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COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE EUROPEAN PARLIAMENT

TENTH ANNIVERSARY OF THE EURO-MEDITERRANEAN PARTNERSHIP:

A work programme to meet the challenges of the next five years.

1. INTRODUCTION: THE EU IS FULLY COMMITTED TO THE EURO-MEDITERRANEAN PARTNERSHIP

The meeting of Euro-Mediterranean Foreign Ministers in Barcelona on 27-28 November 1995 marked a turning-point in relations between the European Union and its neighbours on the southern and eastern shores of the Mediterranean. A partnership was launched which is comprehensive, both in its geographical coverage and in its sectoral scope, and forward-looking in its political, economic and social ambitions.

The Barcelona Process has developed a strong **partnership** on a basis of **joint ownership**, dialogue and cooperation. It has been successful in creating long-term political and institutional links between Europe and Mediterranean Partners, and in engaging Mediterranean Partners in the path of reforms. More importantly, the partnership has been driven by a common political will to build together a space of dialogue, peace, security and shared prosperity. For the EU the Partnership has also reinforced what are historically and strategically strong links and solid relations with Mediterranean partners.

Today, in an increasingly globalised world, the EU remains the main partner of Mediterranean countries both in trade of goods and services. More than 50% of the trade of the region is with the EU, and for some countries the EU represents the destination of more than 70% of their exports. Europe is the largest direct foreign investor (36% of total foreign direct investment) and the EU is the region's largest provider of financial assistance and funding, with nearly €3 billion per year in loans and grants. The EU is also the main source of tourism and the first destination for migrants.

Association agreements have now been put in place between the EU and the Mediterranean partners¹ but the process of creating a truly regional market remains hampered, notably by slow integration of the Mediterranean countries among themselves. The enduring fragmentation of Southern Mediterranean markets is holding back significant investment, both domestic and foreign. Intra-regional trade in the southern Mediterranean, below 15% of the total, is the lowest in the world for any region of this size. So, even if the EU is the region's largest partner, the partnership has not yet realised its full potential.

¹ Agreements are in force with Morocco, Tunisia, Egypt, Jordan, Israel, Palestinian Authority, Lebanon. With Algeria the agreement has been signed and is awaiting ratification. With Syria an agreement has been initialled.

The regional dimension of the Partnership has also grown considerably with the establishment in 2003 of the FEMIP (The Euro-Mediterranean Investment Facility for the Mediterranean, in the framework of the European Investment Bank); the creation in 2004 of the Euro-Mediterranean Parliamentary Assembly; the setting up in 2005, after the decision taken by Ministers in 2004, of the Anna Lindh Foundation for the Dialogue between Cultures in Alexandria; and the signature of the Agadir Agreement² in 2004.

What the 10th Anniversary Conference presents us with is an opportunity to take stock of what the Barcelona Process has achieved so far, and to look at where the obstacles to progress lie and how we might approach some of the more difficult issues afresh to ensure that our common goals are met.

It will also be an opportunity to look at how the European Neighbourhood Policy (ENP) through Action Plans agreed with Partner Countries, and the Barcelona Process can bring about a qualitative change in Euro-Mediterranean relations. One of the main goals of the ENP is to support and promote domestic reforms. Thus, the bilateral Action Plans set out an ambitious agenda for regulatory convergence with the EU. In this way the ENP and the Barcelona Process will work in a complementary and mutually reinforcing way.

European Neighbourhood Policy offers Partners the possibility of stake in the EU internal market and the chance to participate in EU programmes and policies (on the basis of the fulfilment of agreed priorities, reflecting shared values and policy objectives). But it also helps to strengthen cooperation between countries in the Barcelona process and further promote regional and sub-regional cooperation. The European Neighbourhood and Partnership Instrument (ENPI) will provide financial support for cross-border and trans-national cooperation, in addition to current bilateral and regional cooperation.

While the Barcelona Declaration and its overall approach remain valid, there is no room for complacency. The UNDP Arab Human Development Reports and the declarations of Sana'a and Alexandria and the Arab League Summit in Tunis in 2004 have all stressed the need to move forward in areas such as political and economic reform, women's rights and education if the region is not to lag behind. Progress towards a number of the goals set out in the Barcelona Declaration has been slow, , partly because Partners have at times not appeared wholly committed to implementing the principles to which they have signed up, partly also because of the difficulties caused by the continuing conflicts in the region, and because the search for consensus has sometimes acted as a brake on those wishing to move forward more rapidly. In addition, developments such as increasing globalisation and political and economic interdependence between countries require a renewed joint examination of the Partnership. In the economic sphere, a lack of assertiveness in pursuing economic reforms and addressing the challenges of economic and trade liberalisation have prevented a quantum leap in the level of economic wealth generated by economic integration. It is necessary to redouble efforts to reduce the wealth gap between the north and the south. The Annex to this Communication

² The Agadir Agreement for a south-south free trade zone was concluded between Morocco, Tunisia, Egypt and Jordan.

contains a detailed analysis of the achievements and shortcomings of the Barcelona Process since its inception in 1995 on the three chapters (political, economic and social) of the Partnership. It should be stressed that the Communication focuses on proposals to strengthen and deepen the partnership in the future. This list of proposals is not exhaustive and it is intended to complement the various initiatives and programmes currently ongoing.

During 2005 Foreign Ministers of the Partnership will meet in Luxembourg on 30-31 May ('Barcelona VII') and an Extraordinary Conference will be held in Barcelona at the end of November. The present Communication is intended to serve as a preparation for both meetings. It contains proposals to make concrete progress on some critical areas for the future of the region and for EU relations with our Mediterranean Partners. Once agreed, these initiatives will help to address certain specific short and medium-term challenges faced by our Partners over the next five years:

(1) Human Rights and Democracy

The aim is to advance political reforms towards human rights, democracy, peace and security and engage more decisively in the process of strengthening governance and participatory democracy.

(2) Sustainable Economic Growth and Reform

The modernisation of Euro-Mediterranean Partners' economies is necessary so they can benefit from the opportunities offered by globalisation, and free trade with Europe. Deepening economic integration between the EU and the Mediterranean countries – together with south–south regional integration - will be one of the key objectives for the coming years. This will be achieved through trade and services liberalisation, enhanced investment and regulatory convergence. In addition, the continuation of structural reforms aimed at lifting obstacles to growth, investment and job creation will be essential for a healthy macroeconomic environment. The economic benefits for the region in terms of employment and growth will help the Mediterranean Partner countries to create the 5 million jobs a year they need to offer better economic prospects to the new entrants to their labour markets while ensuring the pursuit of sustainable development

(3) Education

Increasing the quality of education and providing education for all is critical for the social and human development of Mediterranean Partners. One third of the population of Mediterranean partners is under the age of 15. Education policies, knowledge acquisition and dissemination are major factors for a sustainable, future-oriented human development of the region.

Discussion should however not be limited to these areas and the initiatives proposed in this Communication include proposals on areas such as social reforms, migration, weapons of mass destruction and counter-terrorism, also aimed to address the challenges that we will face over the next five years.

This work programme is to be developed through the institutional framework of the Barcelona Process as well as the Neighbourhood Policy and, in particular its key instrument, the national action plans. The time-line for this work programme is summarised in section 3 of the Communication. A substantial reinforcement of financial resources under the 2007-2013 Perspectives will be needed and the Commission has already put forward proposals for the new European Neighbourhood and Partnership Instrument.

Successive Ministerial meetings have underlined the need for **increased visibility** of the Partnership in both the EU and in partner countries. The tenth anniversary and the celebration of 2005 as the Year of the Mediterranean provide a major opportunity to address this situation by a sustained strategy of activities and events to raise awareness.

Raising visibility requires a number of jointly agreed, clear and consistent messages to be addressed to the man and woman in the street using the most effective means of communication and dissemination. The role of the mass media is essential to this pursuit.

The Commission has already presented Partners with a detailed list of information and communication actions planned on a regional and national basis. These include satellite television programmes on a regional basis; bilateral activities with national television and radio networks; initiatives with the national and regional press; proactive organisation of events and exchange opportunities for journalists and dedicated activities targeting the civil society and youth sectors. In this context, the fight against racist audiovisual content should also be raised.

As agreed at the last Foreign Ministers meeting in The Hague effective communication depends on the convergence of messages transmitted by all Partners. The Commission urges Partners to mobilise governmental and non-governmental channels to achieve this.

2. A WORK PROGRAMME FOR THE NEXT 5 YEARS

2.1. Advancing Human Rights and Democracy

Advancing political reform towards human rights and democracy is key to achieving sustainable security and stability. Based on the Commission's Communication of May 2003³ on human rights and democratisation greater emphasis has been placed on cooperation in these areas. Partners should consider how to pursue this, including developing policies to promote gender equality, fundamental and social rights, and to associate and engage social partners and civil society, as well as encourage its development. An important issue in this respect is to strive towards common perceptions of the challenges of democratisation, including the role of democratic Islamic political movements in national politics. The Sana'a Conference in January 2004 proved to be a constructive, well publicised event with 800 participants from civil society, governments and international organisations from the Arab world. The

³ Reinenergizing EU actions on Human Rights and Democratisation with Mediterranean Partners (COM(2003)294).

Conference Declaration agreed on 10 points including the protection of human rights, the empowerment of women, the strengthening of democracy, pluralism, and independent judiciaries. Some of these conclusions could be usefully discussed in the framework of the Euro-Mediterranean Partnership. More recently, the UNDP Arab Human Development report (issued on 5 April 2005) "Towards Freedom in the Arab World" provides a thorough examination of the deficit of freedom and good governance and focuses on the state of freedoms and economic and social rights in the Arab countries and how far they are enjoyed in practice.

In line with the Commission's Communication of May 2003, the Commission proposes to hold a Euro-Mediterranean Conference in 2006, prepared at sub-regional level, on Human Rights and democratisation. The Conference should constitute a focal point and opportunity to push forward regional efforts to reinvigorate democracy and pluralism, publicise joint efforts in the framework of the Neighbourhood Policy, allow for exchanges of good practice and encourage the involvement of Arab civil society. Actions to promote civic awareness and human rights education will be supported at regional and national levels. This conference should come up with concrete ideas for the future with results to be made operational through the Neighbourhood Policy and the financing instruments.

Building on the activities undertaken by the Commission in the field of human rights and democratisation, **the Commission will propose a Democracy Facility that will serve to promote, support and reward those Partners that also show a clear commitment to common values and to agreed political reform priorities. This facility, within the European Neighbourhood and Partnership Instrument (ENPI), would go beyond the specific support that may be mobilised under regional or national action plans. The Facility should enter into force in 2007.** It will also allow for the further mainstreaming of good governance, promotion of and respect for human rights and democratic principles.

2.2. Helping to create jobs and sustainable economic growth through trade liberalisation and regional integration

The review of the Barcelona process shows that the partnership has been very successful in achieving the objective of free trade in industrial goods between the EU and each of the Mediterranean partners. Partners should now take the necessary measures to expand the scope of this core free trade area, in deepening trade liberalisation in agriculture and fish products and in further opening markets to new areas such as services and establishment. It is estimated that two-thirds of the total value added are generated in the service sector and agriculture. The picture is more mixed regarding the overall goal of creating a truly regional market that will boost investment and growth in the South and reducing the wealth gap between Europe and its neighbours. In view of the high rates of population growth in the Mediterranean, injecting a new dynamism into market integration, with a view to generating more investment, higher growth rates and job creation must be a priority for the relationship during the next five years. How this could be done is set out below.

a) Liberalising Trade in Services and establishment on a regional basis between willing partners

The liberalisation of trade in services and establishment is an objective that is provided for by the Association Agreements with all the EU's Mediterranean partners. It constitutes a key priority for achieving a genuine free trade area around the Mediterranean, which goes beyond free circulation of goods. This could become a powerful policy vehicle for trade-driven growth in the Mediterranean region with knock-on effects on other economic areas.

Services account for some 60% of GDP in the Mediterranean countries. World Bank studies show that the liberalisation of trade in services generates substantial welfare gains (according to certain estimates, up to three times the benefits expected from the liberalisation of trade in goods). Services liberalisation, in requiring comprehensive domestic reforms, also contributes to domestic economic adjustment and reform.

Foreign investment to the region remains insufficient and has been identified as one of the major shortcomings of the economic partnership. To address this pressing issue, the Mediterranean partners should facilitate establishment in their region. This should not be limited to improving the regulatory environment for foreign and domestic investments – where progress has already been made – but should also include a review of the wider institutional environment with a view to eliminating remaining bottlenecks such as transaction costs, security and enforcement of contracts and weak IPR protection among others.

By fostering trade and investment between the EU and its Mediterranean partners, the liberalisation of trade in services and establishment will contribute to closing the economic gap between the North and South of the Partnership. This liberalisation process should be flanked by a strong component of regulatory convergence between EU single market rules and those in the partner countries.

Against this background, the EU should be prepared to invite its Mediterranean partners to embark on a new chapter of integration by engaging negotiations not on the traditional ('hub and spoke') model that has been followed since 1995, but in a way that would combine North-South and South-South trade integration. The principle of voluntary participation must be clearly inscribed and fully respected. This new approach would consist of opening up on a regional basis negotiations for those countries who so wish.

This approach mirrors that of the Framework Protocol on Services that was adopted by Trade Ministers in Istanbul in July 2004, and which will serve as a template in the forthcoming negotiations. Participating countries will continue to negotiate with each other bilaterally, but the result of these talks will be amalgamated and extended to others on the basis of the principle of non-discrimination embedded in the so-called "regional Most Favoured Nation clause". This clause will ensure that all Mediterranean partners are guaranteed to get the best offer made by the EU in any sector to any country. In return the participating countries will open their sectors to each other as well as to the EU.

The EU and the Mediterranean countries should therefore agree to negotiate on the liberalisation and integration of trade in services and establishment, in line

with the commitments taken at regional level and in the Neighbourhood Action Plans. This negotiation shall be open to all the Mediterranean partners willing to enter into such a regional agreement (with the exception of Turkey given its status of candidate country). The Commission will submit a proposal for negotiating guidelines to the Council with a view to starting negotiations with partner countries during the 2nd half of 2005. Partners should agree to conclude negotiations on the liberalisation of trade in services and establishment with a strong regional dimension, with the view to aligning this process with the 2010 Free Trade Area objective.

These efforts should aim at combining social development with economic development. In this respect, and in order to guarantee the respect for fundamental social and economic rights, the ongoing Sustainability Impact Assessment of the free trade area should make an important contribution and its recommendations help guide future policy.

b) Trade liberalisation and cooperation in agricultural and fishery products

On the basis of the work done by the sectoral Senior Officials meetings on agriculture, a **road map should be agreed for trade liberalisation in agricultural, processed agricultural products and fisheries with a regional mandate providing for a high degree of liberalisation with a very limited number of exceptions and a timetable for implementation** consistent with the provisions and objectives of the Association Agreements. This would be accompanied by a commitment to the launching of a **regional cooperation programme on rural development** and optimisation of quality production from 2007, consistent with the objectives of the Neighbourhood Policy. Following the expected results of the Euro-Mediterranean Conference in Luxembourg in May, the Commission will submit a proposal for negotiating guidelines on trade liberalisation in agriculture and fisheries for approval by the Council with the objective to start negotiations in the 2nd half of 2005. **Negotiations should be concluded within a year with a view to aligning the liberalisation of trade in agriculture and fisheries with 2010 Free Trade Area objectives.**

c) Ensuring convergence of technical legislation with a view to facilitating trade

Approximation of technical legislation in the area of standards and conformity assessment bears an important potential in terms of trade creation, investment attraction and, eventually, integration of the economies. The objective is to promote trade by aligning standards and technical requirements, reducing costs related to duplicative testing and certification and thus facilitate market access. Work to harmonize economic legislation has already started on the basis of the work programme adopted at the Euromed Trade Ministerial Conference of Palermo (July 2003) and a number of important steps towards eventual harmonisation and/or mutual recognition of trade-related standards across the Euromed region have been achieved. In particular, legislative priorities have been identified with each partner for the sake of the alignment effort. The way ahead is joint work, within the European Neighbourhood Policy, on actual approximation, regulatory and infrastructure upgrading, with the support of required assistance. Once the alignment effort is accomplished and equivalent legislation set in place, Agreements on Conformity Assessment and Acceptance (ACAAs) of industrial products can be negotiated

wherever possible, thus establishing regulatory ‘trade corridors’ to the benefit of economic integration and growth.

d) South-South economic integration

The Euromed process is not only about building preferential and reciprocal trade relations between the EU and individual Med countries. An indispensable component of the Barcelona Process is to strengthen trade ties between Mediterranean countries themselves. Only thus can the regional free trade area envisaged in the Barcelona Declaration assume its full character. the expansion of South-South trade links in the region is of vital economic interest for the Mediterranean countries. Studies indicate vast untapped economic benefits in terms of potential foreign investments in opening up trade between Med countries (South-South trade). The benefits would be felt especially in terms of economic diversity and employment, two of the major challenges facing the region. South-South regional integration, in partnership with consolidated North-South links, is key to achieving dynamic and diversified economies in Mediterranean countries. One of the most recent developments was the signing in February 2004 of the Agadir Free Trade Agreement between Egypt, Jordan, Morocco and Tunisia. Other FTAs have been concluded in 2004, notably between Turkey and Morocco, Turkey and Tunisia, Turkey and Palestinian Authority, all of which bear witness to progress on regional integration in the Mediterranean region.

However, to achieve a fully fledged free trade area in the Euromed area by the agreed deadline of 2010 many more agreements need to be concluded and existing ones upgraded into genuine FTAs. The Mediterranean countries should therefore accelerate the conclusion of genuine Free Trade Agreements between themselves, in order to achieve the objective of a wide Euro Mediterranean free trade area by 2010, on which a Sustainable Impact Assessment is currently ongoing.

Furthermore, these FTAs will also enable the implementation of the pan-Euro-Med cumulation of origin. This system of cumulation of origin presupposes in effect the existence of preferential relations between the partners involved (by definition, preferential rules of origin are linked to preferential arrangements). The pan euro med cumulation of origin is expected to bring substantial benefit to the economic operators, in particular easier access to the preference as well as enlarged sourcing choice for industrials.

As regards the liberalisation of trade in services and establishment, the regional approach as embodied in the regional Most-Favoured-Nation principle of the Framework Protocol on trade in services will ensure a strong South–South integration.

A road-map should be agreed for the creation of a Free Trade Area by 2010, including free trade in services and establishment, and liberalisation of agriculture and fisheries products, building on existing bilateral and regional free trade agreements, including the Agadir agreement, as well as on the pan Euro-Med protocol of origin.

e) A sound macroeconomic environment

A healthy macroeconomic environment, through appropriate fiscal and monetary policies, needs to be maintained and accompanied by structural reforms aimed at lifting obstacles to growth, investment and job creation. Particular attention should be paid, in this context, to creating an enabling environment for businesses, improving governance and redefining the role of the state in the economy. In this context, Mediterranean Partners are encouraged to make full use of the Economic Dialogues provided for in the Association Agreement in order to consolidate progress in macroeconomic stabilisation and growth policies, as indicated in the ENP Action Plans. **These issues will be raised at the Ministerial Conference that will take place in Rabat in June 2005.**

f) A Euro-Mediterranean Development Bank.

Mediterranean partners have recently underlined the importance of creating a *Euro-Mediterranean Development Bank*. In this context it is important to note that major progress has been made by the EIB through the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) which is now lending to Mediterranean partners at the rate of € 2 billion per year. Progress made by FEMIP in supporting the activities of the private sector should be assessed. The ECOFIN Council agreed in November 2003 to review the FEMIP mandate before the end of 2006. **The possibility of establishing a Euro-Mediterranean Development Bank should be carefully re-considered in the light of the FEMIP experience, the experience with previous reviews of this idea and taking into account the overall review of the EIB's External Mandates. The Commission will submit an assessment in 2006 in this respect in consultation with the EIB.**

g) Transport

Developing a Euro-Mediterranean transport network based on good interconnections (between the EU and the Mediterranean Partners, and among the Mediterranean Partners themselves) and shared policy objectives is an essential precondition to make the FTA work effectively. Necessary regulatory reform and opening of markets should also be accompanied by significant infrastructure investment. Important resources for investment are available in FEMIP. **A Euro-Mediterranean Transport Ministerial in 2005 with the participation of the EIB should endorse a regional transport infrastructure network with a list of priority projects, and adopt a set of recommendations in order to boost Euro-Mediterranean transport cooperation and transport sector reform in the Mediterranean Partners.**

h) Energy

The gradual establishment of a Euro-Mediterranean energy market plays a central role in achieving the objectives of the Barcelona Declaration and overall economic and social development in the region. With a view to developing such a market, important sub-regional projects are being pursued, such as the progressive integration of Maghreb countries' electricity markets with the EU electricity market, the integration of gas markets in the Mashreq region, energy projects of common interest

to Israel and the Palestinian Authority and the construction of Medgaz and Arab Gas Pipeline.

A Euro-Mediterranean Energy Ministerial should be held in 2006 view of progressing sub-regional integration of energy markets and infrastructures.

i) Environment and sustainability

The 10th Anniversary of the EMP, is an appropriate time to launch a major, highly visible and ambitious initiative designed to improve the quality of life of the average citizen, by the de-pollution of the Mediterranean Sea by 2020. The goal should be to tackle all the major sources of pollution including industrial emissions, municipal waste, and particularly urban wastewater. This initiative would improve the prospects for the development of tourism, contribute towards stemming the decline in local fishery stocks as well as providing safe drinking water to millions of citizens.

A clear political backing and substantial financial investment will be required to deliver the necessary capacity building and support at the local level (including support for sustainable urban management and mobilization of local actors), transfer of best practices (including in Integrated Coastal Zone Management), as well as major investments in environmental infrastructure. With a clear commitment to concentrating financial assistance towards meeting this aim, its realization should be feasible.

The Commission proposes that a precise timetable should be agreed with Mediterranean Partners on the adoption of measures leading to a thorough de-pollution of the Mediterranean Sea by 2020. This timetable should be adopted in 2006.

2.3. Contributing to a better education for all

a) Education and vocational training

The Arab Human Development Reports have stressed the need for substantial improvements in *education*. This issue has most recently been highlighted at the Forum for the Future Ministerial meeting in Rabat on 11 December 2004. It will also be the subject of the Forum for the Future Education Ministerial due to be held in Jordan in May 2005.

The Commission acknowledges the paramount importance of the development of human resources for the economic and social development of the Mediterranean countries. For this purpose, the Commission has €704 million in ongoing support programmes to *education and vocational training* in the Mediterranean Partners under the current MEDA programme for 2000-2006.

In order to guarantee that the Mediterranean Partners can participate in and profit from the knowledge society, there should be agreement to increase resources devoted to educational and vocational training programmes based on a partnership approach and focussing on promoting and supporting the tailor-made reforms that these countries require. This should result in a substantial increase in the percentage of EU funding devoted to these sectors. **The Commission proposes to engage in a dialogue with partner countries and Member States in order to substantially**

increase bilateral cooperation to the sector of education and vocational training. The goal would be to increase by at least 50% the proportion of financial cooperation devoted to education from 2007, in parallel with renewed efforts by national governments to invest in the sector.

The size of these challenges calls not only for an increase in EU funding but also for more and better coordination and involvement of other donors such as the EIB, the World Bank and the UNDP. It should crucially also involve an undertaking by Mediterranean Partners themselves to devote a substantial percentage of national expenditure to education and the eradication of illiteracy and to put in place measures to improve the efficiency of this expenditure.

The guiding principle of the EU strategy is the ownership of the partner government and the need to ensure a balanced approach, which will guarantee the sustainability of the reforms in the long term. The Commission will continue promoting the principle of equality, which implies a special emphasis on underprivileged groups and local populations: illiterate populations, girl-students and populations in rural and suburban areas. The Commission will also support the efforts of modernisation of the systems and the extension of access to information and communications technology. The latter issue should be among those addressed by the Euro-Mediterranean Ministerial meeting on the Information Society due to be held in Ireland in April.

The aim of the Partnership should be to improve the quality, relevance and consistency of education and vocational training regarding the socio-economic needs of the region as well as an increase in access and retention rates particularly for populations at risk of exclusion. **In line with the Millennium Development Goals and through a combination of support to different policies, the EU and partner countries should focus on achieving three key goals by 2015 : eradication of illiteracy in the region; all girls and boys enrolled in primary school; and the elimination of gender disparity at all levels of education, requiring a particular effort to ensure the participation of women in education at all levels.**

b) Mobility in Higher Education

Since 2002, the Euro-Mediterranean Partnership has adopted a number of initiatives in the area of mobility and academic contacts in order to improve mutual understanding and awareness at the formative stage. In 2002, at the Valencia Ministerial Conference, the Commission proposed, and the Council later agreed, the extension of the Tempus programme to Mediterranean Partners and the enhancement of cooperation under the Euro-Mediterranean Youth programme. These activities are complementary to the support to systemic reforms. In the framework of the Neighbourhood Policy, Partners have agreed to pursue socio-cultural and educational exchanges. These activities are complementary to the support to systemic reforms. **In 2006 the Commission intends to strengthen the existing mobility programmes by launching a substantial scheme of scholarships for university students co-funded by the Commission and host countries within the Euro-Mediterranean region.** This scholarship scheme would be implemented within the existing instruments, i.e. through a specific window under the Erasmus Mundus programme (2004-2008) or by reinforcing student mobility inside the Tempus scheme. **A certain percentage of this scheme will be reserved for women.** The Commission would

also propose that partners consider offering children approaching the end of their schooling the chance to spend either a full academic year or a summer course in a school in another partner country. The promotion of intercultural dialogue among young people through youth exchanges, voluntary service and other non formal education activities should continue.

To facilitate exchange of people between the EU and partner countries, we should work together to develop a system of recognition of both academic and vocational qualifications. In order to achieve this, partner countries should consider a generic university qualification across the region that would be recognised in the EU and internationally.

Given the emphasis and objectives of the Neighbourhood Policy, Mediterranean partners have an interest in deepening knowledge of European integration. Partners should therefore agree to encourage the pursuit of European studies in Mediterranean partners' academic institutions

2.4 Justice, security and freedom, including migration and social integration

Cooperation should be enhanced to develop common actions on Justice, freedom and security areas in the Mediterranean. Partnership in fighting security threats like organised crime, trafficking and terrorism, as well as the revitalisation of the process of government and development of democracy, human rights and the rule of law will help bring the Med partners closer to the EU.

The adoption in Valencia of the regional framework document and the subsequent implementation of the regional "JLS" programme have represented a real step forward, which also encouraged cooperation at bilateral level

New programmes and actions aiming at encouraging reform of and co-operation between judicial systems, combating organised crime, drugs and terrorism, and ensuring a joint approach to the management of migratory flows should now be realised.

The Commission considers that the role played by the Association Agreements and Neighbourhood Action Plans, notably thanks to the institutional dialogue taking place in the "justice and security" subcommittee and "migration and social affairs" working group, is particularly important.

Twinning between the EU and Mediterranean partners' administrations prove to be particularly useful in this specific area and should be further promoted. Pilot projects can be supported under the Neighbourhood Action Plans and the new ENPI.

Migration and social integration of migrants is a particularly sensitive issue. Nearly 5 million citizens originating from the Mediterranean partners are now legally resident in the EU. Most of them are of Moroccan, Algerian and Turkish origin⁴. However,

⁴ Data from annual report on asylum and migration (2001), available online http://europa.eu.int/comm/justice_home/doc_centre/asylum/statistical/doc_annual_report_2001_en.htm. It must be noted that this figure relates only to holders of a third country citizenship and that it does not include former third country nationals from the Mediterranean countries who have been naturalised and have received the citizenship of the host country

the demographic situation in the EU is leading to the need for new migrants to join the work force⁵. Rather than focussing on reducing migratory pressures partners should agree on a more strategic approach that aims to optimise the benefits of migration for all Partners. Such an approach would include intensified cooperation aimed at preventing human tragedies that take place in the Mediterranean as a result of attempts to enter the EU illegally. Preventing further loss of life needs to be a clear priority in the framework of the partnership.

Association Agreements and Neighbourhood Action Plans will help in promoting joint management of the movement of people (including visa facilitation) as well as the integration of migrants. Some of the Association Agreements facilitated certain progress towards equal treatment for migrant workers. Efforts need to continue to foster integration within the host country, including through intensifying the fight against discrimination and social exclusion. The new ENPI can be used to promote a comprehensive approach including cross-border cooperation among the partners and between them and their neighbours, and possibilities for the creation of a Euromed Centre of Studies of Migration could be explored. All aspects should be taken into account, including requests made by Arab partners to discuss the fight against racism and xenophobia as well as a study of the labour markets in the EU and in partners.

After careful preparation at senior official level, Euro-Mediterranean Social Affairs and Justice and Home Affairs Ministers should meet, at the latest in 2007, to agree on a series of further actions to promote cooperation in these fields. The role of local authorities and civil society in dealing with these issues should also be borne in mind.

2.5 Terrorism

Since 1995 threats to the security of the partnership have increased significantly. Nowhere is this more evident than in the fight against terrorism. Progress has been made in strengthening cooperation among police, judicial and other authorities and this will be further developed under the second phase of the regional programme; but there remains much to be done to build the confidence necessary to step up exchanges of information on the threat from organisations and individuals. Bilateral state-to-state cooperation has proved insufficient in tackling the global threat of terrorism. Since 2001 serious terrorist attacks have hit Euro-Mediterranean countries but regional dialogue on dealing with this has too often foundered over disagreements on definitions.

Partners should agree to pursue the parallel tracks of greater practical cooperation in the fight against terrorism in full respect of human rights and political dialogue on its root causes. In addition, **the Commission proposes that Euro-Mediterranean partners should start discussions on a Code of Conduct on measures to fight terrorism, including its financing aspects as proposed by Arab partners, with the objective to reach an agreement before the end of 2007.**

Cooperation at bilateral level should be reinforced and the ENP action plans chapter related to this domain fully implemented. A broaden geographical approach, including sub-Saharan countries in the cooperation perspective, is also important.

⁵

Green Paper on an EU approach to managing economic migration – COM (2004) 811 final

Initiatives such as the creation of a regional counter-terrorism centre in Alger are therefore welcomed.

2.6 Weapons of Mass Destruction and ESDP

The EU is working with Mediterranean partners to attain the objectives enshrined in the Barcelona Declaration of a Mediterranean region free of weapons of mass destruction and that all countries of the region fully comply with and implement their international obligations in this area. These objectives are contained in the Association Agreement initialled with Syria and in the Neighbourhood Action Plans.

The Commission welcomes the initiative taken by the Secretary General High Representative to organise a workshop on this subject. This Workshop will take place in 2005. Partners should agree to ensure effective cooperation to implement their commitments in particular as regards export, transit and end-use controls and enforcement procedures. The Commission is prepared to examine appropriate technical assistance in this field.

Cooperation in the framework of the European Security and Defence Policy (ESDP) should be further developed on a regional, sub-regional or bilateral basis with a view to improving awareness of opportunities for working together in conflict prevention and crisis management activities. The forthcoming seminar due to be held in Athens in June offers such an opportunity.

2.7 The Middle East Peace Process

The review shows that continuing conflicts are an obstacle to progress in the partnership. This is particularly true of the Middle East Peace Process. The paper⁶ by Arab partners places particular emphasis on this point. Following the recent meeting between the Israeli Prime Minister and the President of the Palestinian Authority there are encouraging signs of progress. The Barcelona Process can make a contribution to promoting this, even if this is not the forum in which a settlement will be reached. Partners should call for the strengthening of the efforts of the Quartet and facilitate the implementation of the Road Map objectives of the creation of a democratic Palestinian state living in peace and security with Israel as the guiding framework for the peace process on the Israeli-Palestinian track. The Euro-Mediterranean Partnership should provide continued support for cooperation among the parties, particularly in the industrial and economic sectors, to complement the political process. In the context of a settlement it should provide the instruments for Europe to help maintain the peace once it is achieved through a Charter for Peace and Stability and the closest possible integration of all partners into the European space through the Neighbourhood Policy.

2.8 Contribution to the resolution of other conflicts

In addition, the EU should show its willingness to help resolve other conflicts in the region, such as that in the Western Sahara, thus eliminating a significant obstacle to developing the further integration process within the Arab Maghreb Union. In this

⁶ On 31 January, the Arab partners of the Barcelona Process issued a paper on « Elements of the Arab contribution to the evaluation and enhancement of the Barcelona Process ».

context EU support for regional integration in the Maghreb already plays an important role.

2.9 Civil society

In this context with support from the existing regional programmes and the Anna Lindh Foundation, virtual networks of universities in the Euro-Mediterranean region could be set up. The Foundation should be used to promote the role of civil society in the process, to overcome stereotypes and hostilities based on ignorance and help to achieve a genuine partnership among peoples. In line with an idea already included in the Barcelona Declaration, a regional strategy “against racism, xenophobia and intolerance” should be designed in the framework of the partnership instruments, including the Anna Lindh Foundation.

Concerning the role of civil society and social partners, agreement should be reached on mechanisms to strengthen their presence in the partnership. These could be developed by promoting the participation of civil society groups at regional and national levels for general or sector-specific consultations, in order to give them the opportunity to express their views on all matters related to the partnership in a more comprehensive and effective way. As regards the implementation of the Association Agreements and European Neighbourhood Policy, it could be agreed to hold regular preparatory meetings with civil society organisations before, as well as after, each sub-committee on Human Rights and democratisation.

Equality of opportunity among men and women is a cross-cutting issue which impacts on human and economic development.

A Euro-Mediterranean conference of government representatives and civil society could usefully be organised to raise awareness of the importance of the issue and take practical steps towards the improvement of the situation. This conference should take place in 2006 and should propose concrete ideas for the future with results to be made operational through the Neighbourhood Policy and its financing instrument.

2005 is also the 10th anniversary of the Beijing Declaration and Platform for Action on women’s rights, and both Euromed meetings should strongly reflect the importance that the Barcelona Process places on empowering women. **The Commission is fully engaged with the Arab International Women’s Forum in its efforts to make progress on this area, and proposes to set up a Network of Women Leaders from business, the arts, politics and civil society across the region.**

3. TIMELINE FOR KEY INITIATIVES

Following from the above, the Commission recommends that at the Ministerial meetings in Luxembourg and Barcelona this year agreement should be reached on the following initiatives for the future of the partnership:

- 2005 – The Euro-Med partners should launch regional negotiations, on a voluntary basis, on the liberalisation of services and establishment. The Commission will submit negotiating guidelines for approval by the Council to this effect.
- Euro-Mediterranean partners should agree a road map for agricultural liberalisation, including processed agricultural products and fisheries. The Commission will submit negotiating guidelines for approval by the Council to start negotiations with partner countries.
 - The Pan-Euro-Med Protocol of Origin will be progressively implemented throughout the Euromed, from 2005.
 - Organise a workshop on Weapons of Mass Destruction 2005.
 - A Euro-Mediterranean Transport Ministerial should take place before the end of the year with the participation of the EIB, to endorse a regional transport infrastructure network interconnected to the Trans-European Transport Network, and agree on the priorities of the Euro-Mediterranean Transport cooperation for the next few years.
 - A Ministerial Conference on economic and financial affairs will take place in Rabat.
- 2006 – A Euro-Mediterranean Conference will be held, prepared at sub-regional level, on human rights and democratisation.
- Approximation work in the field of technical legislation, standards and certification procedures should have intensified so as to pave the way for negotiations on conformity assessment agreements (ACAAs).
 - A Euro-Mediterranean Conference on gender equality with the participation of government representatives and civil society and social partners should take place. The Conference should concentrate on the comparison of best practices within the region to raise the role of women in society and their contribution to human development.
 - Adoption of a timetable with concrete measures with the objective of a thorough de-pollution of the Mediterranean by 2020.
 - In the light of the FEMIP experience, and following consultations with partner countries, the Commission will assess before the end of the year the possibility of establishing a Euro-Mediterranean Development Bank.
 - The Commission will launch a Scholarship scheme for university students either within the existing Erasmus Mundus programme or by reinforcing mobility activities inside the Tempus scheme.
 - A Euro-Mediterranean Energy Ministerial should take place in view of progressing sub-regional energy integration markets and infrastructures
- 2007 – Euro-Mediterranean Partners should reach agreement before the end of the year on a code of conduct on measures to fight terrorism.

	<ul style="list-style-type: none"> – A Euro-Mediterranean conference of Justice and Home Affairs Ministers, with the participation of local authorities, should be held to discuss management of migratory flows and social integration. – A regional programme on rural development and optimisation of quality production should be identified for implementation. – After consultation with partner countries, the percentage devoted to bilateral cooperation in the education sector should be increased by 50% of the national and regional indicative programmes. – The Democracy Facility will enter into force.
2010	<ul style="list-style-type: none"> – All South-South free trade agreements should be concluded and implemented by the end of the year, including for services and establishment as well as agriculture. – Completion of Euro-Mediterranean electricity and gas markets and infrastructure interconnections

Annex

REVIEW OF THE BARCELONA PROCESS

Ten years on is an appropriate time to take stock objectively of the progress made in the achievement of the ambitious goals of the Barcelona Declaration, to draw up a balance sheet of what has worked and what has not, and to consider what lessons can be drawn for the future of the relationship.

The Barcelona Declaration set out medium and long-term goals to be achieved: peace and stability in the whole Euro-Mediterranean region based on respect for common fundamental values; the promotion of the prosperity of all the partners through the establishment of free trade and economic integration both North-South and South-South, accompanied by substantial financial and other assistance from the EU to the Mediterranean partners to achieve the transformations this implies; and the development of closer inter-cultural relations to improve mutual understanding and overcome divisions based on differing cultures, religions or ethnicities.

Euro-Mediterranean Senior Officials have conducted a review of the ten years of the Barcelona Process based on input from a number of sources. The EuroMeSCo and FEMISE networks of policy institutes have carried out their own assessments. The Civil Forum Platform has also presented ideas which were further developed at the Civil Forum in Luxembourg on 1-3 April. The Euro-Mediterranean Economic Transition conference on 11-12 April will cover a wide range of economic issues related to the Barcelona Process and the Neighbourhood Policy. Arab partners have circulated a paper with their views which has provided a very useful contribution to the exercise and reinforced the sense of joint ownership.

The review is an ongoing process which will be enriched by further contributions, but the Commission would already make the following points.

At the institutional level of the Partnership substantial progress has been made. All the Association Agreements have been negotiated and most are in force. The Councils and Committees meet regularly and a series of technical sub-committees ensures practical implementation. This structure also provides the solid basis for the implementation of the European Neighbourhood Policy, which will concentrate on developing the bilateral aspects of relations between the EU and the partners. Multilaterally, Ministers, senior officials and experts meet regularly both at the general coordinating level (Foreign Ministries) and in a wide range of sectors, and agree on the main areas of their cooperation. The process has also been a catalyst to encourage coordination among the partners themselves. Compared to 1995, Euro-Mediterranean relations now have a solid framework where only an intermittent pattern of contacts existed before. European administrations attach more importance to the Mediterranean than before and administrations in all Mediterranean partners have significantly increased their awareness of the process of European integration and its importance to them, even if

the degree of awareness still varies; and contacts among the administrations of the Mediterranean partners themselves have also increased.

Some progress has been made in asserting joint ownership of the process, for example through co-chairmanship of sectoral Ministerial meetings, closer consultations on the outcome of Ministerial meetings and the joint development of the Neighbourhood Policy; but the lack of cohesiveness among the Mediterranean partners has forced the EU to play a coordination role at the multilateral level.

POLITICAL AND SECURITY PARTNERSHIP

Political and security cooperation has grown although the pace has been slower than hoped for. A number of partnership building measures are in place (i.e. the Malta Diplomatic Seminars, co-operation in Civil Protection and Disaster Management and the EUROMESCO network of foreign policy institutes) or in prospect, and a more flexible approach (bilateral or sub-regional) appears promising, although it remains to be seen whether this will facilitate cooperation on counter-terrorism or non-proliferation of WMD, where progress has so far been particularly slow. South-South political cooperation has developed mainly at the sub-regional level.

The partnership has not had any direct effect on the major unresolved conflicts in the region (Arab-Israel, Western Sahara, Cyprus); on the contrary, the persistence of these conflicts has had a negative effect on the process.

Reforms in political and administrative structures have materialised in only a few of the partners and democratic convergence has fallen short of expectations. A debate has begun in many partner countries on the challenges of democratisation, including the role of democratic political Islam, but so far this has been an indirect rather than a direct result of the partnership. There has been some progress – as well as setbacks - in respect for human rights which is now directly tackled by the partnership, but much remains to be done. While overall press freedom has tended to improve, the legal and regulatory framework for the practice of activities by civil society has not generally improved. The fight against terrorism in the wake of September 11th has led to restrictions on civil liberties.

Overall, the Barcelona process can not be said to have resulted in a significant advance in democratisation but it has led to the creation of a structure of systematic co-operation and confidence building measures. Of particular relevance was the Commission Communication on Reinvigorating EU action on Human Rights and Democracy with Mediterranean Partners. Implementation of the Communication started immediately after its approval by the Commission and the Council issued supportive conclusions. At the end of 2003, institutional or informal Human Rights dialogues started with several Partners, and, in the context of the European Neighbourhood Policy, action plans are being developed with those countries which have already ratified the Association Agreements. The National and Regional Indicative Programmes 2005-2006 in every country provide support for the objectives of strengthening Human Rights, civil society, democracy and the rule of law, as well as, in some cases, judicial cooperation, including improvements to the penal system and awareness raising on Human Rights issues.

In 2003, the European Initiative for Democracy and Human Rights (EIDHR) strategy in the region was revised with a view to strengthening the capacity of civil society on a regional basis. The EIDHR multi-annual programming was up-dated to attach a particular priority on the regional level to the creation or consolidation of regional networks of non-governmental operators. An indicative budget of € 2 million was allocated to this priority. As regards electoral observation under the EIDHR the EU carried out electoral observation in West-Bank/Gaza in January 2005. New subcommittees on Human Rights under the Association Agreements are being set up with a number of Mediterranean Partners. Financial support will be given from MEDA in 2006 for countries implementing measures in this field.

In 2004, a regional workshop on children's rights discussed possibilities of cooperation on questions of family law. Another Euro-Mediterranean workshop is envisaged on the subject of racism and xenophobia.

A new format for developing dialogue and co-operation on European Security and Defence Policy was successfully confirmed at the ad hoc meeting in November 2004 in Brussels. Efforts are ongoing to deepen this dialogue in the framework of the Barcelona Process, as agreed at the Valencia Ministerial Conference in 2002. These efforts focus on means to raise the visibility of this dialogue, establishing contact points on a voluntary basis and exploring the possibility for cooperation with Mediterranean partners in concrete activities on conflict prevention and crisis management.

Partnership Building Measures, i.e., the Malta Diplomatic Seminars, co-operation in Civil Protection and Disaster Management and the EUROMESCO network of foreign policy institutes, are important features of the cooperation in the first chapter of the Barcelona Process, highly appreciated by Euro-Mediterranean partners.

In May 2004, at the Euro-Mediterranean Conference held in Dublin, Ministers agreed that cooperation to fight terrorism should be intensified both at regional level and bilaterally. In the latter context, Ministers mandated the Justice and Security subcommittees existing or currently being established under the Association Agreements to take forward such joint activities at expert level with the aim of improving and assisting the development of counter-terrorism standards and capabilities. The fight against terrorism is also pursued in the framework of the Action Plans under the European Neighbourhood Policy. An informal Ad Hoc Senior Officials and experts' meeting on Terrorism in April 2004 concentrated on an exchange of views on the possibility of engaging in operational joint activities.

The Euro-Mediterranean Parliamentary Assembly was established in 2004 and it held its second meeting in March 2005. The Assembly has become one of the three institutions (together with the Foundation for the Dialogue between cultures and the FEMIP) created in the framework of the Euro-Mediterranean Partnership. The Assembly is to be welcomed both as a contribution to democracy and as evidence of the successful implementation of the policy of joint ownership.

ECONOMIC PARTNERSHIP

Although any analysis would have to be nuanced, in general it is clear that more progress has been on the economic and commercial objectives of the Barcelona Declaration than on those related to political reforms or to social questions.

Free Trade

One of the major goals of the Barcelona Process is to create a Euro-Mediterranean Free Trade Area by 2010. The Association Agreements constitute the core of the economic pillar of the Barcelona Process. The network of bilateral Euromed Association Agreements necessary for this endeavour is now almost complete (with the exception of Syria which is not yet signed and Algeria which is being ratified).

Today, outstanding results have been achieved in the trade area. These relate mostly to market opening in the field of trade in goods.

The liberalisation of trade in goods is now a reality in the Mediterranean region, even if it is true that the situation varies a lot from one Med country to another, due to the various dates of entry force of the Association Agreements

All industrial goods originating in Med countries enjoy duty free access to the EU market. Reciprocally, Med countries are progressively dismantling their tariffs on imports of EU industrial goods over a period of 12 years. A tariff-free free trade zone with the earliest signatories will thus be completed in a few years time, while for others the full completion of tariff dismantling will be achieved on a longer term.

It is however too early to assess the overall impact of tariff dismantling under the Association Agreements on the level of trade protection in the Mediterranean region, all the more so than insufficient progress has been made in the liberalisation of trade in services and in agricultural products.

Besides tariff dismantling, important progress has also been achieved through the elimination of quantitative restrictions, removals of non-tariff barriers, and greater transparency and predictability in the implementation of trade policy measures in the Mediterranean countries.

The objective of widening up preferential trading patterns prompted the adoption, by Euromed Trade Ministers, of a new Protocol on rules of origin at the conference of Palermo (July 2003). The pan-Euro-Med system of cumulation of origin, as it is called, will allow economic operators to cumulate processing made in different countries of the region and thus obtain more easily a preferential treatment. This diagonal system involves several advantages compared to the previous rules (relaxed rules of origin, enlarged sourcing possibilities, improved market access, increased incentive for investments).

Progress was also achieved in the field of trade facilitation, a priority issue in the Euromed area. In particular, work was carried out to identify the main obstacles to smooth trading patterns which led to the adoption of a set of recommendations aiming at simplifying and modernising cross-border and customs procedures in the Mediterranean region.

The adoption (at the Euromed Trade Ministerial Conference of Istanbul of July 2004) of the Framework Protocol on services liberalisation was another stepping stone of the Euromed process in the trade area. This paves the way to the negotiation of economic integration agreements on services and investments, which will contribute to integrate the region economically

The convergence of economic legislation (in particular in the field of technical regulations and standards) is another key element to the establishment of a Euromed Free Trade Area. Important steps towards eventual harmonisation and/or mutual recognition of trade-related standards across the Euromed region have been achieved at technical level. The progressive approximation of the legislation will eventually allow for the free circulation of industrial products within a wide Euromed integrated market.

In the South-South trade dimension, the most significant development was the signing in February 2004 of the Agadir Free Trade Agreement between Egypt, Jordan, Morocco and Tunisia. Other FTAs have been concluded in 2004, notably between Turkey and Morocco, Turkey and Tunisia, Turkey and Palestinian Authority, which witnesses to the progress in regional integration in the Mediterranean region.

Trade in Services

The adoption by trade ministers of the Framework Protocol on services liberalisation is a precursor to the negotiation of economic integration agreements on services and investments, which will contribute to integrate the region economically. Regional work on approximation of economic, and in particular, technical legislation and standards is being carried out and legislative priorities for alignment have been established for each partner. Once the alignment effort is accomplished and equivalent legislation set in place, Agreements on Conformity Assessment and Acceptance of industrial products will be negotiated wherever possible, thus establishing regulatory 'trade corridors' for the benefit of economic integration and growth.

Agriculture and fisheries

In the agricultural field in the past ten-year period the results of the liberalisation of agricultural trade has led to mitigated results. The traditional approach by product and based on traditional trade led to very limited liberalisation on both sides with less than 50% of agricultural trade effectively liberalised. The scope of trade liberalisation in terms of tariff headings is even more limited (39% on average on the side of the EU and 4% on average on the side of our Mediterranean partners). For processed agricultural products the Association Agreements envisage the elimination tariffs for the industrial component, but, in general terms, the agricultural element has not been affected by the tariff dismantling.

To arrive at an ambitious free trade area in agriculture a new strategy should be envisaged making it possible to make substantial progress as regards the reciprocal liberalisation of agricultural trade, coupled with supporting measures beyond the purely trade aspects.

The degree and the scope of the liberalisation for fish and fishery products vary from one association Agreement to another. For example, some of these agreements provide, on a reciprocal basis, for a full liberalisation on the European side for fish and

fishery products, whereas in other agreements, provisions on fish and fishery products are still to be negotiated. Therefore, the current liberalisation for fishery products could be enhanced. Already several of our Mediterranean partners have expressed willingness to discuss fish and fishery products in the framework of the new strategy for a greater liberalisation between the EU and the Mediterranean countries.

Economic and human development

Trade liberalisation is not an objective in itself however. The overall objective of the economic pillar of the Barcelona Process and the Association Agreements is to improve competitiveness in the Mediterranean partners' economies, achieve higher economic growth rates and enable the gradual convergence of living standards with those in the EU.

Human development indicators are showing progress over the past ten years. Health conditions have broadly improved in the region, with significant improvements for child health and the overall life expectancy. Most countries made progress in access to water and sanitation. Mediterranean Partners appear to be on track in meeting the first Millennium Development Goal of "Eradicating poverty and improving lives". Mediterranean countries' population growth rates are declining towards a more sustainable level. Authorities have started to tackle gender disparities, as evidenced by slowly rising women's labour market participation and school enrolment rates.

Foreign and domestic private investment - indirect indicators of success - remain relatively low in the partners. The most important indicator, income per capita, shows further divergence between the EU and the partners, as economic growth rates in the latter remain rather low, notably because of high population growth rates. This is a cause for serious concern. It puts at risk the promise of sufficient employment creation to absorb a rapidly growing labour force and improve living standards in general.

Economic reforms

The Mediterranean countries have managed to achieve and to maintain a relatively high level of macroeconomic stability. Partner countries have registered a remarkable reduction in inflation over the past decade, whereby the average inflation rate has fallen from around 12% in 1995 to around 3% in 2003-2004. Also fiscal accounts were consolidated successfully up to the end of the 1990s, but in recent years this process stalled somewhat.

The Barcelona Process and the Association Agreements have certainly contributed to at-the-border reforms, i.e. external trade liberalisation in the Mediterranean Partners. However, many indicators show that beyond-the-border domestic institutional reforms have been slow in most of their economies. High transaction costs, the difficulties related to contract security and enforcement, market rigidities with regard the purchase of real estate, weaknesses in the financial sector and labour markets, an overburdening regulatory framework and a lack of transparency and efficiency in the public sector have all contributed to stifle economic activities.

This slow pace of reforms may explain why the overall economic performance was rather unsatisfactory and did not keep pace with the trade liberalisation agenda. Despite an increase in income per capita (in PPP terms) in the period 1995-2004, there are no clear signs of the closing of the prosperity gap. Mediterranean income per

capita remained at around 18.5% of EU income per capita. Although the regional GDP growth rate in the period 1995 – 2004 compares favourably with the EU's growth performance, fast population increases did not allow for a catching-up in per capita income levels.

The adoption of comparable methodological standards and the availability of trustworthy and timely statistics appear as a prerequisite for an effective and correct assessment of the monetary and socio-economic situation and future prospects. In this respect, the measures taken by the European Commission, already in 1996, to provide technical support to Mediterranean National Statistical Systems through the regional programme MEDSTAT, which now enters a second phase, are especially relevant. By doing this, the EC and Mediterranean partners acknowledged statistics as the foundation for economic analysis and policy-making.

The new European Neighbourhood Policy is meant to help the partners to overcome this institutional reform deficit. In the economic domain, it offers the prospect of participation in the EU Internal Market. This not only entails a considerable institutional reform agenda; it also provides an institutional anchor for these reforms.

Environment and sustainable development

Each of the bilateral Association Agreements agreed under the EMP includes an article on environmental cooperation. However as the Environment Subcommittees are only now being established, the real implementation of these agreements in terms of actual political and legal cooperation with these countries in the area of the environment has been limited thus far.

According to studies by METAP⁷, the annual costs of environmental degradation amounts to 3 to 6 percent of the GDP of most southern and eastern Mediterranean countries, indicating the economic imperative of addressing this problem. However, in general, environmental considerations have received inadequate financing and insufficient political support in most countries in the region. As a result, citizens in most countries have continued to see a degradation of their environment, with a resulting decline in their quality of life and in their resource base for economic activities such as fishing and farming.

On the bilateral front, the EC has financed some environmental projects (notably in the water sector) through national MEDA programmes, while the EIB has been active with low-interest loans for environmental infrastructure projects under FEMIP. In addition, the LIFE-Third Countries programme has managed to fund specific actions concerning technical assistance activities for promoting sustainable development in the Mediterranean.

In 1997, regional environment cooperation was recognised as an important component of the EMP with the creation of the Short and Medium-Term Environmental Action Programme (SMAP), which has already provided financing of some €40 million from the MEDA budget for regional environmental projects. SMAP

⁷ METAP is a partnership between Commission, the EIB, the World Bank and the UNDP which aims at coordination of the environmental activities of these partners in the Mediterranean, see <http://www.metap.org/>.

III phase will include €15 million for such projects. The accompanying SMAP correspondents' network has also provided a regional forum for discussion on environmental policy issues.

Activities under SMAP have been complemented by regional environmental cooperation under the Barcelona Convention, to which the EC, seven EU Mediterranean countries and all of the non-EU EMP partners (except the Palestinian Authority) are party. Although a need has been identified for a closer synergy between EMP and Convention activities, this synergy has not yet been realised in practice. In particular, implementation of the Mediterranean Strategy for Sustainable Development, which is presently being finalized under the Barcelona Convention, must be properly articulated with the EMP process.

The Foreign Affairs Ministerial meetings of the Partnership and the Environment Ministers meeting in Athens in 2002 have provided a great deal of political guidance calling for greater efforts to be made under the EMP for the sustainable development of the partner countries including better development of environmental policies and infrastructure, and the integration of environmental concerns into the major policies pursued under the EMP. While the SIA of the EMFTA attempts to ensure the achievement of some of these goals in the trade policies under the EMP, there is a need for a greater vigour in pursuing these objectives under the Partnership and its financing in the years to come. Both bilateral and regional components of environmental cooperation need to be reinforced, including through the Action Plans under the ENP and in cooperation with all other organisations and donors active in the area.

Industrial and Business Cooperation

Industrial co-operation has been a major component in implementing the economic chapter of the Barcelona process and, in particular, in accompanying trade liberalisation measures. Action at regional level is promoted through the implementation of a series of co operation programmes funded by MEDA in the fields of investment promotion, quality promotion or awareness-raising on the mechanisms of the Single Market. Business co-operation events have also put together hundreds of SMEs in various sectors. Innovation is an issue that will be covered in the near future. The feedback from Mediterranean partners on these activities is in general very positive. These regional initiatives complement the considerable resources devoted to industrial modernisation under bilateral programmes.

Since 2003 industrial co-operation has been putting more emphasis on policy-making aspects. To improve further market access and facilitate the free movement of industrial products, the EU and the Mediterranean partners have agreed to work together on regulatory harmonisation. An action plan to prepare for the negotiations of Agreements on Conformity Assessment and Acceptance of industrial products (ACAAs) was adopted and its implementation is underway.

As for the promotion of enterprise competitiveness, the Med partners have committed to implementing the Euro-Mediterranean Charter for Enterprise, 10 line of actions for effective action towards private sector development. The signature of the Charter in Caserta (Italy) in October 2004 by Industry Ministers was *per se* an historical event, as for the first time since the launch of the Barcelona process all Mediterranean partners

signed the same document. This commitment helped put the improvement of the business environment firmly on their political agenda. The setting up of a strategic dialogue on the future of textile and clothing, an industry that is facing a serious competitiveness challenge with the end of the quotas, is a first illustration of closer collaboration between partners.

The conclusion of ACAAs will be a first step in the participation of Mediterranean partners in the Internal Market for industrial products, one of the objectives of the European Neighbourhood Policy. Progress in preparing for the conclusions of these agreements can be rapid and reachable within the timeframe set in Barcelona. However, this will require significant input from the EU in terms of administrative and technical assistance to help the countries implement the EC legislation and adapt their quality infrastructure.

Several concrete outputs can be expected from the implementation of the Euro-Mediterranean Charter for Enterprise. Firstly, the Charter implementation should be of substantial help to promote micro-economic reforms and improve conditions for doing business and stimulating investment – both domestic and foreign, as was the case in candidate countries and in the countries of the Western Balkans. Success here will mainly depend on the political will displayed by Mediterranean partners to implement the Charter principles. Benchmarking activities and the exchange of practices should lead to concrete improvements in areas such as administrative simplification, the access to finance for SMEs or the promotion of entrepreneurship via the education system. Secondly, the Euro-Mediterranean dialogue on textile and clothing should help foster complementary industrial strategies, based on the possibilities offered by the pan-Euro-Mediterranean protocol on rules of origin to diversify sourcing. Thirdly, the Charter implementation should also help better co-ordinate and reinforce the impact of financial co-operation to private sector development, be it delivered at regional, sub-regional or bilateral level.

Transport

Cooperation in the transport field has made considerable progress over the last years. The Euro-Mediterranean Transport Forum - which was launched in 1999 – and its working groups (Maritime Transport, Satellite Navigation, Aviation, Network and Infrastructure) have met regularly, allowing for fruitful exchange of experience and concrete discussion on the guidelines of new regional projects. In its Communication on the Development of a Euro-Mediterranean Transport Network adopted in June 2003, the European Commission calls for the realisation of such a network and reviews the conditions and actions to be taken in this respect. As regards projects, the Euromed Transport Project has been launched in 2002 and has produced an exhaustive Diagnostic study on transport situation in the Mediterranean region. The Euromed Transport Project will also produce a proposal for a regional transport infrastructure network, in liaison with the High Level Group on the interconnection of the Trans-European Transport Network with Neighbouring Regions. A new regional project on Satellite Navigation for the benefit of the Mediterranean region has been launched at the end of 2004, together with the opening of Galileo Euromed Co-operation Office in Cairo. Other projects will be starting soon such as the SAFEMED project on maritime safety and security, or are under preparation (aviation, follow-up to the High Level Group in the interconnection of the TEN-T with Neighbouring Regions).

Energy

The steps taken over the past years in the field of energy have been instrumental in further integrating the energy markets in the Euro-Mediterranean region. Two Ministerial Conferences of the Euro-Mediterranean Energy Forum took place in Athens in May 2003 and in Rome in December 2003. In their conclusions, the foundations for a Euro-Mediterranean energy policy were defined, based essentially upon security of supply and infrastructure interconnections, as well as specific priority actions of common interest.

Consequently, sub regional energy markets projects of common interest were identified and supported by technical assistance of the European Union. Three priority areas were targeted to be further developed: the integration of the Maghreb electricity market via the progressive convergence of the legislative framework and national policies and its further integration in the EU electricity market; the progressive establishment of a Mashreq gas market that will connect into the EU market via Turkey and promotion of energy projects of common interest between Israel and Palestine. As far as networks interconnections are concerned, those sub regional energy cooperation initiatives will facilitate the completion of the Euro Mediterranean Electricity and natural gas rings.

In addition, a “Euro Mediterranean Energy Platform” (REMEP) hosted by Italy was created. Its objectives are to facilitate and monitor the implementation of the Euro Mediterranean energy policy and specific actions of common interest.

Information Society Cooperation

For more than ten years, the European Commission is cooperating with the Mediterranean Partners in the field of the Information Society, in particular in electronic communications networks and services. After the implementation of bilateral technical assistance projects under the MEDA Programme for Morocco, several other projects are currently carried out on the reform of the postal, telecommunications and Information Society sectors in Algeria, on the support for the modernisation and restructuring of the telecommunications sector in Syria, on the establishment of a regulatory authority in Lebanon and on the support for the Telecommunications Regulatory Commission in Jordan.

At regional level, a new MEDA project on “New Approaches to Telecommunications Policy (NATP II) will be launched in 2005, which focuses on the introduction of comprehensive regulatory frameworks taking into account the principles of the EU framework. Within the regional MEDA project EUMEDIS, 21 pilot projects are covering the thematic sectors e-Business, Health, Tourism and Culture, Innovation and Education ; the Eumedconnect project provides networking between universities and other research institutions in the region.

The Euro-Mediterranean Conference on the Information Society will take place in Ireland on 10/11 April 2005. The main objective of the event is to initiate a political dialogue on Information Society policy, in addition to the well established regulatory and technical co-operation. This political dialogue should promote the adoption of competitive regulatory frameworks in the Mediterranean partner countries; the World

Summit on the Information Society (WSIS) in Tunis offers a unique opportunity to mobilise the political attention towards this issues.

As regards the media, in particular the audiovisual sector given its reaching to all sectors of society, they constitute an essential tool for the implementation of the objectives outlined in this communication. Their pedagogical potential framed within an appropriate regulatory framework provides a remarkable tool to foster awareness of, and respect for, the values and cultures of the others, both at a north-south as well as at a south-south level. Moreover, they have a non-negligible potential as source of sustainable and autochthonous economic development.

The Euro-Mediterranean partnership will see to improving the conditions for the development of independent media respectful of the basic principles informing the rule of law. It will encourage the exchange of information and expertise regarding audiovisual regulation, in particular concerning the setting up and functioning of appropriate regulatory bodies. As a first step to this effect, a dedicated conference to discuss the current state, needs and future activities to be envisaged for these sectors, will be convened on the margins of the Extraordinary Conference at the end of November 2005. Cooperation in the Information Society and Media fields funded by the MEDA programme will be reinforced by the European Neighbourhood Policy (ENP), under which joint Action Plans were adopted covering also the Information Society and Media sectors. They will start to be implemented in 2005 in cooperation with Morocco, Jordan and Tunisia via the relevant Sub-committees in the framework of the Association Agreements.

HUMAN, CULTURAL AND SOCIAL PARTNERSHIP

Education

Education has been a priority sector in the Euro-Mediterranean Partnership since the Barcelona declaration with the countries of the region. The MEDA regulation states that economic growth needs to be accompanied by increased social cohesion and stresses the need to support equitable access to quality social services, in particular to education, and also to ensure strategic interventions for the development of human resources. Between 1995 and 2005 MEDA finances nine major education programmes. Total investment in this sector amounts to €379.5 million.

Approximately 52% of the education funds are intended for basic education, 8% for secondary education and 40% for higher education, including the Tempus programme.

It must be stressed that the role of Community aid is not only to support the efforts of the countries in the region by financial contributions, but also by sharing the experience of the European Union in the sector. The aim of Community support is to encourage a balanced educational pyramid which takes the needs and interactions between the various levels of education into account. While adhering to these principles, Community actions should be reinforced to support the efforts of the countries of the region in meeting four major challenges for the future: guarantee access to education, improve quality, increase the participation of the stakeholders and complete integration into the new knowledge / information society.

Vocational Training

With regard to vocational training, and in accordance with the spirit of partnership of European cooperation, the cooperation of the EU in particular supported, through the MEDA programme, the reorientation of Partner country Vocational Training supply towards the real needs of economic demand.

In recent years, MEDA countries have witnessed important changes to their labour market, in particular: the entry, each year on this market of a considerable number of young people; an increase in the participation of women; the reduction in absorption capacity by the public services of the young graduates; the appearance of new forms of employment; the development of the informal sector; the increase in independent work; and, finally, the flight of a certain elite towards developed countries.

In this context, since 1995, the Commission has financed 15 projects for an overall amount of 327 million €. The aim of these programmes is to develop systemic and integrated supports for the development of human resources and contribute to the improvement and efficiency of vocational training/employment systems. This, in turn, will enable and support the reform of national systems of Vocational Training in the countries of the region (and even to concentrate, in certain cases, the effort on the specific needs of certain economic sectors). At present, between 10% and 20% of the working age population in partner countries benefit from vocational training. The partners, having a high number of pupils undergoing vocational training, record a lower rate of unemployment than the others.

Culture

In the framework of the Barcelona Third Chapter of the Barcelona Declaration a series of programmes have been launched to promote “...dialogue between cultures and exchanges at human, scientific and technological level”.

Two programmes can be mentioned:

Euro-Med Heritage: This programme is already in its third phase. The total amount is of €57.2 million and more than 30 networks have been created concerning both material and non material cultural heritage cover many different areas like conservation of traditional Mediterranean architecture, archaeology, music, museums etc.

The general objective of this programme is to support the development and enhancement of the Euro-Mediterranean cultural heritage, thus providing for better mutual understanding. The specific objectives are 1) Fostering awareness and knowledge of cultural heritage, 2) Developing human resources in the cultural heritage field, 3) Enhancing cultural heritage including global management of heritage and institutional support.

Euro med Audiovisual: This programme started in 2000, and the budget is now entering in its second phase with a total amount of €35 million. The general objective of this programme is the development of the audiovisual sector (radio, television, and cinema) in the Mediterranean Partners and fostering the emergence of a Euro-Mediterranean cultural identity through audiovisual heritage of the region. The specific objectives are: 1) developing cooperation among audiovisual operators in the

region, 2) supporting training in the audiovisual field, 3) enhancing audiovisual heritage relating to the Euro-Mediterranean region, 4) fostering the dissemination of TV and cinema productions throughout the region.

This regional programme covers areas like the circulation of films between the two shores of the Mediterranean, the preservation of the South Mediterranean's audio-visual heritage, the training of professionals, and the production of cartoons and documentaries. In broader terms, the Programme has enabled audio-visual professionals from the 35 countries to get closer together within the Euro-Mediterranean Partnership, and so to lay the first milestones on the way to a common audio-visual area.

The Anna Lindh Euro-Mediterranean Foundation for Dialogue between Cultures

A very important achievement of the intercultural dialogue in the framework of Barcelona has been the creation of "The Anna Lindh Euro-Mediterranean Foundation for Dialogue between Cultures" with headquarters in Alexandria Library in tandem with the Swedish Institute in Alexandria (Egypt).

The Foundation has the objective to promote the dialogue between cultures and contribute to the visibility of the Barcelona Process through intellectual, cultural and civil society exchanges. Particular importance is given to the development of human resources, while youth is the main target group.

The Foundation acts as a Network of 35 national networks established by the Euro-Mediterranean partners giving the civil societies of the region an important role to play in its development.

Another important aspect of the Foundation concerns the financing. For the first time in the framework of the Barcelona regional actions, all the Euro-Mediterranean partners have announced commitments (the European Commission is providing funding of €5 million from MEDA) with a total figure superior of over €11million.

Justice and Home Affairs Cooperation

JHA questions constitute a key element in the framework of Euro-Mediterranean relations, both at a regional and bilateral level.

Since its inception, the EMP has witnessed a progressive inclusion of JHA related matters in its working agendas up to the adoption in Valencia, in 2002, of the framework document "in the field of justice, in the fight against drugs, organised crime and terrorism as well as cooperation in the treatment of questions concerning the social integration of immigrants, migration and the movement of people"

In effect, we have contributed to a form of shared awareness among European and Mediterranean partners of the necessity of working together on these matters that have increasingly international connotations.

The Barcelona Declaration of 1995 already identified good governance and the rule of law as one of the objectives of the EMP, underlined the necessity of forging closer relations between administrations, of facilitating legal reforms and of the exchange of best practises. Participants committed to the establishment of a common space of

peace and security with a view to the development of democracy and democratic institutions, to ensure the respect of human rights and fundamental freedoms and to cooperate in the fights against terrorism, the spread of organised crime and drug trafficking. The Declaration also created a base for the partnership to deal with social, cultural and human affairs, aiming at the reduction of migratory pressures and illegal migration, as well as the protection of the rights of migrants legally resident in the EU. A reference was also made to the fight against international crime and corruption.

The succeeding Ministerial conferences further underlined these hopes. The adoption of the above-mentioned document was their formal endorsement. It should also be mentioned that this document acted as a base for the development of bilateral cooperation in these sectors.

At the bilateral level the association agreements have gradually widened the scope by including more Justice Freedom and Security provisions (i.e. Algeria). In the ENP justice, security and freedom are priority sectors and all the action plans contain significant sections covering legal systems, corruption, asylum, migration, the movement of peoples, readmission, border controls, the fight against organised crime including human trafficking, drugs, money laundering, financial and economic crimes as well as policing and legal cooperation. The implementation of the action plans will be supported by MEDA and by the appropriate budgetary instruments, and from 2007 by a new European Neighbourhood Instrument (ENPI), centred particularly on cross-border and trans-national cooperation.

The framework of institutional dialogue including the sub-committees on justice and security and the working groups on migration and social affairs, is the privileged instrument for the implementation of the provisions of the association agreements and, from their entry into force, of the action plans.

Civil Society Cooperation

The Barcelona Declaration, adopted in November 1995, considers co-operation between civil societies as an essential element of Euro-Mediterranean relations. This represents a fundamental political evolution, as it enables a direct relationship between the representatives of civil societies.

The main instruments for civil society have been the Euro-Mediterranean Civil Forums which have permitted to articulate and consolidate the co-operation of civil society in the Euro-Mediterranean area and strengthen the Euromed networks. In total 9 civil Forums have taken place: Barcelona (1995), Malta (1997), Naples (1997), Stuttgart (1999), Brussels (2001), Valencia (2002), Chania (2003), Naples (2003) and Luxembourg (2005). Within these Forums, civil society organizations have been able to ensure continuity and coherence in their activities and thus increase -step by step- the effectiveness of their influence on the Partnership

An important recent development has been the creation of the “Euro-Mediterranean non-governmental Platform” with a view to promote the active participation of the civil societies of the region both at regional and national levels and at sector and multilateral levels as well.

A foreseeable future is the strengthening of the role of civil society activity in the partnership (not only as part of the IIIrd chapter of Barcelona) and that all sectors of

the partnership (from human rights to gender issues, from gender to sustainable development from culture to trade relations) should be covered by civil society as important inputs to all instances of the Barcelona process.

Concerning the Economic and Social Councils (ESC) the Barcelona Declaration invited them to take the initiative in establishing links with its Mediterranean counterparts in order to contribute to a better understanding of the major issues relevant to the Euro-Mediterranean Partnership. Since then, 9 summits of Euro-Med Economic and Social Councils have taken place (the last one -9th Summit- was held in Valencia (Spain) in November 2004.

The issues discussed in the framework of the ESC summits are very wide: Agriculture, Migration, Industrial and technological cooperation and relocation, poverty, etc. all of them with an extremely important impact in the framework of the Euro-Med Partnership. In this connection the ESC have underlined the need to develop networks of non-State actors who, along with promoting dialogue and mutual understanding, can carry out joint activities and research

Youth Exchanges

The Barcelona Declaration set the foundations for the Euro-Mediterranean Youth Programme by recommending that “youth exchanges should be the means to prepare future generations for a closer cooperation between the Euro-Mediterranean partners”.

In 1998, the European Commission adopted the 1st phase of the Euro-Mediterranean Youth Action Programme promoting mobility and non-formal educational activities for young people (youth exchanges, voluntary service and support measures). At present, after the conclusion of EuroMed Youth II, the Commission is working at the design of a new decentralised management for Euro-Med Youth III.

Since its start, the programme has proved to be a success (see evaluations on the Youth Website http://europa.eu.int/comm/youth/program/evaluation_en.html) and it involves now 35 partner countries (25 EU member states together with Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestine Territories, Syria, Tunisia and Turkey.). It has enabled more than 20.000 young people across the Mediterranean to participate in youth exchanges, voluntary service and other non-formal learning activities.

The beneficiaries of the programme are young people aged 15 to 25. The programme is also directed to those responsible for youth associations, youth trainers and leaders, and those in charge of youth work at local or national level.

The general aims of the programme are to improve mutual knowledge, understanding and dialogue between youth in the Mediterranean partner countries and in the EU, to stimulate young people's active citizenship, in particular by young women, within their local communities' and youth NGOs' contributions to their country's public life.

The thematic priorities within this programme are active participation of civil society, strengthening of citizenship, place of women in society, fight against racism and xenophobia, minority rights, heritage and environmental protection.

Employment and social issues

All Euro-Mediterranean Association Agreements contain a title on employment and social issues envisaging dialogue and co-operation on matters of common concern. The main forums for addressing these issues have been the Social Affairs Working Groups which have been set up under a number of Association Agreements. Discussion in this framework concentrated mainly on living and working conditions of migrant workers, gender equality, employment policy and the fight against poverty and social exclusion.

Improving the living and working conditions of migrant workers from partner countries and ensuring their smooth social integration is an issue of significant mutual concern. Gradual but persistent progress has been made over the last ten years as concerns for example legislation at EU level banning discrimination on the grounds of religion or racial and ethnic origin both in employment and occupation and also more generally. According to case law of the European Court of Justice, provisions in the Association Agreements on equal treatment in terms of working conditions on the grounds of nationality are directly applicable. Moreover, the situation and specific problems of migrant workers have systematically been addressed in the framework of the European Employment Strategy and the fight against social inclusion. Financial support for facilitating the integration of migrant workers and their families is provided by the European Social Fund, the EQUAL Community Initiative and action programmes on non-discrimination and combating social exclusion.

Gender equality and improving the situation of women in economic, social and political life has been a priority issue in the context of the Barcelona process. Continuous exchanges have taken place within the framework of the Social Affairs Working Group Meetings. A high-level conference on the equality dimension between men and women in the Euro-Mediterranean Partnership was organised under the Belgian Presidency in July 2001. This was complemented by a series of bilateral high-level meetings and visits of the Commissioner for Employment and Social Affairs to several countries to discuss gender issues.

Coordination of social security

Several Euro-Mediterranean Association Agreements contain provisions concerning working conditions and Social Security. The provisions on the principle of the equal treatment have proved to be very useful, in particular following the interpretation made by the Court of Justice. As regards Social Security, the Court of Justice has established that the principle of the equal treatment is directly applicable.

The provisions on equal treatment are based on the following principles:

- Equal treatment with Member States workers in which they are occupied for all the branches of Social Security covered by Regulation 1408/71.
- The calculation of the total periods of insurance, of employment or of residence in the Member States for the same Social Security branches except for the unemployment benefits, the benefits of industrial accident and of occupational disease and the death grants.
- The export of the family allowances inside the Community.
- The Export to the country of origin of pensions, survival, industrial accident or occupational disease and disability.

Science and Technology

Scientific and technological research cooperation has been significantly developed over the last decade. The objective of this cooperation applies to the creation of a Euro-Mediterranean Research and Innovation Area as the main driving component of the opening of the European Research Area towards the Mediterranean region. In order to achieve this, a permanent Science and Technology and innovation dialogue between the Member States and the Mediterranean Partner Countries has been initiated since 1995, in the frame of the Barcelona S&T Committee (MoCo) and its Ad-hoc groups, which identified regional scientific priorities of mutual interest, ways and means of cooperation, and surveyed the implementation of the agreed action plans and annual work programmes for Research and Technological Development and innovation. Since the creation of INCO-MED in 1998 (under the 5th Framework programme) more than 110M € have been invested by the Community to support innovative joint Research and Technological Development research with Mediterranean Partner Countries as well as some activities for structural reinforcement of Scientific and Technological policies and Research and Technological Development institutions in the region. The sectors where these activities are engaged apply to natural resources and the wider water related sector, health, cultural heritage and a number of advanced technologies (biotechnologies, information and communication technologies, renewable energy, materials and production technologies).

Moreover, under the ongoing 6th Research and Technological Development Framework programme, the EU initiated specific activities to integrate scientific communities of the Mediterranean Partner Countries into the European Research Area, exploit scientific results in order to generate innovation, and develop human resources and research capacities. This effort will be further amplified in the 7th Research and Technological Development Framework programme where all the thematic priorities for collaborative research will develop specific activities targeting Mediterranean needs, international mobility schemes will further promote scientific exchanges with the Mediterranean Partner Countries and international cooperation policy, including the Scientific and Technological agreements, will be defined through dialogue with the Partner Countries at the regional level.

FINANCIAL COOPERATION- THE MEDA PROGRAMME

Under the MEDA programme a comprehensive array of programmes has been developed covering all aspects of the partnership. It concerns principally bilateral programme, but also regional programmes are important. Through the MEDA I and MEDA II programmes, grant support is now over €800 million per year. Loans from the European Investment Bank are around €2 billion per year. The effectiveness of these aid programmes depends mainly on government ownership and willingness to drive the reform process.

The MEDA Programme, created in 1995, is the main financial instrument of the Barcelona Declaration. It supports the realisation of the objectives set by the Barcelona Declaration through providing support for economic transition, a better socio-economic balance and regional integration.

The MEDA I Programme was effectively launched in 1996. It covered an initial period of 5 years (1995-99) and accounted for €3.43 billion of the €4.42 billion of budgetary resources allocated for financial co-operation between the EU and its Mediterranean partners. MEDA II covers the period 2000-2006 and amounts €5.35 billion.

In May 2000 the European Commission announced a radical overhaul of its assistance programming, the reunification of the project cycle, the dismantling of the existing eighty Technical Assistance Offices (TAOs), the creation of the EuropeAid Co-operation Office and the devolution of project/programme management tasks and responsibilities to Delegations.

In recent years very substantial progress has been made on speeding up project and programme implementation. These results have gone hand in hand with improved ownership by the Partners, a deepened Partnership, and better follow-up, owing to devolution. Decision-making is now mainly in the hands of actors on the ground. Improvement of the Partnership in quantitative and qualitative terms goes hand in hand with more efficient programmes to the extent that the extra work put in by our Partners, at the level of Ministries and other administrations involved, makes for an increase in the projects' impact.

The average amount for projects within the MEDA Programme is around €10 million, with an average duration of 4 to 5 years. The current MEDA portfolio of on-going projects amounts to €2.7 billion. This should be seen in connection to a total amount of € 700 to 800 million of annual commitments. Thus the current portfolio is equivalent to about 4 years of annual commitments. This corresponds to the average duration of a MEDA project. MEDA is therefore now a fast disbursing programme. Since 2002, the programme has registered the best performance in terms of speed and disbursements. In 2004, the ratio of payments to commitments reached 115%.

One of the reasons for this good performance is that sector reform programmes in support of economic and social reforms have become the pillar of financial co-operation under MEDA. MEDA funding is granted in support of national development strategies that are consistent with the objectives of the Community's development policy and underpins structural reforms intended to ensure the viability of policies on growth and equality.

As technical assistance continues to make genuine contributions to the development process in the Mediterranean partner countries, it remains a key instrument for making institutional development happen.

Interest subsidies and risk capital operations also constitute important instruments for MEDA co-operation and they provide a relevant complement to reimbursable facilities of the grant aid package. The two instruments complement each other by providing a diversified approach and addressing different sectors and beneficiaries. Furthermore, both sets of instruments constitute the background for capacity building and TA activities.

Apart from MEDA, the Commission manages a number of separate budget lines, some of which have been initiated at the request of the European Parliament and have been given a legal basis through different Council Regulations. It concerns Population

Policies and Programmes, Human Rights and Democracy, Women and Development, NGOs, Rehabilitation and Drugs, AIDS, reproductive health, food aid and environment. The administrative responsibility for these budget lines rests with the responsible Directorate General concerned. All MEDA countries are in principle eligible to support under these budget lines.

	MEDA I														
	1995-1999		% P/E	2000		2001		2002		2003		2004		2000-2004	
	E	P		E	P	E	P	E	P	E	P	E	P	E	P
Bilateral Cooperation															
Algeria	164,0	30,2	18	30,2	0,4	60	5,5	50,0	11,0	41,6	15,8	51,0	42,0	232,8	74,7
West Bank and Gaza	111,0	54	49	96,7	31,2	---	62,2	100,0	80,6	81,1	60,3	72,5	93,3	350,3	327,6
Egypt	686,0	157,1	23	12,7	64,4	---	62,5	78,0	25,7	103,8	56,9	159,0	150,6	353,5	360,1
Jordan	254,0	108,4	43	15	84,5	20	10,9	92,0	49,7	42,4	46,9	35,0	50,6	204,4	242,6
Lebanon	182,0	1,2	1	---	30,7	---	2,0	12,0	5,7	43,7	24,1	18,0	40,9	73,7	103,4
Morocco	656,0	127,6	19	140,6	39,9	120	41,1	122,0	101,9	142,7	102,4	151,8	157,7	677,1	443,0
Syria	99,0	0,0	0	38	0,3	8	1,9	36,0	8,5	0,7	10,1	53,0	18,2	135,7	39,0
Tunisia	428,0	168,0	39	75,7	15,9	90	69,0	92,2	89,5	48,7	69,3	22,0	74,0	328,6	317,7
Total bilateral	2.580,0	646,5	25	408,9	267,3	298	255,1	582,2	372,6	504,7	385,8	562,3	627,3	2.356,1	1.908,1
Regional Cooperation	480,0	228,8	48	159,8	48	305,3	62,7	29,4	81,4	110,0	111,9	135,3	173,8	739,8	477,8
TOTAL	3.060	875	29	568,7	315,3	603,3	317,8	611,6	454,0	614,7	497,7	697,6	801,1	3.096	2.386
Ratio P/E					55%		53%		74%		81%		115%		