

European Union Ministers agree to initiate services and investment talks with Mediterranean countries

European Union Ministers have today decided to authorise the European Commission to open negotiations on the liberalisation of services and investment with the EU's Mediterranean partners. A few days before the Euro-Mediterranean Summit of Barcelona, which will celebrate the 10th anniversary of the Euro-Mediterranean Partnership at the end of this month, this decision confirms that the EU is determined to give a new impetus to economic integration across the Mediterranean. The liberalisation of services and investment will bring considerable economic benefits throughout the Euro-Mediterranean region. These negotiations constitute an important part of a wider strategy to boost trade within the region itself.

EU Trade Commissioner Peter Mandelson said: "Today's Council decision shows that the EU is ready to help the Mediterranean countries confront the economic challenges of the 21st century. Our common objective is the establishment of a genuine free trade area around the Mediterranean by 2010. The liberalisation of services and investment is an essential part of our strategy to achieve this. The gains that investment and services liberalisation can bring to both European and Mediterranean countries are considerable, larger even than those accruing from the liberalisation of trade in goods. These gains will be multiplied if we not only increase trade between the EU and the Mediterranean countries but also among Mediterranean countries themselves."

Following today's Council decision, the Commission will invite all the Mediterranean partners concerned to start services and investment negotiations early in 2006. This preferential process will be complementary to ongoing WTO negotiations, in particular since it will allow the parties to go further in the integration of their services markets than provided for under the European Neighbourhood Policy. Discussions on services will be facilitated by the existence of the Istanbul Framework Protocol, which Euro-Mediterranean Trade Ministers endorsed as a basis for these negotiations in July 2004.

With services accounting for around 60% of their GDP, Mediterranean countries stand to make substantial gains from the gradual opening of the services sector and from attracting new investment. They will benefit even more if the negotiations not only open up trade with the EU but also foster regional integration among the Mediterranean countries themselves. The current segmentation of Southern Mediterranean markets results in intra-regional trade accounting for less than 15% of the region's total trade. This is the lowest such rate in the world for any region of this size.

Background

The Association agreements concluded between the EU and each of its Mediterranean partners already liberalise trade in industrial goods and look ahead to the liberalisation of trade in services and investment. This commitment will be reaffirmed at this week's Barcelona EuroMed Summit.

The potential for developing services trade in the Euro-Med area is considerable. While services account for 60% of GDP in Mediterranean countries, trade relations with those partners only represents 3.5% of EU's total services trade. Services exports from the Mediterranean to the EU are for the moment focused heavily on tourism but there is real potential in a number of other sectors, such as financial services, telecommunication, distribution, energy, environmental services and transport.