

THE UNITED STATES, EUROPE
AND ECONOMIC COOPERATION
IN THE MIDDLE EAST AND
NORTH AFRICA

NAPLES; 8-10/X/1995

CONSIGLIO PER LE RELAZIONI FRA ITALIA E STATI UNITI
THE COUNCIL FOR THE UNITED STATES AND ITALY

iai ISTITUTO AFFARI
INTERNAZIONALI - ROMA

n° Inv. 15632
16 OTT. 1995

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THE COUNCIL FOR THE UNITED STATES AND ITALY

12th Annual Young Leaders Conference
The United States, Europe and Economic Cooperation
in the Middle East and North Africa
Naples, October 8 - 10, 1995

Suggested documents on the major initiatives in progress on the Mediterranean:

- Synoptic table "North South/Cooperation in the Mediterranean" (L. Guazzone Doc/IAI 9506)

Euro-Mediterranean Conference of Barcelona

- Conseil Européen - Cannes, 26 & 27 juin 1995. Conclusions de la Présidence.

- Communication from the Commission to the Council and the European Parliament: *Strengthening the Mediterranean policy of the European Union: proposals for implementing a Euro-Mediterranean Partnership.*

- Communication from the Commission to the Council and the European Parliament: *Strengthening the Mediterranean policy of the European Union: establishing a Euro-Mediterranean Partnership.*

Forum Mediterraneo

- R. Aliboni (et alii), *The MED-2000 Project. Cooperation and stability in the Mediterranean. An Agenda for Partnership.* (April 1994)

- *Oral Conclusions of the Ministerial Meeting of the Core-Group Countries of the Mediterranean Forum* by Amre Moussa, Minister of Foreign Affairs of Egypt (Alessandria, Egypt, July 1994)

- *Forum de la Méditerranée - Reunion des Hauts Fonctionnaires - Conclusions* (Algarve, December 1994)

- *Projet de conclusions orales de la 2eme rencontre ministerielle du forum méditerranéen* (Sainte-Maxime, April 1995)

Casablanca Conference

- *Casablanca Declaration* (November 1994)

Peace Process in the Middle East

- Joel Peters, *Building Bridges The Arab-Israeli Multilateral Talks*, The Royal Institute of International Affairs, 1994

- Robert Satloff, *The Path to Peace*, Foreign Policy - Number 100 Fall 1995 (pp.109-115)

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INTERNAZIONALI - ROMA

n° inv. 15632
16 OTT. 1995

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Bruxelles, le 27 juin 1995

SI (95) 500

TEXTE EN

Chef d'Unité	IH3	Attrib. <i>Circulation</i>
	28-06-1995	

CONSEIL EUROPEEN - CANNES

26 & 27 JUIN 1995

CONCLUSIONS DE LA PRESIDENCE

EURO-MEDITERRANEAN CONFERENCE IN BARCELONA

POSITION OF THE EUROPEAN UNION

I. GENERAL INTRODUCTION

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

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

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

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

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

exchanges.

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

- a political and security aspect.

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

- an economic and financial aspect.

The aim is to build a zone of shared prosperity. An action plan is put forward, setting out the framework, priorities and arrangements for partnership in order to establish a Euro-Mediterranean economic area based on free trade in accordance with the obligations arising from the WTO. It commits the partners to considering the implications of creating a free-trade area in relations between them as well as in the fields of economic development, resources and infrastructure. Particular importance is attached to regional integration. In this context, it is emphasized that European Union aid to the Mediterranean region cannot be a substitute for major efforts by the countries concerned to improve their own situation and their economic and social development. It is acknowledged that the economic modernization involved requires a substantial increase in financial cooperation, which must promote above all the mobilization of local economic forces in order to bring about sustainable, self-engendered development. To that end, particular stress will be placed on private sector investment, a powerful factor for the development of the region;

- a social and human aspect.

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

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

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

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

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

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

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II. POLITICAL AND SECURITY PARTNERSHIP: ESTABLISHING A COMMON AREA OF PEACE AND STABILITY

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

A. Human rights, democracy and the rule of law:

It should be possible for rules of conduct within each State or political entity, which correspond to those recognized by the international community, to be reaffirmed by all the parties. The internal stability of

States must be seen as a medium-term element in the stability of the whole Euro-Mediterranean area.

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

1. (Respect for the basic texts). Commitment by the partners to act in accordance with the UN Charter and the Universal Declaration of Human Rights, as well as the obligations arising from the international declarations and agreements in this field by which they are bound.
2. (Rule of law). Each partner should be able to commit itself to the development of the rule of law and of democracy in its internal political system (free and regular elections to governing and representative bodies, independent judiciary, balance of powers and good governance), with the partners recognizing at the same time the right of each of them to choose and freely develop its own political, socio-cultural and economic system, provided it complies with commonly agreed international standards concerning human rights.
3. (Fundamental freedoms). Commitment by each partner to take practical steps to ensure the effective exercise of fundamental freedoms, on the basis of the undertakings entered into by the partners in the previous two paragraphs, including freedom of expression, freedom of association for peaceful purposes and freedom of thought, conscience and religion.

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

4. (Pluralism and tolerance). Commitment by each partner to respect diversity and pluralism in its society. Call for the promotion of tolerance between different groups in society and for resistance to manifestations of intolerance, especially racism and xenophobia. Action against terrorism will be all the more effective if it observes the rules of law and the principles of human rights and is coupled in the longer term with policies for specific action to deal with the underlying causes. The partners could thus stress the importance of proper education in the matter of human rights and fundamental freedoms.
5. (Human rights). Commitment by the partners to respect human rights and fundamental freedoms and the exercise of such rights and freedoms, both individually and together with other members of the same group, without any discrimination on the grounds of race, nationality, language, religion or sex.

B. Stability, security, good-neighbourly relations:

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

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

1. (Sovereign equality). Commitment by the partners to respect each other's sovereign equality and all rights inherent in their sovereignty, in accordance with international law. Commitment by the partners to fulfil in good faith the obligations they have assumed under international law.
2. (Non-interference). Commitment by each partner to refrain from any direct or indirect intervention contrary to the rules of international law in the internal affairs of another partner.
3. (Respect for territorial integrity). Commitment by the partners to respect the territorial integrity and the unity of each of the other partners.
4. (Non-use of force and peaceful settlement of disputes). Renunciation by the partners of any recourse, in their mutual relations, to the threat or use of force against the territorial integrity or political independence of another partner, or any other action that is incompatible with the aims of the United Nations. Commitment by the partners to consider joint mechanisms of preventive diplomacy and to settle their disputes by peaceful means.
5. (Fight against terrorism, organized crime and drugs). Commitment by the partners to cooperate to prevent and combat the threat of terrorist activities by ratifying and implementing the international instruments and commitments to which they subscribe in this connection, and by taking other appropriate measures. Commitment by the partners to fight together against the expansion and diversification of organized crime and to combat the drugs problem in all its aspects.
6. (Objectives in relation to disarmament and non-proliferation). Commitment by the partners to fulfil in good faith their commitments under the arms-control, disarmament and non-proliferation conventions to which they are party.

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

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

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

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III. ECONOMIC AND FINANCIAL PARTNERSHIP: BUILDING A ZONE OF SHARED PROSPERITY

Introduction

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

- serious demographic pressure;
- a large farming population;
- insufficient diversification in production and industrial trade;
- weak intra-regional trade;
- an over-developed and inefficient public sector.

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

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

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

The partners would consider that policies should be pursued based on the principles of the market economy and the integration of their economies and on a partnership which takes account of their needs and their different levels of development.

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

- promote the modernization and development of the private sector, as well as its legal and regulatory environment, by means of greater administrative cooperation and by encouraging private investment from local, regional and Community sources;
- mitigate the social and environmental consequences which may result from economic development, by according in particular the requisite priority to the policies, programmes and projects most directly affecting the day-to-day life of the neediest populations.

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

1. Euro-Mediterranean free-trade area

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

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

Within this area:

- manufactured products would move freely, without tariff or non-tariff barriers;
- taking as a basis traditional trade flows, and as far as the various agricultural policies allow, trade in agricultural products would be progressively liberalized, through reciprocal preferential access;
- the right of establishment for companies, provision of cross-border services and capital movements would be progressively liberalized, having due regard to the GATS Agreement.

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

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

In order to facilitate trade, the partners would propose to:

- progress by stages towards cumulation of origin among all the parties, in accordance with conditions comparable to those envisaged by the Union vis-à-vis the CCEE;
- adopt broadly similar rules of origin via the development of customs cooperation amongst all partners;
- improve certification procedures to facilitate mutual recognition of certificates of conformity and, in the longer term, harmonization of standards;
- adopt the highest possible standards of protection for intellectual property (TRIPS);
- adopt similar competition rules.

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

2. Cooperation priorities

2.1. Investments

Rapid and sustainable growth and continued structural reforms are

essential to the success of economic development. This process should be supported by internal savings, the basis of investment, to which should be added considerably higher direct foreign investments.

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

They would therefore propose to examine how to encourage direct investment, while respecting the spheres of competence of all parties (the European Community, its Member States and its Mediterranean partners).

2.2. Regional cooperation

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

2.3. Business

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

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

They would endeavour to promote industrial cooperation and modernization through:

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

The partners would consider it necessary to implement a programme of technical support to SMEs in order to improve the quality of products and services, including tourism. They would support cooperation among SMEs and improved access to credit. The partners would recognize the importance of developing the financial sector in the Mediterranean countries in order to mobilize resources for assisting business. They would encourage the integration of the informal labour sector through the development of micro-businesses and self-employment.

2.4. Environment

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

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

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

The partners would also agree on adopting and implementing, as soon as possible, any legislative and regulatory measures which prove to be necessary, especially preventive measures, and high standards.

2.5. Fisheries

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

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

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

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

2.6. Energy

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

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

To that end, they would propose to:

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

The partners would cooperate in creating the conditions enabling the companies operating in the energy sector to extend energy networks (electricity, gas and oil pipelines) and in promoting link-ups between them.

3. Other areas of cooperation

3.1. Agriculture and rural development

The partners would focus cooperation in particular on:

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

3.2. Infrastructure development

(a) Transport

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

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

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

- improvement of efficiency of port and airport infrastructure;
- simplification of administrative procedures in ports and airports, including computerization;
- harmonization of air-traffic control and management systems;
- improvement of multi-modal, combined sea and air transport across the Mediterranean;
- improvement of safety at sea and air safety and more efficient monitoring of marine pollution;
- development of east-west land links on the southern and eastern shores of the Mediterranean;

- connection of the Mediterranean partners' networks to the trans-European networks, including the identification of multi-modal corridors of common interest in order to ensure interoperability;

(b) Information technology and telecommunications

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

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

3.3. Local authorities and regional planning

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

- define a regional planning strategy for the Euro-Mediterranean area appropriate to countries' requirements;
- promote cross-border cooperation;
- foster cooperation among local authorities.

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

3.4. Research and development

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

To that end, the research capacity of the Mediterranean rim countries

should be improved and assistance given for the training of scientific and technical staff, to promote better integration of young researchers in the region.

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

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

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

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

Lastly, they would wish to set up a committee to monitor Euro-Mediterranean cooperation on research and development so as to follow up, in particular, the discussions started on 21 and 22 March in Sophia Antipolis.

3.5. Statistics

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

4. Means of cooperation

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

For this purpose the Community considers that the partnership should benefit from substantial additional financial assistance for the period 1995-1999. This would be supplemented by EIB assistance in the form of increased loans and financial resources allocated bilaterally by the Member States, with a view to ensuring through coordination of contributors, in compliance with the principle of subsidiarity, the

optimum complementarity and effectiveness of such assistance and a clear overall profile for European Union action.

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

IV. PARTNERSHIP IN SOCIAL AND HUMAN AFFAIRS

Introduction

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

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

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

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

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

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

country.

Cooperation in these areas could include the negotiating of conventions.

1. Cooperation priorities

1.1. Education and training

The partners would encourage:

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

1.2. Social development

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

1.3. Migration

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

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

They would undertake to discuss living conditions for migrants and

expatriates legally resident within their respective territories.

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

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

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

1.4. Drug trafficking

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

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

1.5. Terrorism

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

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

1.6. International crime

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

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

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

1.7. Judicial cooperation

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

1.8. Racism and xenophobia

The partners would stress the importance of combating more effectively the phenomenon of racism and xenophobia and plan to cooperate to achieve this.

1.9. Combating corruption

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

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

2. Other areas of cooperation

2.1. Culture and the media

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

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

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

2.2. Health

The partners would recognize the following priorities in their partnership:

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

2.3. Youth

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

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

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V. FOLLOW-UP TO THE EURO-MEDITERRANEAN PARTNERSHIP

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

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

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

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

Financial cooperation with the CCEE and the Mediterranean

The European Council signified its agreement to the following table in line with the guidelines in paragraph 6 of the working document distributed at the Council meeting on 12 June 1995. ()

	CCEE	MTC
1995	1 154	550
1996	1 235	900
1997	1 273	1 000
1998	1 397	1 092
1999	1 634	1 143
TOTAL	6 693	4 685

() The Council reiterates and confirms the interinstitutional agreement of 1993 on the margins to be left available within the ceilings for the various categories.

The Council therefore wants the budget authority, when establishing the budget, to act in such a way as to keep within Category 4 an unallocated reserve to cover contingencies and developments in the situation, including the CCEE and Mediterranean third countries, to which the Essen European Council gave special priority.

As one of the arms of the budget authority, the Council intends to work towards this goal and counts on the European Parliament's cooperation in this endeavour.

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n° Inv. 15632

16 OTT. 1995

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COMMISSION OF THE EUROPEAN COMMUNITIES

COM(95) 72 final

Brussels, 08.03.1995

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL
AND THE EUROPEAN PARLIAMENT

STRENGTHENING THE MEDITERRANEAN POLICY
OF THE EUROPEAN UNION: PROPOSALS FOR
IMPLEMENTING A EURO-MEDITERRANEAN PARTNERSHIP

1. INTRODUCTION

1.1 The Mediterranean is strategically important to the European Union.

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

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

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

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

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

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

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

Time is of the essence, not only for political reasons, but also for economic and social reasons. It is consequently very much in the Community's interest to establish a new partnership with the MNC to move beyond the scope of the activities bolstered by the New Mediterranean Policy (1992-1996), important though they are.

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

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

The Essen European Council also considered that the Commission should give thought to how to structure financial assistance for the Mediterranean region in the future, and called on it to put forward specific proposals for implementing all the aspects referred to in its communication so that the Council could adopt the necessary decisions.

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

1.5 The aim of this communication is to set out the main directions of Euro-Mediterranean partnership and put forward priorities for financial and technical cooperation for 1995 to 1999. It will also provide a rough outline of the instruments and methods considered by the Commission to be most appropriate to helping the MNC cope with the challenges facing them and to achieving the aims established.

- 1.6 The Commission takes the view that the new direction of financial and technical cooperation should first and foremost benefit the MNC embarking on modernizing and reforming their economies to culminate in free trade, which is the key stage in establishing a true Euro-Mediterranean economic area.
- 1.7 It is the Commission's belief that the recent establishment by the European Parliament of a new MEDA budget heading (B7-410) is an important first step towards fulfilling the objectives contained in its communication of 19 October 1994.
- 1.8 With these new directions in the offing, the European Community will conclude the Euro-Mediterranean (association) Agreements currently being negotiated as soon as possible, and will launch a similar process for any other Mediterranean countries expressing an interest.

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2. MAIN DIRECTIONS

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

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

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

The Commission is proposing three closely connected priorities for action:

- assistance with economic transition;
- assistance with achieving a better socio-economic balance;
- backing for regional integration.

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

2.1 Assistance with economic transition

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

- the establishment of a Euro-Mediterranean free trade area;
- promotion of the private sector in the countries of the Mediterranean region (this would include modernizing/restructuring industry and establishing a suitable regulatory system);
- promotion of European private investment in the countries in question;
- updating of economic and social infrastructure.

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

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

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

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

Such agreements should furthermore automatically include provisions on (i) standards, conformity certification, metrology and quality control, (ii) intellectual property, (iii) competition rules, (iv) customs cooperation seeking chiefly to combat drug smuggling and trafficking and (v) approximation of legislation to improve conditions of establishment and provision of services, plus a meetings clause for regular evaluation of the possibility of establishing a preferential agreement in services.

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

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

2.1.2 Promotion of the private sector

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

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

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

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

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

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

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

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

2.1.3 Promotion of European private investment

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

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

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

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

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

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

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

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

2.1.4 Updating of economic and social infrastructure

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

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

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

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

2.2 Helping to achieve a better socio-economic balance

The problems facing the countries of the Mediterranean go well beyond the economic: they have to cope, in differing degrees, with poverty, social and economic inequality, population growth, the balance between town and country, deterioration of the environment, drug trafficking, fragile democratic structures, growing religious extremism and terrorism and resentment and lack of cultural understanding in Europe.

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

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

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

2.2.1 Improving social services (particularly in towns)

Social services (basic education, health care, government housing, water supplies, sanitation and other key infrastructure) need to be improved for several reasons: (i) to prevent living conditions from declining (e.g. because of structural adjustment, rapid population growth or a mass exodus from rural areas) and (ii) to prevent the economic anchoring of the Mediterranean to Europe from producing worse social disparities.

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

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

2.2.2 Promoting harmonious and integrated rural development

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

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

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

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

2.2.3. Greater cooperation in fisheries

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

2.2.4. Environment

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

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

- the Community must promote the adoption of a programme of priority action for the short- and medium term;
- financial support in this area must focus on these priority actions. Investment through long-term, subsidized loans should be encouraged;
- a mechanism should be set up to monitor the implementation of the programme;
- in some areas (e.g. clean air), environmental legislation measures should be adopted by all countries of the region;
- to pave the way for the longer term, action in the fields of training, education, networking and environmental data should be stepped up;
- full use should be made of the existing institutional structures, particularly those covered by the Barcelona Convention of 1975 and the Mediterranean Action Plan (MAP), with a view to the development of joint approaches and improved monitoring of their implementation.

2.2.5. Contribution of civil society to development

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

This cooperation must continue and improve in all sectors in which direct cooperation among such bodies is appropriate, for example universities, the media, research and municipal authorities.²

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

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

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

Education in all its aspects (including science and technology) is one of the major levers of development. A special effort must be made to improve primary and secondary education, and to restructure higher education systems.

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

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

2.2.7. Consolidation of democracy and respect for human rights

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

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

2.2.8. Support for cultural exchanges

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

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

² i.e. the MED-URBS, MED-CAMPUS, MED-INVEST and MED-MEDIA programmes.

2.2.9. Co-operation and technical assistance in order to reduce illegal immigration, drug trafficking as well as terrorism and international crime.

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

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

2.3. Support for regional integration

There can be no question of creating a Mediterranean economic area in any real sense without a major integration drive among the Mediterranean countries themselves, not to mention greater integration between Europe and those countries.

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

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

The Community should support this process in two ways:

- by providing encouragement and assistance as appropriate for the creation of regional cooperation structures;³
- by providing EIB loans and budget resources to finance the economic infrastructure that is essential if regional trade is to be stepped up, especially in the field of transport, communication and energy.

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

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³ The discreet and indirect Community assistance that led to the introduction of economic cooperation between Egypt, Israel, Jordan and the Palestinians would be a good example to follow.

3. INSTRUMENTS, IMPLEMENTING PROCEDURES AND ELIGIBILITY

3.1. Instruments

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

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

- Contributions from budget funds should focus on support for the private sector (consultancy, credit lines, microbusinesses), technical assistance, studies, social infrastructure and support for cooperation activities launched by civilian bodies.
- EIB loans should primarily be used to finance "bankable" operations, e.g. long-term loans for economic infrastructure projects and production.
- The two instruments should combine to co-finance projects wherever possible and wherever synergies can be achieved. Examples would include feasibility studies, project preparation and technical and management assistance for projects financed by the EIB. Some types of infrastructure projects (e.g. in the environmental sector) could also benefit from interest rate subsidies.

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

3.2. Implementation procedures

From 1997, most cooperation activities are due to come under a single budget heading, B7-410, which will thus take the place of the financial protocols that expire on 31 October 1996.⁴

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

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

⁴ With the exception of Malta and Cyprus, for which new financial protocols have recently been negotiated for the period 1995-99.

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

The task of financial management will be considerably lightened and made more transparent by having only one budget heading to administer for the entire Mediterranean, rather than the plethora of items currently involved.

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

The Commission therefore proposes to join with the EIB⁵ in consulting our Mediterranean partners to establish a flexible multiannual programme allowing for the adoption of coherent action programmes in the priority areas selected.

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

⁵ And if possible with the Member States and other donors

3.3. Countries eligible

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

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

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

3.4. Financial resources and indicative allocation

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

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

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

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

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

3.5. Coordination with the Member States and other donors

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

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



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

4. CONCLUSIONS

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

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

The resulting operational guidelines and recommendations are that:

- * the indicative amount be ECU 5.5 billion, as approved by the Commission on 19 October (COM (94) 427 final). The amount was decided on while negotiations regarding alteration of the Financial Perspectives to cope with enlargement were in progress, and is to be updated in the light of the outcome of those negotiations (while still, as agreed, striking a balance between the regions considered by the Commission to be priorities);
- * the sectoral priorities be as given in Annex I;
- * the Commission and the EIB be called upon to report to the Council on the possibilities of allocating to the MNC an amount comparable to that proposed by the Commission for 1995-99, from the Bank's own resources, with appropriate guarantees from the budget, taking account of existing budget constraints and of the principles of geographical balance set out by the Essen European Council.

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

FINANCIAL COOPERATION WITH THE MEDITERRANEAN COUNTRIES
(Chapter B7-40, 41, 71)

ECU million at current prices

1995*	1996	1997	1998	1999	1995-99
549.4	700	1045	1442.6	1763	5 500

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

SECTORAL PRIORITIES FOR THE MEDITERRANEAN REGION, 1995-99

billion	EC budget, ECU
1. Support for economic transition	2.3
- Business sector (MSE)	1.4
. expertise for modernization, reconstruction, privatization (incl. improving the regulatory framework)	0.7
. risk capital	0.4
. vocational and management training	0.3
. long-term loans	-
- Structural adjustment	0.5
- Infrastructure: transport, energy, telecommunications	0.4
2. Support for better socio-economic balance	2.6
- Social infrastructure (water, sanitation, electricity, etc.)	1.0
- Education	0.4
- Population and health	0.3
- Rural development	0.6
- Environment	0.3
3. Support for regional integration	0.6
- Decentralized cooperation	0.3
- Other regional projects	0.3
TOTAL	5.5

NB: this amount will be supplemented by EIB own resources.

FINANCIAL STATEMENT

1. TITLE OF OPERATION

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

2. BUDGET HEADING INVOLVED (1995 BUDGET NOMENCLATURE)

B7-40, B7-41, B7-71

3. LEGAL BASIS

All the legal bases are given in Chapter B7-40.

4. DESCRIPTION OF OPERATION

4.1 General objective

- Assistance for economic transition (to back up the process of modernization and restructuring in the economies of the Mediterranean non-member countries, with a view to gradually establishing a free trade area, and to promote direct investment in the region by establishing joint ventures [MED-INVEST, ECIP and risk capital]);
- Assistance with achieving a better socio-economic balance (chiefly by helping to improve social services, promote harmonious and integrated rural development, involve civil society in development, support education and cultural exchanges, consolidate democracy and respect for human rights and protect the environment);
- Backing for regional integration, mainly in the form of promotion of regional cooperation in fields including the environment (regional projects, decentralized cooperation programmes and cross-border cooperation with the Mediterranean regions of the European Union) and backing for the Middle-East peace process.

4.2 Period covered and arrangements for renewal or extension

The New Mediterranean Policy currently in force covers the period 1992 to 1996. The policy should be strengthened for the period 1995 to 1999.

Article B7-701 is due to disappear in 1997 as it contains only payment appropriations, and the last of these are due in 1996.

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

5.1 Compulsory/Non-compulsory expenditure

Depends on the budget heading.

5.2 Differentiated appropriations

5.3 Type of revenue involved

None, except in the case of risk capital (if the operation financed is a success).

6. TYPE OF EXPENDITURE OR REVENUE

- *100% subsidy*: in the case of the major portion of the measures planned, the operational expenditure of a project or programme is covered by a 100% grant.
- *Subsidy for joint financing with other sources in the public and/or private sector*: provision has been made for co-financing with other donors, NGOs and the private sector.
- *Interest-rate subsidies*: interest-rate subsidies on EIB loans may be possible in certain cases.
- *Should the operation prove an economic success, is there provision for all or part of the Community contribution to be reimbursed?* Yes, if operations using risk capital prove a success.
- *Will the proposed operation cause any change in the level of revenue?* No.
- *Reuse*: None.

7. FINANCIAL IMPACT

7.1 Method of calculating total cost of operation

The indicative multiannual financial programming (details attached as an annex) reflects the need to step up the activities of the European Union in the Mediterranean in the light of the problems facing the MNC.

Relative to their needs, the financial resources which the MNC need to see through their economic reforms remain fairly limited, even if substantially higher than current levels (this is largely the result of a low starting figure). Subject to the outcome of the annual budget procedure, the Commission has proposed the allocation to Chapter B-40 (Cooperation

with Mediterranean countries) of ECU 5 500 million for the period 1995 to 1999.

7.2 Itemised breakdown of cost

The precise breakdown will be determined by detailed proposals submitted by the Commission as time goes on. The following can be taken as a rough indication of the distribution by broad area of activity, however:

- Assistance for economic transition ECU 2.3 billion
 - Assistance with achieving a better socio-economic balance ECU 2.6 billion
 - Backing for regional integration ECU 0.6 billion
- ECU 5.5 billion

7.3 Operational expenditure on studies, meetings of experts, etc. falling under Part B

(see Annex IIIa to the Commission communication of 22 April 1992, attached as Annex VIII)

commitment appropriations in million ecus

Breakdown	95 budget	96 PDB	var %
-studies			
-meetings of experts			
-conferences			
-information and publications			
TOTAL			

7.4 Indicative schedule of appropriations

commitment appropriations in million ecus

Accumulated position end 1994	1995 Budget*	1996 PDB	INDICATIVE PLAN				
			1997	1998	1999	2000 and subs. yrs	TOTAL
	549.4	700	1045	1442.6	1763	p.m.	5500

Subject to adoption by the budgetary authority of the supplementary amending budget (1/95)

8 FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

The projects and programmes financed as part of cooperation with the MNC will be regularly followed up and audited by the Commission (or agents appointed by it) and by the Court of Auditors.

9 ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1 Specific and quantified objectives; target population

Specific objectives: links with general objective: Against the background of the general objective described in paragraph 4.1, the action taken under this Chapter will seek to finance (wholly or partly) programmes with the following main aims:

- to help economic transition by encouraging the establishment of a free trade area between and among the countries of the Mediterranean by 2010, and by backing economic and social reform for the modernization of firms (promotion of the private sector), with the accent on:
 - improving competitiveness;
 - support for SME and job-creation;
 - encouraging private investment;
 - improving economic infrastructure (primarily communications networks);
 - establishing a suitable regulatory framework;
 - modernizing the way in which economic institutions operate (particularly the financial and taxation systems);

- to bring about a better socio-economic balance, with action focusing on the following, in the interests of coping with new challenges:
 - improving social services (education, health care, government housing, water supplies, etc.), particularly in towns, and particularly for the most underprivileged (especially young people and women);
 - promoting harmonious and integrated rural development (going beyond agricultural development to cover improvement of services (e.g. health care, education, water supplies (sanitation), electricity and the development of associated activities such as tourism);

- consolidation of democracy and respect for human rights;
 - involving civil society in development through decentralized MED cooperation programmes;
 - support for education (primary, secondary and vocational), with the emphasis on integration into the world of employment;
 - promotion of cultural exchanges, encouraging dialogue at all levels;
 - protection of the environment by promoting investment for that purpose (long-term loans with interest-rate subsidies) and by encouraging transfers of know-how (dialogue with the countries' environmental agencies aimed at the introduction of appropriate legislation and backing the development of alternative sources of energy);
- To back regional integration using projects and activities which are of interest to several Mediterranean countries and cooperation with contiguous areas of both sides of the Mediterranean, and by supporting the Middle East peace process.

Final beneficiaries: The final beneficiaries will vary according to the project or programme.

9.2 Grounds for the operation

- *Need for Community financial aid*

The Corfu and Essen European Councils emphasized the need to strengthen the European Union's Mediterranean policy in order to promote peace and stability in a region which is of strategic importance to it.

Because the MNC need to devote substantial energy to economic reform, substantial extra assistance from the European Union will be needed to ensure that a free trade area is gradually established.

- *Choice of ways and means*

The methods used in the programme of cooperation with the MNC will vary according to the situation of each country and sector. Detailed identification and feasibility studies will be carried out on the activities to be financed.

- *Main factors of uncertainty which could affect the specific results of the operation*

The process of economic reform due to be implemented or intensified is unpredictable because of social risks and the course of the world economy. Political developments in the region will influence the progress of reform and the extent of regional cooperation.

9.3 Monitoring and evaluation of the operation

Cooperation with the MNC is closely monitored by the Commission departments in Brussels and the delegations in the countries themselves.

A computer system (RAP) has also recently been installed to carry out such monitoring.

In addition, each programme is audited on a regular basis by independent experts from the technical and financial points of view and from that of impact on the target population or groups.

ISSN 0254-1475

COM(95) 72 final

DOCUMENTS

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iai	ISTITUTO AFFARI INTERNAZIONALI - ROMA
n° Inv.	15632 16 OTT. 1995
BIBLIOTECA	

Catalogue number : CB-CO-95-093-EN-C

ISBN 92-77-86674-8

Office for Official Publications of the European Communities

L-2985 Luxembourg

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(94) 427 final

Brussels, 19.10.1994

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL
AND THE EUROPEAN PARLIAMENT

**STRENGTHENING THE MEDITERRANEAN POLICY
OF THE EUROPEAN UNION:
ESTABLISHING A EURO-MEDITERRANEAN PARTNERSHIP**

EXECUTIVE SUMMARY

1. As pointed out by the Lisbon European Council in June 1992, the southern and eastern shores of the Mediterranean, as well as the Middle East, are geographical areas in relation to which the Union has strong interests in terms of security and social stability. Consistent with this view, the Corfu European Council of June 1994 and the subsequent Foreign Affairs Council invited the Commission to submit guidelines for the short and medium-term strengthening of the Union's Mediterranean policy for peace, stability, security and the socio-economic development of the region. The Council should consider the possibility of a Euro-Mediterranean Conference in 1995.
2. The present communication responds to this request. It represents a contribution to discussion at such a Conference. It deals primarily with relations with the Maghreb and Mashrak countries and Israel, while noting the importance of the Community's particular relations with Turkey, as well as those with Cyprus and Malta in the perspective of their accession to the Community. Relations with the countries of the former Yugoslavia are beyond the scope of this communication.
3. Since 1989 the Community has focussed its attention on policies towards Central and Eastern European countries (CEECs) and towards the Mediterranean region. Relations with each region are based on its specific needs and capacities. The pre-accession strategy with the CEECs in no way interferes with the Community's commitment towards the Mediterranean region.
4. There are many areas of Euro-Mediterranean interdependence, notably environment, energy, migration, trade and investment. The Community has a vital interest in helping Mediterranean countries meet the challenges they face.
5. The objective should be to work towards a Euro-Mediterranean Partnership. This would start with a process of progressive establishment of free trade, supported by substantial financial aid. It would then develop through closer political and economic cooperation, towards a close association, the content of which will be jointly defined at a later stage.
6. Progress towards a Euro-Mediterranean zone of peace and stability would be initiated through close political dialogue based on respect for democracy, good governance and human rights. The dialogue should be extended to security issues, leading to the introduction of measures to consolidate peace.
7. In the economic sphere the Community should promote, in the framework of the WTO, free trade with individual Mediterranean partner countries, which would require the countries to embark on a process of modernisation of their economies and increased competitiveness. This process would require a long transition and the willingness of the Community to offer help, particularly in terms of aid for structural adjustment and economic restructuring. In the long-term, this would

lead to the establishment of the largest free trade area in the world, covering the enlarged Community, any Central and Eastern European countries not by then Members, and all Mediterranean non-Member countries

8. Beyond free trade, the Community should be prepared to enter into wide-ranging areas of cooperation with Mediterranean countries, to be defined jointly with them. These could cover industrial cooperation, energy, environment, information and communication technologies, services, capital, science and technology, decentralised cooperation, drug trafficking, illegal immigration, tourism.
9. Operational conclusions should cover:
 - early conclusion of negotiations underway with Israel, Morocco, Tunisia and Turkey;
 - increase in technical and financial assistance, including the establishment of an overall MED aid programme, requiring total resources of 5,500 MECU for 1995-99;
 - encouragement of private investment;
 - economic policy dialogue;
 - measures to promote regional cooperation (intra-regional trade, cumulation of origin rules, Community support for sub-regional groupings).
10. The Commission endorses a Euro-Mediterranean Conference in 1995 to agree on political and economic guidelines for future relations, which could lead to setting up an institutional framework.

I. Introduction

- 1 The Lisbon European Council of June 1992 stated that "the southern and eastern shores of the Mediterranean, as well as the Middle East, are geographical areas in relation to which the Union has strong interests in terms of security and social stability". Consistent with this view, the conclusions of the Corfu European Council gave "a mandate to the Council to evaluate, together with the Commission, the global policy of the European Union in the Mediterranean region and possible initiatives to strengthen this policy in the short and medium-term, bearing in mind the possibility of convening a conference attended by the European Union and its Mediterranean partners".

Following up these conclusions, the Foreign Affairs Council on July 18, 1994, invited the Commission to submit guidelines for the short and medium-term strengthening of the Union's Mediterranean policy for peace, stability, security and the socio-economic development of the region. This should enable the European Council in Essen to adopt a common stand on the future of Euro-Mediterranean relations. The Council would consider the possibility of holding a Conference in which the Union and its Mediterranean partners would participate.

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

- 2 Since 1989 the Community has as a result of rapid geo-political changes, focussed its attention on the policies needed to support economic development, both in Central and Eastern Europe, and in the Mediterranean region. It has assisted the CEECs in their efforts to progressively integrate their economies into those of Western Europe and into the world market economy

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

3. This communication will:

- set out the challenges and the Community's interests in the area (Annex 1) to which the Commission already drew attention in 1989¹
- recall the achievements and short-comings of the present Mediterranean policy (Annex 2);
- set out the Commission's long-term vision of the future relationship between Europe and its southern neighbours in the Mediterranean and propose guidelines for its implementation;
- make operational recommendations for short and medium-term actions for that vision to be progressively turned into reality by the early 21st century.

II. Challenges and Priorities

4. The Mediterranean basin constitutes an area of strategic importance for the Community. The peace and stability of the region are of the highest priority to Europe.

To consolidate that peace and stability in the region, a number of challenges have to be faced, notably:

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

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

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

Instability in the region would have negative consequences for all Union countries. The population in the Mediterranean non-Member countries could reach 400 million by the year 2035 with an increasing income gap (see Annex 1), if present demographic developments are not rapidly counter-balanced and contained by a fast economic take-off and adequate population policies. The required economic take-off supposes substantial efforts to be accomplished by these countries by liberalising and restructuring further their economies as well

as the implementation by the Community of policies aiding them to meet the political, economic and demographic challenges they face

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

On the other hand, all Member States would benefit from greater stability and prosperity in the region. This would multiply trade and investment opportunities and reinforce the base for cooperation in political and economic fields. More particularly, at a time of globalisation and reinforced regionalism in North America and in Asia, the Community cannot renounce the benefits of integrating its southern neighbours under commonly accepted rules. Integration must take account of the needs of the Community's own poorer regions many of which are in the Mediterranean.

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

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

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

The Commission has set out a strategy for the Community's policy towards the Maghreb², the Mashrak and Israel³ and to support the Middle East peace process⁴. With regard to the latter, three main elements are important:

- a five year programme of support for the Occupied Territories, consisting of 500 MECU in grants and EIB loans;
- an offer to upgrade the Community's bilateral relations with all the countries concerned,

² SEC(92)40 Final of 30 April 1992.

³ COM(93)375 Final of 8 September 1993.

⁴ COM(93)458 Final of 29 September 1993.

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

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

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

III. Guidelines for Future Relations

7. The Community's Mediterranean policy should be multi-dimensional and should encompass the many areas of interdependence. Its actions in the economic field need to be seen in the context of its political objectives.

What is required is a long-term strategy. The Euro-Mediterranean Partnership, which must be thought of as an evolving framework, is a long-term objective which the elements presented in the present communication will bring closer to reality. It is urgent to make a start now.

The Union's policy should be directed towards support for establishing a zone of stability and security and creating the conditions for lasting and sustainable rapid economic development in the Mediterranean countries. With a clear commitment to economic reform, the countries concerned could achieve higher levels of employment and reduce the prosperity gap with the Community. This could best be facilitated by the progressive creation of a Euro-Mediterranean Economic Area, comprising as its main features progressive establishment of free trade and closer economic integration, accompanied by adequate support from the Union for the economic and social adjustments which this process will entail, as well as closer cooperation in the political and security fields.

(i) Towards a Euro-Mediterranean Zone of Political Stability and Security

8. The principal thrust of the Union's Mediterranean policy is to achieve peace and stability in the region. This goal should be pursued through all the means at the Union's disposal including the common foreign and security policy. To be effective the Union should, to the greatest extent possible, act as a whole rather than through isolated initiatives.

9. As stated in the conclusions of the Lisbon European Council of June 1992, "the southern and eastern shores of the Mediterranean as well as the Middle East are geographical areas, in relation to which the Union has strong interests, both in terms of security and social stability". At present political, economic and social conditions in a number of these countries are sources of instability leading to mass migration, fundamentalist extremism, terrorism, drugs and organised crime. These have a harmful effect both on the region itself and on the Union.
10. The Union has an interest in cooperating with the countries concerned to reduce these sources of instability. More generally, the Union should seek to promote a relationship of good neighbourliness, avoiding deepening the north-south gap between the EU and its Mediterranean partners and instead bringing the countries and peoples of the region closer together.

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

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

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

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

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

Together with the WEU and interested Mediterranean partners, the EU should develop a capacity to detect sources of instability and potential conflict at early stage. With the support of the Union, cooperation in the Mediterranean has consistently been an important issue in CSCE follow-up meetings and seminars and will be an important theme at the Budapest review conference and summit in December 1994. Further developments could be envisaged in the course of the General Mediterranean Conference to be held in 1995.

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

ii) Towards a Euro-Mediterranean Economic Area

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

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

(a) Free Trade

15. The risks of economic disorder and socio-economic destabilisation appear to be greatest in the forthcoming years in the Mediterranean. It is natural that both the Community and its Mediterranean neighbours should be looking for appropriate policies to tackle their problems of economic and political reform.

Indeed, the rationale behind the negotiations or exploratory talks that have been going on for the last two years with Morocco and Tunisia, Egypt and Algeria, is to integrate those countries more closely into the emerging pan-European free trade network and by way of that process to

- streamline their regulatory and economic policy framework;
- raise their long-term competitiveness;
- attract substantially more private direct investment, especially from Europe;
- improve mutual understanding and awareness;
- and, most important, accelerate sustainable economic and social development

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

- their overall level of development is notably low (see Annex-4 for comparisons);
- they have to cope with high population growth (more than 2% p.a., which implies a doubling over around 30 years), which aggravates the burden of existing high and structural under-employment, as well as increasing social costs (education, health ...);
- they do not dispose of a well-trained, sophisticated labour force, a sizeable portion of their population continuing to be illiterate;

- cultural and social traditions which make the process of change more difficult
16. In order to be able to enter progressively into free trade with the Union and to take on board a wide range of trade-related Community regulations (customs, standards, competition, intellectual property protection, liberalisation of services, free capital movements etc.), the Mediterranean countries, which will have to bear the cost of adjustment needed to cope with the challenges of free trade, insist on four fundamental aspects for them:
- the need for long transitional mechanisms and secure safeguards;
 - the need to obtain improved access for their agricultural exports;
 - the need for increased financial flows from public and private sources to boost their economies;
 - the possibility to count on the Community's help to accelerate the modernisation of their social and economic systems.
17. Provided developments unfold as they are presently envisaged, Europe and the Mediterranean will be heading, in conformity with the WTO obligations, towards a vast Euro-Mediterranean free trade area, to be completed by about 2010.

It will provide for

- reciprocal free trade in all manufactured products between the enlarging Union and most Mediterranean countries.
- preferential and reciprocal access for agricultural products of interest to both parties;
- and free trade among Mediterranean countries themselves.⁵

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

Its constitution will be progressive, flexible and voluntary.

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

⁵ Israel and Turkey are likely to be the first of the Mediterranean countries to conclude a free trade agreement between themselves.

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

The progressive completion of a Euro-Mediterranean free trade area will give a powerful boost to trade both between all of Europe and the Mediterranean countries and at least as important, between Mediterranean countries themselves with, as European experience has amply demonstrated, far-reaching trade liberalisation acting as an engine for more and deeper cooperation within the zone.

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

Particular attention will have to be paid to encouraging stronger links between our partners and the poorer Mediterranean regions of the Community to promote mutually reinforcing development

(b) Financial Assistance

18. The Commission considers that a substantial increase in financial support for the Mediterranean countries is necessary to achieve the objectives of its Mediterranean policy and to help the countries concerned to meet the challenges they face. The Commission proposes that the Community's financial support should focus on the following five priority objectives:

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

19. The Community cannot, of course, tackle all these tasks alone. However, given the major interests at stake in this region, a strong and credible assertion of the Union's presence is required. The financial resources which the Community can place at the disposal of the countries concerned, even after substantial increases, will remain limited in comparison with their needs. For the present, the Commission submits the following guidelines for consideration:

- introduction of a substantive economic policy dialogue with the countries of the region to identify their specific needs, and determine priorities and instruments for action by the Community;
- strengthening of mechanisms for coordinating the Community's action (including that of the EIB) with the activities of relevant international financial institutions (particularly the World Bank and the IMF);
- strengthening of coordination between the Community and the Member States;
- evaluation of the possibilities for coordination of all the Community's financial instruments (including loans) to meet the specific objectives and needs of each country.

(c) Cooperation

20. Beyond the establishment of a free trade area, the partners in Europe and the Mediterranean should be prepared to move to a closer relationship in a wide range of sectors. It is too early to define the precise content or form of this relationship, which will need to emerge from consultations with the partner countries themselves. The Community's should, however, already make clear its willingness to embark on a dynamic process. Possibilities for closer cooperation include moves to:

- engage in constant dialogue and concertation on a wide range of trade- and investment-related matters (indirect taxation, standards, customs procedures, investment guarantee schemes, etc.);
- intensify their industrial cooperation (sub-contracting, technological transfer, training, joint ventures, etc.);
- reinforce their cooperation in energy matters, e.g. inter-connection of networks, energy-saving technology, development of solar energy resources;
- raise the social dimension : education, low standards of working conditions, health and safety at work require an immediate and comprehensive approach of the Union to improve law, industrial relations policies and social protection issues;
- strengthen their cooperation in the environmental field to safeguard the Mediterranean Sea and intensify efforts to preserve renewable resources and to combat pollution, erosion, desertification, etc.;
- intensify efforts aimed at promoting sustainable development by addressing issues such as integrated management of water resources, energy supply and conservation, population growth and urban concentration;
- strengthen their exchanges and cooperation with reference to the information society, in particular in specific areas like the regulatory framework, standardisation, infrastructures and new information and communication technologies;

- cooperation between regions, local authorities, cities and towns.
- broaden their cooperation beyond trade into other areas like transport and related infrastructure, banking and other services;
- liberalise movements of capital;
- engage in closer scientific cooperation;
- tackle on a cooperative basis issues that are of mutual interest to the partners within the region (e.g. tourism, illegal migration, terrorism and organised crime);
- recognise the need in bilateral agreements for cooperation in the area of production, trafficking and abuse of illicit drugs; such cooperation would be enhanced if it were to be pursued as part of a Euro-Mediterranean Partnership.

Europe and the Mediterranean countries will, therefore, increasingly find themselves in a process of inter-action, interdependency and mutual association

IV. Conclusions: the Euro-Mediterranean Partnership

21. The Community's long-term strategy of creating a Euro-Mediterranean Partnership, comprising a zone of peace and stability embracing the Union, Central and Eastern Europe and the Southern and Eastern Mediterranean, implies a close and continuing dialogue between those concerned.
22. For its part, the Union should be prepared to conduct a regular political dialogue with its Mediterranean partners on the respect of human rights, and the principles of democracy and good governance which constitute an essential element of their relationship. This dialogue would accompany the intensification of relations in the economic, financial and social fields.

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

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

When making its proposals, the Commission will reconcile the imperatives of the Common Agricultural Policy with the international obligations of the Community, including those within the framework of the WTO.

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

- 24.1 In the short-term, the Commission hopes to rapidly conclude the negotiations for new Agreements with Israel, Morocco and Tunisia, as the first step towards the

establishment of a free trade area in the region, and pursue discussions with other countries wishing to enter into new contractual arrangements. This will require some degree of flexibility on the part of the Council, in particular as far

as agricultural trade and financial support are concerned. The Commission also emphasises the urgent need to finalise, before the end of 1994, the on-going talks with Turkey on the full implementation of Customs Union, which would represent a qualitative change in relations between Turkey and the European Community.

- 24.2 In the medium-term, turning the Mediterranean into a zone of relative prosperity and stability, with a high degree of regional cooperation and free trade within the Mediterranean as well as with Europe, will require a substantial increase in technical and financial assistance by the Community to the Mediterranean countries.

In the Commission's view a major effort will be necessary to support the sustainable socio-economic development of these countries, aid their structural adjustment and encourage regional cooperation. Particular emphasis should be placed on those countries prepared both to undertake far-reaching modernisation of their economic and social systems and willing to cooperate with the Community in the management of the interdependences that tie both sides of the Mediterranean. To this end the Union will need to put in place an overall MED programme of cooperation, as was done in Central and Eastern Europe by the PHARE programme.

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

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

- 24.4 In order to facilitate the necessary economic adjustments, and to contribute to the identification of needs and of the appropriate instruments of trade, economic and financial cooperation, the Commission is prepared to enter into substantive economic and industrial policy dialogue with all the countries with whom Association Agreements are concluded.

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

The following practical steps should be taken whenever feasible:

- Mediterranean countries having concluded Association Agreements with the Union should be encouraged to negotiate similar agreements among themselves in order to increase intra-regional trade, which presently amounts to only about 5% of their total foreign trade, and thereby attract substantially more private investment to the region;
- cumulative rules of origin could apply to trade among the Mediterranean countries and between them and the Community;

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

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

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

Against this background, the Commission considers that in order to implement the wide range of policies invoked above, an indicative figure of around 5,500 MECU of budgetary resources for the period 1995-1999 will be required for all Mediterranean non-member countries (not including Albania and ex-Yugoslavia).⁶ This would be in addition to increased lending from the EIB and other international financial institutions, bilateral assistance from the Member States and greater levels of private sector investment in response to the improvement of the economic and political environment.

24.7 The Commission endorses the idea of a MED-Conference to be held in 1995.

Such a Ministerial Conference should offer a platform for discussion of the long-term prospects of a Euro-Mediterranean partnership for economic and political cooperation, along the lines set out in this communication.

All the Mediterranean countries, i.e. those bordering the Mediterranean Sea, plus Jordan, having concluded agreements with the Union should be invited to such a Conference. The Conference should reach agreement on a series of economic and political guidelines for Euro-Mediterranean policy into the next century, which could be set out in a new Charter. Such a Charter should be compatible with efforts supported by the Union in the CSCE. It could be followed up in an institutional framework, drawing as appropriate on the experience of the CSCE process.

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

⁶ The Commission will make detailed proposals on the priorities, conditions and instruments for financial cooperation in due time.

25. The Commission calls on the European Council in Essen to endorse these guidelines and operational recommendations to serve as a basis for the Union's long-term Mediterranean policy.

These guidelines should be reviewed once a year by the Foreign Affairs Council in the light of progress achieved.

ANNEXES

- Annex 1 Economic Development in the Middle East and North Africa (Horizon 2010)
- Annex 2 The Strengths and Weaknesses of the EC's Current Mediterranean Policy
- Annex 3 Forecasts of Commitment Appropriations in the Community Budget for Central and Eastern Europe and the Mediterranean
- Annex 4 Interdependence between the EC and the Countries of the Mediterranean and Countries of Central and Eastern Europe

**ECONOMIC DEVELOPMENT
IN THE MIDDLE EAST AND NORTH AFRICA**

HORIZON 2010

1. In the margins of the Regional Economic Development Working Group (REDWG) of the Middle East Peace Process, the World Bank¹ produced an assessment of what progress could be achieved in the region during the next 20 years.
2. Drawing upon its experience from within the region and on the basis of past performances, the World Bank proposed a "challenging and yet feasible scenario"; specifically to seek a doubling of regional GDP by 2010. To reach this goal the necessary increase in GDP was evaluated at 3% in 1990/2000 and 5% in 2000/2010.
3. This scenario would suppose :
 - a peaceful environment (which would be translated into the reduction of military expenditures);
 - implementation of a wide range of economic policies;
 - effective regional cooperation in all fields of common interest;
 - in the short term, external assistance (public aid) to offset the negative effects of the costs of economic reforms for reasons of social and political feasibility;
 - in the medium term, appropriate financial flows (domestic savings, workers remittances, foreign direct investment and commercial loans).
4. Unfortunately, because of the population factor, the resulting GDP per capita would remain discouraging. The wealth gap separating the European Union from the Maghreb and Mashraq countries, which presently stands at a level of "one to ten", would be on its way to reaching the level of "one to twenty".
5. This gap would also be increasing between Israel and its Arab neighbours. Israel's GDP per capita would be 25 times higher. Its global GDP for 7 million people, would be equivalent to the GDP of 134 million people living in the neighbourhood.
6. These goals, demanding though they may be, are inadequate. The dynamic created by the progressive opening up of the Middle Eastern and North African economies to the competitive European Union economy is the additional factor which could bring a critical change to this equation.

¹ Economic and Social Development in the Middle East and North Africa. Discussion Paper series n°3, October 1992 - Ishac Diwan, Senior Economist and Lyn Squire, Chief Economist.

POPULATION (millions)			
REGION	1990	2010	increase
MAGHREB	58	90	+ 55%
MASHRAQ	83	134	+ 61%
ISRAEL	5	7	+ 40%
TOTAL	146	231	+ 58%

GDP (US \$ billions)			
REGION	1990	2010	increase
MAGHREB	82	158	+ 93%
MASHRAQ	68	126	+ 85%
ISRAEL	53	118	+ 123%

GDP PER CAPITA (US \$)			
REGION	1990	2010	increase
MAGHREB	1410	1750	+ 340
MASHRAQ	810	940	+ 130
ISRAEL	10600	16860	+ 6260
EUROPE	16000	24000	+ 8000

THE STRENGTHS AND WEAKNESSES OF THE EC'S CURRENT MEDITERRANEAN POLICY

1. BACKGROUND

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

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

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

At the end of 1989, as a result of its assessment of the Community's Mediterranean policy and of the geopolitical change wrought by the fall of the Berlin Wall, the Commission produced a report on the state of relations with the MNC at the time, and proposed ways in which those relations could be updated (*Redirecting the Community's Mediterranean Policy*, SEC(89)1961 final of 23 November 1989 and SEC(90)812 final of 1 June 1990), taking account of the challenges facing Europe and its partners to the south.

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

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

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

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

These advances have brought relations which are closer and qualitatively better than before, paving the way to establishing a genuine European/Mediterranean area.

2. ASSESSMENT

2.1. Trade

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

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

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

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

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

Viewed against the background of the MNCs' own imports, trade in agricultural products demonstrates the failure of efforts at diversification, since in the case of most of the countries self-sufficiency in food commodities has not increased. Dependence on imports from the Community remains the rule.

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

2.2. Financial and technical cooperation

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

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

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

Using funds from the budget heading for structural adjustment (ECU 300 million) the Community has tried to make a significant contribution to backing structural adjustment in the countries which have embarked on economic reform. Counterpart funds have been earmarked for import programmes, social services (education, health care, housing, etc.), but the limited amounts available made it impossible to produce a significant effect.

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

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

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

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

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

Annex 3

**FORECASTS OF COMMITMENT APPROPRIATIONS IN THE COMMUNITY BUDGET
FOR CENTRAL AND EASTERN EUROPE AND THE MEDITERRANEAN
(ECU million)¹**

	1991	1992	1993	1994
TOTAL MED	327	419	407	473
under B7-40	217	326	364	450
C&E EUR (B7-60)	760	1000	1036	985

¹ Rounded up or down.

5

**FINANCIAL COOPERATION TO DATE
WITH MEDITERRANEAN NON-MEMBER COUNTRIES**

1. Since 1978, the Mediterranean non-member countries linked to the Community by association or cooperation agreements have been covered by five-year financial protocols earmarking for them both budget funds and EIB loans. The fourth generation of these financial protocols runs from 1992 to 1996.
2. Between 1978 and 1991, the countries of the Maghreb and Mashreq received ECU 1 337 million in budget funds and ECU 1 965 million in EIB loans overall (the figures include Israel, which, because of its level of development, only receives EIB loans).

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

3. In addition, as part of the New Mediterranean Policy, an allocation (it is estimated that ECU 230 million will be needed for 1992 to 1996) is set aside for measures targeting the MNC as a whole. Similarly, the EIB has an allocation of ECU 1 800 million of loans for regional (ECU 1 300 million) and environmental (ECU 500 million) measures.
4. The countries of the northern Mediterranean (Cyprus, Malta and Turkey) have received ECU 672.5 million of budget funds and ECU 262 million of EIB loans over the period from 1965 to 1993.
5. It should be noted that the EU is the largest donor of assistance for Palestinians in the Occupied Territories, having given approximately ECU 100 million in 1993 and approximately ECU 86 million in 1994.
6. Measures targeted at the MNC can also draw limited amounts from a combination of budget headings for such fields as population, migration and the environment.

**TABLE ILLUSTRATING INTERDEPENDENCE
BETWEEN THE EC AND THE MED COUNTRIES
AND COUNTRIES OF CENTRAL AND EASTERN EUROPE²**

1. Population

million inhabitants	1992	2010
EC	347	376
MED	209	304
C&E EUR	110	116

Source: Population Reference Bureau, Data Sheet 1992

2. Gross domestic product (GDP) by region

billion USD	1992
EC	6677
MED	332
C&E EUR	212

Source: World Bank Development Report 1994

3. Per capita gross domestic product (GDP)

USD	1992
EC	19242
MED ³	1589
C&E EUR	1927

² MED=Morocco, Algeria, Tunisia, Libya, Egypt, Israel, Jordan, Lebanon, Syria, Turkey.

³ 1992 per capita GDP for Maghreb and Mashreq countries only: USD 993.

4. EC trade with the Med countries and countries of Central and Eastern Europe¹

(ECU million)

		1990	1993
EXPORTS	MED		
	Total	36.2	45.6
	Agric. ²	4.6	4.7
	Manuf. ³	28.5	37.4
	C&E EUR		
	Total	12.1	26.1
	Agric.	1.5	2.9
	Manuf.	9.6	21.4
IMPORTS	MED		
	Total	34.5	33.2
	Agric.	3.4	3.3
	Manuf.	11.9	14.0
	C&E EUR		
	Total	13.0	20.3
	Agric.	2.7	2.6
	Manuf.	8.0	15.2
TRADE BALANCE	MED	+1.7	+12.4
	C&E EUR	-0.9	+5.8

¹ MED=Morocco, Algeria, Tunisia, Libya, Egypt, Israel, Jordan, Lebanon, Syria, Turkey.

C&E EUR=Poland, Hungary, Czech Republic, Slovak Republic, Bulgaria, Romania, Albania.

² Definition of "agricultural products" aggregate: CTCI 0÷1÷2÷4-27-28

³ Definition of "manufactures" aggregate: CTCI: 5÷6÷7÷8-68

5. Energy dependency of the EC

Percentage of total imports ⁴		1992
TOTAL ENERGY	MED	24
	C&E EUR	1
NATURAL GAS	MED	32
	C&E EUR	0
OIL	MED	27
	C&E EUR	0.5

Source: Eurostat

6. Direct EC foreign investment (1992)

in:	million ECU
MED	751
C&E EUR	1612

Source: Eurostat

7. Immigrants by nationality in the EC (1992)

in:	million
MED	4.6
C&E EUR	0.7

Source: Eurostat (figures rounded up or down)

⁴ = net imports (imports less exports)

FINANCIAL STATEMENT

1. TITLE OF OPERATION

Strengthening the Mediterranean Policy of the European Union: Establishing a Euro-Mediterranean Partnership

2. BUDGET HEADING INVOLVED

B7-40

3. LEGAL BASIS

All the legal bases quoted in Chapter B7-40

4. DESCRIPTION OF OPERATION

4.1 General objective

- to promote the socioeconomic development of the Mediterranean non-member countries (MNC);
- to support the modernization and economic restructuring process in the MNC with a view to the progressive establishment of a free trade area (FTA);
- to promote direct investment in the area via joint ventures (MED-INVEST, ECIP, risk capital);
- to encourage job creation, particularly the setting up of SME;
- to promote regional cooperation in all fields including the environment (regional projects, decentralized cooperation programmes, specific environment-related operations);
- to support the Middle East peace process.

4.2 Period covered and arrangements for renewal or extension

The current Mediterranean policy covers the period 1992-96. This policy should be extended for a further five years until 2001, subject to renewal of the financial perspective.

4.3 Target population

The population of all MNC linked to the European Union by Agreements.

5. Classification of expenditure or revenue

5.1 Compulsory/non-compulsory expenditure depending on the different budget headings.

5.2 Differentiated appropriations

5.3 Type of revenue involved: none

6. Type of expenditure or revenue

- 100% subsidy: many of the planned operations take the form of a 100% subsidy of a programme or project's operational expenditure.
- Subsidy for joint financing with other sources in the public and/or private sector: joint financing with other donors, NGOs or the private sector is also envisaged.
- Interest subsidy: in some cases interest subsidies on EIB loans could be considered.
- Should the operation prove an economic success, is there provision for all or part of the Community contribution to be reimbursed? No.
- Will the proposed operation cause any change in the level of revenue? No.
- Re-use: none.

7. FINANCIAL IMPACT

7.1 Method of calculating total cost of operation

The indicative multiannual financial programming given in the Annex reflects the need to step up European Union activity in the Mediterranean in the light of the challenges facing the MNC.

Despite the increase over the current levels - from a very low starting point, however, the resources required by the MNC to accomplish their economic reforms remain fairly modest in relation to their needs. The Commission, subject to the annual budgetary procedure, proposes an indicative amount of ECU 5 500 million for Chapter B7-40 "Cooperation with Mediterranean countries" for the period 1995-99.

7.2 Itemised breakdown of cost

The breakdown will depend on the Commission's subsequent detailed proposals.

7.3 Indicative schedule of appropriations

See table in the Annex.

8. FRAUD PREVENTION MEASURES; RESULTS OF MEASURES TAKEN

The projects and programmes financed as part of cooperation with the MNC are subject to regular monitoring and systematic audits by the Commission or its authorized agents and the Court of Auditors.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1 Specific and quantifiable objectives; target population

- Specific objectives: links with general objective. In the context of the general objective described under point 4.1, the purpose of the measures taken under this heading is the total or partial financing of programmes in the following areas:
 - modernization or restructuring of the MNC industrial fabric;
 - aid for the private sector, especially SME, and investment promotion;
 - modernization of institutional economic structures, particularly financial and fiscal systems;
 - development of a social protection net and job creation measures designed to combat poverty;
 - contribution to higher economic levels via measures to improve economic and social infrastructure;
 - support for measures to protect the Mediterranean environment;
 - promotion of regional cooperation between MNC;
 - support for the creation and development of decentralized cooperation networks, particularly involving civil society;
 - support for the Middle East peace process, for example in the context of the Working Party on regional economic development and the programme to assist the Palestinian population of the Occupied Territories;
- Target population: distinguish as applicable for each objective; indicate the end-beneficiaries of the Community's financial contribution and the intermediaries involved.

The end-beneficiaries of aid to the MNC are the people concerned by the various programmes and projects.

9.2 Grounds for the operation

- **Need for Community financial aid**
- The Corfu European Council underlined the need to strengthen the European Union's Mediterranean policy in order to promote peace and stability in an area of strategic importance.
- In view of the enormous efforts required by the MNC in terms of economic reforms, they need considerable support from the European Union in order to establish the FTA.
- **Choice of ways and means**
- The ways and means used for the MNC cooperation programme will vary according to the situation in each country and sector. EU financed operations will be preceded by identification and feasibility studies.
- **Main factors of uncertainty which could affect the specific results of the operation**
- The economic reform process to be undertaken or stepped up is subject to uncertainties in the form of social repercussions and the international economic climate. The progress of reforms will also remain dependent on political developments in the region.

9.3 Monitoring and evaluation of the operation

- Cooperation with the MNC is monitored very closely by the Commission in Brussels and the delegations in the MNC.
- A computerized system (RAP) recently came into use to monitor operations.
- Each programme is also subject to a regular audit by independent experts, covering both technical and financial aspects.

FINANCIAL COOPERATION
WITH MEDITERRANEAN NON-MEMBER COUNTRIES

(Chapter B7-40)

(ECU million at current values)

1994	1995	1996	1997	1998	1999	1995- 1999
427	492 ⁵	700	1080	1495	1733	5500

⁵ 1995 PDB

COM(94) 427 final

DOCUMENTS**EN****11**

iei	ISTITUTO AFFARI INTERNAZIONALI - ROMA
n° Inv.	15632 16 OTT. 1995
BIBLIOTECA	

Catalogue number : CB-CO-94-466-EN-C

ISBN 92-77-81192-7

DOCUMENTI

IAI

THE MED-2000 PROJECT **Cooperation and Stability in the Mediterranean** **An Agenda for Partnership**

Coordinated by Roberto Aliboni

Paper prepared for the MED-2000 Project, commissioned by the Italian Ministry
of Foreign Affairs
April 1994

ISTITUTO AFFARI INTERNAZIONALI

THE MED-2000 PROJECT

***Cooperation and Stability in the Mediterranean.
An Agenda for Partnership***

Summary:

Introduction: The Med-2000 Report

Part 1 - MED-2000, An Agenda for Partnership

Part 2 - MED-2000, An Agenda for Partnership - Summary by the Group of
Independent Mediterranean Experts

Appendix - Some Feasible Actions

April 1994

INTRODUCTION: THE MED-2000 REPORT

On numerous occasions and in various fora in late 1993 and early 1994, the Italian Prime Minister and Foreign Minister underlined the need to relaunch and strengthen cooperation between the countries of the European Union and those on the southern shore of the Mediterranean. Their views merged with those of both the French and Egyptian governments, and have led to two initiatives:

- (a) An informal meeting (based on what is known in Community diplomacy as the "Gymnich model") between the foreign ministers of those countries which are currently interested in resuming dialogue on Mediterranean cooperation (i.e. Southern European countries, Turkey, and North African countries, with the exception of Libya). This meeting will be held in Alexandria, Egypt in July 1994.
- (b) The drafting of an "Agenda for Partnership", in consultation with a group of independent experts from the Mediterranean, aimed at identifying feasible directions for political, cultural and economic cooperation in the current context.

In order to draft the Agenda for Partnership, the Italian Government commissioned the Istituto Affari Internazionali (IAI), Rome, to undertake an independent study on Mediterranean cooperation, which has been called the "Med-2000 Project". This project is evidence of a firm conviction held by both the Italian Government and the IAI: that society at large and the private sector can and must play an important, irreplaceable role in the promotion and achievement of international cooperation in the Mediterranean.

The MED-2000 Project was divided into two stages: drafting the Agenda for Partnership; meeting with a group of independent experts from the Mediterranean (MED-2000 Group) in order to discuss and enhance the draft Agenda. The final version of the «Agenda» benefitted from comments by the Med-2000 Group, but the IAI takes sole responsibility for the text, which is presented in Part 1 of this Report. The document presented in Part 2, on the other hand, is the product of discussions by the Med-2000 Group, based on many of the conclusions in the IAI Agenda. The Report closes with an Appendix in which the IAI outlines some of the most feasible actions indicated in the Agenda and in the document by the Med-2000 Group.

The Project was organized by a task force set up by the IAI and including the following staff members:

<i>Roberto Aliboni</i>	Director of Studies
<i>Gianni Bonvicini</i>	Director
<i>Laura Guazzone</i>	Head of Mediterranean and Middle East Studies
<i>Paolo Guerrieri</i>	Senior Fellow, IAI and Professor of Political Economy, University of Naples
<i>Cesare Merlini</i>	President
<i>Stefano Silvestri</i>	Vice President

Drafting of the Agenda was coordinated by *Roberto Aliboni*. The following contributed to the sections in parentheses:

Roberto Aliboni & Stefano Silvestri, IAI (political cooperation);
Massimo Bagarani, Professor, Faculty of Agriculture, University of Campobasso (food and agriculture);
Paola Biocca, Head, Mediterranean Project, Greenpeace (environment);
Marcello Colitti, Chairman, Enichem (energy & industrial development);
Laura Guazzone, IAI (cultural cooperation);
Giuseppe Pennisi, Head, Italian Office, International Labour Organisation (employment and emigration).

The MED-2000 Group, coordinated by *Cesare Merlini* is made up as follows:

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Director, IEEI-Institute of Strategic and International Studies, Lisbon

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Director, Fondation pour les Etudes de Défense, Paris

PART 1 - MED-2000, AN AGENDA FOR PARTNERSHIP

Interdependence and Cooperation

The Mediterranean, a place where different regions and interests converge, can be the locus of greater cooperation among countries which are profoundly different but closely linked. But it is also an area of instability, significant risks and unsolved problems. Though the countries lying along its shores are highly interdependent in many fields (e.g. trade, energy, security and migratory flows), this interdependence is not managed by an equally high level of cooperation. Thus it can easily become a source of friction, hostility and international instability.

A closer examination of the northern and southern shores of the Mediterranean (not the Asian shore, which poses different economic, political and strategic problems) reveals that 40 percent of the total population is concentrated on the southern shores but generates only 6 percent of the total GDP. The average per capita income of the inhabitants of the northern shore is approximately 11 times that of their southern counterparts, a ratio which has not changed significantly in the last 25 years.

This gap is exacerbated by the difference in the population growth rate: while almost zero in the north, it is very high in the south. The European population currently represents 61 percent of the total population of the Mediterranean area. If the present growth rates are maintained, however, that percentage will have dropped to less than 54 percent by the year 2000 and to approximately 47 percent by 2015. Over the same period, the population of the 12 European countries will increase by 13 million, while that of the Mediterranean countries will grow by more than 170 million. Egypt, Algeria, Morocco and Turkey will have a total population of 270 million persons, mostly young city-dwellers.

According to an econometric model, a very high GDP growth rate is required to prevent an increase in unemployment in Southern Rim countries: 12.2 percent in Algeria (where it has been constant at 2.5% for the last three years); 8.8 percent in Tunisia (now 3.3%); 12.7 percent in Morocco (now 2.3%) and 11 percent in Egypt (now 4.2%). In the last three years, growth rates have been well below expectations in all of these countries, even in the more modern and industrialized sectors which have shown above average growth (3.5%, 4.5%, 4.2% and 5%, respectively, in the countries mentioned). The result has been strong migratory pressure and high conflict potential within the countries.

We are faced with the prospect of a complex multidimensional crisis in the countries and societies of both the northern and southern shores of the Mediterranean. Political, cultural and religious factors combine with economic and strategic factors in generating processes of delegitimation of the governments and of cultural and institutional identities. Thus, domestic political consensus, which is threatened by various forms of fragmentation (ethnic, religious, linguistic or nationalistic), must be reestablished.

Attempts at renationalization of international policy aggravate the situation by giving credit to the simplistic idea that international relations are a zero-sum game among participant states, in which each gains only that which the other loses. Protectionist and mercantilist pressures are adding to political, social and cultural tensions, driving governments towards conflictual choices, with the illusion that they can govern the effects of global processes which are actually beyond the control of single nation states.

A Pragmatic and Flexible Line

The exceptional changes that have taken place in the former Soviet bloc have ushered in a new era of hope. But this new era calls for a greater effort on the part of the international community, both in terms of economic and financial resources and in terms of political and security commitments. Europe is deeply involved in the process of change which now predominantly claims the attention and activity of many international organisations and alliances, both global and regional. The Mediterranean, on the other hand, despite its strategic importance, receives much less attention and resources.

This is not to draw a parallel between the East and the South (or between Central-Eastern Europe on the one hand and the southern and eastern Mediterranean countries on the other). We should remember that the Eastern European countries are undergoing a momentous change, involving their political and institutional systems, economic models, and international alliances. Nothing similar is going on in the Mediterranean, with the possible exception of the eventual consequences of a successful peace process among Arabs (especially Palestinians) and Israelis. Still, the Mediterranean suffers from instability and important risks which could give rise to fragmentation and confrontation. Thus, it deserves no less attention than the former.

In the Mediterranean, as in Europe and the rest of the world, the best policies and instruments needed to manage interdependence have not yet been found. Nor has the problem of effective management of the North-South relationship been solved. This calls for a pragmatic and flexible regional cooperation policy, with objectives that are complementary for the African and European shores. In Africa, some important social and economic causes of domestic instability and the delegitimation crisis must be dealt with, while the distinctive role and the values of these societies in the global framework must be confirmed and emphasized. In Europe, instability must be contained, the risks deriving from the gap between economic and demographic factors reduced, and transformation of the Mediterranean into a new conflictual frontier avoided.

The common objective is to ensure greater stability and security in an interdependent framework so that the necessary process of change and growth can continue. Stability requires a positive link between internal and external factors: the formulation and constant assertion of a common set of values and priorities related to the domestic perceptions of Mediterranean societies.

International cooperation and the process of reconstruction and strengthening of consensus are two sides of the same coin: in a period in which direct military threats to national security seem relatively less important, security also depends on the concrete capacity to deal in a timely manner with risks arising from political and economic divergences and systemic crises, without increasing international divisions.

Important undertakings must be devised and begun in the fields of economy and development, politics and security. But in order to produce greater international cooperation, they must be set in a more general framework of political cooperation and must deal with the basic cultural dilemma of living with the inevitable dialectics arising from the clash between the specificities and deep roots of the various historical, cultural and religious heritages on the one hand, and the progressive globalization of the economy, politics, communications and security on the other. These dialectics can result either in harsh conflict, throwing the Mediterranean into a period of instability and creating a serious fracture to the south of Europe and to the north of the Arab world, or in a new process of international cooperation and coexistence.

Much attention has already been directed at the problem of what is needed to achieve cooperation in the Mediterranean. But cooperation is stagnant nevertheless and the attempts made at the beginning of the 1990s to reorganize it have failed. The little that exists today is the result of isolated initiatives and fragmentary policies. The proposals that have already been put forward must be reviewed, in order to establish a line of action based on feasibility and pragmatism. In particular, the overly ambitious objectives and abstractions of the past must be avoided.

A Wealth of Studies and Proposals

Several initiatives for multilateral collaboration have been made, over the years: the EC Mediterranean policy, the Euro-Arab dialogue and the proposal for a Conference on Security and Cooperation in the Mediterranean and the Middle East (CSCM), and various bilateral policies in different sectors. Unfortunately, this wealth of ideas and proposals has not been sufficient to neutralize the conflictual processes under way. Given the important changes that have taken place on the international scene and in the Mediterranean it is useful to draw on these ideas and proposals in view to stimulate new undertakings and to gain insight into ways to strengthen initiatives already in progress or to avoid some of the errors that prevented their complete implementation. Rather than ignoring the past, the Agenda, proposed here, will try to benefit from it.

The Mediterranean Forum, an initiative by the Egyptian government--not unlike the ideas put forward by the Moroccan government at the end of the same year--has the advantage that it is an open and flexible, only slightly institutionalized formula. It should aim more at pursuing feasible projects than at building consensus. It should not be an alternative to other existing proposals or cooperation schemes.

Like Europe, the Mediterranean is a region in which the governments of many countries, even those lying beyond its littoral, have vital interests. All of them have good reason to be active in the region and, just as they could be drawn into conflictual situations, they have the right to be involved in possible cooperation schemes. The countries situated on the Mediterranean--a crossroads of various regions and experiences--cannot be forced to accept common views and interests that are quantitatively or qualitatively different from (much less superior to) those that originate in their respective geo-strategic, geo-economic, cultural and religious positions. Interdependence and the importance of inter-Mediterranean economic and political links does not justify such a loss of identity. Thus, progress must be empirical, step-by-step and by small groups of countries at a time. Only concrete results can gradually strengthen the force of cooperation. In this way, the institutionalization of cooperation can be extended to the countries and sectors which seem ready for it, neither in opposition to external factors, nor dependent on the will of external factors and other interlocutors not directly involved.

The above involves not only countries and their governments, but also their citizens. This is particularly true of the Mediterranean area, in which civilian society has always demonstrated a concrete capacity for cooperation, a generosity and an inventiveness often lacking at the official level. Indeed, the very concept of a "Mediterranean" culture or society continues to exist (almost despite rather than thanks to the states that lie along the sea's perimeter) as a result of the free and inexorable process of meetings and exchanges among individuals.

To this must be added the growing importance of the activity of countless non-

governmental organisations (NGOs), research centres, and above all entrepreneurs and workers, whose mobility (South-North, but also North-South) has continued to grow. Governments must support and reinforce the initiatives of these organisations, but without infringing on their autonomy

Essential Elements of Cooperation

The essential points of the line of action proposed by this Agenda are the following:

- * a framework for cooperation among the Mediterranean countries must be set up and given a light and flexible institutional form in order to ensure better conditions for multilateral cooperation;
- * cultural and economic cooperation between the societies and the states in the Mediterranean must be intensified; this should generate greater political interaction, strengthening the mechanism of the (more or less) formal political cooperation underlying this process;
- * without closing the door to further membership, cooperation must be launched by those Mediterranean countries that have currently shown a priority interest of doing so, namely Algeria, Egypt, France, Greece, Italy, Malta, Morocco, Portugal, Spain, Tunisia and Turkey;
- * Mediterranean cooperation requires a specific institutional framework within which the Community countries of Southern Europe can take on a special responsibility towards both their partners on the Southern Rim and northern European countries. Whatever its degree of institutionalization, this framework must be linked to the European Union's Common Foreign and Security Policy (CFSP);
- * the institutions for political cooperation must pursue two main objectives:
 - a) to increase the coherence between the consensus-building mechanisms in individual countries and international cooperation so that better management of interdependence and global economic, social and cultural processes may be achieved, thus attenuating and solving possible crises and reducing risks;
 - b) to establish the type of dialogue required to bring the Mediterranean area into the processes of globalization, thereby reducing tensions between globalization and specificities; the human dimension is bound to be predominant in Mediterranean cooperation;
- * public and private policies for cultural cooperation and dialogue must be worked out. More solid channels for communication and exchange between the two shores of the Mediterranean will play an all-important role in the implementation of this project;
- * more generally, while the role of intergovernmental cooperation is essential in providing momentum and coordination, the concrete development of multilateral cooperation depends largely on the broadening of non-governmental actions and initiatives; constant and effective interaction between the official and the private/non-governmental levels is required;
- * economic cooperation among Mediterranean partners must be concentrated on fundamental problems, namely the huge gap separating the South from the

North and the latter's responsibility in dealing with the problem with adequate "vision"; this vision must be supported by three fundamental pillars: the opening of the European market, immigration policy, and European responsibility in ensuring sustainable growth and environmental protection;

* alongside the strengthening of non-governmental action and society's various levels of autonomy, the accent in the field of economy must be put on the rebirth of decentralized institutions, competences and actions. A long period of centralization of decision making and resources at state level has hindered the spread of a sufficiently flexible economic structure in society, weakening other important factors (crafts, trade, state property). The current lack of flexibility of the economies in the southern Mediterranean is a significant factor contributing to their underdevelopment.

Political Cooperation

A flexible and pragmatic process calls for a minimal, but coherent and effective level of institutionalization, aimed at managing the dialectics between globalization of the processes of the economy, information, society and communications, and the specificities of domestic political consensus, cultural and religious identity, development models and, in some cases, security. The institution must provide two things: the political cooperation needed to determine and strengthen common values and priorities, deal with crisis situations and reduce risks; and the instruments needed to implement specific cooperation policies or projects. We will call this institution Mediterranean Political Cooperation (MPC).

MPC should not be seen as one complex, multi-faceted institution, but rather as a body endowed with "light" institutions which can be adapted to circumstances and requirements and kept in line with the level of possible cooperation. It should be able to link up in different ways with the other existing international organisations and multilateral cooperation activities when the latter involve important interests or commitments in the area or for specific initiatives.

The MPC's tasks should be dialogue and consultation among governments and the organisation of multilateral communication between the public and private spheres. Ideally, the MPC should set up a list of priorities and objectives to serve as a stimulus and guideline for all cooperation (whether bilateral or multilateral, public or private). It should constitute a useful institutional interlocutor and a possible instrument for verification of progress in the desired direction.

Various types inter-Mediterranean cooperation have been advanced in the past. Of particular interest is the proposal for a Conference on Security and Cooperation in the Mediterranean (CSCM), especially the version set down in the Final Document adopted at the 1992 Malaga meeting of the Interparliamentary Union. However, the time is still not ripe to take up such a broad and ambitious proposal. In particular, some of the major issues defined in the document, such as international crisis management and aspects linked to military balances and threats, must be reviewed in the light of possible developments in the United Nations, the course of the Middle East Peace Conference and the solution of the many problems in the Balkans. It will also depend largely on the evolution of the strategic picture in the former Soviet Union (including all the independent republics bordering on the Middle East to the west and the Caspian Sea to the east). The point of view of the present Report is that attention must be focused on political dialogue.

The institutional framework of MPC could, therefore, be based to some extent on the proposals for the CSCM set down in the Malaga Final Document. While concentrating initially on establishing and strengthening political dialogue, it should be open to the inclusion of institutions for crisis management and military aspects in the future.

Political dialogue should be characterized by various levels of commitment: governmental and non-governmental, public and private. MPC can hardly be formalized in the same forms and with the same substance as Atlantic or European cooperation, but it must be given depth, relevance and above all continuity.

From this point of view, the MPC must be equipped with a permanent network for consultation (with special technical equipment) among participating countries. Another permanent network can be envisaged for exchange of information between countries not involved in cooperation. Both would be linked to the European CFSP. These networks could also be integrated by periodic meetings at different levels and *ad hoc* meetings. This effort would integrate the proposal put forward in the European Union by the Italian and British governments to associate Central-Eastern European countries to the CFSP. While full association can only be open to other European countries, a greater Mediterranean reach of the CFSP would be a concrete way of stressing the strategic and political importance of this area for the EU.

MPC would also include multilateral consultations on the more general issues of global security (proliferation of weapons of mass destruction) and other issues that go beyond foreign policy, so as to touch upon politically important subjects like the legal matters dealt with by European cooperation, the fight against organized crime and international terrorism, and other aspects of government policies.

In order to be fruitful in the long term and to lead to more intense cooperation in a context of greater political consensus, dialogue at the governmental and non-governmental (parliamentary bodies, professional associations, etc.) levels should deal with the problem of the relationship between Mediterranean cultures and the social and human dimension. MPC should be seen as a twin exercise, governmental and non-governmental, at two autonomous but mutually supportive levels. The participation of parliamentarians and diplomats to the non-governmental level would be one of the ways to link the two. A starting discussion point will be the eight principles set down in the Malaga Final Document mentioned previously. The objective should be to verify the extent to which those principles pertain to the actual situation, and to consider how they could be improved and more generally respected.

Cultural and economic cooperation should receive special attention and should be seen as a preferred instrument for implementation of political dialogue.

MPC should be equipped with the instruments needed to establish direct and regular contacts with the NGOs that play or will play an important role in the development of cooperation in the area. It should also be able to mobilize the necessary financial resources.

MPC could support periodic publication of a Mediterranean Report on the state of cooperation and conflict in the area, and the measures to be taken to improve and strengthen cooperation. Drawn up by private sources, it would not be attributable to any government. This report could provide the basis for discussion at an annual intergovernmental meeting like the one held in Gymnich, and could stimulate continual interaction between the two levels. The report could be initiated by the international studies institutes of the countries in question, as they have already set up significant independent channels of communication and scientific collaboration in the framework of groups such as the Mediterranean Study Commission.

Sectors for Cooperation

The various frameworks for cooperation and related activities reflect different levels of development and elaboration. Consequently, policy guidelines and recommendations are bound to vary. Economic cooperation is very structured at both the bilateral and the multilateral levels and is based on a vast body of knowledge and study. Environmental cooperation is structured at the multilateral level and has benefitted from the framework established by the 1975 Barcelona Convention and the Mediterranean Action Plan. Government action is preeminent and decisive in both fields. Cultural cooperation is more significant at the bilateral level and represents a less crowded field than the other two. Private action is already widespread in this field, though it still lacks coordination. These inequalities are reflected in the proposals for action listed below.

Cultural Cooperation

Before appropriate policies may be formulated, the people in the countries concerned must recognize their common historical and cultural background. This is a prerequisite for the development of cultural cooperation. Attention must be drawn to shared events, the lives of historical figures significant to both shores of the Mediterranean, the history of Mediterranean cities and the crossroads of the region, and common artistic traditions. The critical role of women in the development of Mediterranean culture must be stressed. The emergence of a Mediterranean image could form the basis of a shared identity. Such an identity is indispensable for the growth of dialogue and cooperation in the cultural domain. This objective cannot be pursued through a specific policy, but must be implicit in all the policies which are called for in this section.

Mediterranean cultural cooperation should be concentrated on lines of action that correspond not only to the common needs determined by governments, but also to the areas of convergence that have emerged independently in the respective societies. These two lines of action should give rise to initiatives aimed at enlarging these areas of convergence between the societies, thus multiplying the possibilities for collective action by the states based on common needs.

Cultural cooperation should meet the following criteria: synergy between the public and the private sectors, continuity, visibility and decentralization. The three main areas in which it should operate are (a) common development needs, (b) exchanges between civilian societies, (c) expansion of areas of convergence. It is in these three main areas that strategic sectors in which to concentrate efforts will be identified.

Strategic sectors of common development needs in the cultural field are the enhancement of human resources, especially women and the young, and the promotion of research and development capacities. Channels for formal education can make an appreciable contribution in this direction, but their ability to adapt and create synergies must be adequately stimulated and supported.

Possible actions in education:

- * establishment of a programme for trans-Mediterranean mobility for university studies, benefitting from the experience and linked to the existing programmes of the European Community in this sector: *Erasmus* (intraCommunity) and *Tempus* (EC-Central and Eastern Europe). Parallel to the EC programme

Avicenna, for scientific and technological cooperation, this programme (which could be called *Averroës*) should not be limited to the movement of students and the enrichment of their pre-doctoral education (for which *Erasmus* has become well-known in Europe); taking the specificities of Mediterranean intercultural relations into consideration, it should also promote the mobility of teaching staff, thereby contributing to filling the gaps in the curricula of Mediterranean universities.

- * transformation of the EC's *Med-Campus* programme into a permanent cooperation programme (the current project undertaken in the framework of the Mediterranean policy will end with the 1995-96 academic year), increasing the programme's financial resources and revising the mechanisms for participation so as to provide more support for non-governmental research centres.
- * creation of a "Mediterranean Phd", that is, a doctoral programme common to all Mediterranean countries. This would make use of the educational facilities offered by the various universities, making them available to students from countries in the area. Students would receive academic recognition that would be valid in the participating Mediterranean countries. This project would create a high level of integration and dialogue, as it does not merely imply transferring knowledge from the North to the South using northern resources, but rather making resources from the South available to the North. This project is feasible almost immediately, as it can be worked out in keeping with the proposal of UNIMED's Mediterranean Universities consortium at limited cost (essentially required to permit the mobility of the students and the teaching staff).

Government initiatives are not a driving force in cultural cooperation in the Mediterranean. Far more important is the network of private initiatives: twinship between cities and schools; direct collaboration between research centres, trade unions, and professional associations; and joint actions in the field of art, entertainment and sport.

This level of cooperation is implemented by a sector that is strategic for cultural cooperation: the so-called civil society, whose wealth and autonomy provide a fundamental guarantee of cultural pluralism. Civil society in Mediterranean countries also constitutes the most important laboratory for promoting a dialogue to overcome cleavages between global trends and distinctive identities -- a laboratory where cultural borrowing and delocalization has the greatest possibility contributing to economic and artistic production and social solidarity.

The rich flow of non-governmental cooperation does not need to be directed towards specific objectives. What is required is support and reinforcement by national governments and, above all, by regional and local governments, private foundations, and international organisations such as the EC and UNESCO. The most useful kind of support in this non-governmental sector is in the circulation of information on activities already under way so as to avoid duplication and to facilitate synergies and information on public and private channels willing to provide financing.

Possible actions by non-governmental organisations include the following:

- * organisation of top-quality cultural events specifically dedicated to the Mediterranean or extended to the Mediterranean, following the example of the "RomaEuropa" Foundation Festival, Montpellier Festival, etc.;

- * establishment of a centre for Mediterranean initiatives which would create: a directory of regular cooperation activities (festivals, networks, fairs, etc.); a directory of regular sources of financing (foundations, bilateral and multilateral intergovernmental agreements, awards, etc.); and up-dated databases on activities and financing in each sector;
- * adaptation of the experience gained by the EC *Med-Invest* and *Med-Campus* programmes to Mediterranean cultural cooperation. The programme should provide incentives for association between private and public institutions in preparing, implementing and financing projects in entertainment, cultural tourism, publishing and the fashion industry;
- * establishment of Mediterranean Consultative Groupings (including women, trade unions, publishers, local authorities, etc.) on various aspects of cooperation (e.g. human rights, primary education, etc.) to give independent opinions on the lines of cooperation to be pursued and the instruments required to do so. These consultative groupings should also be integrated into the decision-making process of intergovernmental cooperation. Elected representatives of the associations involved would participate in these bodies on a rotational basis.

The actions explicitly aimed at expansion of areas of cultural convergence among Mediterranean societies are the most important for cooperation. Formal and informal education and the media (particularly television) are strategic sectors in which to concentrate action.

Possible actions in this sector include:

- * use of Mediterranean university cooperation programmes (see above) and/or the creation of *ad hoc* chairs to fill the gaps in the humanistic curricula of Mediterranean universities with courses on comparative study of Mediterranean history, in particular, studies of the contributions of pre-Islamic Mediterranean civilizations (Egyptian, Phoenician, Greek-Hellenist) to the Arab-Islamic civilization; studies of the contribution of Arab-Islamic civilizations to European culture (history of science, history of philosophy, history of art) and that of the Ottoman culture;
- * joint preparation and administration of educational units for the pre-university teaching of the history and geography of Europe and Arab countries; these educational units could be used for preparation of a "Mediterranean Day" to be held annually in primary and secondary schools in selected regions (on a rotational basis) in the participating countries; the preparation, up-dating and teaching of these units could become a part of teacher- training programmes;
- * joint preparation of information units (orientation to history, doctrine, law, customs and habits) on the three great Mediterranean religions (Judaism, Christianity and Islam); after adaptation to the various national situations, the units could be brought into the training courses (and exams) for professionals in the social services (nurses, social workers, police forces);
- * joint preparation of information units on human rights, particularly women's rights, to be integrated into the formal and informal education mentioned above. All units should be the product of cooperation among the interested professional associations (teachers, social workers, etc.), public and private

- research centres, competent local and national institutions;
- * revision of history textbooks to reflect a common perception of historical and cultural events in the area;
- * promotion of collaboration and development in the field of electronic information systems;
- * rationalization and strengthening of existing bilateral and multilateral initiatives in support of the coproduction of fiction and nonfiction for cinema and television. For example, actions to strengthen support for decentralized cooperation, following the EC *Med-Media* model; bilateral agreements among public television corporations of the interested states for planning of quotas for Mediterranean products (whether coproductions or not). It is very important for people to see that cooperation initiatives are linked to concrete images of Mediterranean cultural solidarity. To this end, it would be useful, as has been said, to produce documentaries on common historical events, the lives of historical figures significant to both shores of the Mediterranean, the history of Mediterranean cities and crossroads, and shared artistic traditions;
- * more translations and a wider circulation of the masterpieces of the Mediterranean literatures (such as the works of the Andalous writer Ibn Hazm or Cervante's *Don Quixote*).

Emigration and Employment

The problem of emigration is economic, social and cultural. Migratory flows are part of a broader movement of persons which is not necessarily economically motivated (e.g. refugees). Policies concerning these movements of people are bound to play an important role in the future of cooperation relations in the Mediterranean. Therefore, the priority given to this problem in the overall strategy of Mediterranean cooperation will be important and will constitute a decisive security and confidence-building measure.

From a socio-cultural point of view, the continuing absence of any kind of common European Union policy is far more negative than any restrictions that such a policy could have. What is urgently needed is a common European policy concerning the entry of citizens from outside the Community, their treatment and their rights.

The overall policy and strategy response within the European Union to growing migratory pressure has been to give priority to regulation and control of inflows of non-European Union workers and to insist upon non-discrimination between workers from the European Union and "legal" non-European Union workers in terms of placement, work standards and social security. These policies should be accompanied by measures aimed at providing better guarantees for the personal dignity and respect for the culture of immigrants, assigning them a more precise role in the host societies and providing them with prospect for political integration.

A relaxation of the regulation and control policy is desirable, but it is feasible only in a context of greater expansion of job opportunities in the Southern Rim--the only long-term remedy to growing labour market tensions in the region. Employment growth has not been the primary focus of structural adjustment policies, strategies and programmes. This approach must be reversed: structural adjustment plans should be devised and assessed on the basis of their capacity to create and sustain productive employment. Therefore, changes should be made in structural adjustment policies, in the sectoral emphasis and contents of investment

programmes, and in project appraisal and selection criteria. The countries of Southern Europe should urge the European Union to adopt this approach in its cooperation policy.

The employment and migration ramifications of a more clearly focused EU Mediterranean policy will only be felt after several years. In the short term, the following recommendations of the International Labour Office scheme to identify employment creation strategies and programmes should be among those implemented to stem migration from the Southern Rim countries to those of the Northern Rim:

- * to improve training and credit schemes to help establish youth cooperatives and make them operational;
- * to develop supporting infrastructures to promote "industrial districts" in internationally competitive sectors;
- * to establish funds to guarantee migrant workers' deposits and help channel their remittances towards small and medium-size enterprises preferably organized in "districts";
- * to strengthen micro-enterprises emerging in the informal sector so that they can develop into small and medium enterprises, preferably organized into "districts";
- * to improve infrastructures, credits, marketing and living conditions in the agricultural sector, which is expected to continue to provide work for over 25 percent of the labour force of the Southern Rim countries in the first decades of the next century;
- * to retrain returning workers and create institutional mechanisms to help channel their savings and remittances toward productive job-creating investments;
- * to study the feasibility of introducing common EU quotas to regulate seasonal migrant workers. If "migrant worker quotas" are introduced by major labour exporting areas, they ought to take account of the long-standing links and relationships within the Mediterranean Basin and of the strong interdependence between the Northern and the Southern Rim.

Food and Agriculture

Despite strong constraints, there has been intense growth in the agricultural sector of the countries of the southern Mediterranean. Nevertheless, this sector, as strategically important as it may be for the development and security of the countries involved, is still very weak. In addition to traditional actions (creation of infrastructures, land improvement, adaptation of crops, etc.), the strengthening of the sector calls for the adoption of varying degrees of action and, therefore, cooperation, including the following:

- * structural actions aimed at changing market conditions by eliminating prices controls, as well as restrictions on the choice of crops, and on international transactions (short-term negative effects on the socially weaker strata of the population may be contained by special social support policies);
- * actions to strengthen the competitiveness of enterprises, train businessmen and upgrade the agronomical knowledge of farmers.

Whereas the institutional and operational framework in the field of food and agriculture is already working, technical assistance and cooperation can be improved.

Crucial for the strengthening of the food and agricultural sector in the Southern Rim is the strengthening of infrastructures for the conduction and regulation of water. The new technologies available allow for highly efficient investment in this field. In the context of broader industrialization, water is a sector in which current efforts are insufficient and must be strengthened and concentrated.

Even if pursued successfully, a strengthening of the agricultural sector will not be able to achieve self-sufficiency in food production in southern Mediterranean countries. Thus, satisfying food requirements will call for expansion of export capacities to provide financing for food imports.

While the countries in question have adopted policies liberalizing trade in their markets, the European Community continues to have measures that limit entry into the market and, therefore, the export possibilities of southern Mediterranean countries in the agricultural sector.

The lack of positive prospects in this sector is contributing to urbanization and, therefore, to unemployment and emigration from the cities. Opening up the European market must be considered a medium-term measure to strengthen employment in the Southern Rim countries and contain migratory flows. Thus, it is crucial in the framework of North-South cooperation in the Mediterranean. Like emigration, it must be central in Europe's vision of North-South relations and must contribute to confidence building.

The plan to set up free trade zones between the European Union and some North African countries now under consideration must envisage total liberalization of the agricultural sector and leave behind the protectionism and closure found in present trade agreements.

Energy and Industrial Development

Energy, water and chemicals constitute the pillars of an industrial development strategy that can offer Western, Arab and international capital interesting investment opportunities. It can also serve as the basis for widespread growth throughout the territory. The lines of a possible concerted economic programme for the North African countries must have the following objectives:

- * to increase the supply of cheap energy in the form of gas and/or electricity to the coastal cities of the southern Mediterranean to promote industry and the crafts and to improve the well-being of the population; recent calculations carried out by the Observatoire Méditerranéen de l'Energie suggest that the converting natural gas into electricity could have an exceptionally low cost;
- * to create new infrastructures for exporting energy (gas or electricity) to Europe through new gas pipelines and an electrical network;
- * to implement a water project benefitting from the new available technologies, to revitalize agriculture and to force back the desert;
- * to launch a chemical industry programme to transform *in situ* the existing feedstocks, and/or to transport them to Europe, and to produce non conventional fuels for transport and combustion in order to free oil for export.

This project should be implemented without government-to-government aid, which would

simply goes to subsidize basic consumption. Efforts must be focused on specific investment projects to be implemented through joint ventures with Western companies, and money must be provided to set up the local share of the equity of these projects (it is important to note that foreign financing stimulates local capital investments in a ratio of 5 to 1).

Under these conditions, full cooperation of the international financial system and the oil-rich Gulf countries can be obtained. This could be important both for finance and for the gas pipeline programme.

Environment

Strong investment in the sectors in which North African countries are naturally endowed immediately raises the issue of sustainable development, that is, development compatible with the protection and conservation of the environment.

The main recommendation of the Blue Plan--to incorporate territorial and environmental policies into development strategies--has not been respected to date. Individual Mediterranean countries have passed quite different environmental legislation. The European Community has dedicated more attention to the environmental problems of Eastern and Central Europe than to those of the Mediterranean. But in spite of everything, and thanks above all to the Mediterranean Action Plan, a framework for international environmental cooperation has been set up and could be strengthened relatively easily. In fact, actions aimed at implementing the recommendations of the Rio de Janeiro Conference (the Agenda 21) in the Mediterranean are already under way.

Ensuring sustainable development and adequate environmental policies in the Mediterranean is to a large extent the responsibility of the European Community, the most important partner in the development of the countries of the southern Mediterranean. This is a medium-term action which must be central to the EU's "vision" for the area.

In the short term, useful actions for cooperation in the environmental field can be worked out at multilateral, bilateral and subregional levels. At the multilateral level, suggestions include establishing a Mediterranean centre for "clean" productions, the extension to the Mediterranean of the Memorandum of Understanding on Port State Control (already in force in the European Union), application to the Mediterranean of the UNECE/per esteso programme "*Efficacité énergétique 2000*". The technical and political foundations for these projects have already been laid; there is also interest in the industrial world.

Bilateral or subregional initiatives could involve the launching of a navigational aid system (VTS) in some areas with particularly high risk of accidents, or the development of alternative technologies in the refrigeration ("Greenfreeze") and lighting (high-efficiency lights). A closer look at some of these programmes is in order.

The UNEP and UNIDO support the setting up of Regional Clean Production Centres (RCPCs). One of these should be situated in the Mediterranean. The RCPC project arose from a desire to encourage the introduction into national development planning of technologies and production processes with zero environmental impact. In the Mediterranean area, such productions could play an important role, particularly in agriculture, the pulp and paper industry, refrigeration and chemicals (especially the chlorinated solvent sector).

The Memorandum of Understanding on Port State Control lays down and implements a navigational aid system for ports. It also provides a databank service (based in France) regarding the state of the fleet, the outcome of inspections, etc. Extending this service to the major Mediterranean oil terminals could be done at relatively low cost and could contribute

significantly to containing the risk of accidents at sea.

The navigational aid system (VTS) has already been set up in France and Canada in some areas of particularly high risk of accident, and is almost in place in the Straits of Messina. Together with the Memorandum of Understanding on Port State Control, the VTS, for which know-how and equipment are available, could bring about a considerable improvement in maritime traffic conditions around huge terminals such as those in Egypt, Algeria and the Suez Canal (soon to be expanded).

PART 2 - MED-2000, AN AGENDA FOR PARTNERSHIP
SUMMARY BY THE GROUP OF INDEPENDENT MEDITERRANEAN EXPERTS

The objective of this Agenda is to facilitate the search for greater stability and security in the Mediterranean within an interdependent framework. Developing international cooperation and strengthening domestic consensus in the process of change are two sides of the same coin: the search for and assertion of common values and priorities related to the domestic perceptions of Mediterranean and European societies; and the launching of important initiatives in the field of international economy and development.

Taking into account the different economic realities, regional cooperation will, in the long term, be essentially shaped by the decisions of the European Union. The prospect of EU enlargement toward the East increases the need for the Union to make its nearest southern region a priority.

Mediterranean cooperation will be an open and flexible initiative, with a "light" institutional structure, aimed at concrete implementation of common policies and projects. It will not be an alternative to other proposals or cooperation schemes. It will involve not only the governments, but also the *society*, particularly non governmental organisations.

This Agenda will be launched by those Mediterranean countries that currently have shown a priority interest of doing so, though future wider membership is not excluded. It will aim at increasing the consistency between the consensus-building mechanisms in individual countries and international cooperation so that better management of interdependence and global economic, social, and cultural processes may be achieved, thus attenuating and solving crises and reducing tensions stemming from cultural or national specificities.

Public and private policies for cultural cooperation and dialogue must be worked out, and more solid channels for communication and exchange must be established. Public policies with clearer objectives and better defined means must be found. While the role of intergovernmental cooperation remains essential, the concrete development of cooperation will depend on the broadening of non-governmental initiatives. Constant and effective interaction between these two levels must be sought.

Economic cooperation must concentrate on bridging the enormous North-South disparity; addressing the problem with mutually compatible "visions" on matters such as free markets, immigration, and employment, in order to ensure sustainable growth and environmental protection. The accent must be put on the revival of decentralized economic institutions, competencies and actions.

During this process, to sustain and complete its development, a framework for political cooperation among the participating countries must be set up. It should be linked with the political cooperation of the European Union and should encourage the development of other integration processes.

Political Cooperation

This Agenda calls for a minimal, but coherent and effective level of institutionalization providing two things: the political cooperation needed to determine and strengthen common values and priorities; and the instrument to implement specific cooperation policies and projects. This exercise will be called *Mediterranean Political Cooperation (MPC)*.

MPC should be seen as a body endowed with "light" institutional links which can be adapted to circumstances and requirements. It should be seen as a twin exercise, one at the governmental level and one at the non-governmental level. The two levels will progress in parallel and be mutually supportive, but each will be autonomous. The governmental level could initially be defined by the forthcoming meeting of the Foreign Ministers of a group of Mediterranean countries (to be held in Alexandria, Egypt, in July 1994). The non-governmental level should establish regular membership representing the fields of education, media, business, as well as institutes of international affairs and other research centres. It could be linked to the governmental level through parliamentarians and diplomats.

The task of the MPC should be dialogue and consultation among governments; and the organisation of multilateral communication between the public and private spheres. It could constitute a useful institutional interlocutor and a possible instrument for verifying and monitoring the decisions made. It could include multilateral consultations on general security issues (e.g. arms proliferation, terrorism, etc.) and other issues that go beyond foreign policy as such, touching on various aspects of government policies and concerns. It should foster a governmental and non-governmental dialogue between Mediterranean cultures on the social and human dimensions, and on the process of democratization and human rights, with the aim of strengthening the rule of law and economic and political pluralism--a base that is necessary in order to foster cooperation in all fields and to involve other international actors and interests.

While concentrating on establishing political dialogue, the MPC should be open to the discussion of crisis management and security aspects, with the aim of preventing crises and helping to establish a framework of greater transparency, confidence-building and more secure and stable relationships. At the governmental level, it should be equipped with a permanent network for consultation among participating governments, which could be envisaged so as to include other countries and institutions. MPC should benefit from the full participation of the European Union, and there should be periodic meetings between MP and the political cooperation of the European Union.

The MPC could support the periodic publication of a *Mediterranean Report* on the state of cooperation and conflictuality in the Mediterranean, and on the measures taken to improve the situation. This will be the responsibility of the non-governmental level of MPC and could be coordinated by the international studies centres of the countries in question. This *Mediterranean Report* could provide the basis for an annual informal discussion among governments (on the Gymnich model).

Cultural cooperation

Mediterranean societies enjoy a rich heritage of cultural and historical traditions. The

objective of the countries that are participating in the Mediterranean cooperation process is to promote the awareness of this heritage, encouraging the freedom of cultural and intellectual exchanges. This is aimed at attenuating the tensions between the competing trends toward globalization and cultural specificity, and at the long-term attainment of understanding and collaboration.

Three lines of action are central to Mediterranean cultural cooperation: promoting mutual development; encouraging exchanges between members of the different civil societies; and increasing common ground. Concrete efforts along these lines must be made to foster the emergence of common values and priorities. Specific cooperation policies must place priority on enhancing the value of all aspects of the historical heritage of the Mediterranean, and should be aimed both at the élite and at public opinion.

Concrete actions in the field of cultural cooperation must include the following: promoting greater inter-university cooperation sustained by specific funds for the creation of a doctorate in Mediterranean studies; supporting private and local initiatives, such as the development of tourism focused on cultural interests (particularly among students); establishing twinships between cities; organizing high-quality cultural events; creating educational units on the three great Mediterranean religions and on human rights to be used in pre-university teaching and in the training of social workers, nurses, etc.; commissioning more translations and promoting wider circulation of the masterpieces of the literary traditions of the Mediterranean countries; supporting Mediterranean co-productions of films and television documentaries.

The development and implementation of cooperation initiatives should be conducted in concert with specialized international and regional intergovernmental organisations (e.g. UNESCO) and private centres (e.g. major cultural foundations), according to their respective competencies.

Economic Cooperation

Economic cooperation among Mediterranean partners must be concentrated on the huge gap separating the South from the North, and on the responsibility of the latter in dealing with the problem with adequate "vision". This vision must be supported by three fundamental pillars: the opening of the European market; immigration policy; and European responsibility in ensuring sustainable growth and environmental protection.

The role of the European Union and initiatives of non-governmental organisations are of primary importance for the fulfillment of these objectives.

Economy and trade

In a EU Mediterranean policy which aims both to address particular sub-regional needs (in the Maghreb, Near East, etc.) and to account for the overall strategic importance of the Euro-Mediterranean relationship, it is important to examine the following questions pertaining to the Euro-Mediterranean relationship.

* what is the current situation in the field of tariffs and trade following the Uruguay

Round of the GATT negotiations?

- * what are the advantages of the southern shore of the Mediterranean as a result of the process of delocalization (the new division of labour between the northern and southern shores)?
- * what are the conditions and instruments necessary to intensify economic exchange and cooperation among the countries of the southern shore of the Mediterranean?

An assessment must be made of the implications of agreements to create a free trade area or a customs union proposed by the EU to its Mediterranean partners. In particular, more ambitious goals must be set regarding the opening of the Community market to agricultural products for which the Mediterranean partners have a clear comparative advantage.

Economic/Financial Partnership

The countries of the Mediterranean are involved in processes of structural adjustment aimed at revitalizing the bases for their development. The extent of the required adjustments and the social upheaval associated with the transition call for a more decisive European commitment in two areas: cooperation to facilitate and accelerate the adjustment process; and intervention to attenuate the associated social costs.

Increased employment levels must be the priority goal of structural adjustment policies, strategies and programmes. There must be a common effort to ensure that this is reflected in EU cooperation policy.

In order to launch co-development initiatives, it must be recognized that this is a strategy aimed at reinforcing the effects of economic exchange between countries of different levels of development. Mutual opportunities and direct investments are the driving forces of interdependence, and these must be strengthened within the framework of the partnership.

In this critical phase for the partners of the southern shore, the financial efforts of the European Union must be comparable to those directed toward the East. This is necessary for the emergence of a financial partnership able to sustain the development of a partnership in production. Considering the limits of multilateral financing, local credit institutions must be strengthened in order to ensure better channelling of funds toward new private initiatives at the local level.

Migration Flows

Though emigration is associated with social problems, it also contributes significantly to the economic and financial life of many Mediterranean countries (through remittances of emigrants). Whatever the projected demographic fluctuations, however, employment and emigration will continue to be problems in the Southern Mediterranean.

In light of this situation, the European Commission proposed that the EU undertake an immigration policy on three main issues: entry regulation; integration of immigrants into the receiving countries; cooperation with a view to the development and creation job in the countries of emigration.

Of these three issues, it is important that "entry regulation" does not prevail over the others.

It is also important that migration flows be managed through more open collaboration between the Union and its Mediterranean partners. Such openness should not raise unfounded expectations about the northern shore's capacity for substantially increasing the numbers of immigrants it can accommodate; rather, it should allow for greater flexibility in managing the existing migration flows toward Europe and in strengthening a spirit of co-development aimed at creating jobs in the South.

Environment

The main aim is to incorporate territorial and environmental policies into development strategies. In the medium term, the European Union must ensure both sustainable development and adequate environmental policies in the Mediterranean.

At the multilateral level, suggestions for the short-term include the following:

- * establishing a *Mediterranean Centre for Clean Productions* (along the lines established by UNEP and UNIDO);
- * extending the *Memorandum of Understanding on Port State Control* to the Mediterranean;
- * applying the UNECE programme *Efficacité Energetique 2000* to the Mediterranean

Bilateral or subregional initiatives could involve:

- * launching a *navigational aid system (VTS)* in areas at risk;
- * developing alternative technologies in refrigeration (*Greenfreeze*) and lighting (high-efficiency light).

APPENDIX - SOME FEASIBLE ACTIONS

In light of the work by the Istituto Affari Internazionali on the "Agenda for Partnership" and the discussions in the MED-2000 Group, the IAI has selected a number of feasible actions. Suggestions pertain to both the framework of political cooperation, and to concrete actions to be taken in the main fields of cooperation: culture, economy, and environment. The IAI believes that there is significant potential for such actions, and that they may be rapidly achieved. They could be placed on the government agenda in a short time so that necessary common policies may be formulated.

Political Cooperation

- * Creating a flexible and pragmatic institution of political cooperation: a Mediterranean Political Cooperation (MPC). The MPC should be endowed with "light" institutions. It should be able to link up in different ways with the other existing international organisations and multilateral cooperation activities, particularly with the European Union's Common Foreign and Security Policy (CFSP). The MPC would integrate the proposal put forward in the European Union by the Italian and British governments to associate Central-Eastern European countries to the CFSP.
The tasks of the MPC should be dialogue and consultation among governments and the organisation of multilateral communication between the public and private spheres. Ideally, the MPC should set up a list of priorities and objectives to serve as a stimulus and guideline for all cooperation (whether bilateral or multilateral, public or private). While concentrating initially on establishing and strengthening political dialogue, it should nevertheless be open to the inclusion of institutions for crisis management and military aspects in the future.
- * Creating regular exchanges between the governmental and non-governmental levels. MPC should be seen as a twin exercise, one at the governmental level and one at the non-governmental level. The two levels would progress in parallel and be mutually supportive, but remain autonomous one from the other. The non governmental level should seek permanent members from the academic and business world, the media, international affairs institutes and other research centres. The participation of parliamentarians and diplomats would be one of the ways to link it to the governmental level.
- * Supporting the periodic publication of a *Mediterranean Report* on the state of cooperation and conflictuality in the Mediterranean and the measures taken to improve the situation. Drawn up by private sources, it would not be attributable to any government. This report could provide the basis for discussion at an annual intergovernmental meeting like the one held in Gymnich, and could stimulate continual interaction between the governmental and non-governmental levels. The report could be initiated by the international studies institutes of the countries concerned, as they have already set up significant independent channels of communication and scientific collaboration in the framework of groups such as the Mediterranean Study Commission (MeSCo).

Cultural Cooperation

- * Setting up an "Averroës" programme for trans-Mediterranean mobility for university studies. Benefitting from the experience of and linked to the existing programmes of the European Community (*Erasmus*, *Tempus* and, to a more limited extent, *Avicenna*), it would favour the mobility of students and the enrichment of their pre-doctoral education (it should also contribute to filling gaps in the curricula of Mediterranean universities).
- * Creating a "Mediterranean Phd" common to all Mediterranean countries, according to the proposal of UNIMED's Mediterranean Universities consortium. This would make the educational facilities offered by the various universities, available to students from countries in the area. Students would receive an academic recognition which would be valid in the participating Mediterranean countries.
- * Transforming the EC's *Med-Campus* programme into a permanent cooperation programme (the current project undertaken in the framework of the Mediterranean policy will end with the 1995-96 academic year). Expanding the EC's *Avicenna* programme, increasing financial resources and revising the mechanisms for participation so as to provide more support for non-governmental research centres.
- * Encouraging interested professional associations (teachers, social workers, etc.), public and private research centres, competent local and national institutions to prepare educational units for secondary school instruction in the following: history and geography of Europe and Arab countries; the three great Mediterranean religions (Judaism, Christianity and Islam); human rights, particularly women's rights. All of these are to be integrated into formal and informal education.
- * Promoting the publication of a "History of Women in the Mediterranean", along the same lines as the "History of Women in the West", by Georges Duby and Michelle Perrot, published by Laterza.

Emigration and Employment

- * Studying the feasibility of introducing common EU quotas for of seasonal migrant workers. If such quotas are introduced, account must be taken of the long-standing links and relationships within the Mediterranean Basin, as well as of the strong interdependence between the Northern and the Southern Rim.
- * Promoting "industrial districts" in internationally competitive sectors by developing necessary infrastructures; such districts should contribute to strengthening the micro-enterprises emerging in the informal sector so that they can develop into small and medium enterprises and youth cooperatives. It should also serve to attract local savings and migrant workers' remittances;
- * Improving training facilities and credit schemes to help put youth cooperatives into operation and retrain returning workers;

Energy and Industrial Development

- * Increasing the supply of cheap energy in the form of gas and/or electricity to the coastal cities of the southern Mediterranean to promote industry and the crafts and to improve the well-being of the population;
- * Creating new infrastructures for exporting energy (gas or electricity) to Europe through new gas pipelines and electrical powerlines;
- * Implementing a water project that benefits from new technologies, to revive agriculture and to force back the desert;
- * Launching a chemical industry programme to transform *in situ* the existing feedstocks, and/or to transport them to Europe, and to produce non conventional fuels for transport and combustion in order to free oil for export.

Environment

- * Establishing a "Mediterranean Centre for Clean Productions" (along the lines established by UNEP and UNIDO).
- * Extending the "Memorandum of Understanding on Port State Control" to the Mediterranean.
- * Applying to the Mediterranean the UNECE programme "*Efficacité Energetique 2000*".
- * Launching a "navigational aid system" (VTS) in areas at risk.
- * Developing alternative technologies in refrigeration ("Greenfreeze") and lighting (high-efficiency lights).

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INTERNAZIONALI - ROMA

n° inv. 15632
16 OTT. 1995

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**Oral Conclusions
of the Ministerial Meeting of the Core-Group Countries
of the Mediterranean Forum**

by
**H.E. Mr. Amre Moussa
Minister of Foreign Affairs
of Egypt**

The Foreign Ministers of Algeria, Egypt, France, Greece, Italy, Morocco, Portugal, Spain, Tunisia and Turkey met in Alexandria, Egypt, July 3, 4 1994 to launch the Mediterranean Forum. During their stay the Ministers were received by H.E. President Mohamed Hosni Mubarak.

The discussions of the Ministers were held in an informal, yet concrete and constructive atmosphere and focused on how to further develop cooperation among Mediterranean countries in light of new international realities. To this effect, Ministers agreed to promote the development of a "Forum for Dialogue and Cooperation in the Mediterranean".

It was felt that the Forum should be wide-ranging enough to cover all areas of common concern, and ambitious enough to look well into the future of cooperation amongst Mediterranean countries. At the same time, it was stressed that their endeavors should be focused and realistic enough to have tangible effects. They should refrain from duplicating activities of other fora whenever possible.

In pursuit of these objectives, it was agreed that it would be necessary to develop a process of consultations in order to establish, on an evolutionary basis, a Forum for Dialogue and Cooperation which would truly respond to the challenges of the 21st century. To this effect, they stressed the urgent need to conceive a global strategy that should take into account the requirements of stability, peace, security, and sustainable development of the whole region. Ministers expressed the wish that future meetings might include the participation of other Mediterranean Countries.

Ministers agreed that it was important to conduct an in-depth discussion of the issues at the Expert and Senior Officials levels in order to facilitate and enrich deliberations at their next Ministerial Meeting. They consequently decided on the following:

- a) Expert working groups, would be established to deal with cultural political and economic and social issues.
- b) * The Cultural Working Group will deal with areas such as:
 - Activation of dialogue between civilizations and cultures.
 - Promotion of Cooperative Educational Projects.
 - Preservation of the common heritage of Mediterranean civilizations.
 - Information exchange programs to ensure greater understanding amongst the peoples of the Mediterranean.
- * The Political Working Group will deal with all political issues with implications on the Mediterranean basin.
- * The Economic and Social Working Group will deal with areas such as:
 - Measures to enhance Economic Cooperation and Partnership between North and South Mediterranean such as: Energy, Tourism, Science and Technology for Development, Environment, Migration, Employment, and Activation of Private Sector Interaction.
- c) The Med-2000 report prepared by the Institute for International Affairs of Rome should be taken as a basis for discussion in dealing with different issues in these working groups.

- d) Countries represented at the Alexandria Meeting were invited to provide Egypt with any additional suggestions they may have regarding topics for consideration in these working groups.
- e) In the light of suggestions submitted to it during the coming month Egypt, in consultation with countries concerned, will develop a final list of topics to be discussed in each working group with a view to encouraging dialogue and at the same time specificity. Egypt will also coordinate with interested countries as to the venues of the meetings of the expert groups.
- f) The different expert groups will submit their findings and recommendations to the Meeting of Senior Officials to be convened in Algarve, Portugal during November or December 1994. The Meeting of Senior Officials will submit its recommendations to the next Ministerial Meeting.
- g) The Ministers decided to hold the next Ministerial Meeting during the first quarter of 1995 in a Mediterranean city in Southern France.

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n° Inv. 15632
16 OTT. 1995

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FORUM DE LA MEDITERRANÉE

- Reunion de Hauts Fonctionnaires -
ALGARVE, 19-20 Décembre 1994

CONCLUSIONS

Les Hauts Fonctionnaires des Etats Membres du Forum de la Méditerranée,

Représentant l'Algérie, l'Egypte, l'Espagne, la France, la Grèce, l'Italie, Malte, le Maroc, le Portugal, la Tunisie et la Turquie;

ont remercié le Portugal, en tant que pays hôte, pour son hospitalité en Algarve;

Et soumettent à la II Conférence Ministérielle du Forum de la Méditerranée, les réflexions, propositions et recommandations suivantes:

Aspects institutionnels

Lignes générales

Les Hauts Fonctionnaires se félicitent des résultats du Groupe de Travail Politique et, inspirés, dans leur réflexion, par les orientations de la rencontre ministérielle d'Alexandrie, ils réitèrent les caractéristiques qui y ont été retenues pour le Forum de la Méditerranée:

un cadre informel, souple mais efficace;

un espace de réflexion pour l'identification de secteurs clés de coopération;

un moyen destiné à l'évaluation de cette coopération;

un exercice qui évite le double emploi avec d'autres initiatives déjà existantes;

une enceinte inspirée par le principe de la gradualité, en attribuant la priorité à sa consolidation;

un Forum de propositions d'orientations dans ces secteurs, à transmettre aux instances compétentes.

Cadre du Forum de la Méditerranée

Les Hauts Fonctionnaires ont souligné que le Forum de la Méditerranée pourrait réfléchir sur les problèmes de la région méditerranéenne, tout en permettant:

- l'identification et la mise en relief de valeurs, d'objectifs et de priorités communs aux Etats Membres du Forum;
- le développement de projets spécifiques dans des cadres appropriés.

Dialogue et coopération politique

Les Hauts Fonctionnaires recommandent la poursuite du dialogue d'une façon renforcée, comme l'intensification des consultations sur des bases appropriées entre les Etats Membres.

Afin d'assurer une préparation efficace des réunions ministérielles, les Hauts Fonctionnaires recommandent de retenir l'idée de l'établissement d'une "Présidence informelle" qui devrait être assurée par le pays hôte de la prochaine Réunion Ministerielle.

Les Hauts Fonctionnaires ont accueilli avec satisfaction la disposition de l'Italie à assumer cette responsabilité la prochaine fois.

Les Hauts Fonctionnaires se sont aussi mis d'accord pour que la Coopération Politique Méditerranéenne soit ainsi mise en oeuvre au niveau gouvernemental:

- Rencontres régulières de consultations entre les Hauts Fonctionnaires des Ministères des Affaires Etrangères en fonction des besoins et pour préparer les travaux des réunions ministérielles;
- Le cas échéant, réunions "ad-hoc" sur des questions spécifiques, entre les Hauts Fonctionnaires ou entre les représentants des pays membres dans des organisations ou conférences internationales;

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Les Hauts Fonctionnaires ont aussi pris note des candidatures déjà exprimées et recommandent que l'élargissement se poursuive sur la base du consensus.

Conférence Ministérielle Euro-Méditerranéenne

Etant donnée l'importance de la Conférence Ministérielle Euro-Méditerranéenne qui aura lieu pendant la Présidence espagnole, les Hauts Fonctionnaires recommandent l'adoption, par les Ministres, d'une déclaration d'appui. Ils considèrent que le Forum de la Méditerranée peut être le lieu d'un échange de vues et de contributions éventuelles dans la perspective de cette Conférence.

Prochaines réunions Ministérielles

La délégation française a confirmé son intention d'organiser la II^e Réunion Ministérielle, en France, les 31 Mars et 1 Avril prochains.

En ce qui concerne une éventuelle déclaration politique des Ministres, les Hauts Fonctionnaires ont exprimé leur préférence pour la formule d'Alexandrie qui consiste dans l'adoption de conclusions orales.

Proposition Marocaine

Les Hauts Fonctionnaires se félicitent de l'initiative de S.M. le Roi Hassan II, présentée à la Conférence de la CSCE à Rome en 1993, relative à la tenue au Maroc d'une Conférence Ministérielle sur la Méditerranée. Ils proposent que cette initiative soit soumise à l'appréciation des Ministres.

Coopération Culturelle

Les Hauts Fonctionnaires se félicitent des résultats du Groupe de Travail Culturel. Ils considèrent que l'un des objectifs du Forum est de promouvoir la culture méditerranéenne dans ses différentes composantes et dimensions et de tout mettre en oeuvre pour l'amélioration de la connaissance et de la compréhension mutuelles entre les peuples du bassin de la Méditerranée.

En ce qui concerne les projets présentés dans le cadre du Groupe Culturel, les Hauts Fonctionnaires recommandent aux Ministres l'adoption de tous ou de quelques uns des projets en annexe.

À cet effet, ils demandent au Groupe de Travail qui se réunira prochainement à Rome de procéder à des compléments d'information sur les projets présentés et à faire de nouvelles propositions.

En ce qui concerne le suivi des projets, les Hauts Fonctionnaires ont donné leur accord aux modalités suivantes:

- les pays coordinateurs devraient promouvoir les actions nécessaires à la définition du projet, rechercher un soutien financier et définir ses règles de fonctionnement sur la base du consensus;
- une liste de correspondants culturels a été envisagée afin d'accroître la rapidité et la souplesse des contacts entre les pays membres du Forum;

- un Groupe de Contact, composé de représentants des Ambassades concernées, sera constitué dans chaque pays coordinateur, dans le but d'obtenir une meilleure coordination des projets spécifiques.
- le choix du logos "ARCHIMEDE" pour l'identification des activités culturelles du Forum;
- les collectivités locales, les Instituts de Recherche, les Universités, les représentants de la société civile devraient être invités à participer à la promotion de la coopération méditerranéenne dans le domaine de la culture.

Les Hauts Fonctionnaires ont pris note d'une proposition relative à la tenue à Athènes d'une réunion des Ministres de l'Éducation et de la Culture des États Membres du Forum de la Méditerranée qui aura lieu fin Mai 1995.

Coopération dans les domaines économique et social

Les Hauts Fonctionnaires ont souligné l'importance du développement en tant que facteur destiné à promouvoir la stabilité et la sécurité et à renforcer le processus démocratique. Ainsi, le Forum est invité à apporter l'attention requise aux questions liées au développement.

À ce sujet, les Hauts Fonctionnaires se sont félicités de travaux du Groupe Économique et Social qui s'est réuni à Caire.

Les Hauts Fonctionnaires ont approuvé les critères et les lignes de conduite suivantes et suggèrent leur approbation par les Ministres:

- La coopération économique devrait stimuler le développement économique et social et contribuer à la réduction des disparités d'ordre économique entre les États Membres;
- Les projets de coopération devraient engendrer des bénéfices mutuels pour les participants, tout en tenant compte des intérêts des autres parties;
- La priorité devrait être accordée à des domaines et à des secteurs susceptibles de renforcer la complémentarité et l'intégration parmi les États Membres et de promouvoir leur intégration dans des marchés globaux;
- Une attention spéciale devrait être consacré à la protection de l'environnement et à un développement durable dans différents secteurs et domaines de coopération;
- La coordination devrait être assurée avec d'autres enceintes de coopération économique dans la région afin d'éviter les doubles emplois et d'assurer son efficacité;

- Un accent particulier devrait être mis sur la promotion et l'accélération de la recherche technologique et scientifique, et sur la coopération nécessaire à une meilleure et plus équitable utilisation des ressources de la zone méditerranéenne tout comme sur les potentialités offertes par la technologie;
- Une importance particulière devrait être accordée aux aspects humains et sociaux en ce qui concerne la définition des projets;
- Le secteur privé devrait être encouragé à jouer son rôle prééminent afin de renforcer la coopération économique et sociale;
- Les organisations non gouvernementales devraient être encouragées à contribuer et à coopérer dans leurs domaines de compétence;
- La coopération en Méditerranée devrait attacher une importance spéciale au soutien des économies des États Membres, en particulier ceux qui sont en train de mettre en oeuvre des programmes d'ajustement structurel.

Les Hauts Fonctionnaires proposent et soumettent à la Conférence Ministérielle de retenir les domaines suivants, qui méritent, à ce stade, une attention particulière:

- Science, technologie et informatique
- Tourisme
- Environnement

- Occasions offertes en matière de commerce, d'investissement ainsi que dans le domaine des affaires
- Mouvements migratoires
- Ressources humaines et développement social
- Transports et Communications.

Dans ces secteurs, les Hauts Fonctionnaires ont pris note, avec satisfaction, des propositions faites par certaines délégations et figurant en annexe.

Ces propositions devraient être encore approfondies avant la prochaine réunion ministérielle en France.

Les Hauts Fonctionnaires ont pris note des résultats de la Conférence Ministérielle de Tunis sur l'environnement en Méditerranée (MED 21) ainsi que du document de réflexion fourni par la délégation tunisienne comme base de travail dans ce domaine.

Les Hauts Fonctionnaires accueillent favorablement l'initiative du Portugal relative à l'organisation d'un Séminaire ouvert aux hommes d'affaires et destiné à renforcer la coopération économique.

Les Hauts Fonctionnaires ont accueilli favorablement la disposition de l'Egypte à coordonner le secteur "sciences et technologie" et celle de la Turquie à faire de même pour le secteur "transports et communications".

Les Hauts Fonctionnaires approuvent également la désignation par les pays de correspondants pour les projets et la communication de leurs noms aux pays coordinateurs.

ANNEX

EGYPT

- "The use of Information Technology for Cultural preservation in the Mediterranean Region"
- "Dialogue and Interaction between Mediterranean Cultures and Civilizations"

ITALY

- "Permanent Mediterranean Laboratory"
- "Creation of a Mediterranean Master in UNIMED context"
- Seminar on "Religious and Cultural Coexistence" in collaboration with Egypt and the Foreign Affairs Institute.

MALTA

- "Cultural Symbiosis in Al-Andalus" in collaboration with Spain, Portugal and UNESCO.

TUNISIA

- "Itenerant Mediterranean Music Festival"
- "Mediterranean Encyclopedia" in collaboration with Algeria, Morocco, Spain, France and Italy.

TURKEY

- "Academic cooperation"

GREECE

- "Mediterranean Cultural Center in Crete or Rhodes"

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n° Inv.	15632 16 OTT. 1995
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DU FORUM MEDITERRANEEN
(Sainte-Maxime, 9 avril 1995)

Les ministres des Affaires étrangères d'Algérie, Egypte, Espagne, France, Italie, Malte, Tunisie, Turquie, le Secrétaire d'Etat aux Affaires étrangères et à la Coopération du Maroc, le Secrétaire d'Etat aux Affaires européennes du Portugal et le Secrétaire général du ministère des affaires étrangères de la Grèce se sont réunis à Sainte-Maxime, les 8 et 9 avril 1995, pour la deuxième rencontre ministérielle du Forum méditerranéen.

Dans la continuité avec leur première réunion, tenue à Alexandrie les 3 et 4 juillet 1994, les ministres ont réaffirmé la vocation spécifique du Forum d'être un "cadre informel de dialogue entre les pays riverains de la Méditerranée sur des sujets d'intérêt commun".

Leurs débats, qui se sont déroulés de façon informelle dans une atmosphère amicale et un esprit constructif, leur ont permis d'exprimer sur un grand nombre de questions des préoccupations communes telles que le renforcement de l'Etat de droit, le respect des droits de l'homme, la lutte contre le terrorisme et l'extrémisme, l'encouragement du dialogue interculturel, l'importance du développement économique en tant que facteur destiné à promouvoir la stabilité et la sécurité, et à renforcer le processus démocratique.

1. Questions politiques, culturelles et économiques.

Les ministres se sont félicités des travaux des trois groupes de travail et des hauts fonctionnaires, dont ils ont approuvé le rapport de synthèse, en mettant l'accent sur la nécessité d'une approche intégrée et globale des problèmes.

- Les ministres sont convenus de l'importance d'une poursuite et d'un renforcement du dialogue à un niveau politique, à travers des rencontres régulières de hauts fonctionnaires et le cas échéant des réunions ad hoc sur des questions spécifiques.

Ils ont constaté qu'il existait entre les pays du Forum méditerranéen la même volonté de construire une société démocratique et pluraliste dans le respect de leurs identités nationales. Ils réaffirment leur attachement à la démocratie et à la construction d'un Etat de droit impliquant notamment des élections libres et régulières, l'indépendance de la justice, l'équilibre des pouvoirs et le respect des droits de l'homme. Ils ont cependant souligné qu'il ne pouvait y avoir de progrès vers la démocratie sans développement économique, culturel et social.

Ils affirment leur engagement en faveur du maintien de la paix et du respect du droit international.

Enfin, ils ont exprimé leur solidarité dans la lutte contre le terrorisme sous toutes ses formes conformément aux résolutions des Nations Unies ainsi que leur vœu d'assurer la sécurité et la stabilité des pays appartenant à l'espace euro-méditerranéen.

- Dans le domaine culturel, qui constitue un volet essentiel du Forum, l'accent doit être mis sur l'amélioration des perceptions mutuelles entre les peuples, la promotion d'une culture méditerranéenne commune intégrant des aspects de notre héritage et de notre patrimoine comme de la modernité. Les ministres ont donné leur accord à la liste des projets "Archimède" présentés par le groupe de travail culturel (en annexe), en y ajoutant le projet sur la traduction de mille ouvrages de référence sur la culture méditerranéenne proposé par l'Egypte. Ils ont insisté sur la nécessaire souplesse des mécanismes de réalisation, sur le principe d'adhésion volontaire des membres aux différents projets et sur le suivi attentif et l'enrichissement de ceux-ci par le groupe culturel. A travers des réalisations concrètes et selon des modalités de mise en oeuvre souples, les projets doivent viser à développer le dialogue interculturel, à préserver l'héritage culturel méditerranéen, à stimuler les relations entre sociétés civiles, à valoriser la dimension méditerranéenne dans la formation universitaire et à organiser des actions communes.

Les ministres ont souligné l'importance primordiale des initiatives des acteurs des sociétés civiles (collectivités locales, instituts de recherche, Organisations Non Gouvernementales, universités, associations, artistes, maisons d'édition, etc...) de même que des Assemblées Parlementaires dont la participation aux activités du Forum doit être encouragée. Une attention particulière est à apporter à l'information des opinions publiques et des médias. A cet égard, une réflexion sur les possibilités de co-production d'émissions télévisées et du renforcement de la coopération entre opérateurs audio-visuels méditerranéens est à mener par le groupe culturel.

- Dans le domaine économique, les Ministres ont souligné les orientations suivantes : nécessité de réduire les disparités de développement économique, d'accélérer le processus d'intégration régionale, d'encourager la progression vers le libre échange, dans un esprit de partenariat et de solidarité, et de toujours conserver à l'esprit la dimension humaine et sociale du développement. Enfin ils ont souligné le rôle clé du secteur privé.

Les Ministres ont également réaffirmé solennellement la confiance qu'ils mettent dans l'avenir du développement économique et de la coopération dans le bassin de la Méditerranée. Les Ministres ont salué la proposition de coopération scientifique et technologique pour le développement dans le bassin méditerranéen soumise par l'Egypte et la proposition d'intensification de la coopération des secteurs privés et des flux d'investissement soumise par le Portugal. L'Italie a aussi proposé d'organiser un séminaire sur la formation professionnelle, en coopération avec le centre de l'OIT à Turin.

Enfin ils ont mis l'accent sur plusieurs sujets dont ils ont confié l'examen au groupe de travail économique et social : le tourisme, la protection de l'environnement l'énergie enfin l'augmentation de la sécurité alimentaire.

2. Elargissement

Les ministres ont évoqué la question de l'élargissement du Forum méditerranéen. Celui-ci constitue un cadre ouvert. Dans cette perspective, ils réaffirment leur volonté d'élargir dès que possible le Forum à l'ensemble des pays riverains de la Méditerranée. Ils ont demandé au groupe politique de réfléchir aux modalités qui permettraient, sur la ba.

d'un consensus, de procéder à cet élargissement dans les plus brefs délais. Les Ministres invitent celui-ci à faire des propositions dans ce sens lors de la prochaine réunion ministérielle.

3. Proposition marocaine

Les Ministres se sont félicités de l'initiative de S.M. le Roi Hassan II, présentée à la Conférence de la CSCE à Rome en 1993, relative à la tenue au Maroc d'une conférence ministérielle sur la Méditerranée.

4. Conférence euro-méditerranéenne

Les Ministres ont réaffirmé l'importance et la volonté de voir l'Union Européenne rééquilibrer ses priorités géographiques en direction du Sud. Dans cette perspective, les Ministres du Forum méditerranéen ont apporté leur appui à la prochaine Conférence euro-méditerranéenne qui réunira, à Barcelone, les 27 et 28 novembre, sous la Présidence de l'Espagne, les quinze membres de l'Union Européenne et leurs douze partenaires méditerranéens tiers. Les Ministres ont convenu dans ce cadre, de se réunir à nouveau, de façon informelle, à l'invitation de la Tunisie pour préparer cette Conférence.

5. Organisation et poursuite des travaux

Les ministres ont donné leur accord pour la poursuite des réunions des groupes de travail. La présidence du groupe politique a été confiée à la Tunisie, celle du groupe culturel à la France et celle du groupe économique à Malte.

L'Egypte a proposé d'organiser la prochaine réunion des hauts fonctionnaires.

Les ministres ont pris note de la proposition de la Grèce d'organiser une réunion des ministres de l'éducation des Etats membres du Forum méditerranéen au mois de juillet 1995, au large de l'île de Délos, sur le thème de la "coopération éducative dans le bassin méditerranéen".

Enfin, les ministres sont convenus de tenir leur prochaine rencontre à l'invitation de l'Italie, au premier semestre 1996. Dans l'intervalle, l'Italie assurera la Présidence informelle du Forum.

GRUPE DE TRAVAIL CULTUREL
 ARCHIMEDE
 Applicazioni
 CONCLUSIONI DE LA PRESIDENZA
 ROMA 6 MARS 1995
 ANNECCE N.2

LISTE DES PROJETS CLASSES EN FONCTION DE LA THEMATIQUE PROPOSEE

I - DIALOGUE INTER-CULTUREL

EGYPTE ET ITALIE	Dialogue et interaction entre les cultures et civilisations méditerranéennes
MALTE	Symbiose culturelle en Al-Andalus
GRECE	Rencontres culturelles méditerranéennes; Centre culturel méditerranéen *
FRANCE	Enseignement de l'histoire et de la géographie

II - PRESERVATION DE L'HERITAGE CULTUREL MEDITERRANEEN

EGYPTE	<i>Trésors des pays de la Méditerranée:</i> Utilisation de l'informatique pour la sauvegarde du patrimoine culturel dans la région méditerranéenne
ITALIE	Laboratoire méditerranéen permanent
TUNISIE	Festival itinérant des musiques méditerranéennes; Encyclopédie méditerranéenne
FRANCE	Annuaire des traditions

III - RELATION ENTRE SOCIETES CIVILES

FRANCE	Echange de jeunes
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IV - LA FORMATION UNIVERSITAIRE

ITALIE	Création d'un master méditerranéen en environnement
TURQUIE	Coopération académique: Recherche scientifique et technologique
GRECE	Création d'un master méditerranéen en histoire d'art *

V - ORGANISATION D'ACIONS COMMUNES

ITALIE	Programme commun des centres culturels gouvernementaux
GRECE	Reseau d'universités de la Méditerranée *

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ITALIE

GRECE

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* La délégation grecque s'est réservée de présenter la documentation nécessaire.

MIDDLE EAST/NORTH AFRICA ECONOMIC SUMMIT
(October 30 - November 1, 1994)

CASABLANCA DECLARATION

- 1 - At the invitation of His Majesty King Hassan II of Morocco and with the support and endorsement of President Bill Clinton of the United States and Boris Yeltsin of the Russian Federation, the representatives of 61 countries and 1114 business leaders from all regions of the world, gathered for a Middle East/North Africa Economic Summit in Casablanca from October 30 to November 1, 1994. The participants paid tribute to His Majesty, King Hassan II; in his capacity as President and Host of the Conference and praised His role in promoting dialogue and understanding between the parties in the Middle East conflict. They also expressed their appreciation to the Government and people of Morocco for their hospitality and efforts to ensure the success of the Summit.
- 2 - The Summit leaders feel united behind the vision that brought them to Casablanca, that of a comprehensive peace and a new partnership of business and government dedicated to furthering peace between Arabs and Israelis.
- 3 - Government and business leaders entered into this new partnership with a deeper understanding of their mutual dependence and common goals. Business leaders recognized that governments should continue to forge peace Agreements and create foundations and incentives for trade and investment. They further recognize the responsibility of the private sector to apply its new international influence to advance the diplomacy of peace in the Middle East and beyond. Governments affirmed the indispensability of the private sector in marshalling, quickly, adequate resources to

demonstrate the tangible benefits of peace. Together, they pledged to show that business can do business and contribute to peace as well; indeed, to prove that profitability contributed mightily to the economic scaffolding for a durable peace.

- 4 - The Summit commended the historic political transformation of the Region as a consequence of significant steps towards a just, lasting and comprehensive peace, based on U.N. Security Council Resolutions 242 and 338, a process that began with the 1979 Treaty of Peace between Egypt and Israel and enlarged dramatically by the Madrid Peace Conference, three years ago. That process has born fruit in Israel-Palestine Liberation Organization Declaration of Principles. The recent signing of the Treaty of Peace between Israel and Jordan gave a new dimension to the process. The decisions of Morocco and Tunisia to establish, respectively, liaison offices and liaison channels with Israel constituted another new positive development. These accomplishments and the next stages of rapid movement toward a comprehensive peace in the region, including Syria and Lebanon, need to be powerfully reinforced by solid economic growth and palpable improvement of the life and security of the peoples of this region. The Summit stressed that Syria and Lebanon have an important role to play in the development of the region. The Summit expressed a strong hope that they will soon be able to join the regional economic effort.
- 5 - In this connection, the participants noted that the urgent need for economic development of the West Bank and Gaza Strip requires special attention from the international community, both public and private. In order to support the Israel-Palestine Liberation Organization Declaration of Principles and subsequent implementing agreements to enable the Palestinian people to participate on equal bases in the regional development and cooperation. They stressed the equal importance of moving ahead on Jordanian-Israeli projects as well as on cooperative projects between Israel and Jordan in order to advance the Jordanian-Israeli Treaty of Peace.

- 6 - The participants recognized the economic potential of the Middle East and North Africa and explored how best to accelerate the development of the Region and overcome, as soon as possible, obstacles, including boycotts and all barriers to trade and investment. All agreed that there is a need to promote increased investment from inside and outside the Region. They noted that such investment requires free movement of goods, capital and labour across borders in accordance with market forces, technical cooperation based on mutual interest, openness to the international economy and appropriate institutions to promote economic interaction. They also noted that the free flow of ideas and increased dialogue, especially among the business communities in the Region, will strengthen economic activity. In this context, the participants noted favourably the decision of the Council for Cooperation of the Gulf States regarding the lifting of the secondary and the tertiary aspects of the boycott of Israel.
- 7 - Based on the agreements between Israel and the PLO, it is important that the borders of the Palestinian Territories be kept open for labor, tourism and trade to allow the Palestinian Authority, in partnership with its neighbours, the opportunity to build a viable economy in peace.
- 8 - The participants paid tribute to the multilateral negotiations initiated in Moscow in 1992 which have significantly advanced the objectives of the peace process. The governments represented at Casablanca will examine ways to enhance the role and activities of the multilateral negotiations, including security issues. The participants noted that the progresses made in the peace process should go along with a serious consideration of the socio-economic disparities in the Region and require to address the idea of security in the Region in all its dimensions: social, economic and political. In this context, they agreed that these issues need to be addressed within the framework of a global approach encompassing socio-economic dimensions, safety and welfare of individuals and Nations of the Region.

9 - The participants recognized that there must be an ongoing process to translate the deliberations of Casablanca into concrete steps to advance the twin goals of peace and economic development and to institutionalize the new partnership between governments and the business community. To this end:

a) The governments represented at Casablanca and private sector representatives stated their intention to take the following steps:

- Build the foundations for a Middle East and North Africa Economic Community which involves, at a determined stage, the free flow of goods, capital and labour throughout the Region;
- Taking into account the recommendations of the regional parties during the meeting of the sub-committee on finances of the REDWG monitoring committee, the Casablanca Summit calls for a group of experts to examine the different options for funding mechanisms including the creation of a Middle East and North Africa Development Bank. This group of experts will report on its progress and conclusions within six months in the light of the follow on Summit to the Casablanca Conference.

The funding mechanism would include appropriate bodies to promote dialogue on economic reform, regional cooperation, technical assistance and long-term development planning;

- Establish a regional Tourist Board to facilitate tourism and promote the Middle East and North Africa as a unique and attractive tourist destination;
- Encourage the establishment of a private sector Regional Chamber of Commerce and a Business Council to facilitate intra-regional trade relations. Such organizations will be instrumental in solidifying ties between the private and public sectors of the various economies.

b) The participants also intend to create the following mechanisms to implement these understandings and embody the new public-private collaboration:

- A Steering Committee, comprised of government representatives, including those represented in the Steering Committee of the multilateral group of the peace process, will be entrusted with the task of following up all issues arising out of the Summit and coordinating with existing multilateral structures, such as REDWG and other multilateral working groups. The Steering Committee will meet within one month following the Casablanca Summit to consider follow on mechanisms. The Committee will consult widely and regularly with the private sector;
- An executive Secretariat to assist the Steering Committee, located in Morocco, will work for the enhancement of the new economic development pattern, thus, contributing to the consolidation of the global security in the Region. The Secretariat will assist in the organization of a Regional Chamber of Commerce and a Business Council. It will work to advance the public-private partnership by promoting projects, sharing data, promoting contacts and fostering private sector investment in the Region. The Secretariat will assist in the implementation of the various bodies referred to in the present Declaration. The Steering Committee will be responsible for the funding arrangements, with the support of the private sector.

10 - The participants welcomed the establishment of a Middle East/North Africa Economic Strategy Group by the Council on Foreign Relations. This private sector group will recommend strategies for regional economic cooperation and ways to overcome obstacles to trade and private investment. It will operate in close association with the Secretariat and submit its recommendations to the Steering Committee.

- 11 - The participants also welcomed the intention of the World Economic Forum to form a business interaction group that will foster increased contacts and exchanges among business communities and submit its recommendations to the Steering Committee.
- 12 - The participants in the Casablanca Summit pledged to transform this event into lasting institutional and individual ties that will provide a better life for the peoples of the Middle East and North Africa. They resolved that the collaboration of the public and private sectors that constituted the singularity of the Casablanca Summit will serve as a milestone in the historic destiny that is now playing itself out in the Middle East/North Africa Region.
- 13 - The participants expressed their appreciation to the Council on Foreign Relations and to the World Economic Forum for their substantive contribution to the organization of the Casablanca Summit.
- 14 - The participants expressed their intention to meet again in Amman, Jordan, in the first half of 1995 for a second Middle East/North Africa Economic Summit, to be hosted by His Majesty King Hussein.

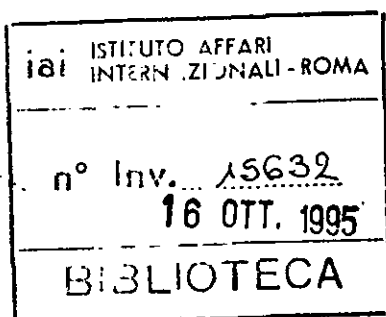


Table 1: North/South Cooperation in the Mediterranean

	5 + 5	Mediterranean Forum	Euro-Arab Dialogue	EC-Mediterranean Policy	Euro-Med Partnership	WEU Dialogue	NATO Dialogue	Osce	Cscm	MENA Economic Summit	ME Peace Process
scope: subregional	X	X									
euro-med.			X	X	X	X					
inter-regional							X	X	X		
global										X	X
membership: mainly NA	X	X				X	X	X			
mainly ME										X	X
including: GCC			X	(X)	(X)					X	X
Israel		(X)		X	X		X	X		X	X
competences: political cooperation	X	X	X	(X)	X	X	X	X	X	(X)	X
security cooperation	(X)	(X)			(X)	(X)	(X)	(X)	(X)		X
economic cooperation	(X)	(X)	X	X	X				X	X	X
Activity (recent)	1990 (1991)	1994 (1995)	1973 (1990)	1972 (1995)	1994 (1995)	1992 (1995)	1994 (1995)	1975 (1994)	1990 (1992)	1994 (1995)	1991 (1995)

Source: L. Guazzone, *Multilateral Cooperation in the Mediterranean: Current Initiatives and European Policy Perspectives* (1995).
DOCTAT 9506

ia: ISTITUTO AFFARI
INTERNAZIONALI - ROMA

n° Inv. 15632.
16 OTT. 1995

BIBLIOTECA

BUILDING BRIDGES

THE ARAB-ISRAELI MULTILATERAL TALKS

Joel Peters



THE ROYAL INSTITUTE OF
INTERNATIONAL AFFAIRS 
Middle East Programme

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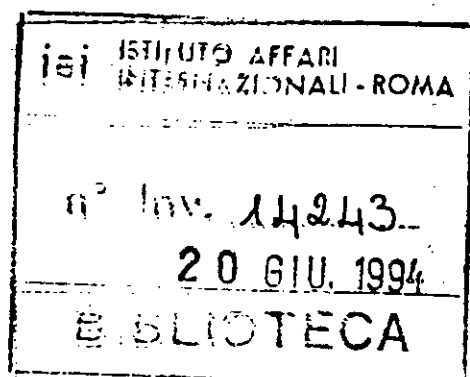
Published in Great Britain in 1994 by the Royal Institute of International Affairs,
Chatham House, 10 St James's Square, London SW1Y 4LE.

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ISBN 0 905031 77 6

Printed and bound in Great Britain by the Chameleon Press Ltd

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publication are the responsibility of the author.*



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FOREWORD

This is the first comprehensive publication on the multilateral track of the Arab-Israeli peace process. As such it makes an important contribution in a number of areas. First, I am sure that it will prove to be the definitive work on the first four rounds of meetings of the multilaterals. Second, it provides a critical analysis of the multilaterals as a diplomatic process and comments on the desirability of change in the way that the process develops in the future. Overall, it provides an excellent case-study of multilateral mediation in an area which is generally poorly researched. In short, it should make a significant contribution to scholarship in this increasingly important field.

This report is the culmination of 18 months of careful and painstaking research into this most inscrutable aspect of peace-making. Joel Peters, as sleuth and author, is to be congratulated for both his hard work and his dogged determination to piece together the detail of the various working group meetings in the face of few written sources. Field trips were undertaken to Amman, Brussels, Cairo, Jerusalem and Washington, in addition to the research which was carried out in London. I would like to thank those senior policymakers and officials who were so cooperative and encouraging in the course of the fieldwork. I would also like to thank the members of the study group which shadowed the project. The study group met periodically in London both for general discussion on the multilaterals and to review drafts of this report.

The Middle East Programme at the Royal Institute of International Affairs is committed to working on subjects which it considers to be of major importance but which others have consistently ignored. The May 1991 Chatham House paper on Turkey's relations with the Middle East was well ahead of its time. We have just published a second, updated, edition of the monograph by Richard Schofield on the Iraq-Kuwait territorial dispute. Dr Peters' excellent report on the multilaterals is very much part of this ground-breaking tradition.

March 1994

Dr Philip Robins
Head, Middle East Programme

ACKNOWLEDGMENTS

A number of people have helped me greatly in the preparation of this report. My thanks must go first of all to my colleagues in the Middle East Programme at the Royal Institute of International Affairs who, from the outset, have supported and assisted my work in a variety of ways. I am especially grateful to Dr Philip Robins, the head of the Middle East Programme, who first suggested that I look at the multilateral talks and has given his full support to this project. Jill Devey-Kalawoun has administered the project with a great amount of energy, patience and good humour which has ensured its successful completion. I would also like to thank Margaret May and Hannah Doe of the RIIA Publications Department, as well as Gillian Bromley, for their help and work on the editorial and production side of the publication.

Over the past year, a number of research trips to Jerusalem, the Occupied Territories, Cairo, Washington and the European Commission in Brussels have been made to collect material and conduct interviews with officials involved with the multilateral talks. I am heavily indebted to all the numerous American, British, Canadian, Egyptian, Israeli, Japanese, Jordanian and Palestinian officials who willingly found time to inform, clarify and correct my ideas on these talks. Simply put, this report would not have been possible without their assistance. Some will recognize their thoughts in these pages, others will disagree with my conclusions. None, however, are responsible for the ideas contained in this publication. This report has also benefited from two study groups held at Chatham House in July and September 1993. I would like to thank all the participants in those two meetings for their comments on earlier drafts of this paper. Numerous friends and colleagues have listened without complaint, and have helped me develop my thoughts on the contribution of these talks to the peace process. Special thanks must go to Raymond Cohen, who has been a constant source of friendship, encouragement and ideas.

This report on the multilateral talks has been written at a time of dramatic change and hope in the Middle East. Its aim is to promote a greater understanding and awareness of these talks and of their contribution to the building of a

new set of peaceful relations between Israel and the Arab world. Any credit that I may receive I would like to share with my Israeli and Palestinian friends. Its faults, as always, are mine alone.

February 1994

Joel Peters

I INTRODUCTION

The Middle East peace process is best known in the form of the bilateral negotiations involving the immediate protagonists in the Arab–Israeli conflict: Israel, Jordan, Syria, Lebanon and the Palestinians. Since the convening of the Madrid peace conference in October 1991, representatives of these four actors have met in Washington for twelve rounds of talks. Each round has been subject to intense scrutiny by the international media, commentators and political analysts who have dissected every move in the attempt to find signs of a breakthrough. In reality, progress since the convening of the Madrid conference has been difficult and was uncertain until the dramatic revelation that Israel and the PLO had been secretly negotiating in Oslo and had reached agreement on an interim accord over limited self-government for the Gaza Strip and Jericho. The perception that peace in the region was a real rather than an imaginary prospect was reinforced the day after the signing on 13 September 1993 by Israel and the PLO of the Declaration of Principles, when Jordan and Israel put their signatures to a draft agenda for negotiations leading to a full peace treaty.

At the same time, however, the peace process also incorporates a set of multilateral talks drawing on a wider set of participants and issues. These talks have been formally under way since an inaugural plenary meeting in Moscow in January 1992. Since then the multilaterals have met in five separate working groups for four rounds of talks to discuss arms control and regional security; regional economic development; refugees; water resources; and the environment. Yet despite the fact that these multilateral talks are an integral part of the peace process, little is known about them. Press coverage has been meagre. Public interest has been thin. As a result there is little awareness of the nature of these talks, of how the meetings operate, and of the agendas and issues under discussion. A clear understanding of the dynamics and the content of the multilateral talks has been confined to a small group of diplomats.

This absence of attention should not, however, be mistaken for a lack of progress. Paradoxically, hidden away from the glare of the international media, a number of significant developments have been made in these talks over the past two years, especially in the short period since the signing of the Declaration of

Principles. The scepticism that first greeted the multilateral track has recently faded, to be replaced by a wave of cautious optimism. Few in 1992, including the architects of the talks and those present at the opening meeting in Moscow in January of that year, would have envisioned the developments and successes since achieved in this arena, especially in light of the glacial progress made over the same period in the bilateral negotiations. From dismissing the multilateral talks initially as an unimportant sideshow, observers have begun to place a greater emphasis on the value of this track and to reassess its collective contribution to the Arab-Israeli peace process.

The aim of this report is to promote the academic discussion and raise the level of public awareness of this aspect of the peace process. The report consists of three parts. Chapters 2 and 3 examine the aims, structure and operating procedures of these talks. Chapters 4-8 highlight the issues under discussion and the progress made in each of the five working groups. Chapter 9 evaluates the role of the multilateral talks in the Arab-Israeli peace process and the contribution they have made, and the report concludes in Chapter 10 by raising a number of questions about the future role, functioning and management of the multilateral track.

A stock-taking exercise of this kind, arriving at a clearer understanding of these talks, is of particular value in that it may illuminate their contribution to the search for a comprehensive resolution of the Arab-Israeli conflict and to the building of a new era of regional cooperation in the Middle East, and in that it may offer some directions and ideas for further progress in this task.

2 ORIGINS AND AIMS

The multilateral talks were designed to bring together Israel, its immediate Arab neighbours and the wider circle of Arab states in the Gulf and the Maghreb to discuss issues of regional concern. The intention was to create a framework for dealing with non-political issues of mutual concern, in such a way that developments in these areas could also serve as confidence-building measures, that might facilitate progress at the bilateral level. While the bilateral talks would address the political issues of territorial withdrawal, border demarcation, security arrangements and the political rights of the Palestinians, the multilaterals would provide a forum for the participants to address a range of non-political issues extending across national boundaries, the resolution of which is essential for the promotion of long-term regional development and security. Whereas the bilaterals would deal with the problems inherited from the past, the multilaterals would focus on the future shape of the Middle East. The need for cooperative arrangements to foster economic development, to preserve and enhance the supply of water, and to control environmental degradation is of shared interest to all the states in the region. Many of these issues do not demand, nor can they await, a comprehensive and final settlement to the Arab-Israeli conflict before they are addressed.

The idea of the multilateral track is grounded in the functionalist view of international cooperation and peace, whereby the entwining of the states in the region in an ever-widening web of economic, technical and welfare interdependences would force them to set aside their political and/or ideological rivalries. The process of continuing cooperation in areas of mutual concern would blur long-held animosities and would create a new perception of shared needs. Continuous interaction would be accompanied by a learning process which would foster a fundamental change in attitudes and lead to a convergence of expectations and the institutionalization of norms of behaviour. From progress in the multilaterals would emerge a vision of what real peace might entail and of the benefits that would accrue to all parties, thereby facilitating progress in the bilateral talks. Functional cooperation would eventually spill over into regional peace.

At the same time the addition of the multilateral track to the peace process was also driven by practical considerations. While the primary purpose of these

talks was to bring together the regional parties, a secondary aim was to draw the international community, which had been effectively excluded from the sponsorship of the Madrid conference and the substantive issues under discussion in the bilateral negotiations, into the process. The multilaterals were designed to marshal the expertise, the experience and, above all, the financial resources of the international community to secure the foundations for a lasting and comprehensive settlement to the Arab-Israeli conflict.

These broad goals were outlined by the US Secretary of State James Baker in his opening remarks to the organizational meeting in Moscow in January 1992.

It is for these reasons that we have come together – to address those issues that are common to the region and that do not necessarily respect national boundaries or geographic boundaries. These issues can be best addressed by the concerted efforts of the regional parties together with the support of the international community and the resources and expertise that it can provide.

What we are embarking upon here in Moscow is in no way a substitute for what we are trying to promote in the bilateral negotiations. Only the bilateral talks can address and one day resolve the basic issues of territory, security and peace which the parties have identified as the core elements of a lasting and comprehensive peace between Israel and its neighbours.

But it is true that those bilateral negotiations do not take place in a vacuum, and that the condition of the region at large will affect them. In short, the multilateral talks are intended as a complement to the bilateral negotiations: each can and will buttress the other.

The aim of the multilateral talks was the creation of a forum which would send a powerful signal that all the participants, regional and non-regional alike, were fully committed to the ending of the Arab-Israeli conflict and to the building of a new set of peaceful and cooperative relations between Israel and the Arab world. The addition by the United States of this track to the Madrid process was an ambitious undertaking and not without risk. The widening of the peace process was dismissed by many as a means to placate Israel and ensure its participation at the Madrid conference. Bringing together Israel and all the Arab states of the region to discuss the problems of mutual concern and areas of future cooperation prior to the resolution of the core issues of the Arab-Israeli conflict appeared to be as naive as it was idealistic. The multilaterals ran the danger that instead of serving as a forum for constructive dialogue they would be used as a platform for protest and polemic. Failure in these talks would have a negative impact on the peace process and would result in a confidence-destroying rather than a confidence-building exercise.

Few had any real expectations of what tangible and specific benefits might emerge from these talks. The lack of clarity in defining the specific questions that the multilateral talks would address and the vagueness of the relationship between the multilateral and the bilateral tracks raised serious questions about the value of this exercise. The three-month delay between the Madrid conference and the convening of the opening session in Moscow, together with the lack of real preparation by the participants for that meeting, only served to underline these doubts. However, fears that the multilaterals would quickly collapse in acrimony and disarray failed to materialize.

3 STRUCTURE OF THE MULTILATERAL TALKS

The opening session of the multilateral talks was held in Moscow at the end of January 1992. Invitations were issued by the co-sponsors of the peace process, the United States and Russia, to Lebanon, Syria, Jordan, the Palestinians (in the form of a joint Palestinian/Jordanian delegation as provided for in the Madrid formula), Israel, Egypt, Algeria, Tunisia, Morocco, Mauritania, Saudi Arabia, Kuwait, Bahrain, the United Arab Emirates, Qatar, Oman, Yemen, the European Community (to be represented at the ministerial level by the EC Presidency and the European Commission), Turkey, Canada, a representative of the EFTA countries, Japan and China. The proceedings were boycotted by Syria and Lebanon, which have regarded these talks as premature and, despite constant appeals by all the parties to join this process, have consistently refused to attend any of the multilateral gatherings, arguing that the Arab states should not discuss matters of regional cooperation with Israel until a political settlement is reached at the bilateral level. Syria, in particular, has been vehement in denouncing the talks and has urged the Arab states to reconsider their participation as an additional means of pressurizing Israel into making concessions and withdrawing from the occupied territories.¹ A Palestinian delegation arrived in Moscow but did not formally attend the opening session, arguing that the Madrid formula which excluded Palestinians from outside the occupied territories should not apply to the multilateral framework. In contrast to Syria and Lebanon, however, the Palestinians have participated in all five working groups, although they were not invited to join the arms control talks until the third round in May 1993. In October 1992 the new Labour-led coalition in Israel reversed the policy of its predecessor government and agreed that Palestinian delegates from the diaspora should be allowed to attend these meetings provided that they were not members of the PLO or the Palestine National Council (PNC).

In contrast to the detailed preparation and the strenuous diplomatic efforts that marked the Madrid conference and the bilateral negotiations in Washington, great uncertainty surrounded the opening multilateral meeting in Moscow. Aside from the broader goals of this track, there was little idea of what specific issues

¹ For the Syrian position on the multilateral talks see Foreign Broadcast Information Service (FBIS)/Near East and South Asia, *Daily Report*, 10 May 1993, p. 5.

would be addressed in this forum, how the meetings would be conducted and how the process would be managed. Unlike the Conference on Security and Cooperation in Europe (CSCE), which was preceded by six months of preparatory talks (the so-called Helsinki Consultations), no clear guidelines, institutional arrangements or rules of procedure were drawn up prior to these talks. However, from this shaky foundation a clear sense of meaning and direction to these talks has developed, and a recognizable pattern, structure and set of procedural modalities has emerged. The multilateral track has generated its own dynamics, language, rules and procedures.

The Steering Group

At the apex of the multilaterals stands the Steering Group, comprising the co-sponsors (United States and Russia), the bilateral negotiating parties, that is Israel, Egypt, Jordan and the Palestinians, together with Saudi Arabia (representing the Gulf Cooperation Council (GCC)) and Tunisia (representing the Arab Maghreb Union (UMA)), and the European Union, Japan and Canada as lead organizers of the working groups. In December 1993 Norway, as chair of the Ad Hoc Liaison Committee, which was created after the 1 October 1993 donors pledging conference to promote and coordinate aid to the Palestinians, was invited to join the Steering Group. Places have also been reserved for Syria and Lebanon once they decide to join the multilateral talks. The Steering Group has met four times (Lisbon, May 1992; London, December 1992; Moscow, July 1993; and Tokyo, December 1993), at the conclusion of each round of the multilateral working groups. Its primary function is to oversee the activities of the working groups and to effect any changes in the structure, composition and the operating procedures of these talks.

The Steering Group operates, as do all meetings within the framework of the multilaterals, under the principle of consensus and not that of majority voting. The use of consensus as a mode of decision-making in multilateral gatherings has become increasingly prevalent and is regarded as an important technique for the achievement of agreement in international negotiations. The term has come to mean that none of the participants opposes the agreements or outcomes reached, although the degree of their support for any agreement may well vary.² The con-

² Consensus was defined by the CSCE process as 'understood to mean the absence of any objection expressed by a Representative and submitted by him as constituting an obstacle to the taking of the decision in question'. For a discussion of consensus and multilateral negotiations see Saadia Touval, 'Multilateral negotiation: an Analytic Approach', *Negotiation Journal*, 5, 2, April 1989, pp. 169-71. On the development of decisions by consensus in the Law of the Sea Conference see Barry Buzan, 'Negotiating by Consensus: Developments in Technique at the United Nations Conference on the Law of the Sea', *American Journal of International Law*, 75, 2, 1981, pp. 324-48. For an account of consensus decision-making at the CSCE see Jan Sizoo and Rudolf Th. Jurrjens, *CSCE Decision Making: The Madrid Experience* (The Hague: Martinus J Nijhoff, 1984), pp. 49-75.

sensus approach encourages the separation of issues into more manageable components and working for incremental agreements rather than attempting to solve all aspects of a complex problem within one framework. The need for consensus means that outcomes initially reflect the lowest common denominator in areas of concern among the parties, while the more contentious issues are deferred to the later stages of the negotiating process. It is from the ability to veto decisions that states derive their bargaining power in multilateral negotiations. The consensus approach assures the introduction of an element of formal egalitarianism into the proceedings. This has meant, from an Israeli perspective, that the agenda for the multilateral talks has not been dominated by the numerical superiority of the Arab states. From the perspective of the Arab states, on the other hand, the requirement of consensus has allowed Israel, with the tacit support of the United States, to dictate the running of these talks and prevent the introduction of certain issues.

Although the Steering Group is the supreme body in the multilaterals, it has brought about few decisions and has performed an essentially passive ceremonial role. At each of its meetings the 'gavel-holders' (see below) of the working groups have presented oral summaries of progress and developments in their groups. The Steering Group has merely acknowledged the receipt of these reports and set the dates and venues for the next round of talks. The parties have refrained from allowing the Steering Group to play a more proactive role in guiding the pace and direction of the working groups. There has also been a reluctance to alter either the framework or the operating procedures of the multilaterals. Proposals for the creation of additional groups to deal with energy, human rights, public health and Jerusalem have not achieved the necessary level of consensus within the Steering Group. Similarly, the request by the Arab states that the United Nations be offered a seat on the Steering Group has not been accepted.

The Steering Group has not responded sufficiently to the expansion in the scope and level of activities of the multilateral talks. By the end of the fourth round, however, the need to create a more systematic process for monitoring and coordinating the activities of the working groups was becoming increasingly apparent. In recognition of this fact a preliminary discussion was held at the meeting in Tokyo on the future of the multilateral talks and on what role the Steering Group should play in directing the process. The parties were also encouraged to air their views on the overall long-term objectives of these talks.³

³ For Israel's contribution to this discussion see *A Vision of the Middle East* (Jerusalem: Israel Ministry of Foreign Affairs, December 1993). For a grand vision for the future from an Israeli perspective see Shimon Peres, *The New Middle East* (Shaftesbury: Element Books, 1993). While Peres raises many ideas for future cooperation between Israel and the Arab world, he does not suggest how these ideas might be realized, nor does he discuss the multilateral talks in any detail.

These discussions were inconclusive and did not result in the adoption of any concrete measures. The parties did nonetheless agree on the importance of continuing to discuss these issues and met at the beginning of February in Ottawa to develop their ideas.

The working groups

The multilateral talks comprise five working groups, on arms control and regional security, environment, refugees, regional economic development and water resources. All five groups have met for four rounds of talks since the convening of the opening meeting in Moscow. (For the dates and locations of these meetings see Appendix 1.) The fact that these groups meet simultaneously and that they are referred to collectively under the rubric of the multilateral talks conveys the impression of unity and complementarity. In practice, however, the working groups differ significantly in their internal dynamics, in their composition and in the level of progress achieved over the past two years. There is little coordination in the workings of the several groups, and developments in one set of talks have not resulted in any immediate spill-over effect.

As noted above, the working groups operate under the consensus system of decision-making. The sessions have been designed to allow the parties to raise issues and concerns without entering into adversarial bargaining positions. Emphasis has been placed on loose informal frameworks and consensual bargains. No official minutes of the proceedings have been recorded. The parties have been careful to avoid making the drafting of reports and formal statements the primary focus of the working groups. At the conclusion of each meeting the gavel-holder produces a short statement outlining in brief the nature of the discussions and the principal issues raised in the meeting. These statements serve as the basis of the gavel-holder's report to the Steering Group and are not regarded as formal binding documents. Even so, the drafting of these statements has not always been a simple task and has entailed compromises and trade-offs being quietly negotiated in the corridors outside the main hall as well as resort to deliberately imprecise and ambiguous wording.

The gavel-holder

The multilaterals have developed a specific terminology to describe the various functions and activities which to the outside observer can appear to be obscure and confusing. Each working group is run by a gavel-holder, who is assisted in this task by two or three co-organizers. The term 'gavel-holder' was chosen to convey a neutral, passive role: someone who ensures the smooth running of a meeting, and exerts their authority only if discussions should become too dis-

orderly. In fact, the term is a misnomer for these talks. In reality, the role of the gavel-holders has extended way beyond mere presiding over the plenary sessions: they have undertaken many of the traditional tasks involved in the chairing of multilateral gatherings, such as defining the agendas for the meetings, preparing documentation, mediating quietly, when necessary, between the parties, drafting the closing remarks and coordinating the running of the inter-sessional activities.

The bureau

Each working group also contains a bureau. The bureau comprises representatives of the United States and Russia (as co-sponsors), the gavel-holder and co-organizers of the group, and representatives of the country hosting the next plenary session. The term 'bureau' usually implies some permanent or semi-permanent institutional arrangement which is responsible for coordinating activities and for producing documentation necessary for the effective running of meetings. In the case of the multilaterals, however, it is simply an ad hoc body which convenes shortly before each round of talks solely to discuss the logistical arrangements of the forthcoming meeting.

The inter-sessionals

The real work of the multilaterals, especially since the third round, is not conducted in the plenary meetings of the working groups but has been undertaken in the inter-sessionals which occur between the meetings. This term covers a vast range of activities, ranging from joint visits and workshops, through to the preparation of feasibility studies for various projects.

The shepherds

The various inter-sessional activities are organized primarily by the extra-regional parties who act as 'shepherds' for these projects and have taken on the responsibility for directing these activities.⁴ The idea of a 'shepherd' conjures up a mixed set of images. Often a shepherd is seen as sitting on the sidelines quietly tending his flock. At the same time, his flock will only move forward once it has been pushed in the right direction. It is the second of these images that best conveys the role of the 'shepherds' in the multilateral talks. The extra-regional parties have

⁴ In the working group on the environment Jordan acts as 'shepherd' for environmental education in the region, while Egypt has taken on the responsibility for promoting the sharing of information and data in the economic development talks. All the other activities are shepherded by extra-regional parties.

played a critical role in promoting the various spheres of activities agreed upon in the working groups. The element of success and progress, or the lack of it, in the numerous projects has been a direct outcome of the commitment, effort and resources offered by the international community in support of these activities.

4 THE WORKING GROUP ON WATER RESOURCES

It appears equally clear that along with other outstanding issues of the Palestine dispute – compensation, repatriation, Jerusalem, boundaries – there is a fifth element, water, which must be considered as we approach a final settlement.⁵

In the arid, drought-prone conditions of the Middle East, cooperation over the management, enhancement and sharing of water resources ought to be an area of mutual interest to all the parties in the region. Shared water needs have not, however, drawn states together into cooperative arrangements. Instead, competition over water has been a source of conflict in the region. From its inception, the riparian dispute over access to the water resources of the Jordan basin has been an integral element of the Arab–Israeli conflict. Given the importance of this scarce resource and its potential as a focus for future conflict, the issue of water has figured prominently in the bilateral negotiations and has warranted inclusion in the multilateral talks as the subject of a separate working group.⁶

The United States acts as the gavel-holder for this working group, with the European Union and Japan serving as co-organizers. The group has met four times, in Vienna in May 1992, in Washington in September 1992, in Geneva in April 1993, and in Beijing in November 1993. The fifth round of talks, scheduled for late spring 1994, will be hosted by Oman. While all the parties have recognized that levels of water wastage in the region are high, that the supply of water does not match the ever-increasing consumption demands, and that water quality has been deteriorating, the achievements of the working group have been few.

From the outset, the running of this group has been fraught with a number of difficulties. Two issues in particular have hampered progress. First, the absence

⁵ US Department of State Position Paper, 4 May 1953, quoted in Miriam Lowi, 'Bridging the Gap: Transboundary Resource Disputes and the Case of West Bank Water', *International Security*, 18, 1, Summer 1993, p. 113.

⁶ For a discussion of the competition over water as a source of international conflict see Peter H. Gleich, 'Water and Conflict', *International Security*, 18, 1, Summer 1993, pp. 79–112. For an excellent recent study of the Jordan waters dispute and of previous efforts to promote functional arrangements see Miriam R. Lowi, *Water and Power: The Politics of a Scarce Resource in the Jordan River Basin* (Cambridge: Cambridge University Press, 1993). See also David M. Wishart, 'The Breakdown of the Johnston Negotiations over the Jordan Waters', *Middle East Studies*, 26, 4, 1990, pp. 536–46 and Sara Rueger, 'Controversial Waters: Exploitation of the Jordan River, 1950–80', *Middle East Studies*, 29, 1, 1993, pp. 53–90.

of Syria and Lebanon from these talks has effectively limited the number of areas of potential cooperation and has precluded any discussion of the waters of the Jordan basin. Second, these talks have floundered over the inclusion of water rights as an agenda item. To the chagrin of the Israelis, the Arab states – most notably Jordan and the Palestinians – have insisted on addressing this question in the multilaterals.⁷ The sharp differences between Israel and the Arabs over this issue dominated the first three rounds and almost brought the talks to a halt in Geneva in April 1993. It was only following quiet negotiations held in May, prior to the meeting of the refugee working group in Oslo, that the differences between Israel and the Palestinians were resolved. In a document signed by the two parties Israel agreed to the setting-up of a working group in the bilateral negotiations to discuss the issue of water rights. In return, the Palestinians withdrew their threat to boycott the inter-sessional activities of the water group. Even during the fourth round of talks in Beijing this issue continued to permeate many of the discussions, in spite of the agenda drawn up by Israel and Jordan, and in spite of the inclusion of the question of water rights in the Declaration of Principles, which calls for a water development programme that will include 'studies and plans on water rights for each party'.

The experience of the working group on water highlights the difficulty in separating the 'low politics' functional issues surrounding the use of water from the 'high politics' of the Arab-Israeli conflict. The riparian dispute is not simply about water but has become intimately bound up with the larger political conflict. Progress towards finding solutions to the problem of water at the multilateral level will therefore remain problematic until a positive resolution of the political conflict is secured.⁸

Restricted by the absence of Syria and Lebanon and hindered by the issue of water rights, the working group has confined its activities to developing strategies for managing and increasing the supply of water in the region. In the first meeting in Vienna, it agreed upon four areas as a starting point for discussion: (1) enhancement of data availability; (2) enhancing water supply; (3) water management and conservation; and (4) concepts of regional cooperation and management.

Enhancement of data availability

At the meeting in Beijing agreement was reached on the need to establish a regional data bank to increase the availability of water data and facilitate its exchange between the parties in the region. Several inter-sessional activities were agreed upon with this goal in mind: a US-EU proposal for a visit by a team of

⁷ For the Palestinian position on the question of water rights see FBIS/Near East and South Asia, *Daily Report*, 18 May 1992, p. 2, and 21 September 1992, pp. 5-7.

⁸ For a fuller and more developed discussion of this argument see Lowi, *Water and Power*.

experts to consult on data collection issues; a study tour of river basins in France; and a workshop on the standardization of methodologies and formats for data collection. It was also decided to initiate a hydrological mapping of the sources of the Jordan river.

Enhancing water supply

A number of activities have been agreed upon in this field. Japan is conducting a feasibility study for a brackish water desalination plant in Jordan, while the European Union is undertaking a similar project in the Gaza Strip. Canada has produced a literature review on water technologies. An Omani proposal for a survey of the current status of desalination research and technology was accepted by the meeting in Beijing. Oman has also offered to establish a regional centre for research on the problems of desalination. The Beijing meeting also agreed to a Canadian proposal for the installation of rainwater catchment systems in Gaza. The installation of these systems will mark the implementation of the first concrete project by this working group.

Water management and conservation

A number of workshops have been organized in this area. Austria has run a seminar on water technologies in arid and semi-arid regions with special reference to the Middle East, while the United States has organized two seminars on the treatment of waste-water in small communities and on dry lands agriculture. The World Bank has undertaken to carry out surveys of water conservation in the West Bank, Gaza and Jordan

Concepts of regional cooperation and management

The United Nations is organizing a seminar which will examine various models for regional cooperation and management, while the United States is planning a workshop on weather forecasting. The working group has adopted a comprehensive plan for the training of professional water personnel in the region. Finally, Jordan has proposed that the working group should initiate discussions for the setting of a 'water charter' for the Middle East which would define the principles for regional cooperation and would serve as a mechanism for resolving differences on this subject.

5 THE WORKING GROUP ON REFUGEES

The decision to establish a working group on refugees was made shortly before the opening meeting in Moscow, in response to the demands of the Palestinians. This group is 'gavelled' by Canada, with the United States, the European Union and Japan acting as co-organizers. It has met four times, in Ottawa in May and November 1992, in Oslo in May 1993 and in Tunis in October 1993. The fifth round of talks, scheduled for spring 1994, will be hosted by Egypt.

The inclusion within the framework of the multilateral talks of a working group focusing on the needs of the Palestinian refugees appears, at first glance, to be puzzling.⁹ Given the political nature of this problem, the issue can only be resolved in the negotiations at the bilateral level. Indeed, Article V of the Declaration of Principles states explicitly that the refugee question will be discussed in the permanent status negotiations between Israel and the Palestinians. Article XII also calls for the setting up of a joint Israeli-Palestinian-Jordanian-Egyptian committee which will decide upon 'the modalities for the admission of persons displaced from the West Bank and Gaza Strip in 1967'. At the same time, many of the issues relating to the welfare and living conditions of the Palestinian refugees are technical and complex and require the expertise and resources of the international community. In this respect, they can only be addressed within a multilateral framework. Furthermore, while the future of the Palestinian refugees can be decided only through direct negotiations between Israel and the PLO, the outcome of any agreements reached will affect all the states in the region.

Not surprisingly, given the sensitivity of this issue and the widely divergent starting points of Israel and the Palestinians, the functioning of this working group has been problematic. The Palestinians saw the group as a forum for addressing the substantive concerns and the political rights of the refugees. Israel, on the other hand, regarded discussion of the humanitarian aspects and the improvement in the welfare of the refugees solely as a confidence-building measure and

⁹ This working group has focused exclusively on the question of the Palestinian refugees and has been, in practice, another forum for Israeli-Palestinian negotiations. It has not addressed the problems of other, i.e. non-Palestinian, refugees in the region, nor the wider questions of migration patterns in the Middle East.

not as a substantive issue. Controversy, especially during the opening two rounds, surrounded two issues: first, the participation in these talks of Palestinians from outside the occupied territories; second, the inclusion of family reunification as an item on the agenda, an issue which is central to the question of the refugees *per se* and not just to their overall welfare. Israel has regarded this item with deep suspicion and has viewed it as a potential back door for the discussion of the Palestinians' 'right to return'.¹⁰ For the Palestinians, progress on this issue is both a substantive matter and an important confidence-building measure.

The first two rounds of talks in Ottawa were plagued by a procedural dispute centring on the composition of the Palestinian delegation. Israel boycotted the first meeting because of the presence in the delegation of Palestinians from outside the territories, which it saw as directly contravening the terms of the Madrid conference.¹¹ Under a compromise agreement brokered by Egypt's foreign minister Amr Mousa at the beginning of October 1992, the new Labour government in Israel agreed to the participation of Palestinians from the diaspora provided that they were not members of the PLO or the PNC and that the issue of the 'right to return' was not raised. To the consternation of the Israelis, the Palestinian delegation for the second round was headed by Dr Muhammad Hallaj, a long-standing member of the PNC, resulting in their boycotting the proceedings again. Fortunately, after a day of intense negotiations, the discovery that Hallaj's membership of the PNC had lapsed in 1991 brought this procedural impasse to an end. The delay, however, left only half a day for discussion.

Nonetheless, in spite of these wranglings, the first two meetings succeeded in drawing up an agenda of seven items which have formed the basis of the inter-sessional activities of this working group. The first item focuses on the collation of data on refugees. The second addresses the question of family reunification. The final five items relate to the improving of the welfare of Palestinian refugees: human resources development, job creation and vocational training, public health, child welfare, and economic and social infrastructure.

Data bases

Work in this area, which is being coordinated by Norway, arises from the recognition of the need to expand and update existing data bases on refugees and to establish well-organized, accessible and objective data on the refugee community. The provision of reliable data on the Palestinian population is essential to the efficient planning and coordination of policy-making studies. At the third

¹⁰ For a discussion of the Palestinian 'right to return' see Rashid Khalidi, 'Observation on Right of Return', *Journal of Palestine Studies*, 21, 2, 1992, pp. 29-40.

¹¹ Israel also refused to participate in the first meeting of the Regional and Economic Development Working Group for the same reason.

round of talks, the working group received a report on the findings of a study undertaken in July 1992 by FAFO, the Institute for Applied Social Science in Oslo, on living conditions in the occupied territories. This was followed at the end of September 1993 by a seminar of experts held in Oslo in order to analyse the findings of the study and to submit a series of recommendations. Given the rapidly changing conditions in the occupied territories, the FAFO carried out a second survey in November 1993 to update its report. These data will be made available to the newly established Palestinian Bureau of Statistics (PBS). The working group has also underlined the need for data on the living conditions of Palestinian refugees elsewhere in the region, especially in Jordan, Syria and Lebanon; and agreement has been reached, in principle, for FAFO to undertake a similar survey in Jordan.

The second project in this area is the compilation by the EU of a comprehensive inventory of projects relevant to refugees.

Family reunification

Aside from the issue of representation at the table, the main point of contention in the working group has been the question of family reunification. In order to bridge the gap between the sides, the French diplomat Bernard Bajolet visited the Middle East at the end of April 1993 to clarify the views of Egypt, Jordan, Israel and the Palestinians on this issue. Following his preliminary report to the third round in Oslo, the working group issued Bajolet with a mandate to make a second visit to the region and to submit a set of proposals to the fourth meeting in Tunis. Following his deliberations, Bajolet outlined a number of recommendations. These included:

- increasing the number of beneficiaries of family reunification;
- improvement and greater transparency of Israeli procedures;
- measures to facilitate reunification;
- measures to widen the field of applications for family reunification;
- measures to prevent the appearance of new cases of family separation.

Several of Bajolet's proposals have already been accepted by Israel. At a press conference during the meeting in Tunis, Israel's deputy foreign minister, Yossi Beilin, announced that Israel had agreed to process 2,000 cases each year, a four-fold increase: a move which will benefit 5,000 Palestinians. Israel has indicated that it is willing to make available texts governing its procedures and its criteria for family reunification. In future family reunification will apply systematically to spouses, children under the age of sixteen and serious humanitarian cases. Israel also informed Bajolet that it would reduce significantly the time taken to

process applications from an average of one year at present to a maximum of three months.

The working group also accepted Bajolet's recommendation that an inter-sessional sub-working group, composed of jurists and relevant experts, be established to define the concept of the family within the Middle East and thereby assist in determining the criteria for family reunification. This group will meet in Tunis and submit a set of proposals to the next plenary session.

The achievements of the Bajolet mission should not be overstated. They fall far short of the expectations and aspirations of the Palestinians. At the same time they should not be dismissed. The progress made by Bajolet reflects the benefits of 'fractionation' – breaking down problem areas into their constituent parts – and the value of third party mediation.¹² This piecemeal approach not only offers the parties a greater familiarity with the subject matter but also provides them with gradually increasing competence and confidence in the negotiating process.

The welfare of Palestinian refugees

There have been few substantive developments on the final five agenda items of the refugee working group. Indeed, all these issues overlap directly with the activities of the Working Group on Regional Economic Development (the United States is acting as shepherd for training programmes in both of these working groups), as well as with the work of the World Bank Trust Fund, which was set up after the donors pledging conference of 1 October 1993 in order to direct funds and technical assistance to Gaza and the West Bank. In the field of human resource development and vocational training, the United States has provided training courses in public administration for over 100 Palestinians from the occupied territories. It has also provided funding for paramedical training in Gaza, though this was in the context of a special \$1 million contribution to UNWRA for the West Bank and Gaza. Italy has offered to hold a workshop to assess the priorities and public health needs of Palestinian refugees. Sweden has agreed to act as shepherd in the area of child welfare, while the European Union has offered to host a joint inter-sessional workshop together with representatives from the other multilateral working groups to evaluate the economic and social infrastructure needs of the refugee community.

The meagre level of activities and the duplication of efforts raise serious questions about the continuing value of maintaining a separate and distinct working group on refugees.

¹² See Jeffrey Z. Rubin, 'Third-Party Roles: Mediation in International Environmental Disputes', in Gunnar Sjostedt (ed.), *International Environmental Negotiation* (London: Sage, 1993), pp. 275–90, and Jacob Bercovitch, 'Mediators and Mediation Strategies in International Relations', *Negotiation Journal*, 8, 2, April 1992, pp. 99–112.

6 THE WORKING GROUP ON ARMS CONTROL AND REGIONAL SECURITY

The idea of arms control is not foreign to the Arab-Israeli conflict. Throughout the history of the conflict Egypt, Syria, Jordan and Israel have agreed to a variety of arms control and confidence-building measures in respect of the disengagement of their forces, demilitarization, limitation of forces agreements and military-to-military contacts in mixed armistice commissions. These measures, however, have been limited and modest in scope and have been applied in specific contexts, usually in the aftermath of hostilities between the sides. Arms control measures also played an integral part in developing the peace process between Egypt and Israel, and a number of specific provisions were incorporated to underwrite the Egyptian-Israeli peace treaty.

Until recently, however, the idea of exploring arms control possibilities in a broader context as a mechanism for advancing regional security in the Middle East has been dismissed as being, at best, foolhardy and irrelevant. The political conditions prevailing in the region have not been regarded as conducive to the successful application of concepts such as mutual, collective or cooperative security. National security has been perceived as a zero-sum game, wherein gains for one side have been seen as a potential threat by other states. States have pursued their national security interests primarily through the expansion and modernization of their military forces. There has been little recognition that arms control or arms reductions and the search for political agreements in this area would serve either national or mutual interests. Arms control has been seen as a means of hindering the military capabilities of states and has therefore been regarded as potentially undermining rather than enhancing their security needs.¹³

The geostrategic and geopolitical realities of the region have also been regarded as being unfavourable for arms control. The Middle East is characterized

¹³ For a discussion on arms control and the Middle East see Alan Platt (ed.), *Arms Control and Confidence Building in the Middle East* (Boulder: Westview, 1990); Gerry Steinberg, 'The History of Arms Control in the Middle East', in Avi Beker (ed.), *Arms Control Without Glasnost: Building Confidence in the Middle East* (Jerusalem: Israel Council of Foreign Relations, 1993), pp. 7-28; Mark Heller, 'Middle East Security and Arms Control', in Steven L. Spiegel (ed.), *The Arab-Israeli Search for Peace* (Boulder: Lynne Rienner, 1992), pp. 129-38; Alan Platt, 'Arms Control in the Middle East', in Spiegel (ed.), *The Arab-Israeli Search for Peace*, pp. 139-50; Abdel Monem Said Aly, 'Arms Control and the Resolution of the Arab-Israeli Conflict: An Arab Perspective', in Spiegel (ed.), *The Arab-Israeli Search for Peace*, pp. 151-7.

by a number of long-standing and bitter historical rivalries. Unlike the Cold War in Europe, where a clear and defined military stand-off existed between the two military blocs, NATO and the Warsaw Pact, states in the Middle East face multiple threats to their security from their neighbours. No single central balance of power exists in the region. Instead there are a number of overlapping balances of power at work. Consequently, states have been locked into a myriad mutually reinforcing conflicts. Potential political and military developments in each of these conflicts feed directly into the strategic calculations of all parties in the region. These multiple balances of power have resulted in a lack of basic parity in the force levels and structures of the armies of the region and have led to massive asymmetries in the quantity and quality of weaponry possessed by states. Nor are the geographical and political parameters of the region clearly defined. The actions of states located even at the periphery of the region, such as Turkey and Pakistan, have repercussions for all actors in the Middle East.¹⁴ These factors have made the widespread and systematic application of arms control measures to the Middle East in the past neither feasible nor desirable. At the same time, they also serve to underline the pressing need to address security concerns in a regional context and not solely on a bilateral basis.

The Working Group on Arms Control and Regional Security marks the official launch, for the first time in the history of the Middle East, of a regional arms control process. This working group is 'gavelled' by the co-sponsors to the peace process, the United States and Russia, and has held four rounds of talks, two in Washington and two in Moscow. The fifth round, scheduled for April 1994, will be hosted by Qatar. Unlike the other working groups, the attendance at these meetings of states from outside the region has been restricted. Originally, Israel wanted only the two co-sponsors and the regional parties to participate. After the first round, the membership of the working group was expanded to include Australia, Canada, China, India, Japan, Turkey, Ukraine, a representative from the European Union and a representative from the EFTA countries. It was not until the third round, held in Washington in May 1993, that Israel agreed to the participation of the Palestinians and a delegation from the United Nations. The question of allowing all the member states of the European Union to become members of this working group has been raised several times over the past two years, most recently at the meeting of the Steering Group in December 1993, but, so far, no agreement has been reached on this issue. Since May 1993, however, several European states have hosted some of the inter-sessional activities which have become an integral element of this working group.

¹⁴ See Geoffrey Kemp and Shelley A. Stahl, *The Control of the Middle East Arms Race* (Washington, DC: Carnegie Endowment for International Peace, 1991), pp. 15-46 and 131-48.

The first two rounds of talks, held in May and September 1992, were conducted in seminar form and were designed to familiarize the participants with the general issues and the background to arms control and confidence-building measures, particularly in relation to the US–Soviet and European experiences. During these meetings the parties from the region were encouraged to air their general views concerning regional security and to explore avenues for potential cooperation. Not surprisingly, the discussions, both formal and informal, displayed wide discrepancies between the evaluation of military capabilities and threat perceptions among the participants.

From the outset the proposals and concepts presented by Israel and the Arab states have differed sharply, especially in respect of the question of nuclear weapons. The Arab states, led by Egypt, have focused on the need to address the problem of weapons of mass destruction in the region and have sought to place the question of Israel's nuclear capability on the agenda. While accepting the need for confidence-building mechanisms, the Arab states have argued forcibly that the discussion of this issue should not be ignored and have defined it as an important confidence-building measure.¹⁵ Israel has turned a deaf ear to this argument. The Israeli approach is diametrically opposite to the Arab position and has centred on the necessity of developing a set of confidence-building measures such as the pre-notification of large-scale military exercises, the development of hotlines, and crisis prevention mechanisms and verification procedures. Restraints on strategic systems and the issue of nuclear weapons are seen as the last stage in the process.¹⁶

The position of the United States, which has orchestrated these talks, has to a large extent mirrored the Israeli approach. In his opening address to the organizational meeting in Moscow in January 1992, Baker stressed the need for an incremental step-by-step approach to arms control, with some initial modest confidence-building measures.

¹⁵ For a discussion on the differing approaches of Israel and the Arab states on this question see Shai Feldman, 'The New Arms Control Agenda', in Beker (ed.), *Arms Control Without Glasnost: Building Confidence in the Middle East*, pp. 30–56 and Gerry Steinberg, 'Conflicting Approaches to Arms Control and CSBMS in the Middle East: Finding a Common Ground', paper presented at the IGCC Conference on the Middle East Multilateral Talks, UCLA, June 1993. See also Yezid Sayigh, 'Middle Eastern Stability and the Proliferation of Weapons of Mass Destruction', in Efraim Karsh, Martin S. Navias and Philip Sabin (eds), *Non-Conventional Weapons Proliferation in the Middle East* (Oxford: Clarendon Press, 1993), pp. 179–204.

¹⁶ For the official Israeli view on the arms control talks see Yossi Beilin, *A Vision of the Middle East* (Jerusalem: Israel Ministry of Foreign Affairs, December 1993), pp. 22–3. For a discussion and details of these talks in the Israeli press see Aluf Ben, 'A Preferred Company but in the Black Lists', *Ha'aretz*, 14 September 1992; Ze'ev Schiff, 'A Test in the Red Sea', *Ha'aretz*, 8 September 1992. See also *Ha'aretz*, 20 September 1992; 21 May 1993; 10 November 1993.

In the first instance, we envision offering the regional parties our thinking about potential approaches to arms control, drawing on a vast reservoir of experience stemming from attempts to regulate military competition in Europe and other regions. From this base, the group might move forward to considering a set of modest confidence-building or transparency measures covering notifications of selected military-related activities and crisis prevention communications. The purpose would be to lessen the prospects for incidents and miscalculation that could lead to heightened competition or even conflict.¹⁷

The assessment of the United States is that the political conditions within the Middle East are not yet ripe, and that the bilateral Arab-Israeli talks have not advanced sufficiently, for securing the cooperation of the states in serious efforts to control the spread of conventional and non-conventional weapons in the region. The raising of these issues at such an early stage in the process, it believes, would only be damaging and counterproductive. Accordingly it has refrained, so far, from introducing the May 1991 Bush arms control initiative for the Middle East for discussion in these talks.

Inter-sessional activities

During the third round of talks in May 1993 consensus was reached on the need to expand the scope of the working group, to increase the frequency of contacts in between the plenary sessions and to initiate a more focused set of activities. To this end, a programme of twelve inter-sessional activities was agreed upon.

Visits have been made:

- to observe an airbase in the United Kingdom;
- to observe a NATO military exercise in Denmark;
- to a military communications facility in the Hague.

Workshops have been held on the following topics:

- verification mechanisms (held in Cairo);
- communication measures (with the Netherlands as 'shepherd');
- the exchange of military information and the pre-notification of military exercises (with Turkey as 'shepherd');

¹⁷ Quoted in Shai Feldman, 'The New Arms Control Agenda', in Beker (ed.), *Arms Control Without Glasnost*, p. 54.

- long-term arms control objectives and declaratory measures (with the United States and Russia as 'shepherds');
- on maritime measures (with Canada as 'shepherd').

Other activities (coordinated by the United States and Russia) have been:

- the compilation and analysis of arms control proposals for the Middle East;
- an analysis of the various confidence-building measures in arms control;
- an analysis of the geographic scope of the Middle East for arms control and regional security measures;
- the study of a centre for conflict prevention.

The fourth round of talks, held in November 1993, reviewed the inter-sessional activities which had taken place since the previous plenary session and drew up a programme of further inter-sessional activities. It also decided to adopt a two track-approach to these activities, dividing the issues under discussion into two 'baskets'. The first 'basket' will focus on operational activities and will include workshops and follow-up activities regarding communications, information exchange and maritime measures. The long-term objectives in the realm of disarmament, arms control and regional security, verification measures and the establishment of a conflict prevention centre will be dealt with in the second 'basket'.

The working group also agreed to pursue a further set of activities in addition to the ones already embarked upon. Russia offered to assist in the development of an arms control data bank to be made available for the parties in the region. The European Union offered the use of the communications network infrastructure of the CSCE, located in The Hague, in order to facilitate the work of the group. The parties also agreed to expand their activities in the area of arms control verification, including work on verification models, demonstrations and visits to verification facilities.

The modest progress of the arms control and regional security working group has been limited by the absence of key regional actors. Syria and Lebanon have boycotted all the sessions of these talks. Equally important, Iraq, Iran and Libya have not been invited to participate in these meetings and will need to be drawn into the process at some point in the future. The absence of these states underscores the embryonic nature of this process and the limited outcomes that it can be expected to produce at this early stage. That said, the existence of this working group, which is itself an important confidence-building measure, is a significant first step in helping facilitate communication between the parties, in shifting long-held, ingrained attitudes and in exploring the possibilities for the application of arms control to the Middle East.

7 THE WORKING GROUP ON THE ENVIRONMENT

In recent years, threats to, and the need to protect, environmental quality have moved from a rather low position on the international agenda to the forefront of world politics. The transborder nature of environmental issues has resulted in a redefinition of political space and requires the collaboration and cooperation of states. In response, the international community has created a number of arrangements and institutions and a new body of international law to manage these shared problems. At the national level, environment agencies have been set up and environmental legislation passed, and the public have been made aware of the need for environmental protection. These efforts have been forward-looking and extensive, and have recognized the multiple interdependences between environmental issues.

The creation of a working group on the environment as part of the Middle East peace process is a reflection of this growing international concern and a recognition that multilateral cooperation is essential if any headway is to be made on the plethora of environmental problems facing the region. Japan has taken on the responsibility for this group as the gavel-holder, with the European Union and the United States serving as co-organizers. The group has met four times, in Tokyo in May 1992, in The Hague in September 1992, in Tokyo in May 1993, and in Cairo in November 1993. The fifth round of talks, scheduled for late spring 1994, will be hosted again by the Netherlands.

A shared perception of the need for collective action has resulted in these talks being conducted in a positive and constructive atmosphere. On the second day of the 1993 meetings in Tokyo and Cairo the parties convened in a series of smaller sessions to discuss specific areas of cooperation in greater depth. These informal sessions were led by the European Union on the management on the east Mediterranean coastal area, by Italy on solid waste management, by Japan on producing an environmental code of conduct, by the US on waste-water treatment for small communities, by the World Bank on desertification and by Jordan on environmental education.

While the notion of collective goods has been apparent in these talks, there have also been two areas of friction between Israel and the Arab states. The first was the demand by the Palestinians during the first three rounds for the setting-

up of a Palestinian agency for the protection of the environment. While Israel was prepared to acknowledge the need for training programmes in the occupied territories, it was not prepared to accept the creation of an agency, via the multilaterals, which would be regarded as a national authority by the Palestinians. A clumsily worded compromise was found whereby the working group noted the growing need for 'more effective and structured implementation of institutions and capacity building efforts by the regional parties including the West Bank and Gaza'. The issue ceased being a bone of contention with the signing of the Declaration of Principles, which calls for the establishment of a Palestinian Environmental Authority (Article VII).

The second area of controversy has centred on the desire of the Arab states, led by Egypt, to include radioactive waste and pollution on the agenda. Much to the consternation of Israel, which is unwilling to discuss nuclear issues in any form, this issue was raised at the meeting in Cairo. In the absence of any consensus and in the light of the unyielding opposition of Israel, no reference was made to this subject in the concluding remarks of the gavel-holder. This omission caused considerable disquiet among the Arab states, resulting in the final session overrunning by three hours in their attempt, ultimately unsuccessful, to amend the closing statement of the meeting.¹⁸

The agenda of the environment talks covers four main areas: maritime pollution; environmental management; water quality, sewage and waste management; and desertification.

Maritime pollution

At the meeting in Cairo there was strong support for an Egyptian proposal to set up a regional centre for coordinating marine disaster and emergency preparedness. As a first step it was agreed that emergency response facilities would be set up in the northern half of the Gulf of Aqaba in Nuweibah and Aqaba, and that the existing facility in Eilat would be improved. In addition Israel, Egypt and Jordan agreed to formulate a programme for oil-spill contingency planning. The preparation of this project will be funded by the European Union. The World Bank also reported to the Cairo meeting on an environment action plan based on its study of the Gulf of Aqaba.¹⁹

A number of other inter-sessional activities have taken place in this field. Japan has run a seminar on maritime disaster prevention (June 1993), the United

¹⁸ For reports on the fourth round of talks held in Cairo see FBIS/Near East and South Asia, *Daily Report*, 17 November 1993, pp. 2-3 and 18 November 1993, pp. 3-4.

¹⁹ For an excellent study of the environmental problems in the Gulf of Aqaba see *Protecting the Gulf: A Regional Environmental Challenge* (Washington, DC: Environmental Law Institute, 1993).

States has hosted a workshop on hazardous material accidents (February 1993) and the European Union is undertaking a project for the integrated management of the eastern Mediterranean coastal area.

Environmental management

A number of inter-sessional activities have been organized in this sphere. Japan has proposed drawing up an environmental code of conduct for the region, and a seminar will be held in Cairo for the regional parties to explore this idea. The United States has announced its willingness to co-sponsor, together with Egypt, a workshop on environmental monitoring and quality control, while the Netherlands is preparing an environmental profile of the Gaza Strip. There is widespread agreement among all the parties on the need for increasing public awareness and environmental knowledge in the region, and Jordan's proposal for establishing a regional centre for environmental education has received strong support in the working group. As a first step Canada has donated literature and educational material for this project.

Water quality, sewage and waste management

A number of workshops have been suggested in this field. Italy has offered to host a seminar on solid waste management and Japan announced that it would organize a workshop on industrial pollution control technologies. In conjunction with the working group on water, the United States held a workshop on wastewater treatment for small communities during summer 1993.

Desertification

During the Cairo meeting, the World Bank presented a proposal to control natural resource degradation in arid lands in the Middle East. This proposal has received widespread support from all sides. In this connection Japan informed the meeting that it would contribute \$530,000 to support this project.

8 THE WORKING GROUP ON REGIONAL ECONOMIC DEVELOPMENT

The working group on regional economic development (REDWG) is the largest of the five groups both in terms of participation and in terms of the number of projects and inter-sessional activities generated. The European Union acts as gavelholder for this group, with the United States and Japan serving as co-organizers. It has met four times, in Brussels in May 1992, in Paris in October 1992, in Rome in May 1993, and in Copenhagen in November 1993. The fifth round of talks, scheduled for late spring 1994, will be hosted by Morocco.

By its very nature this group has the widest scope for developing areas of future cooperation between states in the Middle East and the greatest potential for effecting real change in the living conditions of the peoples of the region. The purpose of this working group reflects most fully the long-term goal of the multilateral talks, namely the creating of a new set of mutually beneficial relations between the parties and the building of a new era of economic prosperity for the region as a whole. The underlying premise for this working group is to be found in the functionalist thesis that the rewards of economic cooperation will drive the search and strengthen the foundations for political agreements. By becoming entwined in an ever-widening web of economic, technical and welfare inter-dependences, states are forced to set aside their political and/or ideological differences.

Effectively excluded from the bilateral negotiations and the arms control talks, the European Union has been active in promoting ideas and ventures for future economic cooperation between the parties of the region. During the first three rounds of these talks a list of ten spheres of activity was drawn up and 'shepherds' were assigned to take responsibility for the running of these projects in these areas. (These are listed below, each with the name of the shepherd country in parenthesis.) In order to finance these activities, the European Community announced at the meeting in Rome that it would allocate \$6 million for the preparation of feasibility studies and other actions. The majority of these projects focus either on infrastructure development or on exploring areas of sectoral coordination. At the same time, the European Union has taken the lead in encouraging the regional parties to explore ideas about the future long-term nature of their economic relations and to develop a vision of potential institutional mechanisms

and arrangements to foster ties and economic growth. To this end, the EC convened an informal session at the end of the Rome meeting for the regional parties to air their views.

The fourth round of talks took place shortly after the signing of the Declaration of Principles between Israel and the Palestinians. In the light of the breakthrough at the bilateral level there was an overwhelming recognition in Copenhagen of the need to intensify the workings of the REDWG to ensure that its activities would not become marginalized. Accordingly the group adopted the 'Copenhagen Action Plan' which outlines thirty-three different ventures (see Appendix 2). In order to facilitate the quick implementation of this action plan the European Union allocated a further \$9.2 million for the preparation of studies and the running of workshops.

While the primary focus of the working group has been on fostering cooperation at the regional level, it has also been an important forum for addressing the economic needs of the Palestinians. At the Paris meeting in October 1992, in response to an initiative by the European Community, the World Bank was asked to produce a report on the economy of the occupied territories and to draw up a list of priority projects to overcome the infrastructural restraints to cooperation in the region. After a year of intensive consultations involving several visits to the region, the World Bank submitted its findings to the meeting in Copenhagen.²⁰ It is noteworthy that the report on the occupied territories, which now forms the basis for directing \$2.4 billion of financial aid pledged to the Palestinians by the donors conference held in Washington on 1 October 1993, was commissioned within the context of the multilateral talks and not the bilateral negotiations. The mechanism for directing this assistance to the Palestinians has been a source of friction between the Europeans and the United States, the latter wishing the World Bank to have exclusive control of the aid plan. The unilateral calling of the donors conference by the United States, combined with the desire of Americans to remove the economic development of the occupied territories from the remit of the REDWG, was seen by the Europeans as usurping their role in the peace process. After intense discussions a compromise arrangement was drawn up. The secretariat of the World Bank in Paris was chosen as the headquarters for guiding operations in this sphere, but its work will be supervised by an ad hoc liaison committee composed of the United States, Russia, Japan, the European Union, Canada and Norway, with Egypt, Israel, Jordan, the PLO, Saudi Arabia, Tunisia and the United Nations as associate members. The ad hoc liaison committee is

²⁰ The World Bank presented two reports to the Copenhagen meeting. See World Bank, 'Developing the Occupied Territories: An Investment in Peace', November 1993, and 'Economic Development and Cooperation in the Middle East and North Africa', paper prepared by the World Bank for the Regional Economic Development Working Group.

formally part of the multilateral framework and reports directly on its activities to the Regional Economic Development Working Group and the Steering Group.

Activities and projects

Communication and transport (France) At the meeting in Copenhagen, France presented a set of proposals for interlinking the national transport systems in the Middle East. It also announced that it will organize a workshop for transport officials from the region to identify future priorities. The European Union is conducting two feasibility studies: for a road linking Amman to Jerusalem via Jericho, and for a road from Aqaba-Eilat across the Sinai to Egypt.

Energy (EU) A number of potential projects are under discussion in this field. The European Union and Austria are examining the regional interconnection of electricity grids and will convene a workshop on this question. The European Union has proposed a study of potential hydroelectric power on the Dead Sea, while Italy offered in Copenhagen to carry out a pre-feasibility study of an Egypt-Gaza pipeline.

Tourism (Japan) Japan has taken responsibility for promoting tourism in the region and has presented a study outlining possible avenues for realizing the potential of regional tourism. As part of its activities in this sphere it offered to organize a workshop, to be held in Cairo, which will involve both the government and the private sector. The European Union and the United States have proposed holding a seminar for their tour operators in conjunction with the Japanese initiative, while Switzerland has offered to provide training in hotel management.

Agriculture (Spain) Spain has sent two missions of experts to the region to assess the potential for agricultural development. The European Commission is examining veterinary issues and will host a workshop of veterinary officials which will draw up a list of proposals for creating collaborative networks for joint vaccination and other disease control systems.

Financial markets and investment (United Kingdom) As part of its activities overseeing this field, the United Kingdom is producing a report examining avenues for greater cooperation among stock markets in the region, and will be hosting a conference organized by the Royal Institute of International Affairs on financial markets at the end of April 1994.

Trade (Germany) Germany is producing a study of potential avenues of regional cooperation in the trade of goods and services. The European Union has offered

to organize a workshop on suggesting ways of overcoming administrative obstacles in order to facilitate the movement of goods.

Training (United States) The United States has completed two activities: public administration training for Palestinians and a regional seminar on agriculture. It announced in Copenhagen four new initiatives: a business development round table, a symposium on education, a seminar on animal health and a workshop on water management systems.

Networks (EU) The European Union has taken on responsibility for creating networks between cities, universities and the media in Israel, Jordan, Egypt and the occupied territories.

Institutions, sectors and principles (Egypt) Egypt has been active in suggesting the need for an institutional framework to facilitate the exchange of economic information and data in the region and has raised this issue during the plenary meeting in Copenhagen.

Bibliography (Canada) Canada is producing a review of literature relating to economic cooperation and integration in the Middle East.

9 EVALUATION

The multilateral talks have been the poor relations of the Arab-Israeli peace process. Over the past two years attention has been focused almost exclusively on the series of bilateral negotiations held in Washington. Reports about developments in the multilateral track have been scarce and uninformative. As a result, there is little awareness either of the nature of these talks or of the issues under discussion. The inattention to the multilateral track has been accompanied by a poverty in the analysis of its role in and contribution to the peace process. The absence of interest has been mistakenly equated with a lack of significance. While the multilateral talks are not characterized by the same immediacy and importance as are the questions at the heart of the bilaterals, they have nonetheless, and contrary to all expectations, performed a valuable part in moving relations between Israel and the Arab world along the path from enmity towards amity. Moreover, they have not only reflected the changes within the Middle East but have also helped foster the conditions for a new era of cooperation in the region.

Much of the progress made during the first four rounds of the multilateral talks cannot be translated into any immediate or identifiable impact on the daily lives of the people in the region. A large part of the talks so far has dealt with procedural rather than substantive issues. Considerable time and energy have been devoted to questions of participation and representation in these talks, especially in respect of the composition of the Palestinian delegation. Several of these issues, such as the participation of all twelve member states of the European Union in the arms control talks and the inclusion of the United Nations within the Steering Group, remain unresolved. Consensus has been achieved around the agendas for discussion and the areas for information-gathering and feasibility studies, and in the willingness of the parties to participate in a variety of workshops and inter-sessional activities. The talks have not reached the stage of assessing the details and the implementation of any specific project.

While Israel and the Arab states have been formally sitting around the table in the multilateral talks, the first four rounds have performed the functions associated with the pre-negotiation phase in the negotiation process. Pre-negotiation has been defined as 'the span of time and activity in which the parties move from

conflicting unilateral solutions for a mutual problem to a joint search for cooperative or joint solutions'. Pre-negotiation represents a transformation and a re-defining of relationships; it denotes a shift in thinking from a conflictual stance to potential cooperation. The pre-negotiation phase is a 'purposive period of transition that enables parties to move from conflicting perceptions and behaviours (unilateral attempts at solutions) to cooperative perceptions and behaviours'.²¹ In this respect the multilateral talks have provided the framework, have set the boundaries and have helped in shaping the 'rules of the game' for the conduct of future negotiations between Israel and the Arab world. They have identified a number of common problems, have determined the eligibility of the participants and have drawn up agendas for discussion.

During the past two years Israel and the Arab states have not been engaged in the multilateral talks in a process of bargaining whereby, if successful, they will eventually converge incrementally, via a series of mutual concessions, on an agreed outcome. But negotiation should not be seen as simply a sequence of concessions, or a matter of deciding how much each side will give and take. Rather, it is a 'process of discovery which leads to some degree of reorganization and adjustment of understanding, expectations and behaviour, leading (if successful) eventually to more specific discussion about possible terms of a final, agreed outcome'.²² It is a process of defining and redefining a conflictual relationship comprising a series of stages whereby the parties move from problem recognition to problem solving.²³

The multilateral track differs fundamentally from the bilateral talks in its approach to the resolution to the Arab-Israeli conflict. The multilateral talks and the inter-sessional activities have resembled an exercise in 'track two diplomacy' and the 'problem-solving workshop' approach to conflict resolution. Track two diplomacy has been defined as unofficial, informal interaction between members of adversarial groups or nations which aims to develop strategies, influence public opinion and organize human and material resources in ways that might help resolve their conflict. It is a process designed to assist official leaders to

²¹ I. William Zartman, 'Pre-negotiation: Phases and Functions', in Janice Gross-Stein (ed.), *Getting to the Table: The Process of International Pre-negotiation* (Baltimore: Johns Hopkins University Press, 1989), p. 7. See also chapters by Stein and Tomlin in this book. For other discussion on the role of pre-negotiation in international negotiations see Harold Saunders, 'We Need a Larger Theory of Negotiation: The Importance of Pre-negotiating Phases', *Negotiation Journal*, 1, July 1985, pp. 249-62; Jacob Bercovitch, 'International Negotiations and Conflict Management: The Importance of Pre-negotiation', *Jerusalem Journal of International Relations*, 13, 1, March 1991, pp. 7-21; and Jay Rothman, 'Negotiation as Consolidation: Pre-negotiation in the Israeli-Palestinian Conflict', *Jerusalem Journal of International Relations*, 13, 1, March 1991, pp. 22-43.

²² P. H. Gulliver, *Disputes and Negotiations: A Cross-Cultural Perspective* (New York: Academic Press, 1979), p. 70.

²³ Bercovitch, 'International Negotiations and Conflict Management', pp. 9-14.

resolve or, in the first instance, to manage conflicts by exploring possible solutions out of the public view and without the requirement to negotiate formally or bargain for advantage.²⁴ Track two diplomacy has been seen as an alternative to formal contacts between states and has stressed the importance of unofficial, non-structured interaction involving participants who are not governmental representatives. The experience of the multilateral talks, however, indicates the value and the applicability of this approach at the governmental level, especially in a region of deep-rooted and long-standing conflict such as the Middle East.

Effective negotiation requires preparation, learning, understanding and support. It is severely hampered in an environment of mistrust, selective and distorted perceptions, negative attitudes, poor communication and a competitive win-lose, zero-sum situation such as has marked the Arab-Israeli conflict. The multilateral talks have played an important role in transforming long-standing attitudes in the region and have performed an invaluable educational and socialization role for Israel and the Arab states. It has helped them to rethink their old assumptions, reduce their fear of risk and uncertainty, and explore possibilities for joint problem solving. The multilaterals have provided a unique forum for low-risk communication and exchanges between Israel and the Arab world – states which, aside from the Egypt-Israel accord, had hitherto never participated in direct talks or official contacts, have been engaged in a state of continual conflict for the past forty-five years, have not entered into diplomatic relations and still do not formally recognize each other. For the first time these states have been willing to address common problems in a non-confrontational atmosphere and to think and plan in regional terms.

Participation in the multilateral talks and the inter-sessional workshops has afforded the parties an opportunity to evaluate the feasibility of future cooperative arrangements, generate ideas for creative solutions and determine the basis of future activities. As a continuing and increasingly recognized institutional arrangement these talks represent a forum wherein the parties can test out new general approaches or specific ideas without any formal public commitment on their part. Emphasis has been placed on loose and informal frameworks. Bargaining has been exploratory and communication relatively free. The multilat-

²⁴ Joseph Monteville, 'The Arrow and the Olive Branch: A Case for Track Two Diplomacy', in John W. Macdonald and Diane Bendahmane (eds), *Conflict Resolution: Track Two Diplomacy* (Washington, DC: Foreign Service Institute, Department of State, 1987). The term 'track two diplomacy' was first used in William Davidson and Joseph Monteville, 'Foreign Policy according to Freud', *Foreign Policy*, 45, Winter 1981-2, pp. 145-57. For a description of the 'problem-solving workshop' approach to conflict resolution see Herbert Kelman and Steven Cohen, 'The Problem-Solving Workshop: A Social-Psychological Contribution to the Resolution of International Conflict', *Journal of Peace Research*, 13, 2, 1976, pp. 79-90, and Ronald J. Fisher, 'Prenegotiation Problem-Solving Discussions: Enhancing the Potential for Successful Negotiation', *International Journal*, 44, Spring 1989, pp. 442-74.

eral talks and the inter-sessional activities have allowed Israel and the Arab states to acquire new sources of information which may make a positive change in their perceptions and attitudes. They have presented an opportunity for these states to gain an insight into the goals and intentions, the perceptions and anxieties, the flexibility and limits of the other side. These insights may in turn affect their ideas about what is feasible, necessary and promising in the search for common solutions.

The multilateral talks have provided a framework for the development of a more favourable environment for future negotiations. Learning through preliminary contacts can be a prolonged process, especially when issues are highly technical and involve a large number of parties. Much of this learning process takes place through informal meetings and discussion. Informal meetings encourage the breaking of barriers to communication and allow the posing of hypothetical questions and the advancing of creative solutions. An additional benefit is that the more collegial atmosphere can help negotiators develop personal contacts and working relationships, mutual understandings and empathy with the views of others, which may facilitate negotiations at a later stage.²⁵ While these nebulous by-products of the multilateral talks are difficult to measure, they should not be cursorily dismissed.

From the outset there was a recognition by all sides that progress in the multilateral talks was dependent upon developments on the bilateral stage. There was an acceptance that no agreements, however limited in scope, could be reached or implemented prior to a significant breakthrough in the bilateral talks. While potential mutually beneficial arrangements might emerge from discussions in the multilateral meetings, there was no expectation that these talks would drive the political processes in the bilateral arena in a positive direction. At the same time the multilaterals have played an important complementary role to the bilateral talks. They have offered a valuable division of labour and separation of issues. They have fulfilled a useful ancillary function in providing a forum for the discussion of areas that are primarily technical in nature, that are separable from the primary issues at stake but that nevertheless might impede negotiations and create stumbling-blocks to the achievement of a settlement. Many of the issues under discussion in the multilateral talks are as much bilateral as they are multilateral. The multilaterals have allowed the parties to discuss these issues and propose ideas which at a later stage might be fed back into the bilateral arena when they become relevant to the proceedings.

In particular, the multilaterals have offered an alternative forum for addressing the future of the Palestinians and the West Bank and Gaza. It was during the

²⁵ See Richard E. Benedick, 'Perspectives of a Negotiation Practitioner', in Gunnar Sjostedt (ed.), *International Environmental Negotiation* (London: Sage, 1992), p. 238.

second round of the multilaterals that Palestinians from outside the territories, who had been excluded under the rules of the Madrid conference, were first allowed to participate in the peace process. Many of the inter-sessional activities and projects have focused on the infrastructural development needs of the occupied territories and have provided for the training of Palestinian personnel. Most notably, it was through the regional and economic development talks that the World Bank was commissioned to produce a report on the economy of the occupied territories. It is this report which now serves as the basis for many of the ideas currently under discussion for the development of Gaza and the West Bank and for the directing of aid pledged by the international community to the Palestinians after the signing of the Declaration of Principles.

The multilateral track has allowed the parties to attend to long-term issues which will need to be addressed if and when a settlement is reached. It has provided a forum for discussing the future economic, social and cultural relations between the conflicting parties, which will play a crucial role in ensuring the stability and comprehensiveness of any political resolution of the Arab-Israeli conflict. Such long-term thinking and planning cannot take place in the context of the bilateral negotiations which are inevitably governed by more immediately pressing concerns. In this sense the multilateral talks have been contributing to the post-settlement phase of the Arab-Israeli peace process.

10 QUESTIONS FOR THE FUTURE

The inclusion of the multilateral track as part of the peace process was an ambitious exercise and one fraught with uncertainties. Yet contrary to expectations at the outset, the multilateral talks, as this report has highlighted, have made considerable progress since the opening meeting in Moscow and have contributed significantly to the peace process between Israel and the Arab world. At the same time, the ad hoc, loose nature of these talks, combined with the vagueness of the relationship between the multilateral and bilateral tracks, has resulted in a process lacking in focus and direction. While considerable headway has been achieved in the multilateral talks over the past two years, there has been a reluctance to adopt any measures which might be interpreted as trying to promote the multilaterals at the expense of the bilaterals. With the signing of the Declaration of Principles by Israel and the PLO this approach ceased to be applicable. The peace process has reached a new stage. In order to build on the foundations laid over the past two years, the parties need to review the structure and operating procedures of the multilateral framework. The breakthrough by Israel and the Palestinians presents both an opportunity and a challenge for the multilaterals, while raising a number of questions about the future role, function and management of these talks.

A number of issues need to be addressed. The first centres on the lack of public awareness of the multilateral talks. As has been stated, little is known about this aspect of the peace process and little information is available. Several reasons can easily be discerned for the lack of interest by the media in these talks. The agenda of multilaterals does not have the same immediacy and importance as the bilateral negotiations, where the critical issues of the Arab-Israeli conflict – namely territory, security and the rights of Palestinians – are being addressed. A large part of the talks has been concerned with procedural rather than substantive issues; much of the progress achieved so far does not have any identifiable or immediate consequences for the daily lives of the people in the region; and many of the issues under discussion are functional, technical and complex in nature. That said, there has been a deliberate effort by the parties to keep the publicity surrounding these talks to a minimum. The multilaterals have been designed to allow the parties to raise issues and ideas without any formal public commitment. Emphasis has been placed on loose and informal frameworks. Bar-

gaining has been exploratory and communication relatively free. Official minutes of the meetings have not been recorded, nor have formal closing statements been issued. Press statements have been brief and have offered few details of the agendas and issues under discussion. The multilaterals have been an exercise in diplomacy by stealth.

The informal, low-key nature of the multilateral meetings together with the absence of expectations surrounding these talks have without doubt contributed significantly to the development of this track. Hidden away from the glare of the international media, the results of these meetings have not been judged by the immediacy of their outcomes. But the lack of public awareness of the agendas of these talks, of the progress achieved and of the potential benefits to be gained by future cooperation, runs contrary to one of the aims of the multilateral track, namely the creation of a set of confidence-building measures involving both the governments and the publics of the region. Confidence-building has been confined so far to the level of elites. Knowledge of the multilaterals needs to be widened to involve a larger number of public, academic and special interest groups. The multilateral talks need to develop a 'trademark', a distinctive and separate identity that will allow the peoples of the Middle East to identify with and support their objectives.

A second set of issues concerns the more effective use of resources. In particular, two questions need to be addressed: the venue of these talks and the setting-up of an institutional mechanism to oversee and coordinate the activities of the working groups. The four rounds of the multilateral talks have been hosted by a wide variety of states (see Appendix 1). Great emphasis has been placed on the fact that these talks should in future take place in the capitals of the Middle East. For the fifth round, due to meet in late spring 1994, the arms control, water, refugee and economic talks will indeed meet in the region. The venues of the multilaterals possess a great symbolic value and power. The willingness of the international community, and especially the Arab world, to host these talks has been regarded as a sign of the commitment of all the parties, regional and non-regional, to this process. Conference locations, however, should also contain a practical value. The spreading of the multilateral meetings across the globe has been a drain on the resources, human and financial, of the parties involved in these talks. Often the size of delegations has been determined by financial considerations, thereby undermining the value of the meetings. With large numbers of participants, practical considerations play a decisive role in the location of most modern multilateral conferences of a technical nature. Large conferences tend to be held in a limited number of 'conference service capitals' which can offer the required resources and support facilities.²⁶ The parties involved need to

²⁶ See Klaus L. Aurisch, 'The Art of Preparing a Multilateral Conference', *Negotiation Journal*, 15, 3, July 1989, pp. 279-88.

include this practical calculation in deciding upon the venues for future meetings. As a first step all five working groups, with the possible exception of the arms control talks, should meet either together or in close sequence in one location. This would allow for a more effective use of time and resources and would enable closer coordination of the activities of the working groups. The parties should also consider setting up a permanent location for the multilaterals, either in one of the capitals of the Middle East or, given Europe's proximity to the region, in a European city. As a by-product, a permanent location would also help in developing a focal point and an identity for the multilaterals.

This issue is allied to the need for the parties to consider the creation of more formal institutional mechanisms to oversee and coordinate the various activities of the multilateral talks. In particular, there is considerable overlap between the agendas and some of the projects in the water, environment and economic development groups. The offer of the European Union to set up a central data bank for all the various activities of the groups and to provide this information to all the parties is an important but not a sufficient step.²⁷ The multilateral talks require a permanent secretariat to be set up to manage the process more effectively. A secretariat is essential for the logistical tasks of convening meetings and developing or commissioning background documentation, and for providing continuity for talks that may stretch over a period of years during which there may be a considerable turnover in government personnel.

The third set of issues surrounds the allocation of resources and implementation of specific projects. A secondary aim of the multilaterals was to marshal the experience, expertise and financial resources of the international community in order to underwrite the peace process. The multilateral talks have been extremely successful in this task. They have witnessed the commitment of the international community to securing the foundations of a durable settlement to the Arab-Israeli conflict and to the economic development of the region. This has been reflected in the increasing level of participation of non-regional actors in the multilateral talks, the willingness to host meetings, to act as 'shepherds' and to provide funding for the inter-sessional activities. Yet while the range and variety of projects looks impressive on paper, many of these activities have yet to progress beyond the planning stages. In many cases the projects require a greater level of commitment and funding from the states involved. There is a need to rationalize and coordinate the activities of the working groups, to draw up a list of priorities and, above all, to ensure that there are adequate resources available for the implementation of these projects.

²⁷ Many of the officials interviewed as part of the research for this report displayed very little awareness, and often total ignorance, of either previous discussions in their own area or the activities in other working groups.

Finally, as these talks develop it is vital that Syria and Lebanon are brought into the process to ensure that any agreements achieved are neither partial nor contested. Every effort should be made to encourage these two states to join the multilateral track without delay. Their boycott of these talks has not succeeded in derailing the multilateral track. But their absence has limited the scope of many of the areas and issues under discussion. If Syria and Lebanon joined the multilateral talks, this would be an important confidence-building measure which would boost both the bilateral and the multilateral tracks.

The breakthrough at the bilateral level between Israel and the Palestinians has raised expectations for the implementation of projects and the signing of agreements in the multilateral talks. The raising of such hopes will fundamentally change the nature of the multilateral track and its role in the peace process. The informal nature of the multilateral discussions has contributed significantly to their development and success. However, the desire to reach agreements will be likely to sharpen this loose process as discussions proceed. Obligations will become firmer, formulas and definitions will crystallize, and trade-offs will become clearer and more urgent. As discussions move away from the feasibility studies towards the implementation of specific projects, differences, bargaining strategies and trade-offs between the parties will emerge. The multilateral meetings will begin to lose their resemblance to academic seminars and take on the form of adversarial bargaining between political units. In those conditions the consensual arrangements achieved during the past two years will come under severe pressure.

The multilateral talks offer the promise of a new set of long-term peaceful and cooperative arrangements in the Middle East. They have developed a wide agenda of potential projects which will link the parties together into a set of joint ventures. The approach so far has been piecemeal, with separate strands intended to tie the states of the region into a web of cooperation. What has been missing is any overall view of the long-term objectives of this process. The parties need to develop a vision of the nature of their future relations and of potential institutional arrangements to support such ties. The development of a long-term vision will offer a sense of meaning and direction to the multilateral talks.

The multilateral talks have reached a crucial phase. While the demand for concrete achievements in all areas of the Arab-Israeli peace process should not be ignored, it is equally important not to set unrealistic targets. The desire for short-term outcomes needs to be balanced against the long-term perspective. Finding the right balance between these two perspectives is the challenge facing the multilateral talks. How the parties of the region meet this challenge will determine the future success of the multilateral track and whether these talks will contribute to a truly comprehensive resolution of the Arab-Israeli conflict and to a real transformation of the Middle East.

APPENDIX I: DATES OF MEETINGS

Madrid peace conference

30 October–1 November 1991

Multilateral organizational meeting

28–29 January 1992, Moscow

Multilateral Steering Group (co-chairs: United States and Russia)

- Round 1 27 May 1992, Lisbon
- Round 2 3–4 December 1992, London
- Round 3 7 July 1993, Moscow
- Round 4 15–16 December 1993, Tokyo
- Round 5 Spring 1994, Tunisia

Multilateral working groups

Water Resources (gavel-holder: United States; co-organizers: Japan and EU)

- Round 1 14–15 May 1992, Vienna
- Round 2 16–17 September 1992, Washington, DC
- Round 3 27–29 April 1993, Geneva
- Round 4 26–28 October 1993, Beijing
- Round 5 Spring 1994, Oman

Refugees (gavel-holder: Canada; co-organizers: United States, EU, Japan)

- Round 1 13–15 May 1992, Ottawa
- Round 2 11–12 November 1992, Ottawa
- Round 3 11–13 May 1993, Oslo
- Round 4 12–14 October 1993, Tunis
- Round 5 Spring 1994, Egypt

Arms Control and Regional Security (gavel-holders: United States and Russia)

- Round 1 11–14 May 1992, Washington, DC
- Round 2 15–17 September 1992, Moscow
- Round 3 18–20 May 1993, Washington, DC
- Round 4 2–4 November 1993, Moscow
- Round 5 Spring 1994, Qatar

Environment (gavel-holder: Japan; co-organizers: United States and EU)

- Round 1 18–19 May 1992, Tokyo
- Round 2 26–27 September 1992, The Hague
- Round 3 24–25 May 1993, Tokyo
- Round 4 15–16 November 1993, Cairo
- Round 5 Spring 1994, The Hague

Regional Economic Development (gavel-holder: EU; co-organizers: United States and Japan)

- Round 1 11–12 May 1992, Brussels
- Round 2 29–30 October 1992, Paris
- Round 3 4–5 May 1993, Rome
- Round 4 8–9 November 1993, Copenhagen
- Round 5 Spring 1994, Morocco

**APPENDIX 2: REGIONAL ECONOMIC DEVELOPMENT
WORKING GROUP: COPENHAGEN ACTION PLAN,
NOVEMBER 1993**

Communications and transport

- | | |
|--------|--|
| France | Workshop of transport officials from the region |
| EU | Regional workshops on technical problems of transport and communications |
| EU | Engineering study, road from Amman to Jericho to Jerusalem |
| EU | Pre-feasibility study, road from Aqaba-Eilat to Egypt |
| EU | Workshop of civil aviation officials |

Energy

- | | |
|------------|---|
| EU/Austria | Study of electricity grid interconnection |
| EU/Austria | Workshop on electricity interconnection |
| EU | Review of existing studies of hydroelectric power plant on the Dead Sea |

Tourism

- | | |
|-------------|--|
| Japan | Workshop on regional tourism |
| EU | European tour operators to be associated with above workshop |
| USA | American tour operators to be associated with above workshop |
| Switzerland | Regional training in hotel management and tourism in association with the private sector |

Agriculture

- | | |
|-------|---|
| Spain | Study on agricultural development in the region (food self-sufficiency and regional trade) |
| EU | Mission to identify areas of veterinary medicine networks in animal health and livestock improvement; joint vaccination |
| EU | Workshop of senior veterinary officials |

Financial markets and investment

UK	Conference on financial markets
UK	Study on greater cooperation among stockmarkets
EU	Workshop on the business, legal and regulatory environment for the private sector
EU/Switzerland	European and regional business conference to promote joint ventures

Trade

Germany	Study on regional cooperation in trade of goods and services
Germany	Follow-up study to above
EU/Switzerland	Workshop on the administrative simplification of the movement of goods

Training

USA	Regional business development round table
USA	Regional educating workforce 2000: a regional symposium on education
USA	Regional seminar on animal health in the Middle East
USA	Regional workshop on water management systems
Germany	Study of vocational education and technical training in the region
Germany	Workshop based on results of above study
World Bank	Network of regional training institutes organized by EDI

Networks

EU	Workshop on European Union and regional cooperation amongst municipalities
EU	Workshop on European Union and regional cooperation amongst universities

Bibliography

Canada	Updated review of the literature on economic cooperation in the Middle East
Canada	Possible inter-sessional activity based on above

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n° Inv. 15632
16 OTT. 1995

BIBLIOTECA

"FOREIGN POLICY"

NUMBER 100 FALL 1995 pp 109 - 115

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The Path to Peace

by Robert Satloff

In October 1991, in a royal palace in Madrid, a dour, monosyllabic Israeli prime minister sat across a great, rectangular table from second-tier representatives of the Palestinian people, whose own organizational leadership was banished from the proceedings because of its reliance on terrorism as policy. Today, the two principals, Israel and the Palestine Liberation Organization (PLO), are formally bound by a contractual agreement witnessed by the United States and Russia to settle all disputes peacefully and to negotiate the end of their century-old conflict by determining the "final status" of the West Bank and Gaza and other critical issues.

Seated near the Palestinian representative in Madrid was the foreign minister of the Hashemite Kingdom of Jordan, whose soldiers—them (and perhaps still) the finest in the Arab world—were the first to cross the Jordan River on May 15, 1948, to take up arms against the fledgling Jewish state. Today, Israel and Jordan are at peace, having negotiated a remarkably creative treaty that not only ends 46 years of war but sketches a blueprint for a warm web of political, economic, and human relationships.

Also at that table was the foreign minister of Syria, a country that earned its spot on the U.S. government's list of terror-supporting states both for its direct role in terrorism and for its sponsorship and sufferance of Palestinian, Lebanese, Armenian, Turkish, and other terrorist groups. Though miffed that lesser Arab brethren brokered their own separate agreements with Israel, Syrian representatives—including the chief of staff of the Syrian armed forces, a lofty position in a military dictatorship—are today quietly negotiating with their Israeli counterparts on aspects of a peace treaty that is hailed

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by supporters (and detractors) as a potential "peace to end all wars" in the Middle East.

Overall, the diplomatic record since Madrid is resoundingly positive. For that, the Bush and Clinton administrations, which have been the principal sponsors of the peace process, deserve wide acclaim. The speed of change has been so rapid—Gaza-Jericho, the "handshake" on the White House lawn, multilaterals, London talks, Washington Declaration, Wadi al 'Arabah, Casablanca, military-to-military talks—that the novel has become ho-hum. That, however, does not make the change any less significant.

In historical terms, the greatest achievement of the Madrid process is to have bolstered a dynamic change in Arab-Israeli relations from conflict to negotiation to, in some hopeful areas, recognition of mutual interests. For most observers, the operative issue today is not the imminence of Arab-Israeli war but the battle being waged on many fronts between the region's moderate forces—Arab, Israeli, and Turkish—and their reactionary, atavistic nemeses, both secular and religious. After a half century of simmering intercommunal conflict in what was once Mandatory Palestine and a quarter century of interstate conflict that spanned a far wider arena, the last two decades have witnessed a slow but consistent process of peacemaking, both within societies and between states and peoples. In this process, most Arab leaders (and, to an alarmingly lesser degree, their peoples) have come to terms with Israel's strength, resilience, and permanence; Palestinians have gained recognition of nationhood from everyone that matters (most importantly, Israel); and Israelis, now able to flit about the region from Marrakech to Manama, feel more secure to do business in Milan and Manila. Through it all, the win-win process of peacemaking has come to supplant the zero-sum process of warfare, which the Arabs clearly lost but from which Israel could not gain.

Against this litany of good news stand two unhappy realities. First, as the fate of the 1983 peace accord between Israel and Lebanon shows, the peace process is neither irreversible nor irrevocable. The post-Gulf war successes of Madrid, Oslo, Wadi al 'Arabah, et al., were made possible by the historic confluence of American dominance, Soviet irrelevance, Israeli strength, Palestinian disillusionment, and a general sense of realism and pragmatism that took hold in the Arab world. As those ingredients shift, the process changes,

and the ability of those achievements to survive future tests, such as succession crises, will change, too.

Second, because the Arab-Israeli conflict has been a systemic phenomenon, in which the ideological, economic, social, cultural, political, and military energies of states, nations, and peoples were committed (both voluntarily and through *force majeure*) to "the struggle," ending the conflict will require decades of effort and perhaps even generational change. It is important to recall that on just the diplomatic level, nearly 10 years were needed—from the Kilometer 101 talks in 1973 to the final Israeli withdrawal from the Sinai in 1982—to create peace between Egypt and Israel; Syria and Israel began a negotiating process at about the same time, but they remain far from signing, let alone implementing, a peace accord. To the dismay of diplomats, the end of the Arab-Israeli conflict is not just one shuttle mission, one secret negotiation, or one signing ceremony away. In fact, Uday Hussein, the son of the leader of the Arab state most recently to attack Israel, could still in June 1995 editorialize in his Baghdad newspaper *Babil* that the Arabs need to improve upon Egyptian leader Gamal Abdel Nasser's exhortation to throw the Jews into the sea because some of them might still swim to safety.

AMERICAN INTERESTS

For the United States, helping to achieve Arab-Israeli peace remains a vital national security policy, even though the region is no longer a setting for potential superpower confrontation—a main reason for Washington's devotion to peacemaking in the 1960s, 1970s, and 1980s. In the late 1990s, Arab-Israeli peace is a key element in maintaining America's two overriding interests in the Middle East: the safety and survival of Israel and secure, unhindered access to the region's oil and gas at reasonable prices.

For the former U.S. interest, the relevance is obvious; for the latter, the impact of peace is more complicated but no less direct. Domestically, peace would permit America's friends to devote a greater share of their nations' resources to solving economic and social problems, denying radicals fertile ground for propagandizing and proselytizing at home. Regionally, peace would deprive troublemakers like Saddam Hussein the "wedge issue" of Palestine to make mischief in the region and would permit Arabs, Israelis, and Westerners to focus

their energies on the two challenges to regional stability that threaten them—the secular radicalism of Iraq and the religious militancy of Iran. What makes the potential payoff of peace so great for the United States is that it would affirm a strategic consensus between America and all of its regional allies.

Recognizing the two unhappy realities of the peace process—that past achievements are not necessarily irreversible and that future successes may take considerable time—the Clinton administration faces steep challenges between now and November 1996. The Israel-PLO accord of September 1993, a breakthrough of seismic proportions, risks succumbing to popular disenchantment on both sides owing to a sinister cycle of terrorism, retribution, deprivation, disillusion, and more terrorism. The Jordan-Israel peace treaty of October 1994, another signal achievement, risks settling into an unfulfilling “peace of the elites,” because the Jordanian man-in-the-street (or soldier-in-the-barracks) has yet to benefit from its trickle-down effects. The Egypt-Israel peace of March 1979, foundation for the peace process, risks eroding as an array of issues—from Egypt’s criticism of Israel’s nuclear policy to competition for dwindling U.S. aid dollars—divides these pioneers in peacemaking. The multilateral peace process, a little-known but innovative series of experts’ discussions on transnational issues (e.g., water resources, environment, economic development, refugees, arms control, and regional security), risks atrophying without the political commitment of the region’s leaders. The process of Israel’s political and economic integration into the Middle East, heralded by diplomatic openings throughout North Africa (except Libya) and the Arab Gulf, risks slowing without having achieved an end to the Arab boycott of Israel.

On top of all this, the Clinton administration has made the achievement of an Israel-Syria peace agreement one of its highest priorities. This reflects both the wish of the Israeli government, whose relations with the United States are at a historic high after the quarrels of the George Bush–Yitzhak Shamir years, and the predilection of Bill Clinton, Secretary of State Warren Christopher, and the latter’s “peace team.” The reason for this situation is simple: Peace with Syria, it is argued, would have implications far beyond a straightforward bilateral agreement. Reconciliation between “the beating heart of Arab nationalism” on the one hand and the “Zionist entity” on the other would constitute the keystone to what is termed “compre-

hensive peace.” Comprehensive peace means ending the Arab conflict on Israel’s borders, committing Damascus to cut off Hizbollah and other terrorist groups, giving the “green light” for an Israel-Lebanon peace agreement, and removing all obstacles to Israel’s normalization with the wider Arab world. For the United States and Israel, the attainment of a comprehensive peace would confirm the wisdom of strategic cooperation in the peace process and would usher in a truly “new Middle East.”

With so much at stake, neither Washington nor Jerusalem has been shy about pursuing peace with Syria. Israel, for example, has put aside its preference for direct talks, accepting what Israel’s chief negotiator has termed “trilateral negotiation” (with Washington as the third party), and it has not required Syria to end its support for anti-Israel (e.g., Hizbollah) terrorism as a precondition of formal bargaining. On the American side, its interest in an Israel-Syria peace is such that Christopher has visited Syria 19 times on 12 trips to the Middle East in just 30 months. (By contrast, he has visited America’s troubled neighbor Mexico only once.) These exertions notwithstanding, Israel-Syria negotiations move at a glacial pace. After more than three and one-half years of talks, the two sides are only now beginning serious bargaining on the core issue of security. Even this tentative step forward first required agreement to postpone talks on three other critical items—the extent of Israel’s territorial withdrawal, the parameters of normalization, and the timetable for implementing a peace accord. Should the Syrians be truly committed to an agreement, finalizing it will take time, even if its contours appear clear.

STEPS TOWARD PEACE

Both Americans and Israelis go to the polls in 1996, and some time in the first half of that year electoral politics will intrude on the peace process, making progress less likely. With so much in the peace process uncertain, there is much to do and little time. For the United States, this needs to be a period of shoring up past achievements and working toward new ones. To meet that challenge, U.S. diplomats should return to first principles that have been honed from nearly 30 years of peacemaking efforts. *First, secure an environment in which Arabs and Israelis can settle their disputes through nego-*

tiation. In practical terms, this approach involves proactive, ongoing efforts to insulate the peace process from its enemies—Iraq, Iran, and transnational terrorism. Madrid happened because of U.S. leadership in the Gulf war; without that leadership, and without the continued deterrence of the region's radical forces, the chances for further progress toward Arab-Israeli peace are slim.

Second, reduce the risks of peacemaking for those who contemplate compromise and support the courage of those who opt for it. Four simultaneous efforts are necessary to the realization of this principle:

- ▶ Continue to work in partnership with Israel. The strength of the U.S.–Israeli relationship is critical to helping Israelis persevere with the peace process in the face of suicide car bombs and *katyusha* rocket attacks, demands to cede strategic territory in exchange for promises of peace, and harangues over Israel's strategic deterrent.
- ▶ Redouble efforts to promote international aid and investment in the West Bank and Gaza Strip as a way to bolster popular support for the pro-Oslo Palestinian leadership while taking a firm stand against backsliding, mismanagement of aid funds, and sufferance of terrorism. Although the Israel-PLO negotiations are largely a bilateral affair, the United States must try to ensure that the Palestinian Authority (PA) does not wither on the vine (as many Arab parties seem willing to permit) while at the same time insisting that the PA not receive a "free pass" when it comes to meeting its contractual commitments.
- ▶ Remove the issue of Jordanian debt relief from White House–congressional feuding and find low-cost ways (such as excess defense articles, corporate trade missions, and increased funding for International Military Education and Training (IMET)) to help Jordanians realize the benefits of peace. Failing to find some support for Jordan's peacemaking efforts would be not only penny-wise and pound-foolish as far as the Jordanians are concerned, but it would send negative signals to Damascus and elsewhere about America's resolve in support of peacemakers.
- ▶ Broaden ongoing dialogue with Egypt to ensure that the special U.S.–Egyptian relationship remains on firm footing as Egyptians contemplate a Middle East in which they are no longer the only state at peace with Israel. A stable Egypt is the linchpin of a

stable Middle East. It is especially important to talk early, seriously, and creatively with Egypt about ways to bolster U.S.–Egyptian strategic ties and the future of the U.S. economic assistance package.

Third, with Syria, be prepared. Having engineered direct negotiations at a high level—the two sides' chiefs of staff—the United States should let the negotiations take their course, injecting itself into the process only when both needed and asked by the two sides. This means that the United States should be prepared at the highest level to act as an honest broker should Israel and Syria together seek U.S. mediation; to serve in a limited role as monitor should they together seek U.S. help in implementing terms of a future agreement; and to press U.S. demands on Syria regarding terrorism, proliferation, narcotics, counterfeiting, Lebanon, and human rights lest they be lost in the festivities accompanying an Israel-Syria breakthrough. (A "mechanism" established by Presidents Clinton and Hafez al-Assad in January 1994 to address these concerns died an early death.) Striking the proper pose between advancing U.S. interests in Israeli-Syrian peace and protecting U.S. concerns about the troubled U.S.–Syrian relationship is a difficult balance, only somewhat eased by Syria's own desire for improved ties with Washington.

Finally, maintain perspective, composure, and momentum. Like the stock market, the peace process is on a historically upward slope, but that does not mean it is immune from great shocks. From outside the process, terrorism (Beit Lid, Afula, Hebron), assassination plots (Hosni Mubarak, Yasir Arafat), and coup attempts (King Hussein, Sultan Qaboos of Oman) can all be expected. Inside the process, progress toward "final status" arrangements will itself produce intense and divisive disputes over sensitive issues, not least of which is Jerusalem. Through it all, America's role is to help its friends and partners work toward agreements that promote stability, satisfy their basic requirements, and terminate sources of future conflict.

Burdened with daunting challenges to safeguarding past achievements and substantial obstacles to finding future breakthroughs, the Arab-Israeli peace process faces a difficult time ahead. For the Clinton administration, which has invested so much to see still so much left undone, solace should come in knowing that this will not be the first, the only, or the most troubled period in a historic process that is still unfolding.

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n° Inv. ... 15632 ...
16 OTT. 1995

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FROM OSNAT OLIEL

Casablanca
Sowing the Seeds of
Economic Cooperation

David Kimche



Casablanca

Sowing the Seeds of Economic Cooperation

Introduction

On 30 October 1994 more than a thousand politicians, economists and business people gathered in the Great Hall of the Royal Palace in Casablanca in order to lay the cornerstone for a "New Middle East". Delegations representing 61 countries participated in the Middle East and North Africa Economic Summit — a gathering of profound historic significance which could change the face of the Middle East.

The very fact that the summit got off the ground — that the parties agreed to meet — was in itself an encouraging development. The presence there of so many world leaders, presidents, prime ministers and foreign ministers of such diverse countries as China, Germany, Austria, Romania, Finland, Sweden, Denmark, France, Spain, South Korea, Portugal, and Venezuela, as well as American Secretary of State Warren Christopher and Russian Foreign Minister Andre Kosyrev, was in itself an indication of the great interest which the Summit generated. The government officials were augmented by business people from many of the largest of the giant multinational corporations. Most significant, of course, was the presence of the region's national leaders: Crown Prince Hassan of Jordan, Prime Minister Yitzhak Rabin and Foreign Minister Shimon Peres, Prime Minister Tançu Ciller of Turkey, Foreign Minister Amre Moussa of Egypt, PLO Chairman Yasir Arafat, and the President of the Conference, King Hassan of Morocco. All Arab countries, with the exception of Syria, Iraq, Yemen, Sudan, and Libya, sent their representatives. Together, they provided a formidable counterpart for the large contingent of Israelis who went on a networking spree in Casablanca, intent on making as many contacts as possible with their Arab neighbours.

The tone was set by King Hassan of Morocco who, in a much publicized interview, declared: "The conference will give peace a deeper meaning. It will lay the foundations which will ensure that peace will not be an empty word, but will create an interdependence of interests for the future of all peoples of our region." In his opening remarks the King stressed that "Peace is here today, close at hand... the aim of our conference consists of consolidating it, endowing it with the means liable to make it durable

and lasting and expanding it to the whole region so as to offer all a life of peace and serenity."

Foreign Minister Peres is credited as the architect of the Casablanca Conference. In his book *The New Middle East* Mr. Peres advances the thesis that economic and social developments are the criteria for stability in the Middle East. "What is right for the rest of the world is right for Israel and the Arab nations as well" wrote the Foreign Minister, "fate has brought us from a world of territorial conflict to one of economic challenge and of new opportunities created by human intellectual advances." The long-term key to peace and security in the Middle East, claims Mr. Peres, is regional economic integration. It will promote stability and economic development, national growth and individual prosperity. But to achieve this goal requires a conceptual revolution. The concept of a regional community of nations patterned on the European Economic Community can only be developed step by step over the course of many years.

Mr. Peres has elaborated a detailed plan which envisages several stages of development toward the goal of regional integration. The first stage will include bi-national or multi-national projects, such as a joint research institute for desert management or cooperative desalination plants; the second will involve international consortia which will carry out projects requiring large capital investment under the supervision of relevant countries in the region and perhaps other interested parties; the third stage will include regional community policy, with gradual development of official institutions. At the top of the list, however, is a plan to establish a multi-billion dollar regional development bank.

The Peace Dividend: An Ambiance of Cooperation

Not surprisingly, there were moments of tension and discord at the Conference. The address given by Arab League Secretary Abdel Maguid sounded more like a litany of

John Page, the World Bank's chief economist for the Middle East and North Africa, noted that "the event itself was the substance"

old grievances, than an expression of the new mentality striving toward peace and progress. PLO Chairman Arafat defiantly waved the banner of Jerusalem as capital of a Palestinian State. Prime Minister Rabin, in consideration of his constituency at home, replied in unequivocal and perhaps, undiplomatic language. But even this confrontation failed to dampen the atmosphere of enthusiasm. The majority of speeches appeared to be sincere expressions of goodwill, and reflected the desire to end

the atmosphere of hostility that had brought suffering to so many, and had hampered the development of the region. However, the absence of Arab states which refused to participate could not be ignored.



In some sense, the most important achievement of the Conference was the creation of a suitable ambiance of cooperation. This laid the groundwork for the private meetings held between the business people of various nationalities, especially between Israelis and Arabs. These meetings represented a genuine watershed. For the first time Israeli and Arab businessmen could openly meet to talk shop. John Page, the World Bank's chief economist for the Middle East and North Africa, noted that "the event itself was the substance by virtue of getting together businessmen from more than 1,000 companies and officials from more than 60 countries, and by virtue of the ease with which they were talking to each other".

The real work of the Conference took place far from the podium of the Great Hall. The business executives were busy meeting with each other, creating contacts, breaking down the walls of hostility which had separated them for so long. It was not always smooth sailing. A typical case was that of one of the Israelis — a building contractor who had been hosted in the home of a Moroccan of the same profession. The Moroccan had also invited a Kuwaiti who dealt in real estate. When the guest from the Gulf arrived at the front door his host told him of the Israeli who was waiting inside. A long moment passed before the Kuwaiti finally came in, cold and formal, hardly willing to exchange a word with the Israeli. But not for long. The Israeli spoke of his profession, of the problems and difficulties, and slowly the Kuwaiti was drawn into the conversation. By the time the evening ended the conversation had become animated, and before they parted the Kuwaiti said: "You know when I heard there was an Israeli in the house, I wanted to leave immediately. You are the first Israeli I have met. I am sorry I refused to give you my visiting card. Please take it and let's meet again tomorrow." Not all the meetings were so strained. An Egyptian participant quipped that the Conference was "the most high-class dating service of the century". Israelis struck up friendships and some business relations, with Moroccans and Tunisians, Jordanians and Egyptians, Lebanese and Algerians, Qatari, Omani and Bahreini businessmen. The walls came tumbling down in Casablanca.

Meantime, the politicians steered the Conference towards the final "Casablanca Declaration" (see annex), and at the same time took advantage of the presence of world leaders by holding numerous meetings. King Hassan, Messerlian, Rabin and Peres, Jordanian Prince Hassan, Mr. Arafat, and Mr. Moussa were all busy conferring with each other and with other leaders — with Jacques Delors on relations with the European Community; with Russian Foreign Minister Kosyrev; with the French, the Germans, the Chinese, and the Japanese. The Israeli leaders were particularly anxious to meet ministers from the Arab countries. Financial considerations, especially related to the establishment of the regional development bank, were a major topic of discussion.

Breaking the Boycott

The Arab Boycott has long been a major obstacle to any sort of regional development. The boycott, in fact, pre-dates the proclamation of the State of Israel. As far back as 1946, Arab states had already blacklisted Jewish firms (and even non-Jewish companies dealing with the Jewish community in Mandatory Palestine) and imposed a boycott on goods and services produced and marketed by them. This set a new precedent. There is no other state in the world which has been subject to this kind of economic warfare — boycotted and blacklisted from the moment of its creation and over a period of nearly half a century. In 1951 the Arab League established a Central Boycott Office in Damascus, which functions until the present day. The boycott of firms doing business with Israel (the secondary boycott) was later extended to include firms doing business with firms doing business with Israel (the tertiary boycott).

The refusal of Arab countries to allow companies with which they have relationships to transact business with Israel — let alone their own refusal to engage in any direct trade with Israel — has retarded growth in the region. The actions of the Boycott Office have led many countries to impose an anticipatory boycott of Israel. In anticipation

*"The time has come
to dismantle the
boycott entirely"
declared*

*US Secretary of State
Warren Christopher*

of Arab demands, many firms, notably in Europe and Japan, have refused to deal with Israel for fear of the effect that this would have on their ties with the Arab world. It is difficult to estimate in monetary terms the damage done to Israel's economy throughout the years, but clearly it is in the billions of dollars. These losses lie primarily in the realm of deals never struck and investments never made. The people of the Arab world have also suffered. In an article last year in

Middle East Insight Marwan Iskandar, an economic adviser to the Lebanese Prime Minister, declared: "Apart from the questionable political propaganda gains, the boycott hurt Arab economic development." Iskandar also confirmed what has been known for a long time that "the boycott regulations were ignored and derided" by certain states. For several years now Morocco in particular has carried on extensive trade with Israel disregarding the fact that a state of war existed between the two countries.

Understandably, overturning the boycott was one of Israel's primary objectives at Casablanca. The renunciation of the secondary and tertiary boycott by the Gulf Corporation Council (comprising Saudi Arabia, Kuwait, the United Arab Emirates, Oman, Qatar and Bahrain) several weeks before the Conference, and its subsequent renunciation by several other countries, was seen as a step forward. At the Summit the boycott was dealt an even more severe blow when all participants signed the Casablanca Declaration which stated: "the participants... explored how best to accelerate the development of the

region and overcome, as soon as possible, obstacles, including boycotts and all barriers to trade and investments". Mr. Christopher took this a step further in declaring "The time has come to dismantle the boycott entirely" to which one of the delegates added: "We are witnessing here a royal funeral of the boycott." Prince Hassan of Jordan clearly stated that "the New Middle East needs new thinking... our vision is of a Middle East without barriers, with free movement of people and goods."

The Other Side of the Coin: Causes for Special Concern

Many of the Arab participants at the Conference expressed concern about the potential for Israeli "neo-colonialism". Israel's technological superiority and its relative affluence arouses fears of Israel ultimately controlling the economies of its poorer, less well developed neighbours. Israel's GNP per capita is almost twice that of Saudi Arabia — one of the richest Arab states; and more than 20 times that of Egypt. Its GDP exceeds that of Egypt, Syria, Lebanon and Jordan combined.

In the long run, the importance of the Casablanca Conference will be measured by the extent to which its resolutions will be implemented. In successfully launching the Summit, Mr. Peres and the other initiators took the first step towards creating regional economic cooperation. However, the Conference also demonstrated that the cold reality of long-standing of Arab-Israeli hostility is a serious obstacle in the path towards the realization of the lofty ideals expressed in Casablanca. The real challenge will be to implement those ideals and transform them into a workable plan of action for creating a new Middle East.

This will take time. The countries of the region will have to redress and improve their own economies. Aid from the western industrial countries cannot, in itself, replace sound economic policies aimed at improving the standard of living, increasing employment, and improving economic efficiency. Private business in itself will not be able to make a marked impact without government efforts to transform the economic foundations of the region. For the ideas of Casablanca to take root there must be progress in the peace process. It must encompass those countries of the region which are still reluctant to join the march toward peace.

A case in point is Saudi Arabia. The Saudis had not wanted to participate in the Casablanca Conference and they only agreed to do so after the Americans pressured them. Riyadh did not send senior officials, and its delegates were not very active. Deeply suspicious of any change, the Saudis were particularly hostile to the idea of a regional development bank, the creation of which is considered one of the central proposals of the Casablanca Declaration. Because of this Saudi opposition, many of the Arab observers of

the Casablanca Conference and its outcome remain skeptical regarding the possibility of establishing the bank. Moreover, Arab commentators cast doubt on the extent that the secretariat established in Casablanca can commit Arab states to any plan of action. The Saudis, and some of the Gulf Arabs, resented the fact that the Egyptians, Jordanians and Palestinians were carrying the ball for the Arab side, while the Egyptians were none too happy to see Morocco become an important Arab center, threatening the centrality of Cairo. These Arab commentators consider Casablanca to have been a tremendous media success but they question its importance in substance.

There are also critics on the Israeli side. Some point to the fact that economic self-interest and interdependence have not prevented the outbreak of war. A most recent example is Yugoslavia. The various constituent parts of that country went to war even though it was hardly in their economic interest to do so.

Prof. Eliyahu Kanovsky, an economist at Bar-Ilan University, claims that the enthusiasm for "peace dividends" and for the entire idea of a "New Middle East" is highly exaggerated. He is skeptical of the contention that the Arab market represents a substantial outlet for Israeli goods. He points to the fact that in 1992 Gulf Corporation

Prof. Eliyahu Kanovsky claims that the enthusiasm for "peace dividends" and for the entire idea of a "New Middle East" is highly exaggerated

Council imports totalled some \$67 billion (of which Saudi Arabia accounted for almost half). Other, more populous and poorer Arab countries absorbed some \$50 billion in imports. By comparison, Holland, with a population of some 15 million, imported well over twice that sum. Total Arab imports accounted for a mere 4% of total world imports. The negligible volume of Israeli-Egyptian trade supports Prof. Kanovsky's thesis. In fact, Egypt has enacted many tariffs in order to hamper the import of Israeli goods. Moreover, the Arab states, including the oil-producers, are suffering

from the ravages of a severe economic recession and low oil prices. Prof. Kanovsky believes that the failure to fulfill the unrealistic expectations for economic improvement on the part of the population of Egypt, Jordan and Syria threatens to deliver those countries into the hands of fundamentalist extremists. In the face of that danger, critics question the wisdom of tying Israel's energy and water resources to that of neighbouring Arab countries — thereby creating a certain dependence.

Economic Indices

Country	1992 population m.	Average Annual Change (%) 1980-1992		1992 US GNP \$ per head
		GDP	GNP per head	
Egypt	54.7	4.4	1.8	640
Morocco	26.2	4.0	1.4	1,030
Jordan	3.9	0.8	-5.4	1,120
Tunisia	8.4	3.8	1.3	1,720
Algeria	26.3	2.6	-0.5	1,840
Saudi Arabia	16.8	0.4	-3.3	7,510
Israel	5.1	3.9	1.9	13,220

GNP Gross National Product

GDP Gross Domestic Product

Source: World Bank

Moreover, some Israelis believe that in the long run, the Jewish State's agriculture and its consumer industries will be unable to compete with those of neighbouring countries in which the costs of production will be considerably lower. These fears and concerns will have to be examined and assuaged if real progress is to be made toward regional integration.

For many years the Middle East has been one of the world's foremost arms markets. Vast sums have been expended on importing the latest state-of-the-art military technology. And a significant local industry has also developed. The high priority placed on arms imports by many of the countries of the region — including those most impoverished — is illustrated by the fact that much of the foreign aid Egypt received from the United States has gone into the manufacture of the M1-A1 Abrams tank. This, despite the fact that Egypt has a GNP which does not exceed \$650.

It is hoped that a reduction of tension in the region will lead to the diversion of money presently earmarked for military purposes. Directing even a fraction of what is presently spent on armies could alleviate many of the region's considerable social problems. Until such time as a reduction in the level of spending on armaments takes place, genuine economic progress will be limited.

Concern has also been raised about how the region will absorb the vast inflow of capital that is expected. It has been estimated that by the year 2000, as much as \$30 billion in government and multilateral aid will be injected into the Middle East. To what extent will governments be able to match aid programmes with fiscal discipline? How will they manage the decentralization and even privatization of their economies? Caio Koch-Weser, World Bank Vice-President for the Middle East, has argued that the region needs at least 3% annual growth in income per head in order to ensure political stability. Between 1980 and 1992 annual per capita income rose by a mere 1%.

Conclusion

Jew and Arab found each other at Casablanca. The Moroccan Jewish community was particularly active in advancing this cooperation. On the Friday night preceding the Summit the Jewish community hosted the entire Israeli delegation. The Moroccan

Moroccan Jews acted as a bridge to the hearts of both the Israelis and the Moroccan Muslims. This, of course, sets a valuable precedent for Israel's Arab minority which can be expected to act in similar fashion

Minister of Tourism, Serge Bardugo, one of the leaders of the community, spoke of the World Jewish Congress Conference he had attended in Jerusalem and said: "Who could have thought at that conference that we would reach peace so quickly?" Andre Azoulay, Counsellor to the King, reminded the visitors: "We are a community which is a thousand years old. We succeeded in maintaining an honourable position throughout that period." In fact, the role played by the local Jewish community, which went out of its way to organize meetings between Israelis and Moroccans, raised the prestige and self-confidence of Moroccan Jewry. Moroccan Jews acted as a bridge to the hearts of both the Israelis and the Moroccan

Muslims. This, of course, sets a valuable precedent for Israel's Arab minority which can be expected to act in similar fashion — reaching out to both Arab and Jew.

But how important was it all? Uri Savir, Director General of Israel's Foreign Ministry compared the gathering to the Madrid Peace Conference, which led to bilateral and multilateral peace talks between Israel and the Arab world. Hanna Siniora, one of the leading Palestinian delegates called Casablanca the "Economic Yalta of the Middle East". But the real proof of Casablanca's importance lies in the follow-up and in its acceptance by the countries of the region. The Secretariat of the Conference has held meetings in an effort to find ways to implement the resolutions of the Casablanca Declaration, and in particular, those articles pertaining to the establishment of a regional bank. American officials who, only a year previously, had been skeptical regarding the need for establishing such a bank, or its prospect of getting it off the ground, have been particularly active in trying to break down the opposition of some of the Arab participants at Casablanca, notably Saudi Arabia. According to reports from Washington, such opposition has weakened considerably, and officials have expressed optimism about the chances of the birth — and survival — of such a bank.

Meanwhile, however, the first real test will come with the implementation of the last article of the Casablanca Declaration, according to which "the participants expressed their intention to meet again in Amman, Jordan in the first half of 1995 for a second Middle

East and North Africa Economic Summit, to be hosted by His Majesty King Hussein". The planning for this second conference has already run into difficulties. The (US) Council for Foreign Relations, one of the two organisations which helped to plan, organise and initiate the Casablanca Conference, has announced its withdrawal from undertaking a similar task for the Amman Conference. The second organisation, the World Economic Forum, while expressing willingness to continue the role it began in Casablanca, has made it clear that it would not be possible to convene such a summit in the first half of 1995, as postulated in the Casablanca Declaration. September 1995 is considered the earliest possible date for holding the conference. In all probability the gathering will revolve around one or two central concrete issues, such as creating a Riviera from the Saudi frontier to Taba in Egypt, or the transformation of the Jordanian-Israeli frontier in the Arava into a "Valley of Peace" stretching from the Dead Sea to the Red Sea, with a canal, parks, tourist attractions, and desalination plants. A list of 92 separate projects has been compiled as a development inventory for the Jordan Rift Valley. The implementation of even only a tenth of these projects could entail a significant economic development both for Jordan and Israel.

The drama of the first, pioneering Conference will, however, be missing at Amman. The breakthrough and the subsequent conquest of hitherto impregnable fortifications which characterised Casablanca will have to be followed by consolidation of the new-held positions, by fashioning and strengthening the new, post-Casablanca reality. This will be the test of Amman.

It will not be easy. A leading Arab skeptic in Cairo voiced his confidence that there would be no such conference. Shortly thereafter, a delegation of the Israel Council on Foreign Relations, hosted by the National Center for Middle East Studies in Cairo, heard similar misgivings. At meetings with outstanding members of Egyptian society the Israelis were told: "Israel is trying to replace the occupation of Arab land with the occupation of Arab economic markets". On the other hand, both Israelis and Jordanians are busily preparing for this second regional economic gathering. The question is not only if it will take place, but who will take part and what support it will receive from the Arab countries. By the time it convenes, the conference's organizational structures should be in place. The business links that were forged on Moroccan soil should already begin to produce results, and in particular, a clearer picture should emerge regarding the controversial question of the establishment of a regional bank.

At the Casablanca Conference one participant claimed that "the only people who made money were printers of business cards." Only a week later, however, a most tangible consequence of Casablanca could be seen in Jerusalem. Between 6-8 November, the capital's International Convention Center was the venue of the Third Annual Jerusalem Business Conference. Unlike the Summit in Casablanca, there were no political overtones

at the Jerusalem gathering. Attended by business people from all over the world, notably Egypt, Jordan, Tunisia, Kuwait and Qatar, only one issue dominated the convention — money. Isi Leibler, Co-Chairman of the World Jewish Congress, in his capacity as Chairman and Managing Director of Jetset Ltd., spoke of the technological revolution in tourism and its potential in the Middle East: "Having just returned from the Middle East and North Africa Economic Summit, I cannot resist... highlighting the extraordinary window of opportunity which has been opened as a result of the movement towards peace. There is now an unprecedented opportunity for an expansion of regional tourism which is there for the taking if governments and business leaders are willing to act boldly... Tourism could make a massive contribution towards the economic turnaround that will be essential if the political progress between Israel and its Arab neighbours is to be consolidated on the ground where it matters." A new optimism and self-confidence was much in evidence at the convention in Jerusalem. Business people were not only thinking about short-range profits, but about the long term. And this bodes well for the future.

Casablanca confirmed the growing recognition of Israel's importance as a player in the international economic arena. This new-found status is reflected in Israel's enhanced credit rating and in the growing interest expressed by foreign investors and multinational corporations. Already several international investment houses have set up shop in the country and a number of others are planning to do so in the future.

Whatever happens, Casablanca was a turning-point. The seed was sown for a new era in the Middle East. It remains to be seen whether that seed will grow into a strong and healthy plant.

17 MAR. 1995

FINANCIAL TIMES

EU turns strategic eyes to south

EDITORIALE

David Gardner on aid and trade plan for Mediterranean neighbours

The European Union's strategy to enhance stability on its southern Mediterranean borders through an aid and (eventual) free trade agreement with the Middle East and the Maghreb could do more to integrate the region than the past half-century of rhetoric about Arab unity.

That, at least, is the hope of the Brussels architects of the policy, which they expect will be endorsed at a special Euro-Med ministerial conference in Barcelona in November, to be attended by the 15 EU member states and their 12 putative partners - Morocco, Algeria, Tunisia, Egypt, Jordan, Syria, Lebanon, Israel, the Palestinian autonomous territories, Turkey, Cyprus and Malta - the last three of which are candidate-members of the Union.

The strategy marks a leap forward from the bilateral relationships the EU has developed with these countries, which greatly favour European trade interests; in 1993, Union exports to them were worth Ecu45.6bn (\$59bn) against imports from them of Ecu33.2bn. It also rests in good part on the successful evolution of the Middle East peace process through which the EU hopes to energise the potential for economic integration in the Arab world and Israel.

The most visible facets of the EU strategy are a more than doubling of aid and soft loans to the region - Ecu5.2bn in grants, plus a similar amount in European Investment Bank (EIB) credit for 1995-99, against the current aid and loan package of around Ecu4.5bn for 1992-96 - and the ambition to create a Euro-Med free trade zone by 2010.

But potentially as important are the more prosaic building blocks, especially proposed changes in "rules of origin" for the region's exports into the EU, designed to stimulate economic integration across the Arab world.

In essence, those Middle Eastern and Maghreb nations which conclude free trade agreements among themselves - including with Israel, the area's most developed economy - will be the ones that get virtually free access to the Union's single market, already

the region's biggest customer.

The impetus behind the initiative comes from the EU Mediterranean caucus of France, Spain and Italy. Paris currently holds the Union's six-month rotating presidency, and will be succeeded by Madrid and then Rome. They are using their consecutive tenure to redress the balance in the EU's relations with its immediate neighbours, heavily tilted since the end of the cold war towards embracing former Soviet satellites on the Union's eastern borders.

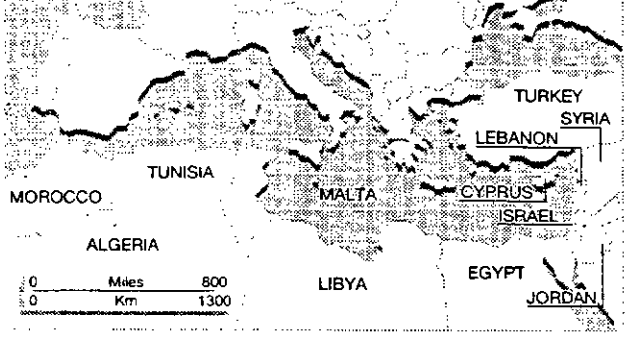
A turning point was the Corfu summit of EU leaders last June, at which they acknowledged that there was a greater risk of instability from the south than the east, because of the challenge to Arab governments from Islam-inspired insurrection and fears this could spread violence and floods of refugees into Europe. At the EU summit in Essen last December, Germany - the EU's paymaster and principal promoter of expansion to the east - gave its conditional assent to an enhanced Union presence in the southern Mediterranean.

Equally important, France, which as a former colonial power in the region has traditionally preferred bilateral arrangements, now wants a European approach - in part because of French failure to prevent Algeria from sliding ever deeper into civil war between the military-backed government and Islamist militias.

"We are not trying to solve the Algerian problem," one senior EU diplomat says. "But this will help in the long term to prevent other Algerias - and if the FIS [Algeria's Islamic Salvation Front] comes to power, it might be easier to work with them within this framework."

The French EU presidency hopes that the Cannes summit next month will yield agreement on an overall share-out of EU aid. This will depend on assurances that overall spending will not rise, and agreement to concentrate resources overwhelmingly in eastern Europe and the Mediterranean.

The money is important to help business in recipient countries become competitive enough to confront free trade,



and to build intra-regional infrastructure links.

"They can only sell this if they get money to upgrade their industry," says one Brussels official. But the strategy is about a good deal more than money. As Mr Javier Elorza, the Spanish ambassador to the EU, puts it: "We don't need a special conference [in Barcelona] just to give them more money."

The idea of a stable and peaceful common free trade area requires signatories to uphold democratic values, including respect for human rights, the rule of law, minority rights, and "free and regular elections to governing and representative bodies", according to the French presidency's latest draft treaty. Given the predominance of dictatorship in the region, however attenuated, the political conclusions of the Barcelona conference will be closely watched.

"If they agree, it will be difficult for them afterwards if they don't live up to it," argues a senior European Commission strategist. "But they will pay a high price for staying out" of the Euro-Med agreement, he predicts, adding that "we have to get them through self-interest, and by making clear that we can't bail them out" with unlimited aid.

He says that Israel and Tunisia - now poised to enter new and closer "association" agreements analogous to Union ties with eastern Europe - have "clearly understood" the EU offer on rules of origin and intra-regional integration, and that Jordan, Egypt and Lebanon are "beginning to grasp it".

The Union would thus use its market, the destination for up to half the region's exports,

as a lever to promote intra-regional integration; although there are more than 60 pan-Arab organisations, intra-regional trade amounts to a mere 6 per cent. A more integrated market, moreover, would stand a better chance of attracting more foreign direct investment and floating Arab capital some estimate at \$150bn.

But while it may appear axiomatic to Europeans that economic self-interest powers integration, some Commission officials recognise the height of the Middle East's political hurdles.

"There is an enormous amount of intellectual scrap to shift before we get normal lines of communication," one says. Another senior Brussels official admits that "if the Middle East peace process goes to hell, there won't be much point in all of this"; Syria is already making its attendance in Barcelona conditional on progress in its stalled negotiations with Israel.

The EU is also determined to allay Arab suspicions that the whole project is a stalking horse for advancing Israeli interests, by remaining, as one Brussels official puts it, "firmly in the chair". And with good reason. Egyptian foreign minister Amr Moussa, says it would be "a psychological disaster" if the initiative were seen to fuse in any way with "hegemonic attitudes by Israel". The Middle East, he says, "does not need saviours" and the Euro-Med plan "has to come with progress on the political side".

Representing one of the countries most receptive to the EU's advances, he warns: "It cannot be done without the explicit consent of all the participants - not just Israel and a few add-ons."

REDWG Update

NOT FOR PUBLICATION

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INTRODUCTION

The activities sailing under the REDWG banner and coordinated through the Monitoring Committee are expanding rapidly. The embryonic mechanisms for such coordination are the four regional Sectoral Committees - covering Finance; Infrastructure; Tourism; and Trade - supported by the Secretariat

REDWG Update will appear approximately monthly. Its purpose is to keep those directly involved in REDWG activities informed of work in progress. The *Update* will provide brief details on meetings that have taken place or are planned; on studies and consultancies underway or being commissioned; and on the work of the Secretariat generally. It will also keep you informed of the Contact Points for REDWG activities in each of the four Core Parties.

This first edition of the *REDWG Update*, which covers a wide range of recent activities, runs to four pages. Subsequent issues of the *Update* will be shorter.

INFRASTRUCTURE COMMITTEE

Middle East Regional Transport Study

Peace will fundamentally affect transport systems in the Middle East. The study will therefore develop a model, including all existing and planned transport networks, using 1994 as a base year, to forecast traffic flows for the years 2010 and 2020. Although focusing primarily on the four Core Parties, the model will also estimate likely flows from and to neighbouring countries once a comprehensive peace prevails. The Study, which will provide estimates of the costs of the various modes of transport, will be used as the basis for further work and will facilitate the identification and implementation of priority regional transport projects.

Terms of Reference for the study have been agreed upon between the Infrastructure Committee and the European Commission following a meeting in Amman on 18 July 1995. Jordan, the chair of the Infrastructure Committee, will act as contracting authority for the study which will begin before the end of the year.

Transport Workshop: Amman, 5 - 6 November 1995

The workshop, involving all the transport subsectors, will be structured around the idea of developing traffic corridors in an integrated manner. This approach is consistent with the basic concept of the *Middle East Regional Transport Study*, and will allow the Infrastructure Committee to develop a strategic perspective for the sector as a whole. Experts from the French *Institute National sur les Transports et leur Securite*, which has been commissioned to prepare the workshop, visited the region from 20 September to 3 October 1995.

Telecommunications Tel Aviv, 11 - 12 December 1995

In June 1995, the Infrastructure Committee decided that a telecommunications workshop, to be prepared by Israel, would take place during the second half of 1995. The workshop should, among other things, focus attention on telecommunication networks, including cable, wireless, and satellite. The European Commission will provide an expert to assist with the technical preparation for the workshop. The Consultant, who will liaise with the relevant authorities in the four Core Parties, will assist in refining the programme and preparing the documentation.

Interconnection of Electricity Grids Haifa, 27 - 28 September 1995

The interconnection of the region's electricity grids is designed to achieve the most efficient use of existing and planned power generating capacity and transmission systems. By enabling a regional exchange of electric power, advantage can be taken of the considerable potential that exists for daily, weekly and seasonal power exchanges due to variations in demand for power. An initial review has been completed and Terms of Reference for a detailed feasibility study were agreed at the meeting in Haifa on 27-28 September 1995. The Jordan Electricity Authority is acting as regional coordinator for this initiative.

For further information
contact Dora Kassissiel

Regional Development Programmes*TEAM-A: Cairo, 18 September 1995*

The Steering Committee of the *Taba-Eilat-Aqaba-Macro-Area* (TEAM-A) programme is developing a common strategic approach for the development of the northern Aqaba region. The approach, based on planning parameters established at the national level, is intended to facilitate and support investment in the three countries within a clearly defined regional context. At the meeting, work was initiated in the areas of environment, telecommunications, trade and tourism. TEAM-A involves the Egyptians, the Jordanians, and the Israelis.

SEMED: Cairo, 19-20 September

The *South East Mediterranean Economic Development* (SEMED) programme, which covers the El Arish-Gaza-Ashdod area, held its first meeting in Cairo on 19-20 September 1995. The meeting agreed a vision statement for the year 2020: *"An efficient and competitive Mediterranean community providing high quality agricultural, industrial, leisure and tourism products and services to international markets; gaining high levels of employment and income for all of its people; and securing environmentally sustainable economic growth based on the efficient use of available resources."* The meeting agreed to develop projects in the following areas: Agriculture and Mariculture; Industrial Development; Infrastructure; Tourism; and Environment. SEMED involves the Egyptians, Israelis and Palestinians. Priority will be given to projects of particular importance for the Palestinians.

Follow-Up

A Facilitator, based in the region and with access to technical assistance and consultancy funds, will be appointed to support the implementation of the TEAM-A and SEMED programmes. Terms of Reference for this appointment will be agreed between the Core Parties and the European Commission. Implementation of the two projects will take place in coordination.

TRADE COMMITTEERegional Business Council*Trade Committee, Amman, 21 September 1995*

The REDWG Trade Committee, including senior business representatives, met in Amman on 21 September 1995 to discuss further the creation of a *Middle East Regional Business Council*. The purpose of the Council will be to build links among business communities, and between them and governments. The Council will provide a mechanism to help overcome impediments to trade and investment in the region.

The Committee reached broad agreement on the purpose, objectives and work programme of the Council. It has also finalised the Basic Model for the Council, expected to be initialled at the Amman Conference. The US are providing support for this work.

A Steering Committee, made up of the REDWG Trade Committee and representatives from the regional business community will be established to oversee the creation of the RBC. The Committee, which will have a life of six months, will finalise the draft Charter and Bylaws; prepare an initial three year budget for the Council; agree on arrangements for the appointment of an interim Executive Director; and mobilise resources to sustain the Council for an initial period.

Studies

The Institute for Economic Research (IFO), a German Research Institute, has recently completed a study entitled *New Potentials for Cooperation and Trade in the Middle East*. The study, which assumes the gradual removal of all trade barriers in the region, focuses on trade in goods and services, and is available from: Dr. Halback, Head of Institute. Tel. (49) 89 92 24 293; Fax: (49) 98 92 24 462

The German-Arab Chamber of Commerce in Cairo has completed a related study on *Measures to Facilitate the Free Flow of Trade within the Middle East*. This work, which is based on an analysis of specific examples of impediments to intra-Middle East trade, provides a series of practical suggestions on how to enhance trade in the region. The Study is available from: Ms Anahid Harrison, Project Manager. Tel. (202) 341 3664; Fax: (202) 341 3663.

Swiss Trade Initiative Middle East & North Africa
(STIMENA)

Arthur Dunkel, former Director-General of GATT, is leading a small team of experts mandated by the Swiss Government to assist the process of economic integration in the region. This initiative was announced at the REDWG meeting in Bonn in January 1995. A secretariat has been established in Geneva and an intensive process of consultation with the regional parties is underway. STIMENA can be contacted at: Tel. (41) 22 312 48 35; Fax: (41) 22 312 48 71.

Reminder:

Communications concerning REDWG related activities, including projects, studies, seminars, consultancies, etc., should be sent to the Monitoring Committee Contact Points in the four Core Parties. Where appropriate, these should also be copied to the Secretariat. This will ensure effective coordination within the Core Parties, and at the regional level.

Contact details appear on page 4.

TOURISM COMMITTEE

Middle East - Mediterranean Travel and Tourism Association (MEMTTA)

*Tourism Workshop
Casablanca, 28-29 September 1995*

Japan has played a crucial role in facilitating the establishment of MEMTTA. The Association's objectives include: promoting and marketing the region as a tourism destination; integrating the region into global marketing systems; assisting the development of the tourism industry; improving training and human resource development; and cooperating in harmonising laws, regulations and standards relating to tourism, in particular relating to border crossing procedures. The Charter of the Association was initialled in Casablanca on 28 September 1995 and will be signed at the Amman Conference.

*Private Sector Task Force
Tel Aviv, 7 September 1995;
Casablanca, 28 September 1995
Cairo, 20 October 1995*

A Task Force made up mainly of business representatives has been mandated to make proposals for setting up the Association. A draft budget for the first year has been prepared and proposals developed concerning subscription rates. Many of the activities of the Association, especially in relation to marketing, will take place at the Divisional level. The Task Force will, therefore, pay special attention to the establishment and initial work programme of the Middle East Division.

Facilitating the Movement of Tourists

It is proposed that a workshop should take place before the end of the year to identify practical proposals on how to ease the movement of tourists within the region.

FINANCE COMMITTEE

New Financing Mechanism for the Middle East

Finance Committee: Amman 7 August 1995

The Finance Committee is focusing on the creation of a regional development Bank. The Committee, which provides a vehicle for the Core Parties to coordinate participation in the Task Force, has produced a series of policy papers and presentations outlining the justification for, and appropriate structure of, the bank. At the Amman meeting, the Committee proposed a compromise designed to provide a bridge between the idea of proceeding with a new capitalised development bank, and the suggestion that an uncapitalised financial

intermediation organisation should be set up. Discussion also took place on the most appropriate relationship between the lending operations of a bank and the proposed policy coordination body. The search for a compromise on these proposals continues.

*Task Force on Financing Institutions for Economic Development in the Middle East and North Africa
Rome, 12 - 14 September 1995
Washington, 6 October 1995*

The last meeting of the Task Force, which included both the regional parties and representatives from outside the Middle East, reviewed the Articles of the *Bank for Economic Cooperation and Development in the Middle East and North Africa*. Consensus was reached on the bulk of the Articles.

The October meeting of the Task Force, which will take place at the political level, will seek to resolve the outstanding issues so that an announcement can be made in Amman on the creation of a new financing institution for the Middle East and North Africa.

Middle East Financial Markets Initiative: Cooperation between Regional Stock Exchanges:

In June 1994 the UK presented a report to REDWG on possible areas of cooperation among stock exchanges within the region. The integration of trading between the exchanges, it was suggested, could enable parallel and simultaneous trading with a single process of price discovery, if all the markets begin to operate on a continuous trading basis. More likely, however, is the development of a senior listing standard, which, if acceptable to international investors, would improve the quality and quantity of corporate accounting information available.

On the establishment of a Palestinian stock exchange, a comprehensive capital market development programme is needed. The UK plans to make a further contribution to this discussion at the Financing Working Group of the Amman Conference.

INFORMATION AND DOCUMENTATION

Middle East Peace Process Information Bank

MEPIB contains a wealth of information on the activities of REDWG and the other multilateral working groups, including documentation relating to regional development programmes, and a Mediterranean Enterprise Directory. Information concerning the data bank, which is now on CD ROM, is available from Fax: 00 32 2 299 0204.

CALENDAR

REDWG Update

REDWG CONTACT POINTS

1995

8 January	Washington	Regional Air Navigation Workshop
10-11 January	Washington	Task Force on Financing Institutions
16-29 January	Cairo	Seminar on SMEs, including in the Tourism Sector
16 January	Bonn	Informal Tourism Workshop
17 January	Bonn	Monitoring Committee
18-19 January	Bonn	REDWG Plenary
23-25 January	Aqaba	European Tourism Workshop
14-15 March	Cairo	Tourism Committee
28-29 March	Amman	Workshop on Tourism (III)
1-2 April	Amman	Finance Committee
4-7 April	Toulouse	Civil Aviation Workshop
10 April	Amman	Amman Summit Steering Committee
11-13 April	Marseilles	Ports Workshop
18 April	Cairo	Trade Committee
14 May	Eilat	Tourism Workshop
16-17 May	Cairo	Finance Committee Task Force on Financing Mechanisms
16-18 May	Paris	Railways Workshop
6-7 June	Amman	Infrastructure Committee
12-13 June	Bonn, Paris & London	Finance Committee: Consultation with European Partners.
14-15 June	Amman	Gulf of Aqaba planning meeting
21-22 June	Paris	Task Force on Financing Mechanisms
25 June	Cairo	Trade Committee
26 June	Cairo	Monitoring Committee
27-28 June	Cairo	Tourism Workshop
11-12 July	Haifa	Tourism Committee
13 July	Amman	Infrastructure Committee on Multi-Model Traffic Study
17-18 July	Amman	Tourism Workshop
20-21 July	Moscow	Task Force on Financing Mechanisms
7 August	Amman	Finance Committee
1 Sept.	Cairo	Task Force on Financing Mechanisms
7 Sept.	Tel Aviv	Private Sector Tourism Workshop
13-15 Sept.	Rome	Task Force on Financing Mechanisms
14 Sept.	Madrid	Amman Summit Steering Committee
18 Sept.	Cairo	TEAM-A Steering Committee
19-20 Sept.	Cairo	SEMED Workshop
27-28 Sept.	Haifa	Electricity Interconnection
28-29 Sept.	Casablanca	Tourism Workshop
6 October	Washington	Task Force on Financing Mechanisms
11-12 October	Washington	Amman Summit Steering Committee
20 October	Cairo	Tourism Task Force
29-31 October	Amman	Economic Conference
5-6 November	Amman	Transport workshop
11-12 Dec.	Tel Aviv	Telecommunication Workshop
December	Bethlehem	Tourism Workshop

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Administrator

*With thanks to:***Heidi Minshall**

REDWG Assistant, January - June 1995.

Hans Georgeson

REDWG Assistant, July - October 1995.