

THE EUROPEAN UNION AND THE MEDITERRANEAN COUNTRIES: PROJECTS, INSTRUMENTS AND PROSPECTS FOR EURO-MEDITERRANEAN CO-OPERATION

ALESSANDRO MORSELLI

The article concentrates its analysis on the policies of co-operation and development of the European Union in the area of the Mediterranean based on an economic and political approach in order to strengthen cohesion, the Euro-Mediterranean partnership and peaceful neighbourly relations. Programmes to broaden resources have been worked out to reach these objectives. However the effective distribution of resources, of both the structural funds and of the MEDA programme, has been much less than what was promised, showing a weakness in the absorption of the supplied resources. In general, notwithstanding the support policies put into place the difference in income of the member states of the EU compared to the countries of the Mediterranean remain constant. Substantially, economic growth and financial co-operation have proposed a "low-profile strategy" from the EU to ensure security and stability. This has led to the proposal for a Euro-Mediterranean Bank in order to create a place where European people and those of the Mediterranean can work together with equal dignity for a common project. In addition it would be wise for the neighbouring countries, in the process of realizing reform, to fully participate in our common policies (research, foreign and security policy), differing the approach depending on the base needs of the individual country. Today the European Union represents the first economic world power, serving the biggest market and with a currency which is constantly progressing as a reference point of global exchange. Yet to fully ensure this, it needs the contribution of the Mediterranean countries. Europe must concentrate all of its force to create an area where, despite the differences between the various countries, they can live peacefully with each other and this is only possible if the ideas and values of peace, democracy and solidarity are able to attract a greater number of individuals.

1. Introduction

Nowadays, the differences in the level of economic development in the Mediterranean countries are more marked compared to that of the middle of last century. The best indicator to represent the level of development is the product per capita. The product per capita of Italy and that of France are 7-8 times greater compared to that of Syria; 6-7 times as big as those of Morocco, Jordan, and Egypt; and 4-5 times those of Algeria and Albania.

Not only historical and cultural relations between Europe and the Mediterranean have a bearing on security but also economic ties.¹ Therefore, it would represent a strong threat to the stability of the Mediterranean area and particularly to Europe if these notable differences in economic development were to remain. Yet at the same time there are economic reasons which lead us to consider the Mediterranean countries as important partners to whom we should give privileges. The challenge of the next decade is to trigger a circle of greater investment, commercial growth and exchange within the economies of the Mediterranean in order to promote a similar scenario to that which has characterized the integration of the eastern members of the European Union. Italy in particular would be affected if such integration was to be attained, as it is the nation which would have the greatest advantages and which would risk paying a higher price in the event of failure.

It has been recorded that in the last few years the geo-economical directives and strategies of Europe have especially benefited the East, but it appears that in the next ten years the balance will need to be redressed, developing the Euro-Mediterranean axis and thus restoring to our country and those of Mediterranean Europe an economic equilibrium otherwise offset by the process of expansion.

In reality, the cohesion and neighbourhood policies of the European Union have the objective of favouring the co-operation and the development of the regions which make it up and of promoting economic relations of free trade and co-operative political relationships concerning human rights and the consolidation of democracy in the countries bordering the Union.

¹ Prodi R. *La mia visione dei fatti, cinque anni di governo in Europa*, Il Mulino, Bologna, 2008, 49-57.

In the last few years the economic trend of the Mediterranean countries has not given satisfactory results, despite the global economic scene having witnessed a strong phase of expansion in 2003, with taxes increasing by around 4-4.5 percent, similar to those of the year 2000, the last year of global economic growth. Such development has especially affected specific areas of some countries (in the USA and Asia), and in particular China and also Japan who today, after ten years of stagnation, are seeing a high growth in taxes. This situation has most weakly affected Europe, engaged in its attempt to hook the international recovery in progress. The greater Mediterranean area (the extended Mediterranean from the Middle-East and North Africa), after the difficulties of 2001-2002, has now returned to record growing interest rates around 3.5-3.8 percent. It is certainly necessary to remember that this data is a record of the average and could therefore hide a broad distribution in the growth dynamic of certain single countries; the most relevant differences are recorded especially in the oil producing nations in the area of the Mediterranean and the consumer countries, seeing as the price increase of petroleum has somewhat helped the former. If we analyse the single economies which make up the partnership between Europe and the Mediterranean, relatively varied growing taxes are revealed in the most recent period. The area of Maghreb (Algeria, Morocco, Tunisia) has consequently had notable results. Algeria has enjoyed the positive follow-on effect of oil price increases; Morocco and Tunisia have benefited from improvement in the farming sector, from export and from tourism, which has showed a positive trend, despite the crisis in Iraq and the dramatic circumstances of the war.

While the countries of Machrek such as Lebanon and Egypt have recorded a relatively lower tax growth rate, it can be confirmed that the differentiation in the expansion dynamics has been the most relevant characteristic of the Mediterranean area in recent years. When speaking about these countries it is important to note that there is a lack of consistency and therefore, if one were to evidence the difference in the socio-economic character² it would be to identify the sub-group of countries as much as the sub-regional areas.

² Leonardi R., *Cohesion policy in the European Union: the building of regions*, London, Palgrave, 2005; Mairate A., *The added value of European Union cohesion policy*, «Regional Studies», n. 40, 2006, 167-177.

In recent years, a painful slowdown of both the process of liberalization and reorganization has been noticed in the Mediterranean countries. This situation represents a serious problem, because it would seem to suggest that a lot of difficulty and obstacles are yet to present themselves and be overcome. In regards to which, it may be useful to remember two big issues: principally the low growth and deficits in the balance of payments.

Where the first problem is concerned, even if the mean growth dynamic of 2003-2004 is positive, it has been attested on levels that are still too low, that is to say between 3 and 3.5 percent. Such percentages are still too low to resolve one of the two fundamental problems for the Mediterranean, which is the growth demographic. Therefore an increase in the working population and of the active work force, could be realized in the next few years only by elevating tax growth in the aforementioned area. Taxes around 3-3.5 percent are just sufficient to maintain stable present employment rates (given the increase in productivity) and would be absolutely inadequate to satisfy the predicted increase in the labour force which these countries have to face in the next 10-15 years. The population of under 15 year olds is around 80 million young people; today the labour force is around 70-75 million, which means to say that it is on average a doubling of this catchment area. In the light of elaborate estimates, it is fundamental to create 34 million new jobs to maintain tax on the active population at the present level.

It is easy to conclude that the cited figures are enormous and give some idea of the level of difficulty in giving concrete predictions. Taxes with an increase of about 6-7 percent will be necessary to satisfy this type of demographic growth and of working population, which means to say double the present average dynamic as far as it concerns the whole area. Consequently, the current dynamic is not capable of absorbing the working population it will have in the next few years. It is important to note that this problem will have heavy repercussions even in Europe.

As far as the second issue is concerned, the growth will see an increase if the aforementioned nations are able to solve their balance of payment problems. It is a proven point that an emerging economy shows deficits, since it purchases a lot from abroad in comparison to what it is able to sell. Therefore, it is reasonable to think that the Mediterranean countries have trade deficits. The main issue is therefore how to cope with this inherent problem. In

most of the Mediterranean countries this is covered by entries which fluctuate a lot, since they depend on the economic cycle; for example those linked with tourism and the direct remittance of emigrants³.

Although relevant, these entries are not sufficient to stabilise the economies unlike that which has happened in Eastern Europe during the last decade. For these countries, it was the direct foreign investment from Western Europe and other parts of the world, to address the deficits in the balances of payments in Eastern Europe.

For the Mediterranean area, there are not positive signals which indicate the possibility of a lever action on an influx of this kind. Therefore it is necessary to face the problem of how to increase foreign direct investment (FDI) which will be able to create new businesses or boost existing ones. In recent times there have been brighter and more positive signs that show an increase of FDI in the Mediterranean. Nonetheless, if we were to do a comparison with Western Europe or South East Asia we would see that these increases, although positive, are still very much inferior to the strongly supported trends which have made their mark on these areas of elevated growth. Besides, it is worth remembering that even the great policy of co-operation of Europe towards the Mediterranean has not been able to correct the low attraction of the latter for European investors. While American investment has been shown to be far more dynamic, almost double the investment from Europe⁴.

In summary we can confirm that the politics of European co-operation around the Mediterranean has given poor results, as for the changes in the existing trends, but it is also true that if what is really desired is a future reversal in the trends, most of the effort needs to come from countries in the south of the Mediterranean. If we consider the differences of dynamic of institutional and

³ Ferragina A.M., *Gli indicatori sociali. Povertà e sviluppo umano, occupazione e produttività*, in Rapporto sulle economie del Mediterraneo, a cura di Malanima P., Il Mulino, Bologna, 2006; Agènor P.R.-Nabli M.K.-Yousef T.-Jensen H.T., *Labour market reforms, growth, and unemployment in labour exporting countries in the middle east and north Africa*, World Bank, Policy Research working paper, 2005.

⁴ Carli M.R., *Il commercio e gli investimenti diretti esteri. Il futuro del settore tessile e dell'abbigliamento nell'area del mediterraneo*, in Rapporto sulle economie del Mediterraneo, a cura di Malanima P., Il Mulino, Bologna, 2006.

reorganization reform between countries of Eastern Europe and the nations of the Mediterranean area, they also favour the former.

In the last four years there has been a strong slowdown in the structural changes of the Mediterranean countries; while it has been shown that the participation of the countries in the eastern European Union has favoured the process of structural change. Therefore having the awareness to increase tax growth, to increase the ability of attracting DFI and to reform the economy and the domestic structures have been competing tasks especially in the Mediterranean countries. It is also true that for security reasons, political strategy and above all the economies, the intervention of Europe and of Italy, which is considered the golden point of the Union where the policies of the Mediterranean are concerned, are indispensable.

2. Origins and evolution of European Union policies

The Mediterranean and the Middle-East represent an important strategic area for the European Union⁵. Since the 1960's, the European Community has been working out plans of regional co-operation and economic integration in different European countries. In 1985, with the internal market and the integrated Mediterranean programs, the politics of development in favour of the member states of the Mediterranean started to operate through the structural funds, not only with the national governments but also with regional authorities. The politics of co-operation with the south shore of the Mediterranean countries are the only concerned assistance called MEDA (Euro-Mediterranean partnership).

Thus, at the end of the 1980's, the European approach of co-operation and of development in the Mediterranean area was affected by the existing separation between the internal economic affairs and geo-political questions concerning matters outside of the European Community. During the Cold War period, the presence of the Soviet block in the East and of the Arab countries who had started to take part in Atlantic influence shaped the intervention of the European Community where the South Mediterranean was

⁵ Bonaglia A.-De Luca V., *La cooperazione internazionale allo sviluppo*, Il Mulino, Bologna, 2006, 71-75.

concerned. The tools of financial help were directed both to the community countries and those who did not form part of it. For the member states, these were structural funds⁶ for internal regional cohesion programs addressed to Italy, France, Greece, Spain and to Portugal; for the non-members there were the programmes called MEDA for the Mediterranean countries and the Middle-East, Egypt, Israel, Syria, Jordan and the Palestinian authority.

It was only after the fall of the Berlin wall, that the European Union took interest in the eastern countries and those of the Mediterranean area, like Slovenia, Croatia, the west Balkans, Turkey, Malta and Cyprus. Since the 1990's, the politics of European co-operation have developed in three different approaches:

- 1) The structural funds for the Mediterranean regions that form part of the European Union.
- 2) The bilateral national and regional assistance for development of the countries on the south shore of the Mediterranean;
- 3) Transition help with regard to the market system and the status of rights in the eastern countries to accelerate their entrance into the European Union or to meet the entry

⁶ With the reform of 1987 and the Maastricht Treaty of 1992, the structural funds allow the EU to deliver finance to solve structural problems at a regional level. The European Regional Development Fund (ERDF) has the aim of promoting economic and social cohesion in the EU through actions aimed at reducing the disparity between regions or social groups. The European Social Fund, the main financial device, allows the Union to stabilize strategic objectives in its employment policy. The European Agricultural Guidance and Guarantee Fund (EAGGF) contributes to structural reform in farming and to development in rural areas. The European Fisheries Fund is the specific fund for structural reform in fishing.

The funds are used to reach the following objectives:

Objective 1: To promote the development and structural adequacy of the regions which are economically less advanced, in particular in regions which have a per capita income of less than 75 percent of the European average. Objective 2: To sustain economic and social conversion in the areas which show a poor productive levels and capacity. Objective 3: To concentrate efforts on the adequacy and the modernization of national and European policies in the areas of employment and education (Fauri F., *L'integrazione economica europea 1947-2006*, Il Mulino, Bologna, 2006, 270-276).

conditions for the potential candidate countries⁷. Nonetheless, policy of direct co-operation in the whole of the Mediterranean area still missing, meaning that the Mediterranean as a system formed by different regions and economies is tied by commercial, cultural and political means.

It was only in 1995 with the "Barcelona Declaration" and the creation of the Euro-Mediterranean Partnership⁸ that economic integration of the countries of the Mediterranean area through the creation of a free exchange zone has become a priority on the political agenda of the European Union. The horizontal integration (south-south) proposes the task of favouring the bilateral action (north-south)⁹. It did not want to substitute the previous initiatives and it divided itself into three chapters: peace and stability; economic and financial collaboration; social problems, cultural and human rights. Every charter was given the same level of importance, in order to tie the commercial and financial relations to the applications for political reforms. It was only in 2003 that an acceleration of the European strategy concerning the Mediterranean happened. The Euro-Mediterranean Partnership was inserted into the European Neighbourhood Policy with non-member states¹⁰. With the expansion in 2004 and 2007¹¹, the external

⁷ In reality, the only candidate for membership in the Mediterranean area is Turkey. Croatia, Serbia, Montenegro, Albania and the former Yugoslavia are potential candidates.

⁸ The 12 partner states of the EU in the Mediterranean are Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey.

⁹ Regards the agreements of the Euro Mediterranean between the EU and the Mediterranean partners, as well as the free trade agreements between the Mediterranean countries which were working to increase horizontal integration and that should have assisted complete commercial liberalization.

¹⁰ The Mediterranean countries which are candidates for accession to the EU are not included in the policy: turkey, the western Balcan countries (Croatia, Serbia and Montenegro, Bosnia-Herzegovina, Albania and Macedonia). To participate in the EU the western Balcan countries have to satisfy the Copenhagen criteria put into force by the summit of 1993. In reality their relations with the EU are regulated by the "Stabilisation and Association Process", in order to develop a new type of contractual relationship with these countries. (<http://europa.eu/scadplus/leg/it/lvb/r18003.htm>).

¹¹ Morselli A., *Storia dell'Unione monetaria europea*, Cacucci, Bari, giugno, 2007, 103-115.

confines of the European Union extended east as far as Russia and south as far as Malta and Cyprus, increasing the importance of the Mediterranean strategy. In such a scenario the European Union has the objective of supporting the co-operation consolidated in the last ten years after the Declaration of Barcelona, forming the prospect of accessing internal markets for the neighbouring countries¹². In which respect, the members have been urged to work out substantial political and economic reforms. The European Union has sustained these reforms forming financial, technical assistance, ensuring the opening of the markets and favouring access to community programs. We are in the presence of an important and significant change in the support of economic integration, an accord that the countries of the south Mediterranean are able to let their merchandise circulate freely in the Euro-Mediterranean zone¹³.

3. Financial influx and institutional aspects of Union policies

The influx in European Union expenses for co-operation and development, especially in Portugal, Spain, France, Italy, Greece, Cyprus and Malta (structural funds, cohesion funds) were planned for those of the national government as well as regional authorities. Despite which, the amount of resources is modest in relation to the Union's PIL (less than 0.5 percent), the resources are especially aimed at helping the regions with the lowest PIL per capita. In the period between 2000 and 2006, almost three quarters of the structural funds were directed to the regions in which lived a quarter of the EU, that is to say Italians, Greeks, the Spanish and

¹² Since 2007, with the European Neighbourhood Policy, a new financial instrument named 'European neighbourhood and Partnership Instrument has been introduced which will use a unique line of balance to intervene both internally and externally of the EU. Through the action plans each partner shows the level of priority for intervention based on its geographical position, on its economic situation and policies and on other specific circumstances.

¹³ Marengo A., *La sfida della politica europea nel bacino del Mediterraneo*, in «DIREonline», n. 27, 2004, www.direonline.it; Marra M., *Il settore pubblico*, in *Rapporto sulle economie del Mediterraneo, 2007*, a cura di Malanima P., Il Mulino, Bologna, 2007.

the Portuguese with a per capita income of less than 75 percent of the European average.

During the 2000-2006 period, the transfers to the regions of objective 1 of the Union 15 states have reached 127.5 billion Euros (18.2 billion Euros per year), the precise measure is 0.9 percent of the PIL in Spain, 2.3 percent in Portugal and 2.2 percent in Greece. The estimate suggests that such transfers amount to around 9 percent of the total investment in Portugal, 1.8 percent in Greece, 7 percent of the South of Italy and 3 percent in Spain. Nonetheless, it has been recorded in Spain and Italy that the spending of the structural funds of the 1994-1999 period was less than the level of the 1989-1993 period¹⁴.

As shown in Table 1, the effective supply of the funds is less compared to the commitments made according to the seven year scheduling. The low capacity of absorption of the community resources by the member states of the Mediterranean in the 1994-1999 scheduling period is to be charged, to the community supply procedures, as well as to the administrative dysfunctions and the inefficiency in spending operations of the regional and national institutions¹⁵.

The European Union has worked out a series of instruments and programs to activate its policies in the Euro-Mediterranean regions: The Euro-Mediterranean Partnership and the MEDA program, the ECIP program (European Community Investment Partners) for the small and medium sized businesses (PMI), the MEDA-democracy for the promotion of human rights, LIFE- third countries¹⁶.

The Euro-Mediterranean Partnership is based on a project of co-operation and of integration between the regions and it has the goal of creating a free trade area. The spirit of the co-operation is

¹⁴ Commissione europea, *La strategia di crescita e occupazione e la riforma della politica di coesione europea*. Quarta relazione intermedia sulla coesione, Comunicazione della Commissione, Bruxelles, giugno, 2006.

¹⁵ Hooghe G.-Marks L., *Multilevel governance and European integration*, Oxford, Clarendon Press, 2001; Roberts P., *Partnership, programs and the promotion of regional development: an evaluation of the operation of structural funds regional programs*, in <<Progress in planning>> n. 59, 2003.

¹⁶ Cardella C., *Strumenti, iniziative e programmi per la cooperazione euromediterranea*, in *Mediterraneo 2010*, a cura di Angelini A., Carocci, Roma, marzo, 2007.

TABLE 1

Structural funds: absorption capacity for the aim and for the EU Member State, 1994-1999

		Greece	Spain	France	Italy	Portugal	EU
15							
Objective 1	Commitments (%)	99	99	98	100	99	99
	Payments (%)	73	82	67	67	89	78
Objective 2	Commitments (%)	–	94	100	101	–	97
	Payments (%)	–	68	64	51	–	60
Objective 3	Commitments (%)	–	100	99	100	–	100
	Payments (%)	–	89	79	63	–	80
Objective 4	Commitments (%)	–	100	100	100	–	100
	Payments (%)	–	89	71	52	–	69

Source: European Commission, Dg Regio, 2005

based on geographical proximity, but also historical and cultural likeness in the areas which overlook the Mediterranean¹⁷.

The partnership has been developed to coincide with the Barcelona Conference which reunited the 15 foreign ministers of the member states of the EU and those of the following twelve Mediterranean third countries (MTC): Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Syria, Tunisia, Turkey and the Palestine Authority, on the 27th and 28th of November 1995. At this meeting the twenty-seven participating countries unanimously adopted a declaration and a program of work. The Euro-Mediterranean Declaration defines a multilateral sphere of co-operation which associates economic aspects and those of security

¹⁷ Jalal H-Sayeh I-Sabri A., *Il Progetto di creazione della Zona di libero scambio fra i paesi arabi mediterranei*, Documento di lavoro, n. 74, Ministero dell'Economia del Marocco, Dipartimento di Economia, Finanze e Privatizzazione, 2002.

and also includes a social, human and cultural dimension. The participants showed their willingness to overcome the classic bilateralism which has characterized Euro-Mediterranean relations for a long time, putting them into a new dimension built on supportive global co-operation.

The Euro-Mediterranean Partnership functions in three fundamental parts: the political partnership and that of security, which aims to create a common zone of peace and stability: the economic and financial partnership which means to allow the creation of a shared prosperity zone: the social, cultural and human partnership which means to develop human resources and favour intercultural understanding and exchange between civilized societies.

To summarize, we are in the presence of a political pact between the European Union and the countries of the Mediterranean, which claims to favour the south with the relations which the EU had created with the East from 1989. This is based on a series of initiatives which cover various sectors. Between the most relevant: the bringing together of economic policy, active processes in sectors of industry, of telecommunications, of energy and of water: the support of networks of Euro-Mediterranean co-operation aimed at favouring the free exchange of knowledge (industrial federations, economic institutes, chambers of commerce, banks etc) the co-operation in the field of statistics; the co-operation between civilized societies (universities, professional associations, non governmental bodies) the cultural co-operation which has as the objective the recognition of reciprocal traditions and the development of a cultural dialogue, the effort of the creation of a peaceful and stable zone by the identification of a certain number of principles to respect and goals to aim for.

To carry out its actions the partnership uses considerable financial means, set down by the European Council of Cannes in June 1995 for the period ending 1999. The MEDA program had as its first juridical base the regulation of MEDA of 1996 (regulation CE n. 1488/1996 of the Council of the 23rd July 1996) which included the period from 1995 to 1999 which rendered it with a balance of 3.435 million Euros. With the new regulation CE n. 2698/2000, improved version of the previous, it constituted the MEDA program for the 2000 to 2006 period adopted in November 2000. The new program had an endowment of 5.350 million Euros. The

main objectives and areas of the intervention exactly repeat those of the Declaration of Barcelona in 1995. This program includes assistance of free grant which come from the community balance (4.685 million Euros) it is an amount similar to loans of the European Investment Bank (EIB) as far as it concerns free grants, the most important part is covered by the MEDA program.

After the Barcelona conference of 1995 other Euro-Mediterranean conferences were held by the foreign ministers: Malta in April 1997, Stuttgart in April 1999, Marseille in November 2000, Brussels in November 2001, Valencia in April 2002, Naples in December 2003, Luxembourg in May 2005, Barcelona in November 2005. During the conferences the ministers have always demonstrated their efforts for the full realization of the partnership and the realization of the strategic goals set in Barcelona, in order to create an area of peace and stability and development in the Mediterranean regions.

In April 1999, a Euro-Mediterranean peace and stability charter was proposed. This project imposed a stronger political dialogue, as well as the progressive development of the measures aimed at consolidating the partnership, good neighbourhood relations, regional co-operation and of preventive diplomacy. The aim of the dialogue was that of preventing tensions and maintaining peace and stability by co-operating on security matters. Therefore, the foreign ministers met in Stuttgart having ordered a group of high-ranking officials to prepare a global calendar to schedule meetings ad hoc, with a view to completing the details of the charter. However, the project had a negative impact due to the growing tensions in the Middle-East; as a result the ministers took the decision to postpone adopting the charter at the Marseille Conference in 2000.

It was only during the fifth conference held in Valencia on the 22nd and 23rd of April 2003 that the political dialogue regarding co-operation in the fight against terrorism was adopted.

On the subject of an economic and financial partnership, the conference saw that four countries involved in the Agadir process¹⁸ (Morocco, Tunisia, Egypt, and Jordan) were in agreement about

¹⁸ Sijilmassi F. A., *The Agadir FTA, investment in North Africa and the Barcelona Process*, Communication to corporate and PBA members S22/04 The European Policy Centre, 2004.

creating a free trade zone, that was to commence at the start of 2003.

As far as the social, cultural and human partnership is concerned, the conference worked out a document of description concerning co-operation in the areas of justice, the fight against drugs, organized crime and terrorism, and concerning the co-operation on inherent questions of social integration of migrants, the migration and circulation of people. The ministers agreed to create a Euro-Mediterranean foundation, in order to promote a dialogue between cultures. In addition, a program of action in the same area addressed at young people, education and means of communication was approved.

The ECIP program aims to build a joint venture between small and medium sized businesses in the Mediterranean countries, in Latin America, in Asia and in South Africa. This program predicts four steps: identifying project partners, studies of workability, coverage of investment risks for countries on the way to development, formation and technical help in the running of the joint venture.

The MEDA democracy program has the goal of creating a co-operation which promotes human rights and the development of democracy in the partner countries of the Mediterranean. It was created by the will of the European Parliament in 1996 and predicts funding of non-profit associations, Universities, centres of research and public bodies, to create projects which aim to advance democracy, freedom of expression and association and to protect specific groups of society, such as women, young people and minorities. The financing of these projects can be pushed as far as 80 percent of their total costs.

As far as the LIFE program is concerned, its aim is that of activating measures of technical assistance and pilot schemes in the third countries in the following areas: technical assistance for the putting into place of the administrative structures necessary in the field of the environment and for the development of environmental policies and action plans; conservation and recovery, from the point of view of environmental protection, of important habitat which host endangered flora and fauna; pilot schemes to promote sustainable development (sum available 1996-99 36 million Euros).

Finally, for the partner countries of the Mediterranean, lines

f budget from the EU are available which are open to non-governmental organizations (NGO) in the areas of direct assistance, food assistance, humanitarian and emergency assistance, human rights and decentralized co-operation¹⁹.

.. Europe and Italy in the Euro-Mediterranean Partnership

The countries of MEDA have a population of about 240-250 million inhabitants and with an aggregate PIL that is not higher than 4 percent of the European PIL. Europe represents a notably important partner for these countries. The market share of Europe in the area of the Mediterranean countries is around 50-60 percent. These countries export substantially towards Europe and buy between 70 and 80 percent of their imports and exports from Europe.

Therefore, the inter-trade structure moves around Europe. It is clear that its composition is based on old style international business, which is addressed at energy products of the manufacturing industry, but with weak involvement of intermediate products and those which come from links with productivity integration within businesses and territorial systems with coasts in the Mediterranean. Whereas international commerce which links the trade between the European Union and Eastern Europe is strongly supported by links with productivity integration, which have been reinforced in recent years between the businesses of the West and those of Eastern Europe; in which case it is possible to see the differences between East Europe and the Mediterranean gain. Between the two coasts of the Mediterranean there is still business between independent producers in the areas which autonomously produce goods and they trade them on the basis of comparative predetermined advantages. Remember that a quota too relevant to international commerce is linked today with foreign

¹⁹ Commissione Europea, *10 Years of Barcelona process: taking stock of economic progress in EU Mediterranean partners*, European economy, Occasional papers, n. 17, Bruxelles, aprile, 2005; Martin I., *In search of development along the southern border: the economic models underlying the Euro-Mediterranean partnership and the European neighbourhood policy*, LmLmBridging the Gap: the role of trade and Fdi in the MediterraneanLmLm, Napoli, 8-9 giugno, 2006.

direct investment, to the practices of outsourcing and of productivity fragmentation and hence to the formation of networks of businesses that develop on an international scale²⁰. Such types of outsourcing are also increased in the Mediterranean, but in very weak terms in comparison to other areas.

Given the awareness that Europe represents a relevant partner in consequence Italy has become an important partner for the Mediterranean countries. Our businesses have shown a strong interest in the countries of the MEDA, in fact the commerce between them in the last few years has increased significantly. Certainly, the increase in the dynamic nature of the commerce concerns north and central Italy substantially in the sector of exportation: The exportations north-west are 40 percent of the total of Italian ones around the MEDA area, whereas those of the South are around 14-16 percent. All this aside, as far as it concerns the situation for importation it is inverted: the purchases of the north amount to 40 percent, while those of the south reach 50 percent.

From the above scenario it is clearly evidenced that notable economic interest exists in Europe and Italy towards the countries of the Mediterranean. For some years Europe has been engaged in the policies of the Euro-Mediterranean Partnership, to pursue economic objectives, policies and strategies. Certainly it is clear that some results, even some important ones have been created, but on the whole these have not been satisfactory up to date. Economic relations between Europe and the Mediterranean propose traditional situations which are too tied to the past and inadequate to create significant external repercussions. These economic ties have not developed a profitable cycle and a dynamic growth of direct investment, growth in productivity, integration and therefore an increase in productivity which the European Union has on the other hand developed in central and Eastern Europe in the last decade. It is necessary to accelerate the commercial liberalization between Europe and the Mediterranean within these economic areas. There is still a lot of work to do as far as the abolition of price barriers, the ratification of agreements on liberalization are happening too

²⁰ Kenen P.B., *Economia internazionale*, Il Mulino, Bologna, 1967, 17-85; Falcone F., *Commercio internazionale e integrazione europea*, Il Mulino, Bologna, 1990, 19-218.

slowly and 2010 – the predicted date for entry into enforcement of the free trade zone – is at risk of becoming a deadline that is too difficult to reach. Hence more incisive proposals of liberalization from Europe towards the Mediterranean and within it are needed.

Another area where intervention is needed is in legal certainty of the rates and norms which interest the relations between the two shores of the Mediterranean. Investors must move on a normative sphere which is certain and reliable; the greatest problem is not that of harmonization but of applying decisions. It is only in application that the most relevant inefficiencies are revealed.

In addition, it is necessary to improve the connections between the North and South of the Mediterranean, creating a system of articulate and efficient transport²¹. The businesses should be put into more favourable conditions in order to motivate investment and productive integration between them. Another area where intervention is needed is that of the financial, energy and telecommunications services. Substantially these services present a large handicap, segmentation and protection in the area of the Mediterranean, constituting a major obstacle to development of the new type of productive integration.

The base level of foreign direct investment and the little opportunity for productive integration represent two of the main obstacles to economic development in the partner countries of the Mediterranean. Europe in today's climate is little equipped to develop productive investment in the private sector. In order to favour a greater productive integration between the two shores of the Mediterranean incentive instruments and ease of investment must be improved, creating a new series of investments which will allow mobilization of the relationship between the public and the private²².

In addition renewing the policies of European co-operation has characteristic motivations which are more general: in the first place,

²¹ Jentsch D.M., *Transport policies for the Euro-Mediterranean free-trade area. An agenda for multimodal transport reform in the southern Mediterranean*, World Bank technical paper n. 527, Washington DC, World Bank, 2002.

²² Acemoglu D.-Johnson S.-Robinson J.A., *Institutions as the fundamental cause of long-run growth*, in *Handbook of Economic growth*, a cura di Aghion P.-Durlauf S., North-Holland, Elsevier, 2005, 1, 385-472.

it helps to avoid the fact that Europe, after the enlargement of 2004 continues to face only eastward; in the second place Europe does not enjoy a monopoly situation in agreements with the Mediterranean countries anymore. In reality it is the USA, since the dramatic Middle-east situation, which has favoured initiative towards the Mediterranean area in order to construct a free trade area between the USA and the Middle-East. The USA has shown intention to proceed in a different way compared to Europe, sustaining bilateral relations and starting to stipulate agreements with these more available partner countries, representing a strong competition with European initiatives.

Therefore it is necessary to review the content of the partnership instruments vigorously supporting the relevant role and the strategic nature of the links between Europe and the countries of the Mediterranean²³.

5. Sicily and the Mediterranean Partnership

The Euro-Mediterranean perspective represents a big opportunity for Sicily, where it could take a role in inter-trade, feeding a policy of sustainable development. Businessmen that used to look upon Sicily or the south of Italy to invest, have now directed their investments towards eastern Europe; putting their initiatives into play there when they had originally hoped to develop them in the south. The main motivation regarding this action in the countries of eastern Europe is the conspicuous advantage to foreign investment. Up to 70 percent of the contributions for new investments with a taxation of some 14 percent and with a substantially low labour cost (one hour of work in Italy costs 12 - 13 Euros, in East Europe it has a cost of between 0,8 and 3 Euros and with 3 Euros you can find professional figures at the top of their profession, in a work context in which absenteeism is very limited. In addition it has been shown that it is not necessary to return the merchandise produced or transformed in Italy, seeing as the outlet markets already exist in the same producer nations. Besides this they are equipped with stable policies which have

²³ Guerrieri P., *L'economia del Maghreb: tendenze attuali e prospettive*, in *Mediterraneo 2010*, a cura di Angelini A., Carocci, Roma, marzo, 2007.

rendered the eastern part of Europe nearer to the old continent in democratic terms, legality and cultural values ²⁴.

The possibility of developing economic relations with Mediterranean countries could have important repercussions for our economy since directing investment to a sector where it is economically convenient could allow us to free resources in our own country and such resources could be invested in our country. A scenario such as this could represent a significant opportunity especially for Sicily, where there are lots of difficulties and where the business (entrepreneurial) structure is very limited.

The European Union together with the Mediterranean countries face a challenge in the next decade which concerns the commencement of a profitable circle based on investment, growth in commercial trade and cultural relations of peace (considering the heterogeneous economies and institutional and cultural differences) copying the work that was realized with the countries of Eastern Europe. In this process Italy and especially Sicily has lots to lose and plenty to gain.

6. Conclusions

In light of the above facts, it is clear that the policy of co-operation and development of the European Union is based on an economic and political approach, strengthening the relations of co-operation of economic and cultural exchange and promoting the objectives of security and political stability. Financial instruments have been adopted, directed at all internal aspects of the Union and to the external areas in the Mediterranean in order to strengthen cohesion, the Euro-Mediterranean Partnership and peaceful relations. It is clear therefore that as institutional aspects and the output of the public administrations, they can apply the brakes with the efficient use of the resources, weakening their impact on development.

In general the differences in output in the member states of the EU, to and from the countries on the south shore of the

²⁴ Perlagonio U., *La Sicilia nel contesto euromediterraneo*, in *Mediterraneo 2010*, a cura di Angelini A., Carocci, Roma, Marzo, 2007.

Mediterranean, stay constant: five and a half times less than the European average. Substantially the results on the field of economic growth and of financial co-operation pose a "low-profile strategy" adopted by the Union to ensure stability and security. The free trade and the internal economic liberalization are able to help investment, with a stimulating effect; help exportation output, improve the commercial balance and reduce the level of the foreign debt.

Hence investment creates greater work opportunities, improving quality of life thus strengthening political and social stability. Consequently the hypothesis of founding a Euro-Mediterranean Bank in order to create a place where the European peoples can work together with the same dignity for a common project, could be posed.

Europe must engage all of its political and economic resources to offer a space for dialogue, an exchange of reciprocal benefits; it must reject any idea of closed identity and promote the sharing of universal values like respect and tolerance and human dignity. The future must be ingrained with the idea that between one people and another there do not have to be walls but areas of collaboration.

The European Union must show more courage and determination in the development of its action toward the Mediterranean; today the neighbourhood policy has a base profile but has not yet managed to propagate its effects completely. For example it would be auspicious for the neighbouring countries who are creating some reforms to offer complete participation in our common policies (research, foreign and security policy) diversifying the approach based on the needs of single countries. The EU represents the first economic world power today, endowed with the biggest market and a currency that is progressively affirming itself as a point of reference of global trade; but to affirm itself completely it needs the contribution of the Mediterranean countries.

Europe must concentrate all of its force to create an area where, despite the differences between the various countries, they can live peacefully with each other and this is only possible if the ideas and values of peace, democracy and solidarity are able to attract a greater number of individuals.

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