

EUROMED REPORT

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STATEMENT ON SITUATION IN THE MIDDLE EAST

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I very much regret that the situation in the Middle East has not improved since my last intervention in the House on this subject. The **violence continues**; killings on both sides - including children - also continue unabated, property is being destroyed - particularly arable land and shelters in refugee camps; and settlements in the West Bank and Gaza are still expanding.

The EU is regularly urged to play a stronger part in the Middle East. The core principles of our position are that peace must be built on international law, on the relevant UN Resolutions (including UN SC Resolutions 242 & 338) and on the formula 'Land for Peace'. We - i.e. all the EU institutions - should clearly **re-state these principles** in all our contacts with the parties to this bitter dispute.

The EU continues to **support any efforts to find a peaceful solution** for the conflict. We support the Egyptian-Jordanian initiative as well as the recommendations of the commendable 'Mitchell' Commission of Inquiry - including the settlement freeze and the swift and decisive cessation of violence and terrorism.

There has been too much bloodshed and fighting. **Violence must stop** - on the Israeli side there is no justification for the disproportionate use of force against civilians and the destruction of property; on the Palestinian side the PA must do everything in its power to stop attacks on Israeli civilians. This includes preventing incitements for such attacks. And the PA must naturally control its security services. Effectively we cannot condemn violence on one side but not the other. The Mitchell commission seemed to me to point a sensible way, the only way, to ending the blame game, stopping the killing maiming, and getting back to talking.

Talks have to resume and the parties must honour their international obligations. In the case of Israel these obligations range from complying with international humanitarian law - that covers respect for human rights (as stated by the EU at the Human Rights Commission meeting in Geneva) and also settlements - to bilateral obligations vis-à-vis the PA - e.g. transfer of tax revenues - and obligations under the EC-Israel Association Agreement. In the case of the PA we need to see the implementation of long overdue reforms, both in financial and political terms, including democratic transparency, fighting against corruption and strengthening the rule of law.

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I would like to refer to **two concrete and practical points** today about which I am regularly asked by the Parliament : the effect of the economic blockade on the Palestinian Authority; and the policy of settlements.

Economic Blockade

There have been some improvements recently concerning the movement of goods and people within and out of Gaza – for example, a number of businessmen have received permits. But **economic activities** in the Palestinian territories remain severely restricted.

The **Palestinian Authority is still facing financial and institutional collapse**. The international donor meeting in Stockholm on 11 April was a good step forward in bringing a solution to the Palestinian Authority's budgetary crisis. We particularly appreciate the commitments made by Arab countries. Following the Stockholm meeting, the Commission is discussing with the Palestinian Authority the basis for our future assistance. This includes measures intended to enhance financial management and complete the process of institutional reform. Some of these measures – in particular those referring to institutional reform – constitute a clear confirmation of commitments announced in the past by the Palestinian Authority.

We have noted the steps made by the Palestinian Authority to adopt an austerity budget. The Palestinian Authority is also working on other welcome reforms related to financial management, such as the consolidation of revenues. The IMF is monitoring this process. And our intention, on the basis of this austerity budget, is to make monthly payments of € 10 million during the next six months once we can get the agreement we all want.

Settlements

Let me now turn to **Israel's settlement policy**. The EU's position on settlements is clear: **all settlement activities** in Gaza, the West Bank including East Jerusalem and on the Golan Heights are **illegal** under international law and constitute a major obstacle to peace. This includes the 'natural growth' of settlements - a violation of international law that cannot be allowed to continue unabated.

I am often asked – particularly in view of the failure of our efforts to resolve the issue- what this means for the working of our Association Agreement with Israel and in particular for the question of rules of origin which is covered by the Agreement.

It follows from what I have said that the West Bank, Gaza and the Golan Heights **fall outside the territorial scope** of the Agreement. This is not a new point I am making, not some political gesture. Let me make that point crystal clear. This point has already been made in the Commission's Communication in 1998 on this same issue. The Communication made it clear that preferential access to Community markets for exports originating in Israeli settlements in the West Bank and Gaza Strip and in East Jerusalem and the Golan Heights “contravenes agreed rules of origin since these territories do not form part of the State of Israel under public international law”. Therefore, the Communication indicates that “preferential access to Community markets for exports originating in the West Bank and Gaza Strip as originating in Israel under the EC-Israel Interim Trade Agreement is a violation of the latter given that it does not apply to these territories”.

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The **EU must uphold the rule of law** - a point recently made very seriously in another similar case by the Court of First Instance which has stated that the existence of political tensions "*does not exonerate the Commission, as guardian of the treaty and of the agreements concluded under it, from ensuring the correct implementation by a third country of the obligation it has contracted to fulfil under an agreement concluded with the Community ...*"). I stress the word "if" Israel wants to declare goods coming from the settlements as being of Israeli origin EU customs authorities would not be able to share this interpretation. Customs is a Community competence and the implementation of this common policy is delegated to Member States. But the role of the Commission is to ensure coherence and to avoid divergent interpretations by different Member States. A number of Member States have queried Israeli origin certificates over recent months and replies are now coming in to Member State customs authorities, our responsibility today is to avoid unco-ordinated action. This is why I have suggested that customs authorities discuss the replies received urgently and any action they may be contemplating (at the next meeting of the Customs Code Committee on 31 May).

So, what are the technical steps that will be taken now? This issue will be signalled at the EU-Israel Association Committee on 21 May (the item is on the agenda agreed with Israel). And, as I have just mentioned, there will be a full discussion by Member State customs experts at the end of May on how to interpret Israeli replies and the common line on how to respond. In the light of the conclusions reached at this occasion, this would be discussed in the Customs Co-operation Committee (between the EU and Israel) which would normally take place in July.

Our decisions will be entirely based on the law and its technical application case by case. We can do no more, but we should do no less. As this Court judgement to which I referred argued, the Commission is the "guardian of the treaty and of the agreements concluded under it". We cannot nor should we seek to resile from that duty.

I return to where I began. Like others, we wish to see an end to the violence, a return to negotiation, and stand ready to help with the delicate and demanding work of building an enduring peace. There is no other way.