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5th Euro-Mediterranean Ministerial Conference on Industry

Competitive Enterprises in the Mediterranean Region

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Address by Mr Ulysses KYRIACOPOULOS, Vice-President of UNICE

Ministers,
Commissioner,
Ladies and Gentlemen,

- It is a great honour as Vice-President of UNICE and President of the Federation of Greek Industries to attend the 5th Euro-Mediterranean Ministerial Conference on Industry. First of all, I would like to thank the Dutch Presidency of the EU and the Italian Government for the opportunity given to business representatives from UNICE and UMCE to present business views on the Euro-Mediterranean Partnership and the Barcelona process in this important event. I would like also to thank the Institute for Industrial Promotion (IPI) for all its support and efforts to make this conference a success.
- With President Chami we will concentrate our interventions on different aspects of the Euro-Mediterranean economic partnership. I will focus this morning on competitiveness, the main theme of today's conference, and the measures UNICE and UMCE (Union of Mediterranean Confederations of Enterprises) have identified together to accelerate Euro-Mediterranean economic integration and to move from words to deeds.

- Before entering the core of my presentation, just a few words about UNICE, the organisation I represent today, for those who are not familiar with it. UNICE, the Union of Industrial and Employers' Confederations of Europe, is the official voice of more than 20 million small, medium and large companies. It has been active in European affairs since 1958. Its members are now 36 central industrial and employers' federations from 30 countries, including some Mediterranean countries.
- All these federations are working together to achieve growth and competitiveness in Europe while, at the same time, promoting peace, prosperity and development all around the world through multilateral, regional and bilateral initiatives.
- In that context, UNICE has been a strong supporter of the Euro-Mediterranean Partnership since its inception. Under the strong leadership of President Perigot, now Honorary President of UNICE and its Special Representative for the Mediterranean, whom many of you know well and who deeply regrets not to be with us today, UNICE has for years been actively promoting the establishment of an area of shared economic prosperity and stability between the two sides of the Mediterranean. To that end, with its business partners of the South Mediterranean countries and since 2002 with UMCE chaired by President Chami, we are actively supporting the Barcelona process and the objective of a bi-regional free-trade area by 2010.

Competitiveness

- The road is however littered with obstacles to be overcome. To succeed, each side has to do its homework resolutely but also to work jointly together consistently to facilitate and encourage closer economic integration between the two shores of the Mediterranean while respecting each other's specificities.

- The key word from a business perspective is competitiveness. There is no job creation, no sustainable social protection, no viable environmental policy without growth, and there is no growth without competitiveness.
- It is the reason why UNICE and UMCE separately and together are fostering policies focused on competitiveness. UNICE has made an improvement in European competitiveness its first priority. It has taken the opportunity of this year's change of guard in the European Commission and European Parliament to issue a wake-up call to policy-makers. At the beginning of September, UNICE launched its "*Business Vision for Europe – growth, jobs and prosperity...for our future*" in which European business calls for better governance, better regulation and better communication. In this document, which is available in the room, UNICE urges the European institutions to be the engine for change.
- Even if the challenges differ between the two sides of the Mediterranean, Mediterranean partners for example do not have to worry, as we do in Europe, about an ageing population, many of these challenges are however common. Unless we adjust to a rapidly changing environment, the more difficult it will be for our economies to grow and for business to survive. Let me briefly highlight two of the challenges that we have identified in our report.
- First, globalisation. With the emergence of new competitors we have no other choice than to adjust our policies. This certainly creates tensions for certain sectors but at the same time it opens new opportunities for increased cooperation.
- Second, slow economic growth. Too much bureaucracy is stifling our economies. It takes for example an average of 34 days to start a business in Europe, almost 7 times as long as in the US.

Empirical analysis proves clearly that countries with more economic freedom – such as the US but also Denmark and Sweden are much richer than highly regulated countries. People become entrepreneurs if and when they have the freedom and possibilities to create profitable businesses.

- What should be done? and how must policy-makers respond to these challenges?

The responses

- From a business perspective, the response is simple and valid for both sides of the Mediterranean: focus on competitiveness. This means: better governance, better regulation, and better communication.
- Better governance means that all policy institutions at all levels must work together to ensure a coherent policy focused on turning the country/region into an attractive place to do business. That includes notably making the public sector more competitive, ensuring macro-economic stability, focusing budgets on policy areas that enhance competitiveness and appropriate infrastructures.
- For better regulation, the task is twofold: first assessing the potential impact of new legislation for the economy to ensure that adopted legislation does not go against growth and prosperity. Second, there is a need to simplify existing red tape and reduce compliance cost. We call for instance at European level for action plans with ambitious targets and concrete deadlines to be put in place all over Europe to achieve a real improvement in the jungle of legal provisions and bureaucracy that is strangling entrepreneurial activity. In this year annual world development report entitled *A Better Investment Climate for Everyone* the World Bank goes in the same direction in urging developing countries to improve investment climate by reducing red tape, making government regulation more predictable, delivering the basics of stable political environments and securing property rights.

- Finally: better communication. The modernisation of our economies can only succeed if we manage to convince the citizens of our countries that reform of product and labour markets, that more dynamism and flexibility ultimately means more growth, jobs and prosperity. The Dutch Prime Minister, Mr Balkenende, stated recently: *“The trick is to take account of justified criticism, not to be deaf and blind to society, but at the same time to stand firm and not allow yourself to be deflected from the right course”*.
- As you can see these recommendations are valid on both sides of the Mediterranean and can also be applied to the Euro-Mediterranean process. As Ministers for Industry we therefore count on you to put these principles at the centre of your respective national and regional agendas.

The Euro-Mediterranean dimension

- if necessary, initiatives taken at national and for the EU at regional levels are however not sufficient to ensure competitiveness. These should be integrated in a broader perspective in which the relationship with neighbours is of particular importance. As I already have told you, the success of the Barcelona process is high on UNICE’s agenda. We believe however that after almost ten years of Euro-Mediterranean partnership the process of economic integration is moving neither fast enough nor far enough despite all the statements, efforts undertaken, financial means and initiatives launched.
- While there is some progress achieved in the reform process, the profound changes necessary to achieve the bi-regional free trade area by 2010 are not really occurring. In addition, the sensitive issues of agriculture and immigration are hardly being tackled and there is still a strong deficit of communication on the challenges and opportunities of further Euro-Mediterranean economic integration. As underlined earlier, citizens on both sides of the Mediterranean need to be convinced that the Euro-Mediterranean project is ultimately good for them and their children.

- Together with UMCE we are therefore sounding the alarm. There is an increasingly urgent need to move from declaration to reforms, from words to deeds. Business is ready to play its part to contribute to a successful partnership but the main responsibility lies with the governments participating in the process.
- I would therefore like to draw your attention to the three areas we have identified for urgent action when UNICE and UMCE met at the end of July in Brussels and for which we count on your strong support.
- First, business would like to see on both sides of the Mediterranean more political determination, and at the highest level, to push for Euro-Mediterranean economic integration. To move ahead however it is necessary to take stock of the situation, analyse the difficulties encountered, learn the lessons for future action and define what still needs to be done. The European Union should in particular consider how to strengthen the effectiveness of its Euro-Mediterranean policy, reinforcing the synergies between all its areas of action (industrial cooperation, trade, transport, etc). Today's meeting should contribute to that objective. The South-Mediterranean countries must, for their part, confirm through actions their willingness to pursue and implement the economic reforms under way.
- Business is also looking for tangible progress regarding regulatory convergence and significant progress in South-South relations and the development of the South-Mediterranean market which are building blocks towards the Euro-Mediterranean free-trade area. There is still a long way to go.
- The second area which needs special attention is to facilitate access to finance, especially for small and medium-sized enterprises, with a view to reducing barriers to the start-up and growth of business. Entrepreneurs also need access to high-quality banking products, expert financial consulting

support and an efficiently functioning venture capital market with increased competition.

- Priority should also be placed on the promotion of investments which constitute one of the main conditions for the economic expansion of South Mediterranean partner countries. Therefore we appreciate all initiatives which contribute to an environment conducive to investment. The adoption today of the Euro-Mediterranean Charter for Enterprises is certainly welcome.
- The EU MED BEST programme and the Charter are positive steps in fostering entrepreneurial spirit and competitiveness. Their success, however, depends on effective implementation.
- UNICE and UMCE are therefore calling for the setting up of a monitoring mechanism to assess regularly the results on the basis of quantifiable indicators.
- The third area of action is a stronger involvement of the private sector in the Euro-Mediterranean process. Despite the existing areas of cooperation such as what has been developed in the field of industrial cooperation, whose clear demonstration is the presence of UNICE and UMCE today, there is a clear need to involve business representatives directly in the definition of Euro-Mediterranean economic priorities and means of action so that the needs from the people on the grounds are reflected. They should be also associated to the formulation of the new generation of financial programmes for the region, which unfortunately is not yet the case, to ensure greater flexibility in the instruments and procedures for financial support.
- The Charter rightly underlines the need for strong professional associations. The UNIMED 1 and 2 programmes, under the leadership respectively of UNICE and UMCE, have certainly improved the situation through the partnership and exchange of best practices between business federations from the North and South of the Mediterranean. More needs however to be

done. UNICE and UMCE are therefore calling for your support for the launch a new project focusing on strengthening sectoral and local organisations which provide day-to-day assistance to their member companies.

- Ministers, Commissioner, Ladies and Gentlemen, thank you very much for your attention. UNICE and UMCE are counting on you to promote the interests of European and South-Mediterranean companies in the Euro-Mediterranean process and taking the action necessary to foster their competitiveness.
- As entrepreneurs we want to see concrete results. The future of the Euro-Mediterranean project is at stake.
