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**COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT**

**TO PREPARE THE MEETING OF EURO-MEDITERRANEAN FOREIGN MINISTERS,
VALENCIA, 22-23 APRIL, 2002**

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1. INTRODUCTION

Some 15 months ago the Commission launched a drive to reinvigorate the Barcelona Process¹, recognising the potential still locked up in the Euro-Mediterranean area, and the need to generate new momentum. Since then, the terrible events of 11 September 2001 have imparted new urgency and even greater importance to those efforts.

In the second half of the 20th Century the world was divided by an Iron Curtain separating East from West, and Europe from itself. In the first half of the 21st Century it must be a cardinal European objective that the Mediterranean region does not come to represent a new fault-line. Rather, **the region must be a source of dynamism, creativity and exchange, which has been the harvest of cultural diversity through the ages.**

The countries of the Mediterranean region are bound together by geography, but we are near neighbours in many other ways, too. We face innumerable common challenges from growing migratory pressures to trans-national crime networks. We need to work closely together to help achieve lasting peace in the Middle East. The countries on the southern shore need to engage more intensively and more openly in the regional economy as well as the global one if they are to combine economic development with sustainable economic and social transition. The European Union, for its part, must be true to the spirit of the Doha Development Agenda: further liberalising market access, even in sensitive areas, and seeking to ensure that all countries in the region enjoy the benefits of multilateral liberalisation.

The Barcelona Process has become a major strategic political and economic asset for all its 27 partners. Particularly since its reinvigoration in Marseilles, in 2000, it has been accompanied by strong political drive which has led to the achievement of ambitious and concrete progress.

Political dialogue has acquired a new dynamism on issues such as governance, human rights and democracy, despite the region's difficult political context. Europe and the Mediterranean are now closer to the objective of establishing a Euro-Mediterranean free trade area in 2010 and the Agadir initiative has brought a new impetus to the furthering of south-south trade integration. The process of negotiating and concluding Association Agreements is almost completed. Finally, MEDA, the main financial

¹ Commission Communication on Reinvigorating the Barcelona Process (COM (2000) 497). The Barcelona Process is composed of the EU 15 Member States and the 12 Mediterranean partners: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Palestinian Authority, Syria, Tunisia and Turkey.

support instrument, has become more efficient and responsive to the needs of the Mediterranean partners.

Much has already been accomplished. It is now the moment to deepen and strengthen Marseilles' decisions and also to put forward new initiatives aimed at increasing Euro-Mediterranean wealth and prosperity.

The purpose of this Communication is to take stock of progress and to put forward ideas for the Euro-Mediterranean Ministerial meeting in Valencia in April 2002. That meeting will be a significant opportunity for all partners to rededicate themselves to the Barcelona Process and to take economic, social and cultural decisions that can achieve new levels of Euro-Mediterranean integration.

2. RECENT ACHIEVEMENTS IN THE PARTNERSHIP: REACHING THE CRITICAL MASS

Conscious of the strategic importance of the Mediterranean and of the desire of our partners for a closer and deeper relationship with the EU, in September 2000, the Commission launched a drive to reinvigorate the Barcelona process aimed at generating a new momentum in Euro-Mediterranean relations. These proposals were broadly endorsed by partners and taken further by Ministerial meetings in Marseilles in November 2000 and in Brussels in November 2001.

By implementing resolutely the recommendations of these Ministerials, significant progress has been made over the last two years in the economic area and a number of new initiatives are now in the pipeline in the socio-cultural area. In the political area, in spite of deteriorating circumstances in the Middle East, the Barcelona Process has maintained its uniqueness in bringing all partners of the region together.

Overall a new dynamism has been created through the Partners' agreement on key priorities, and since September 2000 a number of specific developments have allowed the partnership to achieve its critical mass:

- **Completing the grid of Association Agreements:** the Agreement with Egypt was signed in September 2001. Negotiations with Algeria and Lebanon were concluded by the end of 2001, thus realising three of the four targets set by the Commission. Negotiations with Syria are ongoing but did not make significant progress during 2001. In its Communication the Commission also called on Member States to accelerate the ratification of the Agreement with Jordan and to find ways of accelerating the ratification process for future Agreements. Regrettably this has still not happened.
- **Making progress towards Euro-Med free trade:** Euro-Med Trade Ministers met for the first time in May 2001 to further develop trade within the area and especially in its South/South dimension. The Commission proposed to promote harmonised rules of origin, to speed preparatory work for the liberalisation of services, and to develop single-market harmonisation measures in priority sectors. Thanks to detailed collaborative technical preparations, progress has been made in all of these areas. Mediterranean partners have decided not only to link their economies to the EU but to open their markets to each other and to find new ways of co-operating with the candidate countries and other European partners by taking

the necessary steps to join the system of pan-European cumulation. The Commission has welcomed and fully supports the intention of four signatories of Association Agreements (Morocco, Tunisia, Egypt, Jordan) to create a free trade area between them (the Agadir process) and to open this area to other signatories of Association Agreements. Other regional economic integration initiatives are also encouraged. A number of proposals should be finalised in the coming months so that decisions can be taken in Valencia (see below).

- **Refocusing MEDA on strategic objectives:** Following a revision of the MEDA Regulation in 2000 a qualitative change has been made in the programming and delivery of MEDA. A major programming exercise has just been completed. Country strategy papers and indicative programmes, designed in close consultation with Mediterranean partners and the Member States, focus MEDA for the 2002-2006 period on key priority areas within the framework of the Association Agreement including support for structural adjustment. As part of this drive to enhance the impact of MEDA assistance, this qualitative improvement in programming has been accompanied by a complete overhaul in implementation. The provisional figures for MEDA payments for 2001 show a doubling of the ratio of payments to commitments relative to the 1995-99 period. (see annex for details). This reflects both the increase in structural adjustment support noted above, and improved implementation. This improvement will get a further boost when decisions on implementation of programmes will be taken on the ground and devolved to EC Delegations. The process of devolution started in January 2002 with Morocco, Tunisia and Egypt from January 2002 and will be completed for the remaining countries by the end of 2002.
- **Furthering MEDA regional co-operation:** A major effort was made during 2001 to boost regional co-operation through the adoption of a € 250 million financing plan covering a new Risk Capital facility to be run by the European Investment Bank (€ 100 million), statistical co-operation (€ 30 Million), Euro-Med Transport co-operation and training (€ 20 Million), Water Management (€40 million), Information Society (€ 20 million), Environment (€ 30 million), and Youth (€ 10 million). As these programmes are implemented they will provide new networks for the exchange of information and experience and develop new opportunities for co-operation between countries in the region.
- **Maintaining the political dialogue:** despite the difficult political situation in the region the political dialogue was strengthened and widened on issues such as governance, human rights and democracy although little progress was made on the Euro-Mediterranean Charter for Peace and Stability.

3. THE STEPS AHEAD: FURTHERING THE PARTNERSHIP

3.1 Political and Security Partnership

The ongoing political dialogue demonstrates the maturity of the Euro-Mediterranean relationship. In order to intensify this process, concrete follow up should be given to Tunisia's request, welcomed at the Brussels Foreign Ministers meeting for more frequent high level meetings to discuss major political questions.

Recommendation 1

In order to further strengthen the dialogue, consideration should be given to holding meetings at the level of Political Directors between the annual Foreign Ministers' meetings. While the time is not ripe to resume negotiations on the Charter for Peace and Stability, dialogue among Senior Officials should be pursued, while retaining the objective of reaching agreement on the Charter over time.

In current circumstances, a key element of the dialogue should be the **fight against terrorism**. While recognising the differences of view which have emerged within the partnership on the definition of terrorism, the Commission considers that these should not impede the partners from identifying areas where they can co-operate. The next ad hoc Euro-Mediterranean meeting of officials on this subject should agree on **operational measures** with a view to having them endorsed at Valencia.

Recommendation 2

At Valencia Ministers should agree on a series of measures on the fight against terrorism including promoting the signature, ratification and swift implementation of relevant international instruments, notably the UNSCR 1373; working towards a joint approach on the drafting of the UN Comprehensive International Convention against terrorism and increased co-operation to prevent the financing of terrorism.

The situation in the region with regard to respect for **human rights and democracy** continues to give cause for concern. With the exception of Cyprus and Malta, none of the Mediterranean partners has an entirely satisfactory record in this respect. While the situation varies from one partner to another, in some of them matters have actually deteriorated since the Ministerial meeting in Marseilles. The EU has expressed its concern to individual partners on matters such as arrests and imprisonments without due process, unsatisfactory treatment of prisoners, failure to control violence by extremist groups, extra-judicial killings by the authorities, application of the death penalty, restrictions on freedom of expression and association as well as issues relating to the rule of law and gender.

The Commission made a number of recommendations on this subject to the Marseilles Ministerial meeting which have not been adequately followed up. While recognising the sensitivity of such questions, the Commission considers that the integrity of the partnership requires that these issues be addressed at the Valencia meeting.

Recommendation 3

Ministers should agree that questions related to human rights and democracy be raised systematically in all contacts between the EU and the partners with a view to promoting a structured approach to progress; MEDA allocations should be linked more closely to progress in these fields; joint working groups of officials should be set up between the EU and each of the partners on the subject; and partners should encourage the signature, ratification and implementation of the relevant international instruments and should recognise the role of civil society in strengthening democracy and human rights.

3.2 Freedom, justice and governance

The political and security dialogue between partners relates not only to external policy but increasingly requires close co-operation on the cross border dimension of issues such as the fight against organised crime, illegal migration and trafficking in human beings, the management of legal migration, the treatment of migrant communities and the need for close administrative and judicial co-operation in order to tackle these common challenges. The events of 11 September have dramatically highlighted vulnerability to acts of terrorism and the need for close international co-operation to combat it. All of these areas directly affect our populations and involve many areas of government, including the most sensitive areas of national security and internal affairs. Working together in these areas is not only a sign of a new maturity and closeness in the Euro-Mediterranean relationship, but will also require new approaches between administrations. The EU is seeking to develop two way channels of communication which will enable it to take account of the needs and aspirations of its partners as well as its own developing policies in areas such as the treatment of legal migrants and of immigrant communities inside the EU and enforcing strict controls on illegal migration, including from outside the region.

In particular, migration and human exchanges are of vital importance to the Partnership. A large proportion of migrants legally resident in the European Union is from the Mediterranean partner countries. The harmonious development of the Partnership will be facilitated by measures aimed at promoting their social integration and combating racism and xenophobia. However, the geographical proximity and the gap in prosperity between the European Union and its partners have led to illegal migration flows and trafficking in human beings, with very adverse consequences in social and human terms. Therefore, the migration issue needs to be addressed in a comprehensive way in which partners have an open eye for the causes of migration and the need to respond in a global manner that will include an active policy in the area of socio-economic co-operation, legal migration and illegal migration, including the increasing phenomenon of transit migration from third countries further afield.

The Commission will provide technical assistance to the Mediterranean partners to improve information and statistics as part of ongoing co-operation on legal migration and to combat illegal immigration. It will study various possible solutions, including the possibility of establishing a mechanism for regular monitoring of migration flows.

Following the discussions during 2001 and 2002, the partners should agree at Valencia on a general framework of co-operation on the above mentioned issues. If agreement is reached, the Commission is ready to launch a regional programme in 2002 designed to promote freedom, justice and governance to help partners work together on these issues. This programme should facilitate dialogue and identify activities which partners may decide to implement at national or sub-regional level. The EU is willing to provide financial assistance through the MEDA programme for technical assistance and training to help partners deal with all of these challenging issues and, by so, doing to develop long term working administrative relations between experts and governments to ensure that the whole region is a stable area of justice and freedom.

Recommendation 4

Partners should finalise discussions and conclude an agreement on a general framework leading to a Euro-Mediterranean regional programme on freedom, justice and governance so that it can be adopted in Valencia.

3.3 The Social, Cultural and Human Partnership

When compared with other regional – or even bilateral – external policies of the European Union, the Euro-Mediterranean partnership presents a unique asset: its human, social and cultural components, which take the relationship well beyond the more usual political and economic aspects. Already in 1995, all 27 partners agreed in the Barcelona Declaration that “dialogue and respect between cultures and religions are a necessary precondition for bringing the peoples together”. Giving expression to this idea the Commission has launched more than 400 projects in the last three years, in areas such as the protection of our common cultural heritage; audio-visual projects (distribution of Euro-Mediterranean films; production of documentaries; protection of archives; etc.), youth encounters, etc. In the last year, conferences dealing with subjects ranging from audio-visual policies (Rabat, Sept 2000); human rights (Uppsala, April 2001); legal co-operation (Galatasaray, October 2001) have been organised with financing from the MEDA programme. This year, in March, the Commission will organise a major initiative, in Brussels, to promote mutual understanding and dialogue between cultures and religions.

There is a need to build on this very substantial experience and to ensure that a wider public is aware of these activities and encouraged to participate. Given the increased importance of people to people contacts in the aftermath of 11 September and taking into account the UN global agenda for dialogue among civilisations, the Commission intends to launch a series of new initiatives in these areas as follows.

a) Dialogue between Cultures and Civilisations

At the Foreign Ministers’ meeting in Brussels it was agreed “to work on deepening the dialogue between cultures and civilisations, focussing on youth, education and the media”. The Commission welcomes the work being done by the Spanish presidency – in close co-operation with Sweden - to compile an inventory of existing and new EU, national and other activities in this domain. In the aftermath of 11 September there is a need to promote an active dialogue between civilisations and cultures in the Euro-Mediterranean partnership. By definition such activities should involve all partners and reach out to as wide a cross section of society as possible.

There is a need for a new approach to promoting cultural dialogue and exchange in the Mediterranean. Experience has shown that centrally managed programmes have not always been able to respond with sufficient flexibility and efficiency to facilitate dynamic, timely exchange. Budgetary constraints mean that ways need to be found to get the most impact out of limited financial resources. A successful model to inspire a new approach is the Asia-Europe Foundation. Drawing on the experience gained in setting up this Foundation, the Commission proposes to create a new **Euro-Mediterranean Foundation** to promote a dialogue of cultures and civilisations. The foundation would be funded by a contribution of €1m each from the Member States and the Commission and a voluntary contribution from each Mediterranean partner. The Foundation would aim to promote better mutual understanding in the region

through intellectual, cultural and people-to-people exchanges. It would work in partnership with other institutions with a similar vocation and private sector entities.

The Commission will also continue and enhance the activities of the existing – and successful – programmes on cultural dialogue - Euromed Heritage and Euromed Audio-visual - by launching new calls for proposals in due time, as foreseen in the 2002-4 Regional Indicative Programme. The Commission is also identifying ways to utilise the current Culture 2000 and Media Plus programmes as well as other specific activities to foster intercultural dialogue.

Within this wide strategy, the Commission will also evaluate the possibility of launching further new initiatives aiming to promote mutual knowledge and understanding.

b) Youth, Education and Media

- **Education:** Education is fundamental to fostering tolerance and mutual respect between peoples. The Commission is proposing therefore two new initiatives in this area:
 - **Extension of Tempus:** Given the importance of higher education as a channel for exchange of views and the mutual enrichment which can come from exchange of experience, the Commission has decided to propose the extension of the very successful higher education programme, **Tempus**, to the non-candidate Mediterranean partners. Tempus will increase the contacts between staff and students in third level education and promote the transfer of best European practice in terms of academic content and the financial management of university level education. Through Tempus, the EU will make an intellectual and financial contribution to the development of new curricula, the widening of educational offers adapted to today's qualification demands and the upgrading of university management. Participation in Tempus will open new horizons for students and teachers on both sides of the Mediterranean and the new networks and links which it will develop will contribute to an enhanced mutual understanding.
 - **Opening of NETDAYS and eSchola:** Schools in particular are the first step in the education process and as such play a fundamental role in building intercultural awareness and tolerance. In this area, the Commission is examining the feasibility of opening its **NETDAYS** and **eSchola** activities to Mediterranean partner countries. These two initiatives aim at stimulating and highlighting the use of new technologies to promote activities such as school-twinning, joint projects between schools and exchanges of teachers. They use cultural multimedia as a pedagogic resource for exchange of experience in education and for cultural networking.
- **Youth:** The EuroMed Youth programme aims at facilitating the integration of young people into social and economic life and improving mutual comprehension, respect and tolerance. This is a largely decentralised programme, run through small scale actions at grass roots level, ranging from youth exchanges to training seminars. Drawing on its experience in funding over 200 projects in the Mediterranean region the Commission has now decided to carry out a substantive streamlining of the programme in order to improve its visibility and increase its efficiency. In its next phase, the national focal points should play a greater role.

- **Media:** The Euro-Mediterranean partnership suffers from low visibility and a lack of understanding, including by the media. As a result, the value of the Partnership as a unique framework in which the possibility of dialogue and discussion is made possible and real between all parties is either ignored (by the general public) or underestimated (by key actors). Therefore, the Commission plans to launch a programme on information and communication to improve the visibility of the Partnership. The programme will include activities addressed to all the partners in general as well as specific actions in individual partners. It will be primarily aimed at promoting the philosophy underlying the Partnership, as well as its concrete achievements. It will go beyond simple “information actions” and market the Partnership as a tool for the promotion of the dialogue between societies. In doing this, a stronger co-operation with media (TV and written press) has to be developed in order to reach the general public.

Recommendation 5

Ministers should agree in Valencia to create a Euro-Mediterranean Foundation to promote a dialogue between cultures and civilisations in the Euro-Mediterranean region. The Foundation would be funded by contributions from Member States, the Commission and Mediterranean partners. Ministers should also agree to the early adoption of proposals for participation in the Tempus programme. Preparations for participation should be undertaken during 2002 to ensure the success of the first call for proposals to be launched by the end of 2002.

c)The Social dimension

Following the Foreign Ministers’ discussions in Brussels which emphasised the importance of the social dimension of the Partnership, the Commission proposes two further new initiatives:

- **Vocational training:** the demographic structure in most Mediterranean partners poses a major challenge in terms of job creation and labour market management in the next decade. This demographic pressure highlights the need for reforms in the field of education, training and labour market systems and most partners are currently carrying out a review of their national policies in these areas. With the help of the European Training Foundation, the Commission is developing both regional and national support programmes which aim to assist policy makers to formulate and implement employment responsive and socially balanced reform policies and instruments. These interventions focus on the quality and relevance of vocational education and training delivery in line with labour market needs; innovative financing mechanisms for training; occupational certification and training standards; and the definition of relations between training, employment and labour market measures. It may be useful to make a link with the EU’s own experiences of promoting employability, particularly in the context of European Employment Strategy and the European Social Fund.
- **Enhancement of women’s opportunities in economic life.** As recognised in the Barcelona Declaration, women play a key role in economic and social life and in the creation of employment and should be helped and encouraged to increase their participation. Building on the results of a regional forum on “The role of women in

economic development” (Brussels, July 2001) the Commission intends to launch a regional programme aimed to promote opportunities for women by fostering capacity building and awareness (including the development of instruments for monitoring the active participation of women in economic life), providing frameworks for exchanging best practices, and development of action plans at the national level. The EU’s efforts to promote equal treatment between women and men and to mainstream gender equality may serve as an example in this context. The main two areas of action will be:

- Access and participation of women in the labour market, in particular supporting reforms of the legislative framework and development of policies for an active training and labour market.
- Promotion of role of women in business, in particular by developing networks for business and professional women and facilitating access of women to financial instruments.

3.4 Economic and financial partnership

The conclusion of eleven of the twelve Association Agreements opens a new chapter in Euro-Mediterranean relations. Almost all partners are now embarked on a process of tariff dismantling and the progressive establishment of a free trade area with the EU. There are also important initiatives such as the Agadir process, aimed at building South/South free trade, which will enhance the importance of the Euro-Mediterranean free trade area. The conclusion, or the prospect of conclusion, of Association Agreements with the European Union has been a main catalyst for economic changes in the region. The opening up of external trade, in particular with the EU as their largest trading partner, has been a factor that has promoted transition and increased awareness of the need for policy and structural reforms in the region.

Most partners have initiated important and ambitious reforms during the last decade although the results have so far been mixed. The pace of economic modernisation should continue and will even need to accelerate in order to produce the expected results in terms of economic growth and increased industrial competitiveness. In order to increase the competitiveness of these countries, it is important that they strengthen their research and development capacities. The challenges facing the Mediterranean in the coming years are considerable. Employment will be a major issue since, according to a recent report², the region will need to create more than 45 million jobs in the next decade just to keep employment rates at present levels. Foreign and domestic investment will have to increase significantly to meet the requirements of growth and economic upgrading, and the institutional and regulatory environment will need further adaptations to create the right conditions for sustainable development of the Mediterranean economies. These long-term challenges will have to be faced at a time when the short-term global and EU economic outlooks are uncertain. All countries in the region fear a negative impact from the events of 11 September, particularly as concerns investment and tourism.

² FEMISE Report of September 2001, page 12

All of these factors reinforce the need to redouble efforts to tap the economic potential of the Euro-Mediterranean Partnership. There are a number of areas where decisions are needed:

- i. Further development of South-South trade integration;
- ii. Preparing for free trade in Services;
- iii. Improving market access in agriculture;
- iv. Infrastructure development and interconnection;
- v. Policy and regulatory harmonisation/from Free Trade to Internal Market;
- vi. Ensuring Sustainable development with a high level of environment protection
- vii. Financial instruments

i) Developing South-South trade and enhancing economic integration

Free trade between the countries of the region is a desirable complement to the North/South free trade agreed in each of the Association Agreements. It would help the region to attract investment, avoid market fragmentation and facilitate economic specialisation and diversification. The EU actively supports moves towards free trade and economic opening among Mediterranean partners. In this context the Commission stands ready to respond to developments in the region, and will consider differentiating its approach where appropriate, in order to take account of each partner's capacity to move ahead in the partnership. In particular the Commission welcomes the initiative taken in Agadir in May 2001 to agree on free trade between them and to extend the process to other signatories of Association Agreements with the EU. The Commission has offered to provide technical assistance, based on its own internal experience, in areas such as harmonisation of rules of origin, customs procedures, and ensuring the mutual supportiveness of the Agadir process and environmental protection.

Recommendation 6

In line with the proposals to be examined by Euro-Mediterranean Ministers of Trade in Toledo in March 2002, the EU should express its strong political support for regional integration initiatives such as the Agadir Declaration as a key initiative to promote South-South trade opening and economic integration. The EU should reiterate its readiness to help partners to conclude a free trade agreement among themselves, if possible in 2002. At the same time, the EU should underline that further multilateral trade liberalisation is also very important in the framework of the WTO.

An important element for further economic integration is the facilitation of sub-contracting and the use of the most competitive inputs in the manufacturing and processing industries. In this respect, cumulation of origin and the participation of Mediterranean partners in the pan-European system of cumulation would be a major step to enhance trade and industry co-operation between European (including EFTA and Eastern European) and Mediterranean partners. Participation in the pan-European system would allow goods manufactured from inputs coming from different parts of

the region to benefit from preferential access to the EU market under the terms of the Association Agreements. This should open up new opportunities for trade and investment. It could have a very positive impact on economic development and on attracting European and other foreign investment to the region.

The report issued by the pan-Euro-Mediterranean Working Group on Rules of Origin on 20 December 2001 and submitted for the consideration of the Euro-Mediterranean Ministers of Trade who will meet on 19 March 2002, concluded that the extension of the pan European origin system to Mediterranean partners was technically possible. This extension is subject to a number of requirements such as:

- The agreement of all current participating countries in the pan-European system;
- The introduction of the necessary amendments in the Protocols of the Agreements;
- The obligation to conclude free trade agreements with identical rules of origin to benefit from the pan-European system of diagonal cumulation.

Recommendation 7

The Ministerial Conference in Valencia should endorse the decision of Trade Ministers on the inclusion of Mediterranean partners in the pan-European system of rules of origin. The Commission will propose the necessary technical amendments to the origin protocols with the pan-European countries and to the Euro-Mediterranean Association Agreements. Once agreed with all partners, such amendments should be speedily adopted. In order to facilitate Mediterranean partners participation in the system, the Commission will provide technical assistance, if necessary.

ii) Developing Free trade in Services

The services sector constitutes an essential vector of growth and job creation in modern economies. Steps to liberalise the cross-border provision of services and right of establishment could contribute positively to economic development. Services also play a major role in the modernisation and the overall competitiveness of manufacturing sectors. A Euro-Mediterranean Working Group on Services has been established and has discussed how to liberalise a number of service sectors both in the bilateral framework of the Association Agreements and in the multilateral framework of GATS. Euro-Mediterranean partners shared the view that the priority imposed by the tight agenda agreed at Doha was to conclude successfully new concessions at the multilateral level and subsequently tackle preferential agreement negotiations within the Association Agreements framework. Mediterranean partners and the Commission should also identify needs for technical assistance, in particular in the field of adapting and harmonising the regulatory framework.

Recommendation 8

In accordance with the provisions of the various Association Agreements the Ministerial meeting in Valencia should endorse the decisions to identify priorities for bilateral negotiations to liberalise trade in services with Mediterranean

Partners, taking into consideration the progress made in the Doha Round of multilateral negotiations.

iii) Improving market access in agriculture

The Ministerial Declaration adopted in Doha for the new round of multilateral negotiations reflected the political will of the European Union to engage in a substantial liberalisation of trade in agricultural goods. Greater progressive liberalisation in agricultural trade will constitute an important issue in the agenda of the Euro-Med Free Trade Area as laid down in the Association Agreements. A revision clause foreseen in each Association Agreement allows to deepen the liberalisation process in agriculture. In this context, the revision of the agricultural concessions has been agreed with Tunisia in 2000. Negotiations are ongoing with Israel and Morocco. The same process should take place with Jordan, once the Association Agreement is ratified, and with the Palestinian Authority. As agreed in the Marseilles Communication, the Commission should therefore continue to examine the measures which can be taken in order to reach a greater progressive liberalisation in agriculture, in line with the objectives of reciprocal coverage in the Association Agreements and in harmony with the EU's sustainable development objectives.

Recommendation 9

The Euro-Med Ministerial meeting should request the Commission to examine the prospects for greater reciprocal liberalisation of trade in agricultural products, in conformity with the provisions of the Association Agreements and with a new energy reflecting important recent progress in the multilateral context.

iv) Facilitating infrastructure investment, interconnection and developing the related regulatory environment

In order to help partners take full advantage of the potential offered by the Euro-Mediterranean free trade area there is a need to modernise and link key infrastructures, such as transport, telecommunications and energy, regionally and to link them to similar European networks.

In the area of **transport infrastructure**, where the Commission has set out its policy orientations in a White Paper, the first need is to plan priority infrastructures with the Mediterranean partners and to ensure their interconnection to trans European networks. Priorities should be identified on the basis of existing global or specific feasibility studies. Such an approach would facilitate the mobilisation of capital from both public and private sources. Maritime transport should be developed as a priority, with "highways of the sea" linking the main Mediterranean ports. Short haul maritime transport is of particular importance in the Mediterranean because of the distances involved and because of the lack of feasible overland routes in many cases. Short haul maritime transport services are also an integral element in the multimodal transport chain (road/sea or rail/sea). It will be necessary to take technical steps (such as the optimisation of loading units and the modernisation of the fleet) as well as administrative (in particular the simplification of administrative and customs formalities) and regulatory measures (such as the provision of transparent and non-discriminatory access to port services). A multimodal air-sea transport system should also be developed. This could be completed by land links which could complement

the development of South-South trade. From this point of view, multimodal platforms (link between ports and airports and their hinterlands) will play an important role.

Similarly, in the area of **energy infrastructure**, it will be important to ensure appropriate and efficient infrastructures, not only for reasons of smooth economic development but also to provide for security of supply, along the lines set out in the Commission's Green Paper. In this context priority projects should be identified from the point of view of serving the Mediterranean partners in their relations with each other (South-South) and of interconnection with the trans European networks (North – South). A specific example of this approach is the construction of a new gas pipeline from Algeria to Spain and France.

In addition to developing these strategies action is also needed

- In the area of maritime security, through the extension of the Erika I and II packages together with the package of Community measures envisaged for passenger ships.
- In the area of air travel and airport safety where efforts should focus on the development of the regulatory and financial frameworks covering these aspects.

Recommendation 10

The Euro-Mediterranean Ministerial meeting should support the development of sustainable regional strategies to link key infrastructures, including on research, and, as appropriate, to connect them to European networks. It should encourage financial institutions including the European Investment Bank and the World Bank to participate actively in the development of these strategies with a view to financing their implementation, including where possible with private sector participation. It should also promote the harmonisation of the regulatory framework through policy dialogue.

v) Policy and regulatory harmonisation/From free trade area to internal market

The opportunities offered by the creation of a free trade zone can only be fully developed if it is accompanied by supporting measures in areas such as the harmonisation of standards and technical regulations, as well as environment, sanitary and phytosanitary requirements. Greater harmonisation of the regulatory environment will also need to be contemplated in a number of other areas. Other policy measures such as Research and Development which have a cross-cutting impact should be further integrated. Such action in these areas can help pave the way for the creation of a Euro-Mediterranean internal market. The forthcoming Euro-Med Conference of Ministers of Industry should put forward proposals with a view of introducing the appropriate reforms for the gradual development of a Euro-Mediterranean internal market.

In addition, the benefits to be obtained from the establishment of the Euro-Mediterranean Free Trade Area will only be realised if the Mediterranean partners continue their efforts to improve the framework conditions for attracting investment, including foreign investment, and helping create and develop businesses.

Recommendation 11

The Mediterranean Partners should make full use of the various support instruments available to them, including assistance under the MEDA programme, to continue to improve the business framework condition; in particular they should participate actively in the Euromed Market Programme and work to transfer the results of these activities into the relevant domestic policy areas.

vi) Ensuring sustainable development with a high level of environmental protection.

The objective of creating an area of shared prosperity through sustainable and balanced economic and social development, should proceed by ensuring that the establishment of the Free Trade Area and environmental protection are mutually supportive. This can be done through the adoption of appropriate policies and instruments to be designed in the light of the Sustainability Impact Assessment Study which will shortly be carried out. The objective of this assessment is to obtain independent recommendations on the formulation of national and regional policies leading to the optimal outcome in terms not only of liberalisation and economic growth but also of other components of sustainable development.

More generally, as the economic and financial partnership progresses there is an increasing need to develop environmental integration strategies for the different sectoral priorities in order to promote sustainable development. Such strategies could draw on EU experience and would need to be developed by the different sectors themselves. A commitment by the Partnership to environmental integration would be a valuable contribution to preparations of the World Summit on Sustainable Development in Johannesburg in August this year.

At a more practical level, the Commission intends to involve the Mediterranean Partners in the development and implementation of those Thematic Strategies proposed under the 6th Environmental Action Programme which are of mutual interest. Obvious examples are the Marine and Soil Strategies.

The next Euro-Mediterranean Ministerial Conference on the Environment will be held in July 2002 in Athens. It could devise a framework for the environmental integration process for submission to a future Foreign Ministers' Meeting. The Environment ministerial will review progress on the implementation of the SMAP Programme (Short and Medium-term Priority Environmental Action Programme), and will seek ways to strengthen technical and institutional capacity in the region. The Conference may also exchange views on climate change.

Recommendation 12

The Euro-Mediterranean Ministers meeting should endorse the need to develop environmental integration strategies for the different sectoral priorities of the Partnership in order to promote sustainable development and should encourage the Athens Euro-Mediterranean Ministerial Conference on the Environment to produce a framework for the process. Environmental protection efforts already undertaken at regional level within the context of the SMAP should be continued with an increased focus on technical and institutional capacity building and there should be increased emphasis on SMAP in co-operation at the national level.

vii) Financial instruments

The Commission will continue its efforts to ensure rapid and effective delivery of financial assistance under the MEDA programme.

With a view to expanding the range of financial instruments available in the region the European Council has invited the Commission and the Council to examine the possibility of setting up of a Euro-Mediterranean Development Bank. It is clear that the region suffers from the limited development of financial intermediation and the lack of efficiency and competition in the local banking sector. Capital markets are underdeveloped in most countries of the region and do not offer a significant alternative to the lack of long term bank lending. In these circumstances, the creation of a new facility or a European or international development bank, or the reshaping of existing institutions such as the EIB, could play an important catalytic role in boosting economic development. The Commission will present a Communication on these issues in the near future.

The Commission will continue to work closely with the European Investment Bank to develop investment opportunities. The introduction of a new MEDA funded Risk Capital facility should provide an additional stimulus to investment in the region.

Recommendation 13

The Commission will make a recommendation on the creation of a new financial facility or of a new European/ international bank in a Communication which it will present shortly.

4. CIVIL SOCIETY AND THE PARTNERSHIP

Since 1995, six Euromed Civil Forums have taken place (Barcelona 1995, Malta and Naples 1997; Stuttgart 1999; Marseilles 2000 and Brussels 2001). Through the Forums the actors of the Euro-Mediterranean civil society have tried to structure their dialogue not only with the Commission, but with all other actors of the Partnership as well. The European Commission has supported these Forums since their inception. Euromed civil society has been closely involved in the preparation and implementation of the regional programmes. Sectoral fora in environment, energy, transport, industrial co-operation, etc. are open to civil society, as are programmes which benefit them directly, such as those on information society, cultural heritage, audiovisual co-operation, youth and environment.

The MEDA programme has also financed several networks of economic actors (e.g. chambers of commerce, employers' associations, trade promotion institutes, trade fairs) which have helped to promote the structuring of civil society and raise awareness among Mediterranean partners. MEDA is currently financing two projects which involve Economic and Social consultative bodies in the Euro-Mediterranean region. The support for the creation of other networks of the civil society (e.g. local entities; research institutes on social and cultural aspects of the Partnership) might also be explored in the near future, depending on the availability of funds.

While the general Civil Forum events probably serve a purpose in terms of awareness raising and visibility, it is perhaps through the involvement of specialised associations and NGOs with the sectoral Euro-Mediterranean forums that civil society can have the most effective operational influence on the development of the partnership. The Commission will, in liaison with representatives of civil society, keep closely under review the question of the most cost-effective way of supporting the involvement of civil society in the partnership in the future. Drawing on current examples of best practice, the Commission will also recommend ways of involving civil society at an early stage of policy dialogue so as to insure that its contribution is sufficiently taken into account in the Ministerial meetings of the partnership.

Recommendation 14

Ministers should agree to propose an analysis of the most cost-effective way of supporting and ensuring the further involvement of civil society at the earliest possible stage in the development of the Partnership.

5. INSTITUTIONAL ARRANGEMENTS

The Barcelona process has been characterised since its inception by a high frequency of meetings which have helped to foster contacts and understanding. One of the unique features of the process, and its strength, has been its inclusive nature, bringing together all twenty seven partners to work together regionally. It will be important to maintain this inclusive character in the future. As more Association Agreements enter into force the breadth and depth of the EU bilateral relationship with each country will develop but the case for regional dialogue will remain. As the relationship develops the dialogue should broaden and include a range of sectoral policy issues in addition to foreign policy matters.

The question of “co-ownership” of the process is sometimes raised with suggestions being made for co-chairmanship of meetings, joint decision making etc. The current situation reflects the differentiated relationships between the partners. The EU has internal mechanisms for co-ordinating positions and speaking with one voice while the differences between Mediterranean partners have to date prevented them from having similar co-ordination mechanisms on their side. As long as this situation prevails it is difficult to see how co-chairmanship arrangements could work effectively. But recent practice has shown that some progress has been made through joint formulation of agendas for the meetings of High Officials and Euro-Med Committees. Similarly, the first session of the reinforced economic dialogue has shown a potential for co-ownership. Finally, the Agadir initiative is very much in line with the spirit of the Barcelona process and shows how partners can use the process to enhance co-operation between themselves.

Nonetheless, a number of practical steps could be taken to enhance the effectiveness of current working arrangements:

Recommendation 15

- ***Member States should seek to find ways of accelerating ratification procedures for Association Agreements with the aim of completing ratification within a two year period***

- *The role of the Euro-Mediterranean Committee as the steering Committee for the partnership should be enhanced. As the Partnership develops further in the association process, the Committee should focus its work more closely on acquis related business. In addition, to increase the sense of co-ownership, the agenda of the meetings should be drawn up jointly by the EU and the partners.*
- *The dialogue on economic policy should be strengthened at both bilateral and regional levels. At the regional level the process should move from general policy discussions to more focused thematic discussions which include the exchange of best practice and peer group review of policies. The theme of "Growth and Employment", in the next seminar should be used to pilot a new approach to promote regional co-operation by bringing together experts to exchange information, share experience and know-how, and disseminate best practices on this topic.*

6. CONCLUSIONS

The Ministerial meeting in Valencia takes place at a crucial time in Euro-Mediterranean relations. On the eve of decisions on the next enlargement of the Union, and following the turmoil caused by the events of 11 September 2001, the partners need to give a clear political signal of their mutual commitment to build a zone of stability and prosperity by deepening and strengthening the partnership begun at Barcelona in 1995.

The maintenance of the political relationship despite continuing tension in the region demonstrates the durability and the resilience of the Barcelona political framework. The process of establishing free trade between the EU and the Mediterranean partners is now irreversible, and a major initiative is in place to create free trade among the partners themselves. Most of the partners have embarked on the economic reform process necessary to make a success of this enterprise, and the EU and its partners have now established the close economic dialogue required to co-ordinate the policy decisions which will determine future developments.

All partners should emphasise their willingness to continue with this process. The Commission therefore proposes the following recommendations be integrated in an Action Plan to be agreed at the meeting of Euro-Mediterranean Foreign Ministers in Valencia in April 2002, based on the following elements:

Political and Security

- *Ministers should reaffirm their strong commitment to deepening their political relationship. The political dialogue should be strengthened, possibly through holding meetings at the level of Political Directors between the annual Foreign Ministers' meetings.*
- *Ministers should stress their determination to enhance their work together to improve respect for human rights and democracy, on the basis of internationally agreed commitments, and agree on a concrete set of actions to ensure progress in these fields.*
- *Ministers should send a clear signal of their solidarity in the fight against terrorism and agree a series of concrete measures.*

Freedom, Justice and Governance

- *Partners should finalise discussions and conclude a framework agreement providing for concrete co-operation measures on freedom, justice and governance focussing on judicial co-operation; the fight against drug trafficking, organised crime and terrorism; and dealing with matters related to migration, notably the fight against illegal immigration, the equal treatment of legally established migrants and the facilitation of travel for those on normal business.*

Social, Cultural and Human

- *Ministers should agree in Valencia to create a Euro-Mediterranean Foundation to promote a dialogue between cultures and civilisations in the Euro-Mediterranean region. The Foundation would be funded by contributions from Member States, the Commission and Mediterranean partners. Ministers should also agree to the early adoption of proposals for participation in the Tempus programme. Preparations for participation should be undertaken during 2002 to ensure the success of the first call for proposals to be launched by the end of 2002.*

Civil Society

- *Ministers should agree to propose an analysis of the most cost-effective way of supporting and ensuring the further involvement of civil society at the earliest possible stage in the development of the Partnership.*

Economic and Financial

- *Ministers should welcome the major progress made towards the establishment of the Euro-Mediterranean free trade area and recognise that its creation is now irreversible.*
- *They should express strong political support to the Agadir Declaration as a key initiative towards liberalising South-South trade and achieving closer economic integration; the EU should confirm its willingness to help the partners to conclude an agreement between them, if possible in the first half of 2002.*
- *Ministers should welcome the technical decisions taken in the field of trade (rules of origin) which will strengthen regional integration among the Mediterranean partners and open further prospects for co-operation among enterprises in the partners and those in the EU and the rest of Europe. They should also welcome steps towards liberalisation in the important sector of services.*
- *Ministers should call for further efforts to achieve reciprocal liberalisation of trade in agricultural products.*

The Commission will shortly present a Communication on the creation of a new financial facility or European/international bank. Ministers should consider the recommendations contained in that Communication at their meeting in Valencia.

- *Ministers should support the development of regional strategies to link key infrastructures in the areas of transport, energy and telecommunications and, as appropriate, to connect them to European networks and, in this context, to promote inter-regional co-operation in the development of new economic opportunities and employment. .*
- *Ministers should stress the importance of national sustainable development strategies and should endorse the need to develop environmental integration strategies for the different sectoral priorities of the partnership.*

Institutional Arrangements

- *EU Member States should seek to find ways of accelerating ratification procedures for Association Agreements with the aim of completing ratification within a two year period.*
- *The role of the Euro-Mediterranean Committee as the steering Committee for the partnership should be enhanced. As the Partnership develops further in the association process, the Committee should focus its work more closely on acquis related business. In addition, to increase the sense of co-ownership, the agenda of the meetings should be drawn up jointly by the EU and the partners.*
- *The dialogue on economic policy should be strengthened at both bilateral and regional levels and move from general policy discussions to more focused thematic discussions which include the exchange of best practice and peer group review of policies. The theme of "Growth and Employment", chosen for 2002, should be used to pilot a new approach to drawing up an economic strategy in conjunction with other donors.*

* * *

ANNEX 1

MEDA Commitments 1995-2001 (Mio €)										
	1995	1996	1997	1998	1999	2000	2001	Total		
Commitment appropriations available	173	404	981	943	937	879,1	756,5	5073,6		
Commitment appropriations used	173	404	981	941	937	879,1	756,5	5071,6		
Implementation rate of commitment appropriations	100,0%	100,0%	100,0%	99,8%	100,0%	100,0%	100,0%	99,9%		
MEDA Commitments per country and year 1995-2001 (Mio €)										
MEDA	1995	1996	1997	1998	1999	2000	2001	1995-2001		

MEDA payments per year 1995-2001 (Mio €)									
	1995	1996	1997	1998	1999	2000	2001	Total	
Payment credits available	91	202	315	285	256	353	412,5*	1914,5	
Payment credits used	50	155	211	231	243	330,5	402*	1622,5	
Implementation rate of payment credits	55%	77%	67%	81%	95%	94%	97%	85%	
* provisional figures									
MEDA commitments and payments per year 1995-2001 (Mio €)									
	1995	1996	1997	1998	1999	2000	2001	Total	
Commitments	173	404	981	941	937	879,1	756,5	5071,6	
Payments	50	155	211	231	243	330,5	402*	1622,5	
Ratio of payments/commitments	29%	38%	21%	24%	26%	37,6%	53,1%	32,0%	

ANNEX 2

Impact of EU external aid management reform on the performance of the Meda programme in 2001

On 16 May 2000, the European Commission decided to implement a programme for the reform of the management of external aid based on improving the quality of the programmes and projects and the speed with which they are implemented. This mainly involves:

major improvements in the quality of project-management;

a substantial reduction in the time needed to implement projects;

enhancing the impact and visibility of European Union cooperation and development assistance.

The focal points of this reform programme and its effect on the performance of the Meda programme in 2001 are described below:

1) Establishment of a single department in charge of project implementation and reunification of project cycle management

The cooperation office known as EuropeAid, set up by the Commission decision of 21 December 2000, replaced the Common Service for External Relations on the operational level from 1 January 2001.

The new office will manage the project cycle from identification to evaluation and assume responsibility for authorisation as well as for technical, contractual and financial aspects of the operational management of the Mediterranean programmes. DG RELEX will continue to be responsible for multiannual programming (Country Strategy Papers (CSP) and National Indicative Programmes (NIP)).

2) Achieving faster results from programmes

The unification of project cycle management accompanied by the concentration of all technical and financial specialists in a single department has done much to improve the implementation of the MEDA programmes from 2001 in terms of view of budgetary implementation.

- All the commitment appropriations available in 2001 were 100% used up (€756.5 million). Moreover, as from 2001, €200 million in projects was available for commitment from 2001 over and above the amount of the available appropriations.
- The amount of payments made under the Mediterranean budget appropriations in 2001 was more than €550 million, which represents a very substantial increase over 2000 (about 25%). For the Meda programme alone, more than €400 million was paid out in 2001 as against €330 million in 2000.

3) Elimination of old and “sleeping” commitments

EuropeAid carried out a systematic review of old commitments (dating from before 1995) and “sleeping” commitments (commitments for which no payment has been made for two consecutive years) in 2001, and as a result was able to make very large reductions in these commitments totalling €370 million by end 2001. Old commitments were reduced by 39% and “sleeping” commitments by 48% between the end of 2000 and the end of 2001.

4) Devolution of project management to Commission delegations

The reform is based on the following principle: “Whatever can be managed or decided on the spot, close to the ground, should no longer be managed or decided in Brussels”.

In accordance with this principle, the devolution of external aid programmes to the delegations constitutes one of the priorities and principal tasks of EuropeAid. By the end of 2002, all the delegations of the Mediterranean zone will be able to manage the European Union’s external aid programmes in the countries for which they are responsible.

This exercise, launched by EuropeAid in collaboration with the other External Relations departments in 2001, primarily concerns the Meda programme, with four delegations “devolved” on 1 January 2002 (Egypt, Morocco, Tunisia, Turkey). The other five Mediterranean delegations (Algeria, Syria, Lebanon, Jordan, West Bank/Gaza) are scheduled for devolution in the course of 2002.