Construction of the Euro-Med Free Trade Area

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The European Parliament adopted a resolution based on the own-initiative report drafted by Kader **ARIF** (PES, FR) on the construction of the Euro-Mediterranean free-trade zone. Parliament regretted the fact that Barcelona's main objectives were still far from being achieved and called the Commission, the EU Member States and the Southern and Eastern Mediterranean countries (SEMCs) to re-launch the Barcelona Process by giving priority to the establishment of a genuine Euro-Mediterranean socio-economic area which would incorporate social and environmental aspects into the economic side of the partnership to a greater extent. MEPs wanted a clearer definition of the objectives of the ENP, which, without neglecting the countries of Eastern Europe, must neither weaken the Barcelona Process nor favour bilateral approaches at the expense of a multilateral regional approach. The SEMCs must continue to be regarded as a separate entity. Parliament emphasised the importance of creating closer institutional ties between the EU and the SEMCs as well as the importance of regional integration of the SEMCs and increasing South-South trade. It called on the EU to increase the resources available for technical and financial assistance to the SEMCs.

Trade and customs policy: customs duties still account for a substantial share of the SEMCs' tax revenue. The timetable for any subsequent reduction to be carried out must take into account the economic progress made by the SEMCs and the time needed to implement equitable tax reforms designed to offset the reduction in customs revenues. At the same time, effective measures should be taken against non-tariff barriers to trade, and Parliament stressed in this connection the importance of granting sufficient technical assistance. The Commission was asked to take into account a potential erosion of tariff preferences from which the SEMCs benefit, caused by the signing of free-trade agreements between the EU and some third countries and improvements in the system of generalised preferences (SGP) for developing countries, and to establish a compensation procedure, with a view to reducing the negative impact which this tariff erosion might have on the SEMCs and, in the future, on the creation of the FTA.

Financial and technical assistance: Parliament regretted the fact that the EU had been unable to make available funding which was commensurate with the objectives of the Barcelona Process, this being one of the causes of the accumulated delays in creating the FTA. It noted the good performance of the MEDA II programme during the period 2004-2006 compared with MEDA I, and welcomed the creation of the ENPI, a new instrument intended to cover the financial aspects of the ENP, and the Commission's proposal to increase funding to EUR 14 930 000 000. Parliament regarded the sum of EUR 11 181 000 000 adopted by the Council as insufficient. It called on the Commission and the Member States to seek to maintain a balance between the EU’s neighbours to the East and those to the South and to give priority to the funding of regional (particularly South-South) projects. Parliament also welcomed the good results achieved by the FEMIP since its inception, and wished to see it transformed into a genuine Euro-Mediterranean investment and development bank. It considered that, until such time as consensus was reached between the EU Member States, the proposed Euro-Mediterranean Development Bank could be set up with the involvement, in the initial phase, of any European or southern Mediterranean countries interested in the project.

Foreign direct investment (FDI): a lack of financial attractiveness acted as a major brake on FDI in the SEMCs, with negative effects on the region's economic growth. Parliament felt that it was necessary for these countries to engage in a trade policy which may encourage the use of private domestic investments, particularly by modernising the financial and banking systems and facilitating access to credit for as many people as possible.

Agriculture: the opening up of agricultural markets should be defined jointly and implemented progressively and asymmetrically. It should provide for the possibility of a certain number of exceptions and time schedules. Parliament stressed the economic and social importance of this sector for the SEMCs and the need to avoid impoverishing the rural population. Any opening up of the markets between the EU and the SEMCs must be gradual. Negotiations on access to markets could not under any circumstances be conducted globally, but rather on a case-by-case and product-by-product basis. They must take account of the need for protection in the case of 'sensitive' products, which should be excluded from any full liberalisation in order to prevent local producers from suffering irreparable damage. Parliament went on to emphasise the value of developing a common Euro-Mediterranean labelling policy on the basis of registered designations of origin, a policy which must be sufficiently compatible with the EU's current rules based on registered designations of origin and organic certification, and of ensuring traceability and transparency of production methods. It wanted an agricultural policy which genuinely integrated both shores of the Mediterranean, giving priority to increased food security in SEMCs over commercial considerations.

Services: Parliament stated that any liberalisation of services in relation to the creation of the FTA could take place only on a basis agreed with the SEMCs, and by giving them the right to phase in and control the opening up of sensitive and vulnerable sectors of their economies. The services sector was essential for the success of the free trade area, and crucial for the economies of the SEMCs. It accounted for around 50% of the GDP of Egypt, Morocco and Syria, 60% of the GDP of Tunisia and more than 70% of the GDP of Jordan and Lebanon. A phased liberalisation of services would assist SEMCs economic development, helping to improve infrastructures, transfer technologies and knowledge, and also raise the standard of service provision to their citizens. Parliament considered that a distinction must be made between commercial services and public services, and that the latter must be kept outside the negotiating framework, especially those relating to people's basic needs and those allowing them access to essential public benefits, such as health, education, drinking water and energy, as well as those playing a leading part in cultural identity, such as audiovisual services.

Energy: calling for the construction of a genuine Euro-Mediterranean energy market, Parliament regarded it as vital for the EU and those SEMCs which were without energy resources to make a coordinated effort to reinvigorate the dialogue with the energy-producing countries, while avoiding, as far as possible, entering into bilateral agreements which are detrimental to the interests of the EU and the SEMCs. The EU and those SEMCs without energy resources must engage in a strategic dialogue on the possibility of fostering the production of renewable energies on a massive scale and to grant SEMCs the right to participate in EU programmes related to R&D in the field of renewable energy.

The textile sector: Parliament reiterated its concern at the consequences that the end of the Agreement on Textiles and Clothing on 1 January 2005 and the abolition of quotas had had for the performance of the textile and clothing sector in the SEMCs and the EU. This sector plays a crucial role in the economies of many SEMCs and some European countries. Implementation of a programme aiming to improve the sector’s competitiveness, with Commission support, would serve a useful purpose. When the EU's new commercial and investment strategy with regard to China and, more generally, European commercial policy towards Asia are formulated, Parliament felt that their possible impact on SEMCs and EU countries should be taken into account. It supported the establishment of a Euro-Mediterranean production area as the only means of enabling not only the southern, but also the northern Mediterranean countries to face the challenge of competing regional blocks and ensure that industrial output and employment can be maintained. It was necessary to allocate specific European funds to support programmes of research, innovation or cooperation with that end in view.

Trade and development: Parliament stressed that the EU's trade policy must not run counter to the objectives of its policies on development and poverty reduction, but that it should complement them. More than 30% of the population in the SEMCs lives on less than US$ 2 a day. Parliament called on the

EU to invest in a specific action plan to combat absolute and relative poverty in the Mediterranean, i.e. a Mediterranean version of the Millennium Goals. It emphasised the importance of microcredit, particularly for small landowners and for women.

Concluding considerations: although the conditions for this are not yet in place, Parliament stated that the FTA should be complemented by the phased and conditioned introduction of free movement for workers, while taking account of the situation on the European employment market and current thinking in the international community on the links between migration and development.

Parliament then went on to deplore the systematic **destruction of Lebanon's economic system** and infrastructures during the recent conflict with Israel, which would cause delays in the country's development and the establishment of the FTA. It noted the results of the conference of 25 January 2007 on the reconstruction of Lebanon and supported the efforts to organise international aid to that country in the long term. The EU should continue to provide sufficient financial support to help the Lebanese to cope with the challenges of the country's economic and social reconstruction following the conflict of July 2006. Parliament expressed its strong concern about the situation of the Palestinian territories and consequently called on the Council and the Commission, in cooperation with the international community, to provide the Palestinian population with essential humanitarian aid. It noted that Israel had transferred part of the Palestine tax and customs revenues which it was holding, and called on the Israeli Government to pay the remainder of these frozen sums as a matter of urgency. The Commission was urged to insist on compliance with the clauses relating to the Barcelona Process, in particular the human rights clause included in the Association Agreements and the various action plans, in order to achieve a true area of freedom and security in the region.