

2 March 2002

Vth Euro-Mediterranean Business Summit
Mediterranean Region and the Global Economy
(Istanbul, 1-2 March 2002)

Final Declaration of the Summit

1. General Introduction

In continuation of the Euro-Mediterranean Business Summits and fora of Lisbon, Valencia, Malta, Marrakech, Athens and Tunis, TÜSIAD (Turkish Industrialists' and Businessmen's Association) in co-operation with UNICE (Union of Industrial and Employers' Confederations of Europe) and with the support of the European Commission, organised the Vth Euro-Mediterranean Business Summit in Istanbul, Turkey on 1-2 March 2002. The Summit had as its theme the "Mediterranean Region and the Global Economy".

Three Workshops analysed in detail:

- the infrastructure gap as well as SME development and the role of the European Investment Bank (EIB),
- the inter-relationship between the Euro-Mediterranean Agreements (EMAs) and the new World Trade Organisation (WTO) round; and,
- the potential of information and communication technologies in the transformation of the economies in the MEDA region.

The conclusions of the Istanbul Summit will be sent to the Euro-Med Conference of Industry Ministers which will be held in Malaga on 9-10 April and the Euro-Mediterranean meeting of Foreign Ministers which will be held in Valencia on 22-23 April. They will also be transmitted to the meeting of Trade Ministers which will be held later this month in Toledo.

2. Creation of the Union of Mediterranean Confederations of Enterprises (UMCE)

On the eve of the Summit, the Presidents of the main intersectoral business organisations from the twelve Mediterranean countries created UMCE in the framework of the UNIMED project managed by UNICE and financially supported by the European Commission. UMCE's primary task is to prepare and facilitate the business input towards the establishment of a free trade area in the Mediterranean region by 2010. UMCE is the culmination of the commitment of the business community to the success of the Euro-Med process. The Association aims to be the main interlocuteur of the 15 Member States, the EU Institutions and the International Financial Institutions for enhanced dialogue and actions to stimulate the much required trade and investment in the region.

3. Overall Evaluation

Over six years have elapsed since the launch of the Barcelona process. Although progress has been registered on the economic front, especially through the completion of trade talks with practically all the Mediterranean countries, the business representatives note a lack of commitment from Governments and the EU Institutions to be more pro-active and innovative in designing timely measures to stimulate trade and investment in the region.

The decisions in Doha to launch an ambitious round of trade liberalisation talks provide promising expectations for enhanced trade creation, especially given the current bleak international economic scenario. The introduction of the euro is another positive development which should stimulate further business and investment opportunities in the region. It is within this context that the private sector from both shores of the Mediterranean, through its representative professional organisations, believes that the Euro-Med process requires a new impetus to realise its initial objectives of peace and shared economic prosperity. **We welcome the various initiatives proposed by the Commission on 13 February 2002, especially to create a new financial facility or Euro-Med financial institution and the development of regional infrastructural networks, linking the latter to the Trans-European Networks (TENS).** These are undoubtedly steps in the right direction.

Because as matters stand, if the Barcelona process is not revitalised and rendered more transparent, the entire process will continue to falter and the limited progress achieved overall will not be enough to meet the ambitious targets set in 1995, namely to create a fully-fledged free trade area by 2010.

As it has done in the past, the business community is prepared to play its full role in this process to boost trade and investment integration. A precondition for this to be realised is the creation of a level-playing field for conducting business, particularly through simplified customs procedures and implementation and enforcement of intellectual property rights (IPRs) and approximation of technical standards. To this effect, we call for a clear road map of how the free trade area will be realised, preferably by the setting up of a sort of Single Euro-Med Market Observatory. The private sector should be invited to participate in this Observatory so that real progress can be closely monitored and benchmarked.

The role of the Government or state agencies is still dominant in various strategic sectors of the various national economies, including energy, telecoms and transport, and the longer these sectors remain excluded from market forces, the less competitive business operators will be vis-à-vis competitors in other neighbouring regions. This will clearly have a major impact on any enhanced efforts to attract higher FDI flows in the region.

4. UNIMED

The UNIMED Business Network is entering its third year of operation. This tool is already fulfilling its objectives by developing mutual exchanges between the representative business organisations from the North and the South of the Mediterranean, including twinning programmes. Through UNIMED's interactive web site, information about the major programmes in the Euro-Med region is being channelled to all participating employer organisations of the Mediterranean partner countries and of the European Union. The UNIMED project culminated on 28 February 2002 with the constitution of UMCE. UMCE will, amongst other tasks, provide the necessary assistance to member federations on aspects such as trade and WTO - also tapping UNICE's expertise in these two areas; transport policy, energy, information society and other dossiers directly affecting business creation.

5. Information and Communication Exercise

Awareness of the Euro-Med process at the level of organised civil society in the southern Mediterranean countries (SMCs) remains very low. Although the political dimension seems to be stalling, there are encouraging developments on the economic and social fronts. It is crucial that a massive information and communication exercise is launched to inform the various stakeholders about what the process implies in practice and what the practical benefits and opportunities of a Euro-Mediterranean Free Trade Area are if certain conditions are met.

6. Main recommendations

The specific recommendations of the three workshops are incorporated in the [Annex](#).

Participants have made the following key recommendations:

- As has been already highlighted in previous business summits, south-south co-operation is a pre-requisite for sustainable socio-economic developments in the region, particularly to attract Foreign Direct Investment (FDI), which remains extremely low as a proportion of world FDI. In order to improve the situation, we call on the Mediterranean Governments to review their administrative, legal and economic reform process, especially in the financial sector in order to sustain an investment friendly environment.

National initiatives should be implemented in shorter timeframes, using enhanced, transparent and simplified procedures. Business cannot afford to wait two or more years from the inception of a project to its realisation.

The Agadir Declaration of May 2001 announcing the establishment of a free trade area between Morocco, Tunisia, Egypt and Jordan is undoubtedly a very positive step towards integrating the SMCs amongst themselves. We hope that this declaration is translated into a formal agreement in the very near future, and eventually extended to other interested parties. Moreover, we welcome the imminent agreement to extend the pan-European cumulation system to the Mediterranean partners as this is another step towards a fully integrated market in the Euro-Med region.

- There has been a great deal of progress, especially in recent months, to conclude EMAs with practically all countries. **The priority now is to accelerate the ratification procedures for the concluded EMAs so that a truly integrated Euro-Mediterranean region can function by the turn of the next decade at the latest.**
- We welcome the conclusions of the debates on the role of the EIB in the region, particularly those concerning investment and finance. Three SMCs are benefiting from the EIB's pre-accession lending facility. **The Governments and the private sector in these countries should tap this instrument more, especially in the areas of environment protection, communications, industrial competitiveness and regional development.** In the other MEDA countries, funding is being channelled via the enhanced euro lending mandate. The ideal conditions need to be created in order to achieve suitable transfers of financial resources for private financing of infrastructure projects. **The participants believe that it is now urgent to tackle the issue of infrastructural investment with a regional, integrated approach and with political determination.**
- The Summit notes with interest the unfolding debate on the setting up of a Euro-Mediterranean Development Bank. This idea was floated during the Laeken European Council in December 2001. It was decided that the EIB, Economic and Financial Ministers and the Commission identify key issues and practical suggestions for its constitution. A draft position paper will be ready for the meeting of the ECOFIN Council on 5 March. **The private sector representative organisations would support any set-up, either within an existing framework, say the EIB, or within a totally new organisation, to take due consideration of financial requirements of the private sector and the absorptive capacity of the beneficiaries.**
- **In the framework of the Doha Development Agenda, we call on the EU and South-Mediterranean country negotiators to strengthen their co-operation with a view to bringing their positions closer together and facilitating the consensus necessary to move the process forward. Business from both sides of the Mediterranean is committed to contributing to the negotiating process.** To that end, it will strengthen co-operation aimed at actively promoting business views and interests. Its objective is to foster a sustainable outcome for the benefit of all parties.
- In the age of the information and technology society, a new feature has emerged between the developed and developing world - the digital divide. But today's global market is also offering enormous opportunities to eliminate this divide. In particular, the Internet and e-commerce are irreversible tools to gradually dismantle any remaining barriers to trade. We welcome the

additional funding for EUMEDIS - the regional MEDA programme on information society, which seeks to enable partners in the MEDA countries develop interconnectivity and innovation and research. The ITQ programme should also promote the diffusion of innovation and technology in Mediterranean partners.

We support any information initiatives from the Commission's side to disseminate practical applications and best practices emerging from these programmes as well as strengthen and extend to all Mediterranean partners already existing networks of service centres.

We are convinced that technology-related socio-economic activities contribute to the economic development of those countries and firms prioritising them.

- Whilst the MEDA financial instrument, in particular the bilateral strand, remains a crucial catalyst in facilitating the reform process in the SMCs, most of the onus to advance the reform process remains with the national Governments. Deepening and completing the socio-economic reform process still varies significantly across the 12 countries, although the gap in the pace of liberalisation and privatisation has actually been widening in recent years. Participants expressed their concerns regarding major delays in the launch of various MEDA regional programmes, especially in the area of industrial co-operation. **There should be a concerted drive to launch the programmes on innovation, technology and quality (Euromed ITQ) and Euromed Internal Market, in particular.** Moreover, a mere extension of the existing programmes will fall short of the expectations for enhanced co-operation beyond 2002. **Any future regional initiatives should be implemented in the shortest possible time-frame.**

7. Next Summit

The next Euro-Mediterranean Business Summit will take place in Egypt in 2004. It will assess progress in the implementation of the ratified Euro-Mediterranean Agreements, the MEDA Regional Programme and the WTO round. Further new proposals will also be developed and the progress of the Work Programme 2002-7 will be provisionally assessed.

8. Conclusion

The participants to the Summit expressed their wish that the real challenges of the creation of a Euro-Mediterranean Free Trade zone based on the principles of open economies and private initiative should be better and more widely expressed.

The implementation of that historical change needs to have the full comprehension and support of public opinions on both sides of the Mediterranean in order to be able to conduct the substantial reforms and policies without which a market economy cannot bring with it economic success and social justice.

Workshop I Conclusions

Requirements for investment in infrastructure in the Mediterranean region and EIB financing operations

This workshop analysed in detail the role of the European Investment Bank (EIB) in the Mediterranean countries, particularly in the transport, telecommunications, energy and environment sectors. There was also a discussion about the linkages between micro and small and medium-sized enterprises (SMEs) and financial intermediaries in southern Mediterranean countries (SMCs), as SMEs should become more active in tapping EIB's financing operations, for example venture capital operations.

SMCs are estimated to receive around 3% of world foreign direct investment (FDI). An effective infrastructural system is a pre-requisite to attract FDI inflows. Entrepreneurs and economic operators from the SMCs and the EU-15 Member States have identified various areas which require major investment. These include strengthening major port and airport junctions, modernisation of telecoms infrastructure, including broadband, integrated energy systems and sustainable energy and waste management systems. Over the past five years, the EIB has been investing an average of 1 billion euros in the region whilst loans granted in 2001 totalled 1.5 billion euros. Over the period 2000-6, 6.43 billion euros will be made available to SMCs, the priority areas being regional infrastructures - electricity interconnection, gas pipelines, road modernisation programmes, etc.

But major infrastructural investments on their own are not a sufficient condition for growth. Major administrative, legal and regulatory reforms are required across all sectors and these cannot be postponed any further if the region is to attract important flows of FDI. In the **telecoms** area, there should be reforms in legal and regulatory procedures. Monopolies - whether of a public or private nature - should be dismantled and standards introduced to ensure reliability and ease of diffusion of e-commerce. In the **transport** sector, the private sector should be involved in the elaboration of projects which are the result of collaboration between the EIB and the governments. Besides transnational transport projects, possibly linked to the European Trans-European Networks, there should also be simplified customs procedures and liberalised services in ports and airports. **Energy** networks should be developed along with measures to maximise energy efficiency. In the **environmental** sphere, there is a need to introduce additional measures and processes for sustainable economic development.

The Workshop participants believe that it is now urgent to tackle the issue of infrastructure investment within a regional, integrated approach and with political determination. It is also necessary to move from technical and economic analysis to implementation at an EU and Med level.

The Workshop participants also discussed the role of a Euro-Mediterranean Bank and whether such a financial institution should be structured within an already existing institution - the EIB - or whether a totally new institution should be conceived. The private sector would like to be consulted more closely on this matter once a decision is taken of the type of financial institution (and range of services to be provided) which will be set up to meet the growing demands of private enterprises and Governments.

Whatever decision is taken by Heads of State and Government of the EU-15, the EU should continue guaranteeing the loans disbursed by the EIB to the SMCs. Due recognition should also be given to the absorptive capacity of the private sector, the long-term growth opportunities arising from further liberalisation of the markets in the SMCs and an enhanced legal and regulatory framework.

Workshop II Conclusions

Euro-Mediterranean Association Agreements (EMAs) and the new WTO round

Practically all Mediterranean countries have concluded some form of preferential trade agreement with the EU. The scope of this workshop was to debate the process of bilateralism vis-à-vis multilateralism. Is it in the best interest for southern Mediterranean countries (SMCs), especially those going through fundamental structural socio-economic reforms, to opt for multilateralism rather than a more intense type of relationship culminating in regional trade integration?

The workshop also analysed the contents of the recent Communication from the EU Commission to launch a debate for the Euro-Mediterranean Conference in Valencia. They welcome the main recommendations in the economic and financial partnership component, including the need to accelerate the pace of economic modernisation and strengthening of research and development capacities.

The pan-European system of cumulation should also be a major step to enhance trade and industry co-operation. However, technical assistance is necessary for a clear comprehension of the real potential of this system in exploiting the full benefits of regional integration, both on a south-south basis and between the SMCs and the EU and candidate countries.

It was also concluded that bilateralism is not antagonistic to multilateralism. They are in fact complementary. Whilst there is a real need to complete the ratification of all concluded EMAs as well as mobilise full political support to conclude an agreement based on the Agadir declaration (possibly extending it at a later phase to other interested parties), there should also be more co-ordinated commitments from all sides towards liberalisation at a multilateral level, especially in agriculture and services. This, however, does not exclude more concerted efforts towards enhanced bilateral market access from the EU side for agriculture and agri-food exports from SMCs. Co-operation should also be stepped up in the framework of the Doha Development agenda. If negotiations are to succeed by 1 January 2005, there needs to be active participation and constructive contributions of all WTO members. The business community should also play its part in supporting the process.

The signing and ratification of EMAs and a new WTO round will, in isolation, never stimulate the necessary dynamism in the economies of SMCs. If trade and foreign direct investment in the region are to be boosted, political and economic actors in SMCs need to be bold enough to introduce and step up the necessary economic reforms. However, in order for this to be realised, training and capacity building for both the public administration and private sector representative organisations in SMCs are necessary.

We look forward to a more pro-active role from the EU Commission and EU Member States and the WTO Secretariat to mobilise the necessary targeted assistance in areas relating to the gradual integration of the SMCs into the EU's Internal Market and the world economy and that any remaining barriers to trade in all sectors of economic activity on both sides of the Mediterranean are eliminated over mutually acceptable, but clearly-defined, timeframes.

Workshop III Conclusions

Preparing Mediterranean Enterprises for the knowledge-based economy

Workshop participants discussed the role of innovation and information and communication technologies (ICTs) in the transformation process of the economies in the Mediterranean region. A country's success in fully exploiting the opportunities in this area will be a strong determinant of the future competitiveness of firms and nations. Enterprises, especially SMEs, need to gradually develop e-business strategies to survive competitive pressure and this applies to intermediate and less developed economies in the region. Although a number of impediments seem to be changing, there is still a digital divide between countries and societies.

During the Workshop, participants had the opportunity to discuss EUMEDIS - the Euro-Mediterranean Information Society initiative, funded under MEDA for the period 2002-2006.

Preparing Mediterranean enterprises for a knowledge-based economy is a fundamental challenge as e-business and the internet are already strong forces which will significantly step up the pace of globalisation. There are certain elements of the eEurope initiative which could also be applicable to southern Mediterranean countries (SMCs), in particular cheaper internet access - although this requires a liberalisation of the market for Internet Service Providers (ISPs) and telecoms networks, accelerating e-business, venture capital and business incubators for clustering high-tech SMEs, and new initiatives regarding healthcare, banking and government on line.

The private sector in SMCs needs to be more pro-active to exploit the opportunities of e-business and the internet revolution. On the other hand, the public sector also needs to play an active role, not only because of the importance of e-government but also due to its role in the implementation and setting up of regulations and technical institutions (test and metrological laboratories, standardisation bodies, etc.) which need to conform with those existent in the advanced economies of the global market. Freedom of access, confidentiality and security are fundamental elements for the development of e-business, especially to conduct business on line between the Mediterranean countries themselves.

The workshop also stressed the need to increase the support of initiatives devoted to promoting innovation, transfer of technology and the information society in the MED countries through the allocation of additional financial resources.

There are a number of ongoing regional initiatives to strengthen and enhance the dissemination and quality of information related to innovation, technology and quality to Mediterranean SMEs. Business representatives would like enhanced synergies amongst the different institutional players so that duplications of efforts are avoided and practices shared between member countries. Priorities in the future should include the integration of Mediterranean firms and research centres in the European Research Area (ERA) and information and training actions on innovation diffusion in small firms.