



Amman, 14 March 2010

RECOMMENDATION

Tabled on behalf of the Committee on Economic and Financial Affairs, Social Affairs and Education of the Euro-Mediterranean Parliamentary Assembly

By

Mr. Mohammed M. Abou El Enein
Chairman of the Committee

Based on the proposals presented by the Rapporteurs,

- Mr. Mohammed M. Abou El Enein, Chairman of the EMPA Economic Committee, Member of Egyptian People's Assembly on "Mediterranean post-crisis management", and "Education and Human Capital Development in the Euro-Mediterranean Countries".

And

- Ms Inès AYALA SENDER, Vice-Chairperson of the EMPA Economic Committee, Member of the European Parliament, on "Education and Human Capital Development in the Euro-Mediterranean Countries".

And

- Ms Dominique VLASTO, Member of the European Parliament, on "Mediterranean post-crisis management".

And

- Mr. Wolfgang Großruck, Member of the Austrian Parliament, on "Mediterranean post-crisis management".

- Having regard to the Green Paper “The European Research Area: New Perspectives”, Commission of the European Communities, Brussels, 4/4/2007;
- Having regard to first Euro-Mediterranean Ministerial conference on higher education and scientific research: “Towards a Euro-Mediterranean higher education & research area” (Cairo Declaration, 18 June 2007) EUROMED 2007;
- Having regard to the Draft Report on “University-business dialogue: a new partnership for the modernisation of Europe's universities”, Committee on Culture and Education, European Parliament, 2007;
- Having regard to the opinion of the European Economic and Social Committee on the Green Paper “Migration & mobility: challenges and opportunities for EU education systems”, Brussels, 25 February 2009;
- Referring to the meeting of finance ministers and central bank governors, held in the United Kingdom, 7 November, 2009;
- Referring to the opinion of the European Economic and Social Committee on “Concerted action to improve the career and mobility of researchers in the EU”, Brussels, 16 December 2009;
- Referring to the outcome of the G20 workshop on securing sustainable economic recovery, held in Seoul, Korea, 15-16 November 2009;
- Taking into account the results of the Union for the Mediterranean Trade Ministers’ Eighth Conference, held in Brussels on December 9, 2009;
- Having regard to the results of OECD’s study: "The Financial Crisis: Reform and Exit strategies", (2009);
- Referring to the report of the International Monetary Fund on “Global Financial Stability: the Developments of Financial Markets”, January 2010;
- Having regard to KDI/IMF Conference on Reconstructing the World Economy February 25, 2010, Seoul, Korea, and to the paper entitled “A Strategy for Renormalizing Fiscal and Monetary Policies in Advanced Economies”;

- Having regard to the results of the World Economic Forum annual meeting, held in Davos, Switzerland, on 27-31 January 2010;

A- Whereas signs of recovery in the global economy have increased:

- Rates of GDP have begun to take a positive trend in many countries, such as China, Japan, France and Germany. The rate of growth in Japan was 3.7% in the second quarter of 2009;
- Financial markets improved and banks capital increased;
- The International Monetary Fund (IMF) cut its forecasts relating to financial institutions' losses;

But we still have many challenges, including:

- Recovery is marred by disparities from one country to another and still depends on the policies adopted by the countries concerned;
- The high rate of unemployment is a source of economic and social costs, resulting from the global economic crisis;

B- Though noting that business communities have restored confidence in the international economy recovery, expectations about the global economy performance are marred by some risks with regard to the quality of growth and its balance. In other words, its capacity to raise the incomes of developing and poorest countries is not sufficient;

C- Recognizing as one of the key lessons learned from similar crises, such as the Great Depression and Japan's crisis in the 1990s, that the premature withdrawal of stimulus measures can be very expensive, especially if the financial system continues to be vulnerable to risks and shocks;

D- Due to the "Global Crowding Out", the budget deficit in some developed countries increased to up to 10% of the gross domestic product (GDP). This will lead to a decline in funding and investment in developing countries and emerging markets, and affect growth sustainability in the coming period;

E- Whereas this crisis is not the first one faced by the world and will not be the last, and what is important now is to contain its consequences and

agree on a common vision and serious institutional arrangements to ensure non-recurrence of such crises in future;

- F- Whereas the “Union for the Mediterranean” is very important, as it has been established permanently and has taken important practical steps since last year's Paris summit. A list of more than 230 projects has been prepared and agreed upon. These projects cover 6 specific areas of cooperation including preservation of the environment, raising the efficiency of energy use, supporting civil protection mechanisms, developing higher education and scientific research, supporting small and medium enterprises and enhancing business communication on both sides of the Mediterranean;
- G- Noting that one important challenge facing the “Union for the Mediterranean” is to mobilize funding resources for the implementation of these projects and make it available for public and private sectors in South Mediterranean countries, and it is necessary to ensure that this goal is not affected by the current global crisis;
- H- Whereas global post-crisis management suggests that there will be a new model for growth and competitiveness, which depends on knowledge-based economies;
- I- Whereas education, in all its dimensions, is at the core of the Euro-Mediterranean policy, since it fosters an economic and cultural closeness of the two shores, through a significant investment in human capital and the field of knowledge, thereby leading to an increase of the region’s competitiveness as well as social, economic and territorial cohesion within a framework of sustainable development;
- J- Stressing that joint education is a good opportunity for exchanging experiences, overcoming the difficulties that face the process of developing education, and laying permanent foundations for a Euro-Mediterranean region of prosperity;
- K- Underlining that further efforts towards a more knowledge-based society remain crucial. Education, research and innovation are the main sources of economic growth, employment and competitiveness. They are also important factors for social cohesion and stabilization. Therefore, they should continue to be at the heart of any strategy;

L- Recalling the importance of the definition of lifelong learning and the many concepts it covers, ranging from general education to non-formal and formal learning throughout life, and vocational education and training;

The Mediterranean post financial crisis management:

- 1) Calls upon the Union for the Mediterranean (UfM) to play an important role in addressing the common socioeconomic challenges facing the Euro-Mediterranean region, as it provides the ideal framework to promote regional integration, enhances multilateral relations, fosters recovery, and enhances long-term growth and prosperity; stresses the need to implement as soon as possible the identified UfM projects in the fields of SMEs and business development, transport, energy, environment, education and social affairs, in order to promote job creation and boost the confidence of investors, employers, workers and consumers in the region;
- 2) Acknowledges the high degree of international interdependence in effectively combating the economic crisis and calls for comprehensive coordination of the relevant actions initiated by individual countries in the region; considers of vital importance to that effect the need to enhance cooperation not only in the framework of the UfM, but also between the individual Mediterranean partner countries, building on the experience of the Agadir Agreement;
- 3) Stresses that it is vital to reform the existing international financial structure in the framework of the discussions of the G20, in order to facilitate the development of sound financial innovations that support the real economy. The greatest possible effectiveness and efficiency in financial sector supervision have to be ensured: clear rules, regulatory measures, more transparency and a reform of supervision are essential for efficient financial markets. Furthermore, the introduction of a financial transaction tax if it is agreed at an international level, would contribute to improve financial markets' stability;
- 4) Believes that a way out of the current crisis will also have to facilitate a business-friendly environment, inter-connecting infrastructure, reduced administrative burdens and accelerated market uptake of innovations as well as the creation of a level playing field where businesses can compete as regards quality whilst maintaining proper environmental, safety, employment and social standards that will benefit workers, consumers and business;

- 5) Commits to implementing recovery plans that support decent work, help preserve employment, and prioritize job growth; and calls for the provision of income, social protection, and training support for the unemployed and those most at risk of unemployment to be continued; insists on the need to improve life-long professional retraining and the possibilities of professional retraining;
- 6) Stresses the need to conduct an International Parliamentary Conference to study the causes of the international financial crisis and its impacts on the global economic system. The main axes of such conference would be:
 - Reforming the financial governance structure in Bretton Woods institutions;
 - The most important features of the new international financial system;
 - Mechanisms to avoid protectionist measures as a hindrance to international trade;
 - Social effects of economic crisis, including mechanisms for raising the level of employment, and poverty reduction;
 - Cooperation mechanisms to stimulate demand in developing countries.
- 7) Urges that the exit from the crisis should be the point of entry into a sustainable and ecological social market economy, a smarter, greener and knowledge-based economy in the whole Euro-Mediterranean region, whereby prosperity is supported by innovation and a more efficient and careful use of resources;
- 8) Emphasizes that international consistency of policies will be the key to a successful exit process, in spite of the differences in primary indicators of recovery in some countries, where the different circumstances of each country play a greater role when authorities come to develop policies.
- 9) Welcomes the trade reforms and significant progress made by several Mediterranean partner countries in reducing customs duties; invites the partner countries to carry on these reforms, so as to mainly reduce non tariff barriers to trade; considers that the Agadir Agreement represents a solid basis for developing South-South regional integration and that it should be fully implemented and extended to all eligible Mediterranean partners;
- 10) Stresses that South-South regional integration is another key building block of the Euro-Mediterranean Free Trade Area and that the network of Free Trade Agreements in the Mediterranean region needs to be completed and subsequently reinforced by moving beyond trade in goods to cover services, investment and regulatory issues; calls upon the European Union

and the Mediterranean Partners to progressively turn the trade component of the existing Euro-Mediterranean Association Agreements into far-reaching and comprehensive Free Trade Agreements;

- 11) Considers that protectionist measures represent a threat of so-called "Beggars thy Neighbour." This is associated to the need to establish controlling mechanism to assess the trade-related measures taken by countries, issuing periodic reports and following up the development of the financial crisis and its impact on trade; recalls that all trade-related measures must respect the rules of the World Trade Organisation;
- 12) Invites the Mediterranean partner countries to follow structural reforms aiming to stimulate the development of the private sector and, in particular, to improve and simplify:
 - a) The execution of the contracts, which takes more than two years on average due to the administrative red tape;
 - b) Access to credits that remains excessively limited for SMEs because of the guarantees demanded by the banks, and because of the insufficient credits offered to the small businesses;
 - c) The protection of the investors, who ask for a stable and transparent legal framework in order to take their investment decisions;
- 13) Stresses that promoting employment opportunities and sustainable labour market integration is the most efficient way for ensuring sustainable, quality and fair growth that achieves gender equality in the labour markets.
- 14) Stresses the importance of SMEs as an engine of economic growth, employment and regional planning; emphasizes the need to implement, in the framework of the Union for the Mediterranean, the Mediterranean Business Development Initiative through assessing the needs of these companies, developing solutions and providing these entities with resources in the form of financial and financial services;
- 15) Calls for increased cooperation between business confederations of the EU and partner countries, through the Mediterranean Union of Enterprise Confederations, BUSINESSMED, especially to adopt and spread economic and social "best practices" for enterprises, in order to enhance convergence and integration between enterprises of the countries of the Union for the Mediterranean; asks the European Commission and the Mediterranean partner countries to extend to the organizations representing SMEs the group of industrial cooperation responsible for the implementation of the Euro-Mediterranean Charter for Enterprise to cover

the organizations representing SMEs, so that it becomes the tool enabling to barriers to growth and development of SMEs to be removed;

- 16) Urges the need to expand food production in Mediterranean countries through promoting investment and productivity in the agricultural sector, promoting rural development and intensifying agricultural research; insists on the need for rural policy to ensure a sustainable development and to follow proper methods of use of water, in order to guarantee an optimal use of natural resources, to modernise and maintain rural employment and to achieve food security;
- 17) Within the framework of the outcomes of the G20 summit, takes note of the idea of establishing a special fund for international development and investment in agriculture in poorer areas because there is an urgent need to advance the issue of investment in the agricultural sector to reduce the repercussions of poverty and achieve food security;
- 18) Emphasizes the importance of the commitment of developed countries to allocate 0.7% of their Gross National Product (GNP) for Official Development Assistance (ODA) to developing countries, in addition to 0.15% - 0.20% of GNP to the least developed countries; notes that some countries have set timetables to meet their long-term obligations and that the European Union, for example, agreed to allocate 0.56% of GNP to help ODA by 2010, and 0.7% by 2015.

Education and Human Capital Development in the Euro-Mediterranean Countries:

- 19) Recalls that in times of crisis being an entrepreneur is not a choice; supports the idea of integrating a culture of entrepreneurship into curricula (beginning early with primary curricula); encourages the business world to participate actively in the design of educational material on entrepreneurship to be made available at all levels of education;
- 20) Considers that the role of primary education is also essential: equal opportunities of admission for boys and girls to primary education should be obligatory. Quality and free primary education for all must be one of our principal goals in line with the Millennium Development objectives. In this context, it is necessary also to consider a special cooperation for the training of teachers;
- 21) Emphasizes the need to fight against school dropout, especially in the stages of primary and secondary education, and to promote female

education, taking into consideration the need to close the gap between rural and urban areas;

- 22) Calls for supporting Mediterranean Partner Countries to establish comparable Quality Control and Accreditation schemes;
- 23) Stresses the need for a unified framework to improve education in the Mediterranean. There should be a unified programmes to build capacities and capabilities, and unified formal programmes of study for the universities in the Mediterranean region;
- 24) Calls for the development of medium-and-long term programmes to improve education quality, especially in the early stages, focusing on teaching languages and computer science, as well as literacy; recalls the principle that education is the best way to open the mind of young people to foreign cultures and people;
- 25) Stresses the importance of pre-school (kindergarten) education, as it paves the way to instilling the rules of thinking and creativity. In this early stage creativity and innovative skills could be discovered and promoted;
- 26) Emphasizes the fact that it is necessary to invest more in qualifying young people of the South of the Mediterranean in order to increase their opportunities in the labour market in their country of origin as well as in the countries of the North;
- 27) Calls for investment not only in basic research and innovation, but also in transnational research, technologies and capacity-building that help to bridge the gap between north and south. Special emphasis should be placed on environmental innovations;
- 28) Calls for developing - parallel to higher education reform - initiatives to support market-based reform in the field of Technical, Vocational Education & Training; recalls the importance of promoting and improving life-long professional training and the possibilities of professional retraining;
- 29) Calls for enhancing participation in a Euro-Mediterranean Scholarship Scheme in the framework of the Erasmus Mundus External Cooperation Window, including by providing a more flexible framework and by studying the possibilities of joint funding to allow increased participation;
- 30) Regrets the lack of knowledge amongst Mediterranean youth about existing student exchange programmes; stresses the need for better and

more efficient information on programmes, such as Erasmus Mundus and Averroes, in order to give the possibility to more young people on both shores of the Mediterranean to study in a foreign country; calls for a reinforcement of these programmes; recalls that such educational programmes help to bridge the gap between countries and represent a remarkable asset for these students;

- 31) Stresses the well-coordinated research programmes and priorities, including a significant volume of jointly programmed public research investment at Mediterranean level involving common priorities, coordinated implementation and joint evaluation;
- 32) Calls for closer, mutually beneficial coordination between the EU and South countries, as well as between S&T cooperation policy and other areas of external relations; notes that such coordination should be sought both in multilateral forums and initiatives as well as in bilateral cooperation with partner countries;
- 33) Favours mobility of researchers; calls for the participation of the Mediterranean Partner Countries in the "People Specific Programme of FP7";
- 34) Calls for the establishment of a single and open Mediterranean labour market for researchers that ensures effective and secured mobility within Europe and partner countries and attracts talented young and women into research careers; notes that this requires efforts at all levels in the private and public sectors and by local, national and Mediterranean administrations;
- 35) Emphasizes the necessity to provide enough funds for the southern countries to promote the scientific research and raise the related proportion of expenditure in their financial balances;
- 36) Emphasizes the need to communicate to all governments, donors, and United Nations the need to take steps to reconstruct Gaza and press Israel to reopen borders and crossings, in order to allow the movement of students between the universities in Gaza and the West Bank, as well as to work actively towards ensuring an adequate level of education in the Palestinian territories;
- 37) Supports technological development for establishing centres of scientific excellence, and creating an electronic network;

- 38) Underlines the primary role that the UfM has assigned to EMUNI with the aim of promoting closer ties between the north and the south of the Mediterranean through culture and education, the transfer of technology and knowledge, as well as the cooperation in higher education, research, training and exchanges of the university community on both sides; welcomes the commitment of EMPA to that end by creating the Working Group on EMUNI, which will follow the activity of the University and will enable it to fulfil the objective of creating a Euro-Mediterranean Higher Education, Science and Research Area. A strong political and financial umbrella is needed to help achieve the university targets in all the Euro-Mediterranean countries;
- 39) Stresses the need to address the issue of the brain drain from the south of the Mediterranean to the north; encourages scientists to return to their home countries or to transfer their expertise; urges Southern countries to provide the necessary climate for creativity and innovation, and draw on their migrant scientists in making a breakthrough and revival in the South.

Explanatory Note
of the
Chair of the EMPA Economic Committee

- As a follow-up to the debate during the plenary meeting of 13-14 March 2010 in Amman on the consideration of potential transformation of the Facility for the Euro Mediterranean Investment and Partnership (FEMIP) into a Euro Mediterranean Bank, two paragraphs (19 and 20) were added to the Economic Committee Recommendation, as a compromise outcome of the lengthy discussions.
- The purpose of this explanatory Note is to precise the framework and the main lines supported by Members with regard to this issue.
- The framework of discussions was enlarged with other current initiatives having as objective to evaluate the opportunity of establishment of a bank dedicated to the financing of the co-development in the Mediterranean region: the analysis of the Commission of experts of the Union for the Mediterranean (UfM), which will be presented at the UfM Summit of 7 June 2010; the Mid-Term Review of the European Investment Bank (EIB), including the recommendations for improving EIB activities outside the EU.
- The proposal of transforming FEMIP into a Euro-Mediterranean Development Bank, as a branch of EIB, to which EIB would contribute with 51% of the capital and the other 49% should represent contributions from Northern and Southern Mediterranean Partners was subjected to an extensive debate as follows:

- The transformation of FEMIP into a bank might lead to diminishing the funds allocated for projects, as part of the capital would be used in the administration of the bank;
- FEMIP is bringing a real value added and there is no reason to change its structure or functioning. It was expressed the opinion that FEMIP should be maintained in its current form as a financial mechanism to finance Euro-Mediterranean cooperation projects, especially in the framework of the European Neighbourhood Policy.
- Majority of the Mediterranean countries members agreed on the importance of an effective financial mechanism to finance the projects that have been agreed upon in the framework of the Union for the Mediterranean and that priority be given to establishing the Euro-Mediterranean Bank;
- Most members are nearly in agreement on establishing the Bank as a separate mechanism from FEMIP. President of the Italian Parliament, who is the current EMPA chairman, stressed the special importance of the Bank and that it has to be seriously considered;
- To establish the Euro-Mediterranean Bank requires a thorough study. In this context, we are waiting for the study undertaken by the working group set up by the President of the French Republic Nicolas Sarkozy to consider the establishment of the bank: its returns, and the basis of capital equities distribution, which will have the weight in decision-making.

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