

22 September 2006

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Vlth Euro-Mediterranean Ministerial Conference of Industry Rhodes (Greece), 21-22 September 2006

Intervention by Mr Ulysses Kyriacopoulos UNICE Special Representative for Mediterranean Affairs

Session I: Globalisation – what are the challenges and how can we address them together?

Meeting the challenges of globalisation: new perspectives for the Euro-Mediterranean cooperation under the European Neighbourhood Policy.

Time slot: 10 minutes

Viewpoint of the private sector

Mr President,

Vice-President of the European Commission Verheugen,

Ministers, Ladies and Gentlemen,

- First of all, let me express my gratitude to the Finnish Presidency of the European Union and the Greek Government for giving UNICE the opportunity to present to you the point of view of the business community, the European private sector. This is a concrete sign of the importance that you, political leaders from the two shores of the Mediterranean, give to entrepreneurs and industry, as it was in Caserta, when the Charter for Enterprise was adopted two years ago.
- We should not underestimate the importance of the 6th Euro-Mediterranean Ministerial Conference, especially in these days, when violent developments in the Middle East undermine our efforts for

profitable economic growth in our region. It is unnecessary to say that the Euro-Mediterranean business community condemns the violent developments and all forms of terrorism and is ready to play its role for peace and stability, which are essential to make the region the prosperous market it should be.

- UNICE, the Confederation of European Business, which represents 39 national federations from 33 countries has been a strong supporter of the Euro-Mediterranean Partnership since its inception. We have for years been actively promoting the establishment of an area of shared economic prosperity and stability between the two shores of the Mediterranean. As businessmen, we always target concrete results, such as the creation in 2002 of the Union of Mediterranean Confederation of Enterprises, to strengthen the voice of the private sector in South Mediterranean countries. With Mr Ömer Sabanci, President of our sister organisation, who will take the floor right after me, I can assure you that UNICE and UMCE, together and separately, actively support the Barcelona process and the objective of a bi-regional free-trade area by 2010.
- Last year we celebrated the 10th anniversary of the Barcelona Process, but it was not a very happy anniversary because the results achieved in the Barcelona process are, so far, rather disappointing. The Euro-Mediterranean partnership has not succeeded in producing economic growth and job creation for the South Mediterranean at the desired level. Minister Zu Bi of Jordan yesterday reminded us that each year, in the Mediterranean area, 5 millions jobs need to be created to accommodate new entrants to the labour force. In order to satisfy this demand of labour, a GDP growth rate of around 6% - 7% would be necessary, while the current average economic growth of the area is no higher than 4%.

- Furthermore we must also take into account the effects of globalisation. The speeding-up of this phenomenon has made it more visible and sometimes more difficult to accept. We should not be afraid; the new global economy gives us unexpected and surprising opportunities! Yes, I think that globalisation constitutes an opportunity more than a threat for the Mediterranean.
- Let me be frank on this point, the private sector looks on globalisation as a challenge, not as a threat: the breaking-down of geographical barriers is stimulating economic activity and integration of world markets. Every day the success of farsighted entrepreneurs shows evidence of that. The Mediterranean region also has to seize the challenge of globalisation to rapidly increase its share of global economy activity.
- To face this challenge we know what path to follow – the one confirmed by the Five Year Work Programme in November Barcelona 2005; we have the instruments - the European Neighbourhood Policy and its financial tools; and more important, we have the political will of national and European policy-makers.
- So, to be clear and concrete: How can we catch the opportunity of globalisation and improve the implementation of the Barcelona process? I would indicate two main points.
- **FIRST - The European Neighbourhood Policy (ENP)**. ENP has added a new dimension to relations with the southern Mediterranean. In our opinion, the ENP must reflect a continuation and reinforcement to the Barcelona Partnership, allow to share the benefits of the European Union enlargement with a broad arc of neighbouring countries in this regions. The deeper integration offered by the ENP must be an incentive for reforms in the southern Mediterranean. Without denying the progress already made and the targets and challenges agreed on politicians have

now the opportunity and the historic responsibility to build on the successful – but not yet completed – experience of the Mediterranean Process.

- The Mediterranean industries must be involved at all levels (from this conference to technical level) in this policy, and the financial instrument attached to the ENP must provide more support to business organisations. In particular, we believe it is important to introduce, within the context of next financial regional programming in favour of the MEDA area, some form of cooperation through twinning projects between European and Mediterranean employers and industrial associations, in order to encourage and favour foreign investment and technology transfer.
- We also know the importance of the European Neighbourhood Action Plans which are the right instruments to improve the economic and growth potential of the South Mediterranean countries. We agree with the bilateral approach proposed by the Commission focusing on the specificity of the relationship between each country and the EU: Moroccans know best what needs to be done in Morocco, just as Tunisians or Algerians do in the case of Tunisia and Algeria. But as such, I would like to emphasize the need to involve much more the business organisations in the decision-making process for the development of Action Plans in each and every country to benefit from a direct insight into real business needs.
- **SECOND – Investment promotion:** It is particularly important to reinforce economic integration, to stimulate growth and to create new jobs. Unfortunately, the South Mediterranean countries have not yet delivered all their potential in terms of attracting enough foreign direct investment. It is a fact that European Union Member States prefer to

invest in other emerging countries. Numbers do not lie: in 2003 European direct investments were for the Mediterranean region around 1.7% of the total in comparison with the 3.7% to South East Asia or 5.09% to South America. The reasons for such a low foreign direct investment level are known: mainly the absence of a real South-South regional integration process and the more promising perspectives offered by other world regions without the problems of instability encountered on the Southern rim of the Mediterranean.

- Now it is time to react: the success of the attraction of foreign direct investment will certainly have positive consequences for the Mediterranean partner countries such as better GDP growth rates, lower unemployment and higher social standards.
- In the joint declaration that UNICE and UMCE have adopted in view of this 6th Euro-Mediterranean Ministerial Conference of Industry that we are submitting for your consideration, Euro-Mediterranean business asks you to consider foreign direct investment as a driver to address the challenge of globalisation, and to put in place without any delay actions based on concrete targets and reasonable timeframes.
- It is in our hands – politicians and the business community – to contribute to a favourable climate for international, but also regional and domestic, investments. UNICE and UMCE are asking in particular for:
 1. More transparent legislation affecting investment,
 2. Provide sufficient and clear information to potential investors on all guidelines affecting investment,
 3. Fair and equitable treatment of investment,
 4. Provide investment promotion agencies with sufficient resources to enable them to deliver more tangible results and strengthen cooperation among themselves,
 5. Transparent, stable and fair tax systems.

- The improvement of the business environment with the involvement of the business community in discussions concerning regulatory changes and the development of the skills base for entrepreneurship are also essential elements for the attraction of investment. Having the opportunity of being here today I would like to ask you directly, Ministers, for more ambitious reform plans to increase the competitiveness of the business environment and to improve the stance on regulation. It is a fact that such an improvement is directly associated with faster economic growth, which is what we are looking for on both sides of the Mediterranean.

Ministers, Commissioner Verheugen, and most distinguished participants,

- Allow me to reiterate my gratitude for the invitation to be here today. Europe is and must remain a key actor in the South Mediterranean region; a political and economic partner who supports and manages change, and who helps reap the opportunities that flow from it. UNICE and UMCE will continue to work to achieve growth and competitiveness in Europe and the South Mediterranean countries, while at the same time, promoting peace, prosperity and development through multilateral, regional and bilateral initiatives.
- We count on you, policy-makers, to make the ENP the real complement of the Barcelona Process with appropriate financing instruments in which Euro-Mediterranean business community must be consulted. Foreign direct investments in the South Mediterranean countries will grow by taking into account and addressing the real interests of European and South-Mediterranean companies.

Thank you for your attention.
