



The EU, the Mediterranean and the Middle East A longstanding partnership



Members of the Quartet met May 4, 2004, in New York to discuss Middle East issues.

Photo courtesy of UNDP/UN Department of Public Information.

From its inception in the 1950s, the European Union has placed a high priority on establishing and maintaining a close and special relationship with its neighbors from the Mediterranean and Middle East.

Europe and the region are joined together by history and geography: the Mediterranean Sea has linked our peoples for centuries. A growing number of EU citizens have origins in the countries of the region. It is in our shared interest to build a common zone of peace, prosperity and progress.

The EU's early outreach efforts date back to the 1960s and early 1970s with the first generation of association agreements with Turkey, Cyprus and Malta. Those alliances led to even deeper relationships, as illustrated by the 1996 EU/Turkey Customs Union, Turkey and its current EU candidate status and the accession of Cyprus and Malta as EU members on May 1, 2004.

Europe's ancient links with its immediate

neighborhood (Morocco, Algeria, Tunisia, Jordan, Egypt, Israel, Turkey, Syria, Lebanon, the Palestinian Authority, Cyprus and Malta) found new expression in the Euro-Mediterranean Partnership (EMP) created in 1995.

Today the EU's policy toward that area of the world is far-reaching, multi-dimensional and based on a long-term and sustained engagement of all parties. In simplest terms, this policy is governed by three distinct but complementary "frameworks":

- I. the global Euro-Mediterranean partnership (EMP) also known as the Barcelona Process**
- II. the EU's relations with the countries of the Gulf and the broader Middle East region, and**
- III. the separate but complementary Middle East Peace Process.**

"...we maintain our aspiration of building a common zone of peace, prosperity and progress in the Mediterranean region. Working on the basis of partnership, consultation and ownership of the reform process by modernizers in the region will give us more solid and sustainable results. Inducement not imposition is the way forward."

Chris Patten, European Commissioner for External Affairs, Brussels, May 4, 2004.

"We are proposing to reinforce our ties with these partner countries [in Eastern Europe and the Mediterranean region] through an array of new forms of cooperation and assistance. We want to give them a real stake in the enlarged EU so that they too can develop and prosper. A ring of well-governed countries around the EU, offering new perspectives for democracy and economic growth, is in the interests of Europe as a whole."

Günter Verheugen, Commissioner for Enlargement and European Neighborhood Policy, Brussels, May 12, 2004.

Additionally, EU policy in the region will be further reinforced by the new European Neighborhood Policy, launched by a Commission Communication on May 12, 2004, and the Strategic Partnership with the Mediterranean and the Middle East, which the European Council will adopt on June 19, 2004.

I. THE EURO-MEDITERRANEAN PARTNERSHIP (EMP) - THE BARCELONA PROCESS:

"Created in the wake of positive developments in the Middle East Peace Process, the objectives of the Euro-Mediterranean Partnership (EMP) include fostering a relationship covering political and security dialogue, economic relations, including the creation of a Free Trade Area (FTA) and social and human relations. Political dialogue under the EMP offers opportunities to discuss WMD (weapons of mass destruction), terrorism and human rights, and the EU has been developing policies over recent years for the conduct of these talks. It remains the only forum where Israel, Syria, Lebanon, the Palestinian Authority (and Libya, currently as observer) sit together."

Extract from the interim report on the "EU Strategic Partnership with the Mediterranean and the Middle East," agreed by the Council of the European Union at its meeting of March 22, 2004



Signature Agreement on Scientific and Technological Cooperation between the European Community and the State of Israel, October 2003

From twenty-seven to thirty-five partners

After more than 20 years of intense bilateral and trade cooperation, the 15 EU Member States, and the 12 Mediterranean Partners launched an ambitious and far-reaching Euro-Mediterranean Partnership (EMP), also known as the Barcelona Process, in Barcelona, at a Conference of Ministers of Foreign Affairs on November 27-28, 1995. This initiative is the first attempt in modern history to create strong and durable bonds between the shores of the Mediterranean.

The Barcelona Process laid the foundations of a new regional relationship and represents a turning point in Euro-Mediterranean relations.

THE EURO-MED PARTNERS IN 1995

15 EU MEMBER STATES: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom.

12 MEDITERRANEAN PARTNERS: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey.

On May 1, 2004, the EU enlarged to include 10 new Member States: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

The Barcelona Process formally adopted its new composition with the accession of the new EU Member States, thus bringing the total number of the Euro-Mediterranean partners to 35: 25 European and 10 Mediterranean countries.

Three objectives

In the Barcelona Declaration, the main policy document adopted by the Conference, the Euro-Mediterranean partners established the three main objectives of the Partnership:

- The definition of a common area of peace and stability through the reinforcement of political and security dialogue (Political and Security Chapter).
- The construction of a zone of shared prosperity through an economic and financial partnership and the gradual establishment of a free trade zone (Economic and Financial Chapter).

- The rapprochement between peoples through a social, cultural and human partnership aimed at encouraging understanding between cultures and exchanges between civil societies (Social, Cultural and Human Chapter).

Two dimensions

The Euro-Med partners also decided that the partnership should comprise two complementary dimensions:

- The **bilateral dimension**, within which the European Union carries out a number of activities bilaterally with each country, the most important being the Euro-Mediterranean Association Agreements that the Union negotiates with the Mediterranean Partners individually. These agreements reflect the general principles governing the new Euro-Mediterranean relationship, although each contains characteristics specific to the relations between the EU and each Mediterranean Partner.

- The **regional dimension** represents one of the most innovative aspects of the Partnership, covering at the same time the political, economic and cultural fields (regional cooperation). This multilateral cooperation has a considerable strategic impact as it deals with problems common to many Mediterranean countries. In that sense it complements the bilateral actions and dialogue taking place under the Association Agreements.

One major financial instrument

The EU has also created a financial instrument—MEDA—to support the Euro-Mediterranean partnership.

Under MEDA the EU offers technical and financial assistance to accompany the reform of economic and social structures in the Mediterranean partner countries. The program may apply to States, their local and regional authorities as well as to their civil society organizations. From 1995 through 2001, MEDA accounted for € 5.1 billion of the total € 6.4 billion of budgetary resources allocated for financial cooperation between the European Union and its Mediterranean Partners.

Over this period, 86 percent of the resources allocated to MEDA were channeled bilaterally, whereas 14 percent were devoted to regional activities. For the period 2000-2006 an indica-

THE INSTITUTIONS FOR REGIONAL COOPERATION

Euro-Mediterranean conferences take place at the level of Foreign Ministers (top steering body of the Barcelona Process), sectoral Ministers (more than ten meetings since 1996), government experts and representatives of civil society (meetings and conferences).

The **Euro-Mediterranean Committee for the Barcelona Process** follows the regional aspects of the Barcelona Process. The Committee, which meets on a quarterly basis at senior official level, is chaired by the EU Presidency and consists of the Member States, the Mediterranean Partners, and European Commission representatives. The Committee acts as an overall steering body for the regional process with the right to initiate activities in accordance with the MEDA Regional Indicative Program; it also prepares for ministerial meetings, ad hoc conferences of ministers and of senior officials, experts and representatives of civil society.

In March 2004, a **Euro-Mediterranean Parliamentary Assembly** was set up with a consultative role, promoting further the political dialogue between members of parliaments representing the parliaments of the Mediterranean partner countries of the Barcelona Process, the national parliaments of the Member States of the EU and the European Parliament, thus enhancing visibility and transparency.

tive figure of € 5.4 billion has been earmarked.

Bilateral financial contributions from MEDA for 2002 (€millions)

Algeria	50.0	West Bank/Gaza	104.5
Egypt	113.7	Syria	44.5
Jordan	141.7	Tunisia	92.2
Lebanon	17.7	Turkey	294.3
Morocco	122.0		

The European Investment Bank as a financial partner

MEDA grants from the EU budget are accompanied by substantial lending from the European Investment Bank (EIB). EIB loans in the Mediterranean region are designated for specific investment projects, particularly for the support of SMEs (small and medium-sized enterprises), and are administered in close cooperation with the European Commission and, if necessary, with other international financial institutions.

For 1995-2001, EIB loans totaled € 7.4 billion. For 2000-2007, the EIB's Euromed II lending mandate is € 6.4 billion. The Bank committed itself to contribute a further € 1 billion from its own resources and at its own risk over the same period for transnational projects.

In 2003, the EIB launched the facility for Euro-Mediterranean investment and partnership (FEMIP), to support modernization of the economies of the Mediterranean partner countries, while also promoting social cohesion, environmental protection and communications infrastructure. The great success of FEMIP is based on a closer involvement of the Mediterranean partners themselves through the creation of a forum for dialogue (the policy dialogue and coordination committee). In its first year of operation, FEMIP committed more than €1.8

billion in new financing.

"FEMIP's successful launch owes a great deal to the close involvement of our Mediterranean partners in the conception and monitoring of projects and to their implementation of reforms needed to create a propitious environment for private investment." EIB Vice-President Philippe de Fontaine Vive, Cairo, Egypt, October 1, 2003.

Additionally, the EU general budget includes other budgetary lines and programs which allow the EU, among other things, to intervene swiftly in case of need, for example: in case of a humanitarian crisis via ECHO (European Commission Humanitarian Office); or for a major catastrophe via the budget line of "Rehabilitation in Mediterranean countries," through which the EU earmarked € 30 million to help

"The 1995 Barcelona Conference marked the moment when politicians gave institutional form to the depth and richness of the relationship between the people of Europe and the Southern Mediterranean. It is not the only axis of the EU's external policy in the Mediterranean. But it is the most important one."

European Commissioner for External Relations, Chris Patten, Israel, April 5, 2000

Turkey after the earthquake in August 1999. Moreover, the Mediterranean countries participate in community programs such as Interreg and Life, which deal with interregional cooperation and the environment.

Barcelona Acquis: This is a French term meaning, essentially, "the Barcelona process as it is"—in other words, the rights and obligations that Mediterranean countries share. The *acquis* includes all the Barcelona documents, declarations and resolutions. "Accepting the *acquis*" therefore means taking the Barcelona process as you find it.

The May 2004 Euro-Med Conference, the first involving 35 partners as full members, agreed to establish the Anna Lindh Euro-Mediterranean Foundation for the Dialogue of Cultures. Based in Alexandria, Egypt, the foundation's aim is to promote dialogue toward increased understanding between Europe and the countries of the Mediterranean and the Middle East.

The Euro-Mediterranean Conferences of Foreign Ministers

■ Barcelona, 27-28 November 1995

■ Malta, 15-16 April 1997

■ Palermo, 4-5 June 1998

■ Stuttgart, 15-16 April 1999

■ Marseilles, 15-16 November 2000

■ Brussels, 5-6 November 2001

■ Valencia, 22-23 April 2002

■ Crete, 26-27 May 2003

■ Naples, 2-3 December 2003

■ Dublin, 5-6 May 2004

MEDA IN ACTION

Egypt's Social Fund for Development (bilateral)

(economic and financial partnership)

In the early 1990s, the Egyptian government set up the Social Fund for Development (SFD) to counteract the painful side effects of the country's macroeconomic structural adjustment program. Ten years later, the fund, which is aimed at poverty reduction and job creation, has become one of the most successful endeavors of its kind.

SFD activities include programs in community, enterprise, and human resources development, and public works. The SFD has been particularly effective at channeling resources to the poorest parts of the country and to the neediest groups through infrastructure projects, social and educational programs, the advancement of women, and job-creation schemes.

The SFD works closely and constructively with a range of local bodies, drawing together NGOs, training bodies, banks, and other agencies in the field to form an extensive operational network.

As the SFD's major donor in its start-up phase, the EU contributed €178.9 million, and continues to provide significant support for stage two (€155 million). The SFD now enjoys financial backing from 13 international donors, bilateral and multilateral.

Euromed Heritage (regional)

(social, cultural and human partnership) (€57 million)

Launched following the 1996 Bologna Conference, Euromed Heritage is the regional program for the conservation and development of the region's cultural heritage, and it comprises four types of measures: development, training, awareness raising, and skills transfer. The aim is to promote the idea of a common Euro-Mediterranean heritage, drawing together diverse traditions and customs to support the political objective of increasing openness and tolerance in the region and ultimately fostering peace and stability.

Around 240 public or private sector entities from the region are involved in the projects, including cultural bodies, non-governmental organizations, and conservationists. The second phase of Euromed Heritage (€30 million) will enhance even further the involvement of partners from the southern Mediterranean.

First Twinning Projects in MED Region Launched by Jordanian Administration

Two MEDA projects have been launched that involve "twinning" a Jordanian institution (the Food and Drug Administration and the Ministry of Agriculture respectively) with its counterparts in a number of EU Member States, a method used successfully in the accession countries of Central and Eastern Europe, Cyprus and Malta, as well as in the Balkans. Jordan's Food Inspection Services, Food Chain Laboratories, and Veterinary/Phyto-sanitary Services will be upgraded by means of two MEDA funded projects

The MEDA allocation is € 1.9 million for the Food Inspection Project and € 1.6 million for the Veterinary/Phyto-sanitary Project. Both projects have a two year duration and are expected to start in January 2005.

Yet another twinning project is in preparation: 'Strengthening of the Jordan Institution for Standards and Metrology in Jordan, for its compliance with the EU-Jordan Association Agreement'.

The new Jordan projects are in keeping with the European Neighborhood Policy approach. They are the first of their kind in the Mediterranean region, and will be followed by others in various Mediterranean Partners.

Beyond MEDA:

European Initiative for Democracy and Human Rights (EIDHR)

This EU program provides financial support for activities implemented by NGOs and international organizations that promote and support human rights and democracy in over 30 third countries. The average budgetary allocation is €100 million.

"The Mediterranean Master's in Human Rights and Democratization" is an example of this type of regional project, which is training a cadre of professionals to contribute effectively, in the national and regional contexts, to further democratization and the promotion and protection of human rights.

EU Relations with Israel

Israel has a longstanding relationship with the European Union through both political links and economic ties. Israel participates fully in the Euro-Mediterranean Partnership. The EU-Israel Association Agreement came into effect in June 2000. This agreement has made the EU the most important trading partner of Israel: it ranks first in Israel's imports and ranks second in Israel's exports. Israel is the EU's 18th largest export market and the 25th largest source for EU's imports. Total trade reached €24 billion (including diamonds) in 2001. In addition, the EU is also a major scientific and research partner of Israel.

EU Relations with the Palestinian Authority

The overall aim of EU involvement is to help Palestinians:

- create a constitutional government by shaping the institutions foreseen in the Basic Law and making them efficient and accountable;
- establish a truly independent judiciary and a harmonized national legal and regulatory framework more suitable to a free society and market, as well as abolishing state security courts;
- establish democratic participatory politics and a pluralist society by creating a more effective Legislative Council that would exercise enforceable oversight and decision-making authority, and which would be responsible for receiving and implementing the external audit findings of a statutorily established General Control Institute; this may also include assistance with the preparation and holding of elections;
- and encourage further financial openness and accountability.

II. THE EU RELATIONS WITH THE GULF AND MIDDLE EAST REGION

The EU's relations with the countries participating in the Cooperation Council for the Arab States of the Gulf (GCC) (created in May 1981 by Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), as well as with Iran, Iraq and Yemen are of a bilateral nature and are developing under a distinct framework, as the countries of this part of the Middle East region are not part of the Euro-Mediterranean Partnership.

The EU and the GCC

In 1989, the European Commission and the GCC concluded a Cooperation Agreement under which the EU and GCC Foreign Ministers meet once a year at a Joint Council/Ministerial Meeting and senior officials at a joint Cooperation Committee as well as Regional Directors' Political Dialogue. The objective of this agreement is to contribute to strengthening stability in a strategic part of the world and to facilitate political and economic relations. Working groups have been established in the fields of energy and environment.

More recently, in September 2003, a first session of an EU-GCC Economic Dialogue took place, in Riyadh, at the GCC Secretariat. In this first dialogue, topics such as unified trade policy, the fiscal aspects of a single currency, and the move from the customs union to a single market, were covered from both an EU and a GCC perspective.

"In 2004 our priority is to ensure that the benefits of political change are spread throughout Iraqi society. Our aim is to help the Iraqi authorities meet the expectations of the local population and bring some tangible improvements in living conditions. The European Commission is committed to supporting the reconstruction of Iraq, and I am determined that we should deliver on our promises as swiftly as the security situation allows."

Chris Patten
EU External Relations Commissioner
Brussels, March 4, 2004

A second Economic Dialogue is planned for autumn 2004.

The 1989 Cooperation Agreement also contains a commitment from both sides to enter into negotiations on a Free Trade Agreement between the EU and the GCC. The Free Trade Agreement negotiations were initiated in 1990 but soon reached a standstill. Finally in 1999, the GCC made a significant gesture of their willingness to resume the negotiations by announcing their decision to create a customs union by March 2005. Negotiations resumed in March 2002 and have been continuing at an accelerated rate. The last round took place January 19-21, 2004, in Riyadh.

The GCC is currently the EU's fourth largest export market. It is also the fourteenth biggest source of imports for the EU. The EU is the GCC's main trading partner.

It accounts for more than 20 percent of the goods traded by GCC (imports and exports of €55 billion in 2002) while their trade with the US amounts to 11 percent (€30 billion) of their global trade in goods.

As for Foreign Direct Investment (FDI), EU capital employed in the Gulf has increased from 0.3 percent of total EU outward stock in 1999 to 0.4 percent in 2001. At the same time, the Gulf investments in the EU increased from €0.6 billion in 1999 to €1.2 billion in 2001.

The EU and Yemen

Yemen and the European Commission concluded a new Cooperation Agreement in 1998, under which the Commission implements a variety of economic and development cooperation projects with new commitments worth an average of more than €25 million per year. A political dialogue will begin this year. The EU assists Yemen in poverty reduction, strengthening democracy, human rights and civil society, as well as in technical assistance for WTO negotiations.

The EU and Iran

The European Union is Iran's main trading partner for both imports and exports. Iran ranks 34th in the EU's total trade. In 2000, Iran invested €596 million in the EU, representing 0.3 percent of EU total inflows; while the EU invested €83 million in Iran, which amounts to 0.02 percent of the EU total outflows. At the end of 2000, 0.2 percent of the stock of EU inward Foreign Direct Investments (FDI) came from Iran, while 0.05 percent of EU outward FDI went to Iran.

In June 2002, the Council of the European Union agreed to open negotiations with Iran which would cover political aspects as well as a trade and cooperation agreement. Once concluded, this Agreement should put Iran's trade and cooperation relations with the European Union on a contractual basis. The negotiations were launched in Brussels in December 2002, although there has been no new negotiating round since June 2003. In parallel, the Union entered into a dialogue on human rights and continued its Comprehensive dialogue on issues including conflict prevention and crisis management, the fight against terrorism and the proliferation of weapons of mass destruction.

Since last year, relations have to a large extent been influenced by the International Atomic Energy Agency's (IAEA) close scrutiny of Iran's ambitious nuclear program. The end of 2003 was also marked by the humanitarian disaster resulting from the earthquake in Bam, in connection with which, the Commission contributed €8.5 million in emergency assistance.

The EU and Iraq

Under Saddam Hussein's 24-year regime, the European Union had no contractual relations with Iraq and very limited political relations. The Commission's role from 1991 has been restricted to implementing UN Security Council sanctions and providing humanitarian assistance. As a result, Iraq is not part of the EU-Mediterranean framework of association (the Barcelona Process), nor is it covered by any other EU cooperation agreement. However, preparations are underway for a Medium-Term Strategy, which will make proposals for future relations with a sovereign Iraqi government. The EU plays a role in supporting reconstruction, in particular through the World Bank and the UN.

The European Commission (EC) adopted on March 4, 2004, a program setting priorities for reconstruction assistance to Iraq in 2004. The three priorities are: restoring the delivery of key public services; boosting employment and reducing poverty; strengthening governance, civil society, and human rights. The total EU contribution to reconstruction in Iraq, including humanitarian aid, will amount to €324 million in 2003/04. The money will be distributed largely through the International Reconstruction Fund Facility for Iraq, managed by the United Nations and the World Bank.

"In the Middle East, we will continue to promote the implementation of the Road Map as the basis for progress towards a just and lasting two-state solution. Our participation in the Quartet will be based on this principle and we will work closely with our partners in an effort to move the peace process forward."

Europeans – Working Together - Address by the Taoiseach, Mr. Bertie Ahern, T.D., to the European Parliament January 14, 2004



Pascal Lamy, EU Trade Commissioner receives Muhammad Sabah Al-Salim Al-Sabah, Kuwait Minister for Foreign Affairs and Secretary General of the Cooperation Council for the Gulf Arab States, Brussels, April 2004

III. MIDDLE EAST PEACE PROCESS

Through economic, diplomatic and humanitarian means, the EU is a major contributor to the Middle East Peace Process (MEPP). As one of the four players in the Quartet (with Russia, the United States, and United Nations), the EU promotes comprehensive, just and lasting peace and prosperity for the area. The EU also plays a pivotal role in building political and economic relations, particularly toward Israeli-Arab peace.

The EU is, for instance, the largest donor of non-military aid to the Middle East, with a total economic support which is roughly €1 billion per year in grants and another €1.5 billion in soft loans. This includes an average of €179 million per year over the past six years in direct support of the Palestinian Authority, refugees and regional Peace Process projects, as well as indirect support to the Peace Process (bilateral and regional aid). In 2003, the EU supported the Palestinians to the tune of €255 million. In addition:

- The EU is the largest donor of financial and technical assistance to the Palestinian Authority, providing over 50 percent of the international community's financing for the West Bank and Gaza Strip since 1994. Total aid to the Palestinians since the beginning of the Peace Process has been €2 billion in grants and loans from the EU and its Member States--€1.5 billion for building Palestinian institutions and infrastructure promoting reform, good governance, tolerance and respect for human rights, and €505 million as humanitarian support through UNRWA (United Nations Reliefs and Works Agency for Palestinian Refugees).
- The EU is the biggest trading partner and major economic, scientific and research partner of Israel.
- The EU is a major political and economic partner to Lebanon, Syria, Jordan and Egypt. More than €630 million go to Israel's neighboring countries.

The European Union's basic position on the MEPP was first expressed in its Venice Declaration at the June 1980 European Council and was repeatedly reaffirmed by subsequent European Councils of Heads of State and Government as well as by General Affairs Councils of Foreign Ministers: Israel to live in peace and security within

recognized borders, and a democratic and viable Palestinian state next to it.

The main points of this position are reflected in the most recent statement on the Middle East Peace Process of the EU Foreign Ministers meeting on April 26, 2004.

The EU issued the following statement at the Middle East Peace Process Foreign Ministers meeting on April 26, 2004, elaborating on its position:

The European Union reaffirms its commitment to a negotiated two-State solution agreed between the parties which would result in a viable, contiguous, sovereign, and independent Palestinian State existing side-by-side in peace with an Israel living within recognized and secure borders. The Union reaffirms its belief that the Roadmap represents the only route to achieving such an outcome. The Union is determined to pursue vigorously the course set out in the Roadmap and calls on both sides to fulfill their obligations under the Roadmap.

The European Union recalls its established position, restated by the European Council of March 25-26, 2004, that the Union will not recognize any change to the pre-1967 borders other than those arrived at by agreement between the parties. The Union emphasizes that no declared views on the possible shape of a final settlement can preempt the negotiation of that settlement.

The European Union also notes that the refugee question and the manner in which the right of return may be realized is also a Final Status issue and that the Roadmap states that a final and comprehensive permanent status agreement that ends the Israeli-Palestinian conflict must include an agreed, just, fair and realistic solution to this question.

In this context, the Union notes President Bush's reaffirmation of the United States' commitment to the Roadmap and to a negotiated settlement.

The European Union emphasizes the principle, shared by President Bush, that Final Status issues are a matter for negotiation and agreement between the parties themselves and must not be prejudged.

The EU, the Mediterranean and the Middle East

What has been achieved?

- All bilateral association agreements between the EU and the partner countries of the Euro-Mediterranean Partnership (with the exception of Syria) have thus far been concluded.
- As a result of Turkey's association agreement, a customs union with the EU entered into force on January 1, 1996.
- Cyprus and Malta joined the EU as of May 1, 2004.
- Libya has recently expressed interest in joining the Barcelona Process.
- Various Free Trade Area agreements have been concluded among the Mediterranean countries, which enhance the south-south regional integration and trade. Most recently, on February 25, 2004, a regional free trade agreement including Egypt, Jordan, Morocco and Tunisia, known as the Agadir initiative, was signed. The EU has pledged to support the Agadir Process from both a financial and technical point of view. A sub-regional program has been committed in 2003, and earmarked with €4 million.
- Trade between the EU and the 12 partner countries has expanded. As a result, the EU remains the biggest trading partner for every country in the region except Jordan. It accounts for almost 50 percent of goods

traded by them (imports and exports of €141 billion in 2002) compared to 13 percent (€38 billion) for the US. Trade in services with the EU amounted to €32 billion in 2001. FDI flows from the EU into the region accounted for €2 billion (2001), and FDI assets were €25 billion (end 2001). FDI flows from the US (2001) amounted to US\$3 billion (2001), and US FDI assets amounted to US\$18 billion (end 2001) for the Mediterranean and Gulf region combined.

- The **regional dialogue** has been facilitated. One of the successes of the Euro-Mediterranean Partnership is to have allowed, against a tense background, dialogue to be pursued between Mediterranean Partners involved in the MEPP in a context of regional meetings on all questions of common interest. The Partnership still remains the only multilateral forum outside the United Nations where all the parties affected by the conflict meet. The Palestinian Authority is recognized as an equal Mediterranean Partner.
- A **Euro-Mediterranean Charter for Peace and Stability** has been elaborated by senior officials of the 27 partners dealing with political and security matters, which would contribute, if adopted by the Euro-Mediterranean Conference of the Foreign Ministers, to maintaining peace and ensuring stability in the region.
- The EU is devoting almost €3 billion a year to this area of the world.

The Way Forward

In 2000, five years after the launch of the Euro-Mediterranean Partnership, the European Council, comprising leaders of the EU Member States, adopted a **Common Strategy of the European Union for the Mediterranean Region**, which reconfirmed the strategic objectives of the Euro-Med Partnership and the Union's determination to improve the effectiveness and visibility of all instruments at its disposal.

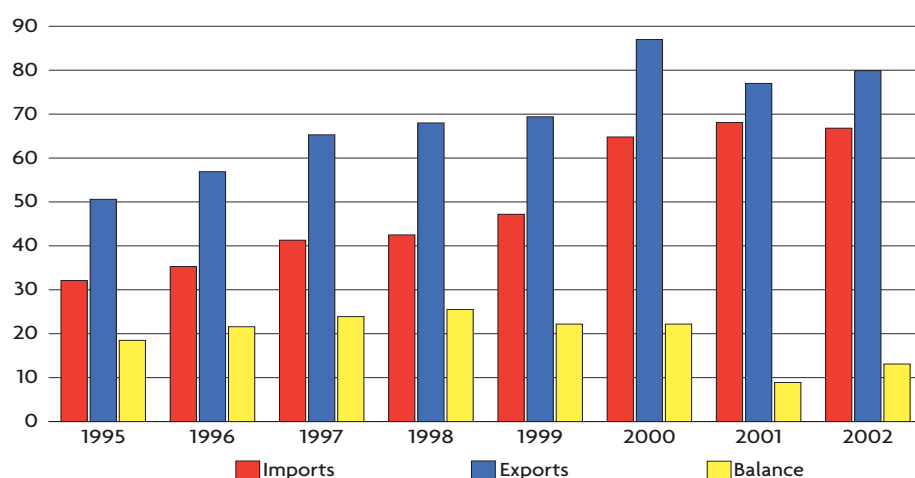
The Common Strategy builds on the Euro-Mediterranean Partnership, established by the Barcelona Declaration and its subsequent *acquis*, and it covers all the EU's relations with all its partners in the Barcelona Process and with Libya.

In view of EU enlargement with 10 new Member States and the prospect of further enlargement toward the Balkans, the EU has been elaborating a **neighborhood policy** for those that have become its new neighbors, countries such as Ukraine, Moldova and Belarus, which share borders with the EU. Also included in this new policy are the countries to the south, the countries of the Mediterranean.

On the parallel track, the December 2003 European Council asked the Presidency and the Secretary General/High Representative, in coordination with the European Commission, to present concrete proposals on a strategy toward the the Middle East region. An **Interim Report on an EU Strategic Partnership with the Mediterranean and the Middle East** was adopted by the European Council on March 22, 2004. Eleven key objectives and principles have been identified:

1. The primary objective is to promote the development, through partnership, of a common zone of peace, prosperity and progress. The goal is to enjoy close and co-operative relations responding as far as possible to demands from within the region.
2. The partnership strategy will include, primarily, relations between the EU and the countries of North Africa and the Middle East.
3. Resolution of the Arab-Israeli conflict will be a strategic priority. Neither progress on the MEPP nor reform in the region should be a precondition for the other. Both are desirable in their own right and should be pursued in partnership with equal determination.

EU Total Trade with MED 12 (Billion €)



4. Partnership should involve a long-term and sustained engagement.
5. Partnership requires a strengthening of the Union's political dialogue with the region.
6. The EU will avail itself of opportunities provided through the dialogue in partnership to promote its concerns regarding respect for human rights and the rule of law.
7. The EU will avail itself of opportunities provided through partnership with the countries of the region to promote action and cooperation on terrorism, WMD and non-proliferation.
8. The EU will work in partnership to support internally driven reforms in the economic, political and social spheres through engagement with state and civil actors, bearing in mind the framework of the relevant UNDP Human Development reports in terms of advancing knowledge (education), freedom (governance) and women's empowerment.
9. The EU will promote enhanced security dialogue with the region including through its own initiatives aimed at Mediterranean partners within the framework of the ESDP on the one hand, and through exchanges of views within the fora linking NATO and the European Union on the other.
10. Modernization of the regulatory environment, and liberalization of import and export trade, will facilitate the EU to promote WTO membership for countries of the region and will contribute to the improvement of the business environment.
11. The EU will also work closely with the US, the UN and other external actors in pursuit of these goals.

The final report will be adopted at the European Council in Brussels, on June 17 18, 2004. In sum, the EU intends to raise the level of its engagement in partnership with the region.

The EU's neighborhood policy

For those countries that do not currently have the prospect of membership but will soon share borders with the Union - Ukraine, Moldova, Belarus and also the southern Mediterranean - the EU has recently developed the **European Neighborhood Policy (ENP)**. It establishes a framework for relations over the coming decade. The aim is to avoid drawing new dividing lines in Europe and to strengthen relations with the new neighbors.

It will deepen relations with countries in the Euro-Mediterranean Partnership and through it, the EU can offer a more intensive political dialogue and greater access to EU programs and policies, including the Single Market, as well as reinforced cooperation on justice and home affairs. Such close and cooperative relations will depend on a better mutual understanding of security concerns and the strengthening of commitments to common values and common principles. It will be important to discuss in that framework issues such as positive conditionality through incentives as Action Plans are drawn up for each country.

The Neighborhood policy reinforces the Barcelona process and, based on country differentiation, represents an essential plank in the implementation of the strategic partnership with the Mediterranean countries. This policy will be accompanied by a new financial instrument (around €800 million a year) called the ENI (European Neighborhood Instrument) and aim at promoting cross-border cooperation as one of its objectives.

"It is not in the stars to hold our destiny:"

"There are fears amongst the Mediterranean countries that our expansion will create new dividing lines to the detriment of relations between us. On the contrary, we believe that enlargement will translate into a renewed European contribution to peace, stability, and prosperity along our common borders.

For the first time, the EU has decided to consider its Mediterranean partners on a par with our neighbors in Eastern Europe. The commitment to political and economic reform of each of our neighbors, Mediterranean and Eastern European alike, will determine on an individual basis how much each of our partners profits from the enhanced opportunities that EU enlargement will bring. Our recently launched Wider Europe initiative has been designed to include our neighboring partners into the new expanded European internal market as much as they are prepared to integrate. We are offering our neighbors – I repeat, Mediterranean and Eastern European alike - parallel progress towards the EU's four fundamental freedoms: free movement of goods, services, capital, and people. The factor that will define the pace of progress will be each neighbor's commitment to reform. It has been said that borders are the scars of history. Instead, we hope our Mediterranean neighbors will find our enlarged borders the gateways to their improved future."



Further information on the EU may be found online:

Delegation of the European Commission to the United States
<http://www.eurunion.org/>

The Euro - Mediterranean Partnership
http://europa.eu.int/comm/external_relations/euromed/index.htm

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Chris Patten, European Commissioner
 for External Relations, Euro Mediterranean
 Conference of Foreign Ministers
 Naples, December 9, 2003