

**BRIDGING THE MEDITERRANEAN: THE ATHENS BUSINESS FORUM**JULY 8TH – 10TH**THE ATHENS DECLARATION****FOR THE FUTURE OF THE EURO-MEDITERRANEAN PARTNERSHIP**JULY 9TH 2009**SUMMARY**

In the context of the Forum organised in Athens by the Hellenic Federation of Enterprises, BUSINESSEUROPE and BUSINESSMED reaffirm the importance of sustainable economic development and convergence between the EU and southern Mediterranean countries, and the role that private sector and business have to play in this. They call upon governments to reinvigorate the Union for the Mediterranean process, to strongly support the Agadir Agreement as a blueprint for further south-south integration, to strengthen EU efforts on bilateral relations and re-launch the proposed "Marseille Agenda" in order to reinforce competitiveness, undertake anti-crisis measures and facilitate doing business in the Mediterranean region.

In the current economic environment, structured cooperation between the countries of the Mediterranean North and South becomes even more imperative and indeed provides an opportunity to turn the Mediterranean region into a space of dynamic, integrated and complementary economic growth, putting to use its full potential.

Activate the Union for the Mediterranean

One year ago the French Presidency of the EU, building on the EUROMED Barcelona Process launched the Union for the Mediterranean, a union of projects initiative, which created high hopes and aspirations. The initiative, in particular, gave due emphasis to the role of enterprises and the private sector. This project, regrettably, seems to have been stumbling on political grounds and risks losing its promising original momentum. In light of the current global economic crisis we can ill afford to lose any more time in Euro-Mediterranean cooperation towards regional economic development. BUSINESSEUROPE and BUSINESSMED call for a change in approach from both sides of the Mediterranean Sea.

The Union for the Mediterranean was created to promote concrete projects of cooperation aiming to reinforce balanced economic and social development in the region rather than solve political problems. Political questions between member countries should not prevent the Union for the Mediterranean from promoting common projects on sectors of serious concern and mutual interest such as the agenda 2020 for cleaning up the Mediterranean Sea, investing in solar energy projects, developing interconnections through combined sea links, water resources management, providing entrepreneurial links and opportunities for small and medium enterprises and in general promoting sustainable development especially in the Southern Mediterranean countries.



The private sector in all participating countries is looking forward to the early activation of the Secretariat in Barcelona so that the implementation of joined projects can start.

Strengthen bilateral relations with the South Mediterranean countries

The EU should progressively deepen existing bilateral Free Trade Agreements (FTAs) liberalising trade in agriculture and services and advancing new ones to reduce the cost of doing business across the Mediterranean. A Euro-Mediterranean FTA, originally planned for 2010, would be hugely beneficial to trade and investment in the region, but the date is too ambitious.

Reinforce competitiveness of the Mediterranean

The 2008 Marseille Agenda called for a comprehensive economic strategy for the Mediterranean region not just in terms of trade and investment but also in terms of social factors, sustainability and long-term stability. The Athens Declaration follows this path which aims to maintain a stable strategy in a changing business climate.

Boost investment in the Southern rim

European countries should take advantage of the international financial crisis and consider investing more in the Southern Mediterranean countries that are mostly resisting the crisis, are showing steady economic growth and are reforming steadily. The region is also marked by a high skilled force and abundant natural resources. .

Support SME's

Further developing the Southern Mediterranean SMEs, who represent a great majority of Mediterranean enterprises and provide two thirds of all jobs in the region and who constitute one of the keys to employment and economic growth in the region.

Stable Strategy, Changing Business Climate

While some short term measures may be needed to help the Mediterranean region deal with the economic crisis, the overall strategy of promoting a better business environment in the region remains unchanged. BUSINESSEUROPE and BUSINESSMED therefore continue to be committed to the goals and basic targets of action defined.

- *The goals:*
 - i. Boost intra-regional trade
 - ii. Increase foreign direct investment
 - iii. Establish macro-economic stability targets and a safe regulatory environment for investment
- *The pillars of action:*
 1. Improving the trade and investment climate
 2. Improving macro-economic stability
 3. Improving financial and regulatory Instruments
 4. Actively fighting protectionism
 5. Protection of IPR
 6. Emphasizing on education and innovation
 7. Responding to the employment challenge
 8. Addressing security issues

I. The Role of the Union for the Mediterranean

In July 2008 BUSINESSEUROPE and BUSINESSMED backed 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 businesses. We still believe that the Union for the Mediterranean can support reforms and improvements in Mediterranean partner countries. However, the success of the project depends largely on implementing a coherent set of economic development policies.

Although we have to conclude, one year on, that the Union for the Mediterranean has not yet delivered, the potential for positive action still lies ahead. The year that passed was difficult for the initiative, but recent talks are promising. Despite the suspension of formal cooperation of the Union process (as a repercussion of conflict) discussions on the Secretariat have advanced at an informal level and a meeting focusing on sustainable development has been successfully organised.

An encouraging indication of the private sector potential can be seen in the fact that, for the period 2007-2008, direct international investment to the region has risen spectacularly to a record €33 billion and agreements have been concluded with the private sector for important projects of regional significance. In the banking sector, agreements to valorise expatriate remittances for investment into infrastructure projects have also been concluded.

Nevertheless, there are two main problems with the Union for the Mediterranean. First, conflict in the region has halted the regional process and, second, there has been insufficient buy-in by Southern Mediterranean countries.

To solve these problems the EU and the Southern Mediterranean countries should focus, without delay, on concrete projects that bring added value to all countries involved. Greater clarity on the financing for projects and increased opportunities for Southern Mediterranean countries to make proposals for projects will also increase interest in the process.

A good example of these projects is the first private sector initiated fund for Union for the Mediterranean projects, we welcome this InfraMed initiative and call upon all parties to utilise and complement it. In addition, we welcome the Invest-in-Med MEDA Finance Initiative to document all grants, technical assistance & lines of credit available for the Euro Mediterranean Businesses. This will be presented on the 1st of October in Cairo, Egypt.

II. Strengthening Bilateral Relations

Bilateral free trade agreements exist between the EU and almost all South Mediterranean countries but many are outdated and do not cover the important sectors of agriculture and services. 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 in areas such as financial services, telecommunication, distribution, energy, environmental services, logistics and transportation.

In addition to creating a regional services market, we call for the elimination of duties, reduction of non-tariff barriers, rules on investment and intellectual property, creation of



a level playing field and the creation of a binding and effective dispute settlement mechanism.

The Agadir Agreement

South Mediterranean regional economic integration is essential to strengthening the competitiveness of the Mediterranean region as a whole. The Agadir Agreement, which was set up in 2001 to include Egypt, Jordan, Morocco and Tunisia, has proved successful in promoting south-south integration and removing trade barriers. The agreement seeks full exemption from custom fees, charges and other taxes of similar effects on the exchange of the agricultural goods, processed agricultural goods and industrial goods. It calls for an adoption of the Euro-Mediterranean rules of origin which permits the free circulation of goods within the Euro Mediterranean area. Finally, it seeks to treat the trade in services in accordance with the obligations of the World Trade Organisation.

BUSINESSEUROPE and BUSINESSMED are encouraged by the signs of mutual cooperation between the countries in the Agadir Agreement and believe that the European Union should support this initiative.

2010 Regional Free Trade Agreement

Progress towards the creation of a Mediterranean free trade area by 2010 has been variable, depending on the willingness of the South Mediterranean countries to open their borders to one another. Whereas the countries of the Agadir Agreement are moving forward briskly in trade liberalisation, other countries are moving in the opposite direction. Business is particularly worried about a change in investment and trade rules in Algeria which can seriously hamper future economic cooperation.

The goal of the regional free trade area is of course to facilitate trade with the European Union and to boost the internal trade between the South Mediterranean countries. In principle business strongly supports the aim of a regional free trade agreement but it seems unrealistic to expect it by next year.

Instead, BUSINESSEUROPE and BUSINESSMED call on the dual strategy of supporting the Agadir Agreement and strongly pushing bilateral free trade agreements between the EU and the Southern Mediterranean countries. Any enlargement of the Agadir Agreement – whether it be more members or more issues covered - would be an asset to the region.

BUSINESSEUROPE and BUSINESSMED are convinced that the most efficient and effective way for south-south integration to proceed is through the initiatives of bold economic reformers in the countries themselves. The European Union can play a supportive role in this process by strengthening technical cooperation with the Agadir Technical Unit.

III. Reinforcing Competitiveness

BUSINESSEUROPE and BUSINESSMED continue to call for the European Commission and South Mediterranean countries to focus on increasing competitiveness of the Mediterranean region. Business expects to see the implementation of coherent economic development policies, including benchmarking and using best practices to improve the business climate in a meaningful way.

Due to the crisis, the following issues have to be prioritised:

- **Improve access to finance**
In the short run, restoring the access to finance for companies is absolutely critical. Unless financial markets and commercial banks return to normal functions, the effectiveness of recovery plans will be severely limited.
- **Support growth and jobs with stimulus measures**
The crisis is showing signs of abating. We must however remain vigilant to make sure the slight improvements are not undone by the grave problems that still plague our economies. In this light the EU should provide the South Mediterranean countries with technical assistance and financial support. This could come from various areas such as the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), the European Investment Bank (EIB) and the European Neighbourhood Policy Instrument (ENPI).
- **Accelerate structural reforms**
Boosting infrastructure is an important means to create employment and lay the foundation for future growth. Infrastructure can be coupled to business incentives to create additional added value. Infrastructure projects should be using best practices from pre-accession and EU cohesion funds.
- **resist all forms of protectionism**
Free trade remains one of the core vehicles to provide growth and increase prosperity. Its effectiveness has been proven continuously and a worldwide call against a rise in protectionism is proof that this principle is coveted and needed.

Goals and Pillars of Competitiveness Strategy

The goals of the proposed strategy are to boost trade between the EU and the Mediterranean partner countries, to increase foreign direct investment and to establish macro-economic stability targets and a safe regulatory environment for investment.

The pillars of action to achieve the ambitious goals represent a multi-faceted approach. The first pillar concerns the improvement of trade and investment climate. The second and third see an important role for the improvement of macro-economic stability and improving the financial and regulatory instruments. The fourth crucial pillar is the active fight against protectionism, a grave concern for all international trade for European and Southern Mediterranean business. The fifth concerns the protection of intellectual property rights. The last three pillars concern socio-economic factors: encouraging innovation and education in the Mediterranean region, addressing employment challenges and finally addressing security issues.



Conclusion

The goal of establishing a Mediterranean free trade area by 2010 will not be reached due to the different speeds with which Southern Mediterranean countries are moving with regards to liberalising trade and investment. Regrettably, the Union for the Mediterranean has also stalled due to regional conflict.

Nevertheless, BUSINESSEUROPE and BUSINESSMED remain fully convinced of the benefits of deeper regional economic integration. Therefore, business calls on a continuation with bilateral Free Trade Agreements deepening and furthering them where possible. Those Southern Mediterranean countries willing and daring to move forward, such as the signatories of the Agadir Agreement, should be encouraged by the EU to move further, to develop and promote structural and institutional reforms and receive expertise and assistance. Any initiative from the region in this direction should be promoted whereas the Union for the Mediterranean can certainly be envisaged to play a strong role in this respect.

The Athens Declaration, following up on the 2008 Marseille Agenda, stresses the unshakable belief of BUSINESSEUROPE and BUSINESSMED that with visionary strategy, early activation and adoption of well-established methods, closer cooperation of historic partners can be achieved in a free and dynamic region, with improved quality of life, economic stability and sustainable growth for the entire Mediterranean region.

for BUSINESSEUROPE

for BUSINESSMED

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