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COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

**PROGRESS REPORT ON THE EURO-MEDITERRANEAN
PARTNERSHIP AND PREPARATIONS FOR THE SECOND CONFERENCE
OF FOREIGN AFFAIRS MINISTERS**

**Communication from the Commission
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1. INTRODUCTION

This Communication has two aims: (i) to review the first fifteen months of the Euro-Mediterranean Partnership and (ii) to prepare the Union's position and propose, within the Community framework, guidelines for the conclusions of the second Euro-Mediterranean Conference of Foreign Affairs Ministers.

1.1. The Euro-Mediterranean Conference in Barcelona

The Euro-Mediterranean Partnership, established in Barcelona on 27 and 28 November 1995, brings together the European Union, its fifteen Member States and the twelve Mediterranean Partners. The latter set themselves three objectives at the Conference:

- the establishment of a common area of peace and stability;
- the creation of a shared zone of prosperity through the establishment of a free trade area and a substantial increase in financial support from the European Union;
- the development of human resources, the promotion of understanding between different cultures and exchanges at the level of civil society.

The Partnership was created in a spirit of equality, cooperation and solidarity, the aim being to bring the Partners closer together and so reduce sources of conflict. On the Union's part, the Partnership is a sign of its willingness to play an increasingly active role in the region on the political, economic and social front.

The European Union's strategic approach to these activities and initiatives was defined in the context of the Barcelona Process, which is seen as an indispensable instrument for the achievement of a common area of peace and stability.

The Ministers participating at the Conference adopted the Barcelona Declaration and a work programme to give it concrete effect. The Declaration provides for a meeting of Foreign Affairs Ministers to be held in one of the Mediterranean Partner countries during the first half of this year.

1.2. The objectives of the second Ministerial Conference

The second Euro-Mediterranean Conference of Foreign Affairs Ministers will be held in Malta on 15 and 16 April, seventeen months after the Barcelona Conference. It will provide an opportunity, at political level, to carry out an initial review of the Partnership and to set the pace for the next eighteen months. After its initial teething problems, the Process should advance at a more regular and swifter speed.

The Commission has defined **three general objectives** for the second Conference:

- to build upon and endorse the results already achieved in the framework of the Euro-Mediterranean Partnership.

Here it is appropriate to highlight the results achieved under each of the Partnership's three pillars and to identify any delays or failures. Consistency in these results, in particular the complementarity between the Euro-Mediterranean Partnership's bilateral (Association Agreements) and regional pillars must be established;

- to confirm, in the light of the review, the strategy and objectives adopted at the inaugural Conference in November 1995, perhaps modifying certain areas or expanding others.

In this context, one of the major objectives of the Partnership, i.e. the establishment of free trade between the European Community and its Mediterranean Partners, will be accomplished primarily through the implementation of the Euro-Mediterranean Association Agreements and the ability of the Partners to cope with the problems involved in the process of transition to a more open economy.

In the Commission's view, the Conference should provide fresh impetus in this direction and **define the measures required to underpin free trade at regional and subregional level**. The general aim is to move on to a phase where regional cooperation is efficiently organized to ensure the Partnership's global objectives are achieved and the Euro-Mediterranean Partners' priorities are met;

- to adopt additional measures for the period leading up to the next Ministerial Conference.

A number of areas of mutual interest and fields in which the Mediterranean Partners expect concrete progress to be made have been identified in the months since the Barcelona Conference. At the next meeting, in the spirit of partnership forged in Barcelona, the Union will be able to discuss with its Mediterranean Partners the areas in which it feels that further progress is possible or in which other objectives may be set.

2. BILATERAL ASPECTS

2.1. The objectives of the Association Agreements

The Association Agreements are intended to bring the Mediterranean Partners and the Union closer together through the gradual establishment of free trade, the provision of EU support for the economic transition process, cooperation in a whole range of areas, the opening up of cooperation to civil society and the undertakings entered into with regard to human rights and democracy.

The Association Agreements have two main objectives which are interdependent and complimentary: **(i) to establish the Euro-Mediterranean free trade area throughout the region and (ii) to take full account of the specific characteristics of each of the Partners.** Priority will be given to the improvement of competitiveness, economic restructuring, administrative reform, the establishment of economic infrastructure or scientific cooperation depending on the needs of the individual Partners.

In the economic field, free trade is not an end in itself, but a means of improving competitiveness and integrating the Partners into international trade thereby improving living standards. However, as the partner countries are at different stages of development, progress towards free trade will be gradual, and will require programmes to support economic transition and structural adjustment by cushioning any negative social effects, speeding up economic modernization and promoting sustainable development. The Euro-Mediterranean free trade area will be established via the Euro-Mediterranean Association Agreements and the free trade agreements between the Mediterranean Partners. It will be a gradual process and should be facilitated by economic adjustment policies based on market economy principles.

It should be stressed that, in the Commission's view, economic modernization, social progress and support for the democratic process are interdependent of a closer relationship with the Union.

2.2. Negotiation of the Association Agreements

Considerable progress has been made in the conclusion of the bilateral association agreements between the Union and the Mediterranean Partners.

The signing of the Association Agreements with Tunisia, Morocco and Israel will enable full account to be taken, in the framework of the Mediterranean policy, of the specific characteristics and needs of these three countries. The Commission welcomes the signature of an Interim Association Agreement on Trade and Cooperation with the Palestine Liberation Organization for the benefit of the Palestinian Authority which will enter into force soon, confirming the Palestinians' status as a full Mediterranean Partner.

Negotiations with Jordan, Egypt and Lebanon have reached their final stages; the Commission considers that the successful conclusion of these agreements is now within reach. Negotiations are due to open in the coming weeks with Algeria. The Commission hopes that exploratory talks in progress with Syria will prepare the way for the early conclusion of an Association Agreement with that country.

At the same time, the customs union agreement with Turkey entered into force on 31 December 1995. Since that date, the customs union has functioned satisfactorily on the whole. In particular, customs duties and charges having equivalent effect have been abolished, as have quantitative restrictions. Turkey has adopted the Common Customs Tariff as well as an external commercial policy substantially similar to that of the Community.

The creation of a free trade area by the target date of 2010, agreed at Barcelona, is an essential instrument to further approximation and to raise the prosperity level of the Partners. Since the Agreements are crucial in this perspective, a major effort will be required on all sides to ensure that they are effectively implemented. This will also constitute a strong signal to foreign private investors of the irreversibility of the process and will contribute to increasing their activities in favour of Mediterranean partners.

Aside from the actual implementation of the Euro-Mediterranean bilateral agreements, it is also appropriate to underline the importance of facilitating the free movement of goods within the Euro-Mediterranean area by adopting appropriate measures on rules of origin, certification, the protection of intellectual property rights and competition and by fostering free trade agreements between the Mediterranean Partners.

2.3. Financial instruments

For the five years from 1995 to 1999, the European Union agreed to set aside ECU 4,685 million in Community budget funds for its Mediterranean partners. This major increase in financial assistance to the Mediterranean partners agreed at the Cannes European Council and confirmed at the Barcelona Conference constitutes a major instrument to raise prosperity levels in the region.

During 1996, the Commission committed all the available funds from the Community budget on assistance to the partners, principally on support for economic transition, structural adjustment and raising the level of the socio-economic infrastructure. The Commission will continue to take the necessary measures to fulfil the undertakings given in the Cannes agreement and the Barcelona Declaration.

As agreed at Cannes and Barcelona, EIB (European Investment Bank) lending is also an essential element in the Union's support for economic modernization in the region, and the EIB should continue to be closely involved in future Euro-Mediterranean cooperation through increased loans.

Implementation of the free trade agreements and a significant increase in financial assistance will not be enough to ensure the success of the Partnership if they are not accompanied by a comparable increase in the rate of modernization and economic

structural adjustment in the Mediterranean partner countries. Talks between the Mediterranean Partners themselves should be stepped up and financial support from the Union, whether from budget funds or via the European Investment Bank, should be fully exploited by the Mediterranean Partners in order to quicken the pace of reform.

3. REGIONAL ASPECTS

3.1. Political and security partnership

3.1.1. Review

Five meetings were held in 1996 in the context of **political and security dialogue**. Progress was steady despite the many political problems. The results are still somewhat tenuous but the dialogue has become an unequalled forum for the discussion of political and strategic problems between the whole of the region and the Union.

Progress has been achieved in three areas:

- **a list of confidence-building measures**, many of which are already operational or have been formally approved for implementation, has been drawn up. Tangible results are expected on two fronts this year: the network of foreign policy institutes (EuroMesCo) will produce an independent analysis of the political and security aspects of the region and a mechanism for cooperation in the event of natural and human disasters will be set up to ensure there is effective liaison between the disaster prevention and relief services in the region. The establishment of a network of defence institutes and the organization of a seminar on the deployment of armed forces for humanitarian work will also be discussed;

- a regularly updated **Action Plan** will serve as a blueprint for the group's work. Drawn up on the basis of a progressive working method, the Plan will be discussed and appear on the agenda of each meeting. It will cover six sectors of activity: strengthening of democracy, preventive diplomacy, security and confidence-building measures, disarmament, terrorism and organized crime;

- work has begun on a **Euro-Mediterranean Charter for Peace and Stability**, an institutional mechanism for dialogue and crisis prevention. The draft charter is now seen as the cornerstone of the Partnership's political and security pillar.

Two meetings have been organized in Malta, one in October 1996 and the other in March this year, to disseminate information to the diplomats of the 27 partner countries and to help them get to know each other. They have resulted in the creation of a "Euromed Internet Forum", a site where all documents relating to the Euro-Mediterranean Partnership are available for consultation.

3.1.2. Strategy

The political and security dialogue launched in Barcelona is one of the Partnership's most promising projects: it represents an entirely new area of cooperation between the European Union and its Mediterranean Partners, providing a forum for discussion long sought-after by the states concerned. Within a matter of months it was working well in terms of both content and organization.

The Commission sees the Conference of Foreign Affairs Ministers in Malta as an opportunity to endorse the achievements of the political dialogue, in particular the list of confidence-building measures and guidelines for the Charter for Peace and Stability. If a document is signed by Ministers there must also be a commitment to gradually deepen its content. In this context, the European Union should confirm its practical support for existing and future confidence-building measures.

It should also be noted that the political dialogue covers, *inter alia*, respect for human rights and fundamental freedoms, which is at the heart of the EU's international policy. The Union feels that the adoption and implementation of international standards in the field of human rights are essential for lasting social and political stability. In this context, all the Mediterranean Partners should be encouraged to sign all international instruments relating to human rights and to implement them fully.

The Union should also point out that it supports the efforts made by the Partners to establish a civil society based on the rule of law, in accordance with the declarations and action programmes of the world conferences on human rights, population, social development and women, which the Union and the Mediterranean Partners helped to organize.

The risk of the proliferation of weapons of mass destruction is a factor of instability in the region. Joint reflection could be initiated on the implementation of the international non-proliferation arrangements pertaining to nuclear, ballistic, chemical and biological weapons. Consideration could also be given to adapting these arrangements at regional level.

In this context, it would be appropriate to improve the visibility of national efforts to control the export of sensitive products through the exchange of information.

Finally, the Partners should be encouraged to step up their efforts to prevent and combat terrorism within the Euro-Mediterranean framework, in particular by acceding to international conventions in the field.

3.2. Economic and financial partnership

3.2.1. Review

There has been intensive government and private sector activity under the economic pillar of the Euro-Mediterranean Partnership. Participation by the Mediterranean Partners has been extremely good, regular and at a high level. In the Union's case,

ministerial participation has been more difficult to achieve: the profusion of meetings led the Euro-Mediterranean Committee to impose a limit of seven per six-month period (two ministerial meetings and five at expert level) from April 1996 in an effort to improve efficiency. Priorities have not, however, been properly focused and the content of the dialogue has proved difficult to define.

At government level, the method used to implement the Barcelona Declaration has involved facilitating the harmonization of sectoral policies, organizing exchanges of know-how and helping identify the common policies required for the creation of the Euro-Mediterranean economic area. Six sectoral ministerial meetings were held in 1996 as well as expert meetings. Each of these meetings culminated in some form of agreement on common sectoral policy principles. This has been a considerable achievement in terms of economic rapprochement and modernization, especially in the following fields: industry and SMEs, energy, water management, the information society, tourism, fisheries, and sea transport. The meeting of Ministers of Tourism emphasised the importance of strengthening cooperation in this sector and of carrying out a series of joint actions in the future. Activities in these fields have launched a process of significant convergence between the Partners.

Similarly, the regional statistical cooperation programme, MEDSTAT, is aimed at consolidating the Partners' statistical systems and harmonizing the statistics gathered by the Union and its Partners.

In the private sector, meetings were also organized, at the initiative of economic operators, between comparable bodies from the various partner countries (industrial federations, banks, chambers of commerce, economic institutes, trade fairs, etc.). Mutual recognition, institutional capacity building and the transfer of know-how have been facilitated in every case.

3.2.2. Strategy

The next few months should see the completion of negotiations for the association agreements. The Partners' fundamental objective should then be to set up the Euro-Mediterranean economic area, chiefly through regional operations.

All activities must be conducted with a view to guaranteeing interaction and synergies between bilateral and regional schemes. Care must be taken to ensure that the Partnership develops evenly, which will in particular involve gauging its economic and social impact on the region.

The Commission feels that the **first objective** of the Conference of Foreign Affairs Ministers should be **to emphasize the will and desire of the 27 Partners to set up an area of shared prosperity and to give firm impetus to the establishment of free trade** in order to improve living standards and reduce inequalities by 2010.

A range of accompanying measures should be agreed upon at regional level to permit greater harmonisation and greater compatibility with the Union's internal market. Areas such as: cumulation of rules of origin, customs cooperation, standards, intellectual property, taxation and competition, should be encouraged in particular. Training initiatives will also be encouraged.

A second objective should be the adoption of a **targeted approach to intensify the harmonization of policies** in areas crucial to the objective of setting up a joint economic area. In the light of progress achieved to date, cooperation will be concentrated in the first instance on areas earmarked as priorities by the Mediterranean Partners and where cooperation has been successful in the past: industrial policy and SMEs, energy policy, environment and water policy, information society, sea transport. Action will be taken in other areas in due course.

Support should be given to the establishment of Euro-Mediterranean networks of similar economic organizations. Such networks will enable those organizations which are interested to develop ongoing work programmes and to make a crucial non-governmental contribution to the establishment of an area of shared prosperity.

A third objective should consist of actively **preparing the Mediterranean Partners for the changes under way in the Union**, to enable them, as our Partners, to adjust their economic policies accordingly, should they so wish, and to air their views.

The economic dimension of the Euro-Mediterranean Partnership is taking shape at a time when the European Union itself is undergoing a further transformation with enlargement to the east, the introduction of the Euro and the setting-up of the European Central Bank. This transformation will have a considerable impact on the Mediterranean Partners, as most of their trade is with the EU and the Union also provides most of their private investment.

This preparation could take the form of meetings and exchanges between government representatives, private operators, university and cultural circles, etc., and would require support from the MEDA programme. The Commission also proposes to support those Mediterranean Partners wishing to initiate or strengthen their trade and financial links with the countries of Central and Eastern Europe.

A systematic effort should be made to promote European private investment in the region, over and above initiatives already taken (business centres, cooperation and information networks and conferences for small businesses, computerized networks). Action in this area should be undertaken primarily by European and Mediterranean private operators with the support of the MEDA Programme. Business financing will depend on the effective use of risk capital to prime the pump.

The introduction of modern instruments in this area will be a major priority. The London conference on private investment on 6 March must give renewed impetus to these activities.

The **fourth objective** which the Union should propose to its Mediterranean Partners at the Conference is the **implementation of a policy to strengthen intraregional and subregional cooperation and integration**. The experience of the Regional Economic Development Working Group (REDWG) will prove useful here. The Commission wishes to see the Union offer support for a whole range of measures; this would take the form of technical support for the negotiation of intraregional economic agreements on trade-related measures and the incentive provided by regional cumulation of rules of origin.

The strengthening of links between the Mediterranean Partners themselves through the establishment of free trade should be regarded as a top priority. Progress is largely contingent upon the willingness of the Mediterranean Partners themselves but it is essential that the European Union reaffirm the importance it attaches to such progress. Regional and subregional economic integration and rapprochement are the key catalysts for growth in the region, in particular when it comes to expanding markets and attracting private investment from abroad.

3.3. Social, cultural and human partnership

3.3.1. Review

This dimension of the Barcelona Declaration is intended to develop human resources and to promote understanding between different cultures and exchanges between civil societies.

The ambitious objectives set out in the work programme concern more than ten sectors of activity in this field. Some had already been developed through the MED decentralized cooperation programmes, while others are entirely new. It has proved impossible to deal with all of the topics during the first fifteen months, despite numerous proposals by the Partners, and joint action was undertaken in the following areas:

- **cultural heritage**: a ministerial meeting was held in April 1996 leading to the establishment of common principles. These principles were put into effect at expert level where agreement was reached on an initial list of 17 projects of joint interest involving both the architectural and intellectual heritage;
- a first meeting of high-level officials was held in June on the subject of **drugs and organized crime**. A draft agenda for a ministerial meeting was also proposed, but the parties failed to finalize the items to be included;
- two meetings of the Economic and Social Councils (or the bodies represented therein) have taken place, the first in Madrid in December 1995 and the second in Paris in November 1996, along with a meeting, in Catania, of ministers and senior officials responsible for social affairs;
- in the field of youth, senior officials responsible for youth work and representatives of specialized NGOs attended a conference in Amman in June 1996 for the purpose of

establishing a coherent, decentralized operational framework for an exchange programme for young people.

Other initiatives taken concerned the dialogue between cultures and religions.

3.3.2. Strategy

The Commission proposes a more systematic and proactive approach to the development of these activities. The promotion of mutual understanding between the peoples of the region is one of the cornerstones of the Barcelona Declaration. The events which have unfolded in the Euro-Mediterranean region since November 1995 only serve to highlight its importance. This is why the Union should encourage the Mediterranean Partners to deepen and intensify action in this area..

The Commission plans to recommend six **concrete measures** to the Partners at the second Ministerial Conference:

- **to pursue and intensify activities in the field of cultural heritage** by adopting an initial set of regional projects, and subsequently expanding on the range of projects covered. Other cultural matters should also be dealt with in the context of the Euro-Mediterranean Partnership and more joint cultural events organized;
- **to strengthen the dialogue between cultures**, in particular through the organization of a public conference to review the work carried out in this area since 1995;
- **to intensify the Euro-Mediterranean dialogue on human rights**, by setting up a group of eminent persons to promote better mutual understanding in this crucial area. The work of this group should build on existing achievements within the framework of the Conference on Good Governance in the Euro-Mediterranean region (March this year) and the EU's MEDA democracy programme;
- **to continue the dialogue between civil societies**, which has found particular expression through the EU's decentralized cooperation programmes and a large number of Euro-Mediterranean conferences, notably the civil forum held in Barcelona in November 1995. A regular Euro-Mediterranean civil forum would provide a channel for lasting dialogue between civil societies; the Union should declare its willingness to provide technical and financial support for any initiative taken by one or more of its Mediterranean Partners. The continuation of the MED decentralized cooperation programmes once the current evaluation exercise has been completed would also help strengthen this dialogue;
- **to submit as soon as possible to the ministers responsible for youth a practical proposal for Euro-Mediterranean cooperation** embracing youth schemes (other than school and university exchanges) and voluntary service within a decentralized operational framework;
- **to continue and step up education and training activities**, developing and strengthening cooperation under the MEDA programme in particular, which could draw, *inter alia*, on the Union's experience;

- **to continue the dialogue on organized crime, drugs and migration**, for which the Partners are pressing, in order to encourage cooperation between the responsible authorities. The European Union should also give thought to the matter with a view to submitting proposals, both on the issues to be dealt with and the scope of the measures to be agreed. Issues raised by the Partners, in particular exchanges of persons, should also be examined.

4. INSTITUTIONAL ASPECTS AND INFORMATION

The Euro-Mediterranean Committee for the Barcelona Process, consisting of representatives of the EU Troika and of the Mediterranean Partners, was given the task of preparing the next meeting of Ministers of Foreign Affairs, taking stock of and evaluating the follow-up to the Barcelona process and all its aspects and updating the work programme.

The Commission is prepared to continue in the role assigned to it at Barcelona of carrying out preparatory and follow-up work for the meetings. The Commission suggests that the Euro-Mediterranean Committee for the Barcelona process carry out regular orientation discussions on the activities of the Partnership and that it monitors carefully the periodicity of the meetings and the subjects covered.

The involvement of Parliaments in the Euro-Mediterranean Partnership remains an essential component of the project. Direct dialogue between elected representatives will be fundamental in helping bring peoples closer together. No moves have been made in this direction since the Barcelona Conference and the Commission strongly urges the European Parliament to take the initiative. Dialogue between social partners should also be encouraged.

Finally, the success of the Euro-Mediterranean Partnership depends on the general public's understanding of the project. This is particularly important in the light of the misconceptions which frequently circulate between Europe and the Mediterranean. As far as general information is concerned, the Commission has already launched a series of measures (monthly publication of an information note for the governments of the 27 Partners, electronic information sites, preparation of brochures in printed and electronic form, the distribution of information packs for television and radio, support for cultural reviews, etc.). Community financing has also been given to help set up the Arabic service of the Euronews TV channel due to go on the air in the spring of this year. The Commission urges the Member States to do more to inform the public about the Partnership and to make it more visible.

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