

Trade for change: EU trade and investment strategy for the Southern Mediterranean following the Arab spring revolutions

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The European Parliament adopted by 479 votes to 64, with 40 abstentions, a resolution on Trade for Change: The EU Trade and Investment Strategy for the Southern Mediterranean following the Arab Spring revolutions.

Members believe that **the Arab Spring is an unparalleled historical event** instigated by the peoples' aspirations for freedom, democratic rights and an improvement of their living standards. They are aware that, following these sacrifices, there is a huge expectation in SMC societies of **far greater and fairer support from the EU** for democratic reforms and genuine economic development to the benefit of all. However, they note that the gains of the revolutions of the Arab Spring have not yet been fully consolidated and that the **EU must act swiftly to implement its Trade for Change agenda**.

The resolution stresses that **one of the European Parliament's main roles** is to strengthen political dialogue, mutual understanding and confidence between Europe and third countries, including SMCs, where Parliament should focus on spreading and promoting democratic reforms, fully-fledged freedom and the rule of law. It emphasises that these important tasks, based on direct relations, could also be a way to assess the fulfilment of the forthcoming criteria (in the light of events and the progress achieved) and make the necessary adjustments to Association Agreements, especially in the areas of trade, investment and finance.

Members welcome the **tailor-made, bottom-up approach** envisaged by the Commission, based on **stronger conditionality and stronger differentiation** in the context of the recent ENP revision, and the principle of **'more for more'**, ensuring better targeted assistance to each of the EU's neighbour countries and guaranteeing that funding matches political ambition.

(1) Deep and Comprehensive Free Trade Agreements (DCFTAs) and other trade instruments: the resolution notes that the EU already has strong preferential trade agreements with many SMCs under the Association Agreements. It stresses, however, that none of these processes has been fully completed and is convinced that **there is still great potential for deepening economic relations**. Members welcome, therefore, the Council's decision to authorise the opening of DCFTA negotiations with Egypt, Jordan, Morocco and Tunisia as soon as the necessary preparatory processes are completed. They regard it as indispensable to involve and consult all social forces, especially NGOs and trade union, from the outset of any trade negotiations.

Members are concerned that the European External Action Service (EEAS) has not yet made public the details of the 'more for more' criteria that will determine, together with the commercial scoping exercise, whether a country is eligible and ready for a DCFTA. They ask the EEAS, therefore, to establish these criteria so that the process is transparent and partner countries know in advance where adjustments need to be made.

The resolution recalls that **FTAs are not an end in themselves and that they should serve to benefit each country**. It maintains that the trade provisions should be supported by **strengthened human rights**

clauses with improved monitoring and implementing provisions, and by an ambitious **sustainable development** chapter with a central role for civil society, including provisions on **corporate social responsibility (CSR)**.

Whilst welcoming the focus on behind-the-border barriers to trade and alignment with the EU's acquis, Parliament notes that there is still scope for further negotiations on tariff reductions with certain countries. It stresses that, for DCFTAs to be of true value to SMCs, the EU must be prepared to make additional efforts in sensitive areas such as agriculture and Mode IV services. Members note, in this context, that the EU actually has a significant total trade surplus in agriculture with these countries.

As regards **agriculture**, which employs over a third of the active population in the Southern Mediterranean countries, and also of rural development in the stabilisation process, Members call on the EU to support both the development of healthy agricultural production and rural development in the region, as part of the fight against poverty, which is a persistent evil in the countryside. The Commission is asked to specifically support and promote **Fair Trade and organic farming initiatives**.

The resolution calls also, in order to prevent social and environmental dumping between the countries concerned or with the EU, for the measures proposed by the Commission to step up **the introduction of innovative actions** for the promotion of local know-how, training for the organisation of producers and the development of local and regional markets, as part of exchanges of best practice between countries and with the EU.

Members ask the Commission to:

- **use DCFTAs to align standards in the regulatory field**, especially regarding technical standards and regulations, sanitary and phytosanitary measures (SPS), transparency rules for public procurement, intellectual property protection rules, trade/customs facilitation and the elimination of non-tariff barriers (NTBs);
- prepare a strategy for those 'more for more' partners with whom no prior agreement exists or who are not the immediate targets of DCFTAs, especially those such as Libya or Lebanon that are not yet members of the WTO.

(2) Empowering small and medium enterprises (SMEs) as a tool for economic democratisation: Members are convinced that a successful commercial strategy for the region should strengthen the role of SMEs, which provide as much as 30 % of employment in some countries. They recognise the importance of micro-enterprises, which represent 98.1 % of SMEs in Egypt, 97.8 % in Morocco and 89.1 % in Jordan, though only 9.2 % in Tunisia.

The resolution highlights the importance of fostering entrepreneurial activity by adopting the measures necessary for creating an environment that encourages society's involvement in such activity. Members would in particular welcome a second phase of the **Invest in Med programme**, the specific mandate of which is to foster cooperation between SMEs and their representative organisations in the EU Member States and in the South Mediterranean countries.

The resolution acknowledges the **role of the EIB**, through the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), in helping SMEs in the Southern Mediterranean. It welcomes the decision to raise the ceiling for its operations in the region by EUR 1 billion, which will bring those operations up to EUR 6 billion over the coming three years. It reaffirms that the EIB should specifically target its investment projects on SMEs and the development of infrastructure projects, especially those relating to energy. Members also welcome the recent involvement of the **European Bank for Reconstruction and Development (EBRD)** in the Mediterranean region, and consider that the total funding available for

EBRD investment in the region should be increased, and that SMEs should be major beneficiaries of these investments.

(3) Reinforcing the Agadir Process: Members regret that the Euro-Mediterranean Free Trade Area was not established by 2010, and hopes that all partners will use the momentum created by the Arab Spring to move forward with the necessary reforms for the **creation of a functioning and fully-fledged free trade area**, without creating distortions of competition for EU producers. They propose that the **impact** of the move to a free trade policy be regularly assessed, in order to keep a continuous watching brief on the repercussions of that policy on the Mediterranean countries of southern Europe. They encourage the new democratically elected governments to be more open than their predecessors towards trading with neighbouring countries.

The resolution acknowledges the **Agadir Group as the sole example of a concerted effort at South-South trade**, and encourages the signatories to widen the scope and membership of their trade relationship. It asks the Commission to continue its support for this group, as a cornerstone on which to build the future trade strategy of the EU.

(4) Facilitating knowledge and direct contacts: Members encourage Member States to play a more ambitious role in the EU's strategy for the Southern Neighbourhood, by providing **major programmes of fellowships for SMC students** of both genders and from all socio-economic and ethnic backgrounds, particularly in the fields of economics, business, IT, communications and trade. They call on the Commission and the Vice-President/High Representative immediately to propose the establishment of the Euromed Erasmus and Da Vinci programmes.

Recalling the role played by artists, cultural actors and bloggers in allowing some Arab civil societies to liberate themselves from dictatorship and open up the path to democracy, the resolution calls on the EU to ensure that its trade policy integrates the **dimension of cultural cooperation**, with a view to promoting human rights and democracy.

Members call for the imminent creation of **EU Chambers of Commerce** with partner countries, to serve as a conduit for the promotion of joint trade activities and mutual exchanges between economic partners.

(5) Maximising the impact of EU action: Parliament is adamant that the Commission's trade initiatives need to be supported by a stronger presence of EU trade officials on the ground. It believes, furthermore, that it is essential for the EU to **fully coordinate** its trade, investment and financing support activities in the region, in order to ensure maximum positive impact.

Lastly, the resolution highlights **the need for closer coordination between the European Neighbourhood Policy (ENP) financing instruments**, such as the Neighbourhood Investment Facility, and the different EU and international and regional financial institutions in the region, including the EIB, the EBRD and the World Bank, in order to guarantee maximum effectiveness and coherence. It asks the Commission to take the lead in coordinating such efforts.