

EU deepens ties with its neighbours and supports their reforms – first report on Egypt and European Neighbourhood Policy

In the past year, the European Union has substantially strengthened its relations with its neighbours and supported their democratic and economic reform efforts through the European Neighbourhood Policy (ENP). A policy paper adopted by the European Commission on 3 April 2008 takes stock of the concrete progress made by partner countries in a great number of areas, from political cooperation to trade, migration and visa facilitation, from energy, transport, research and innovation to students' and youth mobility¹. The paper includes a progress report on the EU-Egypt Action Plan was agreed by the two sides in March 2007.

EU–Egypt relations: basic facts

The EU-Egypt Association Agreement entered into force in June 2004, replacing an earlier 1977 Cooperation Agreement. It provides a framework for the political, economic and social dimensions of the EU-Egypt partnership, having as its main goals to create a free trade area over a period of twelve years and to help to increase economic growth.

The ENP Action Plan, adopted in March 2007, identifies reform priorities (and their sequencing) within Egypt's own agenda of reforms.

Major developments in 2007

In spite of the short period since the launch of the EU-Egypt Action Plan in June 2007, Egypt has shown considerable commitment to putting in place the necessary institutional framework to facilitate its implementation.

Important progress was made towards the goals for economic reform set out in the Action Plan, including significant steps towards streamlining the business environment, cutting red tape, making it easier to start up new businesses and reforming the customs and tariff regime, paving the way for increased trade and investment.

Egypt's economic growth accelerated to 7.1% GDP in 2007. Egyptian exports to the EU have risen consistently since the entry into force of the Association Agreement (2004), reaching €7.5 billion in 2006. The EU is Egypt's largest trading partner, representing over 40% of Egypt's total trade.

Negotiations on the further liberalization of trade in agricultural, processed agricultural and fishery products are proceeding. Major tariff reform was undertaken in early 2007, bringing down the weighted average import tariff to only 7%.

Bilateral negotiations on the liberalization of services and establishment started in early 2008.

¹ Communication from the Commission to the Parliament and the Council "Implementation of the European Neighbourhood Policy in 2007", 3 April 2008.

Egypt is an important energy partner of the EU as an oil and gas producer and, due to its strategic position, for transit of energy resources from the Persian Gulf to markets through the Suez Canal and the Sumed (Suez-Mediterranean) oil pipeline. A Memorandum of Understanding on strengthened energy cooperation was negotiated with Egypt in 2007 and will be signed in near future.

Egypt actively pursued a regional policy of disarmament and non-proliferation of weapon of mass destruction.

How is the EU supporting reforms in Egypt

€120 million were allocated in 2007 for the Education Sector Policy Support Programme (ESPSP) in support of the Government's education reform agenda. This programme aims at strengthening access, quality and gender equality in the education sector, and builds on important reforms already introduced under the €100 million Education Enhancement Programme funded by the Commission which ran until 2006.

Institutional capacity building remains a priority. In 2007 €17 million were allocated to the Support for the Implementation of the Action Plan programme. This aims at upgrading the overall administrative capacity of the Egyptian government for implementing the ENP Action Plan, among others through the Twinning instrument.

Support was given to the health sector reform through a programme of €110 million, which ended in 2007 implemented in five pilot Governorates. A total of 125 Family Health Units in primarily rural areas were constructed/rehabilitated and equipped with medical and non-medical equipment. Medical and paramedical staff has been given specialised training and a Family Health Fund (FHF) was established to provide a high quality primary health services. A further €120 million to support health sector reform is planned in 2009.

Assistance to Egypt

In 2007, €137 million in Community assistance was allocated for Egypt to focus on the political, social and economic reforms in line with the ENP Action Plan.

The overall allocation for 2007-2010 is €558 million, under the European Neighbourhood Policy Instrument.

On the general assessment of ENP

"Our neighbourhood policy is a success story. We work closely with our partners to help them advance their structural reforms and bring them closer to our Union. Progress on the ground over the last year has been remarkable in many countries and our relations with our neighbours to the South and to the East are becoming more intense and fruitful by the day." said Benita Ferrero-Waldner, Commissioner for External Relations and European Neighbourhood Policy. And she added: *"This is a tailor-made partnership for reform, to the benefit of our partners and citizens alike. Each country shapes its relationship with us individually. In this vein, we are now considering to specifically deepen our ties with four countries that have shown particular progress and ambition."*

Since the end of 2006 ...

Economic integration is progressing

- Negotiations were launched with **Ukraine** on a New Enhanced Agreement including on a deep and comprehensive Free Trade Area.

- **Egypt, Morocco and Tunisia** started bilateral negotiations on liberalisation of services and establishment. **Israel** will follow shortly.
- Autonomous trade preferences were offered to **Moldova**.
- Studies exploring the possibility of free trade agreements with **Georgia** and **Armenia** will soon be concluded.

Mobility with certain countries has been facilitated

- Readmission and visa facilitation agreements with **Ukraine** and **Moldova** are now in force.
- **Moldova** was chosen as the seat of the first joint EU visa application centre as well as a pilot country with which to develop a “mobility partnership”, to facilitate legal migration while combating illegal migration.

Cooperation on justice and fight against organised crime has increased

- To strengthen regional cooperation in the **Mediterranean**, training schemes have been put for judges, prosecutors, lawyers and senior police officers. Almost 1,000 professionals from the Mediterranean ENP partners have already been trained.
- **Ukraine** started a reform of its legal and judicial system including reform of company law and elimination of inconsistencies between different legislative acts in order to ensure a more predictable and transparent business climate.

Energy cooperation contributes to more energy security

- The EU has signed Memoranda of Understanding on energy cooperation with energy producer **Azerbaijan** and transit country **Ukraine** and expects to conclude soon similar ones with key producers **Algeria** and **Egypt**.
- Joint energy declarations were signed with **Morocco** and **Jordan**.
- Several oil and gas pipelines and interconnections linking the EU, candidate countries and ENP partners are being developed and will lead to enhanced energy security for their citizens.

Transport links are strengthened

- An aviation agreement signed with **Morocco** is leading to gradual opening of the market, an extensive alignment with EU legislation and increased air traffic (by 17% in 2007). It reduces fares and improves choice for tourists, while helping to build tourist industry and provide employment.
- Negotiations on a similar agreement were launched with **Ukraine** in January 2008.

And more ...

- The ENP partners have the possibility to align their positions with the EU's Common Foreign and Security Policy (CFSP) positions. **Ukraine, Moldova,**

Armenia, Azerbaijan and **Georgia** have chosen to do so regularly and **Morocco** and **Jordan** have recently decided the same.

- Partner countries have continued to prepare investment projects to promote the implementation of the Kyoto Protocol on climate change. The Southern partner countries have worked together to establish a list of 44 priority projects to depollute the Mediterranean Sea.
- ENP partners can participate in Community programmes and agencies. **Israel** is the first one to participate in the EU's CIP - Entrepreneurship and Innovation Programme.
- **Israel** (as an associated member), **Egypt**, **Jordan** and **Morocco**, in particular, have been successful participants in the first calls under 7th Framework Research Programme.
- The number of students from ENP partners who participated in the Erasmus Mundus programme in 2007 has increased by over 40%. There was also a 4 times increase in the number of young people from ENP countries in voluntary services actions under the EU Youth in Action Programme.
- The EU assistance to ENP partners has increased considerably: €1.65 billion was committed in 2007. Egypt has been allocated € 558 millions for 2007-2010. The annual cost to the EU budget amounts to over €3 per EU citizen.
- Hundreds of experts from all over the EU work on a daily basis with their counterparts in the partner countries, to help them advance their reforms and to share with them EU know-how and best practices in various areas.

More on Egypt and ENP

http://ec.europa.eu/external_relations/egypt/index_en.htm

http://ec.europa.eu/world/enp/index_en.htm

For more on the ENP

http://ec.europa.eu/world/enp/index_en.htm