

# MED7 SEMINAR



CHALLENGES AHEAD  
IN THE  
EURO-MEDITERRANEAN REGION

LISBON 11 OCTOBER 2016



# MED7 SEMINAR

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# PREFACE

During more than two millennia, even if not totally continuous in time, the Mediterranean Sea lied at the very heart of the Western World. Carrying goods, connecting people and conveying ideas and knowledge, it decisively contributed to the gradual consolidation of a common space where the shared the values of Classical Antiquity were in fact to become one of the fundamental pillars of European culture.

Today, within the EU, Portugal, Spain, France, Italy, Malta, Greece and Cyprus share many values and interests. Therefore, it makes perfectly good sense for these like-minded countries to get together to discuss and concert positions on issues of shared concern. This was the basis for the MED7 Group, launched in 2013 at the level of Ministers of Foreign Affairs, and since then much has occurred in Europe and beyond its shores.

Some distracted or suspicious observers might ask themselves which are the motives behind these meetings and I can elucidate these interrogations by pointing out at least two basic reasons.

The first one has to do the growing importance of regional informal groups within the EU. In our point of view, these groupings should not supersede the EU's institutions but solely provide an additional forum for discussion among partners with special affinities. And, as I have pointed out, this is clearly the case with Southern EU countries.

The second motive is related to the increasing relevance of the Mediterranean in the European agenda: migrations, security or energy have become paramount issues of the EU institutions and all of them require a strong cooperation between the North and the South of the Mediterranean, following the example of the 5+5 Dialogue (involving Portugal, Spain, France, Italy, Malta, Mauritania, Morocco, Algeria, Tunisia and Libya).

In fact, truth be told, we have to recognize that, despite our common heritage, at times the Mediterranean Sea has also functioned as a wall,

separating the destinies of regions and peoples sharing a very significant cultural heritage. Therefore, bridging this long-lasting gap is also one of the main challenges we face nowadays, particularly taking into account the shared interest of all European States in the stability of our neighbourhood.

Considering this broad interdependence among the regions encompassed by the Mediterranean Sea, as well as the sizeable challenges affecting in particular the southern EU members-states, the idea of organizing a MED7 seminar naturally emerged as an imperative during one of the working lunches which are regularly held between the Secretary of State of European Affairs and the MED7 countries' Ambassadors based in Lisbon (similarly to what occurs in other capitals of the members of this group).

On this occasion, I would like to thank them and their countries, once again, for the fruitful joint collaboration in this endeavour. And in particular, I wish to praise the Ambassador of Cyprus, Thalia Petrides, for all her determination and commitment to this project, in which she was deeply involved from the beginning to its completion. All together, we were able to lay the foundations for valuable debates and have laid ground for future work in several domains. From all perspectives, I think it is fair to claim success.

*Margarida Marques*

# A BRIEF HISTORY OF MED7

The MED7 is an informal group comprised of seven Mediterranean member-states of the European Union: Portugal, Spain, France, Italy, Malta, Greece and Cyprus. Its main aim is to provide a forum for consultation, exchange of views and coordination of positions on issues of shared concern and interest. It was created in 2013 upon an initiative of the ministers of foreign affairs of Cyprus and Spain.

The first meeting of the Group at the level of ministers of foreign affairs took place in Alicante (Spain) in 2014, the second in Paris (France) in 2015 and the third in Limassol (Cyprus) in February 2016. There are also regular meetings in Brussels of the permanent representatives of the MED7 countries and in Lisbon among the ambassadors and the Portuguese secretary of state for European Affairs.

The group is gaining momentum and accrued significance within the EU as frequent consultations are held before the various council meetings in Brussels. A turning point was the recently organized Summit in Athens (Greece) in September 2016, where the heads of state and government of the seven countries discussed the latest developments in Europe and took a common stand on issues such as migration, Brexit and the future of the EU.

The consolidation of the MED7 as a group is further enhanced by the decision to convene the Second Summit in 2017 in Lisbon.

The regional groupings of countries within the EU are not a new trend; in fact there are several groups already existing for a long time such as the Benelux, Nordic and Baltic, and the Visegrad. They all contribute to the dialogue within the EU facilitating decision making and improving interregional understanding.

Now with this Seminar, the MED7 is going a step further towards establishing the group as a consultation forum by bringing in academic institutions to debate together with state representatives the current issues challenging the Mediterranean region.



# MED7 MEMBER STATES



PORUGAL



SPAIN



FRANCE



MALTA



ITALY



GREECE



CYPRUS





# The Republic of Portugal

**Capital:** Lisbon (2.1 million inhabit. – metropolitan area)

**Area:** 92 212 sq. km

**Population:** 10 337 000 (2015)

## BACKGROUND

Mainland Portugal is geographically located in Europe's West Coast, on the Iberian Peninsula. It is bordered by Spain to the North and East and by the Atlantic Ocean to the West and South, therefore being in a geostrategic location between Europe, America and Africa. In addition to the mainland, Portugal's territory also includes the Autonomous Regions of the **Azores** and **Madeira**, two archipelagos located in the Atlantic Ocean.



Altogether, national borders have remained unchanged since the XIII Century, which makes Portugal, with nearly 900 years of history, one of the oldest countries in the world and signals its strong identity and internal cohesion.

On the other hand, the strong historical and cultural ties that Portugal has with the rest of the globe are illustrated by the fact that the Portuguese language is spoken as an official language by more than 200 million people spread over Europe, Africa, America and Asia.

## ECONOMY

Portugal's accession to the European Communities had a rapid and very significant impact on the Portuguese economy: the confidence that Portuguese membership of the EEC instilled in investors led to a steep increase

in foreign investment, which until then had been a relatively minor part of total investment in Portugal. Access to the structural funds also led to a rise in investment in infrastructure (communications, basic sanitation, health, etc.), education, research and development, all fields which had been particularly neglected by the Portuguese economy. The effect of these factors, coupled with the favorable state of the European economy at the time, fostered high levels of economic growth in Portugal after the accession. This facilitated a convergence trend with the other members of the EEC, in parallel with an intense process of modernization in a wide range of areas of the economy and society in general.

The period following the ratification of the Treaty on European Union was marked in Portugal by the nominal convergence policy pursued to allow membership of the single currency in 1999. Later on, the impact of globalization and EU enlargement to Central-Eastern Europe, coupled with the budgetary constraints of the European Monetary Union seriously affected the performance of the Portuguese economy, triggering a rapid rise in unemployment and public financing difficulties, which ultimately – after the shock triggered by the 2008 global financial crisis – led to an intervention by the so-called *Troika*.

However, the Portuguese economy has been adapting to this challenging global context and, during the last decade, significant changes have occurred, with a growing importance and significant growth of new sectors, incorporating a larger amount of technology (e.g. automotive and components sector, electronics, energy, pharmaceutical sector and industries related to new technologies of information and telecommunications). Alongside, the growing importance of tourism, benefiting from Portugal's rich cultural heritage, its mild climate, extensive coastline and fine touristic infrastructure, should also be emphasized.

## **PORUGAL IN THE EC/EU**

On January 1 1986, Portugal joined, together with Spain, the European Economic Community (EEC) – the predecessor of the European Union (EU), into which it was incorporated after the Maastricht Treaty. Almost a decade after Mário Soares, the Prime Minister of the first constitutional government

formed in the afterwards of the Carnation Revolution (which overthrew the former dictatorship), formally submitted Portugal's application for accession, in 1977, the country was truly back to the European political arena.

Besides all the economic and social benefits that the Portuguese society was able to draw from this membership since then, Portugal has also been deeply involved and significantly contributed to the European integration process during the last 30 years.

As a matter of fact, just one year after the accession, Portugal signed the Single European Act (which paved the way for the Single Internal Market) together with its European partners. In 1991, it joined the Schengen area and one year later Portugal was also part of the Maastricht Treaty, which laid the foundations of deeper economic and political integration, including the European Monetary Union. From the start, Portugal strongly committed itself to be at the core of the EU integration process and, therefore, being one of the founding members of Euro zone became a priority.

Moreover, far from declining, Portuguese international influence in Europe and beyond was in fact leveraged by the EU integration, especially when holding the rotating Presidency of the Council (1992, 2000, and 2007). As an example, we can mention the Lisbon Agenda, in whose definition Portugal has played a crucial role, and of course the Lisbon Treaty, signed in the Portuguese capital. A practical example of the positive contribution of Portugal to the European integration process can also be found in the development of the *SISone4all* software tool, which broke the deadlock and enabled the enlargement of the Schengen area to the new EU member states, in 2007.

Furthermore, thanks to its unique characteristics, including a Universalist vocation and a genuine will to build bridges, Portugal has also played a central role regarding the external relations of the EU. As an example, we ought not to forget that the first high level summits held in Europe between the EU and, respectively, India (2000), Africa (2007<sup>1</sup>) and Brazil (2007), were held during Portuguese Presidencies.

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<sup>1</sup> It should be noted that the first ever EU-Africa Summit, which was held in Cairo, also took place during a Portuguese Presidency of the EU.

Last but not least, it is worth mentioning the names of the Portuguese members of the College of Commissioners throughout the years, several of them with major influence in the European integration process, thus symbolically representing the consecration of the central role played by Portugal in the EU: António Cardoso e Cunha (1986-1993), João de Deus Pinheiro (1993-1999), António Vitorino (1999-2004), José Manuel Durão Barroso (2004-2014) and Carlos Moedas (2014-).

**SOURCE:**

<http://www.portugalglobal.pt/EN/Portugal/Pages/WelcometoPortugal.aspx>

<http://www.portugalglobal.pt/EN/Biblioteca/Documents/PortugalFichaPaisIngles.pdf>

<http://www.cvce.eu/en/recherche/unit-content/-/unit/a7b75b14-91dc-48dd-9df0-a0d51a9edfef>

# The Kingdom of Spain

Spain is on the Iberian Peninsula and to the north is bordered by France and Andorra, and to the west by Portugal. Spain also includes the Balearic Islands in the Mediterranean Sea, the Canary Islands in the Atlantic Ocean, and two autonomous exclaves in North Africa: Ceuta and Melilla.



**Capital:** Madrid

**Population:** 46 449 565 (2015)

**Currency:** Euro

## ECONOMY

Spain is a dynamic country with an advanced economic model, in which the services sector and industry represent approximately 92% of Spain's GDP.

ECONOMIC DATA	
Currency	Euro, divided into 100 cents
Real growth in GDP	1.4%* 3,2% (2015 INE)
GDP per capita (2008)	22,279 euros 23.309 euros (2015 EUROSTAT)
Inflation	-1.0%** -0,5% (2015 INE)
Public Accounts	Budget deficit 4.62 % of GDP in 2014*** -5,1% (2015)

\* Data GDP until Q4 of 2014      \*\* Aggregate average until December 2014

\*\*\* The State recorded a deficit 4.62% January-November 2014 of Spain's GDP (Ministry of Finance and Public Administration)

## SPAIN IN THE EUROPEAN UNION

On January 1 1986 Spain entered the European Union as a full member. The following year, all the member countries signed the Single European Act which increased the momentum towards the creation of a single internal market and the expansion of the authorities of the supranational body. This process of integration was considerably advanced by the signing of the European Union Treaty (Maastricht, 1992) which meant a substantial step forward for economic and political integration. The Treaty signaled acceptance of the different phases of monetary union and the creation of the Central European Bank. From that point the Spanish government made the fulfilment of these requirements a basic aim of its economic policy in order to be part of the group of countries to integrate the economic and monetary union from the very first moment.

Once this required framework of economic stability had been achieved, Spain, together with another eleven EU member states, adopted the common European currency on 1 January 1999. On 1 May 1999, the Treaty of Amsterdam came into effect, which represented a further step forward for the construction of Europe by reinforcing the community policies already established in the Treaty of the Union, and in particular with regard to the establishment of an employment policy and the creation of a space for freedom, safety and justice.

In December 2000, the European Union member countries ratified the Treaty of Nice which further expanded the European Union towards the countries in Central and Eastern Europe. The aim of this treaty was to adapt the Union, its institutions and its decision-making mechanisms to a new Europe which has since been expanded to include a total of 28 member states.

With this treaty, Spain maintained or increased its specific weight based on its population and its economic weight within the EU. However, the most decisive step taken by the European Union was to implement the single currency in the shape of the euro, which since 1 January 2002 has come into circulation in most of the member countries.

Since it joined the European Union, Spain has assumed the presidency on four occasions: in the first half of 1989, the second half of 1995 and the first

half of 2002 and the first half of 2010. In these periods the most important decisions were the approval of the "Delors Report" which was the step prior to the European Union or Maastricht Treaty in 1992 (during the first presidency), while the second Spanish presidency coincided with the decision to designate the euro as the European currency. In 2002 the main challenges for the presidency of the European Union were the fight against terrorism, the continuation of economic and social reform, and the fulfilment of the schedule for expansion.

Finally, the 2010 presidency saw the drive to achieve the EU's adhesion to the European Convention of Human Rights, the implementation of the new plan for effective equality between men and women, and the political decision to promote the European protection order.

The EU initiatives in which Spain has played a key role and to which it has dedicated considerable effort are the following:

- the implementation and consolidation of the idea of Europe and the Citizens, and its advancement by means of specific measures (the concept of "European citizenship", European passport, etc.);
- the concept of social Europe, in parallel with the idea of economic and monetary Europe;
- the defense and application of the economic and social cohesion of the European Union and the creation of employment as the driving force for that cohesion;
- the emphasis on the development of a common European policy in matters of Justice and Interior, and particularly in the fight against organized international delinquency, drug trafficking and terrorism, with the aim of progressively establishing a common "area of freedom, safety and justice";
- the process of developing and institutionalizing relations between the EU and Latin America, as showcased in the summit between Europe and Latin America in Rio de Janeiro in 1999;
- and finally, political stability in the Mediterranean basin (intensification of the cooperation ties with the Mediterranean countries in the north of Africa, actively mediating in the Middle East peace process, and hosting in Barcelona the Conference on Security and Cooperation in the Mediterranean).

In its efforts to promote the cooperation and development of international relations in the Mediterranean basin, Spain plays a key role in the Union for the Mediterranean (UPM), which has its headquarters in Barcelona.

**SOURCE:**

[https://europa.eu/european-union/about-eu/countries/member-countries/SPAIN\\_en#overview](https://europa.eu/european-union/about-eu/countries/member-countries/SPAIN_en#overview)

<http://www.spain.info/en/informacion-practica/sobre-espana/>

<http://www.investinspain.org/invest/en/index.html>

# The Republic of France

France is the largest country in the EU, extending from the North Sea to the Mediterranean. The landscape is diverse, with mountains to the east and south, including the alpine summit of Mont Blanc (4,810 m), which is the highest point of Western Europe.



**Capital:** Paris

**Population:** 66.66 million (Eurostat - 2016)

**Area:** 632 834 km<sup>2</sup> (Eurostat - 2013)

**GDP growth rate:** 1.3% (Eurostat - 2015)

**Unemployment rate:** 10.4% (Eurostat - 2015)

**Public debt:** 95.8% (Eurostat - 2015)

**Public deficit as% of GDP:** -3.5% (Eurostat - 2015)

**Inflation:** 0.1% (Eurostat - 2015)

**Currency:** Euro

## FRANCE AND THE EU

Since 1945, European integration has taken a prominent place in French foreign policy, from a perspective of peace, security, democracy and prosperity. The approximation between France and Germany, of which Jean Monnet, Robert Schuman and Konrad Adenauer are the main artisans, culminated in the creation of the ECSC in 1951, around which the European project was built.

France had a decisive role in the founding of the EEC (the Common Market), born out of the Treaty of Rome (1957), but rejected the creation of the EDC

(European Defense Community) in August 1954. General de Gaulle wanted to put an end to the cold war and build a Europe going "from the Atlantic to the Urals" while defending the sovereignty of the States. His friendship with Chancellor Adenauer facilitated the Franco-German cooperation, making the two countries a "driving force" for the European construction. In 1963, the treaty of the Elysée sealed the reconciliation between the two countries.

France is also very much involved in the creation of the European Union with the Maastricht Treaty ratified by referendum in 1992 and the adoption of the euro on 1 January 2002. However, the French people rejected by 54.87% the draft constitutional treaty with the referendum in May 2005.

France is represented by 74 Members in the European Parliament.

France assumed the presidency of the European Union in the second half of 2008 and will assume it again in the first half of 2022.

## ECONOMY

As the sixth largest economy in the world by 2015 in terms of GDP, France is also the fifth largest exporter of goods and the largest producer and exporter of agricultural products in Europe.

By 2015, about 76.5% of its workforce is employed in the tertiary sector while the primary and secondary sectors occupy only 2.8% and 20.5% respectively.

## SOURCE:

[https://europa.eu/european-union/about-eu/countries/member-countries/france\\_en](https://europa.eu/european-union/about-eu/countries/member-countries/france_en)

[http://www.ambafrance-pt.org/-Portugal-\)](http://www.ambafrance-pt.org/-Portugal-)

<http://www.touteurope.eu/les-pays-de-l-union-europeenne/france.html>

# The Republic of Malta

Malta comprises an archipelago of three islands in the Central Mediterranean Sea, south of the Italian island of Sicily, east of Tunisia and north of Libya. Malta is one of the world's smallest and most densely populated countries.

**Capital:** Valletta

**Population:** 429 344 (2015)



## ABOUT MALTA

Megaliths, medieval dungeons and Calypso's Cave – The Maltese Islands are positively mythic. The narrow meandering streets of their **towns and villages** lead to the main square, which is invariably dominated by the huge baroque church. As the countryside is dotted with medieval towers, wayside chapels and the oldest known human structures in the world, the Islands have rightly been described as an open-air museum. The Maltese archipelago lies virtually at the center of the Mediterranean, 93 km south of Sicily and 288 km north of Africa. The archipelago consists of **three islands**: Malta, Gozo and Comino with a total population of over 400,000 inhabitants occupying an area of 316 square kilometers.

**Malta** is the largest island and the cultural, commercial and administrative center. **Gozo** is the second largest island and is more rural, characterized by fishing, tourism, crafts and agriculture. **Comino**, the smallest of the trio, has one hotel and is largely uninhabited. With superbly sunny **weather**, attractive **beaches**, a thriving nightlife and 7,000 years of intriguing **history**, there is a great deal to see and do.

## HISTORY

The history of Malta is a long and colorful one dating back to the dawn of civilization. The Maltese Islands went through a golden **Neolithic period**,

the remains of which are the mysterious temples dedicated to the goddess of fertility. Later on, the **Phoenicians**, the **Carthaginians**, the **Romans** and the **Byzantines**, all left their traces on the Islands.

In 60 A.D. **St. Paul** was shipwrecked on the island while on his way to Rome and brought Christianity to Malta. The Arabs conquered the islands in 870 A.D. and left an important mark on the language of the Maltese. Until 1530 Malta was an extension of Sicily: **The Normans**, the **Aragonese** and other conquerors who ruled over Sicily also governed the Maltese Islands. It was Charles V who bequeathed Malta to the **Sovereign Military Order of St. John of Jerusalem** who ruled over Malta from 1530 to 1798. The Knights took Malta through a new golden age, making it a key player in the cultural scene of 17th and 18th century Europe. The artistic and cultural lives of the Maltese Islands were injected with the presence of artists such as **Caravaggio**, **Mattia Preti** and **Favray** who were commissioned by the Knights to embellish churches, palaces and auberges.

In 1798, **Napoleon Bonaparte** took over Malta from the Knights on his way to Egypt. The French presence on the islands was short lived, as the English, who were requested by the Maltese to help them against the French, blockaded the islands in 1800. **British** rule in Malta lasted until 1964 when Malta became independent. The Maltese adapted the British system of administration, education and legislation. Modern Malta became a **Republic** in 1974 and joined the **European Union** in May 2004.

## MALTA'S ECONOMY

Malta's GDP in 2014 amounted to 8.0 Billion. During the same year, Malta's economy in real terms grew at the rate of 3.5%, comparing very positively with the EU's 28 average. In fact, during 2014 the EU28 economy (in real terms) grew at a lackluster rate of 1.3%. Forecasts for 2015 published by the European Commission in its European Economic Forecast-Winter 2015 show that real GDP growth in Malta during 2015 is expected to be higher than that within the EU28, 3.3% compared to 1.7%. This rate of growth projects Malta to be amongst the top growing economies amongst the EU28. Gross Domestic Product per capita in nominal terms for 2014 was 17,200. GDP per capita in Purchasing Power Standards (PPS) for 2013 amounted to 86% of that recorded on average in the EU28. 8. The Gross

Value Added (GVA) generated by the Maltese economy after 2009 has been increasing on an annual basis, with a total GVA generated in 2014 being 4.4% higher than that recorded in 2013. This was also 29.9% higher than the GVA recorded in the pre-crisis period (2008).

Over the years, the Maltese economy has managed to increase its economic diversification and develop new economic pillars. Furthermore, the nation's the economy managed to maintain the competitiveness of its traditional sectors like manufacturing and tourism. Simultaneously new economic sectors developed and grew, including pharmaceuticals, aircraft maintenance repairs and overhaul, information and communication technologies, financial services, iGaming and digital gaming. A Life Sciences Park worth circa 38 million has been developed, and is set to facilitate further diversification and promote the development of new off shoots in Malta's life science sector. The Park officially commenced operations recently with a number of tenants already setting-up. For a small island-nation with a very open economy, economic diversification is of crucial importance. Malta's economic diversification as well as a conservative banking system has enabled the economy to withstand the economic headwinds encountered during the last few years.

## ECONOMIC CLIMATE

Although a small economy fully exposed to the vagaries of the global economic context, Malta has managed to weather recent upheavals remarkably well. This can be ascribed to the fact that the economy is diversified, with the result that a downturn in any one sector is compensated for by continued strong performance in other areas. The country's Gross Domestic Product stood at €8.8 billion in 2015 with high exports per capita of over €28,000 pointing to the essentially export-driven economy, both in physical goods as well as services. In this area, companies are assisted by Trade Malta, the entity tasked with facilitating both incoming and outgoing trade flows.

It is also pertinent to point out that, although the country is well known as a tourist destination and, increasingly, as a financial services hub, the manufacturing industry still has a very important role to play with a contribution of over 13% to the country's GDP as well as being the second largest

employer on the island. This indicates a competitive edge, not only in newer sectors, but also in well-established areas, such as industry.

## **SETTING UP**

Malta has been welcoming investors into the country since the early 1950s. This means that both private and public service providers are well aware of the requirements of an incoming operation. The process of setting up on the island is a straightforward and transparent one in which the investor is always kept updated as to what is required. Prospective investors often make use of a service provider from the private sector capable of seeing to all their legal and logistical requirements from company registration, access to banking facilities to recruitment of staff. Furthermore, Malta Enterprise has a specialized unit known as Business First tasked with providing a single point of contact to prospective investors or ongoing operations for their interactions with various government departments according to their requirements.

## **HUMAN RESOURCES**

As an island which lacks natural resources, it was acknowledged from the outset of the country's industrialization that its workforce would be the primary resource available to its growing economy. To this end, the last six decades have seen extensive investment in education and training in order to ensure the most effective results. This has resulted in a workforce variously described by important investors as flexible, loyal, innovative and productive. The Maltese employee has a strong work ethic and is well known for being able to think "out of the box" and come up with innovative, cost effective solutions. This makes Malta an ideal location for companies engaged in high value-added activities which require high levels of input and skill from their workforce.

## **SOURCE:**

[www.visitmalta.com](http://www.visitmalta.com)

<http://www.maltaenterprise.com/sites/default/files/Doing%20Business%20%28Final%20July%202015%29.pdf>

[https://europa.eu/european-union/about-eu/countries/member-countries/MALTA\\_en#overview](https://europa.eu/european-union/about-eu/countries/member-countries/MALTA_en#overview)

# The Republic of Italy

Italy consists of the entirety of the Italian Peninsula and the two largest Mediterranean islands of Sicily and Sardinia as well as around 68 smaller islands. There are two small independent states within Italy: the Vatican City in Rome, and the Republic of San Marino.

**Capital:** Rome

**Population:** 60 795 612 (2015)

**Currency:** Euro



The most important sectors of Italy's economy in 2015 were wholesale and retail trade, transport, accommodation and food services (20.5 %), industry (18.8 %) and public administration, defense, education, human health and social work activities (17.1 %).

Italy's main export partners are Germany, France and the US, while its main import partners are Germany, France and China.

## ITALY'S ROLE IN THE CONSTRUCTION OF A UNITED EUROPE

**1-3 JUNE 1955:** At Messina, less than a year after the death of Alcide De Gasperi – one of the European community's founding fathers, along with Jean Monnet, Robert Schumann and Konrad Adenauer – a conference was held in Messina that lay the foundations for the Treaty of Rome. The six Foreign Ministers of the European Coal and Steel Community (ECSC) – Italy, France, Germany, Belgium, Netherlands and Luxembourg, decided to adopt economic integration as an instrument by which to create political

union. The ministers agreed to the idea of a Common Market and approved the creation of a European Atomic Energy Community.

**29-20 MAY 1956:** At Venice, the intergovernmental committee, which launched the first Intergovernmental Conference, also introduced the Spaak Report, named after Belgian Foreign Minister Paul Henri Spaak, who chaired the committee. The Report authorized the preparation of two treaties, one on the European Economic Community and the other on the European Atomic Energy Community.

**25 March 1957:** In the Orazi and Curiazi Rooms of Rome's Campidoglio (Capitol Hill) representatives of the six founding countries signed the two treaties establishing the European Economic Community (EEC), initially called the European Common Market (ECM) and the European Atomic Energy Community (EURATOM). The two treaties went into effect in January 1958 after ratification by the six Parliaments.

**3-11 JULY 1958:** At Stresa, the Conference of the Ministers of Agriculture of the six founding member countries laid the foundations for the first real European agricultural policy, which took effect in January 1962. The Conference defined community policy in this sector, which involved the free circulation of agricultural products.

**1 JULY – 21 MARCH 1972:** Italian Franco Maria Malfatti becomes President of the European Commission.

**1-2 DECEMBER 1975:** The European Council, made up of the leaders of nine new member countries (after the accession in 1973 of the UK, Denmark and Ireland) decides that by the spring 1978 universal suffrage would be extended to parliamentary elections (which were postponed by one year); adoption of a single passport is also decided;

**25-26 MARCH 1977:** In Rome the European Council tasks the duty Presidency of the Council and the President of the European Commission with representing the Community at G7 summit meetings;

**12-13 JUNE 1980:** In Venice the European Council, chaired by Italy, approves several political statements, in particular that better known as the Venice

Declaration on the Middle East, which, among other things, recognizes the Palestinian people's right to self-determination, the first sign of common foreign policy. Moreover, as a consequence of the second energy crisis to hit the West, the nine Members call for Euro-Arab dialogue on energy problems;

**28-29 JUNE 1985:** In Milan the European Council of 10 Members, after the accession of Greece in 1981, decides to create a single European market by the end of 1992 and, for that purpose, approves the convening of an Intergovernmental Conference that later leads to the Single European Act (17 February 1986), the first EEC institutional reform after the Treaty of Rome;

**27-28 OCTOBER 1990:** In Rome the European Council of 12 members, with the accession of Spain and Portugal in 1986, approves two documents, one on European Political Union (EPU) and the other on the European Monetary Union (EMU). The Council expresses the desire to change the word Community to Union, and also decides to create a European citizenship to be added to that of individual nations;

**14-15 DECEMBER 1990:** In Rome the Summit of Heads of State and Governments of the 12 members launches the Intergovernmental Conferences (IGC) on Political Union and on Economic and Monetary Union. The two IGCs would lead to the signing of the Treaty of Maastricht (7 February 1992), which marked the birth of the European Union. Among the drafters of the Maastricht Treaty is then Treasury Minister Guido Carli;

**29-30 MARCH 1996:** In Turin an extraordinary summit of the 15 members (joining in 1995 were Austria, Finland and Sweden) launches the Intergovernmental Conference for the revision of the Maastricht Treaty. The Italian EU Presidency submits a formula of flexibility: in practice, Member Country's wishing to proceed more rapidly on the path to integration can do so, but in a community context and with the commitment to help the others catch up with them;

**21-22 JUNE 1996:** In Florence the Italian duty Presidency ends with unanimous acknowledgement for the first sessions held of the IGC, sessions that would lead to the signing of the Treaty of Amsterdam (2 October 1997).

The European Council reaches agreement on the “mad cow” crisis and approves Europol, the European police agency;

**16 SEPTEMBER 1999:** (until 21 November 2004): Italian Romano Prodi is President of the European Commission;

**29 OCTOBER 2003:** The inaugural session of the IGC for the drafting and adoption of the final version of the first European Constitution took place in Rome;

**29 OCTOBER 2004:** In Rome the Heads of State and Government and Ministers of Foreign Affairs of the 25 Member Countries and two Accession Countries participate in the ceremony for the signing of the Treaty and the Final Act Establishing a Constitution for Europe;

**21 JUNE 2005:** Parma is made the central headquarters of the European Food Safety Authority (EFSA), charged with implementing the decisions of the European Council of 12 and 13 December 2003. The Agency is a fully independent body offering scientific consulting, information and support to the European Commission and Parliament and to Member States regarding food and fodder safety.

**9 MAY 2010:** Professor Mario Monti, former European Commissioner, drafts a report for President of the European Commission José Manuel Durão Barroso entitled “A new strategy for a single market”. The “Monti Report” will go on to form the basis for a series of European laws aimed at enhancing the potential for the single market in terms of sustainable growth.

**1 NOVEMBER 2011:** Italian Mario Draghi is appointed President of the European Central Bank.

## **SOURCE:**

[https://europa.eu/european-union/about-eu/countries/member-countries/italy\\_en](https://europa.eu/european-union/about-eu/countries/member-countries/italy_en)

[http://www.esteri.it/mae/en/politica\\_europea/italia\\_in\\_ue](http://www.esteri.it/mae/en/politica_europea/italia_in_ue)

# The Hellenic Republic (Greece)

## HISTORY & CULTURE

Greece is a truly unique location. Despite its small size, the country enjoys a particularly pristine and diverse natural environment that offers everything from scenic island getaways to cozy mountain retreats. The country's stunning topography provides the backdrop for an unequalled array of recreational opportunities. This, combined with a spirited lifestyle that blends the Mediterranean's ancient and modern culture, makes Greece a simply extraordinary place to be – and a wonderful place to call home.



**Capital:** Athens

**Area:** 131, 990 sq. km.

**Population:** 11.306.183 (2010 estimate)

**Length of State Border:** 1,228 km

**Border Countries:** Albania (282 km), Bulgaria (494 km), Turkey (206 km), FYROM (246 km)

**Climate:** Temperate, mild, wet winters, hot, dry summers

**Terrain:** Mostly mountains with ranges extending into the sea as peninsulas or chains of islands

**Elevation extremes:** Lowest point: Mediterranean Sea 0 m – Highest point: Mount Olympus 2,917 m

As the birthplace of Western civilisation, Greece's cultural legacy lives on in the modern Greek society. While countless archaeological sites and

museums – including the new Acropolis Museum – offer visitors a chance to experience Greek history up close and personal, the country's deep heritage is also felt in the spectacular concert halls, in the summertime open-air theatres, and in the bustling neighbourhood art galleries throughout Athens. Greece is today, as it has been for thousands of years, an inspiring place to be.

Greece offers the visitor and resident unlimited opportunities to explore the very roots of Western civilisation. Throughout the country, there are hundreds of museums, archaeological sites, and monuments that detail the rise of art, architecture, crafts, design, ideas and thought.

## **GEOSTRATEGIC IMPORTANCE**

The strategic location of Greece, a peninsular country, dominates the Aegean Sea and the southern approach to the Dardanelles Straits, possessing an archipelago of approximately 3,000 major islands.

Recently, the management of migration and refugee flows, the largest population movement after the Second World War, emerged as a hot issue within the international conundrum of the European Union. Greece, being a member state, by successfully tackling the huge numbers of the influxes, is contributing to the stability and the consolidation of the rule of law in the Southern Neighbourhood region, ensuring security and peace in the wider arc of the eastern flank of the EU – and NATO, stretching from Ukraine to the eastern Mediterranean.

**Membership in important international organizations:** European Union, NATO, EBRD, EIB, IBRD, IMF, IMO, Interpol, OECD, UN, UNCTAD, UNESCO, WHO, WTO, CERN

## **THE ECONOMY**

**Eurozone Status:** Member

**Currency:** Euro

**GDP 2014:** 179 billion Euro (at current prices). GDP for 2014 reached 186.5 billion Euros at constant prices of 2010.

The Greek economy, having achieved high growth rates until 2008, showed signs of recession in 2009 as a result of the global financial crisis, and from 2010 onwards the recession intensified considerably due to country's fiscal imbalances. The need for consolidation led the country to embark on a trilateral mechanism of financial support, comprised of the EU, the IMF and the ECB. The restrictive income policy and drastic limitation on public expenses during the past five years have had a negative impact on GDP growth, leading to its decrease by 5.4% in 2010, 8.9% in 2011, 6.6% in 2012 and 3.9% in 2013 (constant prices of year 2010). During 2014, the Greek economy returned to positive growth rates of 0.8%.

The public deficit decreased from 15.3% in 2009 to 11.1% in 2010, 10.2% in 2011, 8.7% in 2012, whereas in 2013 was increased by 12.3%. In 2014, the public deficit decreased significantly reaching 3.5% of GDP, while in 2013 and in 2014 a primary surplus was achieved.

### **Economic hub of Southeast Europe**

Despite the economic crisis that emerged in 2010, Greece still remains an attractive investment destination, as it offers to businesspeople numerous investment opportunities stemming from Greece's strategic geographic location and its competitive advantages. Greece is a natural gateway to the markets of South-eastern Europe and the Eastern Mediterranean, regions with more than 140 million consumers and a GDP reaching 1 trillion Euros.

As the centre of neighbouring emerging markets, Greece provides access to populations where there is high demand for consumer goods, infrastructure modernization, technology transfer and innovation networks, energy, tourism and light industry.

Greek companies and banks are well established and play a key role in the markets of neighbouring countries.

Investors are increasingly discovering that Greece combines features unique in Europe. The country is a premier global tourist destination, an emerging regional energy centre, and has a highly educated and multilingual workforce.

## MAJOR ECONOMIC INDICATORS

	2010	2011	2012	2013	2014
GDP (Constant prices 2010)	-5,4%	-8,9%	-6,6%	-3,9%	0,8%
Inflation: Annual Average	4,7%	3,3%	1,5%	-0,9%	-1,3%
Labour Productivity (EU-28=100)**	93	89,9	91,8	92,8	n.a.
Unemployment Rate	12,7%	17,9%	24,4%	27,5%	26,5%
Public Investments (%GDP)**	3,2%	2,5%	2,5%	2,7%	3,8%
Exports (Goods – Current Prices)*	21,1	24,3	27,6	27,6	27,2
Imports (Goods – Current Prices)*	50,5	48,4	49,3	46,9	47,7

\*billion Euro

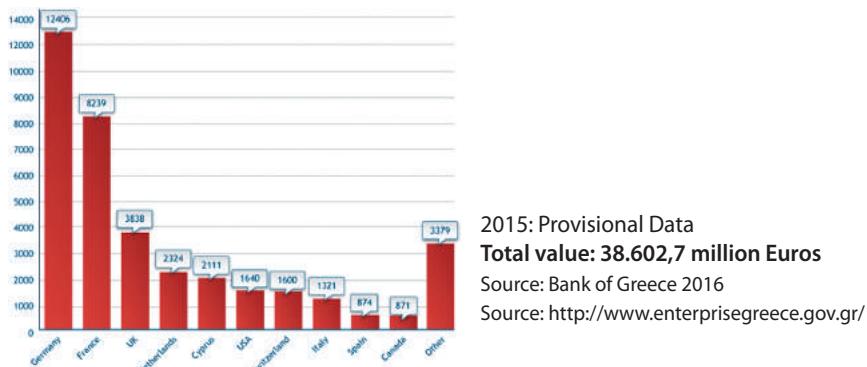
\*\* Source: Eurostat

Source: Hellenic Statistical Authority, 2015

## FOREIGN DIRECT INVESTMENT

Foreign investment activity in the country during the last decade originates mainly from companies of important markets, such as the EU, with Germany being the top source country of investment capital and with France, UK, Netherlands and Cyprus following. USA and Canada also belong to the top ten investing countries, having increased their investment presence in the country especially during the last few years.

### FDI INFLOWS BY COUNTRY OF ORIGIN OF CAPITAL DURING THE PERIOD 2005-2015 (IN MILLION EUROS)



## SOURCE:

<http://www.map-of-greece.org/>

# The Republic of Cyprus

Cyprus is the third largest island in the Mediterranean with an area of 9.251 sq. kms, extending 240 kms from east to west and 100 kms from north to south. It is situated in the far eastern corner of the Mediterranean and in close proximity to the busy trade routes linking Europe with the Middle East, Russia, Central Asia and the Far East.



**Capital:** Nicosia

**Population:** 946,000 (2013)

**Currency:** Euro

## HISTORY

The history of Cyprus is among the oldest in the world. The first signs of civilization traced in archaeological excavations and research, date back 11.000 years to the 9th millennium BC. According to mythology, Aphrodite, the ancient Greek goddess of love and beauty, was born from the foam of the sea on the southwestern coast of Cyprus, near the city of Pafos.

Strategically located at the crossroads of three continents (Africa, Asia, and Europe), and of major civilizations, Cyprus has been conquered by powers that dominated the eastern Mediterranean at various periods, assimilating cultural influences through its multifaceted interaction with neighboring countries. As a result, this small, modern European state has developed its own unique character, but maintaining its Greek culture and language which were introduced by the Mycenaean and Achaean Greeks who settled on the island between the 13th and 11th century BC.

In 1571 AD, Cyprus was conquered by the Ottomans and in 1878 it was ceded to Britain. In 1914 Britain annexed the island and in 1923, under the Treaty of Lausanne, Turkey relinquished all claims on Cyprus. In 1925 Britain declared Cyprus a crown colony. In 1955 the Greek Cypriots launched a liberation struggle against British rule and in 1960 Cyprus became an independent state, the Republic of Cyprus, with Archbishop Makarios being the first President.

Prior to the Turkish invasion (July-August 1974), the two communities in Cyprus (Greek Cypriots and Turkish Cypriots) lived together in proportion 4 Greek Cypriots: 1 Turkish Cypriot in all six administrative districts of the island. Since the invasion, more than 58,000 Turkish Cypriots living in the occupied area have emigrated, and as a result today they constitute less than 10% of the population of Cyprus compared to 18% before July 1974.

Currently 72% of the population is Greek Cypriots (690,900), 17.6% are foreign residents (167,100) and 9.6% are Turkish Cypriots (91,000).

A series of UN General Assembly and Security Council resolutions, as well as resolutions adopted by numerous other international organizations, reflect the universal condemnation of Turkey's invasion and on-going occupation of part of Cyprus; demand the return of the refugees to their homes in safety and the tracing of the missing persons; demand the withdrawal of foreign forces and settlers from Cyprus; and call for respect for the human rights of all Cypriots as well as for the independence, sovereignty and territorial integrity of Cyprus.

Moreover, the European Court of Human Rights has found the government of Turkey responsible for gross and systematic violations of human rights in Cyprus. Regrettably, most of the resolutions and court decisions remain unimplemented as Turkey continues to defy the will of the international community and the rule of law. Successive rounds of UN-sponsored talks to resolve the Cyprus problem have been unsuccessful.

## CYPRUS IN THE EUROPEAN UNION

The Republic of Cyprus became a full member of the European Union on May 1, 2004. Accession to the EU was a natural choice for Cyprus, driven by

its culture, civilization and history, as well as its unwavering commitment to the values of democracy, freedom and justice.

With the dawn of 2008, Cyprus joined the European Monetary Union leveraging a robust economic performance marked by banner key indicators, thus adopting the Euro as its national currency. In July 2012 assumed the six-month rotating presidency of the EU.

Cyprus has a lot to benefit from EU membership and despite its small size, a lot to offer as well. Being Europe's Eastern outpost at the intersection of important transport and communications routes and at the crossroad of three continents, Cyprus provides a secure gateway for European enterprises into the Middle East, North Africa and Asia, while offering non-European businesses and entrepreneurs possibilities for investment into Europe.

Cyprus encourages Foreign Direct Investment in priority economic growth sectors, as highlighted in the country's Strategic Development Plan 2014-2020, with the introduction of a number of measures, reform initiatives and investment opportunities.

With its advanced technical infrastructure and skilled human talent, Cyprus has become a regional quality business and financial center, as well as a major communications and transport center, and is also fast developing into an energy hub in the Eastern Mediterranean.

## **DOING BUSINESS IN CYPRUS**

Cyprus has long established itself as a thriving business center, with a vast array of investment opportunities in key growth sectors of the economy. The island's strategic location, advanced infrastructure and high quality of life do not only represent key reasons to relocate and live on the island, but are also at the heart of an investor's choice to invest in Cyprus.

The local infrastructure is ideally suited for business people who need to get things done. Thanks to its modern road network, extensive port facilities and two new international airports, travel and transport in and beyond Cyprus is fast, efficient and cost-effective. Human talent constitutes Cyprus'

most compelling advantage, complemented by a broad range of high quality professional services.

As a dynamic business center, Cyprus offers an abundance of highly educated and skilled individuals, multilingual in their majority, ready to serve the needs of any business. Cyprus, indeed, has all the right ingredients to maintain a strong and resilient economy, due to its small size, productive labor force and business friendly government.

The country's competitive advantages are significantly enriched by a robust and transparent legal and regulatory framework and an attractive tax regime, which offers a wide range of incentives and advantages both for legal and natural persons.

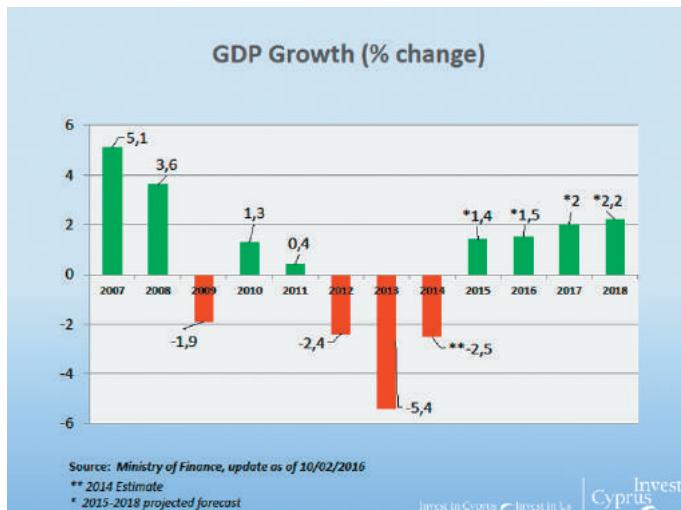
Providing access to an extensive network of more than 60 Double Tax Treaties, and maintaining a corporate tax rate of 12.5%, one of the lowest in the EU, Cyprus offers international investors and domestic businesses confidence to invest, grow and prosper.

## **EVOLUTION OF THE CYPRUS ECONOMY**

Cyprus's major imports are raw materials, consumer and capital goods, transport equipment and fuel, while major exports are pharmaceutical products, cement, paper products, plastic products, potatoes, citrus fruit, wines, and furniture.

The tertiary sector of services is considered as the backbone of the Cyprus economy, accounting for more than 80% of GDP in 2011. (In 2015 the GDP was 17.6 billion Euro.) This reflects the gradual evolution of the economy from an exporter of minerals (mainly copper and asbestos) and agricultural products during 1960-73, an exporter of manufacturing products (mainly clothing) at the end of the 1970s, to an international business and service center in the 1980s – today.

Every year, Cyprus warmly welcomes more than two million visitors from around the world, excitedly sharing the unique culture, hospitality and inspiring landscapes.



### Main Economic Indicators for Cyprus

	2012	2013	2014e	2015f	2016f
GDP at constant market price (% change)	-2,4	-5,9	-2,5	1,2	1,4
Unemployment Rate LFS (%)	11,9	15,9	16,1	16,0	15,0
Harmonized Index of Consumer Prices (% change)	3,1	0,4	-0,3	-1,0	0,9
Fiscal Deficit/Surplus (% of GDP)	-5,6	-4,5	-4,6	n/a	n/a
Public Debt (% of GDP)	79,3	102,5	108,2	106,3	105,1

Source: Ministry of Finance

Invest in Cyprus | Invest in Us | Invest Cyprus

## SOURCE:

[www.pio.gov.cy](http://www.pio.gov.cy)

[www.mfa.gov.cy/](http://www.mfa.gov.cy/)

[www.investcyprus.org.cy](http://www.investcyprus.org.cy)

[www.visitcyprus.com](http://www.visitcyprus.com)



# MED7 SEMINAR

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PROGRAM  
WELCOME REMARKS  
AND  
KEYNOTE SPEECH



# Program

**MED7 Seminar**  
**“Challenges Ahead in the Euro-Mediterranean Region”**  
**Calouste Gulbenkian Foundation – Lisbon, 11<sup>th</sup> October 2016**

**09.00 – 09.30 | Registration of Participants**

**09.30 – 10.00 | Opening Session**

Welcome remarks

Artur Santos Silva, President of the Calouste Gulbenkian Foundation

Thalia Petrides, Ambassador of the Republic of Cyprus

Margarida Marques, Secretary of State for European Affairs, Portugal

**10.00 – 10.45 | Keynote Speech by H. E. Augusto Santos Silva, Minister of Foreign Affairs of Portugal**

Lecture on political and institutional challenges in the Euro-Mediterranean region.

**Coffee break**

**11.00 – 12.30 | Panel I: Socio-Economic Challenges in Southern Europe – Competitiveness in the Euro-Mediterranean region**

This panel intends to analyse the different socio-economic contexts in the MED7 countries, in face of the global crisis and particularly in the Eurozone, and how to promote greater and effective convergence. It intends to assess the competitive advantages and disadvantages of the region as a group and its competitive position vis-à-vis other regions within the EU/Eurozone and globally, and articulate institutional reforms and strategies.

**Speakers:**

Professor Francesco Franco (Nova School of Business and Economics)

Professor Theodore Panayotou (Cyprus International Institute of Management)

Marianna Papadopoulou (Expert adviser, Ministry of Foreign Affairs of Greece)

**Moderator:**

Jorge Seguro Sanches (Secretary of State for Energy, Portugal)

## Lunch break

### **15.00 – 16.30 | Panel II: Identity and Security issues in the Euro-Mediterranean region – How to achieve unity in diversity**

Given the historical, cultural, linguistic, religious and societal diversity of the Euro-Mediterranean region and the current global dynamics, this panel aims to provide a broad analysis of the challenges and potential approaches regarding the security and the identity debate in the Euro-Mediterranean region, particularly focusing on migration and other complex phenomena.

#### **Speakers:**

Ambassador Gabriel Busquets (Ministry of Foreign Affairs of Spain)

Gurvan Le Bras (Foreign policy strategist, Ministry of Foreign Affairs of France)

Walter Mallia (Chargé d'affaires, Embassy of Malta)

Ambassador Rui Vinhas (EU PSC, Portugal)

#### **Moderator:**

Professor Nuno Severiano Teixeira (IPRI, Portugal)

## Coffee break

### **16.45 – 18.15 | Panel III: Sustainable Development in the Euro-Mediterranean region – How to promote shared stability and prosperity**

This panel seeks to analyse the concept of sustainable development in the Euro-Mediterranean region, through multidimensional approaches on education, employment, energy and environment.

#### **Speakers:**

Miguel Garcia-Herraiz (Deputy Secretary-General, Union for the Mediterranean)

Kim Kreilgaard (European Investment Bank)

Professor Martin Ortega (Complutense University, Madrid)

#### **Moderator:**

Maria Fernanda Rollo (Secretary of State for Science, Technology and Higher Education, Portugal)

### **18.15 | Closing Session**

Closing remarks by Margarida Marques, Secretary of State for European Affairs, Portugal



## Artur Santos Silva

President of the Calouste Gulbenkian Foundation

President of the Board of Trustees of the Calouste Gulbenkian Foundation since May 2012, Artur Santos Silva graduated in law from the University of Coimbra and attended the Stanford University Executive Management Program. He is President of the Board of Trustees of both Banco BPI and the Partex Oil & Gas (Holdings) Corporation.

Among the various other positions held are the following highlights: President of the National Commission for Commemorations of the Centenary of the Republic and President of the General Board of the University of Coimbra. He was Deputy Governor of the Bank of Portugal (1977/78), Secretary of State to the Treasury (1975/76), Director of Banco Português do Atlântico (1968/75), Guest Lecturer at the Catholic University of Portugal (1979/85), Assistant at the Shcool of Law of the University of Coimbra (1963/67) and Guest Lecturer at the same university (1980/82).

### **WELCOME REMARKS**

Dear Minister of Foreign Affairs

Dear Ambassadors

Distinguished speakers and guests,

Ladies and Gentlemen,

Welcome to the Calouste Gulbenkian Foundation. It is a great honor for us to host the International Seminar "Challenges Ahead in the Euro-Mediterranean Region".

I would like to congratulate the Cyprus Ambassador for promoting this important initiative.

We are delighted to participate in this discussion concerning the Euro-Mediterranean Region, not only to share learnings and insights from different countries, but also to better understand how to align efforts to tackle more effectively the critical problems that affect our countries.

In general, Southern countries of the Eurozone need reforms and adjustments that are different from the ones needed in the Northern countries.

Looking at Europe's economic weaknesses we can see:

- GDP in the Euro-area has only now reached its 2008 level!
- Average annual Euro-area growth over the last five years was at only 0.6% compared to 2% in the United States
- Euro-area investment was as low as during the Global Recession 2009. In the United States, investment increased by 19%
- Five Euro-area member States still have youth unemployment of more than 30%.

Something is wrong and we need some urgent changes in the Euro-area.

We need reforms at national level – increasing competitiveness, promoting private and public investment, strongly stimulating job creation and growth.

Only austerity and fiscal discipline will not solve our problems.

Portugal has proposed about two years ago an Euro-area budget to finance reforms and investments that would be able to reduce the gaps between North and South in Europe.

An alternative could be to utilize more strongly ESM (European Stability Mechanism) with that purpose.

As the Juncker plan is essentially oriented to big public investments and not SME investments it should be adjusted.

In addition the fiscal discipline should consider in a different way public investment that will have a positive impact on the long run under a cost/benefit analysis.

To increase private sector investment is critical but we also need, with adequate priorities, public investment.

The only chance our countries have to get closer to the northern European ones will be through economic growth, stimulating investment and job creation combined, of course, with fiscal discipline in public finances.

The permanent austerity policy will not allow growth, it will only increase differences, encouraging the emergence of populism and the increase of social inequalities within and among countries.

In Portugal, during the adjustment period, we have witnessed a dramatic increase of unemployment (that has touched 5% between the highest and the lowest points) and a drop of families' incomes, especially in already low income families, with the consequent broadening of social inequality. According to results recently presented<sup>1</sup>, while the income of the richest 10% of the population decreased by about 13%, the income of the poorest 10% decreased by 25%. Likewise, between 2009 and 2014, the poverty rate increased from 17.9% to 19.5%, bringing back our country to poverty levels of the beginning of this century, with particular impact on children and young people, as well as on the emergence of so-called "new poor".

In the Euro Zone, the highest inequality in distribution of income and the highest poverty risk rate can be noted in the Southern European countries, as well as in the Baltic countries and in the two most recent members of the European Union. This is why it is necessary to adopt public policies that help to reverse this uninterrupted cycle of increasing inequality, investing heavily on the spread of education and the generation of knowledge, as well as adopting policies to redistribute income.

Moreover, macroeconomic policies should be launched that promote the reduction of segmentation in the labor market, and encourage job creation, focusing especially on youth unemployment and long-term unemployment. According to the latest figures from the OECD, the rates of "Youth Not in Employment, Education or Training (between 20 and 24 years)" in the

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<sup>1</sup> Rodrigues, C. F. (coord.) (2016), Desigualdade do Rendimento e Pobreza em Portugal: As consequências sociais do programa de ajustamento, Fundação Francisco Manuel dos Santos.

countries of Southern Europe risk a generational tragedy, reaching between 20 and 35%.

In order to help to overturn this scenario and accomplish some policies change in Europe, more coordinated dialogue and more common positions among the countries of Southern Europe are needed. Only recently, with the summit of Greece, this has begun to be made.

I hope this seminar will also contribute to a deepening cooperation between our countries with the same goal.



**Thalia Petrides**  
Ambassador of the Republic of Cyprus

Ambassador Thalia Petrides is a career diplomat in the Foreign Service of the Republic of Cyprus. She has studied Law in Athens and International Relations in Paris. She is fluent in English, Portuguese, French and Greek. Since February 2011, Thalia Petrides is Ambassador of Cyprus to Portugal.

Among the various other positions held are the following: Ambassador of Cyprus to Finland and also accredited to Estonia (2007-2010). In 2004 she was appointed Political Director in the Ministry of Foreign Affairs, position which entails an overall supervision of the implementation of the external policy of the country. As the first Political Director after the accession of Cyprus to the European Union, Ambassador Petrides was called to restructure the entire Political Department of the Ministry to meet the challenges and the increased responsibilities for participating in the EU institutions.

In October 1999 Ambassador Petrides established the Embassy of the Republic of Cyprus in Portugal and served as the first resident ambassador in Lisbon. She was also accredited to the Republic of Cabo Verde. Previously she was Ambassador/Permanent Representative of Cyprus to the Council of Europe in Strasbourg.

She was Director of European Affairs in the Ministry of Foreign Affairs and Permanent Representative of Cyprus to the CSCE/OSCE in Vienna.

Ambassador Petrides enjoys writing, photography, gardening and astronomy, and has authored several books related to diplomacy.

## **WELCOME REMARKS**

Excellency  
Minister of Foreign Affairs,  
Ambassadors,  
Ladies and Gentlemen,

It is a great pleasure to welcome you in this First Seminar of the MED7 and on behalf of the organizers I thank you for your presence and your interest for the issues relevant to the Mediterranean. I wish to mention and thank particularly the participants and speakers who came from abroad and also to extend our gratitude for the generous support of the Gulbenkian Foundation and especially the President Mr. Artur Santos Silva.

Before embarking on a few ideas I wish to share, I must acknowledge the tremendous effort behind the organization of the Seminar entirely borne by a very small team composed of members from the cabinet of the Secretary of State for European Affairs Ms. Margarida Marques and the staff of the Embassy of Cyprus. Thank you, it is a pleasure working with you.

Ladies and Gentlemen,

The MED7 group comprised of the seven Mediterranean member-states of the European Union is a very young informal formation, only 3 years old. It was created in 2013 with the purpose of providing a forum for consultation and coordination of positions of the seven countries within the EU framework. The brief history of MED7 boasts 3 Ministerial Meetings, one Summit and this Seminar which opens a new path.

By bringing in academic institutions and government representatives to debate together the challenging issues of the Mediterranean, the Seminar aims at enhancing and deepening the dialogue among our countries. We need to become more assertive in defending our interests, more dynamic in preserving our way of life and more demanding when claiming our rights as equal partners within the Union.

When I was preparing this statement, I looked back at the millennia of history that marked our region and realized how proud we should be both

as individuals and as nations to belong to the Mediterranean region. Although individually distinct as, for instance, Portuguese or French or Greek, the civilization and culture of the region is unique and is unifying us in a remarkable way. For example, our countries and fellow citizens have taken exactly the same stance in the refugee crisis adopting a humane and hospitable attitude. In the turmoil of the economic crisis they bore the brunt of the austerity measures and in fact preserved the Euro from imploding. There are lessons to be learnt in order to turn our vulnerabilities into strength. It will be easier, more effective and more fun if we try it together.

The election of Antonio Guterres as Secretary-general of the United Nations – and I open a parenthesis and on behalf of all of us here in this room, I extend heartfelt congratulations to the Portuguese Government and the Portuguese people – reminded me that another prominent Mediterranean statesman, the Egyptian Boutros Ghali was elected in the same prestigious post. Simple statistics tell us that in the last two decades 2 out of 4 UN leaders came from our region, thus elevating the Mediterranean into a leading position within the United Nations. Our region has the ethical and moral power to lead. I hope that in the near future, the Mediterranean countries will show their capacity of leadership to transform the region into the peaceful and prosperous place it deserves to be.

Ladies and Gentlemen,

Allow me now to say a few words about the initiative behind the idea of organizing this seminar. Having similar experiences, facing similar problems and dealing with the same challenges, our countries need to deepen the dialogue in search for common solutions. In addition, focusing on the Mediterranean Sea as a unifying factor, the European Union and its members in the south need to tackle the pressing issues from a common viewpoint, be it on security, economic development, trade or migration.

Our Seminar aims at exactly this: to deal with the issues from two angles and from two perspectives at the same time. I mean the angle of MED7 both as members of the EU as a whole and as neighbors of the countries across the Mediterranean Sea, and the double perspective of government policies and academic research.

In Panel I, economic recovery and competitiveness will be discussed and in the process new ideas will emerge on how to help the European South overcome the distance that divides it from the European North. Key notions like sustainability, convergence, versatility and cohesion will get a critical overview when applied to the situation in the MED7 countries, since all of them belong to the Eurozone.

In Panel II, the complex issue of security in all its aspects will be addressed from different viewpoints encompassing the Mediterranean region as a whole. Although at first glance there appears to exist a great divide across the Mediterranean shores, our speakers will seek to demonstrate the contrary, that in fact the diversity in our region is the multifaceted expression and the tightly woven fabric of one and unique synthesis of a civilization. Looking at migration from this perspective, one can only feel a sense of solidarity, compassion and responsibility.

In Panel III, the region is considered as one geopolitical space where development needs to be based on common goals in order to achieve prosperity and sustainability. The four major questions addressed by the speakers, namely education, employment, environment and energy, are highlighted as priority concerns due to their direct effect on all society structures, urban and rural alike.

When deciding the composition of the panels, speakers and moderators included, we tried to strike a balance between academic and state representatives, so that a complete picture could be presented to the audience and a lively interaction could be sustained.

Before concluding, I wish once more to thank you all for coming to our First MED7 Seminar and I hope that we will not fail your expectations for an informative, innovative and substantive debate.

Our ambition is to lay the foundation for more MED7 seminars to be organized in the future, and I am certain that after this encouraging start, other member states will graciously volunteer to host them.

Thank you very much



**Margarida Marques**  
Secretary of State of European Affairs of Portugal

Margarida Marques was born in Bombarral. Elected deputy in the XII Assembly of the Republic Legislature on 4 October 2015 had been deputy to the III Assembly of the Republic Legislature (1983/1985).

She has a Master in Science Education - Education and Development, from the Faculty of Science and Technology, Nova University of Lisbon (1991). She has a degree in Mathematics and Statistics from the Faculty of Science – University of Lisbon (1976).

She was elected Member of the National Parliament (XIII Legislature) on 4th October 2015 and Member of National Parliament in the III Legislature (1983/1985).

She was an European Commission official (1994/2015), holding positions in the Directorate General for Education and Culture (DG EAC) and the Directorate General for Communication (DG COMM) holding the post of Head of the European Commission Representation in Portugal (2005/2011).

She was Deputy Director of the Technological, Artistic and Professional Education Office of the Ministry of Education (1988/1992), being responsible for the creation of professional schools. She was also a representative of the Ministry of Education in the Advisory Committee of the PETRA program in the European Commission and the National Apprenticeship Committee.

She was an official of the Ministry of Education (1985/1994) and the Ministry of Transports (1976/1983).

She was visiting Professor at the Autónoma University (1983/1989), the Faculty of Science and Technology of the Nova University of Lisbon (1989/1994) and ISCTE / IUL (2004/2011).

She was a member of the National Council of Education (2000/2002) and member of the Advisory Board for Equality (1986/1992).

She was a member of the General Council of ISCTE / IUL (2009/2015) and its Vice President (2012/2015).

She was founder of JS (Youth Socialists) and its secretary-general (1981/1984).

## WELCOME REMARKS

Dear President of the Calouste Gulbenkian Foundation,  
Ambassadors,  
Members of Parliament,  
Panelists,  
Ladies and gentlemen,  
Welcome!

Welcome to the first MED7 Seminar.

I must say I am very happy to be here at the opening ceremony of this event, just some months after this project was first discussed at one of our regular lunch meetings with the Ambassadors of the other six MED7 Member States here in Portugal.

To be perfectly fair, I must underline that these regular informal meetings were launched by the Ambassadors of Spain, France, Italy, Malta, Greece and Cyprus posted in Lisbon long before my nomination for this post. And my predecessor also took part in several of those meetings to discuss the shared challenges and possible synergies between our Euro-Mediterranean countries, following the Ministerial model (top-down approach).

As a matter of fact, we might recall that the MED7 group was created in 2013; upon an initiative of the Ministers of Foreign Affairs of Spain and Cyprus, and since there have already been three annual Ministerial meetings, in Alicante (2014), Paris (2015) and Limassol (2016). Last month, this cooperation was lifted to another level with the first meeting of Heads of State and Government, which was held in Athens.

This was the context in which we decided to organize a first MED7 Seminar to debate "*The Challenges ahead in the Euro-Mediterranean region*", in order to contribute to the current discussion on the multisectorial challenges facing the EU and the whole Euro-Mediterranean region and hopefully generate new ideas.

Under the strong impulse of the Cypriot Ambassador and with the support of all the other Member States, which committed since the beginning of this project and provided all the necessary means, this project was made possible. So, I really would like to take this occasion to thank everyone for the effort put into it.

From our side, besides the participation of the Minister of Foreign Affairs, we have suggested and invited the moderators: i) the Secretary of State for Energy, Jorge Seguro Sanches (who unfortunately was not able to join us due to last minute commitments); ii) the Secretary of State for Science, Technology and Higher Education, Fernanda Rollo and iii) Professor Nuno Severiano Teixeira, who will both join us in the afternoon.

All of them have strong backgrounds in areas which are vital to social and economic development of the Euro-Mediterranean region as a whole such as: i) Education; ii) Culture; iii) Energy and iv) Security.

Additionally, we have also suggested Ambassador Rui Vinhas – our Political and Security Committee Representative – for the 2<sup>nd</sup> panel, as he has a great experience at EU level discussions on issues which are also of great relevance for this region.

Without going too much into details, as I don't want to delay the program nor spoil the surprise, the Seminar today will surely come down to the quest for answer to the following question: what are the common challenges and interests of the MED7 countries?

In this context, we will have the opportunity to address a wide range of challenges and to them responses, common strategies and their shortcomings – from the economic and financial point of view as well as from a foreign affairs and security perspective.

As a consequence, there will necessarily be talk about the Economic and Monetary Union, but also about the EU Global Strategy and the EU Neighborhood Policy, and we will of course not avoid the elephant in the room: the present refugee and migration crisis.

But, eventually, all the discussions will probably boil down to three main issues: development, peace and stability.

Anyhow, I am sure we will have very stimulating discussions ahead of us and perhaps, by the end of the day, we'll have identified some paths towards a brighter common future, also across the Mediterranean Sea – which has plenty of potential (and resources) to be more than a huge cemetery of hope.



## Augusto Santos Silva

Minister of Foreign Affairs of Portugal

Augusto Santos Silva was born in Oporto. He has a PhD in Sociology from ISCTE – Instituto Universitário de Lisboa (1992).

He is Professor in Faculdade de Economia da Universidade do Porto. Member of the XVIII Government, as Minister of National Defense (2009-2011).

Member of the XVII Government as Minister of Parliamentary Affairs (2005-2009).

Deputy of the Assembly of Republic, representing Oporto's constituency (between 2002 and 2005, and in 2011, effectively; with his functions suspended between 2005 and 2011 because he was a member of the Government).

Member of the XIV Government, first as Secretary of State of Educational Administration (1999-2000), afterwards as Minister of Education (2000-2001), and then as Minister of Culture (2001-2002).

Dean of Universidade do Porto (1998-1999).

Chairman of the scientific council of Faculdade de Economia do Porto (1998-1999).

Affiliated in Socialist Party since 1990, he is – nowadays – member of its national political commission.

He has several books published related to Sociology and Political Ideas.

## SPEECH

Dear Participants

I would like to thank the organizers for the invitation to address the Med7 Seminar. I am happy to participate in this initiative that results from a joint work between the Ministry of Foreign Affairs, the Med7 Embassies in Lisbon and very relevant civil society institutions. It is important that together we reflect upon the “Challenges Ahead in the Euro-Mediterranean Region”.

The vast and rich Mediterranean basin is a **priority for the Portuguese foreign policy**. Its southern flank, North Africa and the wider Middle East region, including the Gulf, is an essential part of our external action, and over the last decade we have experienced a strong impetus to develop political exchanges and economic flows at various levels.

For my part, I should mention that, in the first six months of this year, myself and the Secretaries of State in the Ministry of Foreign Affairs have visited **Morocco, Tunisia, Algeria, Egypt, the United Arab Emirates, Jordan, Saudi Arabia, Kuwait, Oman, Qatar and Bahrain**. And I’m preparing to travel again to the region next month (namely to Israel and Palestine).

All these visits have been very positive, consolidating the already close bonds with our southern partners, with whom we share cultural and identity traits that differentiate us and greatly facilitate political contacts, as well as business and people-to-people exchanges.

It is never enough to emphasize the importance of our southern neighborhoods, for its proximity, its energy reserves and its enormous economic and human potential still untapped due to persistent challenges of various kinds.

In the last 10 years trade relations between Portugal and the Mediterranean Partners have quadrupled, which evidently shows the rapid growth that the region is witnessing. **Imagine what it would be like, the immense benefits for all around, if peace reigned throughout the region.**

The Mediterranean countries represent a significant share of the International Trade in Portuguese goods and services. They account for around 4% of exports and 3% of imports. This shows a fairly balanced relationship with lots of room for improvement and diversification. It would be very positive, for example, to work towards a reduction of the current primacy of fuels and minerals, which are more than 72% of our imports from the region.

I mention these trade and economic data upfront because these realities are of paramount importance in order to face the challenges ahead in the Euro-Mediterranean Region that bring us here today. However economy is not the only issue at stake. The **security-development-nexus** is, today, rather consensual. But, in reality, it works both ways. If there is no development without security, it is also impossible to have security without development, without investment, without job opportunities, without thriving small and medium businesses, without professional perspectives for young graduates, without, basically, a **functioning and diversified economy**.

In recent years, Mediterranean countries have had divergent trajectories, facing uncertain times. However, we hope that the promised recovery of the European economy may also be channeled to its southern neighbors. Together with the **progressive internal political stabilization in the region**, may it generate favorable winds of economic development in those countries, the flourishing of their private sector and help to lower the very high unemployment rates.

The most recent political changes have created, sometimes, new problems of instability. Sometimes successful transitions have been achieved, as in **Tunisia**. The Tunisian political process is of crucial importance and its Government now needs every possible international support for a successful economic transition. The European Union announced early this year a step up in its macro-financial assistance to Tunisia of up to 500 Million Euros.

In late November, the **Tunisia 2020 – International Development Conference** will be a key moment in which Portugal will do its part and will be represented by the Secretary of State for Foreign Affairs and Cooperation, Teresa Ribeiro.

Let me also mention the important role of the **Arab League**. Not only in a political sense of conflict appeasement in the Maghreb and Middle East regions but also in revitalizing and stimulating stronger economies in its Member States.

The implementation of an effective cooperation and development policy in bilateral and multilateral frameworks can be decisive for the evolution of the situation in the region. Such is the case of the new generation of political and economic ties between the EU and several Arab countries, the so-called **Association Agreements**.

Portugal and the remaining partners of the **MED 7 Group** have, among EU member states, **increased responsibility** in sowing the seeds and also increased benefits in harvesting the fruits of such economic recovery of our southern partners. We also have a special responsibility on promoting the cause of the southern shore of the Mediterranean among our EU partners. It is a battle that still has to be fought: **that the EU as a whole truly commits to the stabilization of the Euro-Mediterranean region**.

In that regard it is essential that we make full use of all the different structures that have been created in the past years and that have brought together, in different formats, the countries in the region: **the Union for the Mediterranean, the 5+5 Dialogue and the North-South Centre of the Council of Europe**. We should work at developing synergies between these initiatives, since their goal is unique: the reinforcement of the ties between the two shores of the Mediterranean and the stabilization of the region.

Firstly, may I highlight the **Union for the Mediterranean** as the only dialogue forum between all the 43 euro-Mediterranean countries, including **Israel and Palestine**, whose conflict is the root for so many tensions in the Middle East. Let me take this opportunity to state, once again, that the implementation of the **two states solution**, with the two peoples living side by side and coexisting peacefully, is as much a political and moral imperative, as would be a major economic breakthrough.

**Institutional dialogue** between the North and South shores of the Mediterranean is now crucial to face the increasing magnitude of the regional challenges. We should thus give new impetus and **strengthen the Union**

for the Mediterranean's capacity so that it can fully play its role, as we reinforce our political support. In this context, let me highlight the importance of the Euro-Mediterranean University in Fez. Its work will undoubtedly constitute an added value to the reinforcement of ties between the two shores of the Mediterranean.

Moreover, the **renewed European Neighborhood Policy** recognizes the central role that the Union for the Mediterranean plays. Portugal will, together with the other partners, the Co-presidencies and the Secretariat, work hard in identifying new initiatives and concrete large-scale structural projects to put into action the Union's positive development agenda, looking forward to the **Ministerial Forum, early next year, in Barcelona**.

Portugal has ensured for several years now the position of **Assistant Secretary-General for Energy** in the Union for the Mediterranean. This is a strategic dossier, in particular as regards energy interconnections that may, in the medium term, redraw the map of the hydrocarbon trade and also the electricity transfers in the region. The recent joint launch between the Governments of Portugal and **Morocco** of a public tender for a feasibility study of an underwater **electrical interconnection** between the two countries is, in that regard, an historic step.

**Morocco** is one of the EU's most important partners, bounded by the most solid partnership the EU has established in the southern neighborhood, and a very important ally on several strategic areas as counterterrorism and migration control. We should make all efforts to overcome the suspension of cooperation decided by Morocco after the Court of Justice's decision on agricultural protocol and deepen relations within the European Neighborhood Policy.

Also is in terms of energy, it should be noted the very important energy fuel trade between Portugal and **Algeria**, a key supplier of the natural gas consumed in Portuguese homes and industries. With **Algeria** the partnership must be adapted to its strategic dimension encompassing areas as important as security and the migration crisis. We are pleased to know that the Commission is trying actively to promote the development of the EU-Algeria strategic partnership on Energy, which will certainly contribute to boost investments.

Another very relevant articulation platform in the Euro-Mediterranean Region is the **North-South Centre, dependent of the Council of Europe**. It was established in 1990 with the assignment to promote the dialogue between North and South and operates from its **headquarters here in Lisbon**. It is important to note that it is a European institution, not a Portuguese one. And also to underline that it is based on a fundamental principle of the Council of Europe: the recognition of the importance of learning from each other's experience.

The Centre contributes, through its activities, to the process of **consolidating democracy** in the member states of the Council of Europe and also in its neighboring regions, by promoting intercultural dialogue and strengthening the civil society in matters such as gender equality and youth issues. In September 2016, it was enriched by the association of Romania, which reinforces the group of member states (Andorra, Azerbaijan, Bulgaria, Cape Verde, Croatia, Cyprus, Greece, the Holy See, Lichtenstein, Luxemburg, Malta, Morocco, Montenegro, Portugal and Spain). And we have recently known that the Tunisian Parliament has ratified the Association Agreement. We are happy to be able to count on Tunisia as a full-fledged Member, being such a relevant player in the Maghreb region with successful experiences to share on such important areas as peaceful transition and democracy building. Tunisia will be instrumental to renewing the vitality of the Centre and providing a decisive impulse in addressing its current challenges.

Portugal also greatly values the informal character of the **5 + 5 Dialogue** as a multilateral forum for flexible debate, which contributes to the definition of common interest policies for the Euro-Mediterranean region, bringing together Portugal, Spain, France, Italy and Malta, on the north bank, and Mauritania, Morocco, Algeria, Tunisia and Libya, on the south side. On the 28<sup>th</sup> of October, France will host the next **5 + 5 Dialogue Ministerial Meeting**, in which the Secretary of State for European Affairs, Margarida Marques, will participate on behalf of the Portuguese Government.

**Libya** is at the present time and for all the known reasons, one of the most vulnerable partners in this 5 + 5 Dialogue. Portuguese companies were once very present in the Libyan market and some are still there, despite the hardships. We want them to be able to return there and we want to reshape

a rich institutional rapport with the Libyan authorities. Fortunately, Dahesh has suffered increasing setbacks in Libya. But it is still necessary to continue the political stabilization efforts, easing the tensions between east and west, and bringing effective authority to the Government of National Accord.

Portugal will continue to support the work of the United Nations and the European Union in promoting the Libyan political dialogue and promoting the effectiveness of the security sector. The extension of **Operation EUNAVFOR MED**'s mandate is a positive development, in particular the commitment to train the Guard Coast Libya. Also, **NATO's SEA GUARDIAN operation** will be a central driver in Libya's maritime stabilization, and Portugal will participate in it.

We also follow with great concern the developments in **Syria**. We believe that the strategy to be pursued must be based on two fronts: combating violent extremism and simultaneously achieving and enforcing a lasting cessation of hostilities to allow unhindered access for humanitarian assistance. There is no alternative to a political solution to the Syrian crisis, in order to bring peace and renewed prosperity to its people.

The support that the Portuguese government has given to the **Global Platform for Syrian Students** is a strong bet on Syria's human capital. We seek to preserve its human resources today so that they can revitalize Syria's economy tomorrow. Portugal has hosted a hundred Syrian students in Portuguese universities and promoted the integration of other fifty in third countries through this Platform, an initiative of former Portuguese President Jorge Sampaio. And I take this opportunity to invite Mediterranean nations to join the group of friends of the initiative towards a **Rapid Response Mechanism for Higher Education in Emergencies**.

On another level, the stability of **Egypt** is fundamental to the preservation of regional balances. I had the opportunity to visit Egypt in June this year and I have no doubt that Cairo is a first-rate partner in the sphere of security and political stability at the regional level but also in economic terms. Recognizing the advances in the agreed roadmap for Democracy, the EU should improve bilateral dialogue with Egypt, with effective cooperation on subcommittee meetings, and look forward to engage in a new phase of shared commitments with shared responsibilities.

In conclusion, most of our southern-partner countries are facing very sharp financial constraints and economic pressure along with growing social demands amid oil prices fall, drop in tourism revenues and decline of trade and investment flows. This is the reason why we should keep high in the EU cooperation agenda the promotion of economic efficiency and job creation in those countries.

And we of course are well aware that also the Northern shore of the Mediterranean is facing serious economic and social challenges. The MED7 therefore constitutes a platform that we should better use to exchange experiences and to devise solutions for common problems.

The EU cooperation agenda should be twofold, taking into consideration our partners' most urgent needs while assisting them to implement long/medium term reforms to enhance institutional building capacity and the efficiency of their economies.

In this regard, allow me to underline how this twofold strategy is essential to undermine the migration pressures in the euro-Mediterranean region: short term action must be taken to regulate the migration movements and to save lives at sea; but, and even more important, long term action must be taken to ensure that economic development and political stabilization allow us to better fight against the root causes of migration. In this context, the migration compact is a fundamental tool that has to be duly implemented.

To conclude, I would like to again commend you for this timely initiative. I am truly convinced that the MED7 constitutes a platform to better foster European integration. The Athens Summit produced conclusions that aimed at finding better solutions for the challenges that we are currently facing. I am certain that the spirit of our gatherings will continue to aim at promoting unity inside the European Union.

As a complement to this objective, the MED7 also needs to continue to promote a better understanding of the situation in the Euro-Mediterranean area. And by promoting the stability and the development in the region it will contribute to reinforcing the success of the European project as a whole.

Thank you.

# COMPOSITION OF PANELS AND PRESENTATIONS

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## Panel I:

### SOCIO-ECONOMIC CHALLENGES IN SOUTHERN EUROPE – COMPETITIVENESS IN THE EURO-MEDITERRANEAN REGION

**Professor Francesco Franco** after obtaining his PhD in Economics from MIT went to work as an assistant professor in Nova SBE and in 2011 became Head of Macroeconomic Unit, Nova Africa center of Business and Economic Development. In 2013 became resident panel member for the Portuguese Secretary of State of European Affairs. In 2014 was consultant on TTIP agreement for the Portuguese Secretary of State of European Affairs. In 2016 became director of Jefferson Institute of Public Policy



#### Summary intervention

There has been progress in the last five years on the necessary and sufficient conditions for the euro-area to properly function. The conditions typically regard: ECB monetary policy objectives and functioning; Banks: banking union; Fiscal policy (discretion versus rules, central versus national budget); Debt (pooling versus separation of government debts); Instruments to correct persistent balance of payments misalignments within the area. What are the conditions from the MED7 perspective? Can we build the case for MED7 to present a unanimous view on these conditions?

**Professor Theodore Panayotou**, 2007 NOBEL Peace Prize Contributor, is Professor of Economics and Ethics and Director of the Cyprus International Institute of Management (CIIM), Visiting Professor at Tel Aviv University and Member of the Cyprus President's Council of the National Economy. He taught Environment & Development Economics for 25 years at Harvard University where he served as Director of the Environment and Sustainable Development Program at the Centre for International Development.



Professor Panayotou has published more than a hundred journal articles, monographs and books on the subjects of economic development,

environmental management, climate change, sustainability and competitiveness. His most recent book *Environment for Growth* is published by Harvard University Press. He is considered a world authority on economic instruments and innovative financing mechanisms, transferable development rights, and on sustainable and experiential tourism.

### **Summary intervention**

How Southern Europe lost its Competitive Advantage within the Eurozone and how to sustainably regain it: Institutional Reforms and Strategies.

**Marianna Papadopoulou** is an Expert Minister Counsellor in charge of EU economic issues in the Ministry of Foreign Affairs of Greece. Studied Economic and Social Sciences at the University of Geneva. Also worked at the European Commission (1997-2000) and the European Parliament (2004) as a seconded national expert and at the Permanent Representation of Greece to the UN, Geneva (2007-2009) covering Migration, Asylum/Refugees and Humanitarian issues. Currently member of the Advisory Council of the Institute for the Mediterranean (an independent body of the European Public Law Organization, Greece).



### **Summary intervention**

The EU is confronted today with a multitude of challenges ranging from Euroscepticism to external/internal security and migration issues. There is a need to ensure a sustainable economic recovery and inclusive growth for all Member States. At the aftermath of the crisis, the economic and social convergence in the Euro area and particularly in Southern Europe need to be addressed, including key issues on the way forward to economic and social rebalancing in a monetary union.



### **MODERATOR:**

**Jorge Seguro Sanches**  
Secretary of State for Energy  
Government of Portugal

## Panel II:

### IDENTITY AND SECURITY ISSUES IN THE EURO-MEDITERRANEAN REGION – HOW TO ACHIEVE UNITY IN DIVERSITY

**Ambassador Gabriel Busquets** started his diplomatic career in 1977. He served in Ethiopia, Germany and Belgium and has been Deputy Head of Mission in Bonn and Rabat, Coordinator of the Euro-Mediterranean Conference held in Barcelona in 1995, Director General of Foreign Policy for the Mediterranean, Middle East and Africa in the Ministry of Foreign Affairs and Cooperation (2000), Ambassador to Iran (1996), Germany (2004) and Algeria (2008). Today, Gabriel Busquets is Ambassador at Large for Mediterranean Affairs.



#### Summary intervention

The Mediterranean region is unity and diversity at the same time and we have to give an answer to this dialectic which is the essence of this geopolitical space. The rise of regional security challenges might be an opportunity to explore new approaches and to agree on a common agenda on how to address long term structural trends. State and societal resilience has become a strategic priority in the neighborhood.

**Gurvan Le Bras** has a degree from the Business School of Lyon and a Diploma of the Institute of Political Studies in Paris. He is currently in charge of analysis, forecasting and strategy for North Africa and Middle East in the Ministry of Foreign Affairs in Paris.



#### Summary intervention

The challenges of legal and illegal migration to the security and governance in Europe; maintaining the freedom of movement, promote mobility in the south.

**Walter Mallia** is Chargé d'affaires at the Embassy of Malta in Lisbon. He joined the Maltese Ministry of Foreign Affairs forty years ago, soon after he graduated in Business Management. He spent half of his career at the Ministry's Administration Department, Political Department and Protocol. He also served for twenty years abroad in Canberra, Brussels, New York and now in Portugal. He speaks English, Maltese, French and Italian.



### **Summary intervention**

Mr. Mallia will speak on Diversity in the Mediterranean, Identity and Migration as well as on Security issues. He will also explain about efforts being undertaken by Malta in order to address these issues, particularly in building bridges in the region in order to face the challenges of today and together build a better tomorrow.

**Ambassador Rui Vinhas** served in New York and Madrid and he is currently the Permanent Representative of Portugal to the Political and Security Committee of the EU. He was adviser to the Minister of Foreign Affairs and to the President of the Portuguese Republic. From 2011 until 2015 he has served as Deputy Political Director of the MFA. During that period, he was also the Portuguese national coordinator for the Ibero-American Conference (2011/2012) and the Portuguese National Coordinator for the United Nations Alliance of Civilizations and Vice-President of the Portuguese National Human Rights Committee (2011-2015)



### **Summary intervention**

Ambassador Vinhas will refer to some of the pressing challenges to the security situation in the Mediterranean region, such as the migration crisis, the Daesh threat or the political transition in Libya. At the same time, he will mention the latest EU's answers to this new security environment, namely through the new European Union Global Strategy, the security dimension of the revised European Neighborhood

Policy, the Common Security and Defense Policy (Operation EUNAVFOR MED Sophia, EUBAM Libya) and the EU counterterrorism dialogues with the countries affected by the Dahesh in the North Africa and the Middle East.



**MODERATOR:**

**Professor Nuno Severiano Teixeira**  
IPRI (Instituto Português de Relações Internacionais)

## Panel III:

### SUSTAINABLE DEVELOPMENT IN THE EURO-MEDITERRANEAN REGION – HOW TO PROMOTE SHARED STABILITY AND PROSPERITY

**Professor Martin Ortega** is Professor of international law and international relations at Complutense University, Madrid. He was senior research fellow at the EU Institute for Security Studies in Paris from 2002-2007, and Head of policy planning at the Spanish Ministry for Foreign Affairs and Cooperation (2007-2009). His most recent publications include *Derecho Global* (2014), *Ser español en el siglo XXI* (2016), and op-ed articles in El País newspaper on international issues.



#### Summary intervention

Sustainable development is a key area for cooperation between the various shores of the Mediterranean. In addition, it should be the new approach to economic development globally, since the UN proclamation of sustainable development goals in 2015. One specific field of teamwork could be the maritime space. Cooperation at sea in the Mediterranean is crucial in order to achieve a sustainable use of natural resources, increase common security and tackle shared risks.

**Kim Kreilgaard** got his MBA after studying at the University of Trier, Germany. He is the Head of the EIB Group Office for Portugal since August 2016 and was previously responsible for Venture Capital Operations at the European Investment Fund (EIF), for the development of a new financing facility for Research and Innovation at EIB and most recently for lending in Poland and the Nordic countries.



## Summary intervention

EIBs activity in the Southern Mediterranean area, current type of projects and financing, EIB's appraisal approach. An outlook to the EIB Economic Resilience Initiative within the EU External Investment Plan.

**Miguel García-Herraiz** is the Deputy Secretary-General of the Union for the Mediterranean in charge of Water and Environment.



## Summary intervention

Promoting stability, prosperity and sustainable development in the Euro-Mediterranean region are core issues for the Union for the Mediterranean (UfM). The support of the countries in the MED7 is very important for the success of the UfM in trying to find tailor made solutions to countries facing specific problems in the region.



## MODERATOR:

**Maria Fernanda Rollo**  
Secretary of State for Science, Technology and Higher Education  
Government of Portugal



## PRESENTATIONS IN PANEL I:

### Socio-Economic Challenges in Southern Europe – Competitiveness in the Euro-Mediterranean Region





# Francesco Franco

## Internal and External rebalancing for Euro area members

### INTRODUCTION

Factual evidence since the start of the global financial crisis in 2008 shows that the Euro area members face strong challenges to attain simultaneously internal (employment and output) and external (balance of payments) balance. The lack of policy or market mechanisms designed to attain both balances is a weakness in the architecture of the currency area that has been identified since the 1960's but that are still waiting for a viable solution. The southern Euro-members, given their common internal and external positions, should push for comprehensive and rational mechanisms that can help the achievement of the dual rebalancing.

In this brief talk, my aim is to elaborate an argument for a stabilization fund financed by a flexible mix of VAT and payroll revenues that can perform the role of an adjustment mechanism.

The first part of my presentation presents a narrative of the necessary and sufficient conditions that have been identified for a functioning currency area. This first part highlights some of the conditions identified in the economic literature and how they depend on the hypotheses presented in each specific study. The key message of the first part is that the above hypotheses do not always reflect empirical regularities but that sometimes they reflect beliefs. The idea that the market-based mechanism of internal devaluation, basically a decrease in nominal wages due to an increase in unemployment, would be a sufficiently rapid adjusting mechanism within the Eurozone has been proven wrong, at least in its "rapid" qualification.

The second part of my presentation presents two episodes relating to currency realignment, i.e. the mechanism that existed in the smaller European Union during the European Exchange Rate Mechanism (ERM). These episodes show that imbalances were difficult to resolve even when EU members maintained their own currency. Finally, the third part presents a proposal to explore an adjustment mechanism for the euro area members.

The mechanism is not new as far as it builds on the several existing proposals for a Common European Unemployment Insurance and are also present in the case of the less ambitious European stabilization fund. The novelty of the proposals consists in the financing of the fund with a flexible mix of VAT and payroll taxes. This financing scheme builds on the results that neutral budget tax swaps between VAT and payroll taxes can mimic the effects of currency realignment. The mix should be adapted to the relative position of each euro member in order to allow him to perform a fiscal devaluation or a fiscal revaluation, i.e. a fiscal realignment, while letting the stabilization fund help to achieve the internal balance objective.

## THE NECESSARY AND SUFFICIENT CONDITIONS FOR A FUNCTIONING CURRENCY AREA

### Relative prices adjustment

*It is patently obvious that periodic balance-of-payments crises will remain an integral feature on the international economic system as long as fixed exchange rates and rigid wage price levels prevent the terms of trade from fulfilling a natural role in the adjustment process.*

*Robert Mundell*

Two countries that trade in goods and assets need a mechanism that allows relative prices and wages to change for them to be able to achieve both internal and external balance. While there is little or no disagreement on this necessary condition, there are different opinions as to the effectiveness of the mechanisms to achieve changes in relative prices and wages. As an example, assume that the Italy has trade deficit with Germany. To regain competitiveness and recover the external balance the hourly wage in Italy must decrease relative to the hourly wage in Germany. In the presence of national currencies, the nominal exchange rate is the price that permits to the relative prices to change instantaneously: the nominal value of the Italian currency decrease relative to the German currency which implies that the nominal hourly wage in Italy decreases relative to the German hourly wage.

When there is no exchange rate one needs an alternative mechanism. Some view market mechanisms as sufficiently rapid and strong to achieve adjustments through wages and prices changes. For example, a former

member of the ECB board in explaining the “Economic adjustment in a monetary union” (2011) writes:

*“...Therefore, the key adjustment mechanism in a monetary union is price and wage flexibility, assuming that cross-border labor mobility is limited...(...). In fact, wages and prices are, by definition, the only remaining component of the real exchange rate that can be adjusted in the absence of nominal exchange rate flexibility.”* The problem with this view is that the facts point to a strong downward nominal wage rigidity (see for example the evidence reported by the Wage Dynamics Network of the ECB and national central banks) with the implication that the adjustment results in higher unemployment and lower consumption. The lower consumption reduces imports and that helps reaching external balance but at the cost of larger internal imbalance.

Mundell (1961) in his classic paper identified labor mobility as an alternative mechanism to wage and price adjustment. In short, emigration from the country that need to restore internal balance would help to achieve full employment by shrinking the labor force. Farhi and Werning (2014) shows that Mundell’s mechanism is not so straightforward because emigrants are not just workers but also consumers: emigration reduces the labor supply but also the demand of goods. They show that the net effect of emigration is positive if the degree of openness and trade integration is high, a metric that was identified by McKinnon (1963) as another condition for two countries to share the same currency. Furthermore, emigrants are also taxpayers, human capital, etc. etc. adding layers of complexities to the net effect of migration as an adjustment mechanism.

### Fiscal integration

*It is a chief function of fiscal policy, using both sides of the budget, to offset or compensate for regional differences, whether in earned income or in unemployment rates. The large-scale transfer payments built into fiscal systems are interregional, not just interpersonal [...]*

Peter Kenen

A second condition made popular by Kenen (1969) is the level of fiscal integration between countries that share the same currency. The key point is that an integrated fiscal policy implies the existence of automatic stabilizers

such as a common unemployment insurance that transfer resources from countries that are in a boom, and therefore have low unemployment, to countries that are in a recession and therefore have high unemployment. Integrated fiscal mechanisms therefore help to achieve internal balance.

There exists a disagreement on the desirability of this condition. For example there is a view that fiscal transfers might help to achieve the internal balance but in an artificial way as they do not permit the adjustment in relative prices to occur. The statement of a former member of the board of the ECB (2011) summarizes this view: "Open-ended transfers, however, are not a mode of adjustment. In fact, they are the opposite. They finance non-adjustment."

### **Financial integration and others conditions**

Today, the focus of the reforms that the euro area architecture must adopt is more on financial integration. For example, Eichengreen and Wyplosz (2016) identify the completion of Europe's banking union as one of four minimal conditions for the euro area to continue to exist in the near future. With a full banking union, financial markets can achieve a better and more efficient allocation of resources and provide a smoother financing of the external imbalances between countries. Other reforms are put forward, such as improving the capital markets integration across Eurozone members to achieve a better risk sharing or the necessity for the European Central Bank to have in his mandate the role of lender of last resort in order to backstop financial markets in government bonds, thereby protecting the euro area from potentially self-fulfilling crises (De Grauwe 2011).

In fact if all the conditions required for a functioning currency area are listed (see for example Stiglitz (2016)), one can easily conclude that the common currency might not be the best monetary arrangements for European countries. **I do not subscribe to this view.** Trade and financial openness have long implied misalignments between different fiscal and monetary jurisdictions as shown by the different monetary and trade arrangements that have existed in the past.

This takes me to the second part of this talk where I refer to two episodes of currency realignment during the ERM with the aim of reminding us that difficulties in the adjustments were not particularly less intense when countries had their own currencies.

## REALIGNMENTS DURING THE ERM

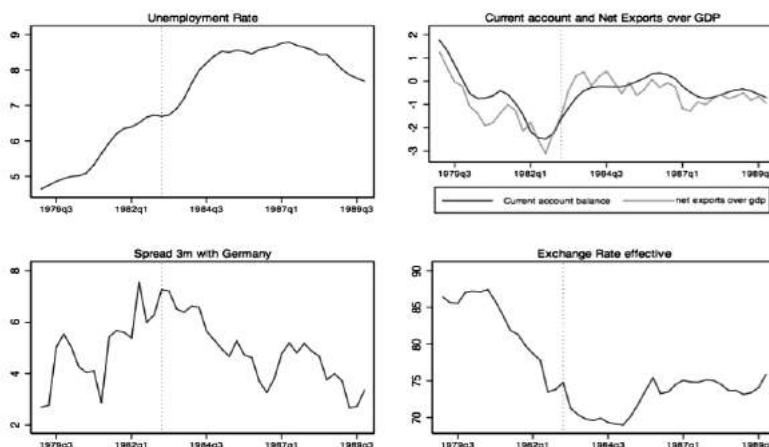
### France 1983

*Eight European nations agreed today to realign their currencies after West Germany accepted French demands and agreed to a set of currency values that avoided the possible collapse of the European Monetary System... (...) German officials said Mr. Delors had given assurances that France would reduce its budget deficit by cutting spending on social programs and welfare payments. Mr. Delors also reportedly said that France would try to reduce the deficits of its nationalized industries, another cause of inflation. The devaluation itself would cut the trade deficit by making imports more expensive and exports less costly to others.*

*New York Times, 21-3-1983*

In a not too distant past, realignments between European countries required everybody's agreement. This was the case for the episode reported by the NYT in the above quote. At that time, France was experiencing a process of internal devaluation (lower wages and prices through higher unemployment) that had been accompanied by three previous realignments between the Franc and the Deutsche Mark in order to face an increasing external imbalance. Ultimately France was able to restore the competitiveness and close the trade deficit but at the cost of higher unemployment notwithstanding the devaluation of the Franc.

France 1983



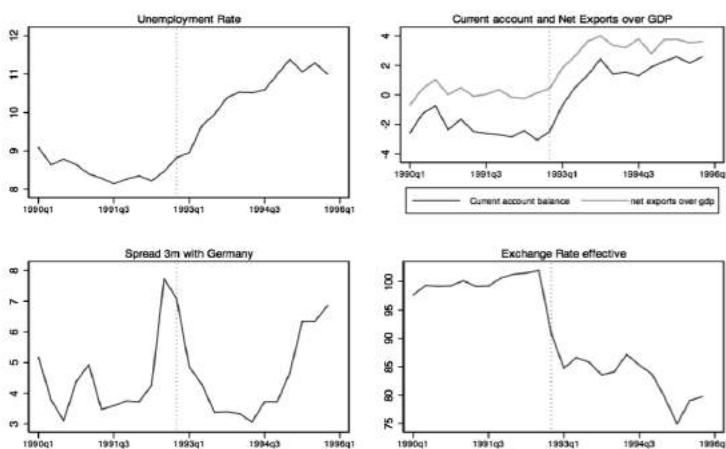
Source: DECCO 2016, quarterly data. dotted line corresponds to quarter of NYT article.

## Italy 1992

In another instance, in 1992 an agreement on realignment was not reached and this caused Italy to exit the ERM. By 1992, countries had experienced different paths in unit labor costs (divergence); there had been a (very) large asymmetric shock (Germany reunification); the European political project was perceived to be weaker (French and Danish referendum); and European leaders were unable to coordinate among themselves (Bath summit). The 13 years of ERM existence before the crisis had pushed members to develop effective procedures to coordinate the setting of the exchange rate parities which, in the best European tradition, required unanimous approval. Unfortunately the “un pour tous, tous pour un” approach is meant to be self supportive for a group that stays loyal to each other through thick and thin. This is not the best description of European leaders during the ERM crisis when realignment became “a dirty word in Bath.” (see Buiter and al. 1998). In the absence of consensus, Italy and Germany had to bilaterally propose that the Lira would devalue by 3.5% and the Mark revalue by 3.5% against all currencies in the ERM. Some members refused.

The Lira was initially the only currency to be devalued (by 7%). Ultimately the Lira left the ERM and was allowed to reenter a few years later devalued by circa 25 percent. Italy was ultimately able to adjust without external help thanks to an ambitious fiscal consolidation, structural reforms and privatizations (circa 10% GDP). In that case as in many others, the forced devaluation of the Italian lira improved the trade balance. But again external balance was recovered at the cost of deterioration on the internal balance.

Italy 1992



Source: OECD (2016), quarterly data, dotted line corresponds Italy full.

## A STABILIZATION MECHANISM

### Fiscal devaluations

A basic criticism against the Euro is that devaluations and revaluations are not anymore possible across member countries. While the examples above show that national currency realignments were not a panacea, the euro area needs mechanisms to emulate the effects of devaluation and help the adjustment of external imbalances. A possibility is to use neutral tax swaps. In Franco (2011), I have looked to the effects of a “fiscal devaluation,” namely a decrease in labor taxes balanced by an increase in consumption taxes (see Farhi et al. 2014 for a more complete treatment). It is not a perfect substitute for a nominal devaluation: it has advantages, such as no adverse effect from foreign denominated debt, and has disadvantages, such as the imperfect pass-through and the legal difficulties to implement it compared to a currency devaluation. Nevertheless, it is a fiscal mechanism that aims at reducing external imbalances across the currency area countries by allowing relative prices to change.

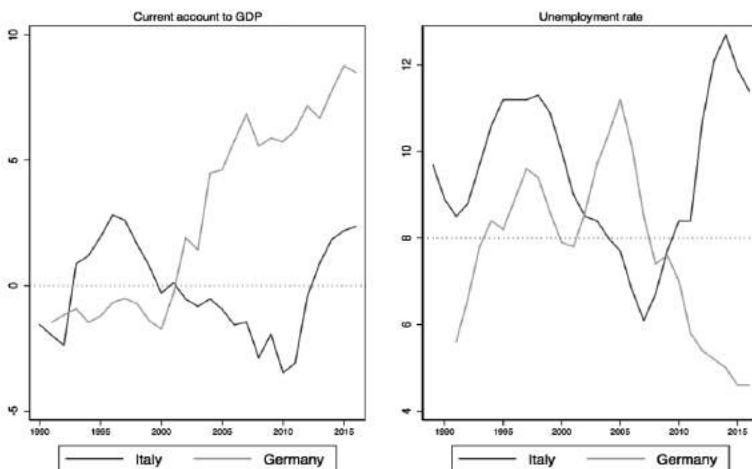
### Unemployment insurance

A mechanism that has been suggested (see Claeys et al. 2014) and which is the subject of active current research is the increase of fiscal integration of the EU to allow for implicit or explicit temporary fiscal transfers across members. Popular variants are a common European unemployment insurance to complement national systems or a simpler stabilisation fund. This fiscal mechanism aims at helping countries to achieve the internal balance across the currency area countries. The advantages of such mechanism are many. For example the automatic stabilisers would work with a smaller impact on the country fiscal deficit and therefore should decrease the probability that the discretionary part of fiscal policy would become pro-cyclical during a downturn given that total deficits are constrained by European rules. There are also disadvantages. For example fiscal transfers could slow down the adjustment of relative prices and impair the adjustment of external imbalances. There are also concerns of a microeconomic nature such as moral hazard issues in designing national unemployment benefits legislation.

### Nesting Unemployment insurance with Fiscal Devaluations

I suggest we consider the nesting of an unemployment insurance (UI) mechanism financed through a flexible fiscal policy mix that can mimic

realignments through fiscal devaluations (FD). The unemployment insurance can be a simple insurance mechanism or a more complex European UI and plays the role of an automatic stabiliser for the internal balance. The financing would be done through a mix of VAT and Payroll taxes. The financing mix should change symmetrically across surplus and deficit countries to help the external balance adjustment and permit relative prices to change in the right direction. I underline the symmetry in the change in the mix not to let the burden of changing on the deficit country alone. The key condition, namely the existence of time varying asymmetry in external and internal position across the euro area countries, is thus fulfilled.



Source: Ameco 2016. Example: The external balance is set at  $CA/Y=0$  and internal balance is at  $Urate=8$ .

There are a number of issues that must be addressed in setting up such a mechanism. In particular it has to respect existing treaties and demonstrate that it can produce a win-win setup for the common currency. This is not the place to enter in details but I plan to look carefully at those in the immediate future.

## CONCLUSIONS

I focused on macroeconomic adjustments within the euro area and not on possible long run trend differences in competitiveness that require microeconomic and structural policies. The latter are of course important

but so are the imbalances. Furthermore there is increasing evidence that macroeconomic imbalances might have consequences that are extremely persistent if not permanent (Blanchard and Summers 2015). My main point is that the euro area needs policy instruments that permit internal and external rebalancing and that are coherent with the degree of national sovereignty. The recent experience has shown that internal devaluation is not a sufficient mechanism to this end. In this talk, I build on existing studies and suggest that **euro member states could initially agree on a relatively small stabilisation fund to be financed through a flexible mix of VAT and Payroll taxes.** The payments from the fund to member countries would be done according to the internal balance and the member countries tax-mix that finances the fund would change symmetrically according to the external position. The mechanism could be tested and scaled up later if successful. Ultimately, we need to agree that these imbalances matter.

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# Theodore Panayotou

## Rebuilding competitiveness in the MED7 region

The MED 7 countries (Cyprus, France, Greece, Italy, Malta, Portugal and Spain) have been blessed with an abundance of natural, cultural, and locational assets and other advantages over their Northern EU partners. Nevertheless the MED7 as a group, and despite many accomplishments, are lagging behind Northern Europe in long-run competitiveness, a perennial problem predating the crisis and unlikely to go away with economic recovery.

The root causes of the competitiveness divide are to be found in structural rigidities, the macroeconomic environment, institutional inefficiencies, the low capacity for innovation & entrepreneurship, labour market inflexibility, and low business sophistication and technological readiness all of which raise the cost of doing business. Of course, there are big differences between some MED7 countries such as France and Greece and between regions of the same country such as Northern and Southern Italy.

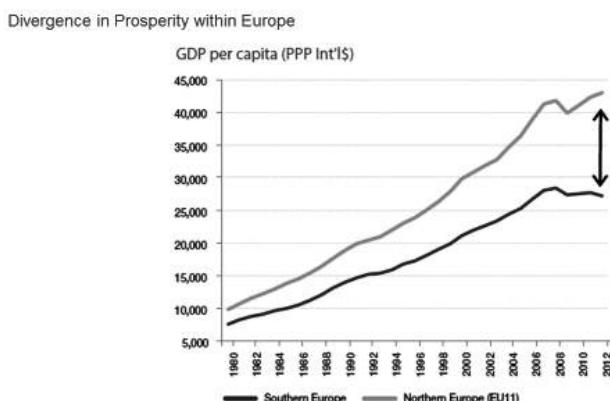
To bridge the competitiveness divide and achieve effective convergence, the Euro-Med countries need to adopt institutional reforms and strategies that enhance their long-term productivity by reforming institutions, reducing inefficiencies, and increasing their capacity to innovate. This will steadily and sustainably raise both the performance of business in the global economy and the living standards of citizens which is the acid test of long-run competitiveness.

It is proposed to establish a MED7 consortium of schools of business & economics (one from each MED7 country) to develop a research project to diagnose and assess the region's long-run competitiveness and to formulate a coherent strategy for rebuilding it over the next decade in order to close the North-South divide. Key strategic objectives would be the drastic reduction in the cost of doing business and a quantum increase in the capacity to innovate as to effectively and efficiently capitalize on the region's considerable resources. Such a project could seek funding from EU sources including but not limited to Horizon 2020.

## ECONOMIC RECOVERY AND THE COMPETITIVENESS DIVIDE

The Euro-Med countries (MED7) have been recovering at different rates from the worst economic crisis in their recent history but they are still facing a less visible but deeper challenge: a low and sliding competitiveness. The recovery from the crisis, far from being a sign that competitiveness has been restored, has underlined the wide competitiveness gap that exists and persists between southern and northern Europe. If MED7 fail to address the competitiveness divide between them and northern Europe, they will be reviving their economies short term but with weaker prospects long term. The competitiveness divide undermines the sustainability of recovery and the convergence and cohesion within Europe.

As seen in the Figure below, the low and sliding competitiveness predates the economic crisis.

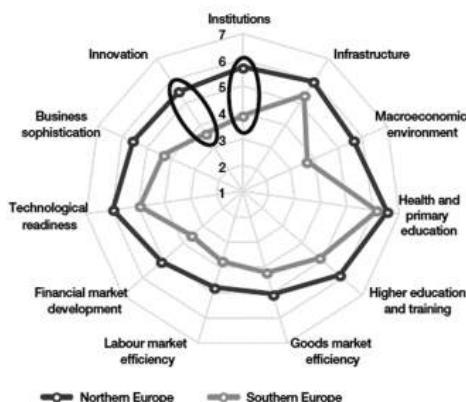


Northern Europe: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Luxembourg, Netherlands, Sweden, United Kingdom  
 Southern Europe: Greece, Italy, Portugal, Spain  
 Source: IMF World Economic Outlook, October 2012

Europe's competitiveness divide has many dimensions. Ranked by the size of the gap between Southern Europe (excluding France) and Northern Europe these dimensions are: innovation, institutions, macroeconomic environment, business sophistication, financial development, labor market efficiency, goods market efficiency, higher education and training, infrastructure, health and primary education. These dimensions of the competitive divide, as they stood in 2012-13, are depicted in the next Figure.

The competitiveness divide goes beyond, the recent economic crisis, and will not go away with the economic recovery. Unaddressed, it could actually get worse. Indeed, the divide has widened with economic recovery. With the exception of Malta which improved its global competitiveness ranking by 8 positions between 2015-16 and 2016-17, the rest of Euro-Med remained stagnant or deteriorated. The three large countries remained stagnant, shifting one position up (France and Spain) or one position down (Italy). The three countries under a Troika support program deteriorated significantly in terms of competitiveness, even as they began recovering from the economic recession: Greece fell by 5 positions, Portugal by 8 and Cyprus by 18 between 2015-16 and 2016-17.

Europe's Competitiveness Divide – Northern vs Southern Europe



Source: Global Competitiveness Index 2012-2013, World Economic Forum and authors calculations Northern Europe: Finland, Germany, Netherlands, Sweden Southern Europe: Greece, Italy, Portugal, Spain

According to the latest Global Competitiveness Report (2016-17), the EU28 perform well above the global average in terms of competitiveness. The European average is pulled up by 7 northern European countries: Netherlands (4th), Germany (5th), Sweden (6th), UK (7th), Norway (11th), and Denmark (12th). The European average is pulled down by the MED7 countries: France (21st), Spain (32nd), Malta (40th), Italy (44th), Portugal (46th), Cyprus (83), and Greece (86th).

## HOW MED7 LOST THEIR COMPETIVENESS

Changes in the world economy over the past two decades made things worse. New competitors appear in the horizon. East European and others with previously closed economies opened for business and with ambition, the right policies and growing prosperity became attractive markets for talent, and foreign investment. The number of the players in the common European market in the last decade nearly doubled. Technological improvements in communication, logistics and IT made it possible to integrate a growing number of countries into global supply chains. Emerging economies have developed and shifted from labor-intensive, low-tech to capital-and-knowledge intensive activities

The adoption of the common currency deprived the ability of MED7 countries to gain competitiveness via national currency devaluation while internal devaluation (wage cut and unemployment) afforded only artificial short-run competitiveness.

## WHAT DOES IT MEAN FOR AN ECONOMY TO BE COMPETITIVE?

According to Porter and Rivkin (2013) "A country is competitive to the degree that the companies operating there can compete successfully in the global economy while simultaneously raising living standards for the average citizen. Companies must be able to compete but employees have to prosper as well. One without the other is not true competitiveness and is unsustainable. Therefore, competitiveness requires a business environment that enables businesses and workers to be highly productive over the long run".

According to IMF "Competitiveness is the success of an economy in seizing the opportunities afforded by an increasingly integrated international economic environment to deliver sustained growth in living standards ... The ultimate test of competitiveness is total-factor productivity corrected for terms-of-trade effects...; it epitomizes the efficiency of an economy in obtaining goods and services in a globalized world with its given resources" (IMF Working Paper WP/08/112).

Long-run productivity must be distinguished from short-run productivity which can be manipulated. The low long-run productivity is a perennial

problem of the Euro-Med region that existed long before the recent economic crisis. It was hidden during the bubble years behind a screen of short-term prosperity through:

- massive expansion of credit for housing and consumption
- expanded social services
- expanded public sector employment

In the meanwhile, total factor productivity continued to erode. As seen in the Table below, labor productivity per person, in 2016, in MED7 countries, has been lower, and in the cases of Greece, Portugal and Cyprus substantially lower than in Northern Europe:

**Labour productivity per hour worked in 2016  
(in 2015 US\$)**

<b>MED7 countries</b>		<b>7 Northern countries</b>	
• Cyprus	44	• Belgium	69
• France	66	• Denmark	64
• Greece	34	• Finland	55
• Italy	51	• Germany	65
• Malta	41	• Ireland	74
• Portugal	35	• Netherlands	67
• Spain	52	• Sweden	62

Source: "The Conference Board. 2016. The Conference Board Total Economy Database™, May 2016, <http://www.conference-board.org/data/economydatabase/>".

Even more pronounced are the differences in labor productivity per hour worked given in the next Table.

**Labour productivity per person in 2016  
(in 2015 US\$)**

<b>MED7 countries</b>		<b>7 Northern countries</b>	
• Cyprus	78,160	• Belgium	108,045
• France	97,267	• Denmark	92,811
• Greece	70,246	• Finland	90,970
• Italy	88,845	• Germany	89,579
• Malta	80,163	• Ireland	135,060
• Portugal	63,690	• Netherlands	95,086
• Spain	87,420	• Sweden	100,276

Source: "The Conference Board. 2016. The Conference Board Total Economy Database™, May 2016, <http://www.conference-board.org/data/economydatabase/>".

## REGAINING COMPETITIVENESS

If a nation's competitiveness hinges on its long-run productivity, i.e. the value of goods and services per unit of human, capital and natural resources,

regaining competitiveness calls for improving the ability of companies to transform inputs into valuable products and services to raise their profitability and support raising wages for citizens. Therefore, increasing long-run productivity becomes a top priority of economic policy pursued by creating a business environment that supports continual innovation in processes, products and services.

The following measures that lead to increase of short-run productivity do not count as "regaining competitiveness": a) creating jobs by artificially boosting demand in non-tradable labor-intensive industries; b) stimulating demand by increasing public spending to maintain company profitability and living standards; and c) climbing the rankings because others fell. Competitiveness is not a zero-sum game in which one can gain only if others lose.

You can boost short-run productivity by firing workers and raising the output per working person while many working-age citizens cannot find or do not seek work. This is not sustainable and it is not competitiveness; it is the Achilles heel of recovery and we all know what happened to Achilles at the end. Competitiveness is the ability to generate high output per employable person.

Creating jobs by artificially boosting demand in local industries not exposed to international competition (e.g. construction) is not competitiveness, is not sustainable and does not raise the nation's standards of living. Sustainable competitiveness calls for becoming a more productive location which generates high-and-rising wage employment, attracting increasing levels of foreign investment, and attaining sustainable growth in demand for local goods and services (Porter and Rivkin 2013).

Stimulating demand by increasing public spending is not regaining competitiveness because while it may maintain living standards and company performance in the short-run it does not improve the fundamental drivers of productivity and therefore it cannot improve living standards and company performance in the long-run.

Winning because others lose is not competitiveness. According to Porter and Rivkin (2013): "Global competition is not a fight for a fixed pool of

demand. Long-term productivity improvements and rising living standards can take place in many countries concurrently. Productivity improvement in one country creates new demand for goods and services that firms in other countries can pursue. There are huge needs for improving living standards around the world. There is great scope for new and differentiated products and the opening of new, yet untapped, markets. Spreading innovation and productivity improvement increases global prosperity".

## **PERFORMANCE MEASURES AND DRIVERS OF COMPETITIVENESS**

The measures of performance and the drivers of competitiveness are: a) long-run growth of labor productivity over time and relative to northern Europe while unemployment is falling and labour participation is increasing; b) long-term growth in private (not public) sector employment and rising wages in real terms; c) rising market share of key exports from the country or region; d) increasing foreign direct investment; and e) a positive outlook of business leaders manifested in their willingness to invest in the country rather than to relocate abroad (Porter and Rivkin , 2013).

## **THE EURO-MED REGION'S COMPARATIVE ADVANTAGES**

The Euro-Med region has many comparative advantages that are not capitalized on to be turned into competitive advantages vis-a-vis Northern Europe and the rest of the world. These include: strategic location, a unique natural environment, the Mediterranean climate, the sun and the sea; an unmatched history and archaeological heritage, both a common culture and unique local cultures while being at the crossroads of several of the world's major cultures, civilizations and religions; considerable energy (and other) resources within the Mediterranean basin; and, the proximity and bridge for the rest of Europe to the Southern Mediterranean region (Middle East & North Africa).

Unfortunately, unneeded or higher than necessary costs of doing business in the MED7 region reduce competitiveness and limit the ability of the region to turn its natural advantages compared to Northern countries into effective competitive advantages. The unneeded or higher-than-Northern-Europe costs of doing business of the region include: the higher cost of

capital due mainly to higher risk premium, the high cost of energy, the high cost of inefficiencies and distortionary incentives, a more costly state, local government and parastatals, bureaucratic inefficiencies and a slow legal system.

A number of factors raise further the costs of doing business and reduce competitiveness. First is the deterioration of critical assets such as infrastructure, and the degradation of the environment. Second is the lower quality of education, the underinvestment in research and development essential for innovation and the slowness in adopting productivity & efficiency-enhancing technologies. Third is the cost of wrong decisions and mismanagement, the cost of corruption and lack of transparency and accountability and a general underappreciation of the soft elements of competitiveness. The Table below shows that in terms of the ease of doing business, in 2012, the MED7 ranked between the 29<sup>th</sup> and 100<sup>th</sup> position compared to 7 Northern countries that ranked between the 5<sup>th</sup> and the 28<sup>th</sup> position.

#### How economies MED7 countries rank on the ease of doing business compared to N. Europe

<b>MED7 countries</b>		<b>7 Northern countries</b>	
• Cyprus	40	• Belgium	28
• France	29	• Denmark	5
• Greece	100	• Finland	11
• Italy	87	• Germany	19
• Malta	N/A	• Ireland	10
• Portugal	30	• Netherlands	31
• Spain	44	• Sweden	14

World Bank "Doing Business 2012: Doing Business in a More Transparent World"

### CRITICAL QUESTIONS NEEDED TO BE ASKED AND ANSWERED

There are several questions which are critical to competitiveness that are rarely asked and more rarely answered. What should be the role for the state? What should be the role of the banks? What kind of a banking system do we need? How open should the economy be? What kind of education system do we need? What is the role of management & governance in advancing competitiveness? How to use technology to increase productivity and value creation? How to boost innovation & entrepreneurship?

## HOW TO RESTORE COMPETITIVENESS IN MED 7 REGION

Rebuilding long-term competitiveness calls for: a) effective political institutions (rule of law, effective law-making institutions, and efficient court system), sound monetary and fiscal policies and streamlined regulations; b) updated and upgraded transport and communications infrastructure and high quality research institutions; c) a conducive climate for entrepreneurship and a business environment that supports continued innovation in products, processes and management, and d) formulation of a long-term competitiveness strategy.

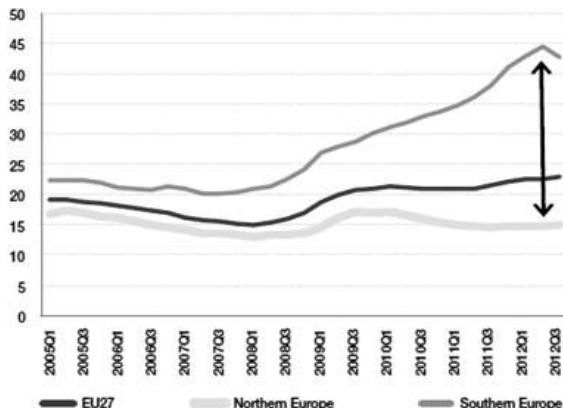
## THE PIVOTAL ROLE OF OPENNESS AND INNOVATION

Openness and innovation are the most crucial elements of competitiveness, yet they receive a lower priority in the Euro-Med countries than in Northern Europe. The Global Competitiveness Report 2016-17 identified “encroaching rules and regulations hampering trade and a perceived decline in the openness of these economies”. More inwardness means less mobility of talent and ideas and hence less innovation and less inclusive growth. Given the established link between openness and innovation, and between innovation and competitiveness, the perceived decline in openness could be heralding further declines in MED 7 competitiveness.

## HUMAN AND TECHNOLOGICAL INVESTMENTS ARE NEEDED TO RAISE LABOUR PRODUCTIVITY

Raising labour productivity is critical to long-term competitiveness. This requires investments in the quality of primary and secondary education, increased funding for basic and applied research and the development of usable skills. The region needs to give high priority to the issue of youth unemployment (see Figure below) and raise the employability of university graduates. The generalized system of apprenticeships and skills development as in Germany is one way to go about it. Getting companies to collaborate with universities to develop technically sophisticated employees is another.

Youth Unemployment Rate (below 25 Years), Seasonally Adjusted



Source: Eurostat, November 2012, seasonally adjusted data

## FINANCIAL MARKETS

The cost of capital in MED7 countries can be reduced by a) improving the allocation of financial resources to reduce the misallocation of talent and other human and natural resources; b) reducing the unhealthy dependence of business investment on banking finance (Europe 90%; US 30%) and increase the role of non-banking financing such as equity and peer-to-peer financing; and c) developing the entrepreneurial finance and venture capital sector.

## NATURAL RESOURCES & THE ENVIRONMENT

The MED7 region can capitalize on its rich natural resource endowment for regaining competitiveness by: a) developing its renewable energy resources (solar, wind, wave) in order to reduce the cost of energy and the dependence on imported fossil fuels; b) investing in the sustainable use of the region's land-and-sea based resources and the environment as well as its cultural heritage; and c) employing advanced technology and management to enhance both the value and the sustainability of the natural and cultural endowment of the region.

## CONCLUSION

The MED 7 challenge goes beyond recovery to rebuilding long-term competitiveness. To bridge the competitiveness divide and achieve effective convergence, the Euro-Med countries need to adopt institutional reforms and strategies that enhance their long-term productivity and thereby raise both the performance of business and the living standards of their citizens.

## PROPOSAL FOR “MED7 COMPETITIVENESS STUDY”

I propose the establishment of a MED7 consortium of schools of business & economics (one from each MED7 country) to develop a research project to diagnose and assess the region’s long-run competitiveness and to formulate a coherent strategy for rebuilding it over the next decade in order to close the North-South divide.

Key strategic objectives would be the drastic reduction in the cost of doing business and a quantum increase in the capacity to innovate as to effectively and efficiently capitalize on the region’s considerable resources.

A high-level Steering Committee, comprised of senior officials from the MED7 countries, could provide guidance and facilitate access to policy-makers and information.

Such a project could seek funding from EU sources including but not limited to Horizon 2020.

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# Marianna Papadopoulou

Economic and Social Convergence in the EU, the Euro area and in the Euro Mediterranean Region

## CONVERGENCE: THE DEFINITION

The promotion of economic and social convergence among EU Member States is at the heart of the European project according to the Lisbon Treaty.

In the political and economic discourse of the EU, "Convergence" has had, over time, different meanings. Originally, it was mainly interpreted as the alignment of per capita income between regions or states and the term of cohesion was adopted for this purpose, particularly with regard to convergence of incomes between regions.

On the way to the Economic and Monetary Union (EMU), a semantic change took place. Convergence came to mean the gradual fulfilling by the member states of the so-called Maastricht criteria concerning budget deficits, government debt ratios, inflation etc. Following the financial and debt crisis of 2008-2010, these criteria became even stricter through the Stability Pact (SGP) and the European Semester process.

## ASSESSMENT OF THE PRESENT SITUATION

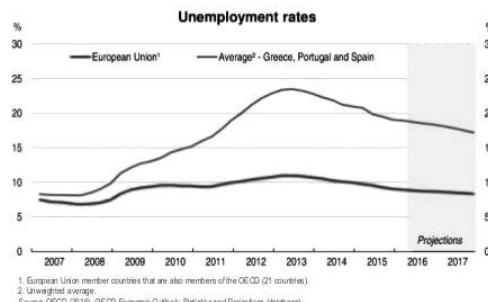
**After years of socio-economic convergence between Member States (M-S), EU has experienced major disparities in economic, employment and social outcomes.**

**In the social sector we are witnessing an increase of the unemployment rate and worsening of socio economic conditions.** In a monetary union, for the economic adjustment of an individual M-S, in the absence of exchange rate flexibility, the focus is shifted to the flexibility of prices and wages which, in turn, led to a worsening of the socioeconomic situation of the individual M-S.

EU Member States are either diverging in terms of socio-economic performance or converging towards deteriorating outcomes. For instance, while in 2007 the ratio of the highest to lowest unemployment rates in the EU was roughly 3 to 1 (between Slovakia and Denmark), the most recent figures indicate a ratio that exceeds 5 to 1 (between Greece and Germany) according to ILO's recent study (*ILO: Studies on Growth with Equity, Building a Social Pillar for European Convergence, 2016*).

**In the economic sector,** the global financial crisis led governments to increase fiscal support to different sectors mainly to the banking sector and therefore public debt rose sharply. The sovereign debt crisis forced governments to pursue fiscal consolidation which in turn resulted to important cuts in public investment and increase in taxes, as for example, in Greece. **The fiscal consolidation efforts in the countries hit hardest by the crisis resulted in very divergent developments in output and weighs heavily on their future growth potential.** This divergence has been but modestly reversed over the past two years, with some of the Southern European M-S recording above-average growth (*OECD Economic Surveys-Euro area, 2016*). The eurozone crisis has been amplified due also to the lack of mechanisms to prevent the buildup of macroeconomic imbalances.

## » Unemployment is still high



Source: OECD Economic Surveys, Euro area 2016

**In Greece,** as a result of the crisis, over the period 2008 – 2013, real GDP contracted cumulatively by 25 per cent. The budget adjustment process that took place over this same period has caused a deep recession, an

unprecedented increase of unemployment rate and had a serious impact on the most vulnerable parts of the population. The current unemployment rate is of approximately 24% and for young people of approximately 50%. Besides, more than a third of the population has reached or is near the threshold of poverty and social exclusion. Prospects are better for the years to come but unemployment is expected to remain high.

**No matter what the reasons are, of the asymmetrical impact of the crisis (the non optimal monetary area, deficit in European economic governance, competitiveness deficit, or political choices) the problem needs to be addressed.**

## EU'S LIMITATIONS TO OUTWEIGH SOCIO-ECONOMIC DIVERGENCE

### a) Complexity

As president Juncker stated recently (September 2016) at his State of the Union speech to the European Parliament, "We are not the United States of Europe. Our European Union is much more complex. And ignoring this complexity would be a mistake that would lead us to the wrong solutions".

Just to name some of these complexities, we stand more to the complexity of institutions, the rules and regulations to be implemented across EU, the subsidiarity principle and foremost the complexity of the decision making process. The decision making process becomes even more complex by the, occasionally, disproportionate attachment to national interests, the, too often, inward looking, not to mention the electoral cycles of M-S. These complexities and some more, constitute a real hindrance to progress for the European project.

### b) Accumulation of crisis

Moreover, the accumulation of crises throughout Europe from the economic, to migration and security ones and the debate on EU's future following the outcome of UK's Referendum, add to the rigidities and barriers for moving forward.

### c) Functioning of EMU

EMU's actual functioning severely constrains individual Member States' economic policies, while, on the other hand, is lacking sufficient common instruments to mitigate asymmetric economic shocks.

## HIGHLIGHTS ON THE WAY FORWARD TO ENHANCE CONVERGENCE AND COHESION IN SOUTHERN EUROPEAN M-S

Economic and social policies remain essentially a national competence.

Nevertheless, economic, social and institutional convergence are important goals of the European project.

We concentrate for this purpose on EU policies that could contribute in enhancing convergence between EU Member States and we single out five main policy areas and financial tools.

### a) The EU budget

Inherent limitation, in EU's action for mitigating the crisis' impact and for supporting convergence, is the budget. A budget of approximately 1% of the GDP can only marginally support real convergence and productivity growth. The EU budget should be commensurate to the challenges EU is facing. In difficult times, it makes sense to pool resources together.

### b) The Cohesion policy

The Cohesion policy was initially designed as a redistribution mechanism to assist less developed regions and countries to catch up. Since that time, Cohesion policy has undergone many transitions notably from being a strategy for the balanced and sustainable development to serving the objectives of the EU 2020 Strategy. Cohesion Policy is also an efficient tool for the EU to tackle the impact of the economic and financial crisis – high unemployment, uneven and slow pace of economic recovery. Cutting down Cohesion Policy resources from the current levels, or challenging M-S with suspension of European Structural and Investment Funds would result to an increase of territorial disparities and divergence, in an era where these funds may be a vital source for growth and employment and would thus result in hindering convergence in the EU. We need to ensure that

European Structural and Investment Funds serve the objectives of Cohesion and there is no deviation from its original purpose, as formulated in art 174 of the EU Treaty.

### c) Investment plan

Investment is key to sustainable growth. It is estimated that the Investment Plan for Europe (launched in 2015, mainly designed to increase EIB's capacity to expand its credit to riskier projects and leverage private sector's funds for investment) could provide a total of at least 500 billion Euros by 2020. The extension of the Investment Plan is actually debated in the Council. There seems to be consensus around its extension. But, is the Investment Plan adequate (in terms of size and spread of investments across Europe) to ensure sustainable growth and contribute to convergence between all EU M-S? New clauses, introduced in the recent draft proposal of the European Commission, rise hopes for a more equitable distribution of investments across individual M-S and all their regions. Nevertheless, the estimate of 500 billion Euros new investments up to 2020, even if successfully implemented, does not satisfy the needs for investments in EU M-S. Only for Greece, according to the estimates of Hellenic Federation of Enterprises, 105 billion Euros of investments are needed up to 2022 to reverse actual trends in the economy and ensure sustainable growth. Moreover, in respecting the fundamental principles of the EU Treaty, the efficiency of the Investment Plan should also be measured upon its contribution to economic, social and territorial cohesion of European Union's regions.

### d) Economic governance and EMU

As referred above, the EU is lacking sufficient common instruments to mitigate asymmetric economic shocks due to the crisis.

On economic governance, there is an animated debate and a good deal of consensus among policy makers, international organizations and think tanks, that EU's Economic Governance needs to be revisited. Pivotal to this are: a)the flexibility of the SGP, (European Commission introduced some flexibility rules implemented already in the course of this European semester), b)the need to introduce economic stabilizers to deal with shocks that cannot be managed at national level alone, c)the need for pooling risk (risk sharing) in a monetary union (...just to name some). The debate over

economic governance and EMU is politically loaded. The Eurozone M-S are divided on the prerequisites for a euro area's fiscal capacity, on the timing, on how much sovereignty needs to be transferred from national to supranational level, on how much convergence is needed before moving to the creation of central fiscal capacity, on the need for a revision of the Treaties, an issue that needs to be avoided for time being. The debate in the EU context has recently been resumed in view of the Commission's White paper on EMU to be tabled in spring 2017.

#### e) Growth and Employment Policies

The EU's growth and employment policies, from Lisbon Strategy of 2010 to Europe 2020 Strategy and the Compact for Growth and Jobs as well as the employment and social policy of the EU are placed under the cover of the open method of national coordination, compatible with the EU Treaty. The method is designed mainly for the mutual understanding and for making known each other's best practices. Although a binding framework exists for monitoring Member States' macroeconomic situation, much looser procedures are used in the social and employment field.

But, in advanced economies, economic and social aspects are the two sides of the same coin. The social costs inflicted by the crisis continue to weigh heavily on the euro area's performance and internal cohesion. They also reveal a dramatic divergence between Member States particularly in unemployment rates. To deal with economic cycles, in a monetary union, internal devaluation remains the main adjustment mechanism which leads to a "social dumping" in countries hardest hit by the crisis.

**It thus appears important, in a monetary union, to strengthen employment and social policies, detect and address major challenges.** This would allow an early identification of major employment and social problems that need to be addressed.

In his state of the Union speech European Commission's President Juncker announced the establishment of a European Pillar of Social Rights (today in public consultation).

The European Pillar of Social Rights is intended to support the construction of a fair European labor market and complement the protection of workers

in the EU while acknowledging the profound changes taking place in the working environment. But a European Pillar of Social Rights cannot by itself favor convergence.

Mobility is another area of EU's action for combating unemployment. Mobility plays certainly a role in adjusting unemployment. Mobility flows have substantially increased since the onset of the crisis but still not at a level to offset the increased rates of unemployment in southern European countries. The insufficient mobility is due to constraints related to linguistic aptitudes, skills and others. Hence, the adjustment on unemployment rate remains limited.

Even in a situation of optimal conditions for mobility (and in this hypothetical case, the consequent adjustment of unemployment rates), a one way mobility from south to the north (by opposition to both ways) would undermine the economic perspectives of southern European M-S taking into account the aging population and the "brain drain".

**Due to insufficient accompanying social policies, the lack of appropriate stabilizing mechanism at EU level, the crisis has resulted in increased rates of unemployment and the worsening of socio economic situation for some M-S.**

## **CONCLUSIONS**

The EU is confronted with an important number of challenges both in number and in consequences. EU is in a "perfect storm".

In the economic field, the above mentioned five crucial economic/financial policy areas on which M-S are divided concerning their future development, demonstrate the amount of effort and energy needed to reach consensus and move forward. And these are challenges that need to be addressed in the near future.

For advancing in the European project, a driving force is almost always at the origin of every big step, often assumed by political leaders with a vision for Europe. **This driving force is greatly needed at present circumstances.**

**No matter how different the Southern European countries are or what are the specific choices of their respective governments, at a certain point of time, there is enough common ground for collective action. The Euro Mediterranean countries can successfully assume the role of a building block, a driving force in the European construction by pooling their forces and voices.**

And before concluding, allow me for a rhetoric question, would M-S be better off without Europe, without EU, is there any solid foundation to argue in favor of stepping back in the European project, in our globalized, interconnected world??

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## **PRESENTATIONS IN PANEL II:**

**Identity and Security issues in the Euro-Mediterranean region –  
How to achieve unity in diversity**





# Gabriel Busquets

Let me begin with a well-known quotation from Fernand Braudel:

*"What is the Mediterranean? A thousand things together, it is not one landscape, but numerous landscapes. It is not one sea, but a complex of seas; it is not one civilization, but a number of civilisations, piled one above the other."*

I mention it because, in my opinion; it places us in the best way possible in the context to discuss: "How to combine unity in diversity referred to identity and security issues in the Euro-Mediterranean region." A region where we face today an unclear, confusing and evolving situation.

The region has known deep changes and we must acknowledge today that we have a more complex Mediterranean World. (What we had in the past has been destroyed and nothing new has been built. The old order is dying and the new one needs time to emerge);

It is more fragmented (new regional powers emerge, there is no hegemonic regional power, the competition between them is destructive);

With different types of conflicts, the impact of certain questions already important like immigration has been accentuated;

New actors have appeared;

We have an enlarged neighborhood;

The particularities of each country are more obvious;

The paradoxes are not rare and there are many questions about the future.

For the MED7 countries, the Mediterranean is a priority and in the bilateral area, in addition to develop bilateral relations, an effort to stabilize the region is made.

But we have to acknowledge that bilateral efforts have their own limits.

The challenges have such a magnitude, that they can only be confronted with concerted and coordinated answers with a direct impact on the citizens.

The dominant axis in the region is the security-development axis, two concepts that go together and feed each other.

The objective should be more and better multilateral cooperation and more regional integration.

The problem is that when bigger is the necessity of that cooperation, more limited are the prospects for success. There is no need to remind that we are in front of the less integrated region of the world with a commercial flow between EU-South countries of 9% and between South-South of 1% of the total trade.

While the interdependence of Mediterranean Sea is increasing the same level of integration at the political and security level is missing.

The first Mediterranean EU countries Summit (Athens 9-september-2016) made an appeal “The EU must strengthen our capacity to guarantee the security of our citizens”.

Therefore there is an urgent need to put an end to civil wars in the region, second the collapse of states and the rise of new conflicts should be prevented, and third the regional order should be rebuilt.

However, reshaping the security system in the Mediterranean appears to be a difficult endeavor given the number of constraints and limitations (the situation in the Middle East, the reluctance to engage in security cooperation with the European Union, the differences in security perception).

Even if security concerns have always been part of the European Mediterranean policy (this policy was not only economy and markets as some may suggest), there had not been a collective and global security architecture yet and the creation of new functional regional security structures remains a long-term goal.

Nevertheless, some efforts made in the past deserve to be mentioned: In the Helsinki Act from 1975 the linkage between security in Europe and security in the Mediterranean was underlined.

NATO redefined security in its new strategic concept as far as 1991 and launched a Mediterranean initiative in 1994. The charter for European Security and the platform for cooperation security were further steps.

An attempt to upgrade euro-Mediterranean relations in this context was the Spanish-Italian initiative of launching the idea of a conference on security and cooperation in the Mediterranean following the same lines as the CSCE and taking into account the specificities of the Mediterranean.

The new policy approach adopted in the Barcelona Conference in 1995 was a political deal with Europe offering its advice, its political and economic experience and an important cooperation to those determined to consolidate stability and to tackle their problems effectively.

Since 2000, the discussion about security in its various forms became a priority. At first the unsuccessful Euro-Mediterranean Charter for peace and stability along the lines of the stability pact within the OSCE.

Despite rejection, it is the most advanced draft of the security model developed through the euro-Mediterranean interaction process so far.

The inclusion of the Mediterranean countries in the EU neighborhood policy since 2004, the creation of the Union for the Mediterranean in 2008 and the revision of the PEV in 2015 with new tools and orientations, seek to promote a convergence in political, economic and social terms that would prevent the Mediterranean from destabilization.

The annual EuroMesCo Conference of this year (Brussels 14-15 April 2016) was dedicated, precisely, to the issue "Towards security architecture for the Mediterranean".

Some of the outstanding points that came out from the debates were:

1) There are similar patterns in the European Union and in Southern/Eastern Mediterranean countries regarding the causes and the consequences of the security crisis.

The EU needs to know that it is to some extend part of the problem (a number of terrorists were grown in EU countries), phenomena such as

youth marginalization or rise of populism are to be found with various shapes in both the EU and Southern/Eastern Mediterranean countries.

2) While establishing new security structures in the Mediterranean appears to be an ambitions objective it remains that renewed security cooperation is urgently needed.

3) Any security initiative should be underpinned by a renewed and consistent effort in terms of economic and social reconstruction.

4) Strategic issues such a demography, energy, water and climate change need to be considered.

Rather than a security strategy the EU needs a political strategy with a security dimension that serves to restore a common EU narrative.

The Global Strategy for the EU's Foreign and Security Policy acknowledges from the first page that internal and external security are ever more intertwined: our security at home depends on peace beyond our borders.

Three ideas and one evidence concerning the Mediterranean:

- The Mediterranean Middle East and parts of Sub-Saharan Africa are in turmoil, the outcome of which will likely become clear decades from now.
- The EU will intensify its support for and cooperation with regional and sub regional organizations as well as functional cooperative formats in the region. We will act flexibly mobilizing bilateral and multilateral policies and frameworks.
- In the Maghreb and the Middle East the EU will support functional multilateral cooperation. We will back practical cooperation including through the UfM on a large range of issues.
- The EU together with its partners will promote resilience (the ability of states and societies to reform, thus withstanding and recovering from internal and external crisis) in its surrounding region.

The Mediterranean is one of these areas where more efforts from the UE were displayed and where more creativity and imagination to rethink the

cooperation frameworks have been used. However, the Mediterranean is also one of the areas where more frustrations have been accumulated.

It is true, that the feeling of fatigue and frustration does not invite to mobilize efforts. But it is no less true that we are in a moment where the Mediterranean and its challenges are not only part of the home policy agenda of some countries (Algeria in France, Morocco in Spain and Libya in Italy) like in the past. Today, the Mediterranean is present in the foreign policy and in the home policy agenda of all European Countries.

The common belief is that migration remains the major issue testing EU's unity and ability to respond to an international problem.

We are witnessing a mobilization in the internal level, in the bilateral and in the multilateral frameworks. The European Union and its Member States still maintain the capacity to have more impact in the region than other external and regional actors which are considered more influential; the impact of the work of the UE in the region is bigger than its visibility.

A strategy of pure contention, i.e. referring to terrorism or immigration, is not appropriate.

Also, there is a perception of the European citizens about security which refuses a bigger integration.

The Mediterranean should be analyzed globally but its accentuated diversity should be considered when it comes to action. Helping build regional players that are willing and able to work with Europe for a sustainable future by linking up domestic resilience with regional commitment.

The although "bilateralisation" of some questions is essential, another type of multilateralism can be necessary.

The Union for the Mediterranean, with its added value, can and must play an essential role focusing on its three interconnected priorities: regional stability, regional integration and human development.

A reference to the 5+5 group seems to me here necessary given its particularity (informal) and effectiveness. Apparently superfluous and unne-

cessary when compared with other Mediterranean initiatives, the 5+5 initiative seemed condemned to disappear. However, it was reactivated and today is an example of effective sub regional cooperation.

5+5 at no time has weakened the globalizing principle of Mediterranean cooperation. In fact, the opposite is the case.

We have to be prepared to work with other States and security institutions to develop functional security frameworks. It is crucial to settle a common security agenda. Today our perceptions and the perceptions of our partners and neighbors are closer.

We have to take into account legitimate interests of security from each other and clarify the political conditions.

At the same time a dialogue on security with all sectors of civil society has to take place. Their security concerns cannot be ignored the discussion can not only focus on perceptions adopted by the governments.

The building of a Mediterranean region of peace and security will be only achieved through an understanding on security perceptions. We have to achieve a level of dialogue that is inclusive to the building of a new security cooperation in the region.

We need regional solutions though flexible formats supported by robust bilateral ties. This is the logic that prevails today. Various frameworks do not mean contradictory ones. At the same time, a comprehensive scheme has to be present.

Let me finish by quoting Pedrag Matvejevic who writes in his Bréviaire Méditerranéen:

*"La force d'appartenance à cette mer a peu à voir avec la géographie et beaucoup avec la conscience: La méditerranéité ne s'hérite pas, elle s'acquiert. La Méditerranée est aussi un destin."*

## Gurvan Le Bras

The challenge of legal and illegal migration to the security and governance in Europe: maintaining the freedom of movement; promote mobility in the south

The broad issue of identity and security in the Mediterranean brings a lot of different topics to the table. I would like to point to a narrower issue which is the migration challenges to European security and governance. By focusing on this issue, I would like to raise three different aspects: first, the refugee crisis as such. Besides some general comments, I will also say a few words about the French perspective and the consequences to France of this crisis. Third, I will try to elaborate on the other bigger issues when it comes to migration, namely the legal ones. The aim is to propose ways in which we could try to revamp our approach.

The first issue is the refugee crisis. Everyone is aware that in 2015 more than 1 million refugees entered Europe. 1.2 million have introduced demand for international protection in the EU that same year. To this, Europe's response appeared to be weak and shallow, with severe repercussions to its internal unity. At the same time, the question of refugees came up as one of the two leading issues to European public opinion as measured in the Eurobarometer, one of the lead indicators. This is something that needs to be put into perspective because migrations around the world are not a new issue; this said, it had not been a major issue at the planetary scale until now. To give you some figures, we had 244 million migrants in 2015, barely over 3% of world population.

France has been considered by the OECD as the least welcoming country to refugees. Between 2004 and 2012, it welcomed 0.3% of its population, or approximately 200.000 per year. In total, France has a foreign population of around 8.8%, well below the OECD average.

The roots are in Syria where we have almost 700.000 thousand refugees into Europe, from a total of 5 million Syrian refugees in 2015. Again, the proportion of Syrian refugees in Europe is not huge; all this amounts to 2.5% of the European population. Some studies show that receiving

refugees is more accepted in countries like Germany, Italy and Spain – which have welcomed most of the migrants in the past 20 years – whereas countries like France, Great Britain and the Netherlands the attitudes are less welcoming. So why the controversy?

This flux and transit have hit Europe in an imbalanced way. The streams have been concentrated on the southeast of Europe, in the Greece frontier and the Balkan route. This also exposes the vulnerabilities of the sea borders of the EU, namely in the south. Another problem is that the usual instruments the UE has used for decades are failing to respond to the challenges. One such example is the Dublin Convention. Everyone witnessed the fact that the principle of having the country of first entry being the sole responsible for handling the refugees was impossible to work given the high number of people entering the EU through Greece, Macedonia, etc.

If we want to look deeper into the root causes of this migration, to try to better identify what are the mechanisms through which we can help solve the crisis, we have to mention that migration, especially refugee migration, has pull and push factors. The notion of pull factors hints at the way in which welcoming countries signal messages about the way in which they handle migrants. For example, there have been a lot of comments about Germany's decision in August 2015 not to expel Syrian refugees back to the country where they entered the UE. Some analysts say this has triggered a stronger flux of migrants into Germany, as they expected more favorable conditions there than in surrounding countries. In other EU countries, including France, there are comments that a firm policy will send a strong message within the countries of departure, in turn preventing them from taking a proper decision to prevent further migration. In this calculation we also have to take into account that there are seasonal rhythms to this migration.

Let us now take a look at the profiles of refugees from data gathered in the last 18 months. Several studies support the idea that most refugees are Syrians (approximately 2/3), coming from Damascus and Aleppo. These refugees are mostly coming from an educated milieu and probably from middle-class. The feedback we get from them is that they made the decision to migrate after they found out that the balance of forces on the ground

was more favorable to the regime, which suggested that there might be no end to the refugee crisis in the foreseeable future. Second, for this reason, they saw no clear perspective for any kind of living, business or anything else, thus deciding to leave. Another motivation for them to leave, especially for youth, was to escape the military conscription or enrollment by militias. As soon as they reached the age of conscription, many decided to leave the country. Moreover, data have also shown that the networks of trafficking became more and more organized. Most migrants that were questioned would say that it would only take them less than 3 months to get to Europe, a much shorter time than the ones that came before 2015.

In the end, it is quite clear that those push factors are more important than the pull factors. To be completely convinced of this, we need only take a look at the MARE NOSTRUM Operation in the Eastern Mediterranean. It was argued at first that rescuing migrants on the seas would only pull more migrants to risk the crossing. In fact, after Italy stopped the operation, figures only increased. It is important to have this in mind that we are in a situation where our policies should not be driven by the idea that we can prevent those phenomena by ourselves.

The question now becomes: under these circumstances, what can we do? What are the next steps? Can we have a clear migration policy and generation policy toward refugees? This cannot be easily answered. There are currently many divisions among Europeans, with figures suggesting that Eastern Europe is more reluctant to migration than Western Europe. This is not to say, however, that there is refugee fatigue. In other words, the more people work on refugees, the more they show an understanding to welcome more.

One possible solution is the EU-Turkey agreement. Is it working? So far it looks like it is producing good results. It is interesting to see what it can deliver in the long-run, but some serious doubts remain. What if some provisions are not implemented on the EU side (e.g. visa waiver)? The most important is to try and preserve the Schengen framework and the fact that policies, such border control, have been re-nationalized. This does not mean that the framework has disappeared. There is a lot to be done to use the mechanisms inside Schengen and for it to continue to be the rule in this issue.

Lastly, I want to say that the refugee crisis goes beyond the Mediterranean. We also have to take into account the migration of the Sahel, where demographic dynamics tend to be huge, alongside a very promising economic potential. This notion of having a Maghreb/Sahel basin approach that enables the formulation of consistent economic ensemble should be worked out, including through MED7. We need to work on ways to provide relief for migrants and countries in this basin, as well as help create more opportunities for different approaches between the north and south of Mediterranean. In western Africa, 85-90% of migrations are intra-regional and thus absorbed within the framework of CEDEAO's freedom of movement structured around Nigeria, Ivory Coast and Senegal, the region's development locomotives. In the Maghreb, where the majority of people coming into Europe originate, the main determinants of migration are not the restrictive access policies of entry into European territory but the political situations internal to those countries. Thus the need to privilege intra-regional mobility such as it existed between Tunisia and Libya between 1975 and 2010, or between Morocco and Algeria before 1962.

As a potential recommendation, MED7 could look into ways of developing the Sahel-Maghreb basin as a space for coherent mobility. It should support the growth of the aforementioned locomotives (i.e. Nigeria, Ivory Coast and Senegal) through development aid, favor the harmonization of the regulatory framework for entries and exits from European space, and encourage the investments of Maghreb countries in sub-Saharan Africa. As it stands, most migrants and refugees currently living in the EU believe they would be denied re-entry should they decide to leave. If given the opportunity to frequently return to their home countries, it can be argued that most would not be so adamant to make Europe their permanent home.

(Note: the text is a transcript of the oral presentation)

## Walter Mallia

When one speaks of diversity in the Mediterranean one needs to note that in Malta, the oldest freestanding Neolithic temples in the world stand in testament to the fact that the Mediterranean basin has cradled civilizations for thousands of years. Our history remains one of the richest in the world, not because of the longevity of one particular leader or empire, though many – from the Romans, to the Arabs, to Napoleon – have left their imprint. On the contrary ours is a vibrant multicultural, multi-linguistic, multiethnic history.

- Placed atop a ridge that divides the two Mediterranean basins, Malta sits at a geographic and cultural crossroads. Indeed, the Maltese experience stretching back into pre-recorded history has been an exercise in diversity. It remains today a country on the one hand defined by a European-Catholic national identity, and on the other a country in which we call our Christian god by the name Allah, one in which English and Italian are spoken in the streets alongside the Maltese language, one in which our architecture, our food, and our faces speak not of singularity or continuity but of multiplicity.
- Cognizant that this diversity in our past and present is a national asset, Malta strives to build bridges across the region, to bring together women and men of different tongues and hues, of different political persuasions, with often divergent interests, in order that we may unite to face the challenges of today and together build a better tomorrow.
- Due to its culture and geographical location, Malta is often seen as a country bridging Europe with Africa. However, Malta has in the past not only served as a meeting point for cultures, but also as a location to discuss issues, concepts and ideologies. This was the spirit that led to the Malta Summit between the US and the USSR back in 1989, which brought the end of the Cold War and signalled a major turning point in relations between the East and the West.
- Our geographic location and capacity for regional engagement is enhanced by a constitutional position of neutrality in foreign affairs. For

decades now our position of neutrality has facilitated a mediatory role for Malta that serves to deescalate regional tensions and foster multilateral solutions to major crises.

– There is no doubt that we stand today at a historical watershed moment. In a very short time-span, we have witnessed an Arab Spring in the Maghreb region, civil wars in Syria and Libya leading to a mass influx of refugees in the EU, the rise of Dahesh, and a sharp rise in the threat posed by violent extremism and terrorism. Indeed, how we bear our responsibilities to care for those battered by the winds of change not only reflects who we are as Maltese people, as European people. Beyond the primacy of granting refuge and abiding by an established international legal framework, what we do today will determine the nature of our world tomorrow.

– Let this speech not digress to hollow rhetoric. The realities of mass migration to Europe are indeed grave, at times even overwhelming. Children drown in our Sea and starve across our borders as their families make desperate flight, whole national systems are taxed and then overtaxed, and in the face of resurgent nationalism, racism and xenophobia the very foundations of our European project appear at risk. Italy and Greece in particular continue to cope with the logistical burden of unprecedented numbers of migrant and refugee arrivals. The resilience of their institutions and the generosity of their people simply cannot be overstated. Malta calls for greater European solidarity with those MED-7 members on the frontlines of the migration crisis and continues to provide tangible support in the transfer of asylum seekers from Greece and Italy to Malta under the EU relocation mechanism. (Note: As of the beginning of September, 2016, fifty asylum seekers have been relocated to Malta from Greece and Italy under the Relocation Mechanism).

– There is no doubt that mass migration challenges any established sense of personal and national identity. In the face of foreign peoples and their cultures, arriving in large, unrestricted numbers, it is all too easy to demonize the other, to blame the alien victim for her/his own plight. That the peoples of the member states of the Med-7 have responded to the migration crisis not with suspicion and hostility, but overwhelmingly with concern and compassion, stands as a testament to the resilience of our values.

- Part of the solution to rising xenophobia is to remember that our own identities are fluid – nationality, gender identify, and even job description. Though today in Malta our vibrant economy, rich history, and sun drenched beaches draw tourists and legal migrants from across the world, but a few generations ago we were, in today's lexicon, a country of origin. Indeed, members of the Maltese diaspora, stretching from Australia to Canada, outnumber those Maltese that remain on the islands. The fluid nature of our identities is to be celebrated, as it makes our cultures richer and more resilient.
- In the face of the socio-political turbulence produced by the migration crisis, at a time when Europeans increasingly ask themselves what it means to be European, we must remain unyielding in our commitment to the values borne out of our shared history.
- Malta has a strong legal framework that prohibits direct and indirect discrimination, as well as harassment and victimization. Malta is a member of the following: the Policy and Media Committee of the European Network against Racism; the Steering Group on Equality Data Collection of the European Network Against Racism; and the Independent Network of Labor Migration and Integration Experts. A Maltese National Action Plan against Racism and Xenophobia has also been drafted by the Equality Research Consortium for The National Commission for the Promotion of Equality.
- There is no doubt that we are living through a tumultuous period, one which strains the fabric of our institutions, questions our sense of self, and threatens our security. We have all witnessed, and some of us have experienced firsthand, the senseless targeting of innocents in Paris, Nice, and Brussels, among others. In the face of a wave of reprehensible acts of terror across Europe and the Mediterranean this year, there is little doubt that we must remain vigilant. Indeed, as we look out across our wider neighborhood, across the sea to Libya or east toward Syria, we see what happens to the social fabric when security and order is lost.
- On the other hand, we must not allow our impulse to provide security and desire for subsume our other values and cloud our sense of reality. When the most vulnerable of migrants, unaccompanied minors, who today make up an ever-growing percentage of irregular migrants to Europe, are

compared in some capitals to invading child soldiers, alarm bells must ring. When those that flee their homelands in the hope of attaining a modicum of security are considered first and foremost as threats to our own security we must reassess where our values lie.

– At the end of the day, the security we attain for ourselves is but fragile and temporary unless it is extended beyond the visible horizon of our families, our colleagues, our nations, and our continent.

– This is not to say that we should blunder ahead armed only with our ideals. Ours must be a practical, considered, realistic approach to managing the current crisis and those to come. For this reason Malta continues to be a champion of multilateral cooperation and a leader in the development of policy options aimed at addressing the challenges posed by irregular mass migration. Malta hosted the Valletta Summit on Migration in November 2015, wherein EU and African Leaders adopted an Action Plan with 16 priority actions to be implemented by the end of 2016.

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– The Valletta Summit on Migration brought together European and African Heads of State and Government in an effort to strengthen co-operation and address current challenges and opportunities of migration. It recognised that migration is a shared responsibility of the countries of origin, transit and destination. The EU and Africa worked in a spirit of partnership to find common solutions for mutual challenges. Leaders participating at the Summit adopted a political declaration and an Action Plan designed to:

- I. Address the root causes of irregular migration and forced displacement.
- II. Enhance co-operation on legal migration and mobility.
- III. Reinforce the protection of migrants and asylum seekers.
- IV. Prevent and fight irregular migration, migrant smuggling, and trafficking in human beings.
- V. Work more closely to improve co-operation on return, readmission, and reintegration.

Participants also agreed on a list of 16 concrete actions to be implemented by the end of 2016. The existing mechanisms of the Rabat Process, the Khartoum Process, and the Joint EU-Africa Strategy will be used to monitor the implementation of the Action Plan.

An important deliverable of the Valletta Summit was the setting up of a new EU Emergency Trust Fund for stability and addressing root causes of irregular migration and displaced persons in Africa, which would support financially any actions envisaged. The Trust Fund will host around €1.8 billion, derived from EU funds and disbursements from EU Member States. Malta will be contributing to the Trust Fund with €250,000, which will be disbursed over a period of five years, with the first disbursement made in 2016.

- Malta will be hosting a Senior Officials Meeting (SOM) on 8-9 February 2017 that will take stock of the overall progress in the implementation of the Action Plan. The current TRIO Presidency of the Council of the EU is working on preparations for this SOM.
- Malta will be holding the Presidency of the Council of the EU during the first semester of 2017 and migration will feature as one of the key priorities in the program of the Presidency. Malta will strive to keep migration high on the EU's agenda during this period, as well as within international fora.



# Rui Vinhas

Let me begin by commending this initiative and to thank the organizers of this Seminar for the invitation to be here today. It is indeed a very timely initiative, since it coincides with the efforts we are promoting in Brussels to have an informal MED7 coordination in the Political and Security Committee.

Going straight to the point of our discussion here today, the answer to the question of this panel – How to achieve unity in diversity? – is not an easy one. Taking into account the complexity and diversity of the security challenges in the broader Euro-Med region I'm sure that at the end of the day we won't find a definitive one!

If anything, we must continue working to promote stability and prosperity and eradicate the root causes of some of the security challenges we currently face in this region. There's of course no magic solution to the migration and refugee crisis, the Daesh threat or an imminent way out for the stabilization of Libya. The interdependence of these challenges in the South Mediterranean is obvious. We must understand that this is a region which has been subject to great change over the last five years, in the wake of the so-called Arab Spring and which ranges from political instability to civil war.

I will share with you some of the work the EU has been doing in the security field. In my intervention I will essentially touch upon the political answer the EU has been producing to deal with the security challenges in the Mediterranean region. I would divide it in three levels.

## **1. I WILL START WITH A MORE STRATEGIC AND POLITICAL ONE. THE EUROPEAN NEIGHBORHOOD POLICY AND THE EU GLOBAL STRATEGY**

As you remember, the **European Neighborhood Policy** was launched in 2004 as a framework for a more active role of the EU – in cooperation with

its neighbors both to the South and to East – to support stability and prosperity in the countries of the region and strengthen the ties with countries that share common interests with the European Union.

The review of the European Neighborhood Policy in 2015 brought the introduction of chapters on Security Dimension and Migration and Mobility, highlighting the aspiration but also the need for enhanced cooperation with our neighbors in areas such as security sector reform; border protection and management; tackling terrorism and preventing radicalization; disrupting organized cross-border crime and corruption; and migration.

Under this new approach the EU has been negotiating Partnership Priorities with several partners of the southern neighborhood. Partnership Priorities for Jordan and Lebanon are to be adopted in the coming days by the Council. Negotiations are ongoing as well with Egypt and Algeria and the recent Communication from the EEAS and Commission on Tunisia will also set the momentum to further reinforce our partnership with this country.

Under these Partnership Priorities, the EU and the countries of the southern neighborhood will agree on common areas where the cooperation should be reinforced.

The implementation of specific programs and actions will have a financial support under the European Neighborhood Instrument, with an envelope of € 15,4 billion for 2014-2020.

### **The EU Global Strategy**

The EU Global Strategy was presented to the Heads of State or Government in the June European Council. Its main goal was to set out the EU's core interests and principles for engaging in the world scene, creating a collective sense of engagement.

The interests, principles and priorities set out in the EU Global Strategy are an answer to the new strategic and geopolitical environment which has radically changed in the last decade, particularly in the last 3-4 years. The European Union needed some unity of purpose and unity of action. It is not difficult to say that the common interest of all Europeans especially lays in the stability and security of the regions on the EU's periphery.

One of the positive aspects of this document is the more realistic approach, toning down the transformative and rhetoric agenda as well as the expectations. Resilience – a catch word of the strategy – becomes a guiding principle of the EU relationship with its immediate surroundings replacing the previous language on democracy. Less than one year after the review of the ENP, the EU Global Strategy, in a certain way, also downgrades this instrument and gives more emphasis on tailored approaches to individual countries. This is good. We remember very well where the ENP led us in the East and its relative ineffectiveness in the South.

One of the top priorities of the EU's external action is State and societal resilience in its Southern neighborhood, as well as the support to cooperative regional orders, including in the Mediterranean. The field of security and defense will also be relevant as it will comprise support to partner countries in conflict prevention or crisis resolution, including capacity building.

Why is the EU Global Strategy so important to the Mediterranean? Because one of the permanent weaknesses of the EU is the absence of real strategies based on significant geopolitical analysis, which means that policies regarding to our Mediterranean neighbors were, most of the time, void of any in-depth thought about the type of dialogue that should be developed with the region's main actors (Egypt, Algeria, Morocco). Now we have an umbrella for the overall external action of the EU, which is, in my view, more realistic and a much better script.

## **2. THE EU POLITICAL RESPONSE TO MIGRATION AND TERRORISM WITH ITS COMPREHENSIVE AND INTEGRATED TOOL BOX OF INSTRUMENTS**

Migration is currently one of the top political issues in the European agenda. Let me briefly mention the La Valletta Summit on migration that brought EU and African countries together in November 2015 to strengthen cooperation and address the root causes of migration. It was the immediate political answer to the need of cooperation with countries of transit and origin. Likewise, the recently adopted Migration Partnership Framework (*adopted by the European Commission in June 2016*) aims precisely at reinforcing the cooperation with specific third countries.

The main objective is to seek tailor made partnerships with key third countries of origin and transit using all policies and instruments at the EU's disposal to achieve concrete results. A comprehensive political package, through which the EU gives financial support, provides capacity building and development aid and demands that those countries fight illegal trafficking and accept returnees.

This renewed partnership with third countries will take the form of tailored "**compacts**" that will be developed according to the situation and needs of each partner country. Compacts with Niger, Nigeria, Senegal, Mali and Ethiopia are being prepared which may and will have a positive impact on the migration flows from the Sahel and the Horn regions to the North Africa and from there to Europe.

**Let me now turn to the terrorist threat, also a very pressing challenge to the unity of our societies.**

Since the Paris attacks, the EU started to implement a vast array of measures to counter and prevent terrorist attacks.

On the external dimension, the EU started political dialogues on Counter-terrorism with the MENA region countries to develop cooperation on issues such as Prevention of Radicalization, Combatting Violent Extremism, developing national Counterterrorism strategies, exchange of information on Foreign Terrorist Fighters, combating the financing of terrorism, etc. The primary focus in these recent months has been on Tunisia, Lebanon and Jordan.

I just would like to recall that one of the countries with the biggest number of Foreign Terrorist Fighters is Tunisia with around 5.000 elements. That's why the Counterterrorism dialogues with North Africa countries are so crucial and that's why the EU already posted 12 counterterrorism and security experts in the EU delegations (from Algeria, to Iraq and Turkey).

### **3. THE THIRD LEVEL IS “SECURITY, STRICTO SENSU”. IT IS TRANSLATED IN THE EU ANSWER THROUGH A COMMON SECURITY AND DEFENSE POLICY PERSPECTIVE**

As you may remember, in 2015, around 1 million persons arrived in the European Union through Greece and Italy. The upsurge in the refugee flows in the Mediterranean began in 2013, following the Lampedusa incidents, but regrettably 2015 was the year with more deaths at the sea. The EU decided then to launch on the 22<sup>nd</sup> of June 2015 the Operation Sophia.

“The core mandate of this CSDP Operation is to undertake systematic efforts to identify capture and destroy vessels and enabling assets used or suspected of being used by migrant smugglers or traffickers”. In a word it is an important contribution to the wider EU efforts to disrupt the business model of human smuggling and trafficking networks in the southern central Mediterranean and prevent further loss of life at sea.

To give you a more precise idea, the number of migrants rescued by the Operation Sophia until the 4<sup>th</sup> October was around 30.000. In June 2016, after long discussions in the Political and Security Committee, the Council of the European Union decided to add two more tasks to the Operation Sophia mandate: (i) the training of the Libyan Coastguard and Navy; (ii) and contributing to the implementation of the United Nations arms embargo on the high seas off the coast of Libya.

Still in a CSDP perspective, the EU Integrated Border Management Assistance Mission in Libya was deployed in May 2013 with the aim of supporting the Libyan authorities in improving and developing the security of the country’s borders. Its mandate was recently extended until 21 August 2017. Due to the volatility of the political and security situation in Libya (*the Mission currently operates from Tunis*), the mandate of EUBAM was successively adapted and is currently focused on the planning of a future civilian Mission.

In this context, EUBAM forms – along with Operation Sophia and an EU Planning Cell designed to support this Operation and UNSMIL – the bulk of EU’s support to Libya in the security track. Its main challenges naturally consist of carrying through a planning process – which includes needs

assessment and a thorough mapping of Libya's strengths and weaknesses – under a complex situation on the ground. Attentions are diverted to the ongoing crisis and stable and valid interlocutors are particularly difficult to identify.

In a nutshell, this is what the EU is doing to respond in the security/CSDP field. There's much more to say, namely regarding the Sahel region. We should look and approach these two regions in a regional and integrated fashion, in particular in what concerns stability, terrorism, human and drug trafficking and migration.

## PRESENTATIONS IN PANEL III:

### Sustainable Development in the Euro-Mediterranean region – How to promote shared stability and prosperity





## Miguel Garcia-Herraiz

It is timely for me to talk about MED7 because for the Union for the Mediterranean (UfM), the support of countries in the MED7 is very important. They constitute the basis of the Mediterranean nature for an organization such as ours. I will simply remind you that we are an organization that integrates 43 member states. So we are very diverse composition, following up on the creation of the Barcelona Process. After the Paris and Marseille Declarations, in 2007 and 2008, the UfM was created to establish an institutional basis for the Barcelona Process. Its central goal is to focus work on responding to concrete difficulties through a work of co-appropriation, which I will detail later.

I think the answer to the question of the panel – how to obtain shared stability and prosperity, particularly in the area of development is curiously pertinent –, is partly given by the Union for the Mediterranean itself. That would not be totally true, of course, because there is a lot of work to be done, including by our organization. However, it is an answer in the sense that promoting stability, prosperity and sustainable development are consecrated in the foundational documents of the Union for the Mediterranean and in the Paris and Marseille Declarations. To exemplify this, our initial flagship project was the Mediterranean Solar Plan, which later had a much more difficult history within the EU. This said, the plan still stands at the origin of the notion of why the UfM was created and why it was focused on certain specific areas.

In answering and providing contributions to the theme of this panel I decided to focus on how we work and how we can provide the mechanisms for reaching solutions. I am not sure the UfM can provide all the answers. As we have seen in the previous panel, the fact is that problems common to the Mediterranean are difficult and complex. Common problems clearly require common answers.

The UfM is essentially a platform for dialogue on a very broad range of issues, from the very political to the very technical. This is important because when we face these common problems there is a tendency to

design broad policy solutions. As reality shows, it is only designing tailored-made processes to individual countries, through a wide-ranging dialogue which includes all actors, that we can reach an understanding of what the problem is and what are the policies that can be used to tackle that problem. We are thus a platform which provides the opportunity of defining common policies in the Mediterranean.

Our platform has garnered the attention of the EU. Admittedly part of the interest is providing a mechanism to export a European vision about policies and standards that can be adopted throughout the region. This interest notwithstanding, there is also an interest in promoting south-to-north policy development. We have to take into account that when we formulate policies and declarations, we are, as a common platform, influencing not only from the north to the south, but from the south to the north. The fact remains that policies developed in the EU cannot be simply imposed on the southern countries. Examples like water and environmental policies are quite specific to the affected areas and require a more fine-grained solution. But it is also true that in climate change, for instance, Mediterranean countries have more in common than European countries among themselves.

The methodology of the UfM is also based on being a platform of platforms, and network of networks. The UfM organizes conferences, meetings, declarations, and other initiatives that bring together a myriad of actors. In other words, its actual work constitutes a venue not only for policy dialogue but also for bringing actors at different levels. We have regional policy platforms where we are working in close combination with policy *fora* of regional and local authorities. This stems from an understanding that in so many of the issues that we are dealing with, including employment, opportunities for youth, energy sector, issues regarding access to water, etc., where these parties have an important voice, it is useful to provide a platform for regional authorities to share their experiences and lessons-learned. In my own sector, namely water and environment, the work of municipalities is nothing short of extraordinary. We see it as well on issues related to the blue economy, a sector for growth on issues related to the maritime sector, where local authorities deal with problems regarding the coastal difficulties by developing integrated maritime planning from the river-basins down to the coast.

In addition to that, we also provide a platform for civil society. This is a priority inherited from the Barcelona Process. Indeed, in this very day a conference is being held in Barcelona focusing on women empowerment. This conference is fast becoming a tradition, as it takes place every year, and brings together actors from across the Mediterranean. Through initiatives such as this, one must acknowledge the possibilities of bringing together activists from all over the Mediterranean with government associations, agencies and ministers. Eventually, these meetings permeate to policy-making and have a real impact on societies. I also see this happening in my sector. The commitment of NGOs to promote civil society initiatives regarding platforms for combating climate change is truly outstanding. We see many initiatives which come out of civil society with people that are actively working on the ground, often at the local level, to provide expertise and stimulate action in neighborhoods, in town halls, etc.

We also work very much with universities; I will mention the University of Sienna as an example for they proposed a project called "Plastic busters for a clean Mediterranean free from litter." At the moment, one of the topics of growing concern in the environmental community is that of plastic litter in the sea. Here we have a university which proposes a project, engaging with different civil society actors concerned about the quality of the Mediterranean sea, obtains financing from Germany, and brings it to the UfM to the process we can labelling, a political process by which a project deemed of regional interest (and we have certain criteria of quality and sustainability), can be of attraction to potential donors. If accepted, the project is given political backing by the 43 member states.

I think this is an example of where we are in doing collaborative work in bringing together a wide variety of actors. This is something relatively unique to our organization. We can provide a platform for bringing together the efforts of different entities and that I think is of added-value. By saying that I try to address one of the potential questions which very often we do get about the UfM, which is: what is the added-value? Why is it not more visible? I am sure we would like to be more visible everywhere, but we know where our strengths lie and what are the possibilities for action.

The Union for the Mediterranean also provides a platform for other international organizations. When we look at the Mediterranean sea-basin, we see

there is a multiplicity of initiatives that address various challenges. I will focus on environmental issues to exemplify what can be done. Most countries are already party to the Barcelona Convention. It stands as the macro-convention that establishes countries of legation regarding the decontamination of the Mediterranean Sea. It has a long history and stands as one of the most prestigious and important conventions in the Mediterranean. However, it is also a convention with multiple gaps in implementation, as we all know. At the same time, the EU has a Water Directive and an Action Plan on the Blue Economy. The Arab League, in turn, has its own initiatives regarding water. The Global Environment Fund, to which the European Investment Bank is trying to join to be able to tap into the potential of the green climate fund, also develops several initiatives. These many initiatives are all working in the same direction and all of them have achieved great results in the past. But the UfM can add a further layer of coordination. This is a direct result of its ability of bring political attention to issues which are sometimes hidden in the technical ministries. This ability to act as a network for other existing networks is something I think is a particularly unique ability of the UfM.

Our overall mandate is to promote regional cooperation and regional integration. This said, I think we have to be clear by what we mean by regional integration; we are not pursuing any type of institutional integration. However, through the adoption of common policies on all these areas, in practice what we do is integration. When there is a common policy on a Mediterranean Water Agenda, an issue which we will hopefully adopt soon and implement in 2017, we do integration from the bottom-up. When we address common energy platforms on renewable energy, gas, etc., we are also facilitating work for adoption of common regulations and trying to look at the potential in facilitating investments in that sector. In many ways, this work represents a path toward a different kind of integration that is worthwhile pursuing.

When we mention this variety of sectors, we go beyond the silos usually associated with each of them. It is not only water experts that are meeting other water experts – who will define very useful policies regarding the quality of water in the Mediterranean, possible investment projects in water hygiene, etc. –, it is also a contribution relating to possibilities of conflict. In other words, we also contribute to the stability in the region. Let

us go back to the example of water and recognize that it is a potential source of conflict. If we are able to define common water policies in the Mediterranean, we may be able to provide levels of confidence between states, to address issues which have the potential down the road to become the origin of conflict. These include issues of water scarcity, transboundary water cooperation, and so forth.

I will just finish with one last idea. At the moment, we are facing some credibility problems given that progress remains to be done across so many different areas. But let me state it clearly, the UfM was established only 7 years ago; this is barely any time to bring together all these experts. Recognizing its potential, I believe there is now a common commitment to meet the objectives agreed upon by ministers at the political level so that we are able to gain traction to look to the future. That is why UfM is developing a roadmap for the future. This roadmap will aim to take us through the next period, with the support of the countries. For that we need resources for the secretariat, but more importantly resources for many concrete projects. Looking to the future, and to the challenges of addressing these issues, we must acknowledge that they are not simple and they are not cheap. They require political conviction and determination, as well as resources. We have to see how we can bring these resources to bear on these common problems.

(Note: the text is a transcript of the oral presentation)



# Kim Kreilgaard

## The EIB Economic Resilience Initiative

The European Investment Bank (EIB) is the bank of the European Union, an EU institution owned by the 28 Member States. It supports a wide range of EU policies and initiatives, inside and outside the EU, through its lending, investment and advisory activities. The Bank's largest area of activity is lending, with some EUR 85bn of new loans signed in 2015. Among the priorities is the implementation of the European Fund for Strategic Investment (EFSI), consisting of 3 main axes:

- Additional financing of higher risk to enable new investments of some EUR 315bn, foreseen to be increased to EUR 500bn on an extension of the programme;
- The establishment of the Advisory Hub in the EIB for the provision, in cooperation with partners, of advisory services for the development of projects and financing solutions in support of new investments;
- The improvement of conditions for investments in the EU via regulatory and legislative measures.

With regard to the Mediterranean area, and here I wish to focus my presentation on the southern flank of the Mediterranean, EIB is a long-standing financial partner, providing financial and technical support to the region for more than 35 years.

With a lending volume of some EUR 1.3bn annually over the last 5 years, the Bank has a pro-active role in supporting the economic and social developments in the region. Such encompass:

- Private sector development, in particular support to SMEs
- Development of social and economic infrastructure (energy, transport, environment, human and social capital)
- Climate change mitigation and adaptation (renewable energy, energy efficiency, and sustainable transport, ...)

The 2014-2020 External Lending Mandate envisages some EUR 9.6 bn. for the Southern Neighbourhood region

The EIB is stepping up its contribution to reinforce economic resilience in countries most severely impacted by the current refugee crisis, and to contribute to tackling root causes of migration through support of sustainable development.

The EIB's new Economic Resilience Initiative (ERI) for Europe's Southern Neighbourhood and the Western Balkans is evidence of this commitment. Within a few months, the policy objectives as formulated in the European Council have been translated into action and the first projects of the ERI are ready to be launched, but the full roll-out depends on the provision of EU guarantee and grants.

In the light of the on-going refugee crisis, the European Council formally requested in March of this year for the European Investment Bank (EIB) to rapidly mobilise "additional financing in support of sustainable growth, vital infrastructure and social cohesion in Southern Neighbourhood and Western Balkans countries." In June EIB President Werner Hoyer presented the proposal and it was endorsed by EU leaders.

The Bank has already launched the first building block of the initiative, which aims at stepping up the annual level of support to the maximum possible within existing mandates. The innovative concessional finance and impact investments can only be implemented once sufficient grant resources have been raised. Swift delivery also depends on an increase of the guarantee ceiling provided through the EIB's External Lending Mandate, including enhanced support to the private sector. This will allow us to implement this ambitious initiative. This is a huge challenge over time but we are ready to start.

The ERI will focus on addressing the need for increased infrastructure and related services to cater for sudden surge of population in affected countries, and boosting employment opportunities for host and refugee communities by providing support to the private sector in order to foster economic integration and enable refugees to become self-reliant. Investments will also have a particular focus on young people and women and support to climate action.

With these investments, we could provide services like clean water, energy and electricity in regions where services are stretched, and improve

education, healthcare, local transport and urban services. This will help to help ensure that refugees and host communities alike have access to education and healthcare. We can also support the creation of jobs through more support for small businesses and micro-enterprises, encouraging them and other companies to take on more young people, to offer training and also help to integrate refugees.

Under this initiative, the EIB will increase its support to the Southern Neighbourhood, which includes countries in the Middle East and North Africa as well as the Western Balkans. The initiative would mean additional investments of EUR 6 billion, on top of the EUR 7.5 billion of EIB financing already planned for these two regions, the largest of any international financial institution.

The EIB estimates the initiative will trigger EUR 15 billion euros of additional investment in these regions up to 2020, taking the total EIB mobilisation of investment in the regions to some EUR 35 billion.

The ERI is part of the External Investment Plan announced by EU Commission President Juncker and HRVP Mogherini in September as a new approach under which the Union supports sustainable development and identifies, prepares, and delivers support for investment projects in countries outside Europe. It comprises mobilising investment, stepping up technical assistance and supporting economic and structural reforms to improve the business and broader policy environment. It initially covers Africa and the EU Neighbourhood, and is open to a broad range of financial institutions as implementing partners.

The Economic Resilience Initiative is complementary to the External Investment Plan and could be seen as a first concrete step towards making the Plan a reality. The External Investment Plan is still at the proposal stage and the precise way in which it works will have to be determined by the co-legislators – the European Parliament and the European Council. This is why it is important to get the first elements of the Resilience Initiative up and running now to respond to the urgent crisis in a timely manner.



## Martin Ortega

I must begin by stating that Spain strongly supports this Portuguese and Cypriot initiative of organizing the first MED7 seminar. This initiative helps us create a shared consciousness, that is to say, a group. MED7 can be imagined in our heads, but then it has to be given shape and content, we need to develop the idea of a Mediterranean mentality. This seminar is a good initiative in order to find this shared consciousness.

Secondly, following the two very enlightening interventions of this panel, from two different organizations working very effectively in the Mediterranean region, I will limit my comments to a few ideas. In a telegraphic manner, let me give you some food for thought now that we are finishing this conference. The two interventions were technical in nature and important to know what those two institutions are doing. But my main message is that this idea of sustainable development and promoting shared stability and prosperity cannot be achieved if we do not go back to the basics. In other words, the real problem is that we cannot support sustainable development if the region is burning. The first thing to do is to be aware of the fact that we are living in a difficult region. I think this is pertinent, and not a contradiction, because we need to be aware of the progress and many advances that we are witnessing whilst not forgetting the obstacles.

I will first focus on the broad region, i.e. the Mediterranean, and secondly I will focus on the MED7, that is to say, the southern European countries members of the European Union.

First, on the broader region, we have to remind ourselves that the Mediterranean is today arguably a more fragmented region than it was 10-20 years ago. It is a more complex region as well. If we look at the moment of drafting of the European Security Strategy in 2003, we were in the middle of the Iraq crisis, Europe was divided but we had no wars going on around the Mediterranean. Then, the European Security Strategy, the so-called Solana Document, put forward as the main strategic objective, the creation of a ring of well-governed nations around the European Union. I think that we

can admit today that that objective has not been achieved and unfortunately we are witnessing conflicts in the Eastern part of the Mediterranean, with instability in the Black Sea, Ukraine, Caucasus, Russia, etc., which also have a negative impact on Europe. At the same time, we have an open war in Syria and Libya. Even if many institutions, including the EU, the UfM, the EIB, and others, are working on finding stability in the region, we should be aware of the fact that war is now a fact of life in the Eastern Mediterranean and in Libya. We cannot deny the elephant in the room: we have to think about it.

The European Global Strategy, published in June this year, again referred to the neighborhood and the neighbors of our neighbors. The point today, however, is that in our region insecurity prevails. In this conference we have not talked a lot about Turkey, for instance. This is a country in a very difficult and complex situation. Syria is still having a spill-over effect over Lebanon, Jordan and other countries, not just Europe. Long are the days when Europeans were hopeful of contributing to create a "new Middle East." This was an idea Simon Perez was working on, that a New Middle East could transform a region of diversities and differences into a region of integration.

I firmly believe that for the MED7, that is to say, for the Mediterranean states of the EU, it is important to call the attention of the EU of the need to work harder to go back to a peaceful and stable situation in the region. We can speak a lot about sustainable development in the southern and eastern Mediterranean, but there is no cooperation between those states, no south-south cooperation, not just between Algeria and Morocco, but also between Israel and its neighbors, etc. So let us recognize that the situation is serious, that we are in a fragmented region and that we should be attentive to the political dimension. From our part, the first thing to do in this structural problem is to call the attention of the EU in affirming that we need more Europe, not less Europe.

Secondly, about our MED7 countries, I have learned many different things today. The bottom-line is that we need to have some kind of consensus about the problems we have in the southern countries. These problems are related to our high public and private debt, structural problems, education – which will be key, not just higher education but basic education in our countries – so we need to work hard in that direction. But let me introduce

here an interested comment: I want to differentiate Spain. All our countries in southern Europe have shared problems, we have suffered a lot from the crisis, but currently Spain is growing more 3% for more than 2 years, whereas Germany is growing 1.5%, France is growing 1.3%, etc. Why is that so? An idea that has not yet been developed here, in my opinion, is that we need to compete in a globalized world. That is to say, our internal and structural problems are not just the result of our history but they are also the result of our comparison with other regions of the world. China, for instance, as an emerging power, is putting pressure on us and this is a fact of life today. It is true that we are not competitive enough, that we have some structural problems, but it is also true that we are facing competition from other regions of the world. One of the elements for this growth in Spain is that multinational companies, the government, and other stakeholders saw very clearly that we have to think outside of our region as well. That is to say, the chessboard today is not just a European chessboard, or in other words, it is true that our exports are going mainly to Europe, that our tourists are coming mainly from Europe, but we need to think globally. It is important that our companies and any kind of initiative try to take into account the broader perspective

My last word is to support Miguel Garcia-Herraiz in that for us in the Mediterranean it is key to think about sustainability. It is not just a matter of principle or an issue of shared values or being conscious about climate change and other environmental problems in the Mediterranean, it is also for pragmatic reasons. If we want to have tourism, healthy societies, etc., we have to invest heavily not just with funds and money, but also with ideas. We have to think in a new approach to our economic growth which is sustainable. Our economies must do a very difficult exercise which is to try to recover growth in a global environment, and think about the environment with sustainable growth at the same time. This is a very complex objective but let us be optimistic. Theodore said today that we are, by nature and history, creative, positive and optimistic. Let us think we can do it.

(Note: the text is a transcript of the oral presentation)



# Concluding Remarks

Margarida Marques, Secretary of State of European Affairs

As this has been a long working day and you have already heard me this morning, I promise I will not take much of your time. I would like to briefly sum up the main ideas that were discussed during the debates today.

In panel I, we have addressed the sustainability of the European Economic and Monetary Union (EMU) and the fundamental issue of competitiveness and convergence of our countries. Today the debate shifted from external imbalances and now focuses more on finance and banking. And of course we need to complete the European banking union. But let's not forget about the imbalances between European countries. Truth be told, realignments are never easy (and they weren't before the European common currency was created). As we have seen, internal devaluation did not work either during the Troika years. This probably happened or was amplified because we are missing a piece in the management of the Eurozone.

There has been some little progress but there is clearly a lack of a mechanism which would facilitate a sort of correction of intra-European imbalances.

Professor Francesco Franco elaborated on a possible "Stabilization Fund" or "unemployment insurance mechanism" linked to high unemployment levels, simultaneously facilitating economic development and social stability while still pushing for structural reforms to increase competitiveness. And he gave some suggestions on how to finance it. Concretely, we could think a way of financing this Fund through a flexible mix of VAT and social security contributions, which would allow changes depending on unemployment levels.

In fact there is clearly a problem of competitiveness in our Med 7 countries. As Professor Theodore Panayotou put it, most of our countries have experienced low and sliding competitiveness levels. The austerity programs have not helped solve this problem, as all countries have deteriorated their competitiveness standing during the Troika years.

We need more innovation and entrepreneurship, of course, but this cannot be done through short-run productivity hikes resulting from lower wages and higher unemployment. In fact, this would be contrary to the very own definition of long-term/sustainable competitiveness, which implies raising living standards for the average citizens. This is not a zero-sum game and should not be seen that way. So, let's create the conditions for structural reforms to be achieved without economically and socially suffocating our countries.

To restore competitiveness Med7 need, among other things:

1. Effective political institutions and efficiently performing judicial system
2. Sound monetary and fiscal policies
3. Formulate a long-term competitiveness strategy
4. Upgrade transport and communication infrastructure
5. High quality research institutions
6. Improve the climate for entrepreneurship/provide incentives
7. Shape a business environment that supports continued innovation in products, processes and management
8. Increase the linkages between knowledge creators, innovators and business creators and between enablers and doers
9. Redouble the human and technological investments to increase labor productivity

As Ms. Marianna Papadopoulou said, the main effort needs to be done by governments themselves. Crisis has had an asymmetric impact on European countries and since then the EU is experiencing major disparities. Regarding the EMU, we need more integration to achieve sustainability, as it is essential to achieve convergence. Let's not forget that Convergence is a fundamental principle deeply rooted in EU treaty.

How can we better design policies to achieve real convergence in the EU?

We want the EMU to be sustainable; we need the appropriate instruments to support it:

- First, the **EU budget**. With a limitation of 1% of the GDP we cannot do much. This is a highly political issue on which the debate has already started.
- Second, **cohesion policy**. It was initially designed as a distribution mechanism. Suspension of structural funds would increase territorial divergence. We should stick to initial principle of cohesion policy, to promote convergence among MS.
- Third, the **investment plan** (Juncker proposal) has created a lot of expectations with an estimated 500 billion EUR until 2022. I wonder if this is enough for relaunching growth in the whole EU area. And also, is this investment plan appropriately designed in order to contribute to convergence or are we just insisting on the “survival of the fittest”?
- Four, on **economic governance** right now there is a consensus that it needs to be revisited, simplified and with clearer rules. In this respect, flexibility in stability and growth pact is essential for everyone to deal with specific problems. The question of introducing economic stabilizers will be dealt with in the White Paper that the Commission will present on Economic and Monetary Union in spring 2017.
- Finally, **pooling risk** and risk-sharing. MS have diverging views on what conditions we are going to pool risk: do we first need to have convergence, or the other way round? There is no real employment policy in the EU and employment and social issues in advanced economies are the other side of the same coin: we have economic issues and employment issues. This lack of policy is not foreseen in the treaties.

In the second panel, we have discussed some of the main security and identity challenges in the Mediterranean region, from migration to terrorism.

In 2015 more than 1million refugees entered Europe and have asked for protection in the EU. To this, Europe's response appeared to be weak and shallow, with severe repercussions to European unity. At the same time, the issue of refugees came up in Eurobarometer as one of the major concerns of the European public opinion. This fear or concern has been of course intensely explored by populist and xenophobic parties. As a matter of fact, to better understand the sort of radicalization on this issue, we have to bear in mind the present identity debate in several EU countries, which is closely

related to the place of Islam and its several interpretations in our societies. As I said, these issues have been used by the extreme right, who has in many aspects achieved a normalization of its rhetoric.

However, it has become evident for everyone that we cannot respond to this phenomenon purely through restrictive national or European policies (closing borders, dissuading arrivals, etc.), as the end of operation Mare Nostrum has demonstrated. It is not only a matter of ideology or lawfulness. It is a matter of realism/pragmatism.

Another problem is that the usual instruments the UE has used for decades are failing to respond to the challenges, like the Dublin Convention. The Schengen area seems at risk because of these shortcomings. We need to modify the Dublin Convention and do everything we can to preserve the Schengen regime as is.

Therefore, we have to tackle the root causes of this migration and refugee crisis, and in this framework, the EU Neighborhood Policy and particularly the Migration Compacts may be a very valuable contribution. In fact, the idea of a consistent Euro-Mediterranean economic ensemble (stretching until the Sahel) should be worked out, in order to have a more sustainable response to the multiple challenges faced by our region.

As we have just finished the debate in Panel III, I don't need to summarize. Only one phrase: We need more and better dialogue among all parties, encompassing security and development.

On a final note, I am sure the debates we had today were a very interesting "food for thought" and I hope they will contribute to opening new paths for a brighter common future for our whole region.

Last but not least, I want to thank once again everyone who has made this event possible: all the Med 7 Embassies in Lisbon, the Gulbenkian Foundation, IPRI, as well as all the speakers, moderators and the audience. Without your help and contribution this event wouldn't have been possible.

# THE SEMINAR IN PHOTOS

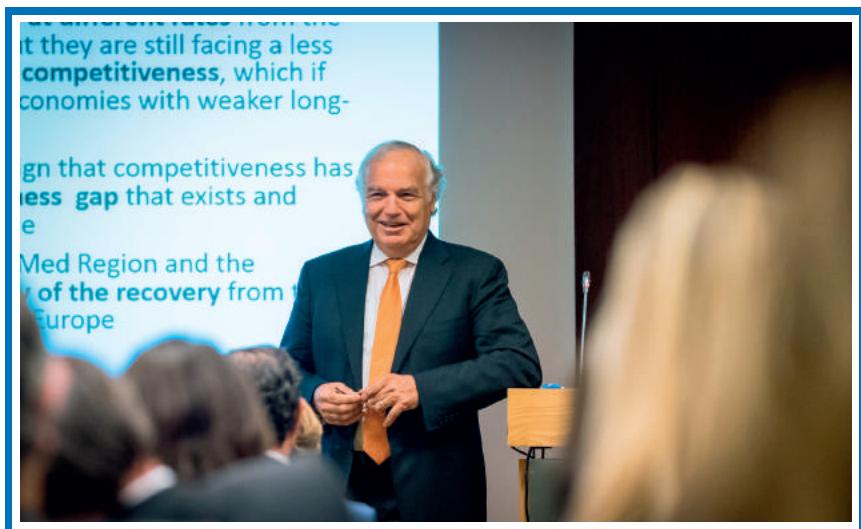
























# REFERENCE DOCUMENTS AND INFORMATION MATERIAL

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## REFERENCE DOCUMENTS

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Declarations of MED7 Ministerial Meetings

Alicante 2014

Paris 2015

Limassol 2016

Declaration of the MED7 Summit in Athens 2016



# 1st informal Ministerial Meeting of the “Med7 Group”, Alicante, Spain, 16 April 2014

Migration flows in the Mediterranean: recent evolution and actions to take in the framework of the European Union

The tragic events that have recently occurred in the Mediterranean have, once again, put a spotlight on how irregular immigration is fraught with human drama.

Migration pressure in the Mediterranean, far from diminishing, is increasing, due to the situation of instability and poverty in the countries of origin.

This situation demands major efforts from the EU’s Mediterranean Member States; efforts that are carried out for the benefit of the entire European Union. As Mediterranean Member States, we bear the brunt of controlling an external border of the EU. It should be noted that a large number of migrants arriving at our borders aims to continue onward to other parts of the EU.

We appreciate the involvement of the European Commission in tackling this emergency at the EU level, and we advocate an increasing, resolute participation of all Member States in efforts to foster a comprehensive approach to migratory issues.

This forum supports the work carried out by the Task Force for the Mediterranean, which has identified a set of specific measures whose effective implementation should be accelerated.

It is solely possible to address all these challenges comprehensively, through the adoption of both short- and long-term measures, not only in the European Union but also in third countries, where the EU and the international community should mobilise resources for managing migration flows.

- Intra-EU solidarity with Southern Member States affected by the massive and disorderly arrival of migration flows, despite their substantial efforts to control their external borders, should include sufficient and effective financial support from the EU. Solidarity should also be expressed with Southern Member States confronted with complex border control and/or SAR operations.
- Control of the EU’s external borders – both land and sea – should be maintained and reinforced, through Frontex, which should concentrate on its core mission of operational activities, including Joint Operations with an increased participation of Member States.
- Capacity-building in countries of origin and transit in the Mediterranean and Sub-Saharan Region should be carried out to reinforce their border control, in order to promote the effective prevention of irregular migration at its source.
- The fight against criminal networks and trafficking in human beings, which constitute intolerable forms of exploitation, should remain a priority, through the development of operational cooperation with third countries.
- Resolute actions regarding all forms of returns and readmissions are necessary, so that those who are in an irregular situation in the EU can return to their countries of origin quickly, and with full respect for their fundamental rights, based on international and EU standards.
- International organizations operating in third countries of transit, such as the International Organization for Migration, have a key role in the field of assisted voluntary return through the implementation of specific programs, which, together with other programs that could be developed in the future, should be supported institutionally and financially, also including assistance to third countries of transit for returning irregular migrants to their countries of origin.
- The conclusion of readmission agreements with countries of origin and transit, to improve the current practices of EU Member States, should be promoted. In this context, the implementation of Article 13 of the EU-ACP

Cotonou Agreement is of great importance. The Commission must make the necessary efforts to ensure that African States fulfil their commitments on readmission.

- At the same time, cooperation between countries of destination and of origin should be reinforced, particularly regarding on the use of existing legal migration channels, taking into account the common interest of both countries, and the importance of preventing loss of human capital. An example could be "circular migration".
- EU migratory policy should be fully integrated into its external action so that the objectives and priorities of migratory policies can be taken into account when designing and implementing its external policy. To this end, it is essential to improve the coordination mechanisms among Member States, the European External Action Service (EEAS), and the European Commission. Available EU instruments should be used as effectively as possible to promote cooperation with third countries within the Global Approach to Migration and Mobility (GAMM).
- The Mobility Partnerships already signed with Morocco and Tunisia should be provided with the necessary EU funding, and we look forward to signing more Partnerships with third countries in the Mediterranean area. Likewise, actions shall continue to be coordinated within regional dialogues and processes, such as the Rabat Process as well as within the EU-Africa Joint Strategy, promoting migratory cooperation and dialogue at the regional level. A regional dialogue on migratory issues should be launched with the countries of East Africa.
- Necessary efforts regarding migration and development should continue to adequately address the underlying causes of migration associated with poverty, political instability and conflict, as well as the lack of respect for human rights, creating alternatives in the countries of origin and transit. The commitment of relevant EU institutions in development cooperation is necessary to build on what has already been done by Member States in recent years.
- All of this should focus on EU cooperation supported by different programs and funding instruments, simultaneously addressing migratory

pressure and promoting economic and social development in countries of origin and transit.

- Lastly, this forum stresses the importance of addressing all these issues at the June 2014 European Council, when strategic guidelines for further legislative and operational planning in the area of freedom, security and justice will be defined.

**SOURCE:**

[http://www.exteriores.gob.es/Portal/en/SalaDePrensa/NotasdePrensa/Paginas/NOTAS\\_P\\_2014/20140416\\_NOTA101.aspx](http://www.exteriores.gob.es/Portal/en/SalaDePrensa/NotasdePrensa/Paginas/NOTAS_P_2014/20140416_NOTA101.aspx)

# Ministerial meeting of the «Mediterranean» group (Paris, 20 February 2015)

## SUMMARY OF WORK

The scale of the challenges of democratic transition and sustainable human, social and economic development in the southern Mediterranean countries calls for an ambitious response, commensurate with the potential and expectations of the partners.

The European Union must be able to use all its instruments (including through the AMICI initiative) and policies to address them. The ongoing review of the European Neighborhood Policy and the principles guiding our common approach (differentiation, inclusiveness, co-appropriation, flexibility, reactivity, adaptability, response to needs) should strengthen our action. The informal ministerial meeting in Barcelona on 13 April 2015 will significantly contribute to it. In this context, our action should focus on the following three priorities:

### **1. DEVELOP AN EVER CLOSER DIALOGUE BETWEEN THE TWO SHORES OF THE MEDITERRANEAN**

The European Union, together with all partners in the region, has started an important work which needs to be continued and strengthened with:

- fuller and more structured discussions between the two shores of the Mediterranean, contributing to the stability and security of the region and addressing all the regional crises we face, including the use and implementation of strategies set up within the EU,
- full support for the efforts of the UNSGSR (United Nations Secretary-General Special Representative) in Libya for achieving a negotiated settlement, with the understanding that only an inclusive political solution can sustainably move forward and contribute to peace and stability in Libya. In this context, neighboring countries and regional

partners must support, in a constructive spirit, the coordination efforts of the United Nations.

- an emphasis on the common challenges we face: migration, especially illegal, the fight against terrorism, employment and growth, which must be priority sectors in the EU's assistance to the Mediterranean countries. The fight against the smuggling of migrants, based on the Khartoum and Rabat processes and the EU instruments, must lead us to coordinate even more effectively;
- a renewed effort to confront extremism on all sides, promote the culture of democracy, tolerance and the rule of law, in order to continue to build a network of citizens, around the Mediterranean, that make daily demonstration that our will to live together remains the strongest;
- coordination of our actions in all regional bodies, including the 5 + 5 dialogue, in order to collectively combat extremism and terrorism that threaten our societies and by also promoting dialogue between cultures and strengthening interfaith dialogue;
- enhanced support for partner institutions, such as:
  - the Union for the Mediterranean, a central platform for Euro-Mediterranean relations, which must be able to multiply concrete and structuring projects, thanks to European funding
  - the Anna LINDH Foundation, as pointed out by the Foreign Affairs Council's conclusions of 9 February, to launch concrete initiatives to promote tolerance while respecting freedom of expression.
- closer work with regional and interregional organizations active in the region such as the Arab Maghreb Union, the League of Arab States, the Gulf Cooperation Council, the OSCE, the OECD or the Council of Europe.

## **2. PLACE YOUTH AT THE HEART OF OUR PRIORITIES IN THE MEDITERRANEAN**

To achieve these objectives, increased efforts by governments on both sides of the Mediterranean are needed, to improve youth access to education, citizenship, vocational training and the labor market. The European Union has its role to play in this field in order to:

- reinforce our mobilization for the younger generations, particularly through the systematic promotion of a framework in our Euro-Medi-

terranean and bilateral dialogue with our partners on the southern shore, for better access for young generations to education, vocational training and employment. The holding of an UfM ministerial meeting on employment would be useful. In this sense, initiatives taken also in regional forums such as the 5 + 5 must be valued and supported.

- setting up a Euro-Mediterranean area for vocational training, higher education, science and research.
- multiplying concrete projects for young people, by providing them with all possible support at all stages of their training – higher education, vocational training, integration into the work force – and by promoting citizen engagement, making the best use of European programs such as Erasmus + or by supporting the development of the Euro-Mediterranean platform for the training and professional integration of young people, with the aim of identifying all training offers and mobility opportunities on a single portal. Existing frameworks such as the Euromed-Migrations platform must also be valued;
- support the initiatives of the General Secretariat of the Union for the Mediterranean and its efforts to create synergies with public authorities, international financial institutions and the private sector, particularly to identify new concrete and structuring initiatives in favor of the youth;
- support the initiatives of the Anna LINDH Foundation in favor of the Youth, such as the promotion of social entrepreneurship launched in Thessaloniki in September 2014;
- give special support to women, who must be able to take part in all aspects of political, economic, social and cultural life. Reforms to guarantee the full exercise of their rights must be supported. In this regard, the follow-up conference of the Ministerial Meeting on the role of women in the Union for the Mediterranean to be held next May will be an important milestone;
- ensure that all these projects can find adequate and innovative funding, particularly from the European Commission, by steadily reinforcing the mobilization of European funds (the European Neighborhood Instrument including its cross-border dimension, the Erasmus program +) and their synergy with the actions of Member States or their agencies which also work for social and vocational integration of young people and that explicit funding is provided for youth;

- share the desire to reinforce the mobility of the younger generations, including those between countries on the southern shore, because tomorrow they will be able to carry high the values that we share.

### **3. MAKE THE FIGHT AGAINST CLIMATE CHANGES, ENERGY AND ENVIRONMENTAL ISSUES A PRIORITY FOR EURO-MEDITERRANEAN COOPERATION**

The fight against climate changes and energy issues are is a major challenge for the Mediterranean. To respond together, partners from both shores of the Mediterranean will contribute to:

- implement an ambitious action plan to fight climate change with our Mediterranean partners in order to contribute to the success of Paris Climat 2015;
- to develop the projects launched by the General Secretariat of the Union for the Mediterranean in this field;
- contribute to the success of the ministerial meeting of the Union for the Mediterranean on the 'blue economy' scheduled for September, in order to implement structural and regional initiatives likely to reduce pollution in the Mediterranean;
- contribute to the definition of ambitious environmental and renewable energy objectives in the various Mediterranean fora, including the ministerial meeting of the 5 + 5 Dialogue (Lisbon, March 2015).

(Note: this text is a translation from the original French)

#### **SOURCE:**

[ufmsecretariat.org](http://ufmsecretariat.org)

# 3rd informal Ministerial Meeting of the "Med7 Group", Limassol, Cyprus, 25-26 February 2016

The 3rd Informal Ministerial Meeting of the "Med7 Group" provided the Ministers of Foreign Affairs of Cyprus, Greece, Italy, Malta, Portugal, Spain and the Minister of State of France with the opportunity to exchange views on pertinent aspects of the multitude of interconnected crises affecting the European Union and its citizens, both in our neighborhood and beyond.

## **1. ON SUPPORTING THE POLITICAL PROCESS IN SYRIA AND THE STABILITY OF LEBANON**

The Ministers discussed the complex relations of the countries in the Middle East and how their direct and indirect involvement in the Syrian conflict is impacting the political process.

The Ministers inter alia highlighted that there can be no military solution to the Syrian conflict. The international community and all the stakeholders should support the diplomatic efforts for a political resolution of the conflict through the Vienna Process and the UN-sponsored talks in Geneva and desist from any, particularly military, actions that could derail this track. The political resolution of the conflict should address the legitimate concerns of the Syrian people and in this respect, they recalled that there cannot be a lasting peace under the current leadership and reiterated their support for Syria's sovereignty, unity and territorial integrity and for a truly inclusive political process to fulfill the legitimate aspirations of the Syrian people by establishing a democratic, inclusive, pluralistic and non-sectarian government.

The EU should have a direct and active contribution to the solution of the Syrian conflict, considering the impact of the crisis to the EU and its member states.

Recalling UNSC Resolutions 2254 and 2258, the Ministers welcomed the commitments made by the International Syria Support Group meeting in

Munich on 11-12 February and underlined the importance that all parties implement these commitments in full notably through a nation-wide and immediate cessation of hostilities. They also underlined that parties should immediately and unconditionally stop all attacks against civilians, allow humanitarian agencies rapid, safe, and unhindered access throughout Syria and allow immediate humanitarian assistance to reach all people in need.

Regarding Lebanon, the Ministers underlined the importance for Lebanon to elect a President according to the constitutional process and to have a fully functioning government able to respond to the pressing security and economic challenges it faces. The Lebanese parties are encouraged to adhere to the Baabda Declaration and Lebanon’s policy of disassociation from the conflict in Syria. In this context, the Ministers welcomed the outcome of the Conference on Supporting Syria and the Region in London on 4 February.

The Ministers also stressed the important role of the EU and its Member States in supporting the resilience Lebanon and Jordan have vis-à-vis regional spillovers, in strengthening the capacity of their institutions in the fields of counter-terrorism and security. Regarding the alleviation of the socioeconomic pressures on Lebanon and Jordan by the ongoing Syrian humanitarian crisis, the Ministers considered the merits of various measures, including trade, as a way to empower host communities while alleviating refugees’ living conditions and expressed their support to the efforts of the European Commission to prepare “compact contracts” with these countries.

## **2. ON THE RECENT DEVELOPMENTS IN LIBYA AND THE EU’S ACTIONS ON COUNTER-TERRORISM AND MIGRATION IN THE BROADER CONTEXT OF EU ENGAGEMENT IN THE COUNTRY AND IN THE SAHEL**

The Ministers discussed the political situation in Libya, and urged the House of Representatives to approve the recently proposed Government of National Accord highlighting the importance for a functioning Government of National Accord taking up its duties in Tripoli as soon as

possible. This would, inter alia, facilitate the efforts of the Libyan people and of the international community to initiate the restoration of stability in the country. They stated that measures could be taken against those held accountable as spoilers of such a solution. A Government of National Accord would also be a crucial partner in tackling effectively the threats and challenges to Libya, including terrorism, particularly considering the growing presence of Dahesh and other extremist groups.

The Ministers supported the recent extension of the mandate of EUBAM Libya, as well as the stated commitment of the EU to support the Libyan authorities in areas such as Security Sector Reform. They concurred that the political vacuum in Libya is exploited by criminal networks trafficking human beings from sub-Saharan countries via Libya into Europe, resulting in hundreds of lives lost at sea. While the EU’s CSDP Operation EUNAVFOR MED SOPHIA has been a positive development in tracking these criminal networks, a comprehensive response is needed, utilizing the full spectrum of tools that the EU has at its disposal.

The Ministers also considered the broader security linkages between Libya and the Sahel region and discussed how the trans-border security vacuum is providing terrorist organizations with a space in which this can propagate. The reinforcement of security in the Sahel region remains a key objective of the EU and the stability of Mali is important to this. The transnational nature of the security threats in the Sahel necessitates a regional and inclusive approach, as stipulated in the EU Strategy for Security and Development in the Sahel. The Ministers highlighted the importance of continuing implementation of this Strategy and of the regional action plan, using all relevant EU instruments, including the three CSDP Missions in the region, the EU Special Representative for the Sahel, and new initiatives such as the “Capacity Building in support of Security and Development” and working closely with regional organizations such as the G5-Sahel.

### **3. MIGRATION**

Regarding Migration, and building on previous Joint Declarations of the “Med Group”, the Ministers expressed their continuous commitment as a matter of priority, based on the principles of solidarity, humanitarian

approach and safeguarding the EU’s external borders, while fully respecting obligations foreseen by international law. The Ministers reconfirmed their common belief that migration remains the major issue testing EU’s unity and ability to respond to an international problem, in a way that is compatible to the EU fundamental principles and values and to the relevant provisions of international law.

Member States’ unilateral actions cannot be a solution to this crisis, which requires a comprehensive and systematic approach to be pursued at the EU-level. The Ministers recalled the positive developments and decisions within the EU at the European Councils of October 2015 and of December 2015, and welcomed the agreements reached at the European Council of February 2016, as well.

As front-line states, they underlined the importance of reforming the EU’s existing framework so as to ensure an efficient asylum policy, and underlined the importance of handling the migration crisis as a matter of priority, stemming irregular migratory flows in particular through the full and speedy implementation of the EU-Turkey Action Plan, swiftly making hotspots fully functional, and fully implementing decisions on relocation and readmission, as well as measures to ensure effective returns. They welcomed the detailed reports of the European Commission and of the Presidency, as well as the identification of the 14 building blocks in the Presidency Report, underlining that all EU member states should work towards the full, non-selective, implementation of all 14 building blocks.

They reminded the need for all Members of the Schengen area to apply fully the Schengen Borders Code, exercising border controls on any person crossing EU’s external borders while taking into account the specificities of maritime borders.

#### **4. ON THE INSTITUTIONAL RELATIONS BETWEEN THE EU, THE SOUTHERN MEDITERRANEAN PARTNERS AND THE ARAB WORLD**

The Ministers discussed this issue in the presence of the Secretary General of the Union for the Mediterranean, Mr. Fathallah Sijilmassi. There was a

shared view that the different formats of partnership may be better utilized and calibrated to reflect the common challenges that Europe and the Southern Mediterranean partners face, also building on the discussions of the UfM Informal ministerial meeting of November 2015 in Barcelona. The current crises in Syria and Libya, and the irregular migratory flows towards Europe, as well as other issues of common interest such as energy, education and youth employment have shown that there is significant room for improvement in the effectiveness of multilateralism between the EU and the Southern Mediterranean partners, taking also into account the results of the Valetta Summit of November 2015.

Ministers also agreed on the need to strengthen both the EU's and its member states' relations with the League of Arab States and in this regard, welcomed the Strategic Dialogue between the two organizations launched in November 2015. The important role of Arab League offices in Med Group countries was also highlighted. The Ministers look forward to the upcoming EU-Arab League Ministerial meeting to be held in Cairo in April 2016.

The Ministers noted the considerable efforts made by the EU in drafting Strategies for the region, e.g. for countering terrorism etc., but agreed that more emphasis should be given to the EU's policy outreach towards Southern Mediterranean partners and organizations. Adopting a more synergistic approach should be sought, where the EU and these partners exchange views and ideas which would result in the EU's work becoming more practical and implementable. The recent revision of the European Neighborhood Policy provides a renewed basis for further developing the potential of regional organizations, in particular the Union for the Mediterranean for cooperation between the EU and the Southern Mediterranean partners.

At the same time, they recognized the need for enhanced security cooperation between the EU and Southern Mediterranean partners and regional multilateral organizations, noting that the EU and its member states should be more actively engaged in this field.

**SOURCE:**

<http://www.portal.gov.cy/moi/pio>



# Athens Declaration of the 1st Mediterranean EU Countries' Summit, Athens, Greece, 9 September 2016

We, the Heads of State and Government of the Republic of Cyprus, France, Greece, Italy, Malta, Portugal and Spain, have gathered in Athens, with the aim of enhancing our cooperation and to contribute to the dialogue on the future of the EU.

We underline our strong commitment to European unity and our firm conviction that, by acting together, our countries are stronger and European citizens in a better position to control their future.

We respect the desire of the British people expressed in the recent referendum. The notification of the UK intention to withdraw from the EU should be done as soon as possible. In the future, we hope to have the UK, as a close partner of the EU.

We are convinced that the European Union needs a new impulse in order to address the common challenges the Member States are facing, upholding its values of freedom, democracy and rule of law, as well as tolerance and solidarity.

This vision for Europe must be based on concrete measures that will contribute to the security of European citizens and improve their lives, assert Europe's global and regional role, improve the functioning of European Institutions and ensure their democratic accountability. Culture and education should be at the core of Europe's actions, in this framework.

Furthermore, we firmly believe that, in the interest of Europe as a whole, our common European project be built upon a perspective for the Mediterranean as a region of peace, stability and prosperity.

We believe that the informal Summit in Bratislava on 16<sup>th</sup> September should lay the political basis for this new vision, the essential priorities for the future, as well as an agenda with concrete initiatives to be adopted.

In this framework, our countries propose the following priorities and measures:

## **1. ENSURING THE INTERNAL AND EXTERNAL SECURITY OF EUROPE**

The EU must strengthen our capacity to guarantee the security of our citizens and our territory and live up to our responsibility to respond to crises and act for peace and stability in our environment and in the world, in support of a Common Security and Defense Policy and in full compliance with the UN Charter. To this end, we need to enhance our cooperation and our commons means in the areas of security and defense, in a spirit of solidarity.

Respect for the sovereignty and territorial integrity of states as well as the inviolability of borders must remain fundamental principles for the EU.

In this respect, we support the negotiation process, for a just, viable and comprehensive settlement of the Cyprus problem, without guarantees, based on the relevant UNSC resolutions and the status of Cyprus as an EU member state.

In particular, the European Union should:

- Ensure the protection of its external borders, through systematic controls, necessary technologies, the interconnection of relevant databases and the effective establishment of the European Border and Coast Guard before the end of the year;
- Decisively strengthen cooperation in the fight against terrorism, by providing the necessary tools, especially in the fields of police and justice, as well as developing cooperation to address the phenomenon of radicalization, including through promoting a concrete initiative to enable investment in the regeneration, planning and adequate policies for the peripheries of European urban cities. Intelligence sharing should be enhanced, notably by creating a dedicated platform for real time and multilateral exchange. We will also strengthen cooperation with Mediterranean partners;
- Re-energize its Common Foreign and Security Policy in line with the Global Strategy for strategic guidance and scale up diplomatic initiatives

for conflict-resolution and crisis-management, also taking into consideration lessons learned;

- Develop European military capacities and the defense industry with a view to reach strategic autonomy, notably through a European research program and a fund for security and defense and set up progressively a EU planning and conduct capability for European CSDP missions and operations. Full use should be made of the Lisbon Treaty's potential.

## **2. REINFORCING THE COOPERATION IN THE MEDITERRANEAN AND WITH AFRICAN COUNTRIES**

Our partnerships with Mediterranean, and with African countries, are essential for our common security, stability and prosperity.

The EU should:

- Scale up all its cooperation and financing with a view to support the efforts of our partners to ensure their own security, to fight against irregular migration and to foster their economic development;
- In particular, upgrade the external dimension of EU Migration Policy and integrating it into EU external and development action. On this basis, and taking into account the La Valetta Action Plan and other relevant frameworks, efforts to implement the Partnership Framework on migration and conclude compacts with countries of origin and transit, must be stepped and adequately financed ;
- Enhance diplomatic efforts to solve crises and to contribute to peace and stability in its neighborhood.

## **3. FOSTERING GROWTH AND INVESTMENT IN EUROPE**

Europe must keep its promise of prosperity and social justice. We need more growth and more investment to overcome the economic crisis, create jobs, protect our social model and prepare the future of our economies. We are determined to uphold the European social acquis and to promote social cohesion and convergence.

We assert our commitment to the process of European integration and the sustainable development of Europe on the basis of balanced economic growth, price stability, and a highly competitive social market economy, aiming at full employment and social progress.

In particular, the EU should:

- Foster investment by doubling the financing capacity of the European Fund for Strategic Investment ("Juncker Plan"), focusing on key priorities such as digital economy, low-carbon projects for energy, including energy interconnections and transport, infrastructure as well as research and training.
- The issue of bottlenecks, where they exist, should be addressed in order to promote investment and foster economic growth for the benefit of all citizens.
- It should be complemented by European policies supporting financing and investment, including the completion of the Banking Union and incentives for investment at national level, as well as policies and regulations for the digital single market, the energy Union and an industrial strategy.
- Promote employment and improved living and working conditions. To this end we need to pursue decisive growth-oriented structural reforms in order to improve the functioning of markets, enhance competitiveness and create jobs.
- Furthermore, investment projects in high unemployment member-states, and cross-border projects of common European interest that foster innovation and market integration, should be promoted.
- Combat tax evasion, aggressive tax planning as well as fiscal dumping.
- Fight against social dumping, by addressing issues related to fraud, abuses and circumvention of rules.

New steps should be taken to increase growth, convergence and stability in the Euro area.

The process of ratification of the COP21 Paris Agreement by the EU and its member states must be accelerated so that they become parties to the Agreement as of its entry into force.

## 4. STRENGTHENING PROGRAMMES FOR YOUTH

We need more ambitious initiatives at European level to facilitate mobility as well as access to training and jobs for young people. Europe should in particular extend and amplify the Youth Employment Initiative and broaden the Erasmus program.

## 5. ADDRESSING THE CHALLENGE OF MIGRATION

The effective protection of EU external borders and the orderly management of the asylum and migration policy constitute key challenges for Europe's future. It should be based on international and EU law and the principles of solidarity and responsibility. Racism and xenophobia cannot be tolerated.

A comprehensive EU migration policy should include:

- Making the European system for asylum more effective and more convergent, by reviewing the Dublin system on the basis of the principles of responsibility and solidarity, in particular towards the front-line states;
- Stepping up the secondment of personnel to FRONTEX and EASO for the support of the asylum systems of front-line states; implementing European Council's conclusions regarding the need to accelerate relocation, which is still advancing at very low rate; pursuing the implementation of the EU-Turkey agreement in order to continue to prevent tragic deaths and migration flows in the Aegean;
- Developing our migration policy by fighting against irregular migration, establishing robust readmission and returns arrangements, advancing legal migration and mobility possibilities and addressing the root causes of irregular migration.

We support the stability in the leadership of all European Institutions.

We agree to continue our exchange on the priorities for the future of Europe as well as on cooperation in the Mediterranean.

The 2<sup>nd</sup> Summit of Mediterranean EU countries will be held in Portugal.

### SOURCE:

<http://primeminister.gr/2016/09/09/15173>



## GENERAL INFORMATION ABOUT:

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Gulbenkian Foundation

Instituto Português de Relações Internacionais  
(IPRI)

European Investment Bank (EIB)

Union for the Mediterranean (UFM)





CALOUSTE GULBENKIAN  
FOUNDATION

60  
YEARS

## The Calouste Gulbenkian Foundation

A Portuguese foundation for the whole of humanity

Established in 1956 as a Portuguese foundation for the whole of humanity, the Foundation's original purpose focused on fostering knowledge and raising the quality of life of persons throughout the fields of the **arts, charity, science and education**. Bequeathed by the last will and testament of Calouste Sarkis Gulbenkian, the Foundation is of perpetual duration and undertakes its activities structured around its headquarters in Lisbon (Portugal) and its delegations in Paris (France) and London (the United Kingdom).

### OUR VALUES

Nurturing not only the universal values inherent to the human condition, in full respect for diversity and difference, but also a culture of tolerance as well as preserving the environment and the relationship between man and nature.

Fostering a spirit of curiosity sensitive to the harmony of nature and the special propensity for the contemplation of beauty that constituted one of the defining features of the founder's personal character.

### OUR OBJECTIVES

The success attained in complying with our objectives stems from all of the organizations and persons that we support. Sharing the strategies underpinning each initiative represents a core objective that we strive to achieve to raise our profile and especially to amplify the global scale impact sought after.

## HOW WE WORK

### As a foundation

- Mobilizing and incentivizing critical reflection in the fields of: the arts, science, education, health and human development, global affairs;
- Third party financing (Grant-making);
- Designing and creating new capacities for dealing with current issues and questions;
- Implementing pilot projects, testing them in association with persons and entities within the framework of replicating them in society;
- Supporting innovative projects that generate progress and adaptability to change;
- Influencing and shaping ideas and research projects deemed of priority relevance;
- Setting up networks and partnerships and reaching out to persons and institutions.

### Direct activities

- The Calouste Gulbenkian Museum – Founder's Collection – conserving and promoting the Art Collection built up by the founder;
- The Calouste Gulbenkian Museum – Modern Collection – managing, conserving and promoting the largest single collection of 20th century Portuguese art;
- Art Library – conserving and promoting materials targeting specialists in the history of art and the visual arts;
- Temporary exhibitions – staging and hosting exhibitions interrelated with our respective focus areas;
- Gulbenkian Music – putting on the annual music season and featuring the Gulbenkian Choir and Orchestra alongside some of the musical greats from around the world;
- Publications – engaging in editorial activities;
- The Gulbenkian Park – maintaining a park and gardens for leisure and educational activities, encouraging the preservation of the environment and the relationship between man and nature;
- The Gulbenkian Science Institute – running a research center of excellence.

## **Operational structure**

- Communications and Marketing
- Accountancy and Finance
- Central Services – ensuring the operational management of all foundation internal and external facilities, logistical support to all activities, environmental management and high public service standards
- Budgeting, Planning and Control – ensuring the due operation of the Foundation's information technology system, the modernization of working processes and preparing and supervising budgets and activity plans
- Information Technologies
- Human Resources

## **FOCUS AREAS**

Ever since first engaging in activities in the 1950s, the Foundation has responded to the most fundamental needs of Portuguese society across its four statutory fields of activity: Art, Charity, Education and Science

In keeping with the progressive development of the country, the Foundation's role has been redefined: the priorities are no longer only Portuguese or those of Portuguese language countries and now fall within an international framework and interrelated with global questions such as intercultural dialogue, migrations and mobility and the environment. This context reflects the background to the currently established Gulbenkian Programs as well as the projects and initiatives undertaken by the Calouste Gulbenkian Foundation whether directly or in partnership with other entities and impacting on the themes prevailing in contemporary society through seeking out innovative responses to the problems the world currently faces.

The Foundation engages in a transversal approach spanning five fields of activity: Arts, Education, Science, Social Development and Global Initiatives.

## ARTS

### *Museums, Music, Reflection and Contemporary Creativity*

In addition to the permanent Collections of the Calouste Gulbenkian Museums – **The Founder's Collection** and the **Modern Collection** – exhibitions and the performances featuring in the Gulbenkian Music season and in which the Gulbenkian Orchestra and Choir always play a central role, the Foundation also carries out a diverse range of other activities interconnected with the Arts and both directly and indirectly: temporary exhibitions, speeches and conferences, awarding of **grants and subsidies**, training programs, the **Vasco Vilalva Prize** (for heritage renovation and restoration), publishing books and running education based activities represent some of the Foundation's initiatives ongoing in this field.

The **Music Service**, the museums, the **Art Library** and the **Gulbenkian Portuguese Language and Culture Program**, alongside the delegations in the **United Kingdom** and **France**, provide the key means of implementing these activities.

## EDUCATION

### *Qualifying New Generations, Educating for Culture and Science, Fostering Portuguese Language and Culture, Gulbenkian Grants*

Contributing to both the development of education in Portugal and to the debate on progress in education around the world, both within the framework of schools and the broader context of societies, make up some of the key guidelines for Foundation actions in the field of education. Beyond the innumerable study grants awarded annually through Gulbenkian Grants, the Foundation renders support to projects and activities enabling lifelong learning and the acquisition of new skills, competences and knowledge and making education and training systems more effective.

The **New Generation Qualifications Programme**, the **Gulbenkian Portuguese Language and Culture Programme**, **Descobrir – Education for Culture and Science** and the **Art Library** collectively structure the implementation of these activities.

## SCIENCE

*Innovating in Health, Educating for Culture and Science, Qualifying New Generations, the Gulbenkian Science Institute*

Fostering health as a global public good, contributing to raising professional qualifications and enhancing the human dimension to healthcare provision, stimulating creativity and quality in scientific practices, strengthening the interconnections between science and culture and between science and society while also promoting biomedical research and training new scientific leaders represent some of the core objectives of Foundation actions in the field of Science.

The **Gulbenkian Innovating Health Programme, Descobrir – Education for Culture and Science** and the **Gulbenkian Science Institute** are the main tools of implementation in this field.

## DEVELOPMENT

*Development Partnerships, Human Development, Active Citizenship*

At the national level, providing incentives and facilitating the inclusion of vulnerable groups in the population (the Elderly, at Risk Children and Young Persons, Migrants and Persons with Disabilities) through the empowerment of people and organisations, promoting and experimenting with innovative solutions; At the international level, especially in the PALOPs – the Portuguese Language Speaking Countries in Africa and East Timor, strengthening the capacities of people and institutions in key areas of development establish the main guidelines to Foundation actions in the development field.

The **Gulbenkian Human Development Programme**, the **Gulbenkian Partnerships for Development Programme**, the **Active Citizenship Programme** and the **Foundation Delegation in the United Kingdom** represent the main means of undertaking these actions.

## GLOBAL INITIATIVES

### *Armenian Communities, Oceans*

Supporting and encouraging the creation of new, contemporary Armenian Culture; reflecting and fostering new capacities for confronting issues related to the Oceans.

#### **SOURCE:**

<https://gulbenkian.pt>



INSTITUTO PORTUGUÊS DE RELAÇÕES INTERNACIONAIS  
UNIVERSIDADE NOVA DE LISBOA

## Instituto Português de Relações Internacionais

The IPRI is an Institute dedicated to advanced studies in Political Science and International Relations.

The IPRI research unit (RU) is an autonomous organic unit of FCSH-UNL and is part of IPRI-UNL which is an academic research institute founded in 2003 by the NOVA University of Lisbon, the Luso-American Foundation for Development (FLAD) and the Orient Foundation with the support of the Calouste Gulbenkian Foundation. IPRI-UNL integrates also since 2012 enterprises such as Millennium BCP Foundation, EDP Foundation, BPI and REN. It has been recognized as a Public Utility Institution since 1 October 2010 for services rendered to the community in the field of culture, through the promotion of academic research in political science and international relations within a multidisciplinary framework.

As an Institute dedicated to advanced studies in Political Science and International Relations IPRI defines itself as a structured and integrated project around three fundamental axes: scientific research; specialized training – doctoral and post-doctoral programs; and knowledge transfer and social value creation.

IPRI is an Institute that works according to the paradigm of the research university integrating research and training, that is, an Institute where knowledge is produced, in its fields of expertise and also where teaching is carried out in a research environment.

IPRI is not a think tank, but assumes its social responsibility and its public mission in the contemporary society, developing applied research, strength-

hening its relation with the public policy making world and increasing its presence in the public sphere.

As regards research, IPRI cultivates excellence and wishes to be acknowledged by the quality of its theoretical research, the relevance of its empirical studies and its commitment to the western values and epistemologies. Its theoretical work is defined by standards internationally recognized by the state of the art of its disciplines, and IPRI wants to stand amongst the best in its disciplinary areas – Political Science and International Relations. The Institute also aims to promote dialogue and inter- and trans-disciplinary projects involving other areas of knowledge, as it is already doing in its research projects as well as in the Globalization Studies doctoral program (Health, Environment, Energy, Economics and Law).

**SOURCE:**

<http://www.ipri.pt/index.php/en/>



**European  
Investment  
Bank**

*The EU bank*

## The European Investment Bank

EIB at a glance

### THE EU'S BANK

The EIB is the European Union's bank. We are the only bank owned by and representing the interests of the European Union Member States. We work closely with other EU institutions to implement EU policy.

### A MAJOR PLAYER

As the largest multilateral borrower and lender by volume, we provide finance and expertise for sound and sustainable investment projects which contribute to furthering EU policy objectives. More than 90% of our activity is focused on Europe but we also support the EU's external and development policies.

#### Lending, blending and advising

- **Lending:** The vast majority of our financing is through loans, but we also offer guarantees, microfinance, equity investment, etc.
- **Blending:** Our support helps us unlock financing from other sources, particularly from the EU budget. This is blended together to form the full financing package.
- **Advising:** Lack of finance is often only one barrier to investment. We can help with administrative and project management capacity which facilitates investment implementation.

## Our priorities

We support projects that make a significant contribution to growth and employment in Europe. As part of our counter-cyclical approach, our activities focus on four priority areas:

- Innovation and skills
- Access to finance for smaller businesses
- Environment and climate
- Infrastructure

We raise the bulk of our lending resources on the international capital markets through bond issues. Our excellent rating allows us to borrow at advantageous rates. We thus are able to offer good terms to our clients.

## OUR MULTIPLIER EFFECT

We generally finance one-third of each project but it can be as much as 50%. This long term, supportive financing often encourages private and public sector actors to make investment which might not otherwise be made.

## WHAT MAKES THE EIB DIFFERENT?

All the projects we finance must not only be bankable but also comply with strict economic, technical, environmental and social standards. Our corps of 300 engineers and economists screens every project, before, during and after we lend. We work hard to be accountable to EU citizens.

## OUR EXPERTISE

Around 2 900 staff build on more than 50 years' experience and expertise in project financing. Headquartered in Luxembourg, we have a network of local and regional offices in Europe and beyond.

## THE EIB GROUP

The EIB Group consists of the European Investment Bank and the European Investment Fund, – the specialist arm providing SME risk finance. The EIB is the majority EIF shareholder with the remaining equity held by the European Union (represented by the European Commission) and other European private and public bodies.

### Strong response to the crisis

When the financial crisis erupted in 2008, the EU asked us to offset falling investment. This led to a more-than one-third increase in the total value of on-going, outstanding loans by 2011. A EUR 10bn capital increase agreed by our shareholders, the EU Member States in 2012, allows for EUR 60bn additional lending in the EU during the 2013-2015 period. We completed the extra lending thanks to the capital increase ahead of forecast in May 2015. This additional lending has allowed us to provide support to the economic recovery in Europe and have considerable impact on lives around Europe – check out the impact we made in 2015.

And the story does not end at the finalization of the capital increase. In November 2014 the EIB President alongside the President of the European Commission Jean-Claude Juncker announced the Investment Plan for Europe, aiming to revive investment in strategic projects around Europe. As a key part of the Plan, the EIB has started to roll out the European Fund for Strategic Investment (EFSI). EFSI provides funding for economically viable projects where it adds value, including projects with a higher risk profile than ordinary EIB activities. More information on the EIB's EFSI activities and progress can be found on the dedicated webpages.

In addition, the Bank is managing the joint EIB-EC European Investment Advisory Hub. The European Investment Advisory Hub aims to strengthen Europe's investment and business environment. The Hub offers a single access point to a 360 degree offer of advisory and technical assistance services.

As the EU bank, we will continue on this growth-enhancing course as part in the Union's strategy to address the longer-term consequences of the crisis

## How we have grown

**Our HQ:** Founded in Brussels in 1958 as the Treaty of Rome comes into force, we moved to Luxembourg in 1968. We relocated to our current site in 1980 with a major new building extension completed in 2008.

**Lending:** From ECU 10bn in 1988, our annual lending neared EUR 45bn in the mid-2000s before jumping to EUR 79bn in 2009 as a temporary response to the crisis. It was EUR77.5bn in 2015.

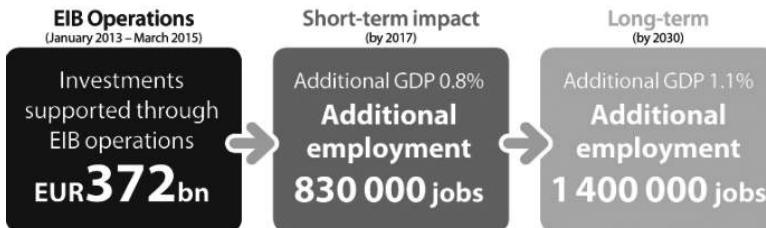
**Capital:** From less than ECU 30bn in the early 1990s, our capital-base rose to EUR 243bn at 1st July 2013. The capital adequacy ratio was 28.7% at the end of 2013.

**Partner countries:** We made our first agreements with non-Member States and non-European countries in the early 1960s. Now we work with over 150 non-EU states which receive around 10% of our funding.

**European Investment Fund:** The EIF was founded in 1994 to specialize in SME and venture capital investment. The EIB is the majority shareholder supported by the European Commission and private banks.

**Our people:** From a workforce of 66 in 1958, we passed 1 000 staff members in 1999, and the total is now over 2 900. Most work in Luxembourg, but we also have external offices, in the European Union and across the regions in which we are active around the world.

## EIB IMPACT: BOOSTING GDP AND JOBS



The EU bank's operations will have a considerable impact on Europe's economy, adding 830 000 jobs by 2017 and 1.4 million by 2030.

Under the January 2013 to March 2015 capital increase, the EIB signed 1024 contracts from 812 operations across the EU totaling EUR 142 billion. This catalyzed total investment of EUR 372 billion.

Our economic model showed the short-term results by 2017 as:

- Additional GDP of 0.8%
- Additional employment of 830 000 jobs
- The model projects the long-term impact by 2030 as:
- Additional GDP of 1.1%
- Additional employment of 1.4 million jobs
- Jobs increase equivalent to 0.65% of EU employment

## ORGANIZATION STRUCTURE

The Bank's departments:

- Evaluate, appraise and finance projects,
- Raise resources on the capital markets and manage the treasury,
- Assess and manage risks attached to EIB operations,
- Carry out necessary economic or financial background studies.

Working in multidisciplinary teams, they prepare and implement the decisions of the Bank's management.

## SHAREHOLDERS

**Breakdown of the EIB's capital since 1 July 2013**

	Amount (EUR)		0	10 000 000 000	20 000 000 000	30 000 000 000	40 000 000 000
Germany	39 195 022 000	DE					
France	39 195 022 000	FR					
Italy	39 195 022 000	IT					
United Kingdom	39 195 022 000	GB					
Spain	23 511 013 500	ES					
Netherlands	10 064 597 500	NL					
Belgium	10 064 597 500	BE					
Sweden	7 207 577 000	SE					
Denmark	5 501 052 000	DK					
Austria	5 393 232 000	AT					
Poland	5 017 146 300	PL					
Finland	3 059 017 500	FI					
Greece	2 946 995 500	GR					
Portugal	1 899 171 000	PT					
Czech Republic	1 851 169 500	CZ					
Hungary	1 751 480 000	HU					
Iceland	1 375 262 000	IE					
Romania	1 270 021 000	RO					
Croatia	991 105 300	HR					
Slovak Republic	630 209 000	SK					
Slovenia	565 099 500	SI					
Bulgaria	427 869 500	BG					
Lithuania	367 127 000	LT					
Luxembourg	275 054 500	LU					
Cyprus	269 710 500	CY					
Latvia	224 048 000	LV					
Estonia	173 020 000	EE					
Malta	102 665 000	MT					
<b>Total</b>	<b>243 284 134 500</b>						

The shareholders of the European Investment Bank are the 28 Member States of the European Union.

The EU Member States are fully eligible for Bank financing operations.

Each Member State's share in the Bank's capital is based on its economic weight within the European Union (expressed in GDP) at the time of its accession.

Under its Statute, the Bank is authorized to have maximum loans outstanding equivalent to two and a half times its subscribed capital.

**SOURCE:**

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

# Union for the Mediterranean

## HISTORY

The Union for the Mediterranean (UfM) was created by 43 Euro-Mediterranean Heads of State and Government on 13 July 2008 at the Paris Summit for the Mediterranean. It was launched as a continuation of the Euro-Mediterranean Partnership (Euro-Med), also known as the Barcelona Process, which was established in 1995.



## MISSION

The **Union for the Mediterranean (UfM)** is an intergovernmental organization bringing together the 28 European Union Member States and 15 countries from the Southern and Eastern shores of the Mediterranean. It provides a unique forum to enhance regional cooperation and dialogue in the Euro-Mediterranean region.

The **Secretariat of the Union for the Mediterranean** based in Barcelona and the first permanent structure dedicated to the intergovernmental Mediterranean partnership is the operational institution that empowers this regional dialogue between the UfM Member States and stakeholders, fostering synergies among them and promoting cooperation projects and initiatives with a direct impact on the lives of people.

## PLATFORM FOR REGIONAL AND POLICY DIALOGUE

The UfM gathers the 43 Member States' representatives together on a regular basis. It serves as a framework for policy dialogue and exchange of project ideas, experiences and best practices among governments, key

international institutions and cooperation structures. The UfM provides a unique platform to formulate regional priorities and decide on specific cooperation initiatives to be put in place.

## STRATEGIC PROJECTS AND INITIATIVES FOR THE REGION

The UfM Secretariat ensures operational follow-up of the regional priorities identified and in partnership with key international actors promotes region-wide cooperation projects and initiatives that address the root causes of the current regional security and socio-economic challenges to foster enhanced regional integration and sustainable development.

Projects and initiatives are implemented within the framework of the UfM in six strategic priority areas which are:

- (1) business development, (2) social and civil affairs, (3) higher education and research, (4) transport and urban development, (5) water and environment, (6) energy and climate action.

The aforementioned priority areas fall within three main thematic strategies which allow the UfM to address in a crosscutting way the main concerns facing the region today and provide lasting developmental solutions intended to touch thousands of lives directly and provide tangible results on the ground: (1) Women's socio-economic Empowerment, (2) Youth employability and inclusive growth, (3) Sustainable development.

The work of the UfM is carried out in close collaboration with a network of key partner institutions in the field of Euro-Mediterranean affairs, the 43 UfM governments, International Financial Institutions (IFIs), the private sector and civil society.

## A PRAGMATIC APPROACH BASED ON THREE PRINCIPLES

- **CO-OWNERSHIP:** The governance of the UfM is based on equitable functioning and shared responsibility. A co-presidency shared between the North and South ensures that countries from both shores are placed on an equal footing.

- **VARIABLE GEOMETRY:** It provides a degree of flexibility by which a smaller number of countries may decide, with the approval of all UfM Member States, to cooperate and participate in projects of common interest.
- **REGIONAL COOPERATION FOCUSsing ON SPECIFIC PROGRAMS**

**SOURCE:**

<http://ufmsecretariat.org/>



# EDITORIAL NOTE

The book contains all the speeches and presentations made during the Seminar. Most of them were provided afterwards by the authors in written form, with the exception of three which are transcripts of the oral presentations (as duly noted at the end of each text). The proceedings of the Seminar were digitally recorded.

The book has an introductory part providing factual information about each one of the seven countries. The reader will find it useful to have quick access to such information, taking into account that the MED7 is a very recent formation within the European Union.

Due to the specific character of the Seminar as a brainstorming among state officials, institutional representatives and academics, the last section of the book offers concise information about the institutions represented at the Seminar. It also contains the political deliberations of the MED7 since the inception of the Group three years ago.



# ACKNOWLEDGEMENTS

I would be remiss not to mention that the preparatory work of the Seminar, which started almost a year ago, was undertaken both conceptually and technically by a small team from the Cabinet of the Portuguese Secretary of State for European Affairs and the Embassy of the Republic of Cyprus in Lisbon.

The personal dedication of Margarida Marques, Secretary of State for European Affairs, was decisive for the realization of the whole project and her enthusiasm was contagious to all involved. Miguel Santos of the Cabinet of the secretary of state was instrumental in mobilizing resources and critically testing ideas. Tiago Mauricio of the Portuguese Diplomatic Institute made the transcripts and translations with exceptional professionalism. Suzana Mata from the Embassy of the Republic of Cyprus had the enormous task and responsibility for the secretarial support and coordination of contacts. The cabinet of the President of the Gulbenkian Foundation and particularly Rui Ermenegildo Gonçalves has given valuable advice and generous sponsorship. Professor Nuno Severiano Teixeira and assistant professor Ana Pinto from IPRI have been helpful in discussing at length the initial proposal for the Seminar. The Ambassadors of Spain, France, Malta, Italy and Greece in Lisbon have given their unconditional support in inviting officials and academics. Special thanks are due to Sara Marques, chief of cabinet of the secretary of state and ambassador José Freitas Ferraz, director of the diplomatic institute, for dedicating time and resources. The beautiful graphic design of the Seminar, which inspired the cover of the book, is credited to João Curinha of CEGER (Centro de Gestão da Rede Informática do Governo) and its director, Commander Manuel da Costa Honorato. Last but not least, the fine collaboration with the technical and artistic team of the Europress made possible the timely printing of the book.

*Thalia Petrides*





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