

CONSEIL ÉCONOMIQUE
ET SOCIAL

Euro-Mediterranean Summit, Paris

21 and 22 November 1996

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FINAL DECLARATION

The Presidents of the Economic and Social Councils of the Euro-Mediterranean countries, the Chairman of the Economic and Social Committee of the European Union, meeting in Paris on 21 and 22 November 1996, in association with the mandated representatives of those Euro-Mediterranean countries which do not have an Economic and Social Council:

- noting that strong political, economic, social, cultural and historical bonds — which do not exclude other ties of co-operation and cultural identity — exist among the different countries bordering the Mediterranean,
- but also aware of differences in the rate of economic and social development among the different Mediterranean countries, of differences in their standards of living, and of their political, cultural and religious diversity,
- reaffirming their attachment to the decisions of the Euro-Mediterranean Intergovernmental Conference in Barcelona (27 and 28 November 1995) and of the Madrid Summit (12 and 13 December 1995) and particularly to those decisions concerning the creation of an area of dialogue, exchange and co-operation which would find its expression in the institution of a free-trade area among the countries of the Mediterranean rim by the year 2010, within a global partnership and leading to the establishment of a dynamic regional economic grouping integrated into the world economy,
- considering that the establishment of such an area can be achieved only in a climate of political stability and peaceful settlement of existing disputes, and that it will entail structural, legal, economic and social changes which will need to be mastered and pursued,
- agreeing to assume the responsibility for advocating reforms for modernizing and democratizing State, social and economic structures, which implies that the political authorities should closely associate ordinary citizens with these changes,
- underlining the importance of the demographic imbalances between, on the one hand, the South and East where the birth rates of certain countries remain very high and which have a young population at their disposal and, on the other, the North whose birth rates are declining and whose population is ageing,
- taking into account the attraction exerted by the cities on rural populations which find it difficult to live in dignity in their home areas,
- recognizing that education (basic and vocational) goes hand in hand with any growth and job creation policy,
- mentioning the importance assumed by environmental and pollution problems,

reaffirm:

- their determination to establish a permanent and organized dialogue among the different Mediterranean countries, especially in the economic and social fields;
- the importance of establishing and promoting a global Euro-Mediterranean co-development partnership with the objective of improving the economic and social conditions of adherent countries, respect being paid to the specificities of each State;
- their will to encourage the development of commerce and investment inside the whole Mediterranean area by opening borders and opposing tariff or other forms of protection; the creation of this area should be accompanied by aid for regional movements which favour not only North-South but also South-South and South-East trade;

- their wish to include reflection on the setting up of a free-trade area within the framework of a comprehensive reflection on economic globalization;
- the need to adjust the South and East Mediterranean economies so as to make them more efficient, in particular by encouraging the pursuit of the stabilization efforts and structural reforms undertaken in this regard;

recall:

- the provisions made by the European Council in Cannes (26 and 27 June 1995), confirmed at the Euro-Mediterranean Conference in Barcelona (27 and 28 November 1995), for increasing the non-refundable financial aid of the European Union to the Mediterranean countries to a sum of 4 685 million Ecus for the period 1995-1999, without prejudice to the action of the European Investment Bank (EIB) or the bilateral contributions of member States;
- the reference made to multi-annual programming of the management of these funds;

suggest:

- the creation, in countries which do not have them, of Economic and Social Councils or similar institutions for obtaining the opinions of representatives of the economic, social and cultural forces on subjects of general, national and international interest;
- that the Economic and Social Councils or similar institutions continue to assemble the reflections of the principal economic and social actors with a view to finding innovative solutions for adjusting economies to the structural, and hence social, changes which the inauguration of a Euro-Mediterranean free-trade area will entail, and continue to further the exchange of information among those concerned;
- that the Economic and Social Councils or similar institutions be the bodies of choice in which the social compromise needed for economic adjustment is matured;
- the gradual replacement of existing or pending bilateral agreements by multilateral agreements which are the fruit of overall reflection;
- encouraging the development of trade and commerce within the "South and East" area;
- better definition of the European Union's role; the EU should — and it is in its long-term interest to do so — participate in the development of non-member States and aid them economically, technically and financially, in the context of the free-trade area, in tackling the internal structural reforms essential to the constitution of a free-trade area and co-development within a balanced partnership;
- rapid and transparent implementation, as of 1 January 1997, of the European financial and technical accompaniment programme MEDA, associated with full information on procedures;
- developing joint regulatory and legal harmonization in numerous fields: taxation, labour laws and social protection, environmental protection and pollution, recognition and protection of industrial and intellectual property, investment...;
- deliberation, all through the area, on harmonization of the legal rules (laws, codes, jurisdictions...) governing investment by an area member country in one of its partner countries, and the location or delocation of enterprises in these countries, with the aim of enhancing the transparency and stability of legal norms;
- the institution of a common system of standards for all partner countries, aimed at guaranteeing the quality, both as concerns manufacturing procedures and respect for norms, of goods for export; this would be one way to combat counterfeiting;
- action within each country for developing its legal and regulatory frameworks so as to make them simpler, more transparent and more stable, thereby favouring national and international investment;

- encouragement for resting the development of the South and East Mediterranean countries on a fabric of dynamic and effective small and medium-size enterprises, competitive on outside markets, with staff trained in the operation of this kind of enterprise;
- participation by enterprises from non-EU Mediterranean countries in the work of the European Investment Bank (EIB);
- developing co-operation in the fields of training (vocational, initial, of trainers), research and technological development, respect being paid to the specificity of each country; in this regard, the acceptance of students in universities of countries belonging to the area and exchanges of teachers and documentation should be facilitated;
- promoting the study of European languages in non-EU Mediterranean countries and of the languages of these countries in the other States;
- studying ways of funding the action to be undertaken in the different sectors covered by the monographs;
- remodernizing the economic and social roles of the State and the institutions of society;

stress the importance - within the scope of discussions on creating a free-trade area - of agriculture for both sides of the Mediterranean, and the need for giving thought as of now to the impact which the opening of borders will have on this sector; certain measures could already be taken in the following fields:

- training and technology transfers,
- development of agricultural advisory services and other basic services.
- improvement of agricultural infrastructure, irrigation and drainage, modernization of machinery, storage facilities and transport;

stress that all the countries in the Mediterranean area should combine their efforts to make the Mediterranean rim an area of political stability and of economic development which will create wealth, employment and shared prosperity.

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Concerning the monographs, decided upon at the Madrid Summit and proposed by the members of the follow-up and co-ordination committee, namely Algeria, France and the European Union, dealing with the issues of: the external debt of the South and East Mediterranean countries (SEMCs); energy and water resources until the year 2010; the creation of a free-trade area; migration flows:

CREATION OF A FREE-TRADE AREA

The representatives of the Economic and Social Councils or similar institutions:

- considering that enhanced economic co-operation, centred on the creation of a free-trade area by the year 2010 involving all the Euro-Mediterranean partners, should develop the region into a zone of shared prosperity,
- noting that, compared with previous treaties between the EU and third countries, what is new is the express inclusion of the economic and social forces from both sides in this new form of partnership and decentralized co-operation with the South and East Mediterranean countries,
- noting that, although it is well-founded, the EU's decision to continue to conclude bilateral agreements within the framework of the Barcelona process runs the risk that the partner countries will concentrate their trading arrangements on the "North" markets without at the same time expanding their mutual trade; in order partly to remedy this situation, measures — in particular, a harmonization of origin rules — could be taken for encouraging trade among the South and East Mediterranean countries during the transition period leading to the creation of a Euro-Mediterranean free trade area;
- observing that the South and East Mediterranean region is currently experiencing development problems and is still insufficiently integrated into the world economy,
- stressing the need to rethink the role of the State and social institutions and review social and economic policy options if worsening poverty is to be avoided,
- considering that the creation of a free-trade area does not automatically guarantee a fair distribution of the prosperity which it is intended to create,
- emphasizing that appropriate vocational training, proposed and designed in co-operation among the relevant sectors in both the non-EU Mediterranean countries and the European Union member States, is the key to building up comparable levels of competitiveness in the Mediterranean region in general,
- reiterating that the creation of a free-trade area for agricultural products without a transitional period for structural adjustment on both sides could turn out to be risky and give rise on both sides to economic distortions and high social costs,

propose:

- ensuring that the blueprint for future economic and social reform in the South and East Mediterranean countries, with the measures and foreseeable consequences that it will entail, should be debated in public with the participation of the associations and institutions of civic society;
- taking the steps needed to liberalize trade among non-EU Mediterranean countries and to develop regional co-operation; the representatives of Economic and Social Councils and similar bodies propose considering this matter in more depth in their future work;
- adapting tax, labour and social legislation and the whole system of authorizations for the production sector to suit the needs of a modern market economy;
- reorienting the functions of the bureaucratic apparatus towards encouragement and advice rather than control, in order to stimulate the development and creation of

- small and medium-sized enterprises; the European Union could provide financial and technical assistance in this area;
- promoting, in the public or private sector, specialization and co-operation among industrial undertakings and with providers of new types of services; in this respect the privatization of State-run businesses is also desirable;
 - taking the measures needed to attract new capital; here co-operation with international development institutions and the MEDA fund recently set up by the European Union could provide additional support for financing in areas of importance;
 - assessing with special care the social repercussions of each group of measures (investment, privatization, infrastructure) taken on the road to creating a free-trade area and considering back-up measures geared to the different situations and based on social consensus;
 - adapting education systems to the requirements of a modern economy and ensuring that every training scheme given by European instructors includes above all a section on the training of trainers;
 - implementing the principles set out in the Barcelona declaration with regard to agriculture.

concerning EXTERNAL DEBT

The representatives of the Economic and Social Councils or similar institutions:

- noting that indebtedness can become a disquieting factor of political, economic and social instability in the non-EU Mediterranean countries,
- remarking that control over indebtedness is an essential condition for a country's social and economic development; debt service is indeed reaching such proportions that it is forcing a search for new solutions; noting that the debt-service ratio is bleeding off resources that might otherwise be used for development and that in certain countries net flows have become negative;
- considering that all States must manage their budget deficit and debt (internal and external) more rigorously;
- pointing out that the structural adjustment programmes (fiscal and monetary) recommended by international financial institutions (IFIs) can have an adverse effect on populations, notably as regards employment,
- observing that in many countries lack of capital (domestic or foreign), as a source of investment, often stems from lack of confidence on the part of providers with regard to investing it in the country that needs it,
- being of the opinion that the European Union is the prime provider of foreign direct investment (FDI) in the world and that such investment can facilitate the repayment of external debt,
- recalling that, under the European programme MEDA, the European Union has made provision for funding that may take the shape of grants, venture capital (subordinated loans, standby loans, minority and temporary equity holdings),
- remarking that the debt problem is an important subject for reflection in the general context of the setting up of a Mediterranean free-trade area,

propose that the South and East Mediterranean countries assume responsibility for conducting programmes for consolidating and restructuring their economies, without excluding the search for co-operation and co-ordination with their other partners in carrying out these programmes;

This will involve:

- lowering non-tariff barriers (NTBs) to the entry of products, in particular agricultural products, from the South and East Mediterranean countries;
- encouraging the establishment of local capital markets to feed private investment;
- stimulating investment and risk capital companies, in particular by devising a system of guarantees;
- stepping up non-indebting capital flows and fostering foreign direct investment (FDI) in the South and East Mediterranean countries together with the relevant instruments, examples being:
 - the institution of a European investment financing facility along the lines of the ECIP (European Community Investment Partners),
 - the possible creation of a Euro-Mediterranean investment guarantee institution;
- adopting special measures in favour of the South and East Mediterranean countries concerning debt relief: total or partial debt forgiveness for certain countries, setting a ceiling on debt service, rescheduling, debt-to-investment conversion;
- developing a partnership accompanied by credits for bringing the economies concerned up to the needed standard;
- publishing investment codes, in countries which do not yet have them, aimed at facilitating the inflow of foreign capital;
- harmonizing legislation in order to facilitate the free circulation of capital and domestic investment, including investment in the energy sector;
- recommending that the operation of the international monetary system (IMS) follow a direction more favourable to countries engaged in a process of structural change;
- giving consideration to institutional financing structures which can act as a framework for the bilateral and/or multilateral funding of investment in the area.

concerning ENERGY

1. The different sources of energy

The representatives of the Economic and Social Councils or similar institutions:

- foreseeing a growth in energy needs during the next ten years owing to the demographic and economic development of the South and East Mediterranean countries,
- pointing out the importance of the energy sector in Euro-Mediterranean co-operation.
- taking account of the disparities among and the complexity of the energy production, allocation and consumption policies of the different countries in the area, those in the South particularly,
- stressing the importance of the oil and gas resources of the South and East Mediterranean and the synergies with the European Union which they generate,
- noting the essential and vital role of the energy sector in the economic and social development of all the Euro-Mediterranean countries, even though the producing countries do not necessarily benefit most from it,
- considering that it is essential to provide for the future of energy resources by investing either in prospecting for new reserves or in the search for replacement energy sources, but considering also that the investment required by such a policy (about 300 billion Ecus from now to the year 2010) cannot be assumed by the producing States alone since it concerns the economies of the entire planet, and that,

as a consequence, the producing countries will need to have recourse to foreign capital and should therefore adjust their legislation in such a way as to facilitate this financial inflow,

- regretting the lack of overall coherence among the different projects for interconnecting electric power networks,
- considering that strengthening the dialogue between the European Union and the Mediterranean countries will enable a coherent energy policy to be defined and will permit the forging of a genuine partnership which, among other things, could be organized in the form of institutional meetings, whose periodicity remains to be determined, and would help to reinforce co-operation with regard to technological research and development,

propose determining, on the basis of this dialogue, priority action in the following fields:

- the development and improvement, with due consideration for the environmental aspect, of electric power and gas interconnections across and around the Mediterranean basin, and their extension to neighbouring countries;
- heightening co-operation in the production and use of the region's energy resources, especially through greater reliance on gas and renewable energies, without forgetting the development and exploitation for energy purposes of wastes;
- establishment of an investment guarantee system to facilitate the development of project funding;
- fostering specific methods for funding projects, such as domestic networks, that are essential to the socio-economic development of the South and East countries;
- furthering the electrification, on or off network, of city fringe and rural areas by the use of specific or renewable forms of energy (solar power, wind power...);
- stepping up exchanges of knowledge and know-how and technological and industrial co-operation, especially in the fields of energy-related standardization, materials and equipment quality and the manufacture of energy-related capital equipment;
- active support for action aimed at managing energy and protecting the environment, in particular through use of the most appropriate technologies and urban energy planning;
- closer co-operation regarding training and technological research and development;
- introduction of various accompanying instruments;

call for modernizing the management of certain forms of energy by:

- on the consumer side, instituting truth in sales pricing as soon as this is socially practical, and hence making provision for transitional phases;
- on the production side, having full recourse to "BOT" (Building, Operating, Transfer of production units) and assigning priority to hydroelectricity in the East Mediterranean countries and to use of gas where it originates in the region;
- setting up a guarantee scheme binding on the partners;
- making certain of the feasibility and economic usefulness of regional and interregional interconnections, which are profitable and relatively inexpensive;
- leaving these regional interconnections to be paid for by the countries concerned: in certain cases, the European Union could make a financial contribution; in other cases, it would be preferable to defer support for them; in any event, their economic usefulness should be carefully verified;
- placing distribution infrastructure within the framework of the consumer's right of access to electricity; its financing is typically national and local; its construction necessarily gradual;

- give encouragement, so as to meet investment requirements, to:
- precise definition, where strategic investment in both energy production and transit is concerned, of the terms of association with the European Energy Charter Treaty — given that certain countries are already signatories or observers — while leaving open the possibility of gradual progress towards full membership;
 - continuing revision of restrictive regulations, and to the stability and intelligibility of legal frameworks, all of these being factors likely to facilitate flows;
 - introduction of a comprehensive companies Act guaranteeing respect for contracts; enforcement of arbitration clauses providing for recourse to an international court of arbitration, and hence to implementation of the rules of a jurisdiction which is itself international, all of these being factors in the creation of a climate suited to foreign investment;
 - intensification of already existing co-operation, especially in the fields of improved energy efficiency, the development of renewable energies, the petrochemical industry and capital goods production; SMEs and SMIs could play a decisive role in these fields;
 - development of specific types of aid such as the European Community Investment Partners (ECIP) programme.

2. Water

The representatives of the Social and Economic Councils or similar institutions,

- insisting on the importance of water, its scarcity and its vital character,
- fearing aggravation of the semi-aridity of the Mediterranean rim countries during coming years,
- considering that management of water and sources of supply is a major issue for the South and East Mediterranean regions,
- making the distinction between renewable resources (rain and river water) and “fossil” water,
- noting that economic development entails a sharp increase in water consumption in certain sectors of the economy (agriculture) and by the population at large (resident and/or tourist), an increase which is all the more marked in that it is often accompanied by heavy population growth and a rise in the number of city-dwellers, whose specific consumption is greater than that of rural dwellers,

decide that, given the extreme importance of the problem and so as to take into account the work which will be done during the Euro-Mediterranean Ministerial Conference to be held in Marseilles on 25 and 26 November 1996, it is preferable to devote a monograph to the subject; the monograph could pursue the lines of thought sketched out in the report on energy and reflect the positions of all the parties concerned.

concerning MIGRATION FLOWS

The representatives of the Economic and Social Councils or similar institutions,

- considering that the establishment of a free-trade area is liable to have widespread repercussions on population movements within the area and, furthermore, that the issue of migration flows cannot be studied in isolation but must be viewed in the context of a free-trading society;

- observing that the presence of immigrants is a very positive factor in Euro-Mediterranean social and economic integration,
- stressing the need for the support of the different actors involved as regards perfecting the mechanisms for optimizing the human resources represented by immigrants,
- noting the widening gap between a South and East Mediterranean experiencing high population growth (+ 2.3 per cent approximately per year) and a European Union where birth rates are declining or almost stationary (+ 0.4 per cent per year) and that this distortion, along with growing disparities in income, creates an attraction of excess population towards countries happening to be more developed,
- regretting that economic growth cannot create enough jobs to absorb an abundant working age population which, in certain countries, constitutes a large migration potential,
- considering that the overriding need is to generate the conditions required (job creation) for keeping potential migrants in their own countries,
- observing that the measures to be taken cannot be limited to a simple opening or closing of borders outside of any concerted policy, and that joint economic and social accompanying measures, sometimes far-removed from purely demographic concerns, must be envisaged,
- emphasizing that any policy for regulating migration flows must be accompanied, in the source country, by action on behalf of development and education, in co-operation with the receiving countries,
- stressing that such a policy must be conducted with respect for the human dignity of the people who leave their country and of those who receive them,

affirm the principle of equal opportunities for immigrants and the citizens of the Mediterranean countries;

propose:

- accompanying the action designed to influence demography with economic and social action: reciprocal measures concerning the establishment of enterprises, especially in the European Union countries; co-operation among the various kinds of company, to include outsourcing arrangements;
- encouraging entrepreneurial spirit and respect for work in all countries, in order to stabilize their populations;
- developing means of financing on behalf of emigration countries, in particular by reducing interest rates charged;
- asking the emigration countries to respect a "social clause" in their development process;
- facilitating training for migrant populations so that their integration in the host country takes place in the best possible conditions and, where appropriate, return training geared to the creation of local activities which provide jobs;
- adequately informing potential immigrants about employment prospects and the labour and social security legal and administrative requirements to be met in the receiving country;
- envisaging progressiveness in the length and terms of validity of visas (one year, two years and finally four years) for migrants, in addition to social and cultural measures;
- backing, country by country, measures for facilitating population exchanges and individual travel within the framework of economic and cultural relations (e.g. promoting and harmonizing the granting of long-term visas depending on population category, and harmonizing visa granting conditions by applying the most favourable terms to South and East Mediterranean country citizens);

- ensuring that legal immigrants benefit from all the rights provided under the law and do not suffer from discrimination because of their origin;
- combating traffic in manpower by establishing common norms harmonizing the relevant sanctions in European Union member States;
- drafting a "Joint Euro-Mediterranean Charter on the Rights and Obligations of Immigrants";
- urging the Commission of the European Communities to take account of migration as an integral part of Euro-Mediterranean partnership;
- urging the governments of the European Union, in concert with the other governments concerned, to take full stock of migration realities and to imagine practical and innovative solutions, for example, within the framework of multinational agreements;
- asking the European Parliament to create budget lines for developing practical action to create better conditions for managing flows.

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The representatives of the Economic and Social Councils and similar institutions, particularly those who worked with the preparatory group, consider that they have had an opportunity for trying out practical working methods among themselves. They view this experience as positive and propose continuing in future years with the method consisting in having their assemblies work in line with their internal procedures, but facilitating intercommunication of ideas and information and organization of discussions among commissions belonging to different Economic and Social Councils. This meeting could precede the interministerial follow-up conference.

The texts voted by the assemblies in accordance with their procedures allow the social and economic actors to become more deeply aware of the Euro-Mediterranean dimension. It is, of course, understood that our annual summit has sovereign authority in taking its decisions.

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The representatives of the Economic and Social Councils and similar institutions unanimously accept the offer of the *Conseil national de la jeunesse et de l'avenir* of Morocco to organize the 1997 Summit.

The preparatory group shall comprise, in addition to the Economic and Social Committee of the European Union, the Economic and Social Council of Portugal.

It shall naturally take the greatest heed of the experience of Councils which have organized a Euro-Mediterranean summit.

The themes selected as subjects for monographs are:

- *water and desertification* (institutions particularly concerned: Morocco, France, Turkey) ;
- *the creation and development of a fabric of small and medium-size enterprises on both sides of the Mediterranean, and their co-operation* (institutions particularly concerned: Portugal, Spain, Italy, Morocco);

- *the role of the social partners in the implementation of social measures (notably vocational training) to back up the development and upgrading of economies (institutions concerned: European Union, Algeria, Greece).*

There is also a case for further developing the study of migration flows (perhaps by founding a Euro-Mediterranean observatory of migration flows, setting up data banks, conducting pilot experiments in the management and accompaniment of flows...).