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THE COMMISSION PROPOSES THE ESTABLISHMENT OF A EURO-MEDITERRANEAN PARTNERSHIP

The Commission approved today a communication to the Council and the European Parliament on the guidelines for future relations between the European Union and the Mediterranean.

The Euro-Mediterranean Partnership proposed by the Commission is directed towards support for establishing a zone of stability and security and creating the conditions for lasting and sustainable economic development in the Mediterranean countries. The Commission proposes the creation of an Euro-Mediterranean Economic Area, comprising as its main features the progressive establishment of free trade and closer economic integration, accompanied by adequate support from the Union for the economic and social adjustments which this process will entail, as well as closer cooperation in the political and security fields.

A Mediterranean Ministerial Conference should be held in 1995 to discuss the long-term prospects of a Euro-Mediterranean partnership for economic and political cooperation.

I. Introduction

As pointed out by the Lisbon European Council in June 1992, the Southern and Eastern shores of the Mediterranean, as well as the Middle East, are geographical areas in relation to which the Union has strong interests in terms of security and social stability. Consistent with this view, the Corfu European Council of June 1994 and the subsequent Foreign Affairs Council invited the Commission to submit guidelines for the short and medium-term strengthening of the Union's Mediterranean policy for peace, stability, security and the socio-economic development of the region.

The present communication responds to this request. It represents a contribution to discussion at such a Conference. It deals primarily with relations with the Maghreb and Mashrak countries and Israel, while noting the importance of the Union's particular relations with Turkey, as well as Cyprus and Malta, in the perspective of accession to the Union.

Since 1989 the Union has focussed its attention on policies towards Central and Eastern European countries (CEECs) and towards the Mediterranean region. Relations with each region are based on its specific needs and capacities. The pre-accession strategy with the CEECs in no way interferes with the Union's commitment towards the Mediterranean region.

II. Challenges and Priorities

The Mediterranean basin constitutes an area of strategic importance for the Union. The peace and stability of the region are of the highest priority to Europe. To consolidate that peace and stability in the region, a number of challenges have to be faced, notably:

- to support political reform, respect for human rights and freedom

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of expression as a means to contain extremism;

- to promote economic reform, leading to sustained growth and improved living standards, a consequent diminution of violence and an easing of migratory pressures.

The Union and the Mediterranean partners share many areas of interdependence, notably environment, energy, migration, trade and investment.

Instability in the region would have negative consequences for all Union countries. The population in the Mediterranean non-Member countries could reach 400 million by the year 2035 with an increasing income gap, if present demographic developments are not rapidly counter-balanced and contained by a fast economic take-off and adequate population policies.

On the other hand, all Member States would benefit from greater stability and prosperity in the region. This would multiply trade and investment opportunities and reinforce the base for cooperation in political and economic fields.

III. Guidelines for Future Relations

The Union's Mediterranean policy should be multi-dimensional and should encompass the many areas of interdependence. Its actions in the economic field need to be seen in the context of its political objectives.

What is required is a long-term strategy. The Euro-Mediterranean Partnership, which must be thought of as an evolving framework, is a long-term objective which the elements presented in the present communication will bring closer to reality. It is urgent to make a start now.

The Union's policy should be directed towards support for establishing a zone of stability and security and creating the conditions for lasting and sustainable rapid economic development in the Mediterranean countries. With a clear commitment to economic reform, the countries concerned could achieve higher levels of employment and reduce the prosperity gap with the Union. This could best be facilitated by the progressive creation of a Euro-Mediterranean Economic Area, comprising as its main features progressive establishment of free trade and closer economic integration, accompanied by adequate support from the Union for

the economic and social adjustments which this process will entail, as well as closer cooperation in the political and security fields.

The principal thrust of the Union's Mediterranean policy is to achieve peace and stability in the region. This goal should be pursued through all the means at the Union's disposal including the common foreign and security policy. To be effective the Union should, to the greatest extent possible, act as a whole rather than through isolated initiatives.

The achievement of the objectives of the Union's Mediterranean policy requires a much wider and more active Union involvement in the socio-economic development of the partner countries :

(a) Free Trade

The risks of economic disorder and socio-economic destabilisation appear to be greatest in the forthcoming years in the Mediterranean. It is natural that both the Union and its Mediterranean neighbours should be looking for appropriate policies to tackle their problems of economic and political reform.

Indeed, the rationale behind the negotiations or exploratory talks that have been going on for the last two years with Morocco and Tunisia, Egypt and Algeria, is to integrate those countries more closely into the emerging pan-European free trade network and by way of that process to

- streamline their regulatory and economic policy framework;
- raise their long-term competitiveness;
- attract substantially more private direct investment, especially from Europe;
- improve mutual understanding and awareness;
- and, most important, accelerate sustainable economic and social development.

In order to be able to enter progressively into free trade with the Union and to take on board a wide range of trade-related Community regulations (customs, standards, competition, intellectual property protection, liberalisation of services, free capital movements etc.), the Mediterranean countries, which will have to bear the cost of adjustment needed to cope with the challenges of free trade, insist on four fundamental aspects for them:

- the need for long transitional mechanisms and secure safeguards;
- the need to obtain improved access for their agricultural exports;

- the need for increased financial flows from public and private sources to boost their economies;
- the possibility to count on the Union's help to accelerate the modernisation of their social and economic systems.

Provided developments unfold as they are presently envisaged, Europe and the Mediterranean are heading (in the framework of the WTO) towards a vast Euro-Mediterranean free trade area, to be completed by about 2010 : the biggest such area in the world (600-800 million people, 30-40 countries).

It will provide for

- reciprocal free trade in all manufactured products between the enlarging Union and most Mediterranean countries.
- preferential and reciprocal access for agricultural products of interest to both parties;
- and free trade among Mediterranean countries themselves.

The progressive completion of a Euro-Mediterranean free trade area will give a powerful boost to trade both between all of Europe and the Mediterranean countries and at least as important, between Mediterranean countries themselves with, as European experience has amply demonstrated, far-reaching trade liberalisation acting as an engine for more and deeper cooperation within the zone.

(b) Financial Assistance

The Commission considers that a substantial increase in financial support for the Mediterranean countries is necessary to achieve the objectives of its Mediterranean policy and to help the countries concerned to meet the challenges they face. The Commission proposes that the Union's financial support should focus on the following five priority objectives:

- support for the process of economic modernisation and restructuring of those countries prepared to open their markets in the context of new Association Agreements;
- support for structural adjustment in countries less far advanced in this process with a view to preparing them for entering into free trade with the Union;
- support for regional cooperation, particularly in the environment;
- strengthening of North-South economic and financial cooperation, and among southern and eastern Mediterranean countries themselves, particularly through programmes of decentralised cooperation linking key actors in the cultural,

social and economic fields (businesses, universities, research centres, local government, media, non-governmental organisations, ...);

- support for the Middle East peace process.

The Union cannot, of course, tackle all these tasks alone. However, given the major interests at stake in this region, a strong and credible assertion of the Union's presence is required. The financial resources which the Union can place at the disposal of the countries concerned, even after substantial increases, will remain limited in comparison with their needs.

(c) Cooperation

Beyond the establishment of a free trade area, the partners in Europe and the Mediterranean should be prepared to move to a closer relationship in a wide range of sectors. It is too early to define the precise content or form of this relationship, which will need to emerge from consultations with the partner countries themselves.

The Union should, however, already make clear its willingness to embark on a dynamic process. Possibilities for closer cooperation include : industrial cooperation, energy, environment, information and communication technologies, services, capital, science and technology, decentralised cooperation, drug trafficking, illegal immigration, tourism.

IV. Operational recommendations : the Euro-Mediterranean Partnership

The Commission submits the following operational recommendations, which build on the European Union's long-standing approach towards the Mediterranean countries:

In the short-term, the Commission hopes to rapidly conclude the negotiations for new Agreements with Israel, Morocco and Tunisia, as the first step towards the establishment of a free trade area in the region, and pursue discussions with other countries wishing to enter into new contractual arrangements. This will require some degree of flexibility on the part of the Council, in particular as far as agricultural trade and financial support are concerned. The Commission also emphasises the urgent need to finalise, before the end of 1994, the on-going talks with Turkey on the full implementation of Customs Union, which would represent a qualitative change in relations between Turkey and the European Union.

In the medium-term, turning the Mediterranean into a zone of relative prosperity and stability, with a high degree of regional cooperation and free trade within the Mediterranean as well as with Europe, will require a substantial increase in technical and financial assistance by the Union to the Mediterranean countries.

In the Commission's view a major effort will be necessary to support the sustainable socio-economic development of these countries, aid their

structural adjustment and encourage regional cooperation. Particular emphasis should be placed on those countries prepared both to undertake far-reaching modernisation of their economic and social systems and willing to cooperate with the Union in the management of the interdependences that tie both sides of the Mediterranean. To this end the Union will need to put in place an overall MED programme of cooperation, as was done in Central and Eastern Europe by the PHARE programme.

The Euro-Mediterranean free trade area will succeed with mutual benefit if private European direct investment is stepped up substantially in the years ahead.

In order to facilitate the necessary economic adjustments, and to contribute to the identification of needs and of the appropriate instruments of trade, economic and financial cooperation, the Commission is prepared to enter into substantive economic and industrial policy dialogue with all the countries with whom Association Agreements are concluded.

Regional cooperation among Mediterranean countries will require sustained support from the Union.

The following practical steps should be taken whenever feasible:

- Mediterranean countries having concluded Association Agreements with the Union should be encouraged to negotiate similar agreements among themselves in order to increase intra-regional trade, which presently amounts to only about 5% of their total foreign trade;
- cumulative rules of origin could apply to trade among the Mediterranean countries and between them and the Community;
- the Union should continue its active support of sub-regional groupings in the Mediterranean.

The Commission considers that in order to implement the wide range of policies invoked above, an indicative figure of 5,5 billion ECU (1 ECU = approx. 1,13 USD) of budgetary resources for the period 1995-1999 will be required for all Mediterranean non-member countries (not including Albania and ex-Yugoslavia). This would be in addition to increased lending from the EIB and other international financial institutions, bilateral assistance from the Member States and greater levels of private sector investment in response to the improvement of the economic and political environment.

This figure is, of course, indicative and remains within the financial perspectives agreed by the European Union for 1994-1999.

The Commission endorses the idea of a Mediterranean-Conference to be held in 1995. Such a Ministerial Conference should offer a platform for discussion of the long-term prospects of a Euro-Mediterranean partnership for economic and political cooperation, along the lines set out in this communication.

All the Mediterranean countries, i.e. those bordering the Mediterranean Sea, plus Jordan, having concluded agreements with the Union should be invited to such a Conference. The Conference should reach agreement on a series of economic and political guidelines for Euro-Mediterranean policy into the next century, which could be set out in a new Charter. Such a Charter should be compatible with efforts supported by the Union in the CSCE. It could be followed up in an institutional framework, drawing as appropriate on the experience of the CSCE process.

The Commission calls on the European Council in Essen to endorse these guidelines and operational recommendations to serve as a basis for the Union's long-term Mediterranean policy.

These guidelines should be reviewed once a year by the Foreign Affairs Council in the light of progress achieved.

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