

The Role of Small and Medium-Sized Enterprises (SMEs) as a Factor for Development in the Mediterranean

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During this first decade of the 21st century, the Euromed area is reaching a new stage in its development in a world characterised by great changes and, more particularly, by an economy that is becoming globalised at an ever-quicken pace and by dazzling scientific advances, especially in the new Information and Communications Technology field. The European Union is entering this new century strong in its skills and its accomplishments, confident in its capacity to overcome the great challenges of the future and determined to redouble its efforts to accelerate its development, notably by applying a new rhythm and new standards of quantity and quality to its investments in production and to its initiatives designed to promote creation and innovation.

SMEs: sources of Wealth

In all economies, small and medium enterprises (SMEs) contribute very significantly to job creation and sustainable growth, and they will continue to play a vital role in stimulating economic recovery. Policy concerning SMEs is taking on increasing importance for the creation of new job opportunities, above all in the new technology sector. The dynamism and innovative potential of SMEs is recognised, but despite their flexibility and their capacity to adapt to change they have experienced a certain number of problems and have come up against various obstacles. Ways must therefore

be found to overcome the difficulties and meet the challenges more effectively. This should prepare the ground for a new generation of business policies.

A high rate of creation of businesses reflects the dynamism of a country, the attractiveness of its geographical situation and its ability to direct its resources so as to carry out the transformation of its economic structures. Unfortunately, in the countries of the southern shore of the Mediterranean, despite the development of various mechanisms for supporting the creation of new businesses, the simplification of the formalities involved, the provision of support structures for day-to-day business management, and the granting of tax and financial incentives, the constraints are still numerous and, for business people in the southern shore countries, entrepreneurial innovation remains a difficult path to follow.

The Need for Partnership

The Euro-Mediterranean Partnership can be seen as a mutually beneficial strategy, in an area with growing economic prospects. The opening up of Europe towards the Southern Mediterranean countries follows a logical pattern of globalisation that encourages the creation of regional spaces including economies with unequally developed for the greater good of all.

There is something rather paradoxical in seeing how cooperative practices between businesses emerge and assert themselves. In fact, if the situation is considered from a historical perspective, it must be observed that the dynamism which can be noticed everywhere today in the field of cooperation, asserts itself after an intensive period of generalised

decline of economic activity. As is often the case, however, the paradox is only an apparent one, as it appears that this is precisely because "externalisation" has reached its peak and that co-operation in various forms has been felt to be a necessity.

That a vast movement to establish associations is well under way is confirmed by the observation of discernable trends now in almost all sectors of production, involving both large firms and smaller businesses. The difficulty is the excessively great abundance of goods. In fact what we have is a considerable number of agreements of an extremely varied nature, although this makes it quite difficult to have a clear view of the phenomenon.

Mediterranean Partner Countries (MPC) have dual economies. One could even talk about double duality: that on the one hand separating the structured, modern sector of the economy from the traditional craft sector – which it is convenient to call the non-structured sector – and on the other hand a geographical duality that tends to perpetuate and accentuate the gap between regions.

Industrialisation has undoubtedly been introduced by the public sector, which has dominated all its branches for three decades, making up for the relative weakness of a private sector which is still being established and does not yet have all the necessary attributes.

This industrial "base" is therefore translated into the establishment of large enterprises. The most important structural handicap for industry remains the limited internal market. It is the limited nature of this market that explains the difficulties found by many businesses in dedicating themselves to import substitution products.

The MPCs have a serious shortage of what one might call “big SMEs.” This gap is clear if French figures are compared to those of Germany or Italy, countries in which the dynamism of their medium-sized enterprises was especially notable in the 1980s. This vulnerability has a particularly penalising effect not only on the competitiveness of the economy as a whole but also – and this is a crucial point – on employment.

Nothing prevents businesses sharing the same objectives from forging alliances. From complete mergers to the implementation of certain functions in common, including the development and sale of a jointly prepared product, there are many forms of mutual aid. The ambition of competitive management is to create value. Competitive management at the beginning of this 21st century, in whatever area, involves: the control of reaction times, the use of new information and production technologies and the consideration of changing values, as much as promoting staff for intangible aspects at the expense of material benefits.

National loyalties are no longer very important from the point of view of competitiveness in a given area. What is important is being able to attract and retain the greatest possible investment to bring in technological skills and jobs for qualified workers.

A winning strategy is to opt for a culture of innovation, making it possible constantly to seek better ways of doing things through the acquisition of new knowledge. Innovating. This means getting ahead of the competition. European SMEs will have a historic responsibility for reducing the technological gap and initiating SMEs on the southern shore in new technologies.

Information technologies constitute a formidable potential for creating added value and a source of opportunities for capital in the North and in the South. It is possible to accelerate the explosion

of this potential, notably by channelling the amount of savings currently available.

The European Neighbourhood Policy, by basing itself on the results obtained in the context of the Euro-Mediterranean partnership, will contribute to the development of the process of regional integration. It allows the MPCs to glimpse possible participation in the internal EU market on the basis of a rapprochement of legislation and regulations, participation in a certain number of EU programmes and an improvement in connections and links with the EU.

The Future of the Strengthened Partnership

Since 2000, Community aid to the new member states has tripled in volume and the gap should become even bigger with the added fact that the flow of private resources destined for the MPCs is progressing more slowly than that directed towards the CEECs (Central and Eastern European Countries). A reorientation of efforts to attract private capital, rather than public aid, should become a priority concern.

All MPCs, even those that have not signed association agreements, have benefited from European business centre programmes to bring enterprises up to standard and to improve the business environment in their respective countries. SMEs are increasingly taking part in these programmes with more targeted and concentrated actions. They basically concern training actions, finance for equipment and direct technical assistance. In Tunisia, a second stage was launched in 2004 with the establishment of the Industrial Modernisation Programme. This programme seeks to bring practices and standards in the country closer to European ones concerning competitiveness, innovation, quality control, industrial property and the finance

of industrial enterprises and services to industry.

FDI (Foreign Direct Investment) made to MPCs, whose structures and production factors are of different type from those in European countries, is carried out with the idea of complementing production centres maintained in Europe, and has often contributed to saving jobs there, even creating new ones.

At Caserta in 2004, the Euro-Mediterranean conference of industry ministers recalled the achievements concerning the promotion of FDI and the creation of networks of SMEs. They called for the strengthening of co-operation for 2005-2006 and a recognition of the vital contribution of innovation, research and the role of the partnership in achieving growth and job creation targets. The budgets already allocated exceed 3 billion euros, plus financing from the EIB.

To assume our historic responsibility, we should work to strengthen the partnerships between the SMEs on both shores of the Mediterranean, with a great capacity for listening and an ability to adapt which will enable us to take the best part of this globalisation.

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