telephone communication with CHF International official, January 23, 2013.
[65] Electronic communication with TDA official, February 13, 2013.
[66] Trade and Development Agency (TDA) funding levels are based on CRS analysis of data from TDA annual reports, applying the World Bank definition of the MENA region. TDA's funding for regional programs are not included in the MENA funding amount because TDA groups the MENA and Europe in one region.
[67] TDA, "USTDA Supporting Expanded ICT Infrastructure in Egypt," press release, September 10, 2012, http://www.ustda.gov/news/pressreleases/2012/MENAEurope/Egypt/EgyptICT Infrastructure_091012.asp.
[68] TDA, *U.S. Trade and Development Agency 2011 Annual Report*. Also, see TDA, *Egypt: Forward*, http://egyptforward.ustda.gov/.
[69] For more information on the role of Congress in establishing these programs, see CRS Report R41429, *Trade Preferences: Economic Issues and Policy Options*, coordinated by Vivian C. Jones.
[70] Department of State, "Joint Statement on Egypt-U.S. Trade and Investment Partnership," press release, January 27, 2012, http://iipdigital.usembassy.gov/st/english/texttrans/2012/01/20120127173834su0.2903057.html#axzz2KcXIiB1Q.
[71] Andrew H. Card and Thomas A. Daschle, Chairs and Edward Alden and Matthew J. Slaughter, Project Directors, *U.S. Trade and Investment Policy*, Council on Foreign Relations, Independent Task Force Report No. 67, 2011.
[72] USTR, "United States and Tunisia Re-Launch Bilateral Trade and Investment Talks in Support of Tunisia's Democratic Transition," press release, October 2011, http://www.ustr.gov/about-us/press-office/press-releases/2011/october/united-states-and-tunisia-re-launch-bilateral-trad.
[73] USTR, "United States and Egypt Advance Bilateral Trade and Investment Talks in Support of Egypt's Democratic Transition," press release, October 2011, http://www.ustr.gov/about-us/press-office/press-releases/2011/october/united-states-and-egypt-advance-bilateral-trade-an.
[74] Barbara Kotschwar and Jeffrey J. Schott, *Reengaging Egypt: Options for US-Egypt Economic Relations*, Peterson Institute for International Economics, "In Brief", January 2010.
[75] For example, see Meredith Broadbent, "The Role of FTA Negotiations in the Future of U.S.-Egypt Relations," Center for Strategic and International Studies, December 2011, http://csis.org/files/publication/ 111212_Broadbent_USEgyptTrade_Web.pdf; Ahmed Galal and Robert Z. Lawrence, "Anchoring Reform with a U.S.- Egypt Free Trade Agreement," Policy Analyses in International Economics 74, Peterson Institute for International Economics, May 2005, http://bookstore.piie.com/book-store/3683.html.
[76] Ibid.
[77] See CRS Report RL33743, *Trade Promotion Authority (TPA) and the Role of Congress in Trade Policy*, by J. F. Hornbeck and William H. Cooper.
[78] U.S. Department of State, "Model Bilateral Investment Treaty," press release, April 20, 2012, http://www.state.gov/r/pa/prs/ps/2012/04/188198.htm. See CRS Report RL33978, *The U.S.*

Bilateral Investment Treaty Program: An Overview, by Martin A. Weiss and Shayerah Ilias Akhtar.

[79] Edward Gresser, *Update the Israel Free Trade Agreement*, The New Democratic Leadership Council, April 2010.

[80] Meeting with USTR officials, January 10, 2013.

[81] For example, see Quan Li and Rafael Reuveny, "Economic Globalization and Democracy: An Empirical Analysis," Working Paper, 2000, http://www.international.ucla.edu/cms/files/GLODEM39.pdf.

[82] For example, see Ahmed Galal and Robert Z. Lawrence, "Anchoring Reform with a U.S.-Egypt Free Trade Agreement," Policy Analyses in International Economics 74, Peterson Institute for International Economics, May 2005, http://bookstore.piie.com/bookstore/3683.html.

[83] For example, see Catharin E. Dalpino, "Does Globalization Promote Democracy?: An Early Assessment," Brookings, Fall 2001, http://www.brookings.edu/articles/2001/fall_democracy_dalpino.aspx.

[84] James V. Grimaldi and Robert O'Harrow Jr., "In Egypt, corruption cases had an American root," *Washington Post*, October 19, 2011; and, Economist Intelligence Unit, "Country Report: Egypt," November 2011.

[85] Discussion with USTR official, January 10, 2013.

[86] For more on these FTAs, see CRS Report RL34470, *The U.S.-Colombia Free Trade Agreement: Background and Issues*, by M. Angeles Villarreal; CRS Report R41534, *The EU-South Korea Free Trade Agreement and Its Implications for the United States*, by William H. Cooper et al.; and CRS Report RL32540, *The U.S.-Panama Free Trade Agreement*, by J. F. Hornbeck.

[87] For more on TPP, CRS Report R42694, *The Trans-Pacific Partnership Negotiations and Issues for Congress*, coordinated by Ian F. Fergusson.

[88] Meeting with USTR officials, January 10, 2013.

[89] Ibid.

[90] Ibid.

[91] ITA response to CRS inquiry, February 8, 2013.

[92] Meeting with USTR officials, January 10, 2013.

In: The Middle East and North Africa
Editor: Mehdi Vermeirsch
ISBN: 978-1-62808-919-6

Chapter 3

THE EUROPEAN UNION: FOREIGN AND SECURITY POLICY*

Derek E. Mix

SUMMARY

The United States often looks to Europe as its partner of choice in addressing important global challenges. Given the extent of the transatlantic relationship, congressional foreign policy activities and interests frequently involve Europe. The relationship between the United States and the European Union (EU) has become increasingly significant in recent years, and it is likely to grow even more important. In this context, Members of Congress often have an interest in understanding the complexities of EU policy making, assessing the compatibility and effectiveness of U.S. and EU policy approaches, or exploring the long-term implications of changing transatlantic dynamics.

The EU as a Global Actor

Seeking to play a more active role in global affairs, the EU has developed a Common Foreign and Security Policy (CFSP) and a Common Security and Defense Policy (CSDP). On many foreign policy and security issues, the 27

* This is an edited, reformatted and augmented version of the Congressional Research Service Publications, CRS Report for Congress R41959, Dated April 8, 2013.

EU member states exert a powerful collective influence. On the other hand, some critics assert that on the whole the EU remains an economic power only, and that its foreign and security policies have little global impact. Some of the shortcomings in the EU's external policies stem from the inherent difficulties of reaching a complete consensus among the member state governments. Moreover, past institutional arrangements have often failed to coordinate the EU's full range of resources.

Elements of EU External Policy

The Common Foreign and Security Policy is based on unanimous consensus among the member states. CFSP is a mechanism for adopting common principles and guidelines on political and security issues, committing to common diplomatic approaches, and undertaking joint actions. Many analysts argue that Europe's relevance in world affairs increasingly depends on its ability to speak and act as one.

The EU is currently conducting 16 operations under its Common Security and Defense Policy. To establish a more robust CSDP, EU member states have been exploring ways to increase their military capabilities and promote greater defense integration. These efforts have met with limited success thus far. Civilian missions and capabilities, however, are also central components of CSDP; the majority of CSDP missions have been civilian operations in areas such as police training and rule of law.

External policies in technical areas such as trade, humanitarian aid, development assistance, enlargement, and neighborhood policy are formulated and managed through a "community" process at the level of the EU institutions. (The European Neighborhood Policy seeks to deepen the EU's relations with its southern and eastern neighbors while encouraging them to pursue governance and economic reforms.) These are the EU's most deeply integrated external policies. Given events in North Africa, the Middle East, and some of the former Soviet states, EU policymakers have been rethinking how such external policy tools might be used to better effect.

The United States, the EU, and NATO

Although some observers remain concerned that a strong EU might act as a counterweight to U.S. power, others maintain that an assertive and capable

EU is very much in the interest of the United States. The focus of the transatlantic relationship has changed since the end of the Cold War: it is now largely about the United States and Europe working together to manage a range of global problems. According to some experts, U.S.-EU cooperation holds the greatest potential for successfully tackling many of today's emergent threats and concerns.

Nevertheless, NATO remains the dominant institutional foundation for transatlantic security affairs. U.S. policymakers have supported efforts to develop EU security policies on the condition that they do not weaken NATO, where the United States has a strong voice on European security issues. Despite their overlapping membership, the EU and NATO have struggled to work out an effective cooperative relationship. Analysts suggest that sorting out the dynamics of the U.S.-EU- NATO relationship to allow for a comprehensive and effective use of Euro-Atlantic resources and capabilities will be a key challenge for U.S. and European policymakers in the years ahead.

INTRODUCTION

The United States looks to Europe for partnership on an extensive range of global issues. In terms of international politics, security, and economics, Americans and Europeans tend to share broadly similar values, and often tend to pursue common or compatible goals. Many observers assert that the collective weight and influence of Europe and the United States, when projected through common transatlantic positions and complementary actions, fundamentally increases the odds that both sides will be able to achieve mutually desirable outcomes in world affairs.

More than five decades after the Treaties of Rome (1957) launched a process of European integration, the European Union (EU) has come to play an increasingly important role in the life of its 27 member countries. Reflective of this evolution, significant aspects of policy making have been gradually shifting from national capitals to the EU institutions based in Brussels.

Although the United States continues to maintain strong and active bilateral relations with the individual countries of Europe, and the transatlantic defense relationship remains centered in the North Atlantic Treaty Organization (NATO), some observers assert that much of the transatlantic partnership is increasingly set in the context of U.S. relations with the EU.

Issues for Congress

Members of Congress and other U.S. policymakers working on transatlantic and global issues have sought to better understand the nature and structure of EU foreign policy and the EU policy- making process. The work of the U.S. Congress encompasses a wide range of activities and issues that have a European dimension, including numerous security and economic concerns.

Thus, whether the topic is police training in Afghanistan or the Balkans; anti-piracy missions off the Horn of Africa; counterterrorism and terrorist financing; Iran sanctions; efforts to end the armed conflict in Syria; political approaches to Russia or China; free trade agreements with South Korea; assistance to developing countries; responses to change in North Africa; or any one of many more issues that could be listed, Members of the 113th Congress often have an interest in examining whether U.S. and EU legislation, initiatives, funding, operations, and political communication are complementary or contradictory. Members of Congress tend to examine such issues in the context of Congress's own legislative activities, oversight activities vis-à-vis policies of the U.S. Administration, or in the context of direct interaction with European legislators and officials.

Many Members of Congress also remain interested in assessing the ways in which developments in EU foreign and security policy might affect the United States and its interests over the longer term. Possible avenues for exploring such interest include examining the EU's global role in the context of evolving U.S. foreign policy priorities, the relationship between the EU and NATO, and the dynamics of the U.S.-EU-NATO relationship.

Consensus, Coherence, and Continuity

The institutional complexity of the EU often presents a challenge to understanding the context and significance of its external policies (policies governing relations with other regions and non- member countries).[1] Since the Treaty on European Union (also commonly known as the Maastricht Treaty) established the modern EU in 1992, EU external policies have been formulated and managed under one of two separate institutional processes:

- The Common Foreign and Security Policy (CFSP), which includes a Common Security and Defense Policy (CSDP), is intergovernmental in nature: the 27 member state governments, acting on the basis of unanimous agreement in the European Council (the heads of state or government) and the Council of the European Union (also called the Council of Ministers), are the key actors.

- External policies in areas such as trade, foreign aid, and EU enlargement are shaped and executed under a supranational or "community" decision-making process involving all three of the main EU institutions—the European Commission is arguably the most significant actor in these areas, although the member states (represented in the European Council and the Council of Ministers) and the European Parliament also have important decision-making roles.

The Lisbon Treaty, the EU reform treaty that took effect in December 2009, introduced changes designed to improve the coherence and effectiveness of EU external policies, primarily by enhancing the coordination between these two strands. The treaty set out to remedy three main weaknesses that analysts had identified with regard to EU external policies and the EU policy-making process.

First, while consensus does exist on many issues, achieving political agreement among 27 member countries can be inherently difficult. Differences between the member states can leave the EU with a thinly developed policy or with no common policy at all. A lack of consensus and direction can hinder the development of longer-term strategic approaches to an issue or region. The absence of a common policy can breed confusion if the EU "speaks with many voices" as national leaders express their own views and preferences.

Second, critics regularly asserted that EU foreign policy tended to suffer from insufficient institutional coordination and coherence. Too often, it is argued, the intergovernmental and supranational strands of external policy had not been linked in a meaningful or complementary way. According to this view, the EU has punched below its global weight because it did not fully leverage the considerable array of policy instruments at its disposal.

Third, prior institutional arrangements—namely, the former prominence of the rotating six-month national presidencies in external affairs—were susceptible to shifting priorities, with results sometimes detrimental to policy continuity.

One key Lisbon Treaty innovation designed to address these points was the creation of a new position: High Representative of the Union for Foreign Affairs and Security Policy. The position comes with the additional title of

Vice President of the European Commission. (It is therefore represented in EU documents as the HR/VP.) This is the job that has been held since 2009 by former EU Trade Commissioner Catherine Ashton (her five-year term will end in late 2014). She performs the external policy duties previously divided between three officials: the High Representative for CFSP (formerly Javier Solana), the foreign minister of the rotating presidency country, and the Commissioner for External Relations. As such, the High Representative position seeks to be an institutional bridge linking together and coordinating the intergovernmental and "community" dimensions of EU external policy.

A new EU diplomatic corps, the European External Action Service (EEAS), was officially launched in December 2010 to support the work of the High Representative in coordinating and implementing EU foreign policy. The structure of the EEAS likewise reflects a concept of institutional merger between the European Commission and the Council of Ministers: one-third of the personnel of the EEAS is drawn from the Commission, one-third from the secretariat of the Council of the European Union, and one-third is seconded from the national diplomatic services of the member states.

The Lisbon Treaty also created a new "permanent" President of the European Council, an individual serving a once-renewable, two-and-a-half-year term, to manage the activities of the group, promote the formation of consensus, and speak on its behalf.[2] The president is appointed by agreement among the member states. This is the position held since 2009 (and until 2014) by former Belgian Prime Minister Herman Van Rompuy.

Principles and Philosophy

From the time it was founded in the 1950s, the EU has regarded itself as a civilian power. NATO was the forum where many of the original EU members could focus on questions of Cold War defense and security. Meanwhile, the early decades of the EU were preoccupied with the technical aspects of deep economic integration. This type of integration represented a new form of cooperation between sovereign states that was the very antithesis of the power politics that twice led to the devastation of Europe between 1914 and 1945. The end of the Cold War, however, sparked debates within the EU about the desirability of developing a stronger foreign policy identity. After some early steps in that direction, Europe's inability to mount a strong political or military intervention in the Balkan Wars of the 1990s lent renewed urgency to such efforts while also stimulating initiatives to build an EU security and defense capability.[3]

The Treaty on European Union

The 1992 Treaty on European Union outlines the broad set of principles that guide the EU's external policies and actions. Under the treaty, the EU aims to

> (a) safeguard its values, fundamental interests, security, independence, and integrity;
> (b) consolidate and support democracy, the rule of law, human rights and the principles of international law;
> (c) preserve peace, prevent conflicts and strengthen international security, in accordance with the purposes and principles of the United Nations Charter, with the principles of the Helsinki Final Act and with the aims of the Charter of Paris, including those relating to external borders;
> (d) foster the sustainable economic, social and environmental development of developing countries, with the primary aim of eradicating poverty;
> (e) encourage the integration of all countries into the world economy, including through the progressive abolition of restrictions on international trade;
> (f) help develop international measures to preserve and improve the quality of the environment and the sustainable management of global natural resources, in order to ensure sustainable development;
> (g) assist populations, countries and regions confronting natural or man-made disasters; and
> (h) promote an international system based on stronger multilateral cooperation and good global governance.[4]

The European Security Strategy

The European Security Strategy (ESS), released in 2003, is another important touchstone for understanding the basic philosophy of EU foreign policy.[5] The ESS sets out three broad strategic objectives for EU policymakers:

- First, most immediately, the EU should take necessary actions to address a considerable list of global challenges and security threats, including regional conflicts, proliferation of weapons of mass destruction, terrorism, state failure, organized crime, disease, and destabilizing poverty. (The 2008 *Report on the Implementation of the European Security Strategy* adds piracy, cyber security, energy security, and climate change to the list.[6])
- Second, the EU should focus particularly on building regional security in its neighborhood: the Balkans, the Caucasus, the Mediterranean region, and the Middle East.
- Third, over the longer term, the EU should seek the construction of a rules-based, multilateral world order in which international law, peace, and security are ensured by strong regional and global institutions.

In outlining broad approaches to pursuing these objectives, the ESS also captures a number of fundamental philosophical elements. The document asserts that the threats and challenges it describes cannot be adequately addressed by military means alone, but require a mixture of military, political, and economic tools. Conflict prevention and threat prevention lie at the root of the EU's preferred security strategy—the EU therefore ultimately seeks to address the root causes of conflict and instability by strengthening governance and human rights, and by assisting economic development through such means as trade and foreign assistance. Analysts assert that these approaches play to one of the EU's main strengths: a considerable repertoire of civilian, "soft power" tools.[7]

Its preference for an international system based on multilateralism also reflects the strengths of the EU. The EU's own internal development in the relations between its member states demonstrates a highly evolved system of multilateral, cooperative policy making. Many assert that this mindset has become ingrained in EU thinking. Although extensive multilateralism suggests a degree of pragmatism and compromise with partners, the EU at the same time seeks to maintain a foreign policy that is distinctly principles-based and normative in its emphasis on democracy and human rights.

THE COMMON FOREIGN AND SECURITY POLICY

Building on earlier efforts to coordinate member states' foreign policies, the 1992 Treaty on European Union formally established the EU's Common Foreign and Security Policy. CFSP deals with international issues of a political or diplomatic nature, including issues with a security or military orientation—"high politics." Under the EU treaties, these types of political and security issues remain the prerogative of the member state governments—conceptually, in the case of CFSP, "common" means 27 sovereign governments choosing to work together to the extent that they can reach a consensus on any given policy issue.

Institutions and Actors

The EU institutions representing the member state governments—the European Council (the heads of state or government) and the Council of the European Union (also called the Council of Ministers)—play the defining role in formulating CFSP.

The European Council is the EU's highest level of political authority. It meets twice every six months (an "EU Summit"), and more often if warranted by exceptional circumstances. It is the responsibility of the European Council to "identify the strategic interests and objectives of the Union" with regard to its external action—the European Council supplies political direction and defines the priorities that shape CFSP.[8] Decisions are made on the basis of consensus.

The President of the European Council is tasked with managing its work, facilitating consensus, and helping to ensure policy continuity, while also serving as the group's spokesman. The High Representative also takes part in the work of the European Council and may submit CFSP proposals for consideration. Although the Lisbon Treaty is somewhat ambiguous in the way it assigns representation duties to both positions, the President of the European Council may be considered the voice of CFSP at the heads of state or government level, and the High Representative may be considered the "day-to-day" voice of CFSP at the ministerial level. The President of the European Commission is also a member of the European Council.

The Council of Ministers is the other primary forum for developing political consensus and direction, and it is where most of the formal mechanics of CFSP decision making are carried out. The foreign ministers of the 27 member states typically meet once a month (the Foreign Affairs Council configuration of the Council of Ministers). Here again, unanimous agreement among all member states is required to adopt a CFSP decision—any one foreign minister may veto a measure.[9]

The Foreign Affairs Council is chaired by the High Representative—as president of the Foreign Affairs Council, she seeks to facilitate consensus among the group. With the support of the European External Action Service, she is then responsible for managing, implementing, and representing CFSP decisions.[10]

The High Representative and the Foreign Affairs Council are also supported by the Political and Security Committee (PSC), a Council structure composed of ambassadors from the member states. The PSC monitors and assesses international affairs relevant to CFSP, provides input into CFSP decision making, and monitors the implementation of CFSP. The work of the PSC is closely associated with the High Representative and the EEAS.

Instruments

CFSP is composed of numerous elements. The terminology involved in describing these elements can quickly become confusing because phrases that have a specific meaning in EU parlance overlap with expressions that are also used—and that may have a different meaning—in everyday language.

The EU's 1997 Treaty of Amsterdam first identified four main CFSP instruments: *Principles and Guidelines*, which provide general political direction; *Common Strategies*, which set out objectives and means; *Joint Actions*, which address specific situations; and *Common Positions*, which define an approach to a particular matter.[11] CFSP elements produced before December 2009 are officially referenced under the phrasing of the Treaty of Amsterdam.

The Lisbon Treaty reconceptualizes CFSP instruments into four types of *Decisions*: (1) on the strategic objectives and interests of the EU, (2) on common positions, (3) on joint actions, and (4) on the implementing arrangements for common positions and actions. Elements of CFSP produced after December 2009 are therefore officially termed *Decisions*.[12]

Principles and Guidelines (or *Decisions* on the strategic objectives and interests of the EU), decided at the highest political level, shape the framework of EU policies and actions. The conclusions and results documents published after a meeting of the European Council or the Foreign Affairs Council are the main ways of promulgating strategic decisions agreed by EU leaders and governments in the area of CFSP.[13] Between such meetings, the High Representative may also simply release a CFSP statement on behalf of the EU that expresses a consensus viewpoint about an international development.[14]

The key strategy documents adopted by the European Council in recent years—such as the European Security Strategy itself, the EU Strategy Against Proliferation of Weapons of Mass Destruction (2003), the EU Counterterrorism Strategy (2005), and the EU Internal Security Strategy (2010)—also fall into the category of *Principles and Guidelines* (or *Decisions* on the strategic objectives and interests of the EU).[15]

These types of high-level political direction may trigger subsequent activity that formalizes the status of agreed concepts or applies them more specifically and concretely. *Common Positions* and *Joint Actions* (or *Decisions* on common positions or joint actions) take political agreement a step further, committing member states to their provisions after formal adoption by the Council of Ministers.

Conceptually, these instruments occupy something of a gray zone between legislation and political cooperation. Some observers regard them as binding legal instruments effectively comparable to the rest of EU law. Others, citing the lack of legal enforcement mechanisms and the weakness of EU court jurisdiction in these areas, argue that they are a separate category of instrument apart from the majority of EU law.[16] In any case, member states are bound by treaty to "support the Union's external and security policy actively and unreservedly in a spirit of loyalty and mutual solidarity and shall comply with the Union's action in this area."[17]

Common Positions often reiterate the EU's objectives and define a collectively agreed diplomatic approach to a particular region or country. For many observers in the United States, the EU's position on Cuba may be the most widely known act of this type, but the EU has also adopted *Common Positions* with regard to countries such as Zimbabwe, Belarus, and North Korea. As this abbreviated list suggests, the EU generally uses these types of CFSP *Decisions* to address a problematic situation, often involving a foreign government that fails to respect principles of human rights, democracy, rule of law, or international law. In addition, rather than dealing with a single country or region, a *Common Position* might address a cross-cutting topic such as conflict prevention and resolution, nonproliferation and arms control, or terrorism.

In relevant cases, sanctions are often included as part of a broader *Common Position*. As of February 2013, the EU had sanctions in place against governments, organizations, or individuals of 27 countries, plus al-Qaeda and other terrorist groups.[18] Although the EU generally looks to a United Nations Security Council mandate to impart legitimacy for sanctions, in almost all cases the Council of Ministers must adopt a formal instrument for the EU to put sanctions in place. As is the case with EU sanctions on Syria, for example, there may now also be a stand-alone CFSP *Decision* on “restrictive measures” in some instances.

Joint Actions often consist of launching or extending an out-of-area civilian or military operation under the Common Security and Defense Policy (CSDP). (This process and CSDP missions are discussed in greater detail in “The Common Security and Defense Policy” section below.) Past *Joint Actions* have also included the appointment of EU Special Representatives (EUSRs), senior diplomats assigned to a sensitive country or region in order to give the EU extra political clout.[19] A *Joint Action* might also provide financial or other support to the activities of an international organization engaged in efforts such as nonproliferation (the International Atomic Energy Agency, for example) or peace building (the Organization for Security and Cooperation in Europe, for example).

Assessment

The EU has created institutional structures and instruments to develop and implement a Common Foreign and Security Policy, and the member states of the EU have integrated their foreign policies to a remarkable degree on many issues. When the EU speaks as one, it can speak with a strong voice. The development of CFSP over the past two decades has allowed the EU to evolve beyond being a merely economic actor, and its role in international politics and security issues has added an important new layer to its identity.

At the same time, the main challenge to CFSP continues to be forming and maintaining consensus positions among 27 sovereign countries. To some extent, this challenge may simply be an inherent and intractable condition of the EU. In CFSP, the 27 national capitals still matter greatly. Countries may have different perspectives, preferences, and priorities, or may simply disagree about the best policy course. The bitter divisions within Europe over the 2003 invasion of Iraq remain a striking illustration of this type of divergence, but others may be cited—five EU member countries do not recognize the independence of Kosovo, for example.

Consensus can also be a matter of degree, varying in depth from an agreement on general policy parameters and objectives down to specific policy details. Disagreement on one level of policy may not preclude a common approach at another level. With regard to the situation in Syria since 2011, for example, the EU has maintained a clear political approach backed by an extensive and steadily expanding array of sanctions, and by the provision of non-lethal assistance to opposition forces. In 2013, however, member states France and the UK have reportedly pushed for altering the EU arms embargo to allow for the arming of opposition troops but have been unable to achieve consensus in this area given the objections of other member states.

Some analysts assert that CFSP lacks comprehensive strategic approaches in key areas. This is also often a function of the need for consensus. The EU is often criticized, for example, for lacking a clearly defined strategic approach to Russia, or to China. Although EU members certainly share many perceptions and objectives with regard to these countries, the nature of such relations is complex, and there is a significant degree of variance. Some EU members weigh trade and commercial concerns differently against concerns such as democracy and human rights. Some view engagement as the best way to encourage desired reforms and behaviors, while others prefer different tactics. Viewpoints fall along a continuum from pragmatism to a stricter pursuit of ideals, and a consistent, comprehensive, and meaningful strategy can often be elusive. Some analysts observe that the absence of an EU strategy in such cases might discourage member states from forming a strong national position—member states may be reluctant to unilaterally get out ahead of the EU and instead wait for a wider consensus to gel.

The “EU” at-large—its institutions and its representatives—is generally criticized for these shortcomings, and institutional factors have certainly played some role. Despite the improvements of the Lisbon Treaty, however, the EU can still only provide mechanisms to facilitate consensus when it comes to CFSP. Ultimately, the High Representative works with the mandate provided by the member states: she can encourage consensus, but she cannot force it. CFSP remains a common policy, not a single policy—the EU is not a sovereign state, and its member countries will continue to have their own national foreign ministries and their own national foreign policies.

Integration is a process. Regular consultation is designed to achieve a broad foundation of convergence over time, even if there are short-term divergences. Some analysts argue that Europe must continue to strengthen CFSP if it is to remain a relevant player in the world. Although several of the bigger EU countries remain international heavyweights in their own right, analysts assert that, absent their membership in a strong and unified EU, these countries could someday find themselves to be global middleweights with increasingly diminishing influence. By the same token, although smaller member states occasionally fear that their voices are being drowned out within the EU, they are arguably even less likely to be heard from outside the EU. As the institutions introduced by the Lisbon Treaty mature, analysts assert that the EU must now concentrate more than ever on developing and fleshing out the substance of CFSP. One of the top immediate priorities for the High Representative and the EEAS is to work on the development of strategic partnerships with key countries such as the United States, Canada, Japan, China, Russia, India, Brazil, and Mexico.[20]

THE COMMON SECURITY AND DEFENSE POLICY

The Common Security and Defense Policy (CSDP) is the operations arm of CFSP. The member countries formally agreed to begin work on an integrated EU security and defense policy in 1999.[21] Despite its military and defense elements, it is important to note that the activities of CSDP are not exclusively military in nature—in fact, in practice, CSDP operations have most often consisted of civilian activities such as police and judicial training ("rule of law") and security sector reform. Nearly 15 years after it was launched, CSDP has become largely oriented toward such activities, as well as peacekeeping, conflict prevention, crisis management, post- conflict stabilization, and humanitarian missions, rather than conventional military combat operations.

Nevertheless, European policymakers have sought to establish a more robust CSDP by enhancing and coordinating EU countries' military capabilities. Under CSDP, the EU has set a series of targets for improving capabilities and increasing deployable assets, including plans for a rapid reaction force and multinational "EU Battlegroups." Such forces are not a standing "EU army," but rather a catalogue of troops and assets drawn from existing national forces that member states can make available for EU operations. Some analysts have suggested that pooling assets among several member states and developing national niche capabilities might help remedy European military shortfalls amid tight defense budgets. In 2004, the EU established the European Defense Agency (EDA) to help coordinate defense-industrial and procurement policy in order to stretch European defense spending.

An effective CSDP also calls for an autonomous EU capability to conduct external operations. Many European officials stress that CSDP is not intended to rival or compete with NATO, but rather is meant to be a complementary alternative. The Lisbon Treaty confirms the primary role of NATO in its members' mutual defense and reiterates that CSDP does not seek to compromise members' commitments to NATO. The existence of CSDP gives the EU an ability to act in cases where EU intervention may be more appropriate or effective, or in situations where NATO or the United Nations choose not to become involved.

Institutions and Actors

Many of the key actors and institutions involved in CSDP are the same as those responsible for the wider CFSP: the European Council and the Council of Ministers play the key roles in strategic guidance and decision making, and the High Representative is pivotal in consensus building and implementation. The PSC plays a major role in exercising political control and strategic direction of CSDP operations. In addition, EU defense ministers occasionally join meetings of the Foreign Affairs Council in order to round out discussions about security and defense issues, and an EU Military Committee (EUMC), composed of the member states' Chiefs of Defense (CHOD) or their military representatives, provides input to the PSC on military matters.

A number of specialized support structures have been established to conduct the operational planning and implementation of CSDP: a Crisis Management Planning Directorate (CMPD) to integrate civilian and military strategic planning; a Civilian Planning Conduct Capability (CPCC) office to run civilian missions; a Joint Situation Centre (SitCen) for intelligence analysis and threat assessment; and an EU Military Staff (EUMS) tasked by the EUMC to provide military expertise and advice to the High Representative. These structures were formerly part of the Secretariat of the Council of Ministers—following the enactment of the Lisbon Treaty, they are now part of the External Action Service under the direction of High Representative Ashton.

CSDP Missions[22]

As of February 2013, there are 16 active CSDP missions: 4 military operations and 12 missions of a civilian nature. Four of these active missions, one military and three civilian, have been launched since the summer of 2012; all four new missions are in Africa (Mali, Niger/Sahel, South Sudan, and Horn of Africa). An additional 12 CSDP missions—4 military and 8 civilian—have been concluded in recent years. EU missions are generally undertaken on the basis of a U.N. mandate or with the agreement of the host country.[23]

Europe and Eurasia

The countries of the former Yugoslavia and the former Soviet Union have been a focal point of EU external activities for several related reasons. First, geographical proximity: following Europe's much criticized failures with regard to the Balkan Wars of the 1990s, European policymakers now feel a responsibility for "taking care of their own backyard." Second, the legacies of history: the EU's efforts to engage with and assist these countries, many of which are current or potential EU membership candidates, are also driven by a sense of historical responsibility and the vision of a European continent that is entirely "whole, free, and at peace." Third, self-interest: instability in this region, including but not limited to concerns such as transnational crime, can threaten to spill over into the EU itself.

Active Missions in Europe and Eurasia

The European Union Rule of Law Mission in Kosovo (EULEX) is a civilian rule-of-law mission that trains police, judges, customs officials, and civil administrators in *Kosovo*. EULEX was launched in 2008 and, with some 1,250 staff as of October 2012, is the largest EU civilian operation ever undertaken.[24]

The military operation European Union Force (EUFOR) Althea is a peace-enforcement mission in *Bosnia-Herzegovina* that was launched in December 2004 with an initial troop strength of approximately 7,000. Althea took over responsibility for stabilization in Bosnia-Herzegovina when NATO concluded its Stabilization Force (SFOR) mission there. As of March 2013, Althea's troop strength stands at 600.[25]

With no U.S., NATO, or Organization for Security and Co-operation in Europe (OSCE) observer missions operating in *Georgia* following its 2008 conflict with Russia, the EU Monitoring Mission (EUMM) represents the only official international monitoring presence in the country. EUMM was launched in September 2008, shortly following the conflict. With about 300 staff , EUMM is tasked with monitoring implementation of the ceasefire agreements, promoting stability and normalization, and facilitating communication between all parties on the ground.[26]

The EU also conducts a border assistance mission to *Ukraine and Moldova* (EUBAM), which was launched in 2005. EUBAM's approximately 200 staff provide technical assistance and advice to improve security and customs operations along the Ukraine-Moldova border.[27]

Concluded Missions in Europe and Eurasia

The first-ever CSDP mission undertaken by the EU was a civilian police training mission (EUPM) in Bosnia-Herzegovina that was launched in 2003. EUPM concluded at the end of June 2012, with approximately 35 personnel.[28]

The EU has concluded three CSDP missions in *Macedonia*. The EU's first military mission, Concordia, was a military support and peacekeeping operation of approximately 350 staff, conducted in 2003 after the EU took over responsibility from NATO mission Allied Harmony (2001-2003).[29] After the conclusion of Concordia, the EU conducted a civilian police training mission (EUPOL Proxima) in Macedonia from 2003 to 2005, followed by a short police advisory team (EUPAT) operation in 2005-2006. These efforts consisted of about 200 personnel for Proxima and 30 for EUPAT.[30]

In 2004-2005, the EU carried out a rule-of-law-mission in *Georgia*, EUJUST Themis. Initiated at the request of the Georgian government, Themis, which was the EU's first ever CSDP rule-of-law mission, helped Georgian authorities reform the country's criminal legislation and criminal justice process.[31]

Africa

The EU has been especially active in Africa, conducting 14 CSDP missions on that continent since 2003. Owing largely to humanitarian concerns, geographical proximity and the potential spillover effects of instability, and historical ties rooted in former colonial relationships, Europe maintains a substantial political interest in Africa. This interest has often translated into a perceived responsibility to intervene or assist in problematic situations. These missions often go largely unnoticed in the United States, but some observers note that they have contributed to international security in a number of situations where the United States has not been involved.

Active Missions in Africa

In February 2013, the EU launched a military training operation in *Mali* (EUTM Mali), with an initial mandate of 15 months. EUTM Mali was undertaken in the context of a French military operation that began in January 2013 to re-take territory in northern Mali from Islamist rebel groups linked to al-Qaeda. The objective of the EU mission is to train and advise Malian armed forces in order to restore nationwide law and order under constitutional, democratic authorities. Headquartered in the city of Bamako, and with training activities taking place 60 kilometers away in the city of Koulikoro, EUTM Mali is to consist of approximately 200 instructors plus an additional 300 support staff and force protection personnel. Mission personnel are not intended to take part in combat operations.[32]

The EU launched a civilian training mission called EUCAP SAHEL Niger in July 2012. With about 50 staff, the mission aims to increase the capacity of the Nigerien police and security forces to combat terrorism and organized crime, with the broader objective of reinforcing political stability, governance, and security in *Niger and the Sahel region*.[33] The EU also began a civilian mission to strengthen airport security in *South Sudan* (EUAVSEC South Sudan) in September 2012. EUAVSEC will have up to 64 personnel.[34]

European Union Naval Force (EUNAVFOR) *Somalia* (Operation Atalanta) is a maritime anti- piracy mission off the coast of Somalia that was launched in 2008 and has a force strength of approximately 1,400 as of October 2012. Atalanta is a naval task force typically consisting of 4 to 7 ships and 2 or 3 patrol aircraft at a time, with the operation headquarters located at Northwood, United Kingdom.[35] Operation Atalanta is complemented by two additional CSDP missions. In 2010, the EU launched EUTM Somalia, a military training mission for Somali security forces. The mission is based in Uganda and has approximately 125 personnel as of January 2013.[36] In July 2012, the EU launched a new civilian mission (EUCAP NESTOR) that aims to build the maritime capacity of five countries in the region (*Djibouti*, *Kenya, Seychelles, Somalia, and Tanzania*) and train a Somali coastal police force. Headquartered in Djibouti, the mission consists of about 175 personnel.[37]

Two small civilian CSDP missions operate in the *Democratic Republic of Congo (DRC)*. The EU launched a security sector reform mission (EUSEC RD Congo) in June 2005, which gives advice and assistance regarding army reforms and modernization. As of December 2012, EUSEC RD Congo and EUPOL RD had 48 staff. [38] The EU has also conducted a police training mission in DRC since 2005. The current operation (EUPOL RD Congo) was launched in July 2007 and had 47 staff as of October 2012.[39]

Concluded Missions in Africa

The EU has concluded three missions in *DRC*. Operation Artemis, consisting of approximately 2,000 troops, took place June-September 2003 and sought to stabilize the security situation and improve humanitarian conditions in the Bunia region.[40] EUFOR RD Congo was a military mission conducted in the second half of 2006 to support the United Nations Organization Mission in the DRC (MONUC) in securing the country for elections. The mission consisted of several hundred EU military personnel deployed in Kinshasa, plus a battalion-sized unit on standby in neighboring Gabon, totaling approximately 2,400 troops.[41] EUPOL Kinshasa was a police training mission in DRC from 2005 to 2007. It was concluded in 2007 and replaced by the ongoing EUPOL RD Congo.[42]

EUFOR Tschad/RCA was a military mission launched in January 2008 to stabilize the security and humanitarian situation in eastern *Chad* and northeastern *Central African Republic*. EUFOR Tschad/RCA was a temporary bridging mission ahead of the deployment of the U.N. Mission in the Central African Republic and Chad (MINURCAT), which assumed responsibility in early 2009. EUFOR Tschad/RCA was the largest CSDP military mission in Africa to date, with approximately 3,700 troops taking part.[43]

From 2005 to 2007, the EU conducted a hybrid civilian-military mission in support of the African Union's mission in *Sudan/Darfur* (AMIS). The AMIS support mission, consisting of several dozen EU personnel, included military observers, equipment, and transportation, as well as military planning, training, and technical assistance. The mission also included civilian police training and assistance. It concluded at the end of 2007 when AMIS transferred responsibility to a new United Nations/African Union combined operation in Darfur (UNAMID).[44]

From 2008 to 2010, the EU conducted a small security sector reform mission in Guinea-Bissau (EU SSR Guinea-Bissau). The mission, consisting of eight advisors, helped local authorities reform legal frameworks related to the country's military, police, and justice system. This mission ended unsuccessfully when political developments in Guinea-Bissau ran counter to the EU's reform goals.[45]

Middle East and Asia

The EU has launched a number of missions to support its goals of fostering peace and stability in the greater Middle East region. Active CSDP missions in the region involve three cases that demonstrate three different levels of European consensus and involvement: one case (Afghanistan) where

European countries are deeply engaged, but mostly through NATO; another case (Israel-Palestinian conflict) where the EU has a far-reaching political consensus that defines a common approach; and a third case (Iraq) where the EU was unable to form a political consensus, but in which it has chosen to engage at a smaller-scale technical level.

Active Missions in the Middle East and Asia

The EU has a police mission in *Afghanistan* (EUPOL) that mentors and trains Afghan police. The mission, launched in June 2007, has about 350 staff as of September 2012.[46] EUPOL seeks to coordinate European and international efforts in what is regarded as a key area for Afghanistan's development and self-sufficiency.

The EU Police Mission in the *Palestinian Territories* (EUPOL COPPS) was launched in 2006. This civilian mission, which had about 70 EU staff operating in the West Bank as of July 2012, seeks to improve the law enforcement capacity of the Palestinian civil police force while advising Palestinian authorities on criminal justice and rule-of-law issues.[47]

In 2005, the EU launched a small border-assistance mission to monitor the Rafah crossing point between *Gaza* and Egypt (EUBAM Rafah). That mission has been suspended since the 2007 takeover of Gaza by Hamas and remains on standby pending a formal request by the regional stakeholders to reactivate and redeploy.[48]

The EU Integrated Rule of Law Mission for *Iraq* (EUJUST LEX – Iraq) was launched in 2005. The mission, consisting of about 66 EU staff as of November 2012, trains Iraqi police, prison officials, and judges.[49]

Concluded Mission in Asia

In 2005-2006, the EU deployed a civilian monitoring mission to *Aceh-Indonesia* (AMM). AMM helped monitor implementation of the 2005 peace agreement between the Indonesian government and the Free Aceh Movement, including weapons decommissioning, military and police force relocation, and the human rights situation. AMM began with 80 personnel and was reduced to 35 when the situation stabilized ahead of local elections, at which point the mission was concluded.[50]

Assessment

Perceptions about the results of CSDP thus far are mixed. Many analysts assert that CSDP operations have made a positive, if modest, contribution to international security. There has been a long, slow learning curve in numerous instances, and many of the missions have been relatively small. Many CSDP missions do not receive much attention in Washington, DC, but some observers note that the EU's efforts have contributed to burden sharing and collective security by taking responsibility for matters that might otherwise have fallen to the United Nations, NATO, the United States, or regional institutions. The EU has comparative advantages as an actor in some cases, and it has developed the institutional support structures needed for launching and conducting a wide range of civilian and rule-of-law missions, as well as some types of military missions.

The fact that the majority of CSDP operations have been civilian missions reflects what many analysts consider to be the EU's strengths. EU member states' substantial civilian capacities in areas such as rule of law and police training are essential elements in situations where governance development is a key priority. Although the organization and deployment of civilian missions has not always been smooth and ideal, these types of civilian capabilities are very much in demand, and some observers are continually pushing the EU to do more with regard to such missions. As the EU seeks to implement its strategic security vision and take on a more active global role, some analysts view civilian operations involving governance building or crisis management as a logical fit and expect that such missions will be central in defining the future of CSDP.

Nearly 15 years after it was launched, however, CSDP has not dramatically increased European military capabilities. Most European militaries face flat or declining national defense budgets, and shortfalls continue to exist in terms of key capabilities such as strategic air- and sealift. Despite notable efforts at force transformation in many countries, a relatively low percentage of European forces are deployable for expeditionary operations. On a more positive note, CSDP military missions have generally achieved their modest goals, and some progress has been made in areas such as the development of the EU Battlegroups.

Members of Congress and other U.S. policymakers have long had concerns about European defense budgets and capabilities, on the one hand, and transatlantic cooperation and burden sharing, on the other. Such concerns have been further exacerbated by the impact of the Eurozone crisis, which has caused many countries to adopt austerity programs. A potential theme of continuing interest to the 113th Congress might be how the economic downturn in Europe, as illustrated in the Eurozone debt crisis and a general trend toward budgetary austerity, could affect the transatlantic partnership with regard to international security and military affairs.

Some analysts assert that European countries should consider much bolder defense initiatives. Stretching defense budgets further with combined procurement programs or coordinated investment in research and development remain the consensus starting points, but some analysts have also advocated deeper European defense integration involving pooling and sharing assets or foregoing certain national capabilities in favor of "niche" capability specialization. The Lisbon Treaty establishes the possibility of "permanent structured cooperation," in which subgroups of member states may choose to move ahead on their own in the development of particular defense capabilities.

At the same time, national defense is one of the core elements of state sovereignty. Although EU member states view pooling, coordination, and integration as important ways to maximize defense capabilities, national governments can be expected to insist on retaining the decisive role when it comes to controlling their military forces and assets.

CSDP also plays into wider assessments about changing European worldviews and threat perceptions. Many Europeans continue to believe that traditional military threats remain a concern that necessitate the maintenance of military power for territorial self-defense or, when necessary, in an out-of-area context. Increasingly, however, many others in Europe do not regard traditional military threats as a primary security concern. Instead, European threat perceptions tend to emphasize the broad threats posed to societies by challenges rooted in economics, demographics, climate, environment, migration, and terrorism. The utility of military force in addressing such threats is limited, and it is therefore accorded a relatively diminished role in the EU's strategic thinking. Instead, the future roles of European militaries might center on stabilization, peacekeeping, and crisis management.

As a corollary to U.S. concerns about European defense budgets and capabilities, some U.S. officials and Members of Congress have been concerned that these trends in perception and strategy could be leading Europe to focus disproportionately on soft power, leaving the United States to do the heavy lifting and assume the costs of providing "hard" power. In a climate of budget austerity across much of Europe, arguments about the diminishing role of military power could tie in conveniently with efforts to cut military forces that are deemed too expensive.

In any case, like the United States, the EU is seeking to develop new tools and mechanisms, and to find a way to use all of its assets in a coherent and comprehensive manner to address the global challenges it faces. Bolstering CSDP and bringing it together with the rest of the EU's policy tools in a more complementary fashion is a top objective for the EU; facilitating this process was one of the primary purposes of changes introduced by the Lisbon Treaty.

"Community" Policies

In contrast to the intergovernmental nature of CFSP and CSDP, many common external policies are formulated and managed under the EU's supranational "community" process. In areas such as trade, aid, neighborhood policy, and enlargement negotiations—what some observers call the "technical" aspects of external relations—the member states have agreed to pool their sovereignty and decision making at the level of the EU institutions. Accordingly, EU external policies are most integrated and firmly established in these areas.

Institutions and Actors

In general, for issues in these areas the member states mandate the European Commission to act as the policy initiator or the lead negotiator with an outside country. External agreements and legislative or funding proposals must be approved by the member states in the Council of Ministers and by the European Parliament. Approved measures are then implemented and managed by the European Commission.

The Commission is divided into departments called directorates-general (DG). Each covers a portfolio of issues, and each is headed by a commissioner. The DGs are, in effect, the EU's executive departments and agencies, and the commissioners are comparable to U.S. department secretaries or agency heads. There are four Commission DGs with a distinctly external focus: trade, humanitarian aid, development, and enlargement. Although the work of many other DGs (e.g., energy or transportation) often involves significant external dimensions, these four core areas are considered the external relations family of directorates within the European Commission.

The High Representative is responsible for coordinating the external dimensions of the commission's activities—she absorbs the former job of

Commissioner for External Relations, and the former DG for External Relations has been folded into the European External Action Service. The High Representative is also responsible for coordinating the Commission's external policies with CFSP and CSDP.

The President of the European Commission, José Manuel Barroso, is the highest authority in representing its policies. As with Van Rompuy in the intergovernmental sphere, Barroso may be considered the voice of the EU's "community" policies at the heads of state or government level. As is also the case with regard to CFSP, the High Representative is the key voice of Commission external policies at the ministerial level, although the other commissioners carry comparable weight within their areas of responsibility.

Trade

The European Commission's directorate-general for trade oversees the development and implementation of a common trade policy for what is the world's largest trade bloc.[51] Even excluding internal trade between the member states, the EU accounted for about one-sixth of global merchandise trade (imports plus exports) in 2011, valued at approximately €3.22 trillion (approximately $4.1 trillion).[52]

Considered as a single entity, the EU is the largest trade partner (goods imports plus goods exports) for the United States, China, Russia, Brazil, and India. It is also the largest trade partner for a variety of regional groupings, including the 79 countries of the Africa, Caribbean, and Pacific (ACP) group; the 21 countries of the Asia-Pacific Economic Cooperation (APEC) forum; the 12 members of the Commonwealth of Independent States (CIS); the 10 "Mediterranean Dialogue" countries; the 7 countries of the Western Balkans; and the 6 Gulf Cooperation Council (GCC) countries.[53]

Humanitarian Aid and Development Assistance

The member states and institutions of the EU have agreed to detailed frameworks and sets of principles that affirm humanitarian aid and development assistance as key elements of external policy.[54] The EU is the world's largest aid donor (Commission funds plus bilateral member state contributions), accounting for more than 40% of official global humanitarian assistance and over half of official global development assistance.[55]

The European Commission's Humanitarian Aid and Civil Protection directorate-general (DG ECHO) manages the delivery of emergency EU assistance in crisis situations created by armed conflict or natural disaster.[56] The European Commission spends an average of €1 billion (about $1.28 billion) per year through DG ECHO. The initial DG ECHO budget for 2013 is €856 million (approximately $1.1 billion), with more than half programmed for sub-Saharan Africa.[57]

The EuropeAid Development and Cooperation directorate-general designs EU development policies and delivers assistance geared toward longer-term issues such as poverty, hunger, health, education, and governance.[58] In 2011, the Commission disbursed about €9.2 billion (approximately $11.8 billion) in official development assistance, with more than 40% of the total going to Africa. The EU and its member states spent a combined €53.5 billion (approximately $68.7 billion) on ODA in 2011.[59]

ENLARGEMENT AND NEIGHBORHOOD POLICY

In 2004 and 2007, two historic rounds of enlargement into Central and Eastern Europe increased the size of the EU from 15 to 27 member states. The Commission's directorate-general for enlargement conducts accession negotiations with countries that have applied for EU membership and that meet basic conditions for democracy, human rights, and rule of law.[60] Fulfilling the EU's accession criteria and adopting the massive body of EU law involve a lengthy and demanding reform process with political, legal, and technical requirements covering 35 "chapters" (subjects).[61] Croatia has recently completed the process and is expected to join the EU as its 28th member country on July 1, 2013. There are currently five official membership candidates: Iceland, Macedonia, Montenegro, Serbia, and Turkey. Three countries—Albania, Bosnia- Herzegovina, and Kosovo—are currently considered potential candidates.[62]

In 2004, the EU launched the European Neighborhood Policy (ENP) to develop deeper political and economic ties with neighboring countries not (or not yet) considered potential members. Under ENP, 12 countries of North Africa, the Caucasus, and the Middle East have agreed to bilateral action plans containing targets for political and economic reforms.[63] The program allows the EU to advocate for the adoption of common political and economic values. In return, ENP participants may receive enhanced trade and economic ties with the EU, as well as aid and technical assistance. ENP also encompasses three regional initiatives—the Eastern Partnership, the Union for the Mediterranean, and the Black Sea Synergy—designed to complement the bilateral action plans.

Assessment

Trade, aid and development assistance, the enlargement process, and neighborhood policy are important instruments in the EU's external policy approach. These tools allow the EU to exert influence and promote its values beyond the territory of its member states in the ways many observers say it is most comfortable and adept—by fostering interdependence through deepening economic ties; by seeking to bolster economic conditions and good governance, and linking each to the other; and by encouraging (or, with membership applicants, requiring) the adoption of EU norms and practices with regard to democratic government, laws, and economic policies.

Having common policies in these areas allows the EU to exert a collective weight far greater than what any individual member state could muster on its own. Beyond the direct impact of trade and assistance relationships themselves, the EU is a major voice in global trade negotiations and the World Trade Organization (WTO), and a leading player in international aid forums. The enlargement process has demonstrated a substantial transformative power capable of driving far- reaching reforms in countries that aspire to EU membership, and ENP has made modest beginnings in establishing enhanced relations with neighborhood countries.

Difficult questions loom over the future of enlargement and the role and effectiveness of neighborhood policy, however. Following the expansion of the EU from 15 to 27 members in 2004 and 2007, many Europeans have described a feeling of "enlargement fatigue" that has sapped enthusiasm for accepting additional members. Nevertheless, the working premise of most observers is that room would probably be made for Iceland if it wants to join, and for the countries of the Western Balkans, as soon as they meet the criteria. Some of those countries could take a decade or more to achieve membership, but this scenario could result in an EU with as many as 35 member countries. Some analysts suggest that this picture could represent an end point for EU enlargement: Turkey's bid faces highly problematic obstacles; countries such as Ukraine, Moldova, and Belarus appear to be remote prospects at this time; and countries such as Norway and Switzerland seem to remain uninterested in joining. Should the enlargement process reach a stopping point, or at least enter a prolonged pause, the EU would likely lose the ability to use the incentive of membership as a key tool for influencing its neighborhood.

Some observers view the European Neighborhood Policy as a potential way to exert influence in the EU's "Near Abroad" short of offering the prospect of membership. Although one potential objective of ENP could be to start paving the way for eventual EU membership, another interpretation is that ENP could form the kernel of enhanced relationships—"privileged partnerships"—with neighboring countries that are unlikely to become members anytime soon, if ever. ENP was launched in 2004, making for a short time frame on which to judge it, but results have been modest at best.

In view of developments in North Africa and some former Soviet countries over the past several years, some critics have lamented the lack of influence the EU (particularly the Union for the Mediterranean and the Eastern Partnership) has had in these situations. In a reassessment of the ENP instruments, the EU has been seeking to develop a more values-oriented, conditionality- based ENP, with the terms linked more tightly to democratic reforms. Under the theme "money, mobility, markets," the EU has added funds for support to the countries of the so-called "Arab Spring," created new partnerships and initiatives to improve access to the EU for partner countries' citizens, and sought to improve partner countries' access to the EU market, including through the negotiation of Deep and Comprehensive Free Trade Agreements.[64]

THE ENHANCED ROLE OF THE EUROPEAN PARLIAMENT

Although it has no formal role in CFSP decision making, the European Parliament has a degree of influence on EU foreign policy. This influence has increased following the enactment of the Lisbon Treaty.[65]

Even before adoption of the Lisbon Treaty, representatives of the Council of Ministers consulted the EP on CFSP issues, paying regular visits to the institution to keep Members of the European Parliament (MEPs) informed of CFSP and CSDP decisions. This exchange continues under the Lisbon Treaty, including by the President of the European Council and the High Representative. The EP also indirectly influences member state debates on CFSP through its own discussions and activities: observers assert that the EP has become an increasingly prominent forum for debate on international issues. The EP may issue resolutions that express its view or urge a course of action on an international issue. In September 2012, the EP issued a resolution containing an extensive overview and assessment of CFSP under the Lisbon Treaty.[66]

The EP has a foreign affairs committee that monitors the conduct of EU foreign policy, with two subcommittees (human rights and security and defense). The EP may also set up special committees to investigate specific issues for a limited period of time, such as the 2006 special committee to examine the alleged role of EU member states in hosting reported secret CIA detention facilities and aiding CIA flights related to the rendition of terrorism suspects.

The EP has 41 delegations (ranging in size between 20 and 50 MEPs) that maintain parliament- to-parliament contacts and relations with representatives of many countries and regions around the world. For example, the EP has interparliamentary delegations for relations with the United States and the NATO Parliamentary Assembly, as well as with Russia, Iran, Israel, the Palestinian Legislative Council, China, India, and the Korean Peninsula.

The EP won significant concessions during the debates over setting up the External Action Service. Due to the EP's role in the oversight and approval of the EU budget, the EP's assent was required regarding the structure, staffing, and budget of the EEAS. The EP won the right to scrutinize the non-military parts of the CFSP/CSDP budget (previously, the particulars of these expenses were exempt from EP oversight). The EP also won the right to hold U.S. Senate-style confirmation hearings for some of the EU ambassadors designated to prominent postings.

The EP has a central, formal role in EU "community" decision making. Under the Lisbon Treaty, the number of issue areas in which the EP acts as a co-legislator along with the Council of Ministers has expanded considerably. As a result, the EP must give its consent on all external agreements negotiated by the European Commission. This power includes trade deals (such as the EU-South Korea Free Trade Agreement passed by the EP in February 2011) and agreements such as the U.S.-EU SWIFT agreement on tracking terrorist financing and the U.S-EU airline security agreement on sharing Passenger Name Record (PNR) information. The EP has openly sought to assert itself as a more powerful actor within the EU's "institutional triangle." In cases such as the EU-Korea FTA, SWIFT, and PNR, observers discern a trend in which MEPs seek to convey that the EP's positions must now be taken into account during (and not after) the negotiation of international agreements or the drafting of new legislative proposals.

CONCLUSION: ISSUES FOR THE UNITED STATES

The evolution of EU external policies and capabilities ties into a related discussion about the changing structure and dynamics of transatlantic relations. In Europe, "unfinished business" remains in the Balkans, Caucasus, and former Soviet states, and the United States will continue to cooperate closely with Europe on these issues. Overall, however, many analysts have observed that the focus of U.S. foreign policy has been gravitating increasingly to the Middle East and Asia over the past decade. Indications of a "Pacific pivot" and strategic re-balancing toward East Asia by the Obama Administration have recently attracted attention to this theme. Such trends, some argue, have made Europe in and of itself less of a U.S. foreign policy priority. Instead, the political and security aspects of the transatlantic relationship are now mostly about what Europe and the United States can do together to address global challenges of joint interest and concern.[67] Many of these challenges pertain to new types of threats that have emerged since the end of the Cold War, threats that require new capabilities to address. At the same time, some analysts perceive an increasingly multipolar world order in which countries such as China, India, Brazil, and Russia are moving alongside the United States and Europe as centers of power.

U.S.-EU Relations

Given these trends, U.S. policymakers might ask what kind of an EU they would like to see, and what role they might like to see the EU play in the world. The EU is occasionally viewed as a potential counterweight, but many U.S. policymakers tend to view it more as a counterpart, a partner with whom cooperation might help achieve common ends. Many observers argue that a more united EU capable of acting decisively in world affairs is a better U.S. partner that can help achieve common goals. On the other side of the coin, they assert, a disunited Europe tends to be an ineffective and less relevant actor in dealing with major world issues. Some analysts have suggested that an overdependence on the United States prevents Europe from acting as an equal partner—both sides might be better off with a Europe, speaking and acting as one, that takes a more robust, assertive, and independent approach to international security issues.

On the other hand, skeptics question what happens when a united Europe disagrees with the United States. Some such observers prefer to keep U.S.

engagement with Europe oriented toward a bilateral, country-by-country basis, arguing that such an approach is a better way to pursue U.S. interests on a range of issues. Such observers also assert that each bilateral relationship remains indispensible, countering suggestions that some national capitals could become increasingly less relevant to the United States if EU policy making continues to shift to Brussels.

EU-NATO Relations

Discussions about CSDP inevitably raise the issue of EU-NATO relations. Despite the fact that they have 21 member countries in common, NATO and the EU continue to have difficulty establishing a more cooperative and coordinated working relationship. In the past, U.S. officials expressed concern that the development of CSDP and EU defense structures would result in a wasteful duplication of scarce defense resources and lead to the separation of the United States from the European security architecture. While some remain skeptical, CSDP has become increasingly viewed as a helpful means to build European capabilities and permit expanded EU engagement in global challenges. In 2003, the EU and NATO agreed to the “Berlin Plus” arrangement, allowing EU-led military missions access to NATO assets and planning capabilities, and thereby preventing the duplication of resources and structures. The struggle with generating more European defense capabilities has also been playing out in NATO—despite the adoption of an updated Strategic Concept in November 2010, this struggle is a significant part of still ongoing debates about the future role and purpose of the institution.

Some analysts assert that NATO and the EU need to work in a more complementary fashion to permit a more efficient and effective overall use of Euro-Atlantic civil and military resources. The NATO Strategic Concept states that “NATO and the EU can and should play complementary and mutually reinforcing roles in supporting international peace and security.” The document directs NATO to “fully strengthen the strategic partnership with the EU, in the spirit of full mutual openness, transparency, complementarity and respect for the autonomy and institutional integrity of both organizations” and to “broaden our political consultations to include all issues of common concern, in order to share assessments and perspectives.”[68]

Disagreements between Turkey (a member of NATO but not the EU) and Cyprus (a member of the EU but not NATO) are often cited as a primary obstacle to deeper cooperation and information sharing. Some observers also point to bureaucratic rivalry and competition between the two institutions, and conflicting views regarding their roles. These blockages have been known for some time, although solutions at the political level continue to remain elusive. Some observers have suggested establishing a division of labor between the "hard" military tasks that lie at the core of NATO and the "soft" peacekeeping and civilian-oriented missions that play to the strengths of the EU, but others decisively reject the idea of such rigid mandates.

On the other hand, some observers note that cooperation between the two institutions is already relatively functional at the working level. Setting aside efforts for a grand institutional fix, and assuming the continuation of political circumstances more or less as they stand, many observers have urged the two institutions to identify and leverage mutually beneficial synergies. This push is reflected in the most recent Strategic Concept, which calls on NATO and the EU to "enhance our practical cooperation in operations throughout the crisis spectrum, from coordinated planning to mutual support in the field" and to "cooperate more fully in capability development, to minimise duplication and maximise cost-effectiveness."[69]

Together, the EU and NATO represent the institutional toolbox that the Euro-Atlantic nations may draw on to address global challenges. Institutional structures and arrangements are imperfect, but having this toolbox presents the Euro-Atlantic community with options to choose from. The most suitable flag to fly—EU, NATO, or other—depends on an interplay between the capabilities offered by each institution and the political circumstances of a given situation or mission.

According to analysts, the security strategy documents released in recent years by the United States, the EU, and NATO, as well as by France, Germany, and the United Kingdom, demonstrate a convergence of perceptions about the international security environment. This trend in the direction of a shared security strategy may present opportunities to recast the dynamics of the U.S.-EU-NATO relationship in ways that enable the Euro-Atlantic partners to better meet the challenges they face. In other words, by bridging the remaining gaps between the institutions' respective worldviews, a shared security strategy might help accelerate the development of complementary military and civilian capabilities that address the evolving set of interrelated external and domestic security threats faced by all EU and NATO member countries.[70]

For the time being, NATO remains the center of Euro-Atlantic defense cooperation, especially from the viewpoint of U.S. policymakers. Some analysts argue that the EU must still move ahead and develop its own military headquarters and planning capabilities in order for CSDP to become a more credible and relevant option. (In July 2011, however, the UK definitively blocked a proposal to consolidate the command structure for EU military missions under a single permanent operational headquarters.) Although unlikely in the near term, the development of CSDP into a robust military actor able to conduct high-end combat operations would affect the future of NATO in many ways. Conversely, a stagnant or ineffective CSDP would also have important long-term implications for the transatlantic security relationship. As Members of Congress and the U.S. Administration examine the U.S. role in NATO and U.S. basing arrangements in Europe in the years ahead, broad developments in CSDP might be an area of related interest.

For all of the criticisms that may be directed at European foreign and security policy, Europe is likely to remain the United States' closest global partner into the foreseeable future. None of the world's other powers, established or rising, can claim to share Europe's multi-faceted compatibility with the United States, and for many Americans "going it alone" is not an attractive option. In the emerging geopolitical and security environment suggested by current trends, the transatlantic partnership is unlikely to be well served by "muddling through" each problem on a case-by-case basis. Both Americans and Europeans have an interest in establishing a stable and enhanced U.S.-EU-NATO dynamic that is as efficient and effective as possible. U.S. policymakers may not be able to determine the choices made by Europeans, but they can express U.S. preferences in support of solutions for overcoming resource constraints so that strategy and capabilities adequately match threats and challenges.

End Notes

[1] For a background overview of the European Union, including an explanation of its main institutions, see CRS Report RS21372, *The European Union: Questions and Answers*, by Kristin Archick.

[2] Prior to the enactment of the Lisbon Treaty, the head of state or government of the rotating presidency country served as the "temporary" president of the European Council for a six-month period.

[3] For an extensive history of EU foreign policy, see Federiga Bindi, "European Union Foreign Policy: A Historical Overview," in *The Foreign Policy of the European Union*, ed. Federiga Bindi and Irina Angelescu, 2nd ed. (Washington, DC: The Brookings Institution, 2012), pp. 11-39.

[4] *Consolidated Version of the Treaty on European Union*, Article 21.2, http://eur-lex.europa.eu/LexUriServ/ LexUriServ.do?uri=OJ:C:2010:083:0013:0046:EN:PDF.

[5] "A Secure Europe in a Better World—European Security Strategy," Brussels, December 12, 2003, http://www.consilium.europa.eu/uedocs/cmsUpload/78367.pdf.

[6] "Report on the Implementation of the European Security Strategy—Providing Security in a Changing World," Brussels, December 11, 2008, http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/EN/reports/ 104630.pdf.

[7] Harvard University's Joseph Nye coined the phrase "soft power" to mean an ability to fulfill objectives based on attraction rather than coercion, on the strength of values, culture, institutions, and policies perceived by the international community as legitimate and credible. See Joseph S. Nye, Jr., *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004).

[8] *Consolidated Version of the Treaty on European Union*, Article 22.1.

[9] Constructive abstention is a possibility (a country may abstain from voting and allow the others to move ahead on the basis of unanimity). Once a CFSP decision has been adopted, qualified majority voting (QMV) may be used with regard to implementing measures. The EU typically prefers to operate on the basis of consensus as much as possible.

[10] Prior to the Lisbon Treaty, the foreign minister of the EU's rotating presidency country chaired the Foreign Affairs Council, and the High Representative for CFSP (Javier Solana) had the lead responsibility for execution.

[11] See *The Treaty of Amsterdam*, Articles J.2-J.5, http://www.eurotreaties.com/amsterdamtreaty.pdf.

[12] *Consolidated Version of the Treaty on European Union*, Article 22.1 and Article 25.

[13] See European Council, *Conclusions*, http://www.european-council.europa.eu/council-meetings/conclusions.aspx? lang=en, and, for example, Council of the European Union, *Press Release – 3230th Council Meeting (Foreign Affairs)*, http://www.consilium.europa.eu/uedocs/ cms_Data/docs/pressdata/EN/foraff/136004.pdf.

[14] *See Council of the European Union, CFSP Statements*, http://www.consilium.europa.eu/policies/foreign-policy/cfsp- statements.aspx?lang=en&BID=73.

[15] Formal *Common Strategies* as identified in the Treaty of Amsterdam have fallen into disuse. The EU adopted three such CFSP Common Strategies: on Russia (1999), Ukraine (1999), and the Mediterranean region (2000). These documents, adopted under the auspices of the European Council, combined objectives, positions, and actions under a comprehensive, long-term vision for the relationship—compared to the *Common Strategies*, the focus of a *Common Position* is relatively narrower and more immediate. All three *Common Strategies*, however, have long expired. They have not been replaced by updated or amended versions, and no new instruments of this type have been formulated.

[16] See Paul James Cardwell, *EU External Relations and Systems of Governance* (Abingdon, UK: Routledge, 2009), pp. 10-27.

[17] *Consolidated Version of the Treaty on European Union*, Article 24.3.

[18] For more information and a list of EU sanctions currently in force, see European Union External Action Service, *Sanctions or restrictive measures*, http://eeas.europa.eu/cfsp/sanctions/index_en.htm.

[19] The EU has eleven EUSRs, covering Afghanistan, the African Union, Bosnia-Herzegovina, Central Asia, The Horn of Africa, Kosovo, the Middle East Peace Process, the Sahel, the South Caucasus and the crisis in Georgia, the Southern Mediterranean Region, and Sudan. EUSRs have now been incorporated into the structure of the European External Action Service under High Representative Ashton. See http://www.consilium.europa.eu/policies/foreign- policy/eu-special-representatives.aspx?lang=en.

[20] In her initial report to the European Parliament, the High Representative identified the consolidation of such strategic partnerships among the main priorities of her mandate. See http://eeas.europa.eu/cfsp/docs/2009_annualreport_en.pdf.

[21] CSDP was called ESDP, the European Security and Defense Policy, from 1999 to 2009.

[22] For a map of CSDP missions, see http://www.consilium.europa.eu/eeas/security-defence/eu-operations?lang=en.

[23] In addition to the map and official mission homepages, see *European Security and Defense Policy: The First Ten Years (1999-2009)*, ed. Giovanni Grevi, Damien Helly, and Daniel Keohane (Paris: EU Institute for Security Studies, 2009) for background information on CSDP missions launched prior to 2009.

[24] European External Action Service (EEAS), *EULEX Kosovo*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/eulex-kosovo.aspx?lang=fr.

[25] EEAS, *ALTHEA/BiH*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/althea.aspx?lang=fr.

[26] EEAS, *EUMM Georgia*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/eumm-georgia.aspx? lang=fr.

[27] EEAS, *EUBAM Moldova/Ukraine*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/moldova- and-ukraine-border-mission.aspx?lang=fr.

[28] *EEAS, EUPM/BiH*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/completed-eu- operations/eupm?lang=en.

[29] *EEAS, CONCORDIA/ FYROM*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/completed-eu- operations/concordia.aspx?lang=fr.

[30] EEAS, *EUPOL PROXIMA/FYROM*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/completed-eu-operations/proxima.aspx?lang=fr and EUPAT, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/completed-eu-operations/eupat.aspx?lang=fr.

[31] EEAS, *EUJUST THEMIS*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/completed-eu- operations/eujust-themis.aspx?lang=fr.

[32] EEAS, *EUTM Mali*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/eutm-mali?lang=fr.

[33] EEAS, *EUCAP SAHEL Niger*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/eucap-sahel- niger?lang=fr.

[34] EEAS, *EUAVSEC South Sudan*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/euavsec-south-sudan?lang=fr.

[35] EEAS, *EUNAVFOR Somalia*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/eunavfor- somalia.aspx?lang=fr.

[36] EEAS, *EUTM Somalia*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/eu-somalia-training-mission.aspx?lang=fr.

[37] EEAS, *EUCAP NESTOR*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/ eucap-nestor?lang= fr.

[38] EEAS, *EUSEC RD CONGO*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/eusec-rd- congo.aspx?lang=fr.

[39] EEAS, *EUPOL RD CONGO*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/ eupol-rd- congo.aspx?lang=fr.

[40] EEAS, *DRC/ARTEMIS*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/completed-eu- operations/artemis.aspx?lang=fr.

[41] EEAS, *EUFOR RD CONGO*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/completed-eu- operations/eufor-rd-congo.aspx?lang=fr.

[42] EEAS, *EUFOR KINSHASA (DRC)*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/completed- eu-operations/eupol-kinshasa.aspx?lang=fr.

[43] EEAS, *EUFOR TSCHAD/RCA*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/completed-eu- operations/eufor-tchadrca.aspx?lang=en.

[44] EEAS, *EU Support to AMIS (Darfur)*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/completed-eu-operations/eu-support-to-amis-%28darfur%29.aspx?lang=fr.

[45] EEAS, *EU SSR GUINEA-BISSAU*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/completed- eu-operations/eu-ssr-guinea-bissau.aspx?lang=fr.

[46] EEAS, *EUPOL AFGHANISTAN*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/eupol- afghanistan.aspx?lang=fr.

[47] EEAS, *EUPOL COPPS*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/eupol-copps.aspx? lang=fr.

[48] EEAS, *EUBAM Rafah*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/eubam-rafah.aspx? lang=fr.

[49] EEAS, *EUJUST LEX/Iraq*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/ eujust-lex.aspx? *lang=fr*.

[50] EEAS, *Aceh Monitoring Mission*, http://www.consilium.europa.eu/eeas/security-defence/eu-operations/completed- eu-operations/aceh-monitoring-mission.aspx?lang=fr.

[51] *The Commissioner for Trade is Karel de Gucht (Belgium).*

[52] See European Commission, DG Trade, *Statistics – EU Trade in the World*, February 28, 2012, http://ec.europa.eu/ trade/creating-opportunities/bilateral-relations/statistics/.

[53] See the individual factsheets at DG Trade, *Statistics – European Union and its main trading partners,* http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/statistics/.

[54] See *The European Consensus on Development*, (2006/C 46/01), http://ec.europa.eu/development/icenter/repository/european_consensus_2005_en.pdf and *The European Consensus on Humanitarian Aid*, (2008/C25/01), http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2008:025:0001:0012:EN:PDF.

[55] European Commission DG ECHO, http://ec.europa.eu/echo/funding/finances_en.htm, and European Commission, EuropeAid, http://ec.europa.eu/europeaid/infopoint/publications/europeaid/documents/259a_en.pdf.

[56] The Commissioner for International Cooperation, Humanitarian Aid, and Crisis Response is Kristalina Georgieva (Bulgaria).

[57] See European Commission DG ECHO, http://ec.europa.eu/echo/files/policies/strategy/strategy_2013_en.pdf.

[58] The Commissioner for Development is Andris Piebalgs (Latvia).

[59] See the EuropeAid annual report 2012, http://ec.europa.eu/europeaid/multimedia/publications/index_en.htm.

[60] The Commissioner for Enlargement is Štefan Füle (Czech Republic).

[61] Once this process has been completed, all member countries and the European Parliament must still approve the accession of the applicant country.

[62] See European Commission, DG Enlargement, http://ec.europa.eu/enlargement/countries/check-current- status/index_en.htm.

[63] See European Commission, *European Neighborhood Policy*, http://ec.europa.eu/world/enp/policy_en.htm. Bilateral ENP action plans have been signed with Armenia, Azerbaijan, Egypt, Georgia, Israel, Jordan, Lebanon, Moldova, Morocco, Palestinian territories, Tunisia, and Ukraine. The ENP framework was also proposed to Algeria, Belarus, Libya, and Syria, but no action plans have been concluded.

[64] See *European Neighborhood Policy – Reference Documents*, http://ec.europa.eu/world/enp/documents_en.htm.

[65] For an overview of the European Parliament, see CRS Report RS21998, *The European Parliament*, by Kristin Archick.

[66] *European Parliament Resolution of 12 September 2012 on the Annual Report from the Council to the European Parliament on the Common Foreign and Security Policy*, http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2012-0334&language=EN&ring=A7- 2012-0252.

[67] As then-Secretary of State Hillary Clinton said after meeting with High Representative Ashton in May 2011, “The United States and the European Union are partners working together on, I think, every global issue and regional challenge that you can imagine.” See http://www.state.gov/secretary/rm/2011/05/163569.htm.

[68] Active Engagement, Modern Defence: Strategic Concept for the Defence and Security of the Members of the North Atlantic Treaty Organization, Adopted by the Heads of State and Government at the NATO Summit in Lisbon, November 19-20, 2010, http://www.nato.int/lisbon2010/strategic-concept-2010-eng.pdf.

[69] ibid.

[70] See Simon Serfaty and Sven Biscop, *A Shared Security Strategy for a Euro-Atlantic Partnership of Equals*, Center for Strategic & International Studies, July 2009.

In: The Middle East and North Africa
Editor: Mehdi Vermeirsch
ISBN: 978-1-62808-919-6

Chapter 4

CHANGE IN THE MIDDLE EAST: IMPLICATIONS FOR U.S. POLICY*

Christopher M. Blanchard, Alexis Arieff, Zoe Danon, Kenneth Katzman, Jeremy M. Sharp and Jim Zanotti

SUMMARY

The political change and unrest that have swept through the Middle East and North Africa since early 2011 are likely to have profound consequences for the pursuit of long-standing U.S. policy goals in the region with regard to regional security, global energy supplies, U.S. military access, bilateral trade and investment, counter-proliferation, counterterrorism, and the promotion of human rights. The profound changes in the region may alter the framework in which these goals are pursued and challenge the basic assumptions that have long guided U.S. policy.

This report assesses some of the policy implications of recent and ongoing events in the region, provides an overview of U.S. responses to date, and explores select case studies to illustrate some key questions and dilemmas that Congress and the executive branch may face with regard to these issues and others in the future. Questions for possible congressional

* This is an edited, reformatted and augmented version of a Congressional Research Service publication, CRS Report for Congress R42393, from www.crs.gov, prepared for Members and Committees of Congress, dated March 7, 2012.

consideration raised in this report and in corresponding country reports include:

- What overarching principles and interests should guide the U.S. response to change in the Middle East? With what relative importance and priority? Should U.S. responses be tailored to individual circumstances or guided by a unified set of principles, assumptions, and goals? How can U.S. interests in security, commerce, energy, good governance, and human rights best be reconciled?
- What are the relative risks and rewards of immediately or directly acting to shape the course of unrest and transitions in the Arab world? What are the potential risks and rewards of a gradual response or of a "wait-and-see" approach? What are other regional and global actors doing or not doing to shape outcomes? Why or why not? At what risk or benefit to U.S. interests?
- How have established patterns of interaction and existing policies in the Middle East served U.S. interests over time? How have they shaped the range of choices now available to U.S. decision makers, both from a regional perspective and in specific countries? In what ways, if any, should legislative precedent,
- bureaucratic infrastructure, and funding patterns be revisited? What are the relative roles and responsibilities of Congress and the executive branch in defining future policy?
- How are U.S. interests and options affected by trends associated with the ongoing change in the Middle East, such as the democratic empowerment of Islamist parties, the weakening of state security authority, or the increased assertiveness of public opinion as an influence on regional policy makers? What new opportunities and risks might these trends entail?

How should U.S. policy responses to political change in the broader Middle East be informed by parallel and longer-standing concerns about the Iranian nuclear program, transnational terrorism, and the Israeli-Palestinian conflict? How should an understanding of the implications of Arab political change inform U.S. policy on other major policy questions?

ENDURING U.S. GOALS AMID REGIONAL CHANGE[1]

Uprisings and political change in the Arab world challenge many of the assumptions that have long informed U.S. policy makers while the wave of unrest—often dubbed the “Arab Spring” or “Arab Awakening”—changes the arena in which U.S. policy plays out. However, many longstanding U.S. goals in the region endure.[2] The ongoing uncertainty and fluidity of events suggests that the process of developing a reliable set of new assumptions and policies will be protracted. As Congress provides oversight of U.S. policy and makes decisions regarding military and economic aid, it will be valuable to examine the effect of these shifting realities on the pursuit of long-standing U.S. goals and values.

U.S. policy goals in the broader Middle East are generally understood to include:

- Discouraging interstate conflict that can threaten allies (including Israel) and jeopardize other interests;
- Preserving the flow of energy resources and commerce that is vital to the U.S., regional, and global economies;
- Ensuring transit and access to facilities to support U.S. military operations;
- Countering terrorism (CT);
- Stemming the proliferation of conventional and unconventional weapons; and
- Promoting economic growth, democracy, and human rights.

Even before the wave of change began, balancing these priorities in the Middle East was complicated. For example, the goals of preserving regional stability and protecting U.S. security through counterterrorism and counter-proliferation necessitated cooperation with leaders who rejected efforts toward democratization and human rights. Indeed, many observers in the region described that cooperation as the United States bolstering dictators who used military and security apparatuses to stifle internal dissent. Arming and providing assistance to allies to preserve security and discourage interstate conflict were further complicated by the difficult relationships some U.S. allies have with each other and with others; for example, Israel and Saudi Arabia might both see the United States as an ally and Iran as a major threat, but they are also uneasy about each other.

Since the 1950s, the basic political landscape in the Arab world has remained stable for long periods punctuated by bursts of conflict or rapid—if isolated—political change. Over time, U.S. policy largely tried to balance competing policy priorities while placing a premium on preserving a secure and stable environment seen as essential for the goals described above. Some observers and policy makers have argued that U.S. interests in protecting the political rights and improving the socioeconomic conditions of the inhabitants of the region are worthy aims only to the extent that they do not interfere with other goals. This argument assumed that citizens in many Arab states would not be swayed by U.S. advocacy and assistance and/or that citizens had minimal opportunities to express dissent in ways that could challenge their governments' cooperation with the United States. Other analysts and U.S. officials argued that U.S. investments in the advancement of political rights and the development of societies in the Middle East could serve as potential instruments of strategic policy—a down payment on regional stability and a safety valve against popular demands for swift or disruptive change. This argument assumed that U.S. engagement, advocacy, and assistance could build a broad basis for bilateral cooperation and/or that failure to respond to popular dissent or disassociate the United States from abuses by partner governments could produce a harmful backlash. The latter approach rarely prevailed.

Change has now come to several countries in the Middle East in the wake of popular uprisings rooted in discrete demands and shared themes (see textbox below). U.S. policy choices are becoming more complicated as unrest, conflict, and transitions alter basic realities in the region. Relevant aspects of the new regional environment include

- *Public Opinion Power*—The crowds that have taken over squares and ousted dictators also have toppled the assumption that outsiders can adequately understand and effectively deal with the Arab world by engaging only with elites. It remains unclear what types of governments will emerge in the states that are undergoing fundamental change, but it seems likely that in both those states and others, rulers now must pay more attention to the demands of public opinion and the competing political and social groups that seek to shape and harness its power. Although the United States has not been a key focus of protesters in the Arab uprisings, many in the Arab world share a belief that some of their leaders have subordinated their national interests to the United States or other external powers in order to receive assistance, arms, and trade benefits. Foreign policy choices, particularly with regard to the Arab-Israeli peace process or foreign assistance, therefore, may be subject to extra scrutiny by emerging leaders and empowered publics.[3]
- *Islamist Support and Success*—In the short term, at least, a greater public say in governance may mean electoral support for Islamist

parties, whether out of religious conviction; sympathy for those formerly targeted for repression; lack of competition from other well-organized parties; a belief that Islamist parties will be the least corrupt and most likely to champion social justice; or some combination of these reasons. Initial successes by Islamist parties have challenged the viability of the long-standing U.S. preference not to fully engage such parties out of concern about their views on Israel, armed conflict, and certain social and political issues, such as the rights and roles of women and religious minorities.

- *Uncertain Strategic Implications*—The United States relied on friendly Arab regimes and Israel as security partners during the Cold War and in the struggle against radicalizing forces such as Al Qaeda, Hamas, Hezbollah, other violent Islamist extremists, and the governments of Iran and Syria. The ability of the U.S. government to influence events has become more complicated as some friendly regimes have faced upheavals. Certain Al Qaeda figures have embraced the current of change and sought to wrap themselves in the mantle of opposition to regional governments. However, to a large degree, the activism on display in most countries discredits Al Qaeda's claims that violent resistance is the only or best way to achieve change. Some observers contended early on that Iran and its allies were the "winners" of the Arab unrest, as regimes that had worked with the United States against Iran came under internal threat and Islamist parties gained traction. However, the picture for Iran is growing murkier as its primary ally, Syria, remains caught up in violence. The situation in Syria put Iran and its non-state allies in the position of defending an autocratic regime against a popular uprising—the opposite of the image they like to present. Hamas has distanced itself from the Syrian government, while Hezbollah has embraced it. The outcome in Syria, whatever it is, will have tremendous consequences for Iran, including the fate of its allies in Lebanon and the Palestinian territories.
- *Israeli Concerns and Complications for Peace Negotiations*—Israeli government leaders argue that the wave of unrest in the Arab world is making Israel's security situation more perilous by potentially replacing relatively friendly and reliable neighboring governments with Islamist governments they see as likely to be hostile to Israel. Some Israelis argue that change in the region makes territorial compromise even more dangerous than it was before because

governments and groups hostile to Israel may grow stronger. Palestinian leaders see an increased need to respond to a public that demands both a firm line with Israel and unity between Fatah and Hamas. These trends on both sides have further complicated ongoing U.S. efforts to encourage a process that might lead to an end to the Arab-Israeli conflict through a two-state solution between Israel and the Palestinians.

- *Weakened State Security Authorities*—Uprisings, unrest, and transition are affecting the ability and willingness of security authorities in several countries in the Middle East and North Africa to assert control over their territory, cities, and borders. Continued violence, dissolved national security bodies, and/or assertive citizen demands for less security control present unique challenges for regional and global policy makers concerned about transnational threats. Terrorists, arms traffickers, and other criminal entities are seeking to take advantage of this trend in places such as Libya, the Sinai peninsula, and Yemen.

In addition to the significant changes wrought by the wave of unrest, other events further affect the arena for U.S. policy. For example, the pullout of U.S. troops from Iraq and a forthcoming U.S. military reset in the Gulf region will change calculations by Iran and by U.S. allies in the Gulf about their own security needs after two decades in which the U.S. military presence around or in Iraq and containment of Iran were constants. The Iranian nuclear program continues to challenge U.S. goals, and the uptick in tensions over that issue appears to be raising the risk of military conflict as Iran counters escalating international sanctions with increasing threats.

Additionally, economic constraints affecting Europe, the United States, and others have an impact on their willingness to consider additional military interventions to deal with regional instability, or to embark on new or expanded programs of aid and trade negotiations to help emerging democracies succeed.

In light of these conditions, the policy tools that Congress may consider continuing, initiating, or terminating—providing military and economic aid, engaging in arms sales and leases, imposing or easing economic sanctions, negotiating trade agreements, and promoting democracy, to name a few—are likely to have different consequences than they have in the past. The story of change in the Middle East is still unfolding; a viable new set of guiding assumptions may not become available in the near term, and ad hoc decision-making may be the necessary but less convenient successor to the stable patterns and calculations that have long guided U.S. Middle East strategy.

"Dignity": An Individual Motive, a Collective Demand, and a Policy Challenge

The wave of Arab unrest has led to a large body of analysis that seeks to explain the trend's underlying causes and triggering factors, with explanations ranging from the youth bulge to economic inequality, from high unemployment to the role of social media. One factor that has gotten increasing attention, distinct from but complementary to the others, is how individuals' basic sense of dignity and their anger regarding threats to their dignity motivates protestors and activists. Widespread press and anecdotal reporting prior to the wave of unrest suggested that many individuals in the region felt that their personal and collective dignity was threatened by repressive security entities, weak economic prospects, decrepit public infrastructure, and corruption among public officials. Specific grievances and circumstances varied from country to country, but the theme of "dignity denied" has emerged as one common thread linking discrete cases.

In the wake of the uprisings, Arab citizens in many countries have highlighted common challenges and stated their hopes that political change will be a first step toward resolving long-standing grievances and restoring their individual and collective dignity. At present, political groups in multiple countries are presenting Islamist, secular, and nationalist visions for resolving long-standing grievances and restoring the individual and shared dignity of their fellow citizens. Differences in proposals often reflect different notions about shared identity and basic political principles.

Looking ahead, changes in political structures and power balances brought on by the unrest point to ways that notions of individual and collective dignity may influence policy decision-making in Arab states. An increased sense of government accountability to public opinion may lead policy makers to increasingly consider popular notions of dignity—whether individual, sectarian, or national—when they make decisions. Leaders also might seek to exploit issues to capitalize on these trends. This is true in countries that have undergone significant changes and in those where regimes are trying to avoid wholesale change. In some cases, governments may make choices that appear to go against what outsiders assume are clear economic and diplomatic interests.

The need to bolster flagging economies and nurture positive ties with countries like the United States might, at least in the short run, come second to the protection of a sense of sovereignty or freedom from outside interference.

Experts remain divided over whether or how to craft U.S. policy in ways that acknowledge sentiments of individual and collective dignity in the Arab world. As in other regions, respecting maximalist notions of sovereignty or certain expressions of political identity may prove difficult, as they may not be compatible with U.S. goals and values. A rhetorical or programmatic emphasis on partnership and shared interests may not always compensate for deeply divergent priorities. While Arab societies and leaders may prove more amenable to proposals framed in terms of their internally articulated aspirations, reconciling those aspirations with U.S. goals remains the core challenge for U.S. policy makers. As such, Members of Congress may seek to more fully understand the identities, goals, motives, and interests of newly empowered interlocutors in responding to the trend of regional change.

SELECT ISSUES

The following analyses explore how regional change affects U.S. goals and discuss approaches that Congress has taken and may consider taking in response to change in the Middle East.

Egypt: A Future of Partnership and Peace?[4]

As a result of its 2011 uprising, Egypt appears to be in the process of a historic transition from military to civilian, Islamist-led rule that could have major repercussions that may have to be addressed by Congress and other U.S. policy makers in the years ahead. Recent parliamentary elections confirmed what most observers had predicted for some time—that political power in post-Mubarak Egypt would coalesce around two major forces—the victorious Islamist political parties dominated by the Muslim Brotherhood on the one hand and the currently ruling Supreme Council of the Armed Forces (SCAF) on the other. In the short term, these two powerful camps will contest many of the key issues facing Egypt, including the drafting of a new constitution, stabilizing the economy, and restoring public order and security. As decision-making authority is expected to shift from the Egyptian national security apparatus and its economic allies to civilian groups, the United States faces the task of adjusting decades of policy that sought cooperation with governing elites as a means of ensuring Egyptian-Israeli peace and preserving military and economic cooperation.

Since the late 1970s, Egypt's government has been a strategic partner of the United States. The U.S.-brokered 1979 Israeli-Egyptian Camp David peace treaty has kept two of the most powerful Middle Eastern conventional armies at peace for more than three decades, in stark contrast to the record of Arab-Israeli wars over the three decades before the treaty. The Suez Canal is one of the world's key waterways, and the United States seeks continued access to it to project its power in the Mediterranean Sea, Indian Ocean, and the Persian Gulf and to protect global oil and cargo shipments that pass through the canal daily. The United States has also sought to have a strong Egyptian partner in counterterrorism due to the country's long experience in combating extremist groups. Some of these groups, like Gemma Islamiyya, are now politically active.

As Egypt changes and U.S. diplomacy evolves to keep pace, one of the biggest challenges facing U.S. policy makers is managing Israeli-Egyptian relations in this shifting environment. Given the new potential for public views to influence the policy choices of Egyptian politicians, Egyptian public support for the Palestinian cause may have the ability to seriously rupture Israeli-Egyptian relations in a manner unseen since before the 1979 Camp David peace accord. At present the Egyptian Muslim Brotherhood, SCAF, and most other political groups have indicated a willingness to maintain the peace treaty with Israel, with some groups calling for negotiated amendments and reconsideration. Nevertheless, U.S. policy makers fear that the follow-on effects of heightened Arab-Israeli tensions may be more difficult to contain amid unanticipated negative events such as the August 2011 Palestinian terrorist attack inside Israel and the resulting killing of Egyptian police during the Israeli response. After that incident, protestors stormed Israel's embassy outside of Cairo, and only after U.S. urging did Egyptian commandos rescue Israeli diplomats trapped inside their own compound.

Complicating matters further is the fact that non-state actors, such as Hamas, base their military forces in civilian areas, making civilian casualties during conflict virtually inevitable. Should another war or Palestinian uprising erupt (as in 2000, 2006, and 2008), images of Arab civilian casualties broadcast over satellite television and the Internet may have a deeply destabilizing effect in Egypt and in the region. Previous patterns in which autocratic leaders would allow a certain amount of venting anger against Israel but prevent the reaction from going too far could no longer be assured. In that atmosphere, intended attacks or unintentional actions have the potential to cause broader instability. As such, for the foreseeable future, U.S. policy toward Egypt may become more focused on containment of potential conflict zones such as Gaza and the Sinai Peninsula.[5]

Egyptian leaders also may no longer be willing or able to broker Israeli-Palestinian peace talks. Though Mubarak maintained a cold peace with Israel, under his leadership Egypt hosted a number of important Israeli-Palestinian negotiations, and Israel counted on some Egyptian cooperation in containing Hamas in the Gaza Strip. Though Egypt's military has an interest in maintaining peace with Israel and avoiding conflict within Egypt's borders, Egyptian Islamist groups and public opinion are unlikely to be as adversarial toward Hamas. For the United States, the possible loss of Egypt as a reliable broker limits its options when trying to corral regional support for renewed negotiations. Recent talks between Israelis and Palestinians in Amman suggest that Jordan may try to fill this vacuum, although the small kingdom does not carry the same political weight as Egypt.

In general terms, the last decade of U.S.-Egyptian relations has reflected a fundamental tension between the pursuit of immediate U.S. national security interests and the long-term promotion of U.S. values, development, and universal human rights. This tension is expected to continue and may be amplified as a result of the ongoing transition. Complications have arisen when the maintenance of U.S. interests, such as regional peace and counterterrorism cooperation, conflicts with other goals, such as the promotion of human rights and the rule of law. The rise of Islamist parties in Egypt may be a harbinger of new complications, such as differing social values in the areas of the protection of minority and women's rights in Egypt.[6] Though the United States may argue that Egypt will grow stronger as a nation only if it supports religious freedom and gender equality, new Islamist political leaders may disagree, forcing U.S. lawmakers to make difficult choices when it comes to supporting Egypt in other arenas such as trade and bilateral aid. Moreover, Islamists may use their new power to restrict freedom of speech or religious freedom.

Overall, Congress has supported new Obama Administration policy proposals for Egypt but with conditions that are now at the center of a controversy regarding Egypt's prosecution of personnel affiliated with U.S. and Egyptian nongovernmental organizations (NGOs). Congress fully funded the Administration's FY2012 assistance request for Egypt ($1.55 billion) and authorized $500 million in debt relief and the creation of an enterprise fund to promote private sector investment.[7] Congress also required the Administration to make certain certifications to Congress before providing FY2012 funds to Egypt. The Secretary of State must certify that Egypt is meeting its peace treaty obligations to Israel and is continuing to support the transition to a free civilian government that backs democratic values.[8] These certifications may be waived by the Administration, although some Members have cited the recent dispute over the activities of U.S. and Egyptian democracy NGOs as a barrier to a credible certification. Proponents of expanded ties to Egypt support congressional approval of a U.S.-Egyptian free trade agreement, while opponents of expanded ties or an unconditional maintenance of the status quo have called on Congress to rescind aid to Egypt completely.

The Gulf States: Cooperation Under Pressure[9]

U.S. relations with the monarchies of the Gulf Cooperation Council (GCC: Saudi Arabia, the United Arab Emirates, Bahrain, Qatar, Kuwait, and Oman) involve each of the five key interests outlined in the overview. In general, U.S.-GCC relations since the 1970s have been defined by security partnership to protect energy resources, even as divergent policy priorities have created episodic tension with regard to energy policy, counterterrorism, and regional peace. The authoritarian GCC states have long posed one of the greatest challenges in terms of reconciling U.S. commitments to democracy, human rights, and religious freedom with security requirements in the region. While some of the GCC states have taken limited steps toward political openness, political decision making remains largely concentrated in the hands of unelected hereditary rulers, and security forces vigorously enforce laws restricting civil, religious, and political rights. The political events of 2011 thus brought underlying challenges in U.S.-GCC relations to the surface even as shared concerns about regional security developments have brought the United States and its Gulf allies closer together.

Many experts have observed that recent uprisings have thus far left the GCC states relatively unscathed, with the exception of Bahrain, where large demonstrations have occurred that may pose a threat to the ruling family's hold on power. Other Gulf states have experienced a range of more limited domestic unrest—including isolated clashes between protestors and security forces in eastern Saudi Arabia and low-level activism and sporadic criticism of the government by activists in the United Arab Emirates (UAE). Most demonstrations and calls for change that have taken place in the Gulf states have generally demanded an end to corruption and mismanagement and a more rapid opening of the political process. Calls for dramatic change or the outright replacement of regimes, as some protestors have demanded in Bahrain, have not been otherwise prominent but may lurk below the surface.

Regardless of what form the Gulf states' governments take, their support is considered crucial to the U.S. ability to achieve core goals, particularly preserving the free flow of oil from the Gulf to global markets. Under bilateral defense pacts with virtually all of the Gulf states, the U.S. military has access to facilities to support its operations in the region and beyond, including in Afghanistan. Gulf governments traditionally have viewed these arrangements as providing indirect protection from the threat of external military aggression even as the presence of U.S. forces has at times proven controversial domestically. The United States has active arms sales relationships with all of the GCC states, intended from a U.S. perspective to improve their capabilities to defend primarily against Iran. In some cases, such as the UAE, the United States is selling the most sophisticated missile defense system in the U.S. arsenal (Theater High Altitude Air Defense system—THAAD). Two of the Gulf states—Bahrain and Kuwait—are designated as Major Non-NATO allies (MNNA). Even after the U.S. pullout from Iraq, there are still approximately 40,000 U.S. military personnel in the Gulf region, including 23,000 in Kuwait, 7,500 in Qatar, 5,000 in Bahrain, and about 3,000 in the UAE, along with much smaller numbers in Saudi Arabia and Oman.[10] These forces support U.S. military operations in the region and may serve as a deterrent to Iran.

Political change in the region affects the GCC states differently and their responses have varied:

- Bahrain is the Gulf state that faced the most unrest in 2011, but it also is perhaps the most crucial to U.S. defense strategy—a combination that creates an acute policy challenge for the United States. Bahrain hosts the headquarters for all U.S. naval forces in the Gulf, crucial to containing and deterring Iranian power and keeping open the Strait of Hormuz, as well as to operating multinational task forces that seek to prevent proliferation, smuggling, piracy, and the movement of terrorists across the Arabian Sea and Persian Gulf. Human rights groups and others have accused U.S. policy makers of employing a double-standard: continuing to engage the Sunni-dominated government in Bahrain in order to protect U.S. defense interests, while calling for adversarial leaders such as Muammar al Qadhafi of Libya and Bashar al Asad in Syria to step down. U.S. officials counter by asserting they have used their influence to encourage a long-standing, if gradual, political reform process in Bahrain; reduce the use of repressive tactics against peaceful protesters; and achieve Bahraini government acquiescence to appointing an outside commission to review its use of force against protesters. U.S. officials also argue that the Bahraini government's use of force against peaceful protesters is not nearly on the same scale as that used in Libya or in Syria. Some Members of Congress have sought to condition or prohibit proposed arms sales and military construction projects in Bahrain in light of the unrest and the Bahraini monarchy's response.

- Next to Bahrain, Oman has faced the most unrest among the Gulf monarchies; modest-sized protests calling for political and economic reform took place virtually each week between March and September 2011. However, Sultan Qaboos bin Sa'id Al Said, who has ruled since 1970, remains personally popular, and his government was able to quiet the protests with relatively modest political reforms—such as adding legislative powers to the elected consultative assembly—and promises to create jobs and curb corruption. U.S. policy makers, who refrained from criticizing the use of repression by Qaboos, have not faced the same types of choices they face in Bahrain. There are only about two dozen U.S. military personnel in Oman. The U.S. military uses Oman's air and naval bases under a 1980 bilateral agreement relatively infrequently compared to those in Qatar, Kuwait, UAE, and Bahrain.[11] Like Bahrain, Oman exports very small amounts of oil, but its strategic position along the Strait of Hormuz and the Arabian Sea makes it an important area for maritime security and intelligence operations.
- The trend of political upheaval poses considerable foreign and domestic policy challenges for Saudi Arabia's authoritarian monarchy and highlights longstanding dilemmas for U.S. policy makers seeking to maintain Saudi-U.S. ties. Saudi leaders have been forced to adjust some of their basic foreign policy assumptions and approaches to new regional realities created by leadership change in Egypt; protests in Bahrain; instability in Yemen; the collapse of the pro-Saudi Lebanese government of Saad al Hariri; and an ongoing cycle of protests and violent repression in Syria. Persistent Saudi concerns about terrorism

and Iranian regional and nuclear policy also are being reassessed in light of these developments. Saudi military intervention in support of Bahrain's monarchy, its confrontation with the Asad regime in Syria, and its active role in facilitating transition in Yemen demonstrate the kingdom's potential to serve as a powerful, if unpredictable ally of the United States as regional change continues. In some cases, such as Bahrain and Syria, U.S. and Saudi views and responses may remain dissonant. For the United States, the prospect of unrest in Saudi Arabia could jeopardize the flow of Saudi energy resources to international markets and undermine a long-established security partnership that has recently been bolstered by the largest proposed arms sales in U.S. history (over $60 billion). At the same time, U.S. decision makers face dilemmas in reconciling stated U.S. policy principles with regard to religious freedom, freedom of assembly, and freedom of speech with current Saudi domestic political developments and human rights conditions. Annual U.S. government reports routinely note restrictions on human rights and religious freedom in the kingdom.

- Of the Gulf states, Kuwait's unrest since early 2011 is the hardest to characterize. Unrest has not taken the form of large public protests, but rather of occasional protests intended to support parliamentarians who have been at odds with the ruling Al Sabah family since a long-time ruler died in 2006. The unrest in Kuwait has not, at any time, appeared to immediately threaten any U.S. goals in the country, which have been significant over the past 20 years.[12]
- Qatari leaders have not faced domestic unrest, but have responded boldly to regional changes. For the United States, managing relations with Qatar has grown more complex as Qatari leaders have incrementally achieved their ambitious economic development goals and grown more confident and assertive on the world stage. The baseline of U.S. partnership with Qatar remains the bilateral agreement allowing U.S. military access to the Al Udeid airfield, an important base of operations and transit for the Gulf region and west Asia. Qatar's official embrace of prominent Arab Islamist figures and its international support for conservative Sunni Islamic groups and individuals raise other complex concerns, particularly in the context of political change and more open political competition in the region. Qatar was active in diplomatic efforts to create international pressure on the Qadhafi regime in the Arab League and Gulf Cooperation

Council. It also deployed military aircraft in support of the U.N. Security Council-authorized civilian protection mission led by the North Atlantic Treaty Organization (NATO), Operation Unified Protector. Qatar also is taking a leading role in Arab diplomatic efforts to halt violence by the Syrian government against civilians.

Syria: Change or Chaos?[13]

Unrest in Syria has the potential to affect a range of U.S. national interests, most notably the goals of preserving regional peace, ending state sponsorship of terrorism, limiting the spread of weapons of mass destruction, and supporting human rights and development. In recent years, Syrian leaders have positioned their government at the center of the complex rivalry involving the United States, Iran, Arab and non-Arab U.S. allies (including Israel), and non-state actors such as Hamas and Hezbollah. Syria's role in facilitating Iranian support to Hezbollah while until recently serving as host to Hamas and other Sunni terrorist groups is perhaps the most important example of this dynamic. The prospect of regime change in Damascus or prolonged instability in Syria could fundamentally alter the calculations and relative influence of competing actors, particularly Iran, the Arab Gulf states, Turkey, Israel, the United States, and global powers like Russia and China. Implications for U.S. national interests could be dramatic, depending on whether the Asad regime survives, chaos ensues, or a more stable new order emerges.

U.S. concerns about regional security and state sponsored terrorism are most directly implicated by the potential for inconclusive unrest or drastic political change in Syria. The potential spillover effects of continued or more intense violence raise unique questions with regard to Turkey, Lebanon, Jordan, Iraq, and Israel. Refugee flows, sectarian conflict, or transnational violence by non-state actors are among the contingencies that policy makers are considering in relation to these countries. From Israel's perspective, there is hope that a new government in Damascus could prove less open to cooperation with Iran, Hezbollah, and Hamas. Nevertheless, a new secular and/or Sunni Islamist-influenced Syrian government could adopt an aggressive posture with regard to the Israeli-occupied Golan Heights and/or the Israeli-Palestinian issue. Prospects for the consolidation of a new government are uncertain at best.

At present, Hezbollah has stated its support for the Asad government and both have warned that third-party intervention in Syria's crisis could lead to regional conflagration, widely interpreted as a threat to Israel and regional peace. Continuing unrest has encouraged non-state actors such as Hamas to seek new bases of operation and political support. A host of concerns could emerge if developments create opportunities for other violent Islamist groups to operate in Syria. The security of both Syrian conventional and unconventional weapons stockpiles (including chemical and possible biological weapons) has already become a regional security concern, which would grow if civil war or a security vacuum emerge. Ongoing violence also prompts U.S. concerns about the human rights of Syrian civilians: U.S. officials see the present violence as unacceptable even as they worry that swift regime change could generate new pressures on minority groups or lead to wider conflict.

U.S. policy toward Syria since the 1980s has ranged from confrontation and containment to cautious engagement, as successive Congresses and Administrations have sought to end Syria's support for terrorism, encourage regional peace talks, and prevent proliferation of missiles and weapons of mass destruction. In the event of a swift regime change or other political transition in Syria, U.S. officials and Members of Congress will face a series of complex decisions regarding the timing and scope of potential changes to existing policy and sanctions. In the interim, Congress and the Administration could seek to increase the pressure on the Asad regime through stronger bilateral sanctions or the pursuit of greater multilateral sanctions enforcement. Some effort to develop relationships with newly prominent and influential Syrian actors may also be considered.[14] In any regime collapse scenario, the United States or others may consider some form of rapid response to secure stockpiles of missiles and unconventional weapons, as they have done in Libya.

Islamists: New Opportunities and Challenges[15]

The rise of Islamist activists and political parties in several transitional countries (including Tunisia, Egypt, and Libya) raises questions about the future shape of these countries' political systems and the outlook for future U.S. partnerships with Islamist-influenced governments. Some observers, including within these countries, are concerned that Islamist parties may prove undemocratic, even if they come to power through democratic means, and that they could seek to limit individual rights and women's freedoms. In Tunisia, for example, the main Islamist party, Al Nahda (which now controls 41% of the seats in a newly elected National Constituent Assembly), has expressed support for women's rights and a civil state; however, its opponents accuse it of "double discourse," that is, conveying moderation so as to enter government and gradually introduce more restrictive and religiously conservative policies. Al Nahda leaders object to this characterization as unfair, and the battle over perceptions is likely to remain politically prominent in the short term.

With regard to Egypt, U.S. policy makers are particularly focused on Islamists' attitudes toward Israel and the 1979 Camp David Accords. U.S. concerns may also focus on whether newly Islamist-influenced governments across the region could prove hospitable to violent extremist groups. More broadly, the rise of Islamists illustrates a relatively new challenge for the United States: in the near future, the policies of partner states are likely to be influenced by popular opinion as much as by the strategic considerations of elites. Nevertheless, Islamists are not necessarily more hostile to cooperation with the United States than other political groups in Middle Eastern societies. Indeed, many secular leftist and nationalist parties and organizations are suspicious of U.S. motives, and are no more likely than Islamists to embrace strategic cooperation with Israel.

Moreover, the policies pursued by Islamists in positions of authority may be limited by a number of factors, including the strategic constraints of vital state interests (such as security prerogatives and economic needs and ties), the counterweight of state institutions, the presence of religious minority communities, and the role of other domestic actors. The degree to which transitional states succeed in fostering institutions that create internal checks and balances—such as an independent and empowered judiciary, a free press, and trusted election oversight bodies—may prove more decisive to the future shape of their political systems than the stated policy preferences of individual parties, including Islamists. The divergent policy paths followed in recent years by Turkey, Iran, and the Gaza Strip illustrate that having Islamists active in a government does not predetermine a specific political outcome. In addition, Arab countries may find over time that Islamist identity issues are less important to voters than bread and butter economic issues, security, and the effective delivery of government services.

Above all, Islamist parties rarely represent unified or cohesive movements. Groups whose internal structures initially evolved in an atmosphere of pervasive repression and surveillance are now grappling with the challenges of forging a common, proactive approach and a shared set of policy principles. Longtime Islamist groups are also likely to face challenges from both more centrist and more extremist factions. Religiously conservative Salafist groups, which won a significant share of the vote in Egypt's parliamentary elections, are not necessarily positioning themselves as the allies of more centrist Islamist parties such as the Muslim Brotherhood-affiliated Freedom and Justice Party. In Tunisia, Salafist groups were not permitted to register as political parties ahead of the October 2011 National Constituent Assembly elections, and their future status is a topic of intense debate within the country.

In addition to the pressures of domestic rivalry, the influence of outside actors is also likely to shape the various platforms and strategies of governing Islamist factions. The United States, as one such actor, may seek to determine whether parameters for cooperation should be focused more on political behavior or religious ideology. Obama Administration officials have indicated that political behavior will be more important than ideology in determining U.S. engagement with Islamist parties, with Secretary of State Hillary Clinton stating in November 2011 that "what parties call themselves is less important to us than what they actually do."[16] This principle is likely to be tested in the months ahead over transitional countries' domestic and foreign policy choices.

Israel: Growing Security Concerns, Persistent Dilemmas[17]

Many Members of Congress strongly support U.S. commitments to Israel's security, including the provision of large amounts of military assistance to Israel. Ongoing political change in the Middle East could have a lasting impact on Israeli perceptions of security and prospects for preserving regional peace. After Israel's peace treaty with Egypt in 1979 made the prospect of multi-front conventional war seem remote, Israeli leaders' primary concerns shifted gradually from defense against armies at Israel's borders to concerns about asymmetric threats posed by terrorism and enemies' rocket and unconventional weapon arsenals.[18] Near-complete success in stopping Palestinian terrorist attacks inside Israel after 2006 coincided with a greater Israeli focus on perceived threats from Iran—including a nuclear threat perceived as potentially existential—and non-state actors allied to Iran in Lebanon and the Gaza Strip.

In light of ongoing regional change, Israeli leaders are once again uncertain about what to expect from their neighbors in Egypt and Syria, as well as about the future stability of Jordan's monarchy. Israelis have expressed concern that Islamist governments hostile to Israel and its allies could gain power in neighboring states. Drastic limits on Israel's ability to affect political and economic outcomes within Arab states—given its near-universal vilification among Arabs— add a sense of powerlessness to that of growing and intensified danger among Israeli leaders. A deterioration in ties with Turkey has added to Israelis' sense of isolation and of an inability to rely on former partners to support shared regional security goals. Additionally, it is unclear whether Israel views political change in the Arab world and the effect of that change on the Iranian regime as factors affecting a possible decision on whether or when to attack Iranian nuclear facilities.

In this complex political environment, Israel's dependence on U.S. security guarantees, strategic cooperation, and regional influence—already substantial for decades—may increase. If that is widely perceived to be the case, one probable result is that most international actors will hold the United States responsible to an even greater degree for Israel's actions. This could lead to disagreement among U.S. and Israeli officials over the way in which Israel can continue to carry out its traditional prerogative of "defending itself, by itself." Calls by some U.S. policy makers for formal or informal Israeli communication or coordination of future military plans could intensify. Israeli attempts to obtain longer-term U.S. commitments on military assistance and other security arrangements, reportedly already underway,[19] are likely to continue given concerns that shifts in global priorities and national budgetary constraints could reduce direct U.S. involvement in the region. Consistent Israeli economic growth may also contribute to future shifts in the bilateral relationship by increasing Israel's capacity to meet its defense budget needs independently. U.S. and Israeli views on the compatibility of their strategic aims and societal norms also may change.

The validity of analysis that suggests that these shifts might lead Israel to grow from a "dependent to a more equal partner"[20] of the United States is not yet clear. Israeli officials and commentators, along with some former U.S. officials, have seemingly stepped up efforts to assert that Israel is the most reliable and valuable U.S. ally in a region critical to U.S. and global interests.[21] These efforts may seek to bolster the already strong popular and official U.S. commitment to Israel's security. But they may also aim to minimize possible perceptions among U.S. policy makers that Israel should defer more to U.S. views on regional military action and on diplomacy with Palestinians in reciprocation for increased or continued security assistance.[22]

Israeli leaders may see diminished diplomatic room for maneuvering to resolve the Palestinian issue given their sense of a growing range of threats from multiple sources. Israelis insist that their security needs must be met for them to be willing to relinquish West Bank land in a negotiated two-state solution with the Palestinians. The internationally mandated land-for-peace framework that has undergirded U.S. policy since the 1967 Arab-Israeli war presupposes broad Arab acceptance of any final-status Israeli-Palestinian agreement, and, more fundamentally, Arab acceptance of Israel. Increasing concern among Israeli leaders that they cannot count on future positive ties with states such as Egypt and Jordan has likely led them to perceive greater risks in any land-for-peace deal. Palestinian and other Arab leaders may be less likely to make domestically unpopular decisions if opposition to Israel and its policies begins to drive political activism.

U.S. concerns that Israel is increasingly more isolated in the region and internationally[23] prompt questions about how Israel is likely to try to counter this trend. Will it seek to improve relations— or at least ensure against their further deterioration—with Turkey, Egypt, and Jordan, and if so, how? Is Israel likely to show flexibility on its current security practices or its negotiating demands with the Palestinians when the leadership status and internal stability of most of its neighboring countries—Egypt, Syria, Lebanon—remain unclear? Or will it accept a greater measure of regional and international isolation, further increasing its reliance on U.S. security guarantees and strategic cooperation? Israel's actions may depend on whether its leaders perceive that changes in their policies can be effective in countering or reversing Israel's isolation. Some others attribute the isolation to concerted efforts by Palestinians and their supporters to delegitimize Israel, and to increasing international anti-Israel and anti-Semitic attitudes.[24]

Many analysts view U.S. military support for Israel and neighboring Arab states as a pillar of the prevailing regional security order that has prevented the outbreak of major conventional Arab-Israeli interstate conflict for nearly 40 years.[25] A 10-year bilateral Memorandum of Understanding (MOU) commits the United States to $3.1 billion in annual Foreign Military Financing (FMF) to Israel from FY2013 through FY2018, subject to congressional appropriations decisions. FMF to Israel for FY2012, per the MOU, is $3.075 billion. This represents approximately 60% of total annual U.S. FMF and 20% of Israel's defense budget. Congress also routinely provides hundreds of millions of dollars in additional annual assistance for Israeli or joint U.S.-Israeli missile defense programs ($235.7 million for FY2012). A 2008 U.S. law also requires that U.S. arms sales within the region not "adversely affect" Israel's "qualitative military edge" (QME) over threats potentially posed by one or more states or non-state groups.[26] The ongoing changes to Israel's regional environment were not in motion at the time Congress enacted the QME requirement. Congress may seek to further clarify or modify existing legislation or future assistance appropriations or arms sales to Israel and neighboring countries in light of these changes. This may include reexamining relationships with other U.S. regional partners or allies— including Egypt, Saudi Arabia, Jordan, Lebanon, and Turkey—or with a potential new regime in Syria.

Iran: Arab Uprisings Complicate Strategic Picture[27]

Iran's desire to assert its influence in the Persian Gulf region and U.S. concerns about the security and stability of the Gulf region have entangled the two countries strategically for decades. Robust U.S. security cooperation with the Shah of Iran gave way in the face of the February 1979 Islamic revolution, and the United States and Iran have been at odds ever since. This bilateral confrontation has had a direct bearing on each of the strategic priorities that have guided U.S. policy in the region during this period. At times, the differences have turned violent, including attacks on U.S. facilities by Iran or pro-Iranian groups in the Middle East and U.S. skirmishes with Iranian naval elements during the 1980-1988 Iran-Iraq war. Long-standing Iranian support for violent terrorist groups has been a central point of contention, as have Iran's fears of U.S. support for regime change. These disputes, compounded by Iran's uranium enrichment program that many U.S. policy makers view as a cover for an eventual nuclear weapons program, have led successive U.S. Administrations and Congresses to impose ever broader economic sanctions on Iran—sanctions that others in the international community are now joining and amplifying.

In this context, some experts and commentators have evaluated the Arab uprisings for their potential to compound—or to undermine—the effects of U.S. and international pressure on Iran. Before the Arab uprisings began in 2011, U.S. strategists had become concerned that the U.S. military-led removal of Iran's leading nemeses—the Taliban in Afghanistan and Saddam Hussein's government in Iraq—had enhanced Iran's influence in the region. Some feared that Iran was within sight of its long-standing ultimate objective of overturning the power structure in the Middle East, which Iran believes favors the United States, Israel, and their Sunni Arab partners in Egypt, Jordan, and Saudi Arabia. The Arab uprisings, coupled with other changes in the region, in some ways enhance Iran's regional influence but in other ways add to U.S. and international efforts to isolate it.

Iran's leaders have asserted that the toppling of several generally pro-United States leaders in the Middle East, particularly President Mubarak of Egypt, represents an adoption of Iran's own Islamic revolution and a growing acceptance of Iran's message of resistance to U.S. and Israeli regional dominance. In its state-owned media, Iran has sought to highlight the challenge posed by Shiite Muslim oppositionists demonstrating for greater political rights against the U.S.-backed Sunni-dominated government of Bahrain. A collapse of the regime in Bahrain, although unlikely, would represent a major blow to Saudi Arabia, a close U.S. ally and an adversary of Iran, which may explain why the Saudi government sent about 1,100 troops into Bahrain in March 2011 to help the government suppress demonstrations. Whether or not there is greater acceptance of Iran in Sunni Muslim-led states undergoing transition, some believe that Iran will benefit because the increasing influence of public opinion in these states will cause a policy shift away from cooperation with the United States and entente with Israel.

Iran may also look to neighboring Iraq for opportunities to exert greater influence. As of the end of 2011, all U.S. troops had left Iraq under a 2008 U.S.-Iraq agreement. In the aftermath of the pullout, Iraq's Shiite Muslim Prime Minister, Nuri al Maliki, moved judicially and politically against some of his Sunni Arab governing coalition partners, raising fears that Iraq's majority Shiites want to exert preponderant authority in Iraq. Many of Iraq's Shiite leaders were in exile in Iran during Saddam Hussein's rule and are considered supportive of, although not beholden to, Iran's foreign policy interests.

A counter-argument is that Iran has or may yet suffer strategic setbacks because of the Arab uprisings, which could reinforce the effects of U.S. and international sanctions. The Arab uprisings were fueled in part by Westernized youth who admire American democracy and the U.S. information technology companies that have facilitated their revolutions. The leaders of these uprisings do not view Iran's cleric-dominated regime as an appropriate model or source of inspiration, but may also not reap the political benefits of electoral success in post-revolution environments. In any case, the credibility of Iran's arguments that it supports the Arab uprisings depends on portraying itself as a model for both Sunni and Shiite Muslims. Iran's attempts to do so in recent years have clashed with what has historically been a cornerstone of Iran's strategy of supporting Shiite Muslim opposition movements against Sunni-dominated regimes. Looking ahead, more politically active and powerful

Sunni publics, in some cases led by Islamist governments, could take a more confrontational stance toward perceived sectarian power plays by Iran's Shiite cleric-led government.

Strategically, the grip on power of the leaders of Iran's key Middle Eastern ally, Syria, is now threatened. Iran has depended on Syria to be able to support groups, such as Hamas and Iran's key protégé, Lebanese Hezbollah, that oppose most mainstream proposals to resolve the Arab-Israeli dispute. Hezbollah is by far the most significant organization to be inspired by Iran's Islamic revolution and cleric-led regime. Iran's leaders are believed to be so concerned that President Bashar al Asad might fall that Iran has reportedly dispatched security advisers and material and advised the Syrian government on how to monitor and block Internet communications, while at the same time publicly admonishing Asad to reform. The Syria crackdown has also led to popular outcries in Syria against Lebanese Hezbollah, which has publicly defended Asad.

Iranian leaders also have been worried that the Arab uprisings would stimulate a revival of the domestic opposition "Green movement" in Iran, which grew out of large protests against the regime's perceived fraud in the June 2009 re-election of President Mahmoud Ahmadinejad but was later crushed by security operations. These fears have not been realized to date, but some believed that the opposition might have sought to return to the streets en-masse during the one-month campaign for the March 2, 2012, elections for Iran's *Majles* (parliament). During election periods, Iranian authorities generally tolerate public political activity to a much greater degree than usual. Some experts note with irony that there is a perception that the Arab uprisings were stimulated by the 2009 uprising in Iran, but that Iran's Green Movement has not benefited from these uprisings.

U.S. officials, including Secretary of State Hillary Clinton, have accused Iran of hypocrisy for supporting uprisings that threaten pro-U.S. leaders while suppressing demonstrations at home, and for supporting Asad's crackdown in Syria. Some observers say that the Obama Administration decided to support the uprising in Libya militarily in part to signal support for pro-democracy protesters in Iran, and to demonstrate potential consequences to Iran if it were to use force against protesters. Congress appears committed to maintaining sanctions on Iran in light of concerns about its nuclear program, its threats to the Strait of Hormuz, and ongoing Iranian support for regional terrorist groups. Should the trend of political change deepen Iran's isolation, the effect of the U.S. measures may be strengthened.

CONGRESS AND U.S. POLICY[28]

The fluidity and ambiguity of events in the Middle East since early 2011 have created a challenging menu of choices for Members of Congress and Administration officials. In countries where political change has occurred and transition has begun, U.S. policy makers face questions about the timing and direction of engagement with newly empowered actors and about how best to maintain the benefits of long-standing partnerships despite changes in leadership and regional conditions. The U.S. government also seeks to limit the potential for change to empower individuals or groups directly hostile to U.S. interests, although such hostility may remain masked and U.S. influence may be weakened.

U.S. concerns are being addressed in an international environment where global powers such as Russia and China; traditional U.S. allies in Europe; and emerging regional powers such as India, Brazil, South Africa, and Turkey also seek to shape events in the Middle East. Regionally, the U.S. response is being crafted alongside other pressing policy concerns not directly related to the current of political change, with the confrontation with Iran over its nuclear program being the most prominent example. Leaders in the Middle East are simultaneously attempting to reconcile their own established assumptions and goals with the changing circumstances. Outside of government, the spectrum of opinion and expert recommendations includes arguments for robust engagement with countries in transition, counsel that suggests a case-by-case approach, as well as arguments of alarm about potential immediate and long-term risks to U.S. goals and interests.

The legacy of prior U.S. policy approaches—in some cases consolidated over decades—frames the context and range of choices available to the United States. This is particularly true when considering the depth and extent of existing U.S. relations with leaders, organizations, and populations in countries undergoing unrest and change. In countries like Egypt, Tunisia, Libya, and Yemen, U.S. engagement focused on leaders and groups that have been partially or fully disempowered by change. In other countries like Syria or Libya, robust containment measures and sanctions limited U.S. contact with officials and populations who are now seeking to chart the future course of their societies.

From a U.S. legislative and executive policy perspective, formal mechanisms of confrontation and engagement such as sanctions and aid programs are not easily created or reversed. From a more intangible diplomatic and social perspective, patterns of confrontation and engagement over time have already either created or failed to create strong and broad bilateral ties between societies. Additionally, the U.S. government may find that relationships of trust with longstanding official partners fail to deliver expected results and that comparable partnerships with newly prominent or powerful actors cannot be manufactured overnight, if at all.

U.S. Responses to Date

Overall, U.S. policy since early 2011 has sought to leverage regional trends and action to achieve outcomes consistent with core principles and favorable to U.S. national security interests. To date, the Obama Administration, with the support of Congress, has taken a varied approach to different cases of unrest and change in the region while making initial steps toward crafting a common approach to countries that embrace democratic transition. The Administration appears to be operating on the basis of a belief that a heavy-handed and direct response by the United States or other outsiders may prove counterproductive. In May 2011, President Obama outlined "a set of core principles" that he said would guide U.S. responses to change in the Middle East and shape future policy choices by his Administration:

> The United States opposes the use of violence and repression against the people of the region. We support a set of universal rights. Those rights include free speech; the freedom of peaceful assembly; freedom of religion; equality for men and women under the rule of law; and the right to choose your own leaders – whether you live in Baghdad or Damascus; Sana'a or Tehran. And finally, we support political and economic reform in the Middle East and North Africa that can meet the legitimate aspirations of ordinary people throughout the region....
>
> America respects the right of all peaceful and law-abiding voices to be heard, even if we disagree with them. We look forward to working with all who embrace genuine and inclusive democracy. What we will oppose is an attempt by any group to restrict the rights of others, and to hold power through coercion – not consent. Because democracy depends not only on elections, but also strong and accountable institutions, and respect for the rights of minorities.

The act of having clearly restated guiding policy principles does not appear to have made it any easier to reconcile them. The various trade-offs, costs, and benefits of the courses of action the Administration is taking vary by individual case but remain interlinked—what the United States chooses to do or not do in response to events in one country shapes expectations and options for responding to events in others. For example, the U.N.-authorized, U.S.-led North Atlantic Treaty Organization (NATO) military intervention in Libya was a dramatic and so far isolated use of force by third parties to halt violence against civilians. Nevertheless, the example of the Libya conflict and its aftermath is profoundly shaping consideration of potential U.N. Security Council action on Syria and of potential strategies for direct or indirect military intervention or assistance for Syria's opposition movement. Similarly, many regional observers have alleged that the United States continues to apply a double standard in its dealings with unrest in Bahrain, which they contrast with elements of the U.S. response to uprisings in Egypt, Tunisia, Libya, Syria, and Yemen. Administration officials answer critics of U.S. policy in Bahrain by suggesting that public and private messages about the importance of reform have been and continue to be communicated to leaders in Manama, consistent with the principles outlined by President Obama.

Non-military U.S. responses thus far have blended diplomatic outreach, political engagement, targeted security sector programming, and promotion of trade and investment to align U.S. policy with local developments and the policies of other external actors that are seeking to support democratic transitions. Using the State Department's Middle East Partnership Initiative (MEPI), and the U.S. Agency for International Development's Office of Transition Initiatives (USAIDOTI), U.S. officials and contract personnel have engaged directly with emerging political groups in some transition countries and have sought to shape the early course of change or respond to its immediate consequences. In Libya and Tunisia, for example, initial democracy promotion programs have sought to engage with civil society groups and political parties, while initial security programs have focused on mitigating threats from Libyan weapon stockpiles. The United States has offered debt relief to Egypt; authorized the creation of enterprise funds for Tunisia, Egypt, and Jordan; and is working through international financial institutions and with allies in Europe in an effort to support transitions with economic growth. As President Obama stated in May 2011, the United States will seek "to focus on trade, not just aid; and investment, not just assistance."

Looking ahead, the Administration is taking steps to coordinate its responses and is seeking funding from Congress to support new transition initiatives. In September 2011, the State Department established an Office for Middle East Transitions led by Special Coordinator Ambassador William Taylor. The Special Coordinator's Office serves as a focal point for outreach and support to Middle Eastern countries that are moving forward with democratic transition plans and who welcome U.S. transition assistance. The office also serves as a coordinating point for engagement with third parties such as U.S. allies in Europe who are engaging with transition countries.

A Middle East Response Fund/Middle East and North Africa Incentive Fund (MERF/MENA-IF) administered by the office has been created from unobligated FY2011 and FY2012 Economic Support Fund (ESF) funding. To date, the office and Congress have identified an initial $185 million in funding to support transitions. As of early 2012, Libya, Tunisia, and Egypt were considered as being potentially eligible for programs supported by the office, although MERF funds had only been identified for Tunisia. The conference report on the FY2012 Consolidated Appropriations Act (P.L. 112-74) identified $50 million in ESF funding for the MERF/MENA-IF and directed the Administration to provide a spending plan to the Committees on Appropriations for all proposed obligations. The Obama Administration is requesting a further $770 million for the MENA-IF in FY2013. Of the $770 million requested for the incentive fund, approximately $65 million represents the FY2013 request for MEPI and $5 million represents the FY2013 request for USAID's Regional Office of Middle East Programs (OMEP). The remaining $700 million is a new request for funding.

Possible Questions for Congress

Congress may play both direct and indirect roles in adapting U.S. foreign policy to new regional conditions. Legislation can set the terms for U.S. sanctions, foreign assistance, arms sales, security cooperation, and trade policy, including revisiting existing law to enable new relationships, reshape old ones, or respond to new concerns. Congressional oversight, debate, and outreach also can stimulate new ideas and discussion about the goals, timing, and content of U.S. policy in the region. As Members of Congress consider discrete and broad based responses, the following questions may contribute to consideration of options and evaluation of Administration and non-governmental proposals.

- What overarching principles and interests should guide the U.S. response to change in the Middle East? With what relative importance and priority? Should U.S. responses be tailored to individual circumstances or guided by a unified set of principles, assumptions, and goals? How can U.S. interests in security, commerce, energy, good governance, and human rights best be reconciled?

- What are the relative risks and rewards of immediately or directly acting to shape the course of unrest and transitions in the Arab world? What are the potential risks and rewards of a gradual response or of a “wait-and-see” approach? What are other regional and global actors doing or not doing to shape outcomes? Why or why not? At what risk or benefit to U.S. interests?
- How have established patterns of interaction and existing policies in the Middle East served U.S. interests over time? How have they shaped the range of choices now available to U.S. decision makers, both from a regional perspective and in specific countries? In what ways, if any, should legislative precedent, bureaucratic infrastructure, and funding patterns be revisited? What are the relative roles and responsibilities of Congress and the executive branch in defining future policy?
- How are U.S. interests and options affected by trends associated with the ongoing change in the Middle East, such as the democratic empowerment of Islamist parties, the weakening of state security authority, or the increased assertiveness of public opinion as an influence on regional policy makers? What new opportunities and risks might these trends entail?
- How should U.S. policy responses to political change in the broader Middle East be informed by parallel and longer-standing concerns about the Iranian nuclear program, transnational terrorism, and the Israeli-Palestinian conflict? How should an understanding of the implications of Arab political change inform U.S. policy on other major policy questions?

End Notes

[1] Prepared by Zoe Danon, Section Research Manager - Middle East and Africa Section, and Christopher Blanchard, Specialist in Middle Eastern Affairs.

[2] President Barack Obama said in a May 2011 address on U.S. policy in the Middle East: “For decades, the United States has pursued a set of core interests in the region: countering terrorism and stopping the spread of nuclear weapons; securing the free flow of commerce, and safe-guarding the security of the region; standing up for Israel's security and pursuing Arab-Israeli peace. We will continue to do these things, with the firm belief that America's interests are not hostile to peoples' hopes; they are essential to them. We believe that no one

benefits from a nuclear arms race in the region, or al Qaeda's brutal attacks. People everywhere would see their economies crippled by a cut off in energy supplies. As we did in the Gulf War, we will not tolerate aggression across borders, and we will keep our commitments to friends and partners." Address on Middle East and North Africa, May 19, 2011.

[3] George Washington University Professor Marc Lynch summarizes this trend as follows: "Many Arab analysts directly equated dictatorial regimes at home with a foreign policy they considered subservient to Israel and the United States. The Arab uprisings called for independence, national sovereignty, and respect for the will of the people—all of which pointed to less eager cooperation with Washington and frostier relations with Tel Aviv." Marc Lynch, "The Big Think Behind the Arab Spring," Foreign Policy, Issue 190, pp. 46-47, December 2011.

[4] Prepared by Jeremy Sharp, Specialist in Middle Eastern Affairs.

[5] Gaza security considerations also fuel Israeli concern over the Egyptian government's ability to control weapons smuggling into Gaza from the Sinai. Reports indicate that Israel is building a 15-foot-tall fence (planned to be completed in late 2012) along its 140-mile border with Egypt at a cost of $360 million. Joel Greenberg, "On Israel's uneasy border with Egypt, a fence rises," Washington Post, December 2, 2011.

[6] Various Islamist groups, particularly Salafists represented in the Nour Party (generally more conservative than the Muslim Brotherhood), may try either to continue the suppression of Coptic Christian rights in Egypt or to place new restrictions on the rights of women in social and family law. Al Nour received the second highest share of the recent People's Assembly vote in Egypt.

[7] See P.L. 112-74, the Consolidated Appropriations Act, 2012.

[8] Section 7041 of P.L. 112-74 specifies that no funds may be made available to Egypt until the Secretary of State must certifies that Egypt is meeting its obligations under the 1979 Egypt-Israel Peace Treaty. It further specifies that no military funds be provided until the Administration certifies that Egypt is supporting the transition to civilian government, including by holding free and fair elections and by implementing policies to protect freedom of expression, association, and religion, and due process of law.

[9] Prepared by Kenneth Katzman and Christopher Blanchard, Specialists in Middle Eastern Affairs.

[10] Walter Pincus. "After Iraq Pullout, U.S. Serves a Reminder to Iran." Washington Post, October 24, 2011.

[11] Contingency Tracking Deployment File, provided to CRS by the Defense Department. Information as of November 2011.

[12] Kuwait was the object of a large U.S. military offensive to deter Iraqi aggression in 1990 by expelling Iraqi forces from that country in February 1991. Kuwait later hosted the bulk of the U.S. invasion force in the 2003 U.S. military-led overthrow of Saddam Hussein; some of the U.S. forces used heavy armor prepositioned in Kuwait under a 1991 U.S.-Kuwait defense pact signed six months after the liberation of Kuwait.

[13] Prepared by Christopher Blanchard, Specialist in Middle Eastern Affairs. For more information, see CRS Report RL33487, Unrest in Syria and U.S. Sanctions Against the Asad Regime, by Jeremy M. Sharp and Christopher M. Blanchard.

[14] To date, robust U.S. sanctions have limited official and nongovernmental contacts between the two countries leaving the U.S. government with few well-established relationships with influential Syrians or the broader Syrian population. Bilateral security cooperation has been limited to reported intelligence coordination on counterterrorism issues of shared concern:

the absence of regular U.S. engagement with Syrian military officers limits U.S. insight into current and future developments involving Syrian military personnel whose defections are now important factors in the ongoing unrest.

[15] Prepared by Alexis Arieff, Analyst in African Affairs.

[16] Bradley Klapper, "Championing Democracy, Clinton Says US Can Work with Islamist Parties Gaining from Arab Spring," Associated Press, November 8, 2011.

[17] Prepared by Jim Zanotti, Specialist in Middle Eastern Affairs.

[18] From Israel's founding in 1948 through the mid-1970s, Israelis fought a series of multi-front wars against their Arab neighbors, most notably in 1967 and 1973.

[19] Richard Boudreaux and Bill Spindle, "Israel Considers Military 'Upgrade,'" Wall Street Journal, March 8, 2011.

[20] Haim Malka, Crossroads: The Future of the U.S.-Israel Strategic Partnership, Center for Strategic and International Studies, 2011. This book states, "Many current and former Israeli officials across the political spectrum express the need to become more self-reliant and independent in order to prepare for a time when U.S. support might be less forthcoming." Ibid, p. 89.

[21] See, e.g., Zalman Shoval, "Time to upgrade the US-Israel strategic relationship," Jerusalem Post, October 5, 2011; Robert D. Blackwill and Walter B. Slocombe, Israel: A Strategic Asset for the United States, Washington Institute for Near East Policy, November 2011.

[22] According to one report, some U.S. military officers and analysts, including "senior Pentagon officials, generals and independent defense strategists," weigh the "direct military benefits the United States receives from its partnership with Israel ... against the geopolitical costs the relationship imposes on Washington in its dealings with the broader Arab and Muslim world; some suggest a net negative outcome for Washington in the equation." Nathan Guttman, "Israel Is Strategic Asset After All," Jewish Daily Forward, November 18, 2011.

[23] Transcript of remarks by Secretary of Defense Leon Panetta at Saban Forum, Brookings Institution, Washington, DC, December 2, 2011, available at http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4937.

[24] Ibid.

[25] Malka, op. cit., pp. 93-94.

[26] P.L. 110-429, The Naval Vessel Transfer Act of 2008. The legal definition of QME is set forth in section 201 of P.L. 110-429 as "the ability to counter and defeat any credible conventional military threat from any individual state or possible coalition of states or from non-state actors, while sustaining minimal damages and casualties, through the use of superior military means, possessed in sufficient quantity, including weapons, command, control, communication, intelligence, surveillance, and reconnaissance capabilities that in their technical characteristics are superior in capability to those of such other individual or possible coalition of states or non-state actors." Current U.S. law does not further define what might constitute an adverse effect to QME. A transcript of remarks on Israel's QME by U.S. Assistant Secretary of State for Political-Military Affairs Andrew Shapiro, Washington Institute of Near East Policy, Washington, DC, November 4, 2011, is available at http://www.state.gov/t/pm/rls/rm/176684.htm.

[27] Prepared by Kenneth Katzman, Specialist in Middle Eastern Affairs.

[28] Prepared by Christopher Blanchard, Specialist in Middle Eastern Affairs.

INDEX

D

E

J

K

L

M

N

Q

R