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What sort of relationship could the EU have with a rehabilitated Iraq?

1. This 'food for thought' paper assumes SH has been removed from power, with or without the use of external force, and the new regime in Iraq wants to make a fresh start, complying with its international obligations. It seems likely that the international community and the EU, in particular, would want to respond generously to the establishment of a new, reform-minded Iraqi government which, at an interim stage, might be a UN-led or UN-backed transitional administration.

2. What might the EU do? The EU starts with a pretty clean slate in its relations with Iraq.

- It has never had any **contractual relations** with Iraq.
- Iraq does not belong to any of the **regional groups**, eg EU-Mediterranean framework or EU-GCC, to which some of its neighbours belong, and with which the EU has some form of relationship.
- There is no official dialogue between the EU and Iraqi government.
- The Commission does not have a delegation office in Baghdad, although an Iraqi charge d'affaires is accredited to the EC.
- **Bilateral trade** is thin and not diversified. EC-Iraq trade from 1991 to 1996 was almost non-existent. But after the oil-for-food programme started in 1997, trade grew fast. However, 99% of EU imports (worth 3.68 beuros) from Iraq in 1999 (the latest figures available) were oil or oil products. And EU exports to Iraq in 1999 stood at just under 0.6 beuro, about one fifth of the amounts exported to Iraq ten years previously.
- The EC has been the biggest donor of **humanitarian aid** to Iraq in recent years. From 1991 to mid 2000, it gave 242 meuro. According to its '2002 Global Plan for Iraq', ECHO, the Commission's humanitarian agency, has allocated 13 meuro to fund operations in the centre and south of Iraq, supporting health, water and sanitation, and assistance to special vulnerable groups.

3. This paper takes these different sectors – political relations, trade and aid – and examines them each in turn. It assumes that there will be no collective EU role as such in providing security or stability to a post-SH Iraq, although some EU member states may be heavily involved in security in a national capacity. It also assumes that the EU will give broad political support to the international effort to rehabilitate Iraq; there could be a case for the EU's participating in any international consultation group (akin to the 6 plus 2 group for Afghanistan).

4. Whether or not there has been a war, a newly liberated Iraq will require a lot of **humanitarian aid**, at least in the short term. Medicines, food, clean water, sanitation and temporary shelter may all, to varying degrees depending on the extent of war damage, be needed. The EU should also be ready to carry out some 'humanitarian reconstruction'. The Commission's humanitarian aid agency, ECHO, will have funds, particularly at the beginning of a calendar year (which is also the start of the EC's accounting year). In addition, member states will doubtless make contributions from their own bilateral

87

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12 MAR 2003

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programmes. The Commission's Rapid Reaction Mechanism might also be used. The EU can therefore be expected to make a significant humanitarian effort.

5. **Environmental damage**, as a result of war or sabotage, may also be considerable and require immediate attention. Any use of WMD would be an additional complication. Individual EU MS could be expected to contribute expertise to any clear-up operation -- viz German help in putting out fires in Kuwait's oil fields in 1991.

6. There may also be a need for **substantial reconstruction assistance**, rebuilding roads and bridges, going beyond immediate humanitarian needs. Arguably, Iraq should be rich enough to pay for the bulk of this itself, particularly if oil revenues pick up quickly. But this may depend on the extent of destruction, self-inflicted or otherwise, involved in getting rid of SH. If the international community does help with reconstruction aid, perhaps under the auspices of an UN/World Bank donors conference, the EU might be under pressure to contribute -- perhaps a one-off sum. The amount of money available in the EC budget for this sort of assistance, however, is likely to be rather small. Of course, member states would be able to contribute in their own right as well to such a fund.

7. Provided stability has returned, we can expect a number of **Iraqi exiles** to return to the motherland. We may want to encourage more to do so. It would be possible to remove directly to Iraq those who had groundless claims for asylum. Experience in Afghanistan suggests that we would do this nationally, not under an EU scheme or using EU funds.

8. The EU could provide **technical assistance** to help Iraq move away from dictatorship to something better, a sort of Know How Fund for Iraq. Such assistance should be affordable. One focus for assistance could be the economy eg with creating the conditions for SMEs to operate. But the greater need may be in building civil society and reforming local and federal government -- ie **good governance** in the broadest sense. The EU has a wealth of experience in institutional capacity building and administrative reform in many countries around the world. Good governance would include some elements of security sector reform, eg reform of the judiciary or police training, where the EU could help. The EU's best work to date in this sector has been in central Europe, however, rather than with Arab countries and the Barcelona Process' record in this area leaves much to be desired.

9. Should Iraq hold genuine elections in the future, the EU would be anxious to provide assistance. The Commission has a lot of experience working with NGOs in providing **support for emerging democracies**. There would be funds available in the Community budget. And the EU would send monitors and observers to the elections as well.

10. An early task on **trade** will be for the EU to adopt the legislation to comply with the lifting of sanctions (assuming sanctions are lifted). Thereafter, with a normalised trade regime and assuming Iraq's oil revenues flow smoothly, trade should prosper. EU exports to Iraq, which are artificially depressed, should grow quickly.

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11. Iraq is already entitled, subject to the UN sanctions regime, to preferential access to the EU market for its exports under the **General System of Preferences (GSP)**. It is not likely that the EU would initiate talks on a more preferential trade arrangement with Iraq. Iraq's non-oil exports to the EU are so small that it would hardly seem worthwhile. A better task for the EU would be to support Iraq's accession to the WTO.

12. An important long-term question for EU-Iraq relations is **whether Iraq should join one of the regional groups with which the EU has a contractual relationship**. The main candidates are the Co-operation Council for the Arab States of the Gulf (GCC) and the Barcelona Process (BP) countries. Joining one of these groups would provide a secure basis for Iraq's political relations with the EU. It would help cement Iraq's own relations with some of its neighbours. Iraq would be able to participate in the relatively mature, if unexciting, EU-GCC or BP structures - an annual foreign ministers meeting as well as senior officials and expert level working groups to further cooperation on a wide range of issues. Iraq's joining the BP would also imply its opening negotiations for an EU-Iraq association agreement at some point.

13. In the longer term, Iraq would stand to benefit from the proposed **Free Trade Agreement between the EU and these regions**. In BP's case, the aim is a free trade area involving all the EU and all the Mediterranean partners by 2010. Before talks on an FTA with the GCC can start, however, the GCC countries have to establish amongst themselves a customs union; so the prior task for Iraq might be to join that. The GCC customs union is meant to begin on 1 January 2003, though the deadline may slip. An FTA would almost certainly not come into being, however, before the conclusion of the current WTO trade round and, given the GCC's track record, may not happen for some time after that. The GCC countries would doubtless not want the issue of Iraqi 'accession' to delay their customs union and the prospect of the FTA with the EU.

14. Should Iraq not join the GCC or the BP (and we do not know whether its new government or the existing GCC or BP members would want it), an alternative basis for EU-Iraqi relations would be a full-blown contractual agreement such as a **Trade and Cooperation Agreement**. That would take time to negotiate and would probably not be a priority for a new Iraqi government. The EU would doubtless also insist on a TCA having an accompanying political declaration covering WMD, the MEPP and human rights (as we have done in Iran's case). The EU would also want to talk to the Iraqis about other regional questions, such as drugs and people trafficking. If GCC or BP membership or a TCA looked to be many years away, the EU might consider a **bilateral joint declaration** with Iraq as a basis for starting a political dialogue. And in the first months and years after a change of regime, the EU might like to have a more tailored political dialogue with Iraq than the EU-GCC or BP structures would allow.

15. The EU will almost certainly consider appointing an **EU special representative for Iraq**. Whether an EUSR would have any added value to give the new regime would depend on the circumstances (and the example of Afghanistan is not encouraging). An EUSR could have no supervisory role over EU humanitarian or reconstruction aid. But some partners would argue that such a figure would allow the EU to be plugged into the

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international political process supporting change in Iraq, which would be useful in Brussels. Whatever our private doubts, the UK should not sound less than whole-hearted in support for a EUSR.

16. With the budget for external representation under severe strain, it will not be easy finding the money for the Commission to open **an office in Baghdad**. But the political pressure to do so may become irresistible and the Commission's programmes in Iraq, over time, may require it. One temporary solution might be for Commission staff to share offices with the EUSR, which would have the happy side effect of bringing together the EU's first and second pillar work in Iraq. Ideally, there might be a Europa House, with the Presidency, EUSR, Commission, ECHO and the member states having a presence together in the same building. The alternative of the Commission covering Iraq from one of their other offices in the region, perhaps from their delegation in Riyadh, does not seem viable if the EU is to make a big effort in Iraq.

17. It is possible that some may suggest that the EU should become the 'lead nation' in **running an interim administration**, after the fall of SH. This seems far-fetched. The EU institutions would not have the resources, money or personnel, to run an interim administration. The EU has enough to do in its own back yard, with enlargement and assisting reform in the Western Balkans. European contributions to any interim, international administration are more likely to come from member states bilaterally.

18. It seems more plausible that the EU might be given a specific **task or pillar within a UN-led interim administration**. In Kosovo, for example, the EU took over the supervision of economic reconstruction. Until we know what a blueprint of an interim UN-administration might look like, we cannot know what role might be suitable for the EU. But economic reconstruction, if essentially about administering aid, does not appear attractive. It has overtones of Europe paying for America's war. And, anyway, Iraq should be rich enough to fund its own reconstruction after a while. It might be better for the EU to focus on something else, eg good governance. The EU would need to be seen to have legitimacy for the task. Whether the Iraqi people would accept political instruction from Western Europe is an open question. So it might be better for the EU to work in partnership with a regional organisation on any such project.

19. It does not seem likely that the EU would deploy its evolving **military and policing capability** in any operational role. Although individual EU MS may contribute forces to stabilisation operations in Iraq, an EU operation, under ESDP, would be premature. The EU police structures will be occupied with the police training mission in Bosnia next year. The EU could plausibly offer to teach the Iraqi police conventional methods of detection and policing at some point in the future. But the EU is not ready to take on executive policing in Iraq as soon as next year.

20. In conclusion,

- The EU's main effort, with a new reform-minded government in Iraq, will be to supply humanitarian aid in the short term. EU public opinion will demand a

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generous response to evidence of ordinary Iraqis suffering from a humanitarian crisis. We should not rule out some 'humanitarian reconstruction'.

- Once sanctions are lifted (which should be an early task), trade should pick up without the EU offering more preferential access to Iraq than it is already entitled to under the GSP.
- The EU will probably want to appoint a Special Representative for Iraq.
- The EU should be able to help with administrative reform and the development of civil society, perhaps even with democratic structures and elections - should Iraq make that sort of progress. The EU might begin this task, perhaps working with a regional organisation, within a UN-led interim administration.
- The EU and Iraq will want to put political relations onto a sound basis, either through Iraq's joining one of the regional groups with which the EU has contractual relations or by means of separate bilateral treaty such as a TCA. As either of these could take years, there might be a EU-Iraq bilateral political declaration first.
- Unless the need is compelling and Iraq's state parlous, the EU should not fund long term and expensive reconstruction in Iraq. Iraq should pay for that commercially.
- The EU should not take on executive policing in Iraq. But police training could be considered.

Middle East Department
4 November 2002

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