

ITALY AND THE EURO-MEDITERRANEAN DIALOGUE

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ITALY AND THE EURO-MEDITERRANEAN DIALOGUE

INTRODUCTION BY DEPUTY PREMIER AND MINISTER FOR FOREIGN AFFAIRS MASSIMO D'ALEMA

Dialogue with the countries of the Mediterranean and the Middle East is one of the pivotal concerns of Italian foreign policy, and without a doubt constitutes one of the top priorities of the Prodi government.

Italy was among the most enthusiastic promoters of the Barcelona Declaration, which, in 1995, forged a Euro-Mediterranean Partnership uniting European Union members and the countries of the southern shores of the Mediterranean, with the strategic goal of creating an area of peace and stability. The Barcelona Summit of November 2005 marked the tenth anniversary of the Euro-Mediterranean Process, whose overall balance of results, despite falling short of expectations, was laudable.

Although the Euro-Mediterranean Partnership was originally conceived as distinct from the peace process, it has inevitably felt the impact of the conflicts generated by the unresolved Israeli–Palestinian question. More in general, the spread and exacerbation of crises throughout that area dramatically underscore the urgent need to engage the parties concerned in dialogue and to use diplomatic channels to achieve political solutions both at bilateral as well as multilateral levels, in order to stem the rising tide of violence threatening to engulf the entire region.

In a scenario that more often inspires desperation than confidence we can and must forge ahead with determination, in the hopes of being able to contribute to triggering a virtuous process of mutual recognition. This scenario poses the challenge of Euro-Mediterranean integration, which, despite its limitations, has precious strategic value: it is the only forum, apart from the United Nations, in which Israel is seated alongside countries that have not recognised it and with which it does not enjoy diplomatic relations, and if we are able to speak today of a Barcelona *acquis*, we owe it to this fact.

The Italian government intends, therefore, to work actively toward strengthening the European role in the Middle East, first and foremost on the political level, but also with regard to the economic, political and social development of the countries of that region. To that end we intend to work in close concert with the Member States most active on the Mediterranean front toward a stronger and more visible EU presence throughout the region.

Giancarlo Elia Valori, President of “Sviluppo Lazio”

It is an indisputable fact that Italy is essentially a Euro-Mediterranean power. Moreover, this characteristic does not only not contrast with, but defines and specifies Italy's firm anchorage to Nato, on the one hand, and, on the other, to multilateral and global peace policies in every strategic sector—policies that have defined the type of initiatives that Italy has promoted over recent decades.

The Barcelona Conference of 1995 was the point of departure, but also of arrival, in a lengthy tradition of efforts, bilateral policies, and special relations and collaborations between the two shores of the Mediterranean that have defined both the operational approach of the EU as well as Italian foreign policy over the past decade.

The Barcelona Conference's three objectives imply a strategic stabilisation and progressive economic integration involving all the countries of the EU, but certainly also implies a specific role for Italy¹.

The first objective concerns the common security policy, with the creation of a Charter for Peace and Stability in the Mediterranean, which, on the geo-political level, anchors the entire equilibrium of the European Security and Defence Policy to the South, naturally founded on equal respect for human rights and on democratisation, coordinated with the stability of the Mediterranean basin².

Coordinating security, stability and democracy will be the true challenge of the coming years, a challenge to all the countries of the Mediterranean and the Middle East.

The second objective, based on the noteworthy differences in development and productivity among the countries of the southern shores of the Mediterranean, calls for an economic development founded on specific bilateral agreements between each country individually and the EU.

Underlying this decision is the fact that only the EU as a whole, and not its separate components, can sustain the development of the various Mediterranean countries and integrate them in a stable manner into the Union's common market, acting as a vehicle for their “gentle” transition from a regional economy in continuous crisis to a position, neither punitive nor marginal, in the world market.

The third objective regards something entirely new in the history of international treaties: the organic and long-term development of contacts between the civil societies of all member countries³.

Implicit, therefore, is mutual cultural and religious respect, and the idea, which needs further support through targeted efforts, that democracy, stability and human rights are guaranteed through the expansion of a strong, autonomous, politically and

¹ V. Jesús A. Nunez Villaverde, *Cooperacion y Desarrollo el la Región Euromediterranea*, Barcelona, CIDOB, 2001

² EUROMESCO Report, AA. VV. *Barcelona Plus: Towards a Euro-Mediterranean Community of Democratic States*, April 2005, IEEI, Lisboa 2005

³ AA. VV. *A Human Security Doctrine for Europe*, presented to EU High Representative for Common Foreign and Security Policy Javier Solana, Barcelona 15 September 2004

culturally pluralistic civil society capable of stabilising and effecting development and integration programmes.

It is, basically, the application of the European economic development model as guarantor of peace and democracy that constitutes the “middle class” political model that materialises in this context. This will be a question of seeing how the inevitable polarisation of incomes, in the stages of rapid globalisation and maintenance of a protectionist political system, for obvious electoral motives, conflict with this sort of approach.

In order to activate its lengthy list of programmes and laws—which truly represented a “new beginning” in 1995 for the European Union and an epic transition for the countries of the southern Mediterranean—the “Barcelona Process” defined a series of internal mechanisms by which to adjust and apply directives, which have led, to date, to the holding of twelve meetings involving member country foreign ministers, the Euro-Mediterranean Committee for the Barcelona Process made up of the officials of 35 member states, the senior officials of the Euro-Mediterranean Committee and, naturally, the European Commission.

In all these instances Italy has fully supported implementation of the underlying principles of the 1995 Charter, and has always encouraged not only political and economic dialogue but also cultural and religious as well, within the framework of the expansion and maturation of the new Euro-Mediterranean civil society.

We believe that at the end of this process Italy will have contributed decisively to creating a new political and economic physiognomy, and not only for the people of the southern Mediterranean; it will have defined, along with the countries of the EU, a truly new European identity built on a reconnection of a Northern Europe with Western Eurasia, with all its far-flung cultural, economic and even philosophic Mediterranean roots⁴

Consider the image, even in terms of archaeological finds, of a Rome that accepts, rather than subordinates, its own specific Orient, especially following Cesar⁵; the sudden complexity of Hispanic areas on the ethnic and cultural level⁶; and, finally, the religious conformism of the Roman Empire from Tiberius up to the Middle Ages⁷.

The strategic and economic reconnection of the European Community with the southern and western Mediterranean represents the closing of a cultural European circle, a return of the Eurasian West to its cultural, philosophical and religious roots. On the strictly geo-political level the situation is even more complex today than it was in previous centuries. How can the Mediterranean be defined today on the strategic level? For the countries of the south—Mashrek and the northwest region of

⁴ v. Fernand Braudel, *Civiltà e Imperi del Mediterraneo nell'età di Filippo II*, Einaudi, Torino 1953. Per le origini asiatiche dei miti greci e della filosofia originaria della “sapienza” attica, v. inoltre Martin Bernal, *Athena Nera*, EST, Roma 1997. Per quanto riguarda l'origine asio-europea dei miti originari dei popoli europei, v. inoltre Giorgio De Santillana e Ertha Von Dechend, *Il Mulino di Amleto, saggio sul mito e sulla struttura del tempo*, Adelphi, Milano 2003

⁵ v. Alfredo Cattabiani, *Simboli Miti e Misteri di Roma*, Newton Compton, Roma 1990

⁶ Luciana Aigner Foresti, *Gli Etruschi e la Spagna*, Fondazione Canussio, Aquileia, 2001

⁷ v. Georgina Masson, *Frederick II of Hohenstaufen, a Life*, London, Octagon Books, 1973

Cyprus, global *Mediterranean security* is a concept equal to that of *European security*⁸.

So: the Mediterranean is not today the juncture between stable geographic regions (Central Asia and the Indo-Chinese Sea), but imports instability from these quadrants; it is, however, neither an area of regional stability, given the Middle East issue and the varying potential for development of the countries along the southern shores of the Mediterranean. Not to mention neo-terrorist Jihadism. We are speaking, therefore, of a geo-political system that needs to be redesigned within the framework of the Barcelona Process, and redesigned as something new⁹.

Therefore, we are proposing that the integrated Mediterranean become the *platform of Eurasia*.

To wit, the Russian Federation relaxing into a framework of defined relations in the Western Mediterranean system, while the United States acquires the geo-political awareness that it can be useful to approach Asia, the next area for global development, by way of Euro-Mediterranean relations, which is not an alternative but a complement, and much more efficient than the system of relations between the US and Asia by way of the Pacific.

China, which wants to open its globalised markets and launch a multilateral policy of economic development, could count on the enlarged and pacified Mediterranean of the Barcelona Process in achieving, in one fell swoop, a response to its oil needs, a market for its products and relations with the EU, ensuring it a homogeneous and stable presence on the world market.

Herein lies the rationality of the proposal already made by Italy for a *Mediterranean Bank*: a financial system that could trigger the continuous and parallel development of both the civil society and the economy of the Southern Mediterranean by rendering it compatible with the countries of the EU as well as with the world market.

This is the next step to the MEDA projects and to the development aid or targeted projects that often contribute to building cathedrals in the desert; a project, that of the Bank, that will need to be monitored and strengthened in order for all members, both of the EU and external to it, to be able to participate in its productive activities.

Much capital will be needed for the credible and self-sustained development of the countries of the southern Mediterranean, and this availability of means will be useful to everyone involved, both within and without the EU¹⁰.

This will be useful for the US, which will be able to finance industrial activities that will certainly render the political situation of the moderate and anti-Jihad Arab countries less critical; it will be useful for the EU, which will rationalise costs for the support of the Mediterranean, avoiding strictly “political”, “one-off” expenditures, and for all global economy countries, even in Asia or the Far East, that will have

⁸ Elwi Mostafa Saif, *The mediterranean policy of Western Security Institutions*, II Cairo, Friedrich Ebert Stiftung, 1998

⁹ AA.VV., *The Future of NATO's mediterranean initiative*, Santa Monica, RAND Corp., 2000

¹⁰ A. Manè Estrada, I. Maestro Yarza, *Financiación Euromediterránea: Es Posible una alternativa*, Dialogos mediteraneos, CIDOB, barcelona 2001

every logistical and geo-political reason to count on an integrated Mediterranean for their economic and commercial penetration projects.

Furthermore, for a large portion of the Islamic countries of the Barcelona Process security is an inter-governmental issue and, above all, some maintain that the Barcelona Process, along with the Arab League, should impose a systematic conventional and non-conventional disarmament programme¹¹.

Needed also, in order to modify this strategic State-centric system, will be productive conversion investments and development support, which all Process member countries have an interest in supporting.

It is, therefore, important for all to think of the Barcelona Process Area as something much more than an area of free trade, which is, what's more, foreseen in the official documents for 2010.

Instead, this is a chance for the EU to finally build its own “critical mass”, from the geo-political and strategic standpoint, and to become a global partner, not only on an economic level, but on political and military levels as well. This will be the great challenge for the EU in the coming years and it is a challenge that passes through an ancient Arabic and Norman Sicily all the way up to the modern Europe, through a Spanish and Portuguese as well as African Atlantic, through a Middle Eastern and Indochinese France, through a Roman Italy that embellishes its memories along the Northern African coast and projects westward at the point of conjunction between the Balkans and the Arabic and Islamic Orient, for all the Arab coastal nations for whom national independence is the bulwark against the Jihad terrorists, for the countries of the Persian Gulf that, with the pacified hinterland of the Northern and Southern Mediterranean, would have been moved to a series of lower impact geo-political and military choices.

MEDITERRANEAN: MANY CULTURES — COMMON HISTORY

When we speak about the Mediterranean we are speaking not only about our own history, but that of humanity as a whole. Indeed, a rich imaginary journey back through time—touching on places, myths and legends and spanning distances from Athens to Smyrna, Palermo to Carthage, Nafpaktos to Alexandria, and all the way to

¹¹

Bahgat Korany e Hany Khallaf, *We and Europe, Western Concerns and future possibilities*, Center for Political and Strategic Studies, II Cairo, 2004

Ithaca—clearly reveals a Mediterranean bearing real and effective witness to our civilisation and culture.

A sea of islands, and one in particular, Ithaca, the perennial symbol of return, whose history comes down to us through the centuries in the poetry of Homer and of Kavafis, Greek poet from multiethnic Alexandria, the ‘lighthouse’ of the Mediterranean and home to other great poets such as Giuseppe Ungaretti and Filippo Tommaso Marinetti. The history of each of these islands contains a contribution from the various civilisations and cultures that plied those routes following the sun from East to West: Crete, with its mysterious Minoan civilisation; Malta and Rhodes, the islands of crusading knights; Sicily, crossroads and melting pot of Greek, Roman, Norman, Arab and Spanish cultures; and Sardinia, which some ancient geographers believed to be the mythical Atlantis.

Then there are those Mediterranean cities that a great wealth of literature has made us so familiar with: Oran, in Algeria, processed for us by scathing gaze of Camus; Tyndaris, Greek colony founded in 396 B.C. by the tyrant Dionysus the Elder, whose marvels still echo 23 centuries later in the verses of Salvatore Quasimodo; Syracuse, laced with the vestiges of Greek temples and theatres; Agrigento, Carthage—all links in a powerful chain of history, poetry and war. The Mediterranean is a closed sea, divided in two by the Italian peninsula, as Ferdinand Braudel observed, and by a Sicily that reaches out toward Banzart in Tunisia as if in an attempt to hook Northern Africa onto the European continent: the ideal bridge between Europe and the South of the World.

Point of departure and arrival for merchant ships sailing westward from the Orient, the Mediterranean was a crossroads for three continents. Its waters provided the route most travelled by the Phoenicians and Berbers, and by Sephardic Jews fleeing Spain eastward to Thessaloniki and Alexandria in 1492—the same year in which, not fully aware of what he was doing, Christopher Columbus inaugurated the first trans-Atlantic route.

The Mediterranean, therefore, represents a distillation of history, culture and commerce: the “Italian lake” as some used to call it, across which somewhere around the year 1000, during the golden age of Islam, the texts of Syrian poet al-Mahari made their way into Italy. In his legendary “Letter of Forgiveness”, Al-Mahari describes a long journey into the hereafter to visit poets long since dead, a journey that, according to many Arab critics, influenced Dante’s Divine Comedy; then there was Iraqi poet al-Sayab who discarded the traditional metre of Arabic poetry in the last century to create a new style of prose poetry describing his own Basrah and the Mediterranean Sea of Greek mythology, of which he was an erudite scholar.

THE BARCELONA DECLARATION

The creation of an area of shared prosperity and security in the Mediterranean through strengthened political dialogue and increased social, cultural and human

collaboration—this was the principle goal of the Barcelona Declaration, signed in November 1995 in that Catalan city by the foreign ministers of the Member States of the European Union (numbering 15 at the time) and 12 countries of the southern shores of the Mediterranean Sea.

Convinced that political, economic and social problems represent common challenges to be confronted from a coordinated global standpoint, the ministers of the various nations concerned committed themselves to using every possible means to foster dialogue and the creation of that common area.

Signatories of the Barcelona Declaration on behalf of the southern Mediterranean included Morocco, Algeria, Tunisia, Egypt, the PNA, Israel, Lebanon, Syria, Jordan, Turkey, Cyprus and Malta (Libya and Mauritania participate in ministerial meetings as observers). With the latest EU enlargement in May of 2004, Process membership rose in number to 35, with the countries representing the southern Mediterranean dropping from 12 to 9 as Cyprus and Malta joined the European Union; Turkey enjoys special status as an EU Candidate Country. Thus after 20 years of intense trade, the countries of the southern shores and of the EU created a true “Euro-Mediterranean Area” with two complementary dimensions, one of a regional nature and the other of a bilateral nature characterised by the stipulation of Association Agreements between the EU and its southern partners.

GOALS AND INSTRUMENTS

The Barcelona Declaration, with its three main objectives of political and security cooperation, economic and financial partnership and social and cultural exchange, established a timetable of meetings between the member country ministers in the various sectors of the partnership and created the EuroMed Committee, which meets once every two months with the aim of preparing the meetings of the foreign ministers and of assessing and stimulating progress in the implementation of common goals.

1.a) POLITICAL AND SECURITY COOPERATION

With the scope of creating a Euro-Mediterranean area of peace and prosperity, the signatory States undertook to strengthen political dialogue and foster democracy, human rights and pluralism within their respective political systems. Among the Partnership’s other priority objectives, the Euro-Mediterranean countries undertook to work together on behalf of the non-proliferation of weapons of mass destruction, on combating the scourge of illegal drugs, and on reinforcing cooperative efforts to prevent and combat terrorism. A particularly significant success in this latter regard was the consensual adoption of the EuroMed Code of Conduct on Countering Terrorism at the Barcelona Summit in November of 2005.

The most important gains with regard in this first chapter of the Partnership include:

- a network of foreign policy institutes throughout the Euro-Mediterranean area, envisaged by the Barcelona Declaration and effectively operative from 1996 onward and known as **the Euromesco network**;
- workshops for diplomats in the Euro-Mediterranean area;
- pilot programmes for the development of a Euro-Mediterranean system of mitigation, prevention and management of natural and technological disasters launched in 1996 by Italy and Egypt; the initiative entered a 2-year Bridge Programme phase in 2005 under the direction of Algeria, Egypt, France and Italy;
- the Euro-Mediterranean Parliamentary Assembly (EMPA), created by transforming the 1998 Forum for political dialogue between the parliaments of Mediterranean partner countries, EU Member States and the European Parliament. The EMPA was included in the Barcelona Process on the occasion of the ministerial conference held in Naples in 2003.

1.b) ECONOMIC PARTNERSHIP

The signatory countries set 2010 as the deadline for creating a single free-trade area embracing Europe and the entire Mediterranean basin. This common market would also be extended to four European countries with which the EU has already established a free-trade association, EFTA, which includes Norway, Iceland, Liechtenstein and Switzerland.

Foreseen along with the creation of a major common free-trade area is the complete liberalisation of trade in manufactured products, along with the gradual introduction of agricultural products.

As regards transport, the main connecting routes have already been roughly traced on the basis of three priority objectives: the extension of coastal motorways to the southern Mediterranean, including one or two ports per country; the connection of the Iberian peninsula with Morocco as far as Agadir on the Atlantic coast; the extension of the South–East European corridor through Turkey, along the Syrian coast and on to Jordan and Egypt. Among other still distant prospects, the signatory countries also consider important the development of a South–South multi-modal route from Alexandria to Rabat, and of routes from Haifa (Israel) to Saudi Arabia, from the port of Tartus (Syria) to Iraq, from Beirut to Damascus and from the port of Damietta to Aswan in the Nile valley.

Additional programmes were created for: environmental protection and sustainable development; the struggle against illiteracy and unemployment; the optimisation of water resources; strengthening cooperation in the energy sector and the interconnection of networks; and boosting communication within and among the countries of the Mediterranean. Finally, the **Euromedis** Programme, aimed at developing the information society in the Mediterranean basin; **Medstat**, at improving the quality and quantity of statistical information, and the **Forum of Mediterranean Economic Institutes** (known as **Femise**).

The most significant results of the Barcelona Process have been achieved within the framework of the economic and financial partnership, and the most visible efforts at promoting this form of cooperation include:

- stipulation of the Euro-Mediterranean Association Agreements, which constitute the main legal instruments by which to create the free-trade area; the fully operational nature of these agreements is the necessary prerequisite for drafting the Action Plans envisaged by the Neighbourhood Policy, which indicate the priorities and objectives that will orient relations with the countries concerned over the coming years, introducing more articulated forms of political cooperation and economic integration to be launched within the legal–institutional framework of the agreements in force;
- support, including that of a financial nature, for South–South integration, in particular through the Agadir Process (Declaration of Agadir, May 2001; signing of the Agadir Agreement, February 2004) aimed at the creation of a free-trade area involving Morocco, Tunisia, Egypt and Jordan;
- creation in 1997 of the **Femise** network, made up of over 50 economic research institutes and sustained by the European Commission;
- inauguration in 2002 of the Facility for Euro-Mediterranean Investment and Partnership (**FEMIP**), as instrument of the European Investment Bank intended to stimulate direct foreign investments and render the private sector of the Mediterranean partners more dynamic, beginning with SMEs. The Fund currently grants loans to Mediterranean partners for a total of approximately 2 billion euro annually.
- adoption of the Euro-Med Business Charter indicating ten investment policy approaches for the future of Euro-Mediterranean industrial cooperation;
- approval on 7 July 2003, at the third Euro-Med Conference of Trade Ministers held in Palermo, of the new Protocol on “rules of origin” that allow for the extension of the pan-European system of “cumulation of origin” to Mediterranean countries.

1.c) CULTURE AND SOCIETY

The Barcelona signatories recognised that dialogue among cultures and exchange at human, scientific and technological levels are essential to fostering rapprochement between peoples. For this reason they undertook to develop joint programmes aimed at encouraging mutual understanding and cooperation in the fields of education and training. A priority objective remains that of generating greater opportunity for access to higher education throughout the Euro-Mediterranean area by creating a broader range of possibilities for study and work.

Developments have been significant in this sector also, and include:

- initiation of a process for the creation of a Euro-Mediterranean Area of Advanced Training and Research based on experience gained through the **EULAC** (EU and Latin American and Caribbean Common Space for Higher Education) and **Tempus-MEDA** Programmes. Having begun with the first Informal Higher Education Conference held in Catania in 2003 during the Italian European Presidency Semester, this process took a significant step forward in January 2006 on the occasion of the third edition of the Catania Conference. High-level ministerial participants from Algeria, Egypt, Jordan, Greece, Malta, Slovenia, Spain, Tunisia and Turkey met with representatives of France, Morocco and Portugal, resulting in the signing of a declaration in line with the objectives foreseen by the 5-year work programme approved at the Barcelona Summit;
- the **Anna Lindh Euro-Mediterranean Foundation**, a non-governmental body intended to steer and catalyse activities aimed at intercultural dialogue in the Mediterranean, created on 3 December 2003 during the Euro-Mediterranean Ministerial Conference in Naples; the Foundation is headquartered at the Alexandrian Library in Alexandria, Egypt;
- the Euro-Mediterranean Civil Forum, a non-institutional initiative for coordination and debate among civil society organisations of the region; the EuroMediterranean Non-Governmental Platform was created in 2003 as an open and integrated group of civil society associations, independent of the public authorities, with the main task of reforming the Civil Forum and offering the civil society a permanent interface with governmental powers.

Other initiatives and programmes were launched in the area of culture: the EuroMed audio visual programme fostering the development of cooperative relations between the EU and the countries of the Mediterranean in the cinema and audiovisual sectors; the **EuroMed Heritage** programme sustaining the enhancement of cultural patrimony in the Mediterranean region; for young people the EuroMed youth programme with the aim of promoting cultural understanding and tolerance through youth exchanges and volunteer work. Finally, as regards cooperation in training and education, **Tempus III**, a trans-European higher education cooperation programme, filling the vacuum left by the failure to renew the **MED Campus** programme.

CHAPTER 2

THE PARTNERSHIP'S FINANCIAL INSTRUMENTS

2. a) AN OVERVIEW

Over the past ten years the EU has earmarked a total of approximately over 22 billion euro for various purposes for the countries of the southern shores of the Mediterranean. These allotments have been utilised for initiatives aimed at democratic reforms, economic and social development, respect for human and civil rights, trade liberalisation and the rediscovery of common cultural traditions.

- **MEDA.** The Euro-Mediterranean partnership's principle European funding instrument, by means of which Brussels began to earmark a total of approximately 10 billion euro in 1995. As a result of various problems, these funds were initially heavily under-utilised, but over the past five years the ratio between payments and allotments has risen sharply from 29% (1995-99) to 77%. A new instrument entitled the European Neighbourhood Partnership Instrument (ENPI)—focused on third countries that benefit from the European Neighbourhood Policy (ENP), i.e. the countries of the southern and eastern Mediterranean (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisian, West Bank and Gaza Strip), Ukraine, Moldova, Belorussia and the countries of the southern Caucasus (Georgia, Armenia and Azerbaijan)—will replace MEDA, and in part TACIS, funding from 2007 onward, providing support to the European Union's strategic partnership with Russia as well.
- **EIB and FEMIP.** The European Investment Bank (EIB), in the form of facilitated loans and various sorts of funding, earmarked approximately 15 billion euro for use by the countries of the southern shores of the Mediterranean between 1995 and 2004. FEMIP (Facility for Euro-Mediterranean Investment and Partnership) became operational in 2002, granting loans valued at 2.2 billion euro in 2004 alone.
- **SUPPORT FOR THE MIDDLE EAST PEACE PROCESS.** In addition to MEDA funding, between 1994 and 2004 the EU allotted approximately 2 billion euro in donations for Palestine, which were distributed as humanitarian aid in support for refugees and reconstruction of basic infrastructure.
- **FUNDS FOR DEMOCRACY AND HUMAN RIGHTS.** The European Union created a specific instrument to foster political and social reform in Mediterranean countries entitled the European Initiative for Democracy and Human Rights, to be included among the MEDA funding for this purpose. The initiative was launched in 1994 and its annual budget is usually approximately 100 million euro, the use of which is not limited to the Mediterranean region; its 2006 budget amounts to 106 million euro.

In addition to these major funding sources, other smaller contributions are made to specific initiatives, such as the promotion of gender equality, food security and co-financing of non-governmental organisations (NGOs).

2.b) EUROPEAN FUNDING FOR INDIVIDUAL PARTNERS

Egypt and Morocco are the EU's Mediterranean partners that most utilised European partnership funding between 1995 and 2005; instead, in 2005, Brussels directed the greater part of its economic support toward Palestine for the reconstruction following the second Intifada, and toward Turkey, as an EU Candidate Country.

The table below shows MEDA (bilateral allotments only) and EIB allotments for individual partners between 1995 (year of the launch of the Euro-Mediterranean Partnership) and 2004. Numbers are expressed in millions of euro.

Country	MEDA (allotments)	EIB	TOTAL
ALGERIA	396	1,417	1,813
EGYPT	1,039	2,678	3,717
JORDAN			
ISRAEL*		68	68
LEBANON	255	480	735
MOROCCO	1,333	1,794	3,127
PALESTINIAN TERR.	461	230	691
SYRIA	234	580	814
TUNISIA	756	1,725	2,481
TURKEY**		3,317	3,317

*Israel uses MEDA regional funds but not bilateral ones. This difference in treatment is owing to the better economic conditions of that country as compared with other partners.

** Turkey does not use MEDA bilateral funding as a result of the fact that it is a EU Candidate Country, but does benefit from substantial pre-accession funding.

The following table shows MEDA bilateral funding for 2005. The Palestinian Authority and Turkey avail themselves of different forms of support. Numbers are expressed in millions of euro.

MEDA 2005

ALGERIA	80
EGYPT	110
JORDAN	60
LEBANON	27
MOROCCO	148
SYRIA	22
TUNISIA	118

OTHER EU 2005 FUNDING

PALESTINIAN TERRITORIES	280
TURKEY	300

EUROMED PARTNERSHIP TIME-LINE

- 27-28/11/1995** – First Euro-Mediterranean Conference and signing of the Barcelona Declaration.
- 31/12/1995** – Creation of the EU–Turkey Customs Union.
- 27/7/1996** – EU Council approves the 1995–1999 MEDA budget, earmarking 3.4 billion euro for initiatives and projects aimed at fostering North–South integration and dialogue.
- 27-28/10/1998** – Meeting of the first Euro-Mediterranean Forum.
- 27/11/2000** – The European Council approves funding of the second phase of the MEDA Programme, earmarking 5.3 billion euro for 2000-2006.
- 15-16/3/2002** – The Barcelona European Council tasks the EIB with creating a special instrument in support of development projects in the countries of the Mediterranean: FEMIP.
- 22-23/4/2002** – EuroMed foreign ministers meeting in Valencia approve an Action Plan by which to implement the measures envisaged in the Barcelona Declaration and launch a cooperative effort on matters of security and defence.
- 11/3/2003** – The EU Commission launches a new European Neighbourhood Policy that identifies relations between the various member countries as the instrument by which to give new impetus to cooperation and to the Euro-Mediterranean dialogue.
- 2-3/12/2003** – The Euro-Mediterranean Parliamentary Assembly is instituted on the occasion of the 6th Conference of EuroMed Ministers in Naples.
- 25/2/2004** – Jordan, Egypt, Morocco and Tunisia sign an agreement to create a free-trade area.
- 22-23/3/2004** – The Euro-Mediterranean Parliamentary Assembly (EMPA) meets for the first time in Athens.
- 1/5/2004** – Ten new countries, including Malta, Cyprus and Slovenia, become members of the European Union.
- 29-30/11/2004** – Euro-Mediterranean foreign ministers proclaim 2005 the “Year of the Mediterranean”.
- 9/12/2004** – Approval of the first Action Plans in the context of the new Neighbourhood Policy, involving Morocco, Tunisia, Jordan, Israel and the Palestinian National Authority.
- 12-15/3/2005** – First plenary session of the EMPA held in Cairo.
- 8-20/4/2005** – The Anna Lindh Euro-Mediterranean Foundation for Dialogue Between Cultures is set up in Alexandria, and is the first institution created by the partnership and jointly funded by all 35 Member Countries.
- 31/5/2005** – Foreign ministers meeting in Luxembourg approve, for the first time unanimously, the conclusions of the EuroMed Ministerial Conference.
- 19-21/6/2005** – First meeting in Morocco of Euro-Med finance ministers.
- 3/10/2005** – EU Council of foreign ministers gives the go-ahead for negotiations on the accession of Turkey and Croatia.

27-28/11/2005 – First Summit of EuroMed Heads of State and Government meets on the 10th anniversary of the signing of the Barcelona Declaration.

Chapter 3

ITALY IN THE MEDITERRANEAN

Italy is playing a leading role in the difficult process of creating an area of dialogue, exchange and cooperation capable of ensuring peace, stability and prosperity in the Mediterranean, and has sponsored some major initiatives aimed at strengthening the Barcelona Process. However, despite the progress that has been made, particularly in economic cooperation and in the framework of the socio-cultural partnership, it is clear that the Barcelona Process has fallen short of initial expectations, especially as a result of the failure to develop a political agenda in the wake of the crisis in the Middle East peace process. In this regard, Italy is committed to supporting efforts to bolster the Barcelona Process which, once the Valencia Action Plan was launched in 2002, received renewed impetus from the results of the Euro-Med Ministerial Conferences held in Naples in December 2003 during Italy's Presidency of the EU, in the Hague in November 2004 and Luxembourg in May 2005, as well as of the summit arranged for the 10th anniversary of the Barcelona Declaration and held on 27 and 28 of November 2005.

3.a) ITALIAN INITIATIVES WITHIN THE EURO-MEDITERRANEAN FRAMEWORK

Italy has always offered to be a catalyst for Euro-Mediterranean dialogue, a role fully embraced during the 6th Euro-Mediterranean Ministerial Conference, organised in Naples in 2003 by the Italian EU Presidency to give new impetus to the Barcelona Process.

The Naples Conference, whose participants included the foreign ministers of the enlarged EU and those of the third country members of the Barcelona Process, contributed to re-launching the Euro-Mediterranean Partnership. In line with the expectations of the Italian Presidency, the results achieved bear witness to a renewed commitment to promoting dialogue, co-existence and mutual acknowledgement among the peoples and cultures sharing this geographic area. Participating in the event as observers were representatives from Libya, Mauritania, Bulgaria, Romania, the Arab League and the Arab Maghreb Union (AMU). EU High Representative for Common Foreign and Security Policy Javier Solana and Commissioner for External Relations Chris Patten were also present.

The Naples Conference resulted in the creation of the Euro-Mediterranean Foundation for Dialogue Between Cultures, intended as a catalyst for all the initiatives aimed at increasing dialogue and mutual understanding among all the peoples of the Mediterranean. The foreign ministers meeting in Naples also approved the ECOFIN Council's decision to bolster the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), thereby enriching a vast array of operational instruments and financial endowments, with prospects for future transformation into an autonomous branch of the EIB based on results at the end of 2006.

The new Euro-Mediterranean Parliamentary Assembly, which was also created at the Naples Conference in 2003, is a permanent consultative forum with 240 members, 120 of whom representing Mediterranean partner nations and 120 from the EU (75 appointed by national parliaments and 45 by the European Parliament). Its creation was announced on the eve of the Conference of foreign ministers of all the Barcelona Process Member Countries, chaired by President of the Parliament Pat Cox, during which they accepted the Conclusions of the Palermo Conference (27 and 28 November 2003) that closed a cycle of Italian Presidency events, with representatives from local Euro-Mediterranean governments participating.

3.b) "MADE IN ITALY" A LEADER IN MEDITERRANEAN TRADE

Up until the 1980s Italy looked to the Mediterranean almost exclusively for the purpose of purchasing energy, as well as having manufacturing contracts with Algeria, Libya and Egypt, infrastructures in Northern Africa and the Middle East and some initial investments in the sector of concrete. The pace has changed, however, and Italy is now identifying the Mediterranean basin for its major market potential, convinced that low-cost, high quality products can be produced and that the possibilities are numerous. From this standpoint the majority of economic analysts and international research institutes are convinced that Italy is gradually becoming the entire Mediterranean's top European and worldwide business partner. The driving force is still coming from large scale firms such as Eni, Telecom, Italcementi, Fiat and Iveco, Impregilo and Benetton, but more and more small and medium sized enterprises (SMEs) are beginning to take the plunge, often with the support of the central government, local government agencies, business associations and the parliament.

3.c) ITALY'S PRESENCE IN THE COUNTRIES OF THE MEDITERRANEAN

MOROCCO

Morocco, at the far western tip of the non-European Mediterranean, is crucial to the economy of Italy, which is confirmed as that country's third largest trade partner after France and Spain.

Italian exports to Morocco in the first 10 months of 2005 amounted to 807 million euro—an increase of 5.6% as compared with the same period of the previous year—

while imports for January/February 2005 amounted to 401 million euro, a modest 0.6% increase as compared with the first 10 months of 2004, resulting in a trade balance, clearly to Italy's advantage, of 406 million Euro.

Our textile exports in the first ten months of 2005, even factoring in a 5.82% loss as compared with the same period of 2004, confirms this as a leading Italian export sector, highlighting the major ties that our firms maintain with Moroccan apparel manufacturers. Industrial machinery and equipment, which also constitute a noteworthy portion of our exports, are showing steady and significant growth (+14%) after a slight drop in 2004.

A substantial resistance in imports should be pointed out as clearly in opposition to the prevailing trends in foreign trade with Morocco. The apparel division, which is the most concrete, showed a slight decline in the first ten months of 2005 (-5.5%) as compared with the same period of the previous year.

ALGERIA

The country's macroeconomic picture appears solid and is characterised, especially in financial terms, by a series of positive indicators: the International Monetary Fund registered 4.8% growth for 2005 (5.2% in 2004); slight improvement was foreseen for 2006 in consideration of the Algerian government's substantial investment in infrastructure and housing; rising fuel prices led to a steady increase in currency reserves in 2005, peaking at 57.1 billion dollars, while the Paris Club accords of 2006 ensure a further reduction in the country's debt. Despite this generally positive picture, the unemployment rate remains high, according to IMF data, at approximately 15% (1.5 million unemployed), with peaks of 31% among young people. The trade deficit is also on the rise—up 77% as compared with 2004 (equal to 24.35 billion dollars)—as a result of fuel products, which continue to represent 97.9% of Algeria's income from exports. Semi-processed goods make up a substantial percentage of the country's other exports. Italy is among Algeria's leading trade partners, in second place for exports (after France), as well as imports (after the US), receiving 15.2% of total Algerian exports for a value of 6,954 million dollars. Due to its heavy dependence on energy Italy continues to have a negative balance of payments with Algeria that amounted to 5,457 million dollars in 2005, 46% as higher than 2004. Capital goods represent 57.8% of our exports (valued at 1,497 billion dollars in 2005), and food, agricultural and consumer products are also on the rise. The main Italian firms permanently operating in Algeria belong to the two sectors in which bilateral relations have traditionally been intense: energy and public works. The Algerian government has approved a major, highly articulated infrastructure development plan with a budget of over 50 billion euro (mostly deriving from energy proceeds), and Italy intends to encourage its firms' broadest possible participation in this programme, thereby responding to the Algerian government's repeated call for a timely shift in balance of payments and consequent strengthening of the economic partnership.

TUNISIA

There are some 2,659 foreign enterprises operating in Tunisia, of which 2,275 are European, which, in turn, include 2,063 manufacturers (apparel and textiles, machinery, metallurgy, leather and footwear, electricity and electro-chemical), 160 hotel and entertainment operators, 156 service companies (computers, telecommunications, consulting), and 59 energy sector and 65 agriculture operators. Approximately 80% of the manufacturing firms operating in Tunisia export their entire production to other countries, and over half of them are operating entirely on foreign capital. As of year-end 2004 the overall stock of direct foreign investments amounted to approximately 13 billion euro.

Principle foreign investors include Italy (22.6%), France (23.9%), Spain (8.5%), Germany (8.3%), United Kingdom (5.5%) and the US (4.3%).

As for commodities, textiles and apparel are in first place (46%), with operators including well known industrial groups such as Benetton, Eldo, Gruppo Tessile-GVB, Gruppo Marzotto and Cucirini, in addition to approximately 265 SMEs. Other Italian investments go into chemicals and rubber (3%), electricity and electronics (8%), construction, transportation and tourism (6%), machinery and metallurgy (7%), food products and agriculture (9%), leather and footwear (10%), services (3%) and other sectors (16%). Major Italian enterprises have also invested in energy (Eni, Agip, Snamprogetti), transportation (Fiat, Fiat Iveco, Fiat Avio, Piaggio), large-scale infrastructure and construction (Todini, Ansaldo, Carta Isnardo). Active also in Tunisia is SIMEST, which has financed several investment generation projects on behalf of Italo-Tunisian SMEs. Present also in that country are branch offices of a series of Italian banks, including Monte dei Paschi di Siena, Banca di Roma/Capitalia and Banca Intesa.

LIBYA

Libya's GDP grew by 3.5% in 2005. Most of this growth can be accounted for by non-petroleum sectors (+4.5%), while growth in activities associated with the extraction and sale of petroleum showed a lower growth rate than the rest of the economy (+1.5%) for the first time since the lifting of sanctions. In any case, income from oil and natural gas sales accounts for 68% of Libya's GDP. An increase in fuel trade led to a substantial bolstering of currency reserves, levelling off at 39 billion dollars in 2005. A total of 98% of Libyan exports are represented by crude fuel oil, mostly directed toward Europe. Italy is Libya's top economic partner, in terms of imports as well as exports. Our country is Libya's leading buyer (receiving 37% of all Libyan exports, according to 2005 data), followed by Germany (which purchases 16.37% of Libyan exports), Spain (11.9%) and Turkey (7.2%). Likewise, Italy is Libya's leading supplier (27.2%), followed by Germany (10.5%) and the UK (5.6%). With regard to oil and natural gas imports (Libya is Italy's second largest supplier of raw energy materials), the trade balance with Libya is characterised by a constant surplus in our favour (equal to 8,372 million euro in 2005). Imports from Libya amounted to 9,372 million euro in 2005—up 54.2% as compared with 2004.

This increase was due not only to rising fuel prices, but also to the 2004 opening of the “Greenstream” gas pipeline connecting Libya with Sicily. Exports to Libya in 2005 fell by 10.3% as compared with the previous year for a total of 1,360 million euro, returning to 2003 levels. However, since completion in 2004 of the ENI/Snamprogetti natural gas treatment plant in Mellitah (part of the “Greenstream” project) pushed our export volume to an exceptionally high 1.5 billion euro, the drop in total exports does not indicate a real trend: considering individual trade sectors, 2005 was an important year, in that Italian sales to Libya of what are classified as “refined petroleum products” (oil and fuel) totalled 509 million euro in that year (+88% as compared with 2004), which is to say 37% of total exports; as for products other than those fuel-related, good performance was seen in jewellery (29.7 million), domestic furniture (15.2 million), rattan and other furniture (7.2 million), stationery products and other articles not otherwise classified (50 million).

EGYPT

Thanks to more relaxed economic policies and the gradual liberalisation of foreign trade relations, an emerging Egyptian market is today operating in a context of complete and expanding integration with Western markets, in addition to those of the rest of the Arab world and Asia. The official trade data on Egypt supplied by the IMF for 2004 show a significant increase in exports as compared with 2003, accompanied, however, by major increases in imports, which had a negative effect on the year-end trade balance.

According to the IMF data, our country was in third place among the Egyptian market’s principle suppliers, with a market share of 7.23%, following the US (14.46%) and Germany (7.56%), while it was Egypt’s top export market, with a share of 17.42%. Moreover, according to the Economist Intelligence Unit, in general both exports and imports rose in 2005.

ISTAT data for 2005 on trade between Italy and Egypt show an increase of 0.7%, for an overall value of approximately 2.6 billion euro, in a context of substantial bilateral parity. The Egyptian recovery also had a beneficial effect on the sale of Italian products, whose value in euro showed an annual increase of 2.4% for the period of reference. Among the main categories of Italian exports, manufactured products registered a substantial increase (+18.8%), while machinery (representing over 50% of Italian exports to Egypt) dropped off (-14.7%). Imports from Egypt decreased by 1.1%, totalling 1.2 billion euro.

Many large-scale Italian enterprises have been operating in Egypt for years now, above all in the sectors of industry, energy, infrastructure, construction and petroleum, the most important of which include: Assicurazioni Generali SpA, Ama International, Lacorossi/Gesenu, Ansaldo, Castagnetti SpA, Danieli, Nuova Pignone, Techint CIMI Montubi, Gavazzi Impianti; EMB Electrical Industries SAE, Piaggio, Iveco, Pirelli Pneumatici, Zanussi, Valvitalia, Vinavil Egypt, Italcementi, Enichem, Saipem, Edison International SpA, IEOC (ENI), Grimaldi Group, Ignazio Messina &

Co., Costa Container Lines, Domina Group, Alpitour, Best Tour, Tourisanda Tour Operator, Valtur, Ventaglio; present also are Alitalia and the representative offices of Bank Intesa and Banca Monte dei Paschi di Siena.

JORDAN

Italy is currently the 7th largest exporter to the Hascemite Kingdom, second only to Germany among European countries, with a share equal to 3% of total Jordanian imports (data of the local Ministry of Industry and Trade, updated in September 2005). Our exports amount to approximately 94% of trade overall with Jordan, while our imports remain extremely minimal.

Principle Italian exports to the Hascemite Kingdom include machinery (35.9 million euro), followed by jewellery and gold-work (35.7 million euro), yarns and textiles (19 million euro), chemical products (18.6 million) and domestic appliances (12.4 million euro). Imports of approximately 20 million euro, which continue to be of scarce importance, nevertheless were up by 68.8% in 2004 as compared with 2003. Italy's exports to Jordan also include automobiles, textiles, domestic appliances, pharmaceutical products, plastic articles, cutlery, and ceramic tiles.

Direct Italian investments in Jordan are limited to a few successful, but limited, joint ventures, which include OMCE-Jordan (a joint venture between Italian metal packaging company OMCE and a series of local Jordanian firms) for the production of metal drums, and Alessi of Bassano del Grappa, a gold working firm that exports the majority of its production. Significant also was Acotel's acquisition of Info2cell (headquartered in Dubai but operating in Jordan), one of the main regional content providers for mobile telephony.

In identifying areas for direct investment from and toward Italy, the sectors representing the greatest potential for Italian firms and which are in need of development, are those producing machinery for food processing, textiles and apparel, marble and stone working, and the production, packaging and labelling of cosmetic products from the Dead Sea.

ISRAEL

Given its small domestic market, scarcity of natural resources and geographical location, Israel's is an export-led economy in which international trade plays a fundamental role. Israel is bound by a series of trade agreements with the major industrialised countries and the most significant of these are with the European Union, the United States, Canada, the EFTA countries, Jordan and Egypt. Italian exports to Israel include plastics, rubber, textiles and apparel, precious stones, costume jewellery, footwear, leather goods, agricultural products, wood and cork. To date bilateral economic relations have been characterised by a healthy trade volume, and the Israeli market is proving to be an increasingly strategic one for Italy. Official data show a 10% increase in Italian exports to Israel in 2005, going from 1.56 to 1.73 billion dollars. Approximately 3% of Israeli imports come from Italy

(eighth in line among exporters, after the US, Germany, UK, Netherlands, Turkey, Belgium and France). The most important sectors for our exports remain machinery and mechanical equipment, chemical products and base metals, while our market share is holding the same 4.9% it registered in 2004. Italian imports from Israel, on the other hand, have risen over the past 12 months by 6.6% from 756 to 806 million dollars (diamonds excluded). Overall trade has risen to 2.54 billion dollars, with a surplus in Italy's favour of 925 million dollars. Italy is Israel's fourth largest supplier (with approximately 5% of total Israeli imports), having been surpassed in 2005 by China. This positive performance is bolstered by excellent bilateral political relations and by System Italy's firm commitment to Israel.

Excluding the years of major acquisitions, Italian investments have maintained an average of 5 million euro annually, while Israeli investments in Italy have grown, going well beyond 10 million euro each year.

Industrial products confirm their importance among Italian exports to Israel, capital goods underlining the quality of Italian production. Increases of 11.6% in capital goods exports from Italy, and of approximately 15% in those from the rest of the world, are owed in large part to a strengthening of industrial investments in Israel; increased consumer goods imports from Italy, e.g. in textiles and apparel, as well as costume jewellery and precious stones, are owing to growth in private domestic demand.

Finally, not to be neglected among the many areas of trade intervention is that of tourism: Italy remains one of the Israeli tourist's preferred destinations, with 300,000 flights arriving and hotels reporting 800,000 guests annually.

Israeli tourists display a strong tendency to travel abroad (a reported 3.3 of Israel's 6.7 million inhabitants), a medium to high cultural level and ample spending capacity. Italy's historic cities, the Region of Tuscany, the Lakes Region and ski and seaside resorts are among the preferred destinations. The Israeli public's attraction to Italy arises from a variety of factors: appreciation of Italian culture, art, language and gastronomy; geographic proximity; the Italian Jewish heritage; and Israel's perception of Italy as one of the friendlier countries on the international scenario. Furthermore, the promotion of Italian tourist destinations in Israel can have beneficial effects on the approximately 14 million-strong Jewish Community throughout the world, especially in Europe and North America. For this reason the Embassy has given priority to the promotion of Israeli tourism in Italy through ad hoc efforts in collaboration with Italian regional administrations and local agencies, as well as Italian institutions and facilities present in Israel: the "*Sportello Unico*" for Trade and Technology, the Italian Cultural Institute, the Delegation of the Academy of Italian Cuisine, and so forth.

LEBANON

According to the Economist Intelligence Unit data for 2005, Italy is in first place among exporters to Lebanon, with a market share of 10.3%, followed by France (10.7%), Germany (8.5%) and Syria (6.3%). The products most imported by Lebanon

include: refined energy products (18.4%), machinery (13.7%), transport vehicles (9.8%), chemical products (8.2%) and food products (6.9%).

Trade relations between Lebanon and Italy have intensified and strengthened over time. ISTAT data for 2005 show a total volume of 807.1 million euro, of which 784 are Italian exports and 23.1 imports from Lebanon. The trade balance is structurally in the black for Italy, showing an increase of 2.7% as compared with the previous year, despite political troubles that have had repercussions on Lebanon's economic progress.

As regards Italian exports (+2.5%) items contributing most include: refined energy products, machinery, textiles/apparel and metals and metal products. Lebanon's exports to Italy (+14.4%) include chemical products, metals, minerals, paper and papermaking technology.

Major Italian firms operating in Lebanon include Ansaldo, B&B Ingg, SpA, Enel Produzione, Gico Costruzioni, ICASR Costruzioni Generali, Opere Pubbliche SpA, Simonetti Group, Alitalia, Fisher & Rechsteiner SpA, Jas Projects, Banche ed assicurazioni, Assicurazioni Generali (real estate sector only), Banca Intesa (representative office), Banca di Roma (branch office with teller services). Industrial concerns include Pirelli Cavi e Sistemi SpA, Snaidero SpA, SO.I.ME Srl, Telecom Italia, Italcable and ANSA.

Italy has a well-established commercial presence in Lebanon covering all sectors of investment, consumer and intermediary goods, and maintains a position as leading supplier despite growing competition from French-speaking countries. Priority sectors remain those associated with the full range of durable and non-durable consumer goods, in line with the high level of consumerism among the middle and upper segments of the Lebanese society.

SYRIA

According to ISTAT, the total Italo-Syrian trade volume of 1,586 million euro in 2005 surpassed that of 2004 by 18.1%. Italian exports account for 40% of that total and consist mainly of intermediary and capital goods and machinery, followed by chemical products and synthetic fibres, refined energy products, automobiles and parts and metallurgy products.

Italian imports from Syria consist mainly of crude oil (70% of total), followed at a distance by agricultural products, leather products, hides, vegetable and animal oils and fats, and textiles/apparel.

The presence of Italian products in Syria is still limited to capital and intermediary goods (the importation of consumer goods from Europe was banned up until the end of 2005). The sectors that strategically offer the greatest growth potential for Italian imports include the textiles industry, which employs over 30% of the industrial work force; yarns and textiles are produced in government-run enterprises, while the apparel industry is in the hands of the private sector. Italy's position with regard to the supply of machinery and technology partnership/transfers, can be strengthened

through growing collaboration with the EU. Another sector in need of enhancement is the foodstuffs and oils industry, since Syria's agricultural prosperity makes development of the food processing industry an attractive prospect; in this respect Italy's technological expertise and existing plants, including packaging plants, are well known. Moreover, Syria is the world's 4th largest producer of olive oil, with over 75 million olive trees and an annual production of approximately 200,000 tonnes (2004 data).

The marble industry represents another potential area for intervention, both at the level of existing marble quarries as well as with regard to its growing use in housing complexes and tourist facilities; mention should be made, in this regard, of the implementation of a project for the creation of a quarry school for the training of local technicians and for dissemination of Italian technological know-how. Finally, tourism: approximately 2.7 million tourists visited Syria in 2004 (+28.6% as compared with the previous year) and substantial growth is predicted for this sector thanks to the country's rich archaeological and cultural heritage, and the various infrastructure projects presented by the Syrian Ministry of Tourism in 2005 and open to participation by foreign investors.

Interview with Riccardo Sessa, Director General for the Countries of the Mediterranean and Middle East of the Ministry of Foreign Affairs

Q. The Mediterranean and the Middle East are areas of major historic, strategic and trade interest to Italy. What are the current prospects for our relations with that area?

A. The Mediterranean has always represented the binding factor between the peoples living along its shores, and it is the close ties linking the inhabitants of the three continents it touches that have allowed those cultures to flourish. Italy has always played an important role here as crossroads and meeting point, both as a result of its geographic location and its political-economic conditions. And we mustn't conceal the fact that Italy is a medium sized power that needs peace and stability along its borders, and in its "near abroad", in order to ensure its own security and harmonious economic growth. It also needs to be able to ensure a system of free trade and energy supply. These are the geopolitical coordinates that must direct Italy's foreign policy. Since the Second World War Italy has had a three-pronged approach to foreign policy: integration with Europe (the EEC and later the EU), the strengthening of trans-Atlantic relations and convinced adherence to systems of multilateral policy and security (UN, NATO), and reinforcement of relations with the countries of the Mediterranean and Middle East.

Q. Italy has always strongly supported efforts to perfect the Barcelona Process. Compared with major Mediterranean powers such as France and Spain, can Italy still play a strategic role as a Euro-Mediterranean bridge? Is it possible to

develop our own Mediterranean policy within the framework of existing European power relations?

A. The goal set by the Barcelona Declaration in 1995 of creating an Euro-Mediterranean free trade area by the end of 2010 represents an essential and ambitious economic and trade integration objective, to be achieved by both sides of the Mediterranean in respect of the obligations established by the World Trade Organisation.

Italy is among those leading the way down the difficult path toward the creation of an area of shared Mediterranean prosperity, and has fostered some important initiatives aimed at strengthening economic and commercial partnerships. As regards penetration into the region, it should be emphasised that our role is without a doubt facilitated by our excellent relations with all the partners of the southern shore countries, particularly those involved in the Middle East peace process. As I pointed out earlier, the Mediterranean has always been a constant in Italian foreign policy. We are engaged, therefore, in promoting this priority not only bilaterally but also multilaterally, particularly within the context of the EU. We have been intensifying this effort since the enlargement, in view of its strategic importance to the European Union's future political aims.

Q. In recent years Italy has had a negative trade balance with the countries of the Mediterranean area. The data, however, are heavily influenced by trends in the price of energy products. What might the future hold for trade with these countries?

A. Italy's economic-commercial presence has been very high for a long time and, in some areas, is showing a very high growth rate. Certainly, if we examine the composition of our current exports as compared with those of the not too distant past, it is easy to discern an evolutionary process reflecting the changing needs of societies that have developed increasingly dynamic economies.

With regard to bilateral trade Italy is confirmed one of Syria's leading partners, even though the Italo-Syrian trade balance has been showing gains for Damascus as a result of the heavy incidence of petroleum product exports. In order to strengthen and consolidate our trade position, Italy is aiming to diversify exports currently concentrated in the machinery sector, and is exploring the Syrian market's new potential.

Italy is Egypt's second largest export market (with a strong petroleum component) and third largest supplier. The top sector for Italian investments is that of petroleum and natural gas (Eni and Edison).

Relations with Algeria underwent a significant evolution with the resolution of the issue of supplementing the Transmed gas pipeline with the addition of a second pipeline, and Italian firms are showing renewed interest. Italy is Algeria's top trade partner, despite the persistence of a negative balance of payments resulting from Italy's substantial energy dependency.

Italy is a leading trade partner also in the case of Libya, our top supplier of crude oil and energy. Exports include machinery and mechanical equipment, refined petroleum products, foodstuffs, automobiles and parts, jewellery and clothing.

Essentially, Italy is always operative at the highest levels, despite competition from new players, and for this reason it is necessary to diversify exports as much as possible, especially in the presence of local policies that are more and more open to more “liberal” forms of cooperation.

A similar trade situation exists with the countries of the Gulf Cooperation Council (considered as a whole, since not all of its members are oil producers). Trade balance trends in this area are on the upswing for Italy, but future development will depend on the increased presence of businesses.

The Italian government is closely monitoring the evolution of the economies of these countries and seeking to increase and support our business presence through the on-site facilities (“Sportello Unico”), the participation of official delegations in trade fairs of interest to Italian firms, and efforts targeted at sponsoring initiatives of particular interest.

Q. The dominance of the North-South over the South-South axis in intra-Mediterranean trade relations is acknowledged as one of the causes delaying this area’s process of integration. What factors, in your opinion, could most influence the creation of an integrated market on the southern shores of the Mediterranean?

A. South-South integration is undoubtedly a priority, and an indispensable prerequisite for creating a Euro-Mediterranean free trade area. Particularly important in this context is the political consolidation of the Maghreb countries into the framework of the Arab Maghreb Union and, from the economic standpoint, the Agadir Process (open also to Mashrek countries). An important leg of this journey was completed when Egypt, Jordan, Morocco and Tunisia signed an agreement in Rabat on 25 February 2004 envisaging the creation of a free trade area by the end of 2007 and thereby implementing the Agadir Declaration (2001). The agreement constitutes the beginnings of a vaster regional integration aimed at the creation of a common Arab market. The EU supports the underwriting of this agreement by the other Arab countries involved in the Barcelona Process, or that have made free trade agreements among themselves, through the common adoption of all the pan-European rules of origin defined at the Ministerial Trade Conference held in Palermo in July 2003.

On a more general level, there is no doubt about the need to encourage foreign and domestic investment in the countries of the southern Mediterranean shores. One instrument for this purpose, which could be better utilised by our Mediterranean partners, is the FEMIP: set up in 2002, its purpose is to attract direct foreign investments and increase the dynamism of those countries’ private sectors. Political instability, lack of transparency in government policy and inadequate investment legislation are the main causes underlying national and international investors’ scarce interest in that region. Greater commitment to political reform appears indispensable

in this regard. Furthermore, enhancement of the infrastructure of the countries in question is a necessary pre-requisite for encouraging investment in the area and in tourism.

Q. What sectors still offer foreign investors a good profit margin in the Mediterranean and Middle East?

A. As a result of its particular features, the Italian economy is capable of being present in all sectors, and many are the initiatives undertaken by the countries participating in the vast infrastructure development programmes (motorways, roads, railroads, port construction and management, aqueducts, and so on). The fact that our interests and those of our partners in this area are complementary makes economic cooperation mutually profitable and the government tends to act in such a way as to underpin this.

Q. The European Commission drafted the European Neighbourhood Policy as a future strategy for relations with the countries of the southern Mediterranean. Among the Neighbourhood Policy's provisions is the definition of new cooperation instruments that strengthen the executive and planning capacity of local actors in the context of territorial partnership. What prospects do Italian regional and local bodies have for strengthening their relations with the Mediterranean territories through this new instrument of regional and cross-border cooperation?

A. With the Neighbourhood Policy, which goes into effect in 2007, the EU's external engagement will be increasingly characterised as a predominantly civilian based foreign policy. With this methodological choice the EU has placed its trust in the capacity for internationalisation of Member State civil societies and of national and local government institutions. Italian and, in general, European regional administrations are being encouraged to build partnerships in an attempt to reap mutual benefits through the definition and implementation of economic and social cooperative relations, and by activating governments, private operators, specialised agencies, research centres, advanced technical training centres and volunteer associations on the basis of subsidiarity, keeping in mind the specific domestic policies of central governments.

But in order to seize this opportunity Italian regional administrations will have to start now setting up ad hoc technical facilities capable of tapping into the initiatives/programmes that are going to be emerging from the Neighbourhood Policy as well as from the structural development policies adopted by the Union for its own internal development. Using financing from the Interministerial Committee for Economic Planning (CIPE), the Ministry of Foreign Affairs has launched a programme to be developed in tandem with our regional administrations. Initial CIPE financing, aimed at strengthening the region's ability to negotiate and dialogue with the local autonomous entities of the Mediterranean basin, amounts to 5 million euro and allows the best use and improvement of our regional administrations' planning capability, endowing them with facilities capable of

utilising the funds that the EU earmarks for programmes in this area for 2007-2013. Positive results achieved during the programme under way will lead to obtaining residual CIPE funding (23 million euro), to be earmarked for projects developed by our regional administrations in tandem with those of our partner countries, on the basis of shared experience and acquired skills.

Interview with Cosimo Risi, Coordinator of the Euro-Mediterranean Dialogue for the Italian Foreign Ministry

Q. What has changed in the ten years since the signing of the Barcelona Declaration?

A. Some things have improved, some have fallen short: improved since the Euro-Mediterranean Process is now stronger and represents a set of rules governing relations between the various countries concerned; fallen short in the sense that the Process was launched in 1995 in a period of calm between Israel and Palestine, but its development over the years has been fraught with difficulty.

Q. Italy is considered a strategic nation on the Mediterranean scenario; is this solely as a result of its geographic location or for other reasons?

A. Our country's geographic location certainly justifies this, but I would draw attention particularly to the fact that Italy has always maintained very friendly relations with its neighbouring countries. I am convinced of the need for good neighbour policies, especially in light of phenomena such as migration that find our country directly involved in the control of migratory flows and in need of the closer collaboration of its neighbours. It is necessary to draw attention particularly to what is happening in the southern Mediterranean, because a major portion of immigrants headed for Italy are coming precisely from those countries.

Q. What can Italy do to foster the positive implementation of the Barcelona Process?

A. The minimal goal is to maintain a permanent forum for dialogue, the maximum is to create an area of prosperity and free trade through the creation, if not of common institutions, at least of common facilities allowing us to resolve common Mediterranean problems together. Italy is able to move on two fronts: the first is the European front, which makes our position stronger, and we can push the EU toward active third country policies; the second front is bilateral: we are capable of positive dialogue with Israel, Palestine and other Arab countries, which is a good sign.

Q. Does the Barcelona Process have a future?

A. Certainly, and we have to build it together. Barcelona has a future because it has a past and because we have nothing to replace it. Indeed, we have no other instrument capable of leading us beyond the bilateral approach. Barcelona forces us to sit down

together around a multilateral table, and this is the greatest acquisition since the signing of the Declaration in 1995.

GUIDE TO EUROMEDITERRANEAN WEB SITES

Commission-Relex:

http://europa.eu.int/comm/external_relations/euromed/index.htm

EuroMed Foundation:

www.euromedi.org

Barcelona+10: the official site:

<http://www.barcelona10.org/>

EuroMed Regional Conference Barcelona+10 – Conference site:

http://www.gencat.net/relacions_exteriors/bcn10/eng/index.htm