



POSITION PAPER

3 July 2008

BUSINESSEUROPE – BUSINESSMED JOINT DECLARATION

“COMPANIES, THE BOOSTERS OF THE MEDITERRANEAN REGION”

3RD EURO-MED COMPETITIVENESS DAY:

THE MEDEF ORGANISED MED BUSINESS DAYS - MARSEILLE, 3-4 JULY 2008

Objective: To launch a “**Marseille Agenda**” as a concrete strategy for the “Barcelona Process: Union for the Mediterranean” for the reinforcement of competitiveness and cooperation between companies of the northern and southern countries of the Mediterranean region¹ sharing, in functionality terms, common elements with the Lisbon Agenda launched in March 2000.

Summary:

The time has come for a considerable and thorough re-invigoration of Europe’s long and complex relation with the Mediterranean. Propelled to the top of the agenda by President Sarkozy’s call for a Union for the Mediterranean endorsed by the Heads of State and Governments at the 2008 Spring European Council under the title of “Barcelona Process: Union for the Mediterranean”, this paper will make the case for a business-fueled shift in Mediterranean cooperation. It is a vigorous and highly ambitious grand strategy building on previous steps towards regional stability and integration.

BUSINESSEUROPE and BUSINESSMED in the framework of the third Euro-Mediterranean Competitiveness summit hosted by MEDEF: The Med Business Days, call for new economic momentum to bolster economic integration through a coherent Mediterranean strategy. This strategy, dubbed the Marseille Agenda, should be an overarching economic strategy for the Union for the Mediterranean to use the policy tools available to build a truly effective regional economic entity; not just in terms of trade and business but also in terms of social factors, sustainability and long-term stability. The Marseille Agenda aims at using well-established methods to improve the quality of life and the prospects for a successful and sustainable future in a free and dynamic region, fostering an ever closer integration of historic partners whose relationships are destined to deepen. Much like the historic European project set the precedent in economic cooperation, so must the Marseille agenda extend the benefits of economic stability to the Mediterranean basin in full partnership with all of the countries of the region.

¹ Member states of the EU and Mediterranean partner countries as per the Barcelona Process: Algeria, Egypt, Jordan, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia and Turkey as an EU accession country. Libya, Mauritania, Albania and the Secretary-General of the Arab League have permanent observer status.

The Goals of the Marseille Agenda:

- Boost trade between the EU and the Mediterranean partner countries as well as between them by 10 per cent per year for a tripling by 2020.
- Triple foreign direct investment by 2020.
- Establish macro-economic stability targets and a safe regulatory environment for investment.
- Double the GDP of the partner countries in the Mediterranean region by 2020.

The Pillars of the Marseille Agenda:

1. Improving the Trade and Investment Climate
2. Improving Macro-Economic Stability
3. Encouraging Innovation and Education in the Mediterranean Region
4. Improving Financial and Regulatory Instruments
5. Addressing the Employment Challenge / Quality of life
6. Addressing Security Issues



Signatures

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In presence of :

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I. Foreword: The Strategic Importance of the South Mediterranean Basin for the European Union

The Mediterranean has historically been a dynamic and interconnected region. From time immemorial traders brought goods, exchanged knowledge and impacted cultures all along the shores of the Mediterranean Sea. The deep-rooted historical and cultural ties and the geographical proximity between the Mediterranean countries constitute a link between the peoples living around the Mediterranean Sea and make the Mediterranean basin a natural market to this day. The development gap however, between the North and South, carries considerable risks for the stability of an interconnected Euro-Mediterranean region.

On Regional Integration

The Euro-Mediterranean Conference of Ministers of Foreign Affairs, held in Barcelona on 27-28 November 1995, marked the starting point of the Euro-Mediterranean Partnership (known as the Barcelona Process). It envisaged a wide framework of political, economic and social relations between the Member States of the European Union and Partners of the Southern Mediterranean which is to culminate in a Euro-Mediterranean Free Trade Area (EMFTA) by 2010. The partner countries on the Mediterranean shore are to be regarded as privileged partners of the European Union. Together with EFTA this zone will include some 40 States and 600-800 million consumers, i.e. one of the world's largest and influential trade entities.

So far, progress in achieving the economic objective of said Barcelona Process has been mixed. Although there have been some economic successes since its signature in 1995, progress towards the creation of a free trade area by 2010 has been slow, at least in part due to a lack of a proper institutional framework. If one day achieved, the free trade area will not only facilitate the exchanges with the European Union but also internal trade between the South Mediterranean countries. Progress needs to continue and accelerate through concrete steps, one such example was the Agadir Agreement, signed in 2004.

The regional integration of the Mediterranean partner countries into the global trade system has made some progress since 1995, providing greater competitive pressure on enterprises. The growth in international and interregional trade in Mediterranean partner countries was above the world average for the past years, allowing for an increase of their market share in global trade. However, more efforts are needed to propel the region further into the integrated world markets, for instance by encouraging WTO membership for all countries in the region. One area that could see more innovation is the use of effective financial instruments. This will result in more foreign direct investment, something that is of crucial importance to the region.

By complementing and building on the Barcelona Process, the new European Neighborhood Policy should focus and support the structural and institutional reforms of the countries concerned, effectively following this up with the measures taken in the framework of the Euro-Mediterranean partnership: the economic and trade chapters. As a result we feel that the ENP – a European policy to strengthen bilateral relations – should be complementary to the new “Barcelona Process: Union for the Mediterranean” - an initiative with a regional approach.

On Bilateral Agreements

In addition to regional integration the European Commission is conducting bilateral talks to further the liberalisation of trade in not just manufacturing goods but also the uncharted territories of agriculture and services. The potential for developing services in the region is considerable. Trade in services with the South Mediterranean countries currently represents only 5% of the EU's total services trade. There is real potential to develop the trade in services to a number of sectors such as financial services, telecommunication, distribution, energy, environmental services and transport.

On the crucial issue of agriculture, BUSINESSEUROPE and BUSINESSMED feel that it is important to move towards a fair and balanced system in which both sides' interests are respected. We believe that the upcoming Common Agricultural Policy (CAP) review is a good opportunity to open a dialogue and to improve the cooperation with our Mediterranean partner countries on agricultural issues.

BUSINESSEUROPE and BUSINESSMED also support the furthering of bilateral agreements focusing on the elimination of duties, reduction of non-tariff barriers, rules on investment and intellectual property, creation of a level playing field and, last but not least, the creation of a binding and effective dispute settlement mechanism.

The Euro-Mediterranean business community encourages the Commission to move forward on the bilateral talks and to enhance existing structures, but sees it as a tool to aid the region's planned 2010 free trade agreement, not simply as a goal in itself.

Grand Strategy

One problem with the European approach to Mediterranean integration is the sheer complexity of the different treaties and the myriad agreements and processes to reach sometimes disparate goals. The aim of this paper is to give the business-driven grand strategy for the Mediterranean Union capitalising on the idea of the "Barcelona Process: Union for the Mediterranean", which will likely enter its next stage during special 13 July summit, and using the Marseille Agenda to reach a number of ambitious but pragmatic goals.

II. Marseille Agenda for Competitiveness

The French President, Mr. Sarkozy, has given new impetus to the EU's relationship with the Mediterranean partner countries by launching an ambitious plan: endorsed by the Spring 2008 European Council: the "Barcelona Process: Union for the Mediterranean"; based on regional cooperation in the fields of energy, security and immigration, civil-protection, environment, transport (roads, railways and maritime) and for additional funding to develop the regional economy as well as the proper control mechanisms to deal with the vast amounts of fundings.

The “Barcelona Process: Union for the Mediterranean” is to involve all EU and Mediterranean partner countries. This project of intergovernmental cooperation should build on the Barcelona Process and include a role for non-governmental organisations to facilitate communication and encourage trade.

BUSINESSEUROPE and BUSINESSMED back the proposed “Barcelona Process: Union for the Mediterranean” as a new approach to deepen relations around the Mediterranean basin and to provide new opportunities for business. We believe the Union should be the focal point to support the reforms and improvements in Mediterranean partner countries.

However, business sends a clear warning to both the EU and the Mediterranean partner countries that the success of this project will depend largely on implementing a coherent set of economic development policies. Without economic hopes and prospects, the people of the Mediterranean partner countries will have no means to address societal concerns. The business community is afraid that without a clear and effective set of policies and goals the “Barcelona Process: Union for the Mediterranean” will not entice business into making the necessary investments in the region. An additional impact could be that there will be significant migration from Mediterranean partner countries to the EU in search of better economic prospects. Therefore we urge the EU to suggest concrete proposals and guarantee strong support for business investments. On the other hand, EU and Mediterranean companies will be able to create growth and jobs in the region if there is a coherent strategy for economic development.

Therefore BUSINESSEUROPE and BUSINESSMED firmly call for the launch of a Marseille Agenda for Competitiveness. This Marseille Agenda – launched at the Med Business Days organised by MEDEF in cooperation with BUSINESSEUROPE and BUSINESSMED - should become the economic bedrock of the “Barcelona Process: Union for the Mediterranean” based on similar principles to the Lisbon Agenda. It should include clear instruments to deliver a coherent economic development policy including benchmarking and best practice to boost the business climate in a meaningful way for the Mediterranean basin.

The benefit for having a Marseille Agenda is two-fold. Firstly it encourages a quantitatively appealing method for measuring and improving cooperation and secondly it allows for a strong and tested strategy targeted at the relevant issues and policy fields.

Goals of the Marseille Agenda

To be successful, the Marseille Agenda must have clear targets, ambitious goals yet pragmatic objectives for governments, citizens and companies to strive for. We suggest the following objectives:

- Boost trade among Mediterranean partner countries (intra-regional / South-South integration) and between the EU and the Mediterranean partner countries by 10 per cent per year for a tripling by 2020.
- Triple foreign direct investment by 2020 to spur growth and create jobs.

- Establish macro-economic stability targets regarding growth rates, inflation rates and exchange rate stability to strengthen fundamentals for trade and investment.
- Double the GDP of the Mediterranean partner countries by 2020.
- Add coherency to the myriad agreements, instruments and programmes to stimulate growth and competitiveness.
 - o Examples of this are the European Neighbourhood Policy (ENP formerly known as MEDA which caters to the South Mediterranean countries), the Barcelona process, Agadir Agreement, the Euro-Mediterranean Association Agreements, and the Arab Maghreb Union.

Pillars

BUSINESSEUROPE and BUSINESSMED suggest streamlining the “Barcelona Process: Union for the Mediterranean” to focus on the following pillars:

1. Improving the Trade and Investment Climate

- a. Implementing fully the Barcelona Process (revamped into the overarching “Barcelona Process: Union for the Mediterranean”) and concluding the Euro-Mediterranean’s FTAs;
- b. Improving coherence with other regional approaches for investment, such as the MENA OECD investment programme;
- c. Boosting SME development;
- d. Boosting Infrastructure;
 - i. Infrastructure coupled to business incentives;
 - ii. General infrastructure using best practices from pre-accession and EU cohesion funds;
- e. Facilitating enterprise partnerships within countries and across borders by multiplying, for example, co-development programmes;
- f. Facilitate cooperation with the Mediterranean partner countries to help them in meeting complex EU technical specifications and standards;
- g. Stimulating and increasing European direct investments, technology and know-how transfer;
- h. Facilitating trade through customs simplification and transit of goods across the region;
- i. Accelerating the process of trade and services liberalisation in the region;
- j. Addressing the lack of investors’ confidence by creating a system of arbitration for the harmonisation of company laws in the region.

2. Improving Macro-Economic Stability

- a. Stabilising and lowering of inflation to manageable levels;
- b. Strengthening economic institutions;
 - i. Independent central banks;
- c. Government stability;
 - i. Managing debt;
 - ii. Prudence in balancing budgets (controlled current account deficits);
 - iii. Stimulating good governance (weeding out corruption, reducing waste, red tape, inefficiency and increasing transparency);

- d. Stabilising exchange rate ;
- e. Encouraging long-term sustainable investments geared towards productivity increases.

3. Encouraging Innovation and Education in the Mediterranean Region

- a. Improving the quality and participation rates for schools;
- b. Improving access to colleges and universities;
- c. Encouraging cooperation between universities and small businesses to increase innovation to increase the entrepreneurship mindset;
- d. Improving the quality of professional training, especially for middle-management.

4. Improving Financial and Regulatory Instruments

- a. Providing a safety net for commercial and environmental risks – stimulating SMEs specifically through guarantee-funds;
- b. Improving banking:
 - i. Facilitating efficient capital markets to boost access to credit for entrepreneurs and SMEs;
 - ii. Introducing more flexible financial instruments for the private sector;
 - iii. Speeding up the opening of local capital markets;
- c. Boosting the resources from the different financial instruments: Facility for Euro-Mediterranean Investment and Partnership (FEMIP), the European Investment Bank and the European Neighbourhood Partnership Instrument (ENPI). These funds should help strengthen the capacity of banks in the region to lend to SMEs.

5. Addressing the Employment Challenge / Quality of life

- a. The cooperation with the Mediterranean partners cannot be limited to economic and financial aspects. The social, cultural and human dimension is also important and we fully encourage initiatives such as:
 - i. The Anna Lindh Euro-Mediterranean Foundation for the Dialogue between cultures;
 - ii. The work by the EMPA (Euro-Mediterranean Parliamentary Assembly);
- b. Economic growth is a means to improve quality of life for citizens. This can be facilitated through better availability and accessibility to functioning credit markets for stimulating entrepreneurship as well as affordable housing and other necessities. The Mediterranean countries need to develop sustainable credit markets to achieve this.

6. Addressing Security Issues

- a. Reducing security threats in certain Mediterranean partner (or potential partner) countries partner to encourage European capital flows;
- b. Resolving border disputes so as to pave the way for free trade zones.

Targets

- The Marseille Agenda will:
 - Improve access to new markets for the business community;
 - Improve the business climate, support small and medium sized enterprise and generally make the region much more innovative and dynamic;
 - Stimulate countries to focus on education at all levels thus creating a higher skilled work force for more value-added products and services. This will have spillover effects on general economic growth and a positive impact on the economic fundamentals;
 - Encourage and reward the use of best practices, but making support dependent on reaching macro-economic objectives;
 - Strengthen the competitiveness of the region relative to other emerging regions such as Asia.

Business Observatory

In order to facilitate and encourage a system of benchmarking BUSINESSEUROPE and BUSINESSMED suggest the annual or bi-annual meeting of EU Commission officials and relevant business representatives to take stock of progress and potential pitfalls.



Conclusion

The time has come for a considerable and thorough re-invigoration of Europe's relations with the Mediterranean. This paper calls for a business-fueled paradigm shift in Mediterranean cooperation and a coherent economic strategy for the "Barcelona Process: Union for the Mediterranean".

BUSINESSEUROPE and BUSINESSMED ask for a clear refocusing of responsibilities towards the overarching Union for the Mediterranean, so as not to mix the funds or the projects. This strategy, dubbed the Marseille Agenda, should be an overarching economic strategy for the "Barcelona Process: Union for the Mediterranean" to use the myriad policy tools available to build a truly effective regional economic entity; not just in terms of trade and business but also in terms of social factors, sustainability and long-term stability.

The Marseille Agenda aims at using well-established methods to improve the quality of life and the prospects for a successful and sustainable future in a free and dynamic region, fostering an ever closer integration of historic partners whose relationships are destined to deepen. Much like the historic European project set the precedent in economic cooperation, so must the Marseille agenda extend the benefits of economic stability to the Mediterranean basin in full partnership with all of the countries of the region.
