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Introduction

Dear Ladies and Gentlemen,

Thank you very much for the opportunity to present a European Business perspective on the developments and prospects of the EU-Mediterranean Partnership. We are here in Alexandria, one of the greatest cities of the ancient world — second only to Rome in size and wealth. Alexandria was and is a city of cultural diversity; the centre of learning in the ancient world. Today, Alexandria is the focus for Egypt's commercial and maritime expansion. Alexandria and Egypt in general, once more became a centre of hope for future prosperity and development, not only for Egypt, but the entire Mediterranean region.

Our coming together is the first major international business event in Egypt since the 2011 Egyptian Revolution that started in January and which marked an important and remarkable step towards a more democratic and liberal Mediterranean region. The peaceful uprisings in Cairo, Alexandria and many other cities of Egypt were driven by the desire for freedom and justice and have opened a period of deep change for Egypt.

BUSINESSEUROPE is optimistic that if these changes are translated into action to support economic growth, Egypt will face a bright social and economic future. The European Union and BUSINESSEUROPE will continue to support efforts for a more democratized and liberalized region.

Economic integration with our Mediterranean neighbours is of paramount importance. BUSINESSEUROPE considers the Mediterranean countries a natural trade and investment partner and we seek ways to continue to stimulate this process. Euro-Mediterranean trade relations are strong and growing. EU total trade with Southern Mediterranean countries was €224 billion in 2009 – some 10% of total extra-EU trade. Total exports to the EU have grown by an average of 10% a year since 2000 despite a significant drop in 2008 and 2009. BUSINESSEUROPE is also encouraged to see that bilateral trade between the EU and Egypt has nearly doubled since the entry into force of the EU-Egypt Association Agreement in 2004. The EU-Egypt Association Agreement established a free-trade area between the two partners eliminating tariffs on industrial products and significant concessions on agricultural products. In 2010, EU imports from Egypt were dominated by energy making up 53 % of EU's total import from Egypt. Egypt and our Mediterranean partners offer many yet unutilized business opportunities in this field, including important opportunities for renewable energy, such as the DESERTEC programme for solar power.



Union for the Mediterranean (UfM)

One key driver of EU-South Mediterranean integration was supposed to be the UfM. BUSINESSEUROPE has supported the Union for the Mediterranean project since it was launched in 2008 during the French Presidency, but we are disappointed that it has not yet produced what it has set out to accomplish:

In 2008, the “Barcelona Process: Union for the Mediterranean” was created to promote concrete projects of cooperation aimed at reinforcing economic and social development in the region. Regrettably, the Union for the Mediterranean has been stalled due to regional conflicts and insufficient buy-in by Southern Mediterranean countries.

BUSINESSEUROPE urges governments to show leadership in furthering the Union for the Mediterranean’s pragmatic and project-based goals. The Union for the Mediterranean should promote common projects 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 and opportunities for small and medium enterprises and in general promoting sustainable development especially in the Southern Mediterranean countries to generate growth for all countries of the region. Economic cooperation will help overcome political challenges in the region.

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.

Towards the establishment of a Euro-Mediterranean Free Trade Area

BUSINESSEUROPE calls on governments to complete and deepen bilateral free trade agreements with all Southern Mediterranean partner countries. Deepening already existing Free Trade Agreements and liberalising trade in agriculture and services will reduce the cost of doing business across the Mediterranean and also strengthen domestic producers.

In addition to the bilateral route, it is essential to continue the work towards a Mediterranean FTA, originally planned for 2010, which would be hugely beneficial to trade and investment in the region. 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.

Another way to improve trade opportunities is through the system of Pan-Euro-Med cumulation of origin between the signatories of the Barcelona Declaration based on a network of preferential agreements. This will replace the network of around 60 bilateral protocols on the rules of origin in the Pan-Euro-Med zone and to base the diagonal cumulation of origin on a single legal instrument in the form of a regional convention.



South-to-South integration

Another key goal is regional economic integration between the different Southern-Mediterranean countries, commonly referred as South-South integration. BUSINESSEUROPE has been calling for further regional integration for years. Total intra-regional trade amounted to €15 billion in 2009, one of the lowest levels of regional economic integration in the World. Only about 5% of trade is carried with neighbouring economies. It remains one of the key challenges for the region to intensify intra-regional trade. Finally, democratic and economic reforms will be one of the greatest opportunities to boost domestic industries, create economies of scale, increase trade and foster sustainable economic growth.

Support SMEs

The EU should aid in further developing Mediterranean SMEs and encourage trade between EU and Mediterranean SMEs. SMEs represent a great majority of Mediterranean enterprises and provide two thirds of all jobs in the region. They constitute one of the keys to employment and economic growth in the region. Small and medium sized enterprises are the foundation stone of economic growth and prosperity. One key problem is the informal economy, which frustrates the governments' ability to properly tax business and labour, increasing the burden on the formal economy. It is indispensable to support SMEs in the Mediterranean countries in order to secure long range sustainable economic growth for the region.

The Mediterranean region is a region with great **unutilised business opportunities**. Two examples:

1. In many Southern Mediterranean countries more than two thirds of the population live in urban environments. This offers an opportunity to invest in developing large metropolitan areas. Accelerating further investment in infrastructure will be essential to create employment and to lay the foundation for future growth. Important progress can be made in the fields of data transmission, mobile communications and satellite and fibre optic links.
2. The world's most challenging task of the future will be to create clean and efficient energy. BUSINESSEUROPE therefore recommends that projects such as the Mediterranean Solar Plan or the private sector initiative of the Desertec consortium should be deepened as they offer a blueprint for a partnership in the generation of energy from renewable resources. Projects like these would also go a long way towards creating urgently needed highly qualified jobs in the Southern Mediterranean region. Southern Mediterranean countries have access to new, renewable and pure sources of green energy. Support and increasing investment for these sectors should thus be high on the agenda.



Conclusion



Though the business community is sceptical about the speed and lack of change in the Euro-Southern Mediterranean Partnership as a whole, we must not forget that the Euro-Mediterranean Partnership has led to remarkable macroeconomic stabilization and convergence in the real economies between the North and South.

Business will play a key role in fostering closer cooperation between the European Union and the Southern Mediterranean region. The EU should continue to support European and Southern Mediterranean Business and should make sure to provide adequate business conditions for future prosperity and economic growth.

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