



# Position Paper

June 2015

**EUROCHAMBRES' response to the joint consultation of the European Commission and the High Representative of the EU for Foreign Affairs and Security Policy:  
“Towards a new European Neighbourhood Policy”**

## Executive Summary

Given the significant developments in the EU Neighbourhood since the last ENP review in 2011, the European Commission and the High Representative of the European Union for Foreign Affairs and Security Policy launched in March 2015 a joint consultation on the future of European Neighbourhood Policy. The aim of this consultation is to undertake a fundamental review of the principles on which the policy is based as well as its scope and how its instruments should be used.

Several issues including trade and economic development are of particular importance for the Chamber network. Based on its long-standing experience in the EU neighbourhood, EUROCHAMBRES, the Association of European Chambers of Commerce and Industry, has stressed the following issues which should be addressed in a reviewed ENP to improve its efficiency and its impact.

EUROCHAMBRES represents 43 National associations (26 from the EU and 17 from the candidate, potential candidate countries and neighbouring countries), 2 regional associations (the AIC Forum, the Association of Adriatic and Ionian Chamber of Commerce and Industry, and INSULEUR, the network of insular Chambers of Commerce and Industry). EUROCHAMBRES represents therefore indirectly around 1700 regional and local Chambers of Commerce and Industry and 20 million of enterprises of all sectors and sizes but mainly SMEs.

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**I. The European Neighbourhood Policy should continue to have a single framework but with an increased flexibility**

**A. Maintaining the ENP single framework ....**

EUROCHAMBRES strongly supported the creation of the European Neighbourhood Policy in 2004 as a common framework to strengthen the relations between the EU and the countries of its Southern and Eastern neighbourhood. The ENP has provided a coherent and long-term perspective towards both regions and therefore offered a framework to enhance the conditions for trade and investment in two regions with huge potential for economic cooperation with the EU.

In these economic and political challenging times for the EU and the instability in its neighbourhood, it is more than ever important to strengthen our cooperation with all these countries and therefore to maintain a single framework for the ENP including both Southern and Eastern Neighbourhood. Responses to common challenges (political crises, security threats, uncontrollable flows of illegal migrants, weak economy, high unemployment in particular among the youth, etc) need to be collective.

The ENP should remain a regional policy complementary to bilateral relations. The differentiation and flexibility in the ENP should not lead to limit the relationship of the EU with its neighbours to bilateral relations. The ENP should remain focussed on the core idea: “building a ring of friends” with whom the EU is closely related.

**B. .... But introducing more flexibility within the ENP ...**

However EUROCHAMBRES’ longstanding experience in both regions allows us to stress the importance to adopt a more flexible approach between the Southern Neighbourhood and the Eastern Neighbourhood as well as within each neighbourhood in order to respond to the current challenges and neighbours’ interests regarding their relations to the EU.

It is of paramount importance for the EU to take the specificities of each partner into account when engaging into partnership relations, by offering neighbouring countries the possibly for tailor-made relations.

**C. ... as well as with EU neighbours’ neighbours**

In order to avoid confusion and misleading interpretation of the aim of the ENP (strengthening of the relations between the EU and its neighbourhood), the current geographical scope of the ENP should remain with the 16 neighbouring countries. However, EUROCHAMBRES has been advocating for several years for more cooperation with the neighbours of neighbours. The interests of the EU business community go beyond the geographical borders. To improve trade and investments relations between the EU and its neighbours, enhancing the cooperation with the neighbours of neighbours (Africa, Gulf, Russia, Central Asia) is crucial.

The Eastern and Southern neighbours are in a privileged position due to 1/ their geographical situation, 2/ their political, historical and cultural links with the EU and its member states and with their own neighbours, 3/ their interest to approximate EU policies and standards while continuing to enhance their trade and investment relations with their own neighbours. The EU neighbourhood can therefore play a crucial role of bridge in the triangular relations EU – EU neighbourhood – neighbours of EU neighbours.

The reviewed ENP should therefore take into account these common interests and facilitate triangular relations at policy level (cross regional high level conferences; cross-regional working groups to exchange best practices and experiences, etc) but also at project/programme level. The current EU financial regulations do not allow cross-regional cooperation, the neighbourhood falling under the Instrument for PreAccession regulations, Central Asia and Africa under the Instrument for Development Cooperation and the Gulf and Russia under the Foreign Policy Instrument. It would be essential to foresee transregional cooperation to enhance the impact of the EU financial assistance in these countries, in particular on issues such improving EU trade and investment as well as EU visibility in third countries.

## **II. The reviewed ENP should put greater emphasis on economic development and enhancing trade and investment ...**

EUROCHAMBRES is convinced that trade and economic development is the best path to political stability in the Neighbourhood. Boosting investment and trade opportunities, improving economic cooperation, developing entrepreneurship and SMEs will develop growth and jobs in the EU Neighbourhood, which are the best antidote to extremism and illegal migration. Without economic recovery, the political transition will fail.

Moreover, the current trade and investment relations of the EU with its neighbours remain underexploited.

In this context, the reviewed ENP should put specific emphasis on the following issues:

- Improvement of the business climate. The business climate in the Eastern and Southern neighbourhood remains challenging. The rankings awarded to individual countries in the region in the World Bank's *Doing Business 2015* report varied widely, with Israel in 40th place and Algeria ranked 154<sup>th</sup> for the Southern Neighbourhood and with Georgia in 15<sup>th</sup> position and Ukraine ranked 96<sup>th</sup> for the Eastern Neighbourhood. Entrepreneurs across the region are still held back by weak protection for investors and intellectual property rights, and restricted access to credit.
- Improvement of the trade and investment flows. Political uncertainty in the Neighbourhood continued to affect trade flows. The total trade in goods between the EU and the ten Southern Mediterranean ENP countries totalled EUR 188 billion in 2014, a decrease of around 5% over 2013. FDI in the region decreased by over 50% between 2008 (a record year) and 2013. Private domestic investment is also weak in most of the Southern Mediterranean countries. The total trade in goods between the EU and the six Eastern Partnership countries amounted to EUR 65.5 billion in 2014, a 12.55% decrease compared to 2013. Ukraine being the biggest of the 6 Eastern Partnership countries, the overall trade figures are strongly influenced by the economic exchanges between the EU and Ukraine. Historically, Russia used to be the biggest trade partner of the Eastern Neighbourhood countries and its influence can still be felt quite strongly.
- Facilitating the economic integration process of neighbouring countries, in the interest of both sides, in particular through the establishment of Deep and Comprehensive Free Trade Areas (DCFTAs) as soon as necessary conditions are met. In this context, EUROCHAMBRES supports progresses in the negotiations with Morocco as well as the launch of the negotiations with Tunisia and Jordan. EUROCHAMBRES welcomes the signature of the association agreements and DCFTA with the Republic of Moldova, Georgia and Ukraine, and recommends that the interests of the business communities of Belarus, Armenia and Azerbaijan be taken into account for defining the framework of economic cooperation between the countries and the EU, with due consideration also to the other factors that play a role in this context.
- Strengthening of regional cooperation as a constructive tool for attracting Foreign Direct Investments and creating market opportunities.
- Boosting SME development. SMEs are crucial for job creation and for more balanced economy. In this context, developing entrepreneurship and in particular youth and women entrepreneurship is crucial as well as access to finance for SMEs and internationalisation of SMEs.
- Improving the skills to meet labour market needs. Addressing unemployment and in particular youth and women unemployment is a key priority in the neighbouring countries. Neighbouring countries need to develop their human capital, improve their education systems, and reduce the size of the informal economy to create new jobs.
- Fighting against corruption. Corruption is reported as an obstacle for doing business. It has adverse impacts on entrepreneurship and investment and business competitiveness in general.
- Improving energy efficiency. Energy efficiency pays off in two ways: not only does it help to preserve our climate and a sound environment; it is also the most direct way for businesses to control and to cut their production costs. SMEs in the neighbourhood are not yet sufficiently considering energy efficiency as a determining factor in reaching financial efficiency.

- Move forward the visa liberalisation process. Fostering people to people contacts and sound business relations can only develop once visa liberalisation has been achieved. The EU should also be more engage in the socio-economic re-integration of refugees in their home countries as well as involve as much as possible the diaspora in the economic development strategy in the EU neighbourhood.
- Improving links between business communities in the EU and its neighbourhoods.

Moreover the new ENP should take more into account the EU interest and in particular its economic interest (economic diplomacy). This would include a better communication on the EU and its neighbourhood policy, including a better use/diffusion of the existing information.

### **III. ... and foresee an increased role of the civil society and in particular of the business community**

The business community, as members of the civil society and as the main engine for growth and jobs in the Neighbourhood, has a crucial role to play to strengthen the relations between the EU and its neighbourhood.

In the reviewed ENP, the role of the business community in the Neighbourhood has to be strengthened at policy level and at project level.

At policy level, it is essential that the necessary social and economic reforms are not discussed only at macro-level, with governments and international institutions, but involve the business community.

The reviewed ENP should foresee regular and structured dialogues between the policy-makers and the business community to assess the impact of policies and to provide further opportunities to get information from actors of the real economy.

Such dialogues should take place at the highest level in the context of business forums, Missions for Growth or similar events, but also at more technical level. The Euro-Mediterranean industrial cooperation working group is a very good example of such a dialogue. Its model could be duplicate on other topics and in the Eastern neighbourhood.

In addition to the enhanced policy dialogue, it is also important to further involve the business community in the assessment made by the European Commission and the European External Action Service on the progress made by the neighbouring countries. This would involve the annual progress reports but also more specific reports such as the SME Policy index which are carried out by the OECD with the cooperation of the European Commission and ETF in the Mediterranean Middle East and North Africa, and by the OECD, the EC, ETF and the EBRD in the Eastern Partner countries. The business community, from both the EU and its neighbourhood, could provide grassroots information and identify strong and weak points in SME policy elaboration and implementation.

All the measures at the policy level should be accompanied by concrete activities to enhance the capacity of the business community in the neighbourhood as well as the opportunity for networking and improving mutual understanding between business communities in the EU and its neighbourhood.

At project level, it would be therefore also crucial to move 'beyond institutions' by working towards projects / programme ensuring a wider participation of the civil society and of the business community in particular. The involvement of the business community in parallel to the international institutions is essential to maximise the impact of the EU financial assistance and to concretely enhance trade and investment in the neighbourhood. Such projects can deliver quantifiable benefits for the citizens of the EC Neighbourhood within a short time frame and therefore allow the ENP policy to be easily grasps by the public, improving the general public awareness.

EU financial assistance should not only strengthen the economic development in the EU neighbourhood, but revive the interest of the EU neighbours in the EU through better communication on the EU and its neighbourhood policy (the EU functioning, its policies relevant for the business community, the EU funding opportunities, the EU market, etc) as well as the EU interest in its neighbours, including better communication on its challenges and opportunities (business and investment regulatory framework, markets, etc).

Programmes, such as EUROMED Invest and East Invest, in which EUROCHAMBRES is playing a crucial role as member of the MedAlliance, which is managing EUROMED Invest, chair of the EUROMED Invest Committee and leader of the EAST Invest consortium, involving awareness, people to people contacts (BSO to BSO, business to business but also business to investor contacts) as well as capacity building to strengthen business support organisations and companies (training programmes, peer to peer partnerships, study visits, etc) should be further developed. Moreover over the years the budget allocated to those projects has decreased to the benefit of the projects managed by international institutions, this trend should be reversed and the budget allocated to projects directly targeting the business communities should increase.

#### **IV. Contribution of Chambers of Commerce and Industry to the reviewed ENP**

Chambers of Commerce and Industry in the EU and in its neighbourhood are at the forefront of local economic development; they support their member enterprises in expanding their business, and represent them in front of local, regional and national administrations, and even international institutions.

In doing so, Chambers have two very strong advantages:

- They are close to the economic realities, to entrepreneurs and consumers, which is essential in understanding their needs and interests;
- They are part of a unique network, which they can call upon to share best business practise and culture, as well as to develop trans-regional and trans-national business.

Because of their horizontal character, broad membership, and nongovernmental status, Chambers can represent the interests of the business community as a whole, and have therefore a broadly recognised political weight in developing economic policy of their region and country.

EUROCHAMBRES and its members can play a concrete role in the following fields to further develop trade and investment between the EU and its neighbourhood, to strengthen in general this relationship and therefore the impact and visibility of the reviewed ENP:

- Strengthening the public private dialogue to enhance the regulatory environment
- Improving the capacity of the business support organisations in the Neighbourhood to strengthen and improve their services to companies with the view to further develop their competitiveness in particular on the following topics: internationalisation support, EU standard approximation, energy efficiency, vocational education and training, access to finance for SMEs, anti-corruption
- Improving the capacities of business support organisation so that they can represent efficiently their member companies in dialogue with the policy-makers and they can take an active role in promoting a conducive business environment as well as in the negotiations / implementation of DCFTAs.
- Improving the mutual knowledge/mutual understanding between business communities, including in providing information on how to do business in the respective markets
- Providing opportunities for networking and exchange of best practices between business support organisation, companies and investors

- Enhancing the communication of the mutual economic benefits of the ENP
- Promoting good neighbourly relations

**Further information:** Juliette Loppé, Tel +32 2 282 08 87, [loppe@eurochambres.eu](mailto:loppe@eurochambres.eu)

**Press contact:** Ms. Guendalina Cominotti, Tel +32 2 282 08 66, [cominotti@eurochambres.eu](mailto:cominotti@eurochambres.eu)

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*EUROCHAMBRES – The Association of European Chambers of Commerce and Industry represents over 20 million enterprises in Europe – 98% of which are SMEs – through members in 43 countries and a European network of 1700 regional and local Chambers.*

EUROCHAMBRES is a civil society organization.

ASSOCIATION OF EUROPEAN CHAMBERS OF COMMERCE AND INDUSTRY

Chamber House, Avenue des Arts, 19 A/D • B - 1000 Brussels • Belgium

• Tel +32 2 282 08 50 • Fax +32 2 230 00 38 • [eurochambres@eurochambres.eu](mailto:eurochambres@eurochambres.eu) • [www.eurochambres.eu](http://www.eurochambres.eu)