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South-East Europe – A Region on the Move

MOTORWAYS OF THE SEA  
BRIDGING CYPRUS  
WITH EUROPE, THE MIDDLE EAST AND ASIA

Mr Chairman,  
Ladies and Gentlemen,

It gives me great pleasure to be amongst you today and I wish to thank the European Investment Bank for inviting me to this year's forum in Athens. I would also like to thank our hosts, the Greek government for their hospitality.

For many years, EIB Fora proved to be important and lasting links between the public and private sector. I have no doubt that this year's forum on such a timely subject and with a distinguished audience will provide a unique opportunity to exchange ideas on our region and address key challenges. It could generate concrete ideas on how we can improve trade, promote and encourage investment, identify new infrastructure projects and find new ways of expanding economic ties. It is also an opportunity to discuss the role of the public and private sector in fostering cross-border co-operation.

Addressing issues related to the further development of the European Union, and especially political and economic integration in South East Europe, is always a challenge. After all we should not forget that the idea of an enlarged Europe is always the subject of an interesting debate. This has been successfully implemented with the 2004 enlargement and the forthcoming membership of Bulgaria and Romania.

Cyprus' accession to the European Union proved how a policy of integration with the global system, can free a national economy from the constraints of a small domestic market. The harmonization with the *acquis communautaire* has been a catalyst for significant structural reforms. It has also facilitated compliance with the stability and growth pact commitments embedding conditions of macroeconomic stability which are necessary for sustainable economic growth.

Cyprus' strategic location at the centre of three continents, and its close proximity, to the busy trade routes linking Europe with the Middle and Far East, has been a major factor shaping its history throughout the centuries. Cyprus has been a meeting place of the civilizations of these three continents and at the same time it has been a European country.

Therefore the accession of Cyprus to the European Union was only a natural and expected development in its history, since Europe has always been for us our natural cultural and economic environment.

In recent years, this strategic location together with the excellent political and economic relations with our neighbours, a highly developed socioeconomic infrastructure, excellent telecommunications, a sophisticated banking system, a wide range of high quality professional services and a favourable economic and business environment, make Cyprus an ideal Centre for business activities.

Within the framework of the harmonization of Cyprus with the *acquis communautaire* is a full safeguarding of the four fundamental freedoms of the national market, the free movement of goods, services, capital and people, including the right of establishment and the full liberalisation of foreign direct investment in Cyprus thus opening new promising business opportunities for foreign investors.

Given its geographical position and its cultural character Cyprus is particularly interested in and concerned about the south East Europe and the wider Mediterranean area. We believe that this is an area of strategic importance and will continue well into the coming years to be of crucial significance to Europe's security, growth and prosperity.

Recognising precisely this importance, the Union established some years back a far-sighted initiative called 'Motorways of the Sea' (MoS), which is intended to concentrate flows of freight on seas-based logistical intermodal routes in such a way as to improve existing maritime links or to establish new viable, regular and frequent maritime links for the transport of the goods between Member States. The aim is to reduce road congestion and/or improve access to peripheral and island regions and states. It is an acknowledgement that 'corridors' being promoted under the Trans European Network, cannot possibly stop at the land border of a

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country and should be eligible for funding under the Trans European Network guidelines. They are the 'floating infrastructures' of the European seas.

The MoS concept aims at introducing new intermodal maritime-based logistics chains in Europe, which should bring about a structural change in transport organization in the years to come. These chains will be more sustainable, and should be commercially more efficient, than road-only transport. MoS will thus improve access to markets throughout Europe, and bring relief to the road system. For this purpose, fuller use will have to be made not only of maritime transport resources, but also of the potential in road and rail transport, as part of an integrated transport chain.

The extension of the Motorways of the Sea to connect the European Union with the neighbouring countries in the Mediterranean, Black Sea and Baltic Sea regions has been identified as a priority for transport facilitation between the EU and these neighbouring regions. The smooth flow of goods, people and investments across the emerging Euro-Mediterranean free trade area necessitates a well-functioning multimodal transport system. More efficient transport would help the East Mediterranean countries to attract foreign direct investment, encourage exports and participate in increasingly complex cross-border supply-chains. It would also facilitate regional integration and permit the countries of North Africa and the Middle East to more effectively plug into the European Single Market.

The MoS connecting Europe with East Mediterranean are intended to provide a common ground for the development of a multi-modal transport infrastructure network of each country, adjusted to the expected requirements of passenger and goods transport in the areas it connects. The identification and financing of MoS projects within the region will promote intermodal freight options relying on integration of short sea shipping into the transport supply chain and develop an efficient, well-functioned transport system.

In our immediate region, the East Mediterranean, because of the geopolitical situation, maritime transport is simply the only alternative. So it has to function without obstacles. The importance of an efficient maritime transport network, as a vehicle of economic growth and prosperity, cannot be over-estimated.

Ports as the connecting infrastructure for MoS initiatives increase the efficiency of the European transport system, encourage growth of intra-EU trade and trade with third countries, overcome congestion of the main land-corridors, enhance maritime links with island and peripheral regions and strengthen the multimodal aspect of the network. They act as nodal points for logistical transport chains and intermodal transport and integrate land transport infrastructure, transport related services and ships, maritime transport and any other land transport mode.

Allow me at this point to refer to the Lebanon crisis last summer and the important role of Cyprus and its contribution to the crisis and more specifically to the successful repatriation through Cyprus ports and airports of tens of thousands of Europeans and other foreign citizens. We are very pleased that the existing infrastructure and mechanisms in our ports, proved very effective for the transfer of humanitarian aid in Lebanon and the repatriation of people.

In the case of Cyprus, an island economy, with 70% of its trade and direct shipping links with EU member states or countries in the geography of Europe, the concept 'Motorways of the Sea' is very important. Cyprus depends almost entirely on its ports for its trade. The development and improvement of infrastructures and the establishment of an efficient transport system is high on the agenda of the Cyprus government. Thus, the Cyprus Ports Authority has planned various projects for upgrading the port infrastructure in order to enhance the port services and re-establish Cypriot ports as transit centres, offering cost efficient services to international shipping. These projects will ease the integration of the Cyprus, an island state which acceded recently into EU, on the basis of a more efficient transport network.

It is necessary that for Motorways of the Sea to operate effectively they must provide efficient port and shipping services as well as integrate efficiently into the land transport system.

The Cyprus Ports Authority (CPA), as the entity responsible for the development and management of all Cypriot ports has always given priority to the creation of infrastructure and superstructure to respond to technological changes in shipping and modern requirements of commerce. The latest major developments are the initiatives for the construction of a modern passenger terminal at Limassol port, the dredging of the sea area at Limassol port to 16 metres the expansion of the container stacking areas and the installation of additional cranes.

Prior to Cyprus accession to the EU, and ever since, the CPA has been concentrating its efforts on upgrading its services in terms of security, safety and efficiency. It has invested in security systems, it has

increased its stacking and marshalling areas, thus creating capacity and reducing the costs of private operators. Moreover, it is expanding its information technology applications and is in close cooperation with Customs to resolve issues on administrative procedures in the most cost-efficient way.

However for the “concept” of Motorways of the Sea to develop into a “reality” it is not only necessary to create the right infrastructure and to minimize formalities, but it is essential to remove barriers to the free flow of commerce and shipping.

In this respect, we would like to emphasise the need for action in lifting measures that are working towards opposite objectives. Turkey is knowingly opposing the development of motorways of the sea by preventing ships, under Cyprus flag or having as last port of call Cyprus ports, from entering Turkish ports. Such measures constitute serious obstacles and distortions in the direction of free trade, within the E.U.

The measures imposed by a country which is linked by a Customs Union to the EU and seeks membership to the EU, seriously affect private and public interests of the European Community, notably EU ship owners and ship managers.

We welcome the recognition under Motorways of the Sea, of the importance of co-financing infrastructure measures to improve primarily accessibility between outlining and island regions and central market areas. Cyprus as a new EU Member island state at the periphery of the EU, acting as its outset south-eastern border, is looking forward to the “practical” application of this “concept” to achieve its full integration with the Community.

Cyprus is actively participating in the Mediterranean Forum together with France, Spain, Italy, Portugal, Greece, Slovenia and Malta. The intention is to submit a proposal for the ‘Motorways of the Sea’ of south-East Europe, connecting the Adriatic Sea to the Ionian Sea and the Eastern Mediterranean including Cyprus, which also links with the ‘Motorway of the Sea’ of South-West Europe.

In closing I must underline the role of the European Investment Bank in financing some of the above projects. In Cyprus we appreciate a lot our co-operation and long standing ties with the European Investment Bank. The co-operation started back in the early 80’s and since then this business relationship has flourished and EIB has been a solid partner in our efforts for modernisation of Cyprus’ infrastructure and helped pave the way towards the European Union.

Let me finish by assuring you that we look forward to continue the close and mutual co-operation with all Mediterranean Partners and all of our neighbours in South East Europe. Conference like this provide the essential platform for promoting the establishment of inter-cultural, inter-religious dialogue in our societies leading to greater respect for diversity and pluralism. We believe that if there is a political will there is a possibility for peace, stability and development.

Thank you.