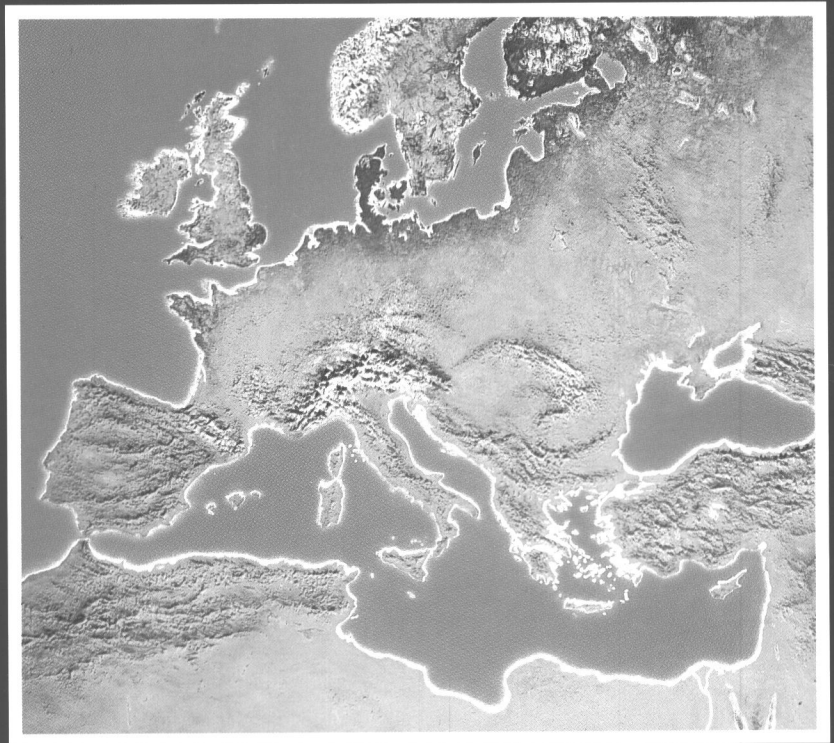




European
Commission

Strengthening the Mediterranean policy of the European Union: Establishing a Euro-Mediterranean partnership



Supplements 1995

1/95 Address by Jacques Santer, President of the Commission, to the European Parliament on the occasion of the investiture debate of the new Commission

Commission's programme for 1995

Presentation to the European Parliament by Jacques Santer

Resolution of the European Parliament on the programme for 1995

2/95 *Strengthening the Mediterranean policy of the European Union:
Establishing a Euro-Mediterranean partnership*

**Strengthening the Mediterranean policy
of the European Union: Establishing
a Euro-Mediterranean partnership**

Communication from the Commission to the Council
and the European Parliament
[COM(94) 427 final]

**Extracts of the conclusions
of the Presidency of the Essen European Council**

**Strengthening the Mediterranean policy
of the European Union:
Proposals for implementing
a Euro-Mediterranean partnership**

Communication from the Commission to the Council
and the European Parliament
[COM(95) 72 final]

**Financial and technical measures
for Mediterranean non-member countries
and territories: MEDA budget heading**

Proposal for a Council regulation (EC)
[COM(95) 204 final]

**Extracts of the conclusions of the Presidency
of the Cannes European Council**

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Introduction

In June 1994, the Corfu European Council pointed to the need to strengthen the Union's Mediterranean policy and to develop the Mediterranean region into an area of cooperation guaranteeing peace, security, stability and economic well-being.

In a communication presented in October 1994, the Commission recalled the social, political and economic interconnections between the European Union and the countries of the eastern and southern Mediterranean and proposed the establishment of a Euro-Mediterranean partnership likely to lead, in due course, to the creation of a free trade area. The communication defined a strategy based on substantial financial aid, the conclusion of Association Agreements intended to replace the Cooperation Agreements currently in force between the European Union and its Mediterranean partners, and the establishment of a customs union with Turkey. In December 1994, the Essen European Council endorsed this strategy. In a new communication of March 1995, the Commission fleshed out the main principles of the concept of the proposed Euro-Mediterranean partnership, and put forward its priorities for financial cooperation for the period 1995-99. To this end, in June, the Commission adopted a proposal for a regulation on the establishment of a new financial instrument — MEDA — intended to support the reform of economic and social structures in Mediterranean non-member countries and territories. Lastly, the Cannes European Council of June 1995 confirmed these guidelines, detailing the financial perspectives for Euro-Mediterranean cooperation and setting out the Union's position in preparation for the forthcoming Barcelona Euro-Mediterranean Conference (27 and 28 November) which should give both Union and west and east Mediterranean partners the opportunity to define together the shape of their future relations.

The European Union's strategy makes certain distinctions. Thus, relations with Cyprus and

Malta are reviewed in the context of those countries' eventual accession to the Union, which has already agreed on a pre-accession strategy and established a structured dialogue with them. As far as Turkey is concerned, in March of this year, the EC-Turkey Association Council reached an agreement on the completion of the customs union. To enable Turkey to adapt its economic structures the Commission also adopted, in July, a proposal for a Council regulation launching a special financial cooperation initiative for that country.

Euro-Mediterranean partnership with the Union's south and east Mediterranean neighbours should develop on the basis of Euro-Mediterranean Association Agreements covering three priority cooperation areas: economic transition, improved socioeconomic balance and regional integration. The mainstays of the agreements will be the following: regular political dialogue, the gradual establishment of a free trade area, provisions concerning freedom of establishment, the liberalization of trade in services, the free movement of capital and competition rules, the strengthening of economic cooperation on the widest possible basis in any field where the European Union and its Mediterranean partners have forged links, and social, cultural and financial cooperation. A Euro-Mediterranean Association Agreement has already been signed with Tunisia but has not yet been concluded and ratified; negotiations for an Association Agreement with Israel have now ended and initialling has taken place; negotiations with Egypt, Jordan and Morocco are under way; the Council has adopted negotiating directives with a view to an agreement with Lebanon.

References to the main documents and instruments concerning Euro-Mediterranean relations will be found in the Annex.

**Strengthening the Mediterranean policy
of the European Union:
Establishing a Euro-Mediterranean
partnership**

Executive summary

1. 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 socioeconomic development of the region. The Council should consider the possibility of a Euro-Mediterranean conference in 1995.

2. 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 Mashreq countries and Israel, while noting the importance of the Community's particular relations with Turkey, as well as those with Cyprus and Malta in the perspective of their accession to the Community. Relations with the countries of the former Yugoslavia are beyond the scope of this communication.

3. Since 1989, the Community has focused its attention on policies towards Central and East 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 Community's commitment towards the Mediterranean region.

4. There are many areas of Euro-Mediterranean interdependence, notably environment, energy, migration, trade and investment. The Community has a vital interest in helping Mediterranean countries meet the challenges they face.

5. The objective should be to work towards a Euro-Mediterranean partnership. This would start with a process of progressive establishment of free trade, supported by substantial financial aid. It would then develop through closer political and economic cooperation,

towards a close association, the content of which will be jointly defined at a later stage.

6. Progress towards a Euro-Mediterranean zone of peace and stability would be initiated through close political dialogue based on respect for democracy, good governance and human rights. The dialogue should be extended to security issues, leading to the introduction of measures to consolidate peace.

7. In the economic sphere, the Community should promote, in the framework of the World Trade Organization (WTO), free trade with individual Mediterranean partner countries, which would require the countries to embark on a process of modernization of their economies and increased competitiveness. This process would require a long transition and the willingness of the Community to offer help, particularly in terms of aid for structural adjustment and economic restructuring. In the long term, this would lead to the establishment of the largest free-trade area in the world, covering the enlarged Community, any Central and East European countries not by then members, and all Mediterranean non-member countries.

8. Beyond free trade, the Community should be prepared to enter into wide-ranging areas of cooperation with Mediterranean countries, to be defined jointly with them. These could cover industrial cooperation, energy, environment, information and communication technologies, services, capital, science and technology, decentralized cooperation, drug trafficking, illegal immigration, and tourism.

9. Operational conclusions should cover:

- (i) the early conclusion of negotiations under way with Israel, Morocco, Tunisia and Turkey;
- (ii) an increase in technical and financial assistance, including the establishment of an overall MED aid programme, requiring total resources of ECU 5 500 million for 1995-99;
- (iii) the encouragement of private investment;

- (iv) an economic policy dialogue;
- (v) measures to promote regional cooperation (intraregional trade, cumulation of origin rules, Community support for subregional groupings).

10. The Commission endorses a Euro-Mediterranean conference in 1995 to agree on political and economic guidelines for future relations, which could lead to setting up an institutional framework.

I. Introduction

1. The Lisbon European Council of June 1992 stated that '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 conclusions of the Corfu European Council gave 'a mandate to the Council to evaluate, together with the Commission, the global policy of the European Union in the Mediterranean region and possible initiatives to strengthen this policy in the short- and medium-term, bearing in mind the possibility of convening a conference attended by the European Union and its Mediterranean partners'.

Following up these conclusions, the Foreign Affairs Council on 18 July 1994, 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 socioeconomic development of the region. This should enable the European Council in Essen to adopt a common stand on the future of Euro-Mediterranean relations. The Council would consider the possibility of holding a conference in which the Union and its Mediterranean partners would participate.

The present communication responds to this request. It deals primarily with relations with the Maghreb and Mashreq countries and Israel, while noting the importance of the Community's particular relations with Turkey, as well as those with Cyprus and Malta in the perspective of their accession to the Community. Relations with the countries of the former Yugoslavia are beyond the scope of this communication.

2. Since 1989, the Community has, as a result of rapid geopolitical changes, focused its atten-

tion on the policies needed to support economic development, both in Central and Eastern Europe, and in the Mediterranean region. It has assisted the CEECs in their efforts to integrate progressively their economies into those of western Europe and into the world-market economy.

The Community's policies towards Central and Eastern Europe on the one hand, and towards its southern partners on the other, spring from different geographic, historical, political, economic and cultural circumstances. It is Community policy to base its relations with each region on its specific needs and capacities. This communication demonstrates that the pre-accession strategy the Community is pursuing with countries in Central and Eastern Europe in no way interferes with its commitment to developing closer ties with its Mediterranean neighbours.

3. This communication will:

- (i) set out the challenges and the Community's interests in the area (Annex 1) to which the Commission already drew attention in 1989;¹
- (ii) recall the achievements and shortcomings of the present Mediterranean policy (Annex 2);
- (iii) set out the Commission's long-term vision of the future relationship between Europe and its southern neighbours in the Mediterranean and propose guidelines for this implementation;
- (iv) make operational recommendations for short- and medium-term actions for that vision to be progressively turned into reality by the early 21st century.

¹ SEC(89) 1961 final.

II. Challenges and priorities

4. The Mediterranean basin constitutes an area of strategic importance for the Community. 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:

- (i) to support political reform, respect for human rights and freedom of expression as a means to contain extremism;
- (ii) to promote economic reform, leading to sustained growth and improved living standards, a consequent diminution of violence and an easing of migratory pressures.

The Community and the Mediterranean partners share many areas of interdependence: nowhere is this more evident than in the safeguarding of the environmental heritage. Europe's interests in the region are very varied, ranging among sectors such as energy supply, migration, trade and investment (Annex 4).

As a further example, the problems caused by the production, trafficking and abuse of illicit drugs also need to be addressed cooperatively since there is a risk that they will give rise to mutual recrimination.

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 (see Annex 1), if present demographic developments are not rapidly counterbalanced and contained by a fast economic take-off and adequate population policies. The required economic take-off supposes substantial efforts to be accomplished by these countries by liberalizing restructuring to further their economies, as well as the implementation by the Community of policies aiding them to meet the political, economic and demographic challenges they face.

A high proportion of the existing immigrant population in the Community originates from the area with which they often maintain close links and to whose economies they contribute through remittances. If migratory pressures are not carefully managed through planned cooperation with the countries concerned, they could all too easily give rise to friction, damaging

both to international relations and the immigrant populations themselves.

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 the political and economic fields. More particularly, at a time of globalization and reinforced regionalism in North America and in Asia, the Community cannot renounce the benefits of integrating its southern neighbours under commonly accepted rules. Integration must take account of the needs of the Community's own poorer regions, many of which are in the Mediterranean.

At a moment when the peace process in the Middle East is progressing, while in Algeria stability has been undermined by political violence, it is timely to set out the possibilities for developing peace through cooperation, dialogue and mutual understanding.

Time is pressing, not only from a political but also from the economic point of view. It is, therefore, in the Community's vital interest to direct its efforts towards aiding these countries to meet the challenges they face.

5. The Community has already undertaken significant policy actions to support the Mediterranean region as a whole, which were reinforced by the new Mediterranean policy for the years 1992-96. (For the evaluation of these actions see Annex 2.)

The Commission has set out a strategy for the Community's policy towards the Maghreb¹ the Mashreq and Israel² and to support the Middle East peace process.³ With regard to the latter, three main elements are important:

- (i) a five-year programme of support for the Occupied Territories, consisting of ECU 500 million in grants and European Investment Bank (EIB) loans;
- (ii) an offer to upgrade the Community's bilateral relations with all the countries concerned;

¹ SEC(92) 40 final.

² COM(93) 375 final.

³ COM(93) 458 final.

(iii) support by the Community for regional cooperation, notably in the context of the Union's chairmanship of the Regional Economic Development Working Group of the multilateral track of the peace process.

6. The evaluation of the overall Mediterranean policy so far, shows that the results are mixed. Free access to the Community market for industrial products has had positive effects, particularly in those countries which have successfully implemented economic reforms. However, even these countries have not so far been able to take advantage of the full integration of their economies into the global labour-market, since many sectors have been sheltered behind high levels of tariff protection.

III. Guidelines for future relations

7. The Community's Mediterranean policy should be multidimensional 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 sustained 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 Community. 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 results of financial cooperation have similarly been mixed. Support for structural adjustment has had a significant effect in responding to specific needs, but has not been sufficient to make a major overall impact. Actions aimed at linking the north and the south of the Mediterranean, so far constituting only a small proportion of the cooperation effort, have been widely welcomed and need to be reinforced. Experience has shown that the instruments used and the policies pursued have been too narrow in scope and insufficiently effective in comparison with the needs of the region. The resources placed at the disposal of the Mediterranean policy have fallen well short of responding to the challenges. (For comparative figures, see Annex 3.)

(i) Towards a Euro-Mediterranean zone of political stability and security

8. 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.

9. As stated in the conclusions of the Lisbon European Council of 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, both in terms of security and social stability'. At present, political, economic and social conditions in a number of these countries are sources of instability leading to mass migration, fundamentalist extremism, terrorism, misuse of drugs and organized crime. These have a harmful effect both on the region itself and on the Union.

10. The Union has an interest in cooperating with the countries concerned to reduce these

sources of instability. More generally, the Union should seek to promote a relationship of good neighbourliness, avoiding deepening the north-south gap between the EU and its Mediterranean partners and instead, bringing the countries and peoples of the region closer together.

A priority is to promote political dialogue between the Union and its Mediterranean partners, based on the respect of human rights and the principles of democracy, good governance, and the rule of law which constitute an essential element of their relationship.

As far as the common foreign and security policy is concerned, the Lisbon European Council identified the southern and eastern shores of the Mediterranean as a priority area for joint action. The new possibilities offered by the common foreign and security policy (CFSP) and by supporting Community activities should enable the Union to work together effectively with Mediterranean partners to improve stability and security in the region.

11. In the field of security, the proliferation of non-conventional weapons is a major cause for concern. Taking into account the Middle East peace process and the need to eliminate remaining threats to the security of countries in the region, the Union should make efforts to persuade all Mediterranean partners to renounce non-conventional military options.

The political dialogue with the Union's Mediterranean partners should be reinforced and extended to security issues. As stated by the WEU ministers in the Kirchberg Declaration, such a dialogue, already initiated with the Maghreb countries, should be further developed and expanded to Egypt and gradually to other non-WEU Mediterranean countries.

12. A code of conduct among Mediterranean countries for the solution of disputes would also be a useful initiative which the Union should discuss with Mediterranean partners. Other confidence-building measures in the political and military spheres could be developed in liaison with the WEU and transatlantic partners. The EU could offer its good offices in case of persistent conflicts.

Together with the WEU and interested Mediterranean partners, the EU should develop a capacity to detect sources of instability and potential conflict at an early stage. With the

support of the Union, cooperation in the Mediterranean has consistently been an important issue in Organization for Security and Cooperation in Europe (OSCE) follow-up meetings and seminars and will be an important theme at the Budapest review conference and summit in December 1994. Further developments could be envisaged in the course of the General Mediterranean Conference to be held in 1995.

13. Important progress towards stability in the region has already been achieved in the framework of the Middle East peace process, which enables the Union and its neighbours in the eastern Mediterranean to develop their relationship by helping to create the economic and social conditions for achieving lasting peace, sustainable development and political stability.

(ii) Towards a Euro-Mediterranean economic area

14. The achievement of the objectives of the Community's Mediterranean policy requires a much wider and more active Community involvement in the socioeconomic development of the partner countries.

The Community's policies as regards the trading relationship and economic and financial cooperation with the Mediterranean countries need to be framed with this in mind.

(a) Free trade

15. The risks of economic disorder and socioeconomic destabilization appear to be greatest in the forthcoming years in the Mediterranean. It is natural that both the Community 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:

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

The challenge for the Mediterranean countries, in particular those of the Maghreb and Mashreq, is particularly difficult and complex especially for four reasons:

- (i) their overall level of development is notably low (see Annex 4 for comparisons);
- (ii) they have to cope with high population growth (more than 2% per annum which implies a doubling over around 30 years), which aggravates the burden of existing high and structural underemployment, as well as increasing social costs (education, health, etc.);
- (iii) they do not dispose of a well-trained, sophisticated labour force, a sizeable portion of their population continuing to be illiterate;
- (iv) cultural and social traditions which make the process of change more difficult.

16. 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, liberalization 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:

- (i) the need for long transitional mechanisms and secure safeguards;
- (ii) the need to obtain improved access for their agricultural exports;
- (iii) the need for increased financial flows from public and private sources to boost their economies;
- (iv) the possibility to count on the Community's help to accelerate the modernization of their social and economic systems.

17. Provided developments unfold as they are presently envisaged, Europe and the Mediterra-

nean will be heading, in conformity with the WTO obligations, towards a vast Euro-Mediterranean free-trade area, to be completed by about 2010.

It will provide:

- (i) for reciprocal free trade in all manufactured products between the enlarging Union and most Mediterranean countries;
- (ii) for preferential and reciprocal access for agricultural products of interest to both parties;
- (iii) for free trade among Mediterranean countries themselves.¹

The Euro-Mediterranean zone will constitute the largest free-trade area in the world, covering 600 to 800 million people and some 30 to 40 countries.

Its constitution will be progressive, flexible and voluntary.

The process is already under way, with Israel being the most advanced in the completion of free trade with both the Community and EFTA countries and having initiated talks with certain Central and East European countries. Negotiations on free trade between the Community and Morocco and Tunisia have begun, to be followed by others in due course. The deadline for customs union with Turkey is 1995.

As far as Cyprus and Malta are concerned, they are engaged in a process of accession to the Union.

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 liberalization acting as an engine for more and deeper cooperation within the zone.

Interindustry cooperation and a much higher level of joint ventures between Europe and the Mediterranean will boost the competitiveness of the industrial and business sectors of the two regions and improve their position in the global market-place.

Particular attention will have to be paid to encouraging stronger links between our part-

¹ Israel and Turkey are likely to be the first of the Mediterranean countries to conclude a free-trade agreement between themselves.

ners and the poorer Mediterranean regions of the Community to promote mutually reinforcing development.

(b) Financial assistance

18. 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 meet the challenges they face. The Commission proposes that the Community's financial support should focus on the following five priority objectives:

- (i) support for the process of economic modernization and restructuring of those countries prepared to open their markets in the context of new Association Agreements;
- (ii) support for structural adjustment in countries less advanced in this process with a view to preparing them for entering into free trade with the Union;
- (iii) support for regional cooperation, particularly in the environment;
- (iv) strengthening of north-south economic and financial cooperation, and among southern and eastern Mediterranean countries themselves, particularly through programmes of decentralized cooperation linking key actors in the cultural, social and economics fields (businesses, universities, research centres, local government, media, non-governmental organizations, etc.);
- (v) support for the Middle East peace process.

19. The Community 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 Community can place at the disposal of the countries concerned, even after substantial increases, will remain limited in comparison with their needs. For the present, the Commission submits the following guidelines for consideration:

- (i) introduction of a substantive economic policy dialogue with the countries of the region to identify their specific needs, and determine priorities and instruments for action by the Community;

- (ii) strengthening of mechanisms for coordinating the Community's action (including that of the EIB) with the activities of relevant international financial institutions (particularly the World Bank and the IMF);
- (iii) strengthening of coordination between the Community and the Member States;
- (iv) evaluation of the possibilities for coordination of all the Community's financial instruments (including loans) to meet the specific objectives and needs of each country.

(c) Cooperation

20. 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 Community should, however, already make clear its willingness to embark on a dynamic process. Possibilities for closer cooperation include moves:

- (i) to engage in constant dialogue and concertation on a wide range of trade- and investment-related matters (indirect taxation, standards, customs procedures, investment guarantee schemes, etc.);
- (ii) to intensify their industrial cooperation (subcontracting, technological transfer, training, joint ventures, etc.);
- (iii) to reinforce their cooperation in energy matters, for example, interconnection of networks, energy-saving technology, development of solar energy resources;
- (iv) to raise the social dimension: education, low standards of working conditions, health and safety at work require an immediate and comprehensive approach of the Union to improve law, industrial relations policies and social protection issues;
- (v) to strengthen their cooperation in the environmental field to safeguard the Mediterranean Sea and intensify efforts to preserve renewable resources and to combat pollution, erosion, desertification, etc.;

- (vi) to intensify efforts aimed at promoting sustainable development by addressing issues such as integrated management of water resources, energy supply and conservation, population growth and urban concentration;
- (vii) to strengthen their exchanges and cooperation with reference to the information society, in particular in specific areas like the regulatory framework, standardization, infrastructures and new information and communication technologies;
- (viii) to promote cooperation between regions, local authorities, cities and towns;
- (ix) to broaden their cooperation beyond trade into other areas like transport and related infrastructure, banking and other services;
- (x) to liberalize movements of capital;
- (xi) to engage in closer scientific cooperation;
- (xii) to tackle, on a cooperative basis, issues that are of mutual interest to the partners within the region (e.g. tourism, illegal migration, terrorism and organized crime);
- (xiii) to recognize the need in bilateral agreements for cooperation in the area of production, trafficking and abuse of illicit drugs; such cooperation would be enhanced if it were to be pursued as part of a Euro-Mediterranean partnership.

Europe and the Mediterranean countries will, therefore, increasingly find themselves in a process of interaction, interdependency and mutual association.

IV. Conclusions — the Euro-Mediterranean partnership

21. The Community's long-term strategy of creating a Euro-Mediterranean partnership, comprising a zone of peace and stability embracing the Union, Central and Eastern Europe and the southern and eastern Mediterranean, implies a close and continuing dialogue between those concerned.

22. For its part, the Union should be prepared to conduct a regular political dialogue with its Mediterranean partners on the respect of human rights, and the principles of democracy and good governance which constitute an essential element of their relationship. This dialogue would accompany the intensification of relations in the economic, financial and social fields.

The Community should encourage regional cooperation among Mediterranean countries and should be ready to enter into a dialogue with any subregional group which may be formed.

23. At the same time, the Union will need to implement a wide range of policies in the fields of economic, financial and social cooperation.

When making its proposals, the Commission will reconcile the imperatives of the common agricultural policy with the international obligations of the Community, including those within the framework of the WTO.

24. To this end, the Commission submits the following operational recommendations, which build on the Community's long-standing approach towards the Mediterranean countries.

24.1. In the short-term, the Commission hopes rapidly to 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 emphasizes the urgent need to finalize, before the end of 1994, the ongoing talks with Turkey on the full implementation of customs union, which would represent a qualitative change in relations

between Turkey and the European Community.

24.2. 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 Community 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 modernization of their economic and social systems and willing to cooperate with the Community 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 Poland and Hungary: aid for economic restructuring (PHARE) programme.

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

To that end, the various support programmes for joint ventures between European and Mediterranean enterprises (MED-Invest, ECIP, risk capital operations) will be reinforced.

24.4. 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.

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

The following practical steps should be taken whenever feasible:

(i) Mediterranean countries having concluded Association Agreements with the Union

should be encouraged to negotiate similar agreements among themselves in order to increase intraregional trade, which presently amounts to only about 5% of their total foreign trade, and thereby attract substantially more private investment to the region;

(ii) cumulative rules of origin could apply to trade among the Mediterranean countries and between them and the Community;

(iii) the Community should continue its active support of subregional groupings in the Mediterranean, in particular through appropriate financing of regional institutions and infrastructure programmes and through promoting dialogue and cooperation with these groupings.

24.6. The Commission believes that the appearance of a theoretical amount in a financial statement should not affect the fate of the proposal. The Council and Parliament will have to juggle figures (while keeping to the terms of the financial perspectives) once they have examined the proposals for Central and Eastern Europe and for the Mediterranean. The financial statements are intended to be part of the body of information passed to the Council and Parliament.

The Commission also considers that the final outcome must reflect an appropriate balance between the two regions which constitute the greatest priority for the European Union and must allow the policy in question to be strengthened, thus providing an adequate response to any needs which emerge once the policy is actually in place. It must, furthermore, have credibility with the Union's partners.

Against this background, the Commission considers that in order to implement the wide range of policies invoked above, an indicative figure of around ECU 5 500 million of budgetary resources for the period 1995-99 will be required for all Mediterranean non-member countries (not including Albania and the former Yugoslavia).¹ 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

¹ The Commission will make detailed proposals on the priorities, conditions and instruments for financial cooperation in due course.

to the improvement of the economic and political environment.

24.7. The Commission endorses the idea of a MED 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 OSCE. It could be followed up in an institutional framework,

drawing as appropriate on the experience of the OSCE process.

The conference should thereby contribute to creating a larger awareness, among political and business leaders throughout the world, of the Mediterranean being ready to embark upon a courageous journey which will progressively transform it into a region of stability and peace, rapid economic development, social change and, last but not least, political pluralism.

25. 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.

Annexes

- Annex 1: Economic development in the Middle East and North Africa — Horizon 2010
- Annex 2: The strengths and weaknesses of the European Community's current Mediterranean policy
- Annex 3: Forecasts of commitment appropriations in the Community budget for Central and Eastern Europe and the Mediterranean
- Annex 4: Tables illustrating interdependence between the EC and the Mediterranean countries and countries of Central and Eastern Europe

Annex 1

Economic development in the Middle East and North Africa — Horizon 2010

1. In the margins of the Regional Economic Development Working Group (REDWG) of the Middle East peace process, the World Bank¹ produced an assessment of what progress could be achieved in the region during the next 20 years.

2. Drawing upon its experience from within the region and on the basis of past performances, the World Bank proposed a 'challenging and yet feasible scenario'; specifically to seek a doubling of regional gross domestic product (GDP) by 2010. To reach this goal the necessary increase in GDP was evaluated at 3% in the period 1990 to 2000 and 5% in 2000-10.

3. This scenario would suppose:

- (i) a peaceful environment (which would be translated into the reduction of military expenditures);
- (ii) implementation of a wide range of economic policies;
- (iii) effective regional cooperation in all fields of common interest;
- (iv) effects of the costs of economic reforms for reasons of social and political feasibility;
- (v) in the medium term, appropriate financial flows (domestic savings, workers remittances, foreign direct investment and commercial loans).

4. Unfortunately, because of the population factor, the resulting GDP per capita would remain discouraging. The wealth gap separating the European Union from the Maghreb and Mashreq countries, which presently stands at a level of '1 to 10', would be on its way to reaching the level of '1 to 20'.

¹ 'Economic and social development in the Middle East and North Africa'. Discussion paper series No 6 October 1992. Ishac Diwan, senior economist and Lyn Squire, chief economist.

5. This gap would also be increasing between Israel and its Arab neighbours. Israel's GDP per capita would be 25 times higher. Its global GDP for 7 million people, would be equivalent to the GDP of 134 million people living in the neighbourhood.

6. These goals, demanding though they may be, are inadequate. The dynamic created by the progressive opening up of the Middle Eastern and North African economies to the competitive European Union economy is the additional factor which could bring a critical change to this equation.

Population

(million)

Region	1990	2010	Increase (%)
Maghreb	58	90	55
Mashreq	83	134	61
Israel	5	7	40
Total	146	231	58

GDP

(billion USD)

Region	1990	2010	Increase (%)
Maghreb	82	158	93
Mashreq	68	126	85
Israel	53	118	123

GDP per capita

(USD)

Region	1990	2010	Increase
Maghreb	1 410	1 750	340
Mashreq	810	940	130
Israel	10 600	16 860	6 260
Europe	16 000	24 000	8 000

The strengths and weaknesses of the European Community's current Mediterranean policy

1. Background

The Community began establishing contractual links with most of the Mediterranean non-member countries during the 1960s. In their initial form, these agreements were essentially confined to trade matters, providing for free access for industrial goods and for specific concessions for some agricultural products. They were expanded in the 1970s to include economic and financial cooperation intended to back economic development and establish links through cooperation between the two shores of the Mediterranean. Relations are governed by Association Agreements with Turkey, Malta and Cyprus (leading to a customs union) and by Cooperation Agreements with the other Mediterranean non-member countries (MNCs), Greece having joined the Community in 1981 and Spain and Portugal having joined in 1986. There has been free trade in industrial goods between the Community and Israel since 1989. Under the terms of the overall Mediterranean policy of the 1970s, concessions for the countries of the Maghreb and Mashreq have remained unilateral.

Additional protocols were concluded with the MNCs in order to mitigate the effects of the accession of Spain and Portugal; these improved the concessions granted for agricultural products.

Until that stage, the Community's Mediterranean policy had followed a traditional pattern of combining trade concessions on the one hand, with financial cooperation on the other. The latter operated largely through conventional aid/project arrangements.

At the end of 1989, as a result of its assessment of the Community's Mediterranean policy and of the geopolitical change brought by the fall of the Berlin Wall, the Commission produced a report on the state of relations with the MNCs at the time, and proposed ways in which

those relations could be updated (Redirecting the Community's Mediterranean policy, SEC(89) 1961 final, of 23 November 1989 and SEC(90) 812 final, of 1 June 1990), taking account of the challenges facing Europe and its partners to the south.

The new Mediterranean policy adopted by the Council in December 1990, reinforced existing efforts and introduced new features to make relations with the MNCs more dynamic, backing the Community's action, chiefly by using assistance with economic reform to encourage the process of opening up to the outside and structural reform which was under way in some of the MNCs.

The introduction by the new Mediterranean policy of regional cooperation and cooperation covering all of the MNCs (particularly decentralized cooperation) signalled the advent of a true partnership (something hitherto missing from relations with the MNCs) and constituted the policy's major qualitative innovation.

In the interests of giving due consideration to subregional characteristics, the Commission produced proposals on the future of relations with the Maghreb (SEC(92) 40 final, 30 April 1992) and relations with the Mashreq (COM(93) 375 final, 1 September 1993). In these communications, the Commission proposed that Europe and the Maghreb and Mashreq be more economically intertwined. This resulted in the negotiations planned or already under way with a number of MNCs (most significantly Morocco, Tunisia and Israel) for agreements which will rest on four principles: political dialogue, free trade in industrial goods, economic, social and cultural cooperation and appropriate financial cooperation. This is undeniably a further development of the partnership approach introduced by the new Mediterranean policy.

Lastly, in September 1993, the Commission produced a communication on EC support for the Middle East peace process (COM(93) 458 final, 29 September 1993) which emphasized the need for Europe to help the Palestinians progress towards autonomy, for changes to be made to the bilateral Cooperation Agreements and for regional cooperation in the Middle East to be promoted.

These advances have brought relations which are closer and qualitatively better than before,

paving the way to establishing a genuine European/Mediterranean area.

2. Assessment

2.1. Trade

Free access for industrial goods to the Community market has undoubtedly held advantages for the economies of the MNCs. Between 1979 and 1993, the overall share of total MNC exports to the European Union occupied by manufactures rose from 28 to 54%. This average does however conceal variations in performance. In the Maghreb, Morocco and Tunisia, which both introduced successful economic reform, pushed up exports of manufactures from 24 to 66% (Morocco) and from 40 to 77% (Tunisia). In 1992, Turkey and Israel also reached, or exceeded rates of 70%.

The fact that the external protection of most of the region's economies is still quite high means that exports are not diversified enough and the MNC trade balance with the European Union still displays a major structural deficit. MNC exports often focus on a small number of fields (or products), increasing their vulnerability considerably in the medium term.

It is worth pointing out that the voluntary restraint arrangements for some textiles and clothing have not been a major obstacle to our MNC partners, since flexible administration and progressive liberalization over the years have increased their share of the Community market more than is the case with countries governed by the Multifibre Arrangement (MFA).

Access to the Community market for agricultural products has substantially improved over the past two decades. There has been a gradual elimination of customs duties on major agricultural products from the MNCs (this has been within the bounds of tariff quotas in the case of sensitive products). Even considering the presence of quotas, the products have been admitted at preferential rates of duty.

This is not in itself indicative of a problem. Quite the opposite: as development progresses, agriculture loses ground to manufactures.

Viewed against the background of the MNCs' own imports, trade in agricultural products demonstrates the failure of efforts at diversifi-

cation, since in the case of most of the countries, self-sufficiency in food commodities has not increased. Dependence on imports from the Community remains the rule.

Although it has increased in absolute terms, the share of exports occupied by agricultural products is on the decline. Only in the cases of Morocco and Turkey does that share exceed 15% of total exports to the European Union.

2.2. Financial and technical cooperation

Community aid from the budget accounted for 0.1% of GNP, while EIB loans accounted for 0.3% of GNP. Such aid addressed important sectoral needs (vocational training, rural development, etc.) but did not have a significant macroeconomic effect. In some cases, administration of the aid was adversely affected by political circumstances or red tape.

The new Mediterranean policy has greatly increased European Union assistance (EIB loans and funds from the budget). Traditional cooperation projects in priority areas (training, rural development, etc.) have been supplemented by support for structural adjustment producing rapid disbursement of funds to help (in however small a way) with economic reform. These activities have also made it possible to bolster welfare policy (health care, education and low-income housing), usually using counterpart funds. This kind of assistance remains inadequate relative to the financial needs of the heavily indebted MNCs, however.

The fact remains that some of the MNCs in which adjustment programmes agreed with the World Bank and IMF are under way have made substantial progress with economic reform since the 1980s. This is particularly true of Morocco, Tunisia, Jordan and Turkey. They continue to have highly protected economies, however, and much remains to be done to secure liberalization. There are other countries in which reform will be longer incoming because they began restructuring their economies later and since problems tend to be magnified over time, the difficulties will be greater.

Using funds from the budget heading for structural adjustment (ECU 300 million) the Com-

munity has tried to make a modest contribution to backing structural adjustment in the countries which have embarked on economic reform. Counterpart funds have been earmarked for import programmes and social services (education, health care, housing, etc.), but the limited amounts available have made it impossible to produce a significant effect.

Although it is another important innovation introduced by the new Mediterranean policy, cooperation covering the MNCs as a whole has had a more variable success rate. Programmes of decentralized cooperation directed at key players in civil society do seem to have sparked considerable interest in local communities and universities.

Initiatives aimed at bringing economic operators (especially SMEs) into contact with each other, backed by Community initiatives like MED-Invest, are growing in number. This is an important development.

The unstable political situation has, however, meant that regional cooperation proper has remained embryonic, but the success of the Middle East peace process means that the future looks hopeful.

The progress of cooperation in recent years has obviously benefited from an increase in the number of channels for assistance, but aid from the Community budget nevertheless accounted for an average 3% of total aid to the Mediterranean region between 1989 and 1992.

The record of the Community's activities remains mixed, despite the progress made since the advent of the new Mediterranean policy. Considering the challenges which our partners will face in the coming years and the political and socioeconomic implications for Europe, special attention is needed, along with commensurate financial support.

Annex 3

Forecasts of commitment appropriations in the Community budget for Central and Eastern Europe and the Mediterranean

(ECU¹)

	1991	1992	1993	1994
Total Mediterranean	327	419	407	473
Under B7-40	217	326	364	450
Central and Eastern Europe (B7-60)	760	1 000	1 036	985

¹ Rounded up or down

Financial cooperation to date with Mediterranean non-member countries

1. Since 1978, the Mediterranean non-member countries linked to the Community by Association or Cooperation Agreements have been covered by five-year financial protocols earmarking for them, both budget funds and EIB loans. The fourth generation of these financial protocols runs from 1992 to 1996.

2. Between 1978 and 1991, the countries of the Maghreb and Mashreq received ECU 1 337

million in budget funds and ECU 1 965 million in EIB loans overall (the figures include Israel, which, because of its level of development, only receives EIB loans).

The fourth financial protocols with the MNCs (which cover the period 1992 to 1996 and are therefore still running) allocate ECU 1 075 million of budget funds (including ECU 300 million to back structural adjustment in the countries which have embarked on economic reform) and ECU 1 300 million of EIB loans.

3. In addition, as part of the new Mediterranean policy, an allocation (it is estimated that ECU 230 million will be needed for 1992 to 1996) is set aside for measures targeting the MNCs as a whole. Similarly, the EIB has an allocation of ECU 1 800 million of loans for regional (ECU 1 300 million) and environmental (ECU 500 million) measures.

4. The countries of the northern Mediterranean (Cyprus, Malta and Turkey) have received ECU 672.5 million of budget funds and ECU 262 million of EIB loans over the period from 1965 to 1993.

5. It should be noted that the EU is the largest donor of assistance for Palestinians in the Occupied Territories, having given approximately ECU 100 million in 1993 and approximately ECU 86 million in 1994.

6. Measures targeted at the MNCs can also draw limited amounts from a combination of budget headings for such fields as population, migration and the environment.

Tables illustrating interdependence between the EC and the Mediterranean countries and countries of Central and Eastern Europe¹

1. Population

(million inhabitants)

	1992	2010
EC	347	376
Mediterranean	209	304
Central and Eastern Europe	110	116

Source: Population Reference Bureau, data sheet 1992

2. Gross domestic product (GDP) by region

(billion USD)

	1992
EC	6 677
Mediterranean	332
Central and Eastern Europe	212

Source: World Bank development report 1994

3. Per capita gross domestic product (GDP)

(USD)

	1992
EC	19 242
Mediterranean ¹	1 589
Central and Eastern Europe	1 927

¹ 1992 per capita GDP for Maghreb and Mashreq countries only USD 993

4. EC trade with the Mediterranean countries and countries of Central and Eastern Europe

(ECU million)

	1990	1993
<i>Exports of which:</i>		
Mediterranean		
Total	36.2	45.6
Agricultural ¹	4.6	4.7
Manufactures ²	28.5	37.4
Central and Eastern Europe		
Total	12.1	26.1
Agricultural	1.5	2.9
Manufactures	9.6	21.4
<i>Imports of which:</i>		
Mediterranean		
Total	34.5	33.2
Agricultural	3.4	3.3
Manufactures	11.9	14.0
Central and Eastern Europe		
Total	13.0	20.3
Agricultural	2.7	2.6
Manufactures	8.0	15.2
<i>Trade balance</i>		
Mediterranean	+ 1.7	+ 12.4
Central and Eastern Europe	- 0.9	- 5.8

Source: Eurostat

¹ Definition of 'agricultural products' aggregate CTCI 0+1+2+4, -27-28² Definition of 'manufactures' aggregate CTCI 5+6+7+8, -68

5. Energy dependency of the EC¹

(Percentage of total imports)

		1992
Total energy	Mediterranean	24
	Central and Eastern Europe	1
Natural gas	Mediterranean	32
	Central and Eastern Europe	0
Oil	Mediterranean	27
	Central and Eastern Europe	0.5

Source: Eurostat

¹ Refers to net imports (imports less exports)

¹ Mediterranean refers to Morocco, Algeria, Tunisia, Libya, Egypt, Israel, Jordan, Lebanon, Syria, Turkey. Central and Eastern Europe refers to Poland, Hungary, Czech Republic, Slovak Republic, Bulgaria, Romania, the Baltic States, Albania, Slovenia.

6. Direct EC foreign investment (1992)

(million ECU)

Mediterranean	751
Central and Eastern Europe	1 612

Source Eurostat

7. Immigrants by nationality in the EC (1992)

(million)

Mediterranean	4.6
Central and Eastern Europe	0.7

Source Eurostat (figures rounded up or down)

**Extracts of the conclusions
of the Presidency
of the Essen European Council**

(9 and 10 December 1994)

Mediterranean policy

The European Council therefore welcomes the report submitted by the Council (see Annex), in response to its request at Corfu, drawn up on the basis of a communication from the Commission; it reiterates the European Union's willingness to support the Mediterranean countries in their efforts progressively to transform their region into a zone of peace, stability, prosperity and cooperation, and to this end its willingness to establish a Euro-Mediterranean partnership, develop appropriate agreements, progressively strengthen trade relations between the parties on the basis, *inter alia*, of the results of the Uruguay Round, and, in the light of the Community's changing priorities, maintain an appropriate balance in the geographical allocation of Community expenditure and commitments.

The European Council recalls its decision in Corfu to conclude the negotiations with Morocco, Tunisia and Israel by the end of the year.

- With regard to the additional financial aid in support of future Mediterranean policy, it asks the Council and the Commission to put into effect the principles set out in paragraph 6 of the Council report (see Annex).
- It confirms the great importance it attaches:
 - (i) to opening similar negotiations in the near future with Egypt and other eligible Mediterranean countries which so wish;
 - (ii) to continuing economic support to Algeria, as envisaged by the European Council at Corfu, while calling for a dialogue among all those who reject violence;
 - (iii) to concluding the negotiations with Turkey on the completion and unrestricted implementation of the customs union and to reinforcing relations with this partner; and
 - (iv) it confirms that the next phase of enlargement of the Union will involve Cyprus and Malta and invites the Council to examine in early 1995, new reports to be presented by the Commission.

Furthermore, the European Council welcomes the intention of the future Spanish Presidency to convene in the second half of 1995 a Euro-Mediterranean ministerial conference with the participation of all Mediterranean countries concerned and the intention of the French Presidency to give high priority to its intensive preparation. This conference should allow an in-depth discussion of future relations between the Union and the Mediterranean countries, addressing all relevant political, economic, social and cultural issues.

The conference should reach an agreement on a series of economic and political guidelines for Euro-Mediterranean cooperation into the next century and will establish a permanent and regular dialogue on all subjects of common interest.

The European Council expresses concern at the emergence of extremist and fundamentalist forces in a number of North African States. European Union policy must take account of these developments.

The European Council considers that Israel, on account of its high level of economic development, should enjoy special status in its relations with the European Union on the basis of reciprocity and common interests. In the process, regional economic development in the Middle East including in the Palestinian areas, will also be boosted. The European Council requests the Council and the Commission to report to it at its next meeting on action taken.

The European Council agreed that, as the largest international donor, the European Union should continue to make a significant economic and political contribution in support of the Middle East peace process, in particular in the reconstruction of the Palestinian areas.

The European Council welcomes the conclusion of the Israel-Jordan Peace Agreement, which consolidates and strengthens the positive development in relations between the two countries.

Council report for the European Council in Essen concerning the future Mediterranean policy

The Council examined the communication to the Council and the European Parliament on the strengthening of the Mediterranean policy of the European Union through the establishment of a Euro-Mediterranean partnership, which the European Commission presented on 25 October 1994 at the request of the European Council of Corfu. The Council, at its meeting of 31 October 1994, took note with great interest of the communication of the Commission.

The Council fully shares the view of the European Commission that the Mediterranean basin constitutes an area of strategic importance for the Community. Peace, stability and prosperity in the region are amongst the highest priorities of Europe.

Having this in mind, the Council endorses the general concept and the objectives of a Euro-Mediterranean partnership based on the reinforcement of the cooperation in a wide range of areas as developed in the Commission's communication. Such a partnership would have to build on the already close relations with the countries of the region and the structures of the existing global Mediterranean policy of the European Union. It would also have to take into account the specific needs and capacities of each country concerned.

The Council supports the establishment of a Euro-Mediterranean area of political stability and security. The reinforcement of the political dialogue must be based on respect for democracy, good governance and human rights.

The Council agrees that an important element of a future Euro-Mediterranean partnership would be to start with a process of progressive establishment of free trade between the Mediterranean countries themselves, and between the region as a whole and the European Union, as proposed by the Commission in its communication. In fostering such a zone, regional cooperation will be a key factor.

The Council agrees that such a progressive development should be supported by substantial additional financial aid.

The Council will examine this subject rapidly after the European Council in Essen taking into consideration the following elements:

- (i) the basis for this work is the own resource decisions of the Edinburgh European Council, including the financial perspective concerning the category 'external policies';
- (ii) in accordance with the conclusions of the Edinburgh European Council and bearing in mind the Community's changing priorities, an appropriate balance should be maintained in the geographical distribution of the Community's commitments;
- (iii) as to the future structure of financial assistance to the Mediterranean region, the Council is of the opinion that this question requires further elaboration by the Commission and thorough discussion within the Council.

The Council endorses the concept of the Commission that the European Union should embark on developing other areas of cooperation to be jointly defined with the Mediterranean partners. These could cover industrial and development cooperation, social and cultural cooperation, energy, environment, information and communication technology, services, capital, science and technology, drug trafficking, illegal immigration and tourism, as well as transport and networks.

The Council notes that European Union assistance to the Mediterranean region cannot replace major efforts by the countries concerned to improve their own situation and their economic and social development.

The Council, therefore, submits the following elements for actions which could be endorsed by the European Council in Essen:

- (i) to reiterate the European Union's willingness to support the Mediterranean countries in their efforts to transform their region progressively into a zone of peace, stability, prosperity and cooperation by establishing a Euro-Mediterranean partnership and to strengthen progressively trade relations between the parties on the basis *inter alia* of the results of the Uruguay Round;

- (ii) to conclude, by the end of this year, the negotiations with Morocco, Tunisia and Israel as requested by the European Council at Corfu;
- (iii) to open similar negotiations in the near future with Egypt and other eligible Mediterranean countries wishing to do so;
- (iv) to continue economic support to Algeria, as envisaged by the European Council at Corfu, while calling for dialogue among all those who reject violence;
- (v) to invite the Commission and the Council to implement the principles referred to above;
- (vi) to conclude the negotiations with Turkey on the completion and full implementation of the customs union and to reinforce the relations with this partner;
- (vii) to reconfirm that the next phase of enlargement of the Union will involve Cyprus and Malta and to invite the Council to examine in early 1995 new reports to be presented by the Commission as well as a report by the European observer for Cyprus.

The Council recommends that the European Council agree that the European Union should convoke in the second half of 1995 a Euro-Mediterranean ministerial conference. All Mediterranean countries concerned should be invited to this conference. The conference, which will require intensive preparation in cooperation with the countries concerned, should allow an in-depth discussion of future Euro-Mediterranean relations, addressing all relevant political, economic, social and cultural issues.

The conference should reach agreement on a series of economic and political guidelines for Euro-Mediterranean cooperation into the next century. The conference will establish a permanent and regular dialogue on all subjects of common interest.

The Council invites the Commission to forward in early 1995 specific proposals for the implementation of all the aspects of its communication in order to allow the Council to take the necessary decisions and to prepare the conference.

Strengthening the Mediterranean policy
of the European Union:
Proposals for implementing
a Euro-Mediterranean partnership

1. Introduction

1.1. The Mediterranean is strategically important to the European Union.

One of Europe's priorities is to consolidate peace and stability in the region. This challenging task would involve:

- (i) supporting political reform and defending human rights and freedom of expression as a means of containing extremism;
- (ii) promoting economic and social reform in such a way as to produce sustained growth (to create jobs) and an increase in standards of living, with the aim of stemming violence and easing migratory pressure.

The Community and its partners in the Mediterranean are interdependent in many respects. Europe's interests in the region are many and varied, including as they do the environment, energy supplies, migration, trade and investment.

The drug problem (production, trafficking and consumption) is one which all the countries involved will have to tackle together.

Instability in the region cannot fail to have negative consequences for all the countries of the European Community. The Mediterranean non-member countries (MNCs) may have a population of 400 million by 2035, and there will be a wealth gap which will undoubtedly grow, unless current demographic developments are counterbalanced by a rapid economic upturn and appropriate population policies. If such an economic upturn is to occur, the countries in question will have to make a further sustained effort to liberalize and restructure their economies. The Community would also have to help them to cope with the political, economic and demographic challenges facing them.

A considerable proportion of the European Community's immigrants are from the Mediterranean region. These individuals often retain strong links with their countries of origin, and the economies of the latter benefit from welcome contributions in the form of salary remittances. If planned cooperation with the countries in question fails to produce a methodical way of tackling migratory pressure, friction could easily result, hurting not just interna-

tional relations but also the groups of immigrants themselves.

All the Member States would benefit from an improvement in the region's stability and prosperity, as this would greatly increase the opportunity for trade and investment and provide a stronger foundation for political and economic cooperation.

Time is of the essence, not only for political reasons, but also for economic and social reasons. It is consequently very much in the Community's interest to establish a new partnership with the MNCs to move beyond the scope of the activities bolstered by the new Community policy (1992-96), important though they are.

1.2. In its communication of 19 October 1994 (Strengthening the Mediterranean policy of the European Union: Establishing a Euro-Mediterranean partnership)¹ the Commission expressed the view that the key objective of the European Community's Mediterranean policy, the establishment of a Euro-Mediterranean area which is politically stable and safe, should be accompanied by the socioeconomic goal of gradually setting up a Euro-Mediterranean area with a stable legal framework (including a free-trade area). This process would need a lengthy transition and would only succeed if the Community was prepared to provide financial backing (vital to underpin the economic and social reform which would be required). The Commission has proposed a sum of ECU 5.5 billion from the budget for that purpose.

1.3. The Essen European Council of 9 and 10 December 1994 accepted the guidelines put forward in the Commission's communication and confirmed that substantial extra financial assistance should be provided for the process described above while keeping to the decisions of the Edinburgh European Council and maintaining an appropriate balance in the geographical breakdown of Community allocations.

The Essen European Council also considered that the Commission should give thought to how to structure financial assistance for the

¹ COM(94) 427 final

Mediterranean region in the future, and called on it to put forward specific proposals for implementing all the aspects referred to in its communications so that the Council could adopt the necessary decisions.

1.4. The Community's objective should be to take a comprehensive approach to Euro-Mediterranean partnership, covering all forms of action falling under the Treaty on European Union. The establishment of a Euro-Mediterranean economic area should go hand in hand with the creation of an area of peace and stability. The economic area itself should involve not only free-trade arrangements, but also a range of measures on the part of the Community to help the countries of the region modernize their economies in the interests of sustainable development while still preserving their societies' equilibrium and identity. There should also be greater cooperation in the new fields covered by the Maastricht Treaty (particularly Title VI).

1.5. The aim of this communication is to set out the main directions of Euro-Mediterranean partnership and put forward priorities for financial and technical cooperation for 1995 to

1999. It will also provide a rough outline of the instruments and methods considered by the Commission to be most appropriate to helping the MNCs cope with the challenges facing them and to achieving the aims established.

1.6. The Commission takes the view that the new direction of financial and technical cooperation should first and foremost benefit the MNCs embarking on modernizing and reforming their economies to culminate in free trade, which is the key stage in establishing a true Euro-Mediterranean economic area.

1.7. It is the Commission's belief that the recent establishment by the European Parliament of a new MEDA budget heading (B7-410) is an important first step towards fulfilling the objectives contained in its communication of 19 October 1994.

1.8. With these new directions in the offing, the European Community will conclude the Euro-Mediterranean (Association) Agreements currently being negotiated as soon as possible, and will launch a similar process for any Mediterranean countries expressing an interest.

2. Main directions

As the Essen European Council agreed, bringing about peace, stability and prosperity in the Mediterranean region is one of Europe's first priorities.

The European Community's activities in the region should now be brought into line with that priority, and practical steps should be taken to respond to the political, economic, social and environmental challenges facing the countries of the region (and thus the Community itself).

In the fields of cooperation earmarked as priorities, the European Community should facilitate the involvement of civil society.

The Commission is proposing three closely connected priorities for action:

- (i) assistance with economic transition;
- (ii) assistance with achieving a better socio-economic balance;

(iii) backing for regional integration.

The effectiveness of such action will increase in proportion to the MNCs' readiness to implement appropriate social and economic policies.

2.1. Assistance with economic transition

The Commission takes the view that action should take four main directions:

- (i) the establishment of a Euro-Mediterranean free-trade area;
- (ii) promotion of the private sector in the countries of the Mediterranean region (this would include modernizing/restructuring industry and establishing a suitable regulatory system);

- (iii) promotion of European private investment in the countries in question;
- (iv) updating of economic and social infrastructure.

These four directions are a cohesive package and should make it possible to move rapidly to anchoring the southern and eastern Mediterranean economically to the Community (since the two regions are major partners of each other) and increasing the Mediterranean partners' overall competitiveness.

2.1.1. The establishment of a Euro-Mediterranean free-trade area by 2010

Free-trade arrangements would respect WTO-related obligations and would be open to any country in the region which accepts the principles of the market economy and political pluralism. The Community's aim should be to conclude an initial series of Euro-Mediterranean (Association) Agreements with Egypt, Israel, Morocco, Tunisia, Jordan and Lebanon as quickly as possible.

The Community must make clear its wish to see the countries in question enter into similar negotiations with each other and with European countries which are not members of the Community (EFTA, Central and Eastern Europe, Cyprus, Malta and Turkey). To offer encouragement, the Community should propose that there be a cumulation of origin and that identical rules of origin apply to all countries entering into agreements of that type. In order to maximize the economic benefit to all the parties involved, the use of identical rules of origin would have to be accompanied by an alignment of the non-member countries' rules of origin with those of the Community to produce a system of common rules for the region.

Such agreements should furthermore automatically include provisions on:

- (i) standards, conformity certification, metrology and quality control;
- (ii) intellectual property;
- (iii) competition rules;
- (iv) customs cooperation seeking chiefly to combat drug smuggling and trafficking;

- (v) approximating of legislation to improve conditions of establishment and provision of services, plus a meetings clause for regular evaluation of the possibility of establishing a preferential agreement in services.

The establishment of a free-trade area would moreover entail getting rid of existing barriers in transport and, as a consequence, either extending the Euro-Mediterranean agreements in an appropriate manner to that sector or concluding a separate agreement for that sector.

In agriculture, the aim should remain to seek gradual liberalization using reciprocal preferential access for agricultural products which are of interest to the parties. This gradual process must be accompanied by the establishment of procedures for consultation between the authorities and representatives of the sector in the countries in question.

2.1.2. Promotion of the private sector

The move towards the market economy in the Mediterranean region is a precondition for sustained economic growth. It is vital from the point of view of job- and income-generation, greater economic efficiency and providing individual opportunities for young people, and therefore also from the point of view of social and political equilibrium. The Community must give its unreserved backing to progress down this path by promoting:

- (i) a restructuring of industry in order to achieve adequate competitiveness;
- (ii) a modernization of firms and an improvement in their performance (by means including the promotion of energy efficiency);
- (iii) improving the legal and regulatory environment in which firms operate;
- (iv) increasing the incidence of all forms of partnership with European firms;
- (v) a modernization of all aspects of vocational training and incorporating vocational training into the overall development of education and training;

(vi) a modernization and simplification of administrative procedures.

To these ends, the Community must be prepared to provide large-scale technical assistance (particularly for SMEs) in order to improve the quality of products and services (including tourism), the organization of production, the technical abilities of the staff, etc.

The primary aim must be to make the private sector in the countries of the Mediterranean capable of withstanding a liberalization of trade and therefore also competition on the world market. The Community must provide the countries in question with substantial backing for this course of action over the next 10 years.

A comprehensive effort will be needed. This would begin with increasing the awareness of the firms themselves. It would also be necessary to bring about a fundamental reworking of associations of businessmen, industry federations and chambers of commerce and industry to enable them to provide their members with a wide range of services (vocational training, export promotion, etc.). The Community is currently providing such assistance and will step up its efforts. (It should be noted in this connection that a Euro-Arab management school is due to be set up in 1996 with Community backing.)

Fundamental changes are also necessary in the financial sector to enable it to meet the financing needs of SMEs. The changes would have to include the establishment of appropriate guarantee systems. If the performance of SMEs is to be improved, business services (consultants, computer specialists, trust companies, training institutes and miscellaneous other services) will also have to be developed.

The Community has already become active in this field: business centres have been, or are being set up in Cairo, Casablanca, Tunis and Amman to provide services for businessmen who have embarked on a process of modernization.

The EIB could also become involved in promoting the private sector by providing loans financed from its own resources and risk capital.

2.1.3. Promotion of European private investment

A major effort to increase all forms of European private investment in the region will provide a corollary to the measures described above.

Substantially greater direct foreign investment is vital to the establishment of an efficient Euro-Mediterranean economic area. Such investment brings in capital, technology and know-how and is therefore an essential spur to economic and social development.

The prospect of the emergence of an area of free trade between Europe and the Mediterranean naturally makes the latter more attractive to European private investment. There will be increasing advantage to establishing production bases around the Mediterranean to serve the substantial Euro-Mediterranean market. The Euro-Mediterranean Agreements will provide a legal framework capable of making such investment secure. Making European investment in energy easier and involving the MNCs in the European Energy Charter would have positive consequences for cooperation.

A substantial increase in the flow of direct European investment to the Mediterranean will of course also require other incentives from the Community and the countries of the region.

The countries of the Mediterranean will have to continue their efforts to achieve economic and political stability, privatization and deregulation. The political and administrative environment will have a decisive influence on foreign investment. Where the legislative and investment climates are concerned, the Community will back the modernization efforts of the countries in question.

The Community will continue, as a priority, to encourage joint ventures, industrial cooperation and subcontracting, especially between SMEs. This will be achieved by using the whole range of partnership instruments established by the Commission and the EIB, in collaboration with financial institutions. It should expand its efforts in this regard.

The Commission believes that a substantial share of financial cooperation resources should be devoted to these activities.

Furthermore, in order to promote an increase in investment in the Mediterranean region, it should be noted that several initiatives are presently under examination (reinforcement and improved synergy of existing instruments, possible financial mechanism for the Mediterranean).

2.1.4. Updating of economic and social infrastructure

Economies which are open and are geared to international trade need an effective economic infrastructure, particularly in transport, energy, telecommunications, water and sanitation.

The countries of the Mediterranean have made substantial progress in this regard. The Community has already become heavily involved (through contributions from the budget and especially through the EIB) in financing programmes for the modernization of telecommunications, electricity grids, the production and transmission of energy, ports, motorways, airports and so on.

Existing systems will nevertheless have to be expanded and improved to cope with the growing demands caused by trade and investment and the need for efficient services, but also to establish interregional links. Major programmes of investment will be needed in the next 10 to 20 years.

The Community will contribute to improving infrastructure along with the countries themselves, other donors and private sources of finance. A substantial role will be played by privatization and other methods of financing and managing major items of economic infrastructure. This means that the Community will have to share its experience in this field with its partners.

2.2. Helping to achieve a better socioeconomic balance

The problems facing the countries of the Mediterranean go well beyond economics: they have to cope, in differing degrees, with poverty,

social and economic inequality, population growth, the balance between town and country, deterioration of the environment, drug trafficking, fragile democratic structures, growing religious extremism and terrorism, and resentment and lack of cultural understanding in Europe.

Having reaffirmed at the level of Heads of State or Government the value it places on boosting peace, stability and prosperity in the region, the Community must translate its wishes into a form of action which produces tangible benefits for the people of both sides of the Mediterranean.

The Commission proposes that action be taken in a number of fields:

- improving social services, particularly in towns;
- promoting harmonious and integrated rural development;
- greater cooperation in fisheries;
- protection of the environment;
- the contribution of civil society to development;
- integrated development of human resources (particularly education and vocational training);
- consolidation of democracy and respect for human rights (an essential component of the Community's relations with the countries in question);
- support for cultural exchanges;
- cooperation and technical assistance in order to reduce illegal immigration, drug trafficking as well as terrorism and international crime.

2.2.1. Improving social services (particularly in towns)

Social services (basic education, health care, government housing, water supplies, sanitation and other key infrastructure) need to be improved for several reasons:

- (i) to prevent living conditions from declining (e.g. because of structural adjustment, rapid population growth or a mass exodus from rural areas);

- (ii) to prevent the economic anchoring of the Mediterranean to Europe from producing worse social disparities.

Spending on schools is primarily the job of the governments of the countries themselves. However, the scale of the financial needs and the problems that would result for the Community if the social situation worsened mean that it will have to help stop the decline by providing financial support, know-how and exchanges of experience.

Against this background, the social lot of the underprivileged (particularly young people and women) would be given particular priority where education and basic training are concerned.

2.2.2. Promoting harmonious and integrated rural development

The balance between town and country is particularly important in the Mediterranean, a region in which a large section of the population remains economically and culturally attached to the rural environment and in which farming has a social importance which far exceeds its economic value.

A massive and uncontrolled rural exodus could have disastrous social, political and environmental consequences for the countries of the region and for the Community.

For this reason, the Community must take integrated steps to back rural development. Its effort should include the financing of agricultural development proper, but also improvement of basic services (health care, water supplies and sewerage, electricity and education) and the development of related activities such as tourism and other services.

This aim should be reflected in the cooperation programmes agreed with each of the countries of the region. The Community is moreover prepared to step up the cooperation linking rural areas of the Community and similar areas of the Mediterranean countries to give the latter the benefit of its experience, particularly by allowing such areas to become involved in the European rural development network.

2.2.3. Greater cooperation in fisheries

Over-fishing and a deterioration of resources are threatening the prospect of conserving fish stocks in the Mediterranean. As a result, the Commission is trying to encourage a policy of efficient fishery management in the region. Implementing such a policy would require evaluation and monitoring of shared or jointly-fished stocks in the form of measures such as biological studies and joint action by the countries of the Mediterranean, plus the establishment of a joint scientific monitoring centre.

2.2.4. Environment

Given the environmental interdependence of the Mediterranean countries, and the interdependence of environmental and other policies, this is naturally a priority area for the development of stronger links between the Community and other countries in the region. The fact that the environmental situation continues to deteriorate in spite of everyone's best efforts makes it even more imperative that we focus very strongly on this area. It is in the vital interests of all concerned that we step up our efforts to reverse the current trend and work together to secure sustainable development throughout the region.

To that end, the Community must encourage those concerned to give priority to the rapid introduction of appropriate environmental policies and to incorporate environmental issues into all sectoral policies. It must strive to improve the effectiveness of all actions and to achieve a more visible impact on the well-being of the people concerned. In practical terms, the following guidelines are proposed:

- (i) the Community must promote the adoption of a programme of priority action for the short and medium term;
- (ii) financial support in this area must focus on these priority actions and investment through long-term, subsidized loans should be encouraged;
- (iii) a mechanism should be set up to monitor the implementation of the programme;
- (iv) in some areas (e.g. clean air), environmental legislation measures should be adopted by all countries of the region;

- (v) to pave the way for the longer term, action in the fields of training, education, networking and environmental data should be stepped up;
- (vi) full use should be made of the existing institutional structures, particularly those covered by the Barcelona Convention of 1975 and the Mediterranean action plan (MAP), with a view to the development of joint approaches and improved monitoring of their implementation.

2.2.5. Contribution of civil society to development

In 1992, the Community introduced decentralized cooperation with civilian bodies, aimed at building networks linking institutions and organizations on both sides of the Mediterranean.

This cooperation must continue and improve in all sectors in which direct cooperation among such bodies is appropriate, for example universities, the media, research and municipal authorities.¹

The Community will give particular attention to the role that might be played by migrants in the development of their countries of origin.

These actions, and others like them, will not only increase European awareness of the challenges facing the peoples of the south, but will also lend impetus to north-south relations by encouraging the direct participation of key players among those peoples.

2.2.6. Integrated development of human resources (particularly education and vocational training)

Education in all its aspects (including science and technology) is one of the major levers of

development. A special effort must be made to improve primary and secondary education, and to restructure higher education systems.

In the field of vocational training, particular care must be taken to improve the quality and flexibility of existing training systems by encouraging the integration of young people, especially women, into the labour-market.

The Community is happy to put its experience at the disposal of its Mediterranean partners, while taking care to ensure that the partners' cultural identities are mutually respected.

2.2.7. Consolidation of democracy and respect for human rights

The Community must step up the dialogue on democracy and human rights.

An appropriate dialogue conducted not only with governments but also with representatives of civil society, coupled with technical and financial assistance for specific operations, will help achieve this objective.

2.2.8. Support for cultural exchanges

The Community must endeavour to foster understanding on both sides of the Mediterranean by encouraging dialogue and exchanges between artists and cultural associations and networks.

It is also important to step up information and communication activities in the Mediterranean region.

¹ Namely the MED-Urbs, MED-Campus, MED-Invest and MED-Media programmes.

2.2.9. Cooperation and technical assistance in order to reduce illegal immigration drug trafficking as well as terrorism and international crime

The Community should widen the dialogue and its assistance in fields having an impact on migratory flows as well as on the fight against terrorism and international crime. Administrative and technical cooperation will cover exchange of information, compatibility of data, development of legal systems and respect for international agreements. Upstream activities such as agricultural diversification as far as concerns the fight against drugs should also be envisaged.

These activities will be integrated in the concrete actions described in the present chapter.

2.3. Support for regional integration

There can be no question of creating a Mediterranean economic area in any real sense

without a major integration drive among the Mediterranean countries themselves, not to mention greater integration between Europe and those countries.

The Community will give priority to improving communication and cooperation links between border regions on both sides of the Mediterranean, seeking synergies with cross-border and decentralized interregional cooperation instruments already available to the Community.

The Association Agreements concluded with the Community must therefore be followed by similar agreements on free trade and cooperation among the countries concerned.

The Community should support this process in two ways:

- (i) by providing encouragement and assistance as appropriate for the creation of regional cooperation structures;¹
- (ii) by providing EIB loans and budget resources to finance the economic infrastructure that is essential if regional trade is to be stepped up, especially in the field of transport, communication and energy.

The Community should also promote increased cooperation with the Gulf countries in its activities in the Middle East.

3. Instruments, implementing procedures and eligibility

3.1. Instruments

The Community has two main kinds of instruments to achieve the objectives outlined above, namely budget resources and EIB loans.

These instruments should be used in such a way as to ensure optimum consistency and synergy:

- (i) contributions from budget funds should focus on support for the private sector (consultancy, credit lines, microbusinesses), technical assistance, studies, social infrastructure and support for cooperation activities launched by civilian bodies;
- (ii) EIB loans should primarily be used to finance 'bankable' operations, for example long-term loans for economic infrastructure projects and production;
- (iii) the two instruments should combine to co-finance projects wherever possible and wherever synergies can be achieved.

¹ The discreet and indirect Community assistance that led to the introduction of economic cooperation between Egypt, Israel, Jordan and the Palestinians would be a good example to follow.

Examples would include feasibility studies, project preparation and technical and management assistance for projects financed by the EIB. Some types of infrastructure projects (e.g. in the environmental sector) could also benefit from interest rate subsidies.

The EIB could combine risk capital and own resources in its support for the private sector, using the former to bolster company equity and the latter to supplement the loan package of investment projects.

3.2. Implementation procedures

From 1997, most cooperation activities are due to come under a single budget heading, B7-410, which will thus take the place of the financial protocols that expire on 31 October 1996.¹

Experience shows that the implementation procedures of these financial protocols need to be improved by:

- (i) setting sectoral amounts and priorities for shorter periods (currently five years);
- (ii) promoting genuine debate on strategy;
- (iii) targeting Community cooperation more on civilian bodies such as companies, federations and non-governmental organizations (NGOs);
- (iv) making programming more flexible and hence more efficient and more transparent.

In future, project selection under the Euro-Mediterranean partnership should be more flexible. This greater flexibility should also be used to allow partners making good progress on economic reform, or making efficient use of their funds to derive greater benefit from the programme. With the same aim in mind, regular evaluations will be conducted with the recipient countries to ensure that the Community's activities suit their needs.

The task of financial management will be considerably lightened and made more trans-

parent by having only one budget heading to administer for the entire Mediterranean, rather than the plethora of items currently involved.

The replacement of a contractual financial relationship (protocol) by an independent financial system should not entail the abandonment of multiannual programming with the beneficiaries. On the contrary, it is vital to give our Mediterranean partners the advance information that will allow multiannual operations to be financed. This is why it is so important to set an indicative multiannual figure for our partners as a body, as the Commission has proposed for the period 1995-99 (ECU 5 500 million).

The Commission therefore proposes to join with the EIB² in consulting our Mediterranean partners to establish a flexible multiannual programme allowing for the adoption of coherent action programmes in the priority areas selected.

To improve the efficiency of cooperation, the Commission proposes that the annual meetings of the cooperation councils should henceforth be held at technical level, while at political level the Community and the body of MNCs should hold an annual ministerial meeting covering issues of common interest.

3.3. Countries eligible

In respect of budget funds, all MNCs with which the Community has concluded Association or Cooperation Agreements would be eligible, and would thus be covered by the MEDA programme from 1997. The same will apply to the Occupied Territories, while Israel, Cyprus and Malta will be eligible for the decentralized cooperation (MED-Campus, etc.), regional and environmental components of the MEDA programme.

As regards EIB resources, all Mediterranean non-member countries with which the Community has concluded Association or Cooperation Agreements will be eligible, as will the Occupied Territories.

¹ With the exception of Malta and Cyprus, for which new financial protocols have recently been negotiated for the period 1995-99.

² And if possible with the Member States and other donors.

The Commission also believes it would be appropriate to extend some decentralized cooperation projects to the non-Mediterranean Arab countries, especially those of the Gulf Cooperation Council, subject to their making a financial contribution covering the cost of their participation.

3.4. Financial resources and indicative allocation

In its communication of 19 October 1994, the Commission indicated that, in view of the challenges facing our partners to the south, if the MNC were to succeed in their transition to a free-trade area, manage their interdependence and promote regional cooperation, it would be essential that the Community provide sufficient financial backing to ensure that the programmes adopted had a real impact on social and economic development in the countries concerned.

The Commission gave ECU 5 500 million as an indicative amount in budget funds for the period 1995-99.

This input must be supplemented by a substantial increase in EIB loan guarantees. When determining the size of the guarantees and the procedures governing them, account would have to be taken of existing budget constraints and the Essen European Council's wish to

share out the Community's financial commitments in a geographically equitable manner.

The Commission is of the opinion that budget funds should be used to target projects accompanying economic reforms, and those aimed at education, health, social infrastructure and the relief of poverty.

The table in the annex shows the proposed allocation of budget funds on a sectoral basis.

3.5. Coordination with the Member States and other donors

To send a positive signal to operators active in the Mediterranean region, it would be ideal if other donors:

- (i) could adopt indicative financing programmes for 1995-99 along with the Community; and
- (ii) especially in the case of the Member States, could agree a coherent strategy for the medium term.

The Commission, convinced that both donors and beneficiaries would greatly benefit from improved strategic and operational coordination, will seek energetically to promote that objective.

Conclusions

The Commission is firmly of the opinion that the line of action proposed in its communication of 19 October 1994 and set out in more detail in this paper is indispensable if the Community is to help its Mediterranean partners to establish an area of peace and stability. This approach will also give impetus to rapid and harmonious economic and social development in the countries concerned, thus closing the 'prosperity gap' between the northern and southern shores of the Mediterranean. This is a major, long-term challenge, that can be taken on, only through the adoption of a concerted policy that is both dynamic and committed.

The Commission believes that this communication could serve as a useful basis for the Barcelona Conference, which should consolidate Euro-Mediterranean partnership and lay the foundations for a permanent forum for dialogue.

The resulting operational guidelines and recommendations are that:

- (i) the indicative amount be ECU 5.5 billion as approved by the Commission on 19 October (COM(94)427 final). The amount was decided on while negotiations regarding alteration of the financial per-

spectives to cope with enlargement were in progress, and is to be updated in the light of the outcome of those negotiations considered by the Commission to be priorities);

- (ii) the sectoral priorities be as given in Annex I;
- (iii) the Commission and the EIB be called upon to report to the Council on the possibilities of allocating to the MNCs an

amount comparable to that proposed by the Commission for 1995-99, from the Bank's own resources, with appropriate guarantees from the budget, taking account of existing budget constraints and of the principles of geographical balance set out by the Essen European Council.

The Commission consequently requests that the operational guidelines and recommendations be confirmed.

Annex 1

Sectoral priorities for the Mediterranean region, 1995-99

(billion ECU)

	EC budget
<i>1. Support for economic transition</i>	2.3
– Business sector (SME)	1.4
• expertise for modernization, reconstruction, privatization (including improving the regulatory framework)	0.7
• risk capital	0.4
• vocational and management training	0.3
• long term loans	—
– Structural adjustment	0.5
– Infrastructure: transport, energy, telecommunications	0.4
<i>2. Support for better socioeconomic balance</i>	2.6
– Social infrastructure (water, sanitation, electricity, etc.)	1.0
– Education	0.4
– Population and health	0.3
– Rural development	0.6
– Environment	0.3
<i>3. Support for regional integration</i>	0.6
– Decentralized cooperation	0.3
– Other regional projects	0.3
Total	5.5

NB This amount will be supplemented by EIB own resources

Financial cooperation with the Mediterranean countries (Chapter B7-40, 41, 47)

(ECU million at current prices)

1995 ¹	1996	1997	1998	1999	1995/1999
549.4	700	1 045	1 442.6	1 763	5 500

¹ Subject to the budgetary authority adopting the 1/95 supplementary amending budget

Proposal for a Council Regulation (EC)
on financial and technical measures
to support the reform of economic
and social structures
in Mediterranean non-member countries
and territories
(MEDA budget heading)

Explanatory memorandum

A new Regulation has been made necessary by the creation of the new MEDA budget heading (B7-410), for financing of technical and financial cooperation measures in favour of the Mediterranean region and by the significant increase in funds which is foreseen, given the strategic importance of the region. The present proposal for a Council Regulation sets out the rules for the administration of this budget heading. Proposals for the objectives, activities and instruments of such cooperation over the years to come were presented by the Commission in its communication of 8 March 1995 entitled 'Strengthening the Mediterranean policy of the European Union: proposals for implementing a Euro-Mediterranean partnership'.

A number of modifications are made to the existing arrangements and in particular the following.

1. The bilateral financial protocols and the Regulation for regional cooperation will, for the most part, be replaced by the proposed Regulation after a transitional period. Under the latter, the measures to be taken shall be selected taking into account both the beneficiaries' priorities and the objectives of the Community. This selection process shall lead to the establishment of a rolling three-year indicative programme; however, budget funds and projects will continue to be adopted annually. A management committee of type IIa is proposed to assist the Commission in order to streamline decision-making in the context of the additional volume of cooperation which is envisaged.

2. Article 235 of the Treaty establishing the European Community provides the legal base given that, on the one hand, the envisaged activities go beyond those belonging to traditional development and that, on the other hand, certain countries in the region do not belong to

the category of 'developing country'. The Regulation is open-ended.

3. The beneficiaries (referred to as Mediterranean partners) under the proposed Regulation are the Maghreb and Mashreq countries and territories as well as Turkey, Cyprus and Malta. Explicit provision is made for decentralized cooperation in order to allow more flexibility and better targeting in view of the wide range of measures which are envisaged.

4. In line with the communication of 8 March 1995 and with the strategic objective of a Euro-Mediterranean partnership, the priority axes of cooperation are support to economic transition and the establishment of a Euro-Mediterranean free-trade area, support to a better socioeconomic balance, and support to regional cooperation. Promotion of good governance shall also be an important theme for future cooperation.

5. The participation of women shall be promoted and provisions have been made regarding the respect of democratic principles and human rights.

6. The Commission considers it appropriate that invitations to tender and contracts be open on equal terms to all natural and legal persons of the Member States and of Mediterranean partners.

As in the past, co-financing is possible with the recipient countries, the Member States, the European Investment Bank, third countries or multilateral bodies. Cooperation with the European Investment Bank on risk capital and interest-rate subsidies for environment projects continues to be foreseen. Particular importance is attached to coordination and cooperation with the Member States, international financial institutions and other donors.

Council Regulation (EC) on financial and technical measures to support the reform of economic and social structures in Mediterranean non-member countries and territories

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas the stability and prosperity of the Mediterranean region require a new phase of relations to be established which foresee the establishment of a free-trade area between the European Community and Mediterranean non-member countries and territories as well as the associated applicant countries, Cyprus and Malta and a customs union with Turkey,

Whereas the Essen European Council of 9 and 10 December affirmed that the Mediterranean constitutes a priority area of strategic importance to the European Union and adopted the aim of establishing a Euro-Mediterranean partnership,

Whereas it is necessary to pursue efforts to ensure that the Mediterranean becomes an area of political stability and security, founded on respect for democracy, good governance and respect for human rights,

Whereas for the non-member Mediterranean countries and territories the establishment of a free-trade area will involve profound structural reform,

Whereas it is therefore necessary to support the efforts that Mediterranean non-member countries and territories will undertake to reform their economic and social structures,

Whereas intensified regional cooperation and in particular the development of economic links and trade flows between Mediterranean non-member countries and territories which are

conducive to economic reform and restructuring should be encouraged,

Whereas the bilateral protocols on financial and technical cooperation concluded by the Community with Mediterranean non-member countries provided a useful initial basis for cooperation and now it is necessary to build on the experience which has been acquired and to enter into a new partnership within a unified framework,

Whereas rules for the administration of such a partnership have to be determined,

Whereas to this end the present Regulation will apply to the range of measures which came under Council Regulation (EEC) No 1762/92 on the implementation of the protocols on financial and technical cooperation concluded by the Community with Mediterranean non-member countries, Council Regulation (EEC) No 1763/92 concerning financial cooperation in respect of all Mediterranean non-member countries for measures whose scope extended beyond the scope of a single country, Council Regulation (EEC) No 1734/94 on financial and technical cooperation with the Occupied Territories and proposal COM(94)289 final, for a Council Regulation in the field of employment creation and support to small and microenterprises in the Maghreb countries,

Whereas therefore, the present Regulation replaces the abovementioned Regulations as from 1 January 1997, whilst it is necessary to maintain Council Regulation (EEC) No 1762/92 in force for the management of financial protocols still applicable at this date and for the commitment of funds remaining under the expired financial protocols,

Whereas in respect of environmental projects the loans granted by the European Investment Bank, hereinafter referred to as 'the Bank', from its own resources under conditions laid

down by it, in accordance with its Statute, may receive an interest-rate subsidy,

Whereas in loan operations involving interest-rate subsidies, the granting of a loan by the Bank from its own resources and the granting of an interest-rate subsidy financed by the budgetary resources of the Community must be linked and are conditional upon each other, whereas the Bank may, in accordance with its Statute, and in particular by a unanimous decision of its Board of Directors in the presence of an unfavourable opinion by the Commission, decide to grant a loan from its own resources, subject to granting of the interest-rate subsidy; whereas, on account of this aspect, it is necessary to ensure that the procedure adopted for granting interest-rate subsidies results in every case in an express decision, whether to grant the subsidy or to refuse it, where appropriate;

Whereas it is necessary to make provision for a Committee consisting of representatives of the Member States to assist the Bank in the tasks attributed to it to implement this Regulation,

Whereas to allow for effective management of the measures foreseen in this Regulation and to facilitate policy dialogue with the beneficiary countries a multiannual approach is required,

Whereas the measures foreseen by the present Regulation go beyond the framework of development cooperation and are destined to apply to countries which cannot be classified as developing countries; therefore this Regulation cannot be adopted other than on the basis of the competences foreseen by Article 235 of the EC Treaty.

HAS ADOPTED THIS REGULATION:

Article 1

1. The Community shall implement measures to support the efforts that Mediterranean non-member countries and territories listed in Annex 1 (hereinafter referred to as 'Mediterranean partners') will undertake to reform their economic and social structures.

2. The beneficiaries of support measures may include not only States and regions but also local authorities, regional organizations, public agencies, local or traditional communities, organizations supporting business, private operators, cooperatives, mutual societies, associa-

tions, foundations and non-governmental organizations.

Article 2

1. Support measures shall be undertaken in coherence with the objective of achieving long-term stability and prosperity and in particular in the fields of economic transition, achieving socioeconomic equilibrium and regional and cross-border cooperation.

2. Support to economic transition and the establishment of a Euro-Mediterranean free-trade area shall include notably:

- (i) private sector development and employment creation, including improvement of the business environment and support to SMEs;
- (ii) the promotion of European private investment, including industrial cooperation;
- (iii) the upgrading of economic infrastructure;
- (iv) operations in support of structural adjustment programmes.

3. Support to achieving a better socioeconomic balance shall include notably:

- (i) the improvement of social services;
- (ii) harmonious and integrated rural development;
- (iii) reinforced cooperation concerning fisheries;
- (iv) environmental cooperation;
- (v) participation of civil society in development;
- (vi) integrated development of human resources, notably in education and vocational training, as well as improving the potential for scientific and technological research;
- (vii) strengthening democracy and the respect for human rights;
- (viii) cultural cooperation; and through the above measures
- (ix) cooperation and technical assistance in order to reduce illegal immigration, drug trafficking and international crime.

4. Regional and cross-border cooperation shall be supported notably by:

- (i) establishing structures and improving infrastructure for regional cooperation between Mediterranean partners;
- (ii) establishing the infrastructure necessary for regional trade, including transport, communications and energy, improvement of the regulatory framework and small-scale infrastructure projects in the context of border-crossing facilities: particular attention will be paid to border-crossing facilities on borders between the Mediterranean partners and the Union, to cooperation on the level of large geographic regions as well as to measures complementary to those undertaken in this field within the Union;
- (iii) cooperation with the Arab League and its agencies as well as other Pan-Arab and regional activities.

5. Good governance shall be promoted by supporting key institutions, including local government, trade unions, media and organizations supporting business and by assisting in the improvement of the capacity of the public administration to develop policies and manage implementation.

6. Measures taken under this Regulation shall take due regard to the promotion of the participation of women. Special importance shall be attached to the creation of jobs for women and young people.

7. The activities financed under this Regulation shall mainly take the form of technical assistance, training, institution building, policy dialogue, information, seminars, studies, investment projects and actions to ensure the visibility of Community projects and programmes. Recourse should be made to decentralized cooperation where this may prove effective. Risk-capital operations and interest-rate subsidies may be financed notably in collaboration with the European Investment Bank. Costs incurring to the beneficiaries from the preparation, implementation, monitoring, audit and execution of support measures may also be covered.

8. When an essential element for the continuation of support measures is missing, in particular in cases of violation of democratic principles and human rights, the Council may, on a proposal from the Commission, acting by

a qualified majority, decide upon appropriate measures concerning the assistance to a Mediterranean partner.

Article 3

1. Measures to be financed under this Regulation shall be selected taking account, *inter alia*, of the beneficiaries' priorities, evolving needs and progress towards structural reform as well as on the basis of an assessment of the effectiveness of those measures in achieving the objectives aimed at by Community support, in line with the provisions of Association or Cooperation Agreements where applicable.

2. Indicative programmes covering three-year periods shall be established at national and regional level, taking into account the priorities identified with the Mediterranean partners, including the conclusions of economic dialogue, and shall be updated annually, as necessary. These programmes shall define the principal objectives of, and guidelines for Community support in the indicative areas referred to in Article 2 and may include a financial estimate. These programmes may be amended during the period of their application taking into account the experience accumulated in the implementation of this Regulation as well as progress in structural reform, macroeconomic stabilization and social progress achieved by the Mediterranean partners.

3. Financing decisions based notably on these indicative programmes shall be adopted in accordance with the procedure provided for in Article 10.

Article 4

1. The Commission shall, together with the Member States and on the basis of the information supplied by them, ensure the effective coordination of the assistance efforts undertaken by the Community and individual Member States. In addition coordination and cooperation with international financial institutions and other donors shall be encouraged.

2. The measures referred to in this Regulation may be granted by the Community, either independently or in the form of co-financing with the Mediterranean partners themselves or

with, on the one hand, public or private bodies of the Member States and the European Investment Bank, or on the other hand, third countries or multilateral bodies.

Article 5

1. Community financing shall notably be in the form of grants or risk capital. Concerning cooperation measures in the field of the environment it may equally take the form of interest-rate subsidies for loans granted by the Bank on its own resources.

2. Grants may be used to finance or co-finance activities, projects or programmes which contribute to the realization of the objectives defined in Article 2. The extent to which activities, projects or programmes will be financed by grants shall also depend on their capacity to yield financial return.

3. Financing decisions and any financing agreements and contracts resulting therefrom shall expressly provide, *inter alia*, for supervision and financial control by the Commission and audits by the Court of Auditors to be carried out on the spot.

Article 6

1. Measures under this Regulation may cover expenditure on imports of goods and services and local expenditure needed to carry out the projects and programmes. Taxes, duties and charges shall be excluded from Community financing.

Contracts for the implementation of Community funded measures under this Regulation shall enjoy, in the Mediterranean partners concerned, fiscal and customs arrangements no less favourable than those applied by such partners in respect of the most-favoured State or most-favoured international development organization.

2. Maintenance and operating costs may be covered for training, communications and research programmes and for other projects; however, for the latter such costs may be covered only in the start-up stage on a declining scale.

3. For investment projects Community financing shall be combined with own resources of the promoter or with financing at market conditions, taking into account the nature of the project. However, Community financing may not exceed 80% of total investment cost.

Article 7

1. Invitations to tender and contracts shall be open on equal terms to all natural and legal persons of the Member States and of Mediterranean partners.

2. In the case of co-financing, participants from countries other than the Mediterranean partners concerned in invitations to tender and contracts may be authorized by the Commission, on a case-by-case basis. In these cases, participation of undertakings from third countries shall only be acceptable if reciprocity is granted.

Article 8

1. Financing decisions exceeding ECU 2 000 000 other than those relating to interest-rate subsidies on European Investment Bank loans and risk capital shall be adopted in accordance with the procedure laid down in Article 10.

2. Financing decisions on overall allocations shall be adopted in accordance with the procedure laid down in Article 10. The Commission shall inform the committee referred to in Article 10 of the use made of these overall allocations.

3. Decisions amending decisions adopted in accordance with the procedure provided for in Article 10 shall be taken by the Commission where they do not entail any substantial amendments or additional commitments in excess of 20% of the original commitment.

4. Financing decisions relating to interest-rate subsidies on Bank loans shall be adopted in accordance with the procedure laid down in Article 11. Financing decisions relating to risk capital shall be adopted in accordance with the procedure laid down in Article 12.

Article 9

Measures referred to in this Regulation which are financed from the general budget of the European Communities shall be appraised, decided upon and administered by the Commission, without prejudice to the management by the Bank of interest-rate subsidies and risk-capital operations under authority conferred on it by the Commission on behalf of the Community pursuant to Article 105(3) of the Financial Regulation of 21 December 1977 applicable to the general budget of the European Community.

Article 10

1. The Commission shall be assisted by a committee composed of the representatives of the Member States and chaired by the representative of the Commission (hereinafter referred to as 'the Committee') to be known as the 'MED Committee'. A representative of the Bank shall take part in the proceedings, without the right to vote.

2. The representative of the Commission shall submit to the Committee a draft of the measures to be taken. The Committee shall deliver its opinion on the draft within a time-limit the chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 148(2) of the EEC Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the Committee shall be weighed in the manner set out in that Article. The chairman shall not vote.

3. The Commission shall adopt measures, which shall apply immediately. However, if these measures are not in accordance with the opinion of the Committee, they shall be communicated by the Commission to the Council forthwith. In that event, the Commission shall defer application of the measures which it has decided for a period of six weeks.

The Council, acting by a qualified majority, may take a different decision within the period laid down in the first subparagraph.

4. The Committee may examine any other question relating to the implementation of this Regulation which may be put to it by its chairman, possibly at the request of the representative of a Member State and, in particular, any question relating to general implementation, the administration of the programme, co-financing and the coordination referred to in Article 4.

5. The Committee shall adopt its rules of procedure by qualified majority.

6. The Commission shall keep the Committee regularly informed and will supply information on the implementation of measures under this Regulation.

7. The European Parliament shall be kept regularly informed of the implementation of this Regulation.

Article 11

1. As regards the projects to be financed by subsidized loans in the field of the environment, the Bank shall draw up the financing proposal in accordance with its Statute. The Bank shall seek the opinion of the Commission, in accordance with Article 21 of the Statute, and of the Committee referred to in Article 13.

2. That Committee shall issue an opinion on the Bank's proposal. The Commission representative shall convey to the Committee the position of his institution on the project concerned, and in particular on its conformity with the objectives of this Regulation and with the general guidelines adopted by the Council. In addition, the Committee shall be informed by the Bank of the non-subsidized loans which the Bank envisages granting from its own resources.

3. On the basis of that consultation, the Bank shall ask the Commission to take a financing decision to grant the interest-rate subsidy for the project concerned.

4. The Commission shall submit to the MED Committee a draft decision authorizing or, if appropriate, refusing the financing of the interest-rate subsidy.

5. The Commission shall forward the decision referred to in paragraph 4 to the Bank, which, where the decision grants the subsidy, may grant the loan.

Article 12

1. The Bank shall submit to the Committee referred to in Article 13, for its opinion, projects concerning risk-capital operations. The Commission representative shall convey to the Committee the position of his institution on the project concerned and in particular on its conformity with the objectives of this Regulation and with the general guidelines adopted by the Council.

2. On the basis of this consultation, the Bank shall forward the project to the Commission.

3. The Commission shall take the financing decision within a period appropriate to the characteristics of the project.

4. The Commission shall forward the decision referred to in paragraph 3 to the Bank, which shall take the appropriate measures.

Article 13

1. A Committee consisting of the representatives of the Member States, hereinafter referred to as the 'Article 13 Committee', shall be set up at the Bank.

The Committee shall be chaired by the representative of the Member State currently holding the presidency of the Board of Governors of the Bank; its secretariat shall be provided by the Bank. A representative of the Commission shall take part in its proceedings.

2. The rules of procedure of the Committee shall be adopted unanimously by the Council.

3. The Committee shall act by a qualified majority in accordance with Article 148(2) of the Treaty.

4. Within the Committee, the votes of the representatives of the Member States shall be

weighted in accordance with Article 148(2) of the Treaty.

Article 14

1. The Commission shall, together with the Bank, examine progress achieved in implementing the measures undertaken pursuant to this Regulation and shall submit to the European Parliament and the Council an annual report, no later than 30 April. The report shall contain information on the measures that have been financed during the year, with due regard for confidentiality, and provide an assessment of the results obtained.

2. The Commission and the Bank shall evaluate the projects that concern each of them, in order to determine whether the objectives have been achieved and to establish guidelines for stepping up the effectiveness of future activities. The evaluation reports shall be made available to the Council and the European Parliament.

Article 15

1. Council Regulation (EEC) No 1763/92 and Council Regulation (EC) No 1734/94 are repealed as from 31 December 1996.

2. As from 31 December 1996, Council Regulation (EEC) No 1762/92 shall apply for the management of the protocols still in force at this date and for the commitment of funds remaining under the expired protocols.

Article 16

This Regulation shall enter into force on the third day following that of its publication in the *Official Journal of the European Communities*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Annex 1

Partner countries and territories referred to in Article 1

The People's Democratic Republic of Algeria

The Republic of Cyprus

The Arab Republic of Egypt

The State of Israel

The Kingdom of Jordan

The Republic of Lebanon

The Republic of Malta

The Kingdom of Morocco

The Arab Republic of Syria

The Republic of Tunisia

The Republic of Turkey

The Occupied Territories of Gaza and the West Bank of the River Jordan

Extracts from the conclusions
of the Presidency
of the Cannes European Council

(26 and 27 June 1995)

External relations

The European Council reaffirms the strategic importance it attaches to adding a new dimension to the European Union's relations with its Mediterranean partners. It trusts that the Conference in Barcelona in November 1995 will lay the foundations for a Euro-Mediterranean partnership with ambitious cooperation goals and welcomes the Council's report of 12 June, setting out the objectives that the Union intends to pursue in Barcelona. It is pleased to note the encouraging response already received from the Mediterranean partners. It calls on the Council and the Commission to press ahead with preparations for the Barcelona Conference with the 12 States concerned.

It is pleased to note the initialling of the new Agreement with Tunisia. It urges early conclusion of the Agreements with Morocco and Israel. Lastly, it calls for rapid progress to be made in the negotiations with Egypt, Jordan and Lebanon. It welcomes the closer ties between the European Union and Turkey.

Gravely concerned by the situation in Algeria, the European Council renews its appeal to all

those involved in political life to break the cycle of violence and find a political solution through peaceful dialogue and free and fair elections. It reaffirms its readiness to support an economic restructuring policy in Algeria.

The European Council pays tribute to the efforts made by the parties directly concerned in the Middle East Peace Process to achieve, despite the difficulties in their path, a just, lasting and comprehensive peace in the region. It expresses the fervent hope that the Israeli-Palestinian negotiations can be successfully completed by 1 July. It confirms that the Union is fully ready, when the time comes, to send observers to the forthcoming Palestinian elections and to coordinate the various international observer missions at those elections and confirms the European Union's commitment resolutely to encourage and support this process, both economically and politically. It has asked Mr Felipe Gonzalez, the incoming President of the European Council, in the second half of 1995 to take all relevant steps to that end.

Euro-Mediterranean Conference in Barcelona — position of the European Union

General introduction

The countries of the European Union and their Mediterranean partners must act together to a greater extent to ensure that the Mediterranean becomes, more so than at present, an area of exchange and dialogue guaranteeing peace, stability and the well-being of those who live around it.

In accordance with the guidelines laid down by the European Councils in Lisbon (June 1992), Corfu (June 1994) and Essen (December 1994), the European Union is resolved to establish a lasting pattern of relations with the other Mediterranean countries in a spirit of partnership. An ambitious policy of cooperation to the south forms a counterpart to the policy of openness to the east and gives the European Union's external action its geopolitical coherence.

The European Union and its Mediterranean partners will have to meet common challenges calling for a coordinated overall approach. That approach must take proper account of the characteristics and distinguishing features of each of the countries on the other side of the Mediterranean. The establishment of a multilateral framework between Europe and the other side of the Mediterranean is the counterpart to a strengthening of the bilateral relations which link the Union and each of its partners. The existing bilateral agreements and the current negotiations for the conclusion of new generation agreements will make it possible to safeguard or even accentuate the specific nature of each of these bilateral relations within the new multilateral framework; these agreements will at the same time constitute one of the main instruments for implementing the provisions contained in this document.

The Euro-Mediterranean Ministerial Conference to be held in Barcelona on 27 and 28 November 1995 will give the countries of the European Union and their eastern and western Mediterranean partners an unprecedented opportunity to decide together what their future relationship is to be.

In its relations with these countries, the European Union's objective is to ensure stability and prosperity in the Mediterranean. To that end, the European Union is prepared to support those countries in their efforts to turn the region progressively into an area of peace, stability, prosperity and cooperation and for that purpose to establish a Euro-Mediterranean partnership. That calls for political dialogue, sustainable and balanced economic and social development, combating poverty and the need for greater understanding between cultures through a reinforcement of the human dimension in exchanges.

This is the spirit in which the European Union has embarked on the present discussion, which seeks to establish an overall partnership based on strengthening democracy and respect for human rights, which constitute an essential element in relations between Europe and its Mediterranean neighbours. That partnership comprises the following three main aspects:

A political and security aspect

The aim here is to establish a number of common principles and interests, acceptable to all, which the partners would undertake to promote together. It involves a reaffirmation of the importance, within each State, of respect for fundamental freedoms and the establishment of the rule of law, which constitute elements of stability for the whole Mediterranean region. Likewise, relations between States must be guided by certain principles acceptable to all which will ensure the stability of the region. This initiative involves a dialogue with countries in the Arab-Muslim world, and with other countries, and will take into account the specific cultural features of the region.

An economic and financial aspect

The aim is to build a zone of shared prosperity. An action plan is put forward, setting out the framework, priorities and arrangements for partnership in order to establish a Euro-Mediterranean economic area based on free trade in accordance with the obligations arising from the WTO. It commits the partners to consider

ing the implications of creating a free-trade area in relations between them as well as in the fields of economic development, resources and infrastructure. Particular importance is attached to regional integration. In this context, it is emphasized that European Union aid to the Mediterranean region cannot be a substitute for major efforts by the countries concerned to improve their own situation and their economic and social development. It is acknowledged that the economic modernization involved requires a substantial increase in financial cooperation, which must promote above all the mobilization of local economic forces in order to bring about sustainable, self-engendered development. To that end, particular stress will be placed on private sector investment, a powerful factor for the development of the region.

□ *A social and human aspect*

The aim here is to encourage exchanges among civil societies. In the context of decentralized cooperation, the emphasis is placed on education, training and young people, culture and the media, migrant population groups and health. Greater cooperation in the field of home affairs and justice is also envisaged, with action in particular against drug trafficking, terrorism and international crime.

Thus defined, the Euro-Mediterranean partnership, with its overall approach focused on the relationship between Europe and the Mediterranean, differs fundamentally from the peace process in the Middle East. The partnership is not a new forum for resolving conflicts and should not be seen as the framework for this process, even if, among other objectives, it can help to promote its success. The same applies with regard to the other disputes that may affect relations between countries in the area.

Nor is the Euro-Mediterranean partnership intended to replace the other activities and initiatives undertaken in the interests of the peace, stability and development of the region, which are aimed at strengthening dialogue and cooperation between Europe and its neighbours in the southern and eastern Mediterranean.

More particularly, the European Union intends to play an active part in the economic summit to be held in Amman in October as a follow-up to the Casablanca economic summit. This is a separate process from the Euro-Mediterranean partnership, both by its composition and by its

objectives, even if certain synergies may result from it.

All in all, the sole significance of taking part in the Barcelona Conference is that of adhering to the principles underlying the Euro-Mediterranean partnership.

The European Union hopes that the Euro-Mediterranean Conference will lay the foundations for the Euro-Mediterranean partnership by adopting a joint document on the three main aspects referred to above, which form a whole and must be made to interact positively.

Political and security partnership: establishing a common area of peace and stability

In this field, the European Union proposes that the Euro-Mediterranean partnership should be put into practice with the adoption of a declaration of principles by all the partners, at the Conference in Barcelona this autumn, setting a number of objectives common to the parties with regard to internal and external security.

Human rights, democracy and the rule of law

It should be possible for rules of conduct within each State or political entity, which correspond to those recognized by the international community, to be reaffirmed by all the parties. The internal stability of States must be seen as a medium-term element in the stability of the whole Euro-Mediterranean area.

The Euro-Mediterranean partnership should therefore be based on observance of the following principles:

Respect for the basic texts

Commitment by the partners to act in accordance with the UN Charter and the Universal Declaration of Human Rights, as well as the obligations arising from the international decla-

rations and agreements in this field by which they are bound.

Rule of law

Each partner should be able to commit itself to the development of the rule of law and of democracy in its internal political system (free and regular elections to governing and representative bodies, independent judiciary, balance of powers and good governance), with the partners recognizing at the same time the right of each of them to choose and freely develop its own political, sociocultural and economic system, provided it complies with commonly agreed international standards concerning human rights.

Fundamental freedoms

Commitment by each partner to take practical steps to ensure the effective exercise of fundamental freedoms, on the basis of the undertakings entered into by the partners in the previous two paragraphs, including freedom of expression, freedom of association for peaceful purposes and freedom of thought, conscience and religion.

Commitment by the partners to give favourable consideration to the possibility of exchanging information and responding to any requests for information made to them by the partners on questions in connection with human rights and fundamental freedoms.

Pluralism and tolerance

Commitment by each partner to respect diversity and pluralism in its society. Call for the promotion of tolerance between different groups in society and for resistance to manifestations of intolerance, especially racism and xenophobia. Action against terrorism will be all the more effective if it observes the rules of law and the principles of human rights and is coupled in the longer term with policies for specific action to deal with the underlying causes. The partners could thus stress the importance of proper education in the matter of human rights and fundamental freedoms.

Human rights

Commitment by the partners to respect human rights and fundamental freedoms and the exercise of such rights and freedoms, both individually and together with other members of the same group, without any discrimination on the grounds of race, nationality, language, religion or sex.

Stability, security, good-neighbourly relations

The partners could affirm that peace and stability in the Mediterranean region are a common asset, which they undertake to preserve and strengthen by all means at their disposal.

A security partnership between Europe and the Mediterranean should be based on respect for the following principles:

Sovereign equality

Commitment by the partners to respect each other's sovereign equality and all rights inherent in their sovereignty, in accordance with international law. Commitment by the partners to fulfil in good faith the obligations they have assumed under international law.

Non-interference

Commitment by each partner to refrain from any direct or indirect intervention contrary to the rules of international law in the internal affairs of another partner.

Respect for territorial integrity

Commitment by the partners to respect the territorial integrity and the unity of each of the other partners.

Non-use of force and peaceful settlement of disputes

Renunciation by the partners of any recourse, in their mutual relations, to the threat or use of force against the territorial integrity or political independence of another partner, or any other action that is incompatible with the aims of the United Nations. Commitment by the partners to consider joint mechanisms of preventive diplomacy and to settle their disputes by peaceful means.

Fight against terrorism, organized crime and drugs

Commitment by the partners to cooperate to prevent and combat the threat of terrorist activities by ratifying and implementing the international instruments and commitments to which they subscribe in this connection, and by taking other appropriate measures. Commitment by the partners to fight together against the expansion and diversification of organized crime and to combat the drugs problem in all its aspects.

Objectives in relation to disarmament and non-proliferation

Commitment by the partners to fulfil in good faith their commitments under the arms-control, disarmament and non-proliferation conventions to which they are party.

Call for all the partners to adhere to the Treaty on the Non-proliferation of Nuclear Weapons, the Convention on Chemical Weapons and the Convention on Biological Weapons and to commit themselves to practical action in favour of chemical, biological and nuclear non-proliferation.

Commitment by each partner not to develop military capacity beyond its legitimate individual or collective security requirements. The partners could accordingly reaffirm their resolve to achieve the same degree of security and mutual confidence at lower levels of conventional weaponry.

Good-neighbourly relations, confidence and security-building measures

Commitment by the partners to develop good-neighbourly relations among themselves. The partners should support the processes of regional integration, emphasizing their importance for the stability of the region. They could also undertake to consider any confidence and security-building measures that could be taken jointly with a view to the creation of an 'area of peace and stability in the Mediterranean', drawing for example on the Stability Pact for the Central and Eastern European countries.

Economic and financial partnership: building a zone of shared prosperity

Introduction

Problems manifest themselves in different ways in each of the partner countries, but all are faced with the same challenges:

- serious demographic pressure;
- a large farming population;
- insufficient diversification in production and industrial trade;
- weak intraregional trade;
- an overdeveloped and inefficient public sector.

The partners could accordingly set themselves the following long-term objectives:

- to accelerate the pace of sustainable socio-economic development;
- to improve the living conditions of their populations by reducing the prosperity gap and increasing the employment level;
- to encourage regional cooperation and integration.

To this end, a Euro-Mediterranean area should be established on the basis of free trade and partnership in the maximum number of areas.

The partners would consider that policies should be pursued based on the principles of the market economy and the integration of their

economies and on a partnership which takes account of their needs and their different levels of development.

They would give priority to the adaptation and modernization of the economic and social structures of the non-EU Mediterranean countries in order to facilitate the progressive establishment of a free-trade area and in particular:

- to promote the modernization and development of the private sector, as well as its legal and regulatory environment, by means of greater administrative cooperation and by encouraging private investment from local, regional and Community sources;

- to mitigate the social and environmental consequences which may result from economic development, by according in particular the requisite priority to the policies, programmes and projects most directly affecting the day-to-day life of the neediest populations.

The partners should, lastly, endeavour to promote mechanisms to foster transfers of technology.

Euro-Mediterranean free-trade area

The partners would agree to establish a Euro-Mediterranean area based on free trade, to be progressively completed by 2010, covering most trade, based on the opportunities offered and the obligations resulting from the World Trade Organization.

The creation of a free-trade area would be an essential component of the Euro-Mediterranean partnership and would require a special effort by all partners.

Within this area:

- manufactured products would move freely, without tariff or non-tariff barriers;

- taking as a basis traditional trade flows, and as far as the various agricultural policies allow, trade in agricultural products would be progressively liberalized, through reciprocal preferential access;

- the right of establishment for companies, provision of cross-border services and capital movements would be progressively liberalized, having due regard to the GATS Agreement.

To that end, the ongoing negotiations between the Union and non-member Mediterranean countries will be concluded as soon as possible and, in parallel, similar free-trade agreements should be negotiated between the Mediterranean countries themselves.

As a second stage, the Mediterranean countries could be encouraged to negotiate free-trade agreements with the non-Mediterranean European countries associated with the Union.

In order to facilitate trade, the partners would propose:

- to progress by stages towards cumulation of origin among all the parties, in accordance with conditions comparable to those envisaged by the Union *vis-à-vis* the countries of Central and Eastern Europe;

- to adopt broadly similar rules of origin via the development of customs cooperation amongst all partners;

- to improve certification procedures to facilitate mutual recognition of certificates of conformity and, in the longer term, harmonization of standards;

- to adopt the highest possible standards of protection for intellectual property (TRIPS);

- to adopt similar competition rules.

The liberalization of services would be the subject of special agreements, to be negotiated as soon as possible.

Cooperation priorities

Investments

Rapid and sustainable growth and continued structural reforms are essential to the success of economic development. This process should be supported by internal savings, the basis of investment, to which should be added considerably higher direct foreign investments.

For this reason the partners would stress the major importance, for economic development of investment, of the progressive elimination of barriers to investment and of creating an environment conducive to direct foreign investment.

They would therefore propose to examine how to encourage direct investment, while respecting the spheres of competence of all

parties (the European Community, its Member States and its Mediterranean partners).

Regional cooperation

The partners would recognize that regional cooperation is a key factor in promoting the creation of a free trade area. It is therefore important for trade to develop both between the European Union and its Mediterranean partners and also, on a voluntary basis, between the partners themselves.

Business

The partners would appeal to companies to enter into business agreements (joint ventures, marketing arrangements, subcontracting, licensing, etc.) within the Euro-Mediterranean area.

The partners would encourage such cooperation by providing a favourable environment and regulatory framework for companies, while respecting competition rules (access to suitable sites, skilled labour, credit facilities, capital markets, etc.). Particular attention would be paid to support for the privatization of public enterprises.

They would endeavour to promote industrial cooperation and modernization through:

- exchange of information on industrial and technological developments, industrial policy, competitiveness and the modernization, restructuring and privatization of industry, innovation and investment, trade liberalization and its effects on industry and the legal and financial environment, and health and safety at work;
- encouraging networks, joint projects, cooperation infrastructure and consultative mechanisms;
- development of technology and standards;
- improving conditions for developing foreign investment in the Mediterranean partner countries.

The partners would consider it necessary to implement a programme of technical support to SMEs in order to improve the quality of products and services, including tourism. They would support cooperation among SMEs and improved access to credit. The partners would recognize the importance of developing the financial sector in the Mediterranean countries

in order to mobilize resources for assisting business. They would encourage the integration of the informal labour sector through the development of micro-businesses and self-employment.

Environment

The partners would emphasize their interdependence in environmental matters, which requires a regional approach and greater cooperation together with improved coordination of multilateral programmes existing both within the framework of the European Union and of the relevant international organizations. They would recognize the importance of reconciling economic development with environmental protection and of integrating environmental concerns into all aspects of economic policy (industry, research, energy, transport, agriculture, fisheries, tourism and regional planning) in order to foster the sustainable development of the region.

In order to reverse the current tendency towards a degradation of the environmental situation of the region, the partners would undertake to continue and step up the efforts already being made. In this context, they would confirm their attachment to the objectives and structures set up in the framework of the Barcelona Convention and the Mediterranean action plan, to revitalize their efforts in the region. The effectiveness and visibility of their action in this area should be increased. To supplement these efforts, they would also agree to establish a short- and medium-term priority action programme, to concentrate their financial support essentially on such action and to provide a monitoring mechanism for its implementation, in particular regular dialogue.

This programme should be focused in particular on problems of water, waste, air pollution and the protection of soil, coastal areas and the Mediterranean Sea, flora, fauna and conservation of the natural heritage, landscape and sites, the prevention of forest fires, and earth observation. It would be backed up, to prepare for the longer term, by action in training, education, network creation and compilation of environmental data.

The partners would also agree on adopting and implementing, as soon as possible, any legislative and regulatory measures which prove to be

necessary, especially preventive measures, and high standards.

Fisheries

The partners would recognize the importance of conservation and rational management of fish stocks.

Accordingly, they will increase their participation and cooperation in the framework of the General Fisheries Council for the Mediterranean for the adoption and effective implementation of appropriate conservation and management measures in order to ensure the lasting exploitation of this area's fishery resources.

They would confirm their declaration made at Heraklion in December 1994 and propose to take appropriate action in the legal sphere to ensure suitable follow-up to the conclusions of the Conference.

They would improve cooperation on research into fish stocks in the Mediterranean and on training and scientific research and would envisage creating joint scientific monitoring centres for this purpose.

Energy

The partners would recognize their interdependence in the energy sector. For the development both of energy resources and as regards energy exchanges, the appropriate framework conditions need to be created for investments and the activities of energy companies.

They would step up existing cooperation concerning energy policies. They would also encourage producer-consumer dialogue.

To that end, they would propose:

- to foster the association of Mediterranean countries with the Treaty on the European Energy Charter;
- to promote joint participation in research programmes;
- to develop viable renewable energy sources, in particular solar energy technologies;
- to promote energy efficiency.

The partners would cooperate in creating the conditions enabling the companies operating in the energy sector to extend energy networks

(electricity, gas and oil pipelines) and in promoting link-ups between them.

Other areas of cooperation

Agriculture and rural development

The partners would focus cooperation in particular on:

- support for policies implemented by them to diversify production;
- reduction of food dependency;
- promotion of environment-friendly agriculture;
- closer relations between businesses, groups and organizations representing trades and professions in the partners on a voluntary basis
- support for privatization;
- technical assistance and training;
- harmonization of phytosanitary and veterinary standards;
- integrated rural development, including improvement of basic services and the development of associated economic activities;
- cooperation among rural regions, exchange of experience and know-how concerning rural development.

Infrastructure development

(a) Transport

The partners would underline the importance of an efficient transport system within the Euro-Mediterranean area as a precondition for the expansion of trade flows.

To that end, they would respect international maritime law principles and in particular the freedom to provide services in international transport and free access to international cargoes.

They would agree on a priority programme which would incorporate environmental benefits in the following areas:

- improvement of efficiency of port and airport infrastructure;

- simplification of administrative procedures in ports and airports, including computerization;
- harmonization of air-traffic control and management systems;
- improvement of multimodal, combined sea and air transport across the Mediterranean;
- improvement of safety at sea and air safety and more efficient monitoring of marine pollution;
- development of east-west land links on the southern and eastern shores of the Mediterranean;
- connection of the Mediterranean partners' networks to the trans-European networks, including the identification of multimodal corridors of common interest in order to ensure interoperability.

(b) Information technology and telecommunications

The partners would underline the importance of a modern, efficient telecommunications network, particularly as regards basic services for economic and social development. To that end, they will focus on:

- development of infrastructure, particularly in rural areas, to facilitate access to services;
- the modernization of telecommunications (legislation, regulations, pricing structure and transparency, privatization, etc.);
- access to the information superhighway and to multimedia networks;
- transfer of technology, research and training (distance learning, teleworking, SMEs and health);
- development of interadministrative information networks within the Euro-Mediterranean economic area;
- cooperation among telecommunications companies in the above areas.

Local authorities and regional planning

The partners would affirm their willingness to cooperate and examine their interdependence in this area and, with this aim:

- to define a regional planning strategy for the Euro-Mediterranean area appropriate to countries' requirements;

- to promote cross-border cooperation;
- to foster cooperation among local authorities.

As far as towns are concerned, emphasis would be placed on housing, public transport and water-supply and sanitation services.

Research and development

The partners would consider it necessary to promote research and development and tackle the widening gap in scientific achievement, taking account of the principle of mutual advantage.

To that end, the research capacity of the Mediterranean rim countries should be improved and assistance given for the training of scientific and technical staff, to promote better integration of young researchers in the region.

Implementation of the three Rio Conventions on biological diversity, the fight against desertification and climate change constitutes an ideal area for cooperation.

In addition, qualified research institutes and higher education establishments from European and Mediterranean countries will participate in joint research programmes, based in particular on the creation of scientific networks on clearly defined topics.

In this context, the partners would note with satisfaction the opening-up on a case-by-case basis of many specific programmes under the Community's fourth framework programme, particularly those dealing with the environment and technology, health and society, research on renewable resources, urban development, the information technologies programme and the communications technologies programme.

These areas are in addition to those already subject to the same arrangements under the Community's third framework programme.

Lastly, they would wish to set up a committee to monitor Euro-Mediterranean cooperation on

research and development so as to follow up, in particular, the discussions started on 21 and 22 March in Sophia Antipolis.

Statistics

The partners would recognize the importance of comprehensive, up-to-date statistical information. They would promote closer cooperation between the Statistical Office of the European Communities (Eurostat), the Member States' statistical offices and the statistical offices of interested Mediterranean countries, in particular for harmonizing methodology and exchanging data. A conference organized by Eurostat would examine the key needs of the national statistical systems of the Mediterranean countries in order to determine priority areas of cooperation.

Means of cooperation

In order to implement the partnership, and in particular to back up the efforts involved in setting up a free trade area, the partners would stress the importance of efficient financial cooperation, managed in the framework of a multiannual programme, adapted to its objectives and priorities and which takes account of the specific characteristics of each of the partners.

For this purpose the Community considers that the partnership should benefit from substantial additional financial assistance for the period 1995-99. This would be supplemented by EIB assistance in the form of increased loans and financial resources allocated bilaterally by the Member States, with a view to ensuring through coordination of contributors, in compliance with the principle of subsidiarity, the optimum complementarity and effectiveness of such assistance and a clear overall profile for European Union action.

The partners would recognize the importance of sound macroeconomic management to ensure the success of their partnership. To this end, they would agree on the value of economic-policy dialogue between the Community and each of the Mediterranean partners, particularly under new agreements.

Partnership in social and human affairs

Introduction

The partners would work to encourage the participation of civil society in the Euro-Mediterranean partnership. With this in view, they would develop instruments of decentralized cooperation encouraging exchanges between those active in development: leaders of civil and political society, the cultural world, universities, the research community, the media, organizations, trade unions and public and private enterprises. They would undertake to promote the participation of women in such exchanges, because of their key role in development.

The partners would also recognize that current population trends must be counterbalanced by appropriate demographic policies to accelerate economic take-off. In this context, the partners would consider this challenge a matter of priority.

They would consider that the development of human resources is vital both in the education and training of young people and in the areas of culture and health. In this regard, they would stress the importance in this field of the principle of subsidiarity, which reflects the different responsibilities of the Member States and the Community, and of linguistic diversity.

They would acknowledge the importance of the role played by migration in their relationships.

They would consider that cooperation on democracy and human rights should be an essential part of exchanges among civil society and would require appropriate action.

While identifying common priorities and objectives in the fields of justice and home affairs, the partners would recognize the need for a differentiated approach that takes into account the diversity of the situation in each country.

Cooperation in these areas could include the negotiating of conventions.

Cooperation priorities

Education and training

The partners would encourage:

- a full exchange of information on systems, policies and action in the field of education and training;
- the development of vocational training programmes, with the emphasis on the private sector;
- promotion of cooperation networks among universities and encouragement of mobility of research workers and teaching staff;
- strengthening of links between education and business;
- development of education, with particular reference to the education of young girls and adult literacy training;
- development of programmes in management and executive training.

Social development

The partners would acknowledge the importance of social development which, in their opinion, should go hand in hand with any economic development. They would give particular priority to respect for basic social rights.

Migration

The partners would agree on the need to increase their efforts to reduce migratory pressures. To this end they would agree:

- to identify the major causes of migratory pressures and their regions of origin;
- to promote programmes of assistance for job creation and professional training in order to counter the exodus of manpower, particularly the most skilled;
- to promote the role of migrants legally resident in the Union in the economic development of their regions of origin, particularly through the use of remittances.

They would undertake to discuss living conditions for migrants and expatriates legally resident within their respective territories.

The Union will ask its Mediterranean partners to acknowledge their obligations as regards the readmission of their nationals who had left the country.

In the area of illegal immigration, the partners would propose to establish closer cooperation, which would imply, *inter alia*:

- facilitation of readmission, including the speeding-up of procedures to establish nationality;
- cooperation on border controls;
- stepping up the exchange of information between the relevant administrative services on illegal migrants and the routes used by them;
- exploitation of the possibilities offered by recourse to bilateral joint committees;
- treating expelled nationals in a manner which complied with national law and with the partnership's commitments on human rights, in compliance also with the United Nations Convention of 10 December 1984 against torture and other cruel, inhuman or degrading treatment or punishment.

Drug trafficking

The partners would agree on the need for a coordinated approach as regards drug trafficking. They would emphasize the need for close cooperation, between both police and customs services, concerning, *inter alia*, the following measures:

- exchange of information on drug trafficking;
- destruction of crops;
- making customs services aware of techniques for targeting high-risk cargo;
- coordinated effective and efficient inspections of shipping in the context of the relevant international conventions;
- strengthening the legal arsenal against drug trafficking and respect for international commitments;
- cooperation and exchanges of information between departments responsible for combating:
 - the diversion of chemical precursors;
 - money laundering.

Terrorism

The partners would recognize the importance of preventing and combating terrorism together. To this end, cooperation should be strengthened to combat that threat more effectively. Such cooperation could include in particular:

- stepping up exchanges of information;
- improving the training of departments responsible for preventing and combating terrorism;
- identification of the various components involved (organization, financing, etc.).

International crime

The partners would recognize that it is important to prevent and to work together more effectively to combat international crime in step with the development of their partnership.

They would agree to organize close administrative, police and customs cooperation, and to align national legislative and regulatory texts in order to combat the various forms of crime in the Euro-Mediterranean area, including in the following fields:

- environmental protection and combating ecological crime;
- combating counterfeiting;
- dealing with the various forms of child abduction.

Judicial cooperation

It would be advisable to develop judicial cooperation necessary for the effective combating of drug trafficking and the various forms of international crime, in particular those referred to above, which would require improvements in extradition procedures and in policy concerning international letters rogatory as well as exchanges of magistrates and of information.

Racism and xenophobia

The partners would stress the importance of combating more effectively the phenomenon of

racism and xenophobia and plan to cooperate to achieve this.

Combating corruption

The partners would agree to draw up a programme of action against corruption, because of the importance, topicality and international scope of the phenomenon.

They would consider amplifying the means of detection and investigation enabling corruption to be countered more effectively.

Other areas of cooperation

Culture and the media

The partners would agree on the need to improve mutual understanding by promoting cultural exchanges and multilingualism, while respecting the identities of all involved.

Their partnership, the procedures for the implementation of which would have to be specified at the Conference, would focus on the cultural and creative heritage, cultural and artistic events, co-productions (theatre and cinema), dissemination of books and the written word, of pictures and of works of art, translations and other means of spreading cultural awareness.

The partners would emphasize the importance of the role played by the media in mutual understanding among societies and agree to promote exchanges and cooperation, particularly in the areas of training, co-production and dissemination.

Health

The partners would recognize the following priorities in their partnership:

- action on raising awareness, information and prevention;
- development of public health: health care, in particular primary health centres;
- maternal and child health, family planning and control of communicable diseases, including AIDS.

Youth

The partners would recognize the importance of promoting contact and exchanges among young people in the framework of decentralized cooperation programmes. To that end they would propose:

- to support activities promoting the social and vocational integration of young people, particularly those lacking qualifications, in their local environment;
- to promote the training of organizers and social workers in the youth field;
- to promote the training of young workers for scientific, cultural and technical activities, with particular reference to the role of women.

Follow-up to the Euro-Mediterranean partnership

The Barcelona Conference should provide the basis for a process which should develop, and

the partners should therefore agree that the various activities will be followed up by *ad hoc* thematic meetings of ministers, senior officials and experts, exchanges of experience and information, contacts between those active in civil society or any other appropriate means. These meetings may be based on existing cooperation structures, or on any other more suitable formula on which the Conference might agree.

The Union will propose to its partners the principle of regular meetings at Foreign Minister level. The frequency of the meetings will be determined by agreement between the parties.

This overall dialogue, which should combine the utmost practicality with the least possible formality, would supplement but not replace the dialogue carried on by the European Union with each Mediterranean State or entity under bilateral agreements.

Parliamentary and local-authority contact arrangements could also be considered.

Financial cooperation with the countries of Central and Eastern Europe and the Mediterranean

The European Council approved the table below in line with the guidelines in paragraph 6 of the working document distributed at the Council meeting on 12 June 1995.¹

(million ECU)

	Central and East European countries	Mediterranean non-member countries
1995	1 154	550
1996	1 235	900
1997	1 273	1 000
1998	1 397	1 092
1999	1 634	1 143
Total	6 693	4 685

¹ The Council quoted the 1993 interinstitutional agreement reiterating that some available funds should be left under each heading within the respective ceilings.

In view of this, the Council hoped that, when drawing up the budget, the budgetary authority would leave some room for manoeuvre under heading 4 in the form of some non-earmarked appropriations that could be used to deal with unforeseen events and developments in the situation, including provision for the countries of Central and Eastern Europe and non-member countries in the Mediterranean which had been given special priority by the Essen European Council.

As a branch of the budgetary authority, the Council would be pushing for this and was counting on the Parliament's cooperation in this matter.

Annex

References to the main documents and instruments on Euro-Mediterranean relations

General Mediterranean policy of the European Union

Conclusions of the Corfu European Council: Bull. 6-1994, points I.10 and I.11

Communication from the Commission to the Council and the European Parliament on strengthening the Mediterranean policy of the European Union: Establishing a Euro-Mediterranean partnership: COM(94) 427; Bull. 10-1994, point 1.3.34 and this Supplement

Conclusions of the Essen European Council: Bull. 12-1994, points I.14 and I.55 and this Supplement

Communication from the Commission to the Council and the European Parliament on strengthening the Mediterranean policy of the European Union: Proposals for implementing a Euro-Mediterranean partnership: COM(95) 72; Bull. 3-1995, point 1.4.57 and this Supplement

Conclusions of the Cannes European Council: Bull. 6-1995, points I.12, I.13 and I.49 and this Supplement

Proposal for a Council Regulation on financial and technical measures to support the reform of economic and social structures in Mediterranean non-member countries and territories (MEDA Regulation): OJ C 232, 6.9.1995, COM(95) 204; Bull. 6-1995, point 1.4.69 and this Supplement

Relations with Cyprus

Council Regulation (EEC) No 1246/73 on the conclusion of the Agreement establishing an association between the European Economic Community and the Republic of Cyprus (OJ L 133, 21.5.1973), as last amended by Council Regulation (EEC) No 4165/87: OJ L 397, 31.12.1987

Protocol on the implementation of the second stage of the Agreement establishing an association between the Community and Cyprus: OJ L 393, 31.12.1987; Bull. 12-1987, point 2.2.24

Application for accession from the Republic of Cyprus: Bull. 7/8-1990, point 1.4.24

Commission opinion on Cyprus's application for accession: COM(93) 313; Bull. 6-1993, point 1.3.6 and Supplement 4/93 — Bull.

Council conclusions on the Commission opinion on Cyprus's application for accession: Bull. 10-1993, point 1.3.7

Council conclusions defining a general framework for the development of relations with Cyprus: Bull. 3-1995, point 1.4.60a

Draft fourth financial Protocol between the European Community and Cyprus: Bull. 6-1995, point 1.4.71

Sixteenth meeting of the EC-Cyprus Association Council: Bull. 6-1995, point 1.4.70

Council Decision on detailed procedures for structured dialogue between the European Union and Cyprus: Bull. 7/8-1995, point 1.4.72

Relations with Malta

EEC-Malta Association Agreement: OJ L 61, 14.3.1971

Application for accession from the Republic of Malta: Bull. 7/8-1990, point 1.4.25

Commission opinion on Malta's application for accession: COM(93) 312; Bull. 6-1993, point 1.3.7 and Supplement 4/93 — Bull.

Council conclusions on the Commission opinion on Malta's application for accession: Bull. 10-1993, point 1.3.8

Council conclusions on Malta: Bull. 4-1995, point 1.4.72

Draft fourth financial Protocol between the European Community and Malta: Bull. 6-1995, point 1.4.73

Eighth meeting of the EC-Malta Association Council: Bull. 6-1995, point 1.4.72

Council Decision on detailed procedures for structured dialogue between the European Union and Malta: Bull. 7/8-1995, point 1.4.75

Relations with Turkey

EC-Turkey Association Council: Bull. 3-1995, point 1.4.65

Proposal for a free trade agreement between the Community and Turkey on products covered by the Treaty establishing the European Coal and Steel Community: Bull. 6-1995, point 1.4.74

Proposal for a Council Regulation on a special financial cooperation initiative for Turkey: COM(95) 389; Bull. 7/8-1995, point 1.4.77

Draft Euro-Mediterranean Association Agreements

Draft Euro-Mediterranean Association Agreement with Israel: Bull. 12-1993, point 1.3.31

Draft Euro-Mediterranean Association Agreement with Morocco: Bull. 12-1993, point 1.3.33

Draft Euro-Mediterranean Association Agreement with Egypt: Bull. 12-1994, point 1.3.67

EC-Lebanon Cooperation Council: Bull. 3-1995, point 1.4.68

Draft Euro-Mediterranean Association Agreement with Jordan: Bull. 6-1995, point 1.4.82

Draft Euro-Mediterranean Association Agreement with Tunisia: Bull. 7/8-1995, point 1.4.84

Draft Euro-Mediterranean Association Agreement with Lebanon: Bull. 10-1995.

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