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# **THE MEANING OF MEDITERRANEAN INTEGRATION TODAY BEYOND TRADE, NEW LINKAGES, TOWARDS DEEPER INTEGRATION**

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# A MEDITERRANEAN COMMON HISTORY

CULTURAL  
HERITAGE

GEOGRAPHIC  
CONNECTIONS

TRADE  
EXCHANGES

“ The history of the Mediterranean Sea is the history of **communications between people and cultures** [...] Some of the **most ancient human civilizations** – Egyptian, Phoenician, Greek and Roman – were organized around it.”

*Maria Helena Trindade Lopes, The Mediterranean Sea: the language of history*

HETEROGENEITY &  
DIVERSITY

NATIONAL &  
REGIONAL  
IDENTITIES

SHARED  
VALUES



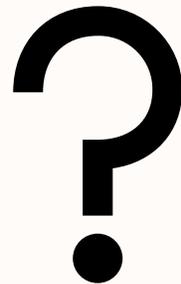
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# MEDITERRANEAN INTEGRATION TODAY

➔ 25 years after **Barcelona Declaration**

➔ 12 years after **Agadir Agreement** (Morocco, Tunisia, Egypt and Jordan) or GAFTA

➔ 11 years after creation of **UFM** and 10 years after creation of **CMI**



**IS MEDITERRANEAN INTEGRATION A REALITY?  
HOW MUCH PROGRESS CAN BE OBSERVED?**



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# BARCELONA DECLARATION 1995

## Economic and Financial partnership

- Free trade area
- Economic cooperation & concerted action
- Financial cooperation

## Partnership in social, cultural & human affairs



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# GAFTA: EGYPT, JORDAN, MOROCCO & TUNISIA (2007)

“To unify the public and private economic policies of the Member States in areas dealing with: external commerce and agriculture, industry, the tax system, the financial system, services, customs and that which facilitates **COMPETITION** between the member states”

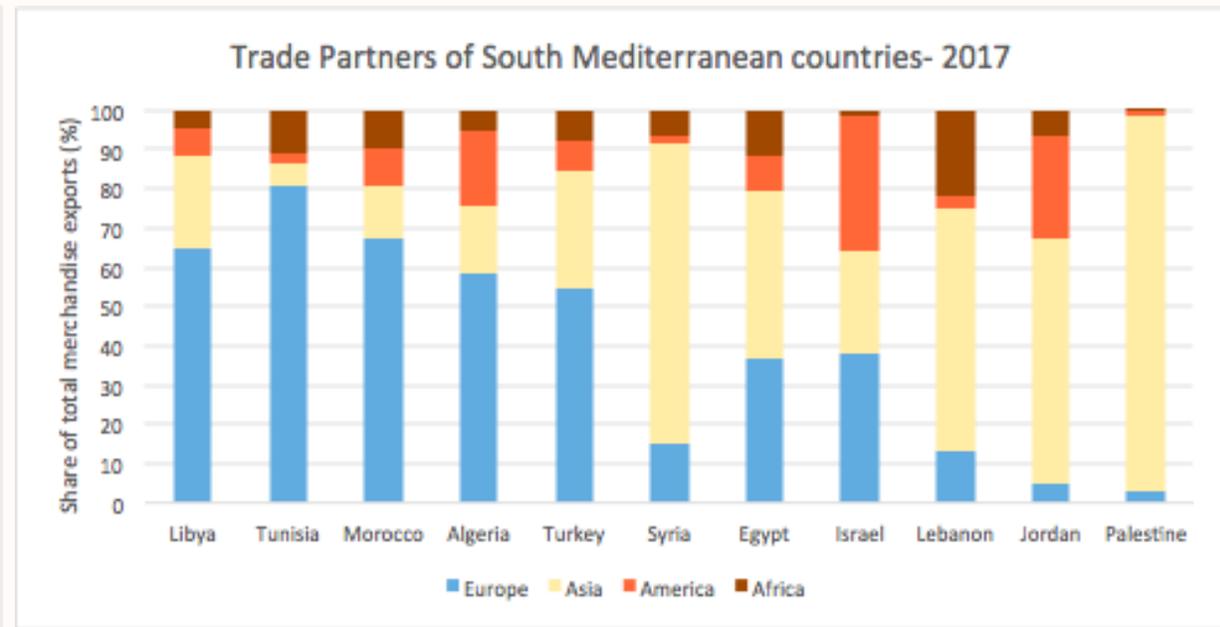
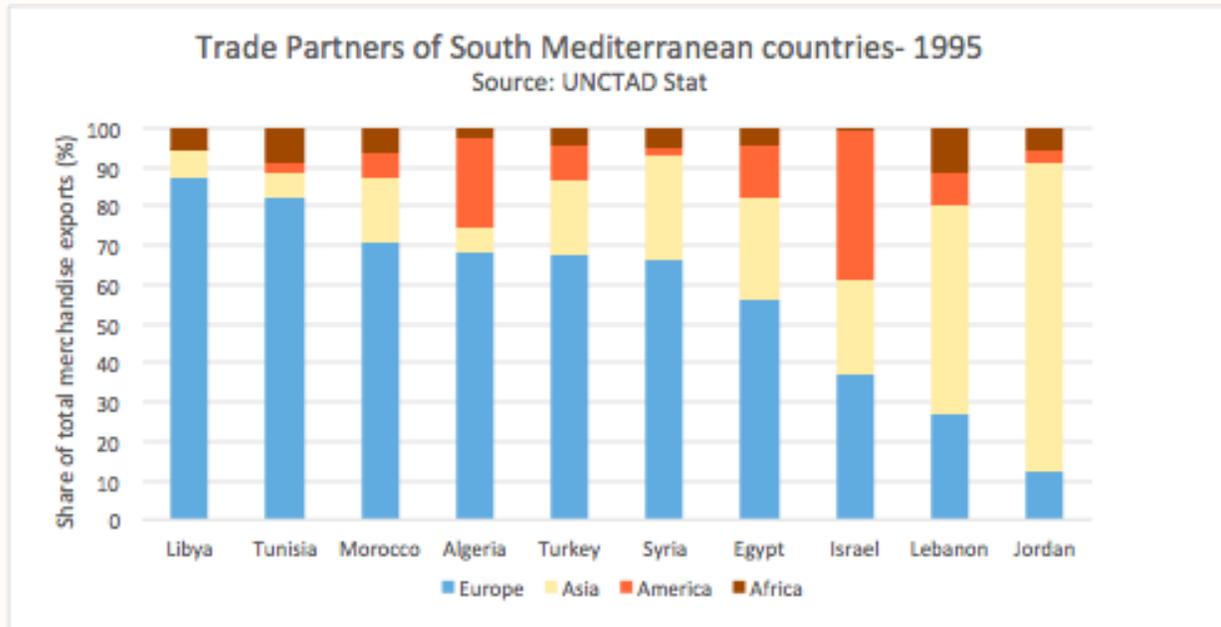
"To bring closer the economic legislations of the Member States in hopes of producing an adequate climate for the conditions of **MERGER** between the Member States.”

## *Agadir Free Trade Agreement: Article 2*



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# LEVERAGING EU-SOUTH MEDITERRANEAN INTEGRATION: TRADING GOODS

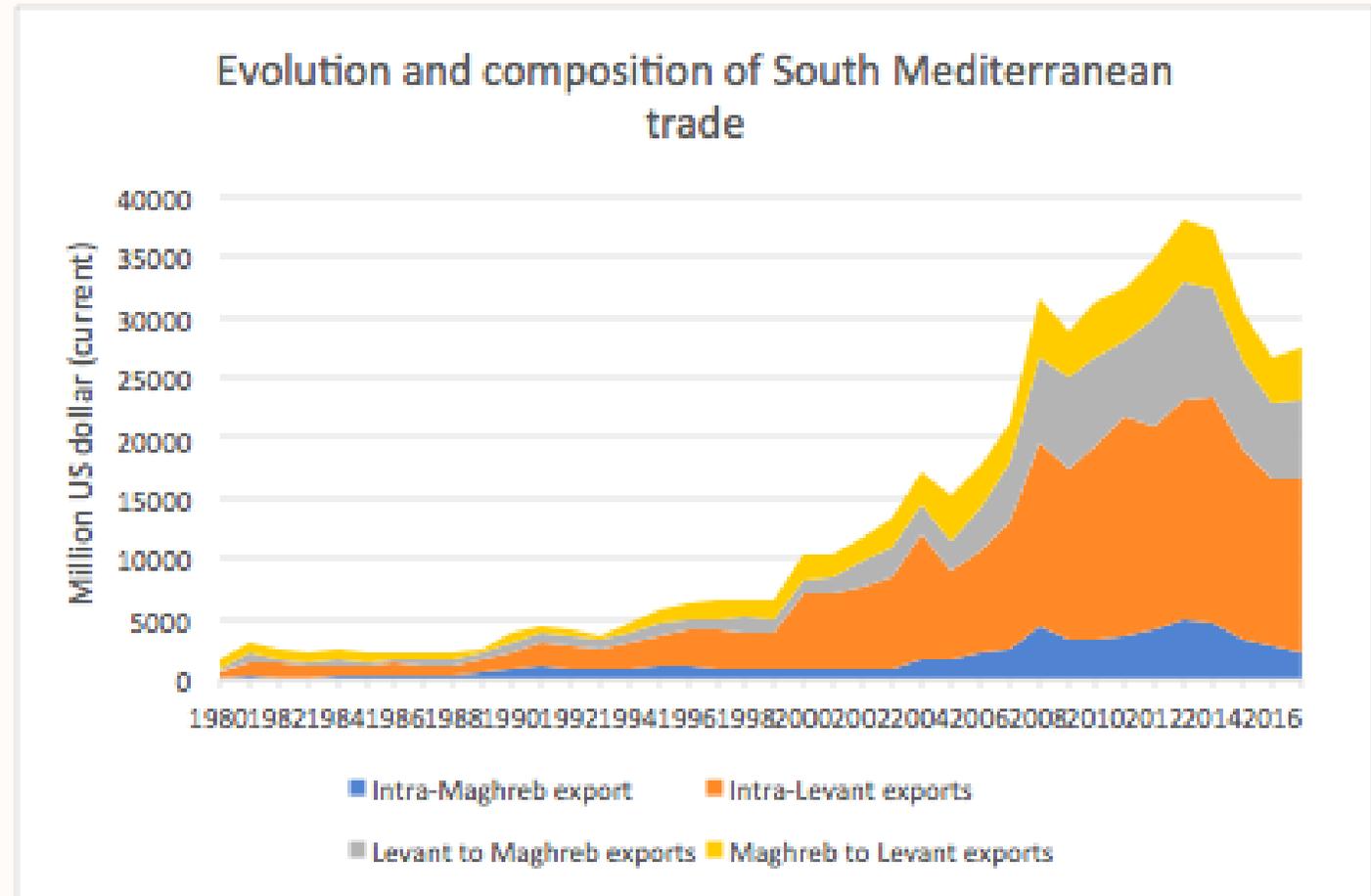


➔ **Declining importance of EU as a major trade partner for southern Mediterranean countries (except Tunisia and Morocco)**

# SOUTH MEDITERRANEAN INTRAREGIONAL TRADE: EXPORTS

→ South-Mediterranean regional trade has **increased over the years but remains relatively low**

→ **Intraregional exports** in South-Mediterranean Countries account for **10% of their total**



Source: IMF DOTS, 2016

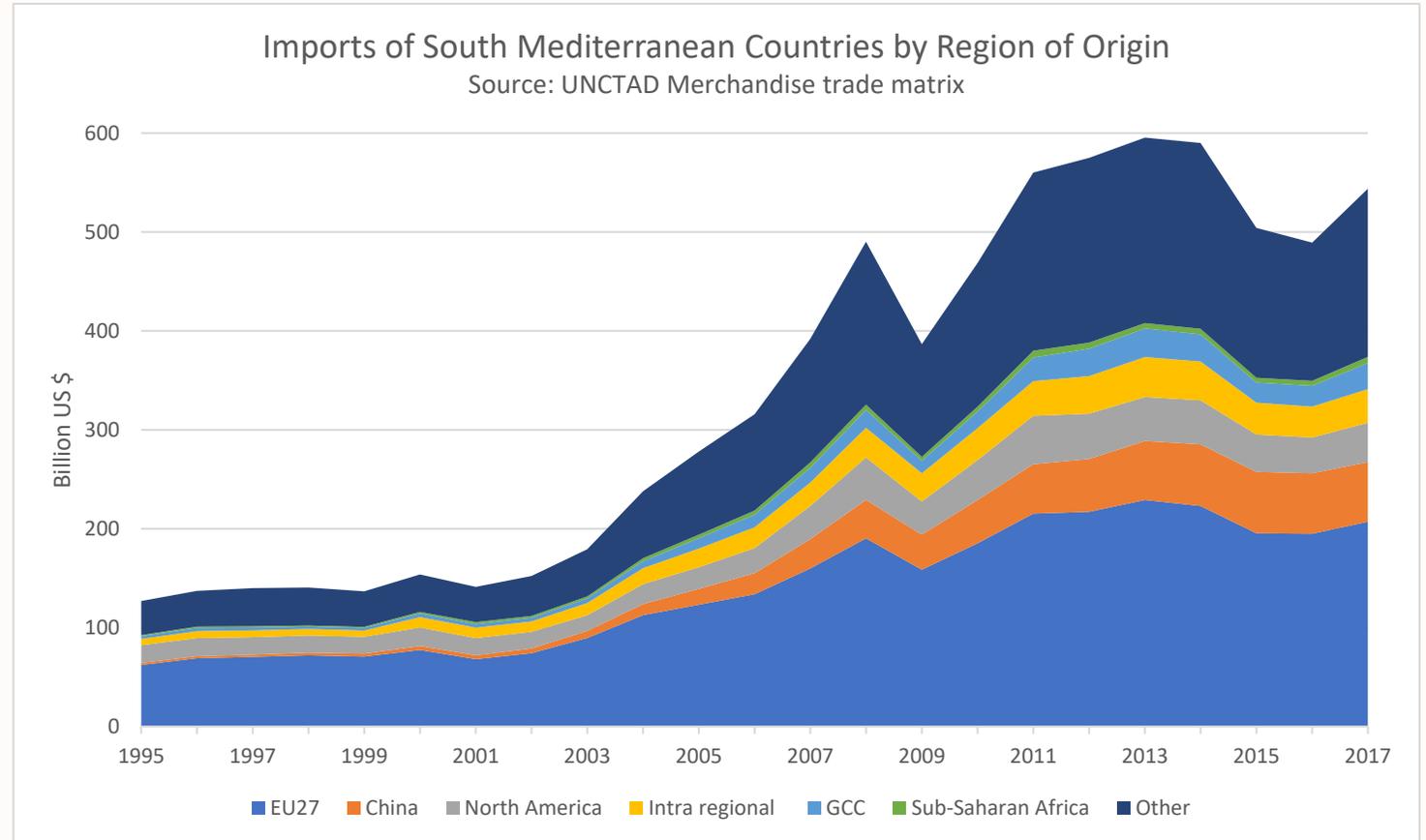


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# SOUTH MEDITERRANEAN TRADE: IMPORTS

→ South-Mediterranean regional trade with EU27 has **increased over the years but remains relatively low**

→ **Intraregional imports** in South-Mediterranean Countries account for **6% of their total**



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# UNDERSTANDING STRUCTURAL FACTORS

Relative performance of Mediterranean countries for subcategories of Logistic Performance Index



The Logistics Performance Index measures the **trade logistic performance** of a country.

*WB*

- The logistic performance index reveals weaknesses in the Mediterranean
- Eastern Mediterranean countries perform better than Maghreb countries



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# WHAT ABOUT TRADE OF SERVICES?

Today benefits from services' trade liberalization may be larger than goods' trade

Services impact trade related costs through transports and logistics

Services are extensively used in industry, affecting competitiveness

Services determine the potential for job creation and productivity: high tech and ICT services



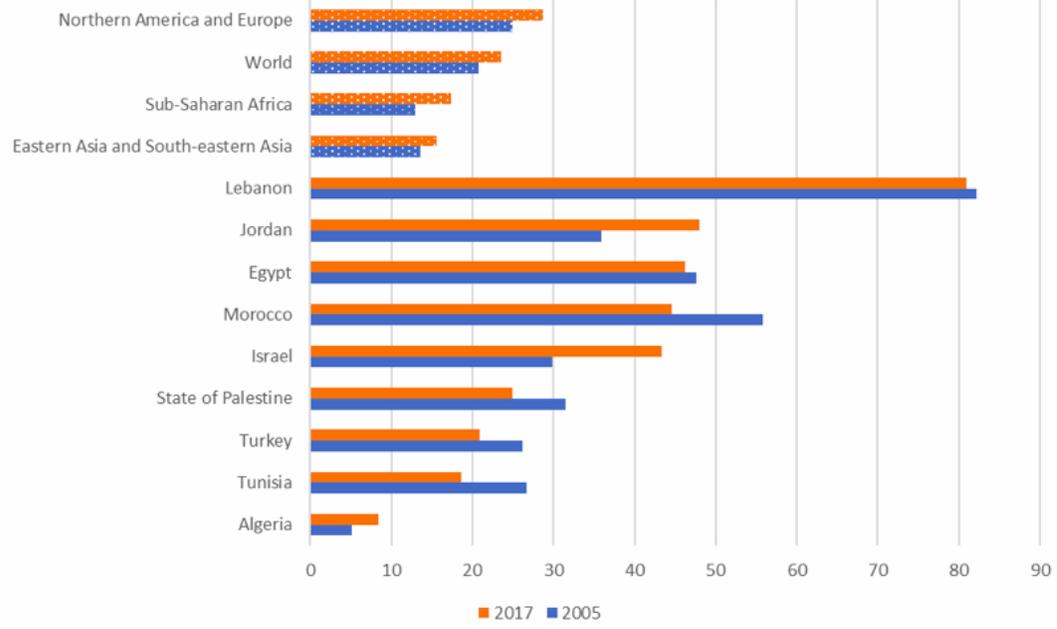
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# TRADE OF SERVICES

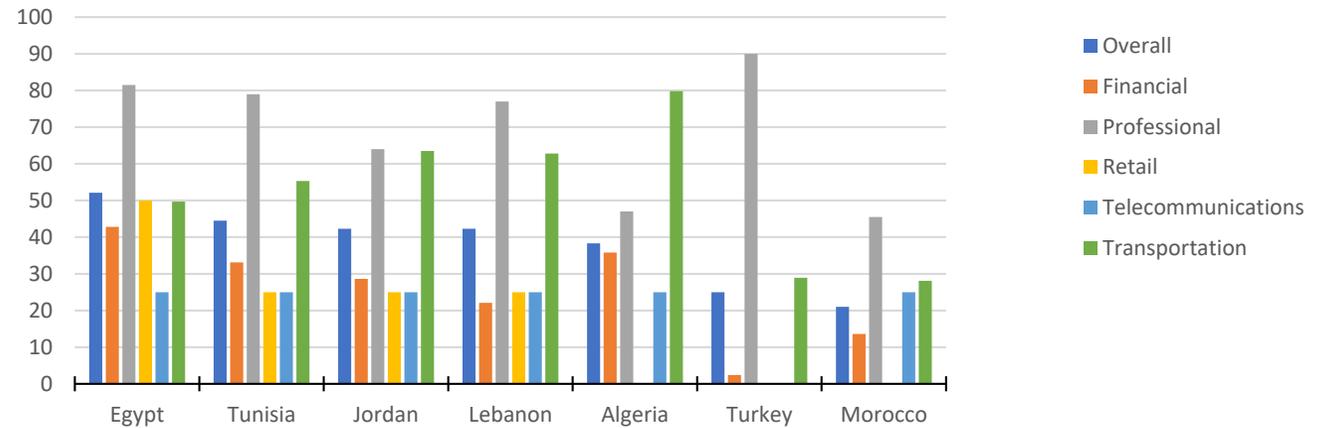
The trade restrictiveness index (TRI) measures **welfare losses** caused by **commercial policy instruments**.

OECD

Share of services in exports (% of total goods and services exports)



Service trade reictiveness by sector for Med countries



→ The share of services in exports has decreased in several Mediterranean countries since 2005

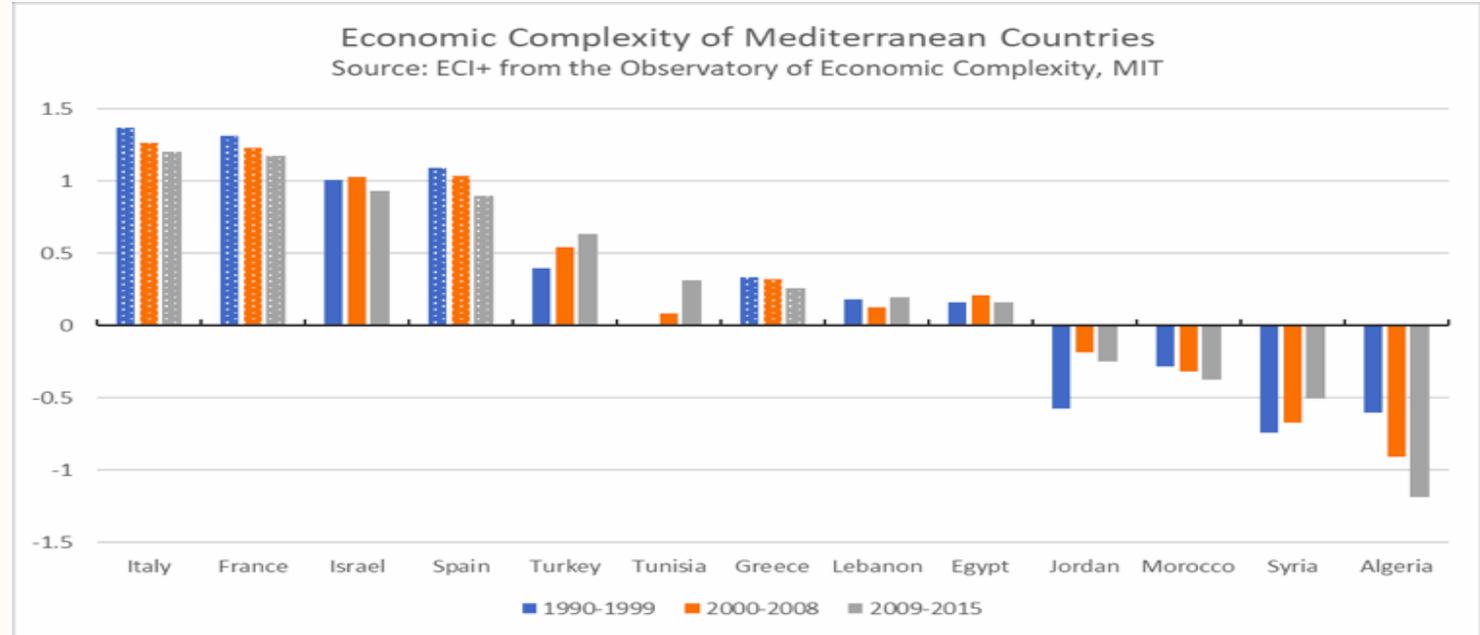


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# DIVERSIFICATION AND UPSCALING

The Economic Complexity Index (ECI) measures the **relative knowledge** of an economy or a product.

OECD



→ Southern and Eastern countries of the Mediterranean lack economic complexity

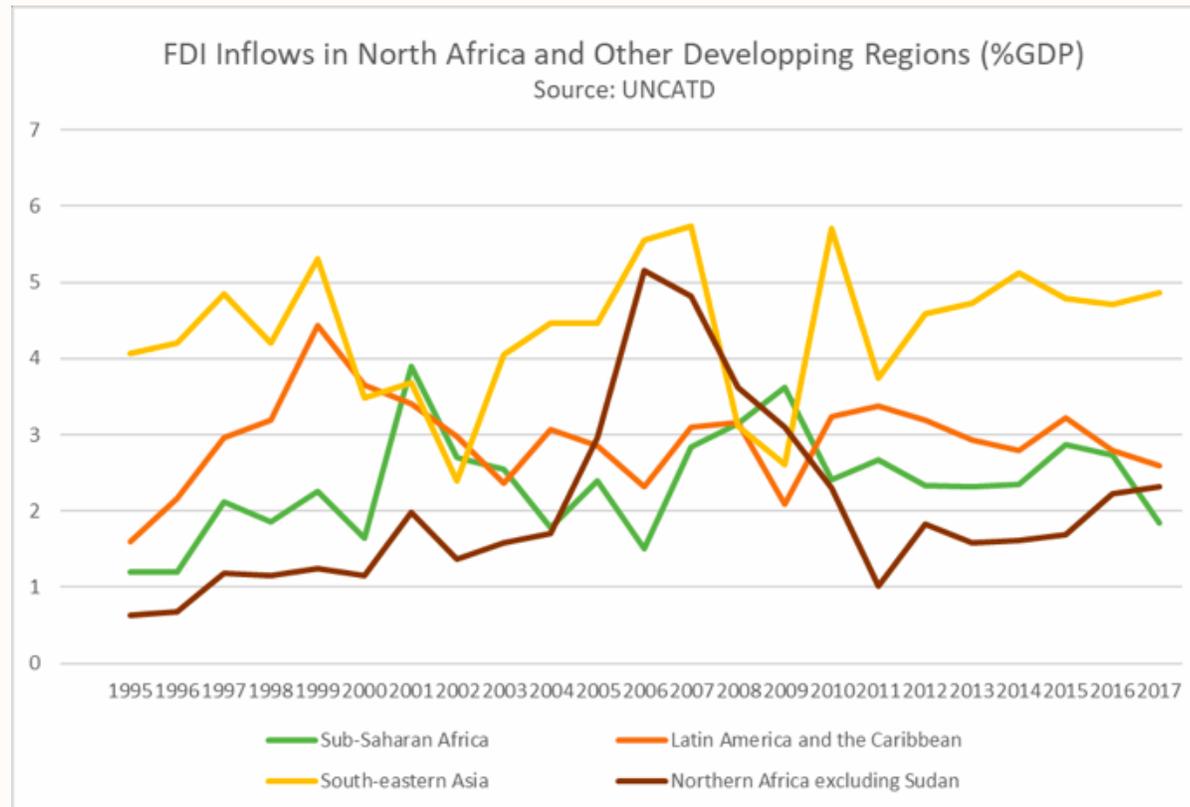
→ Manufactured goods have not been diversified

→ South and East Mediterranean territories tend to produce the same goods



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# FURTHER ASPECTS OF INTEGRATION – FOREIGN DIRECT INVESTMENT FLOWS



Foreign Direct Investment flows to North Africa increased up to 2005, to decline to 1995 levels in 2011

FDIs in the MENA region remain low compared to other developing regions



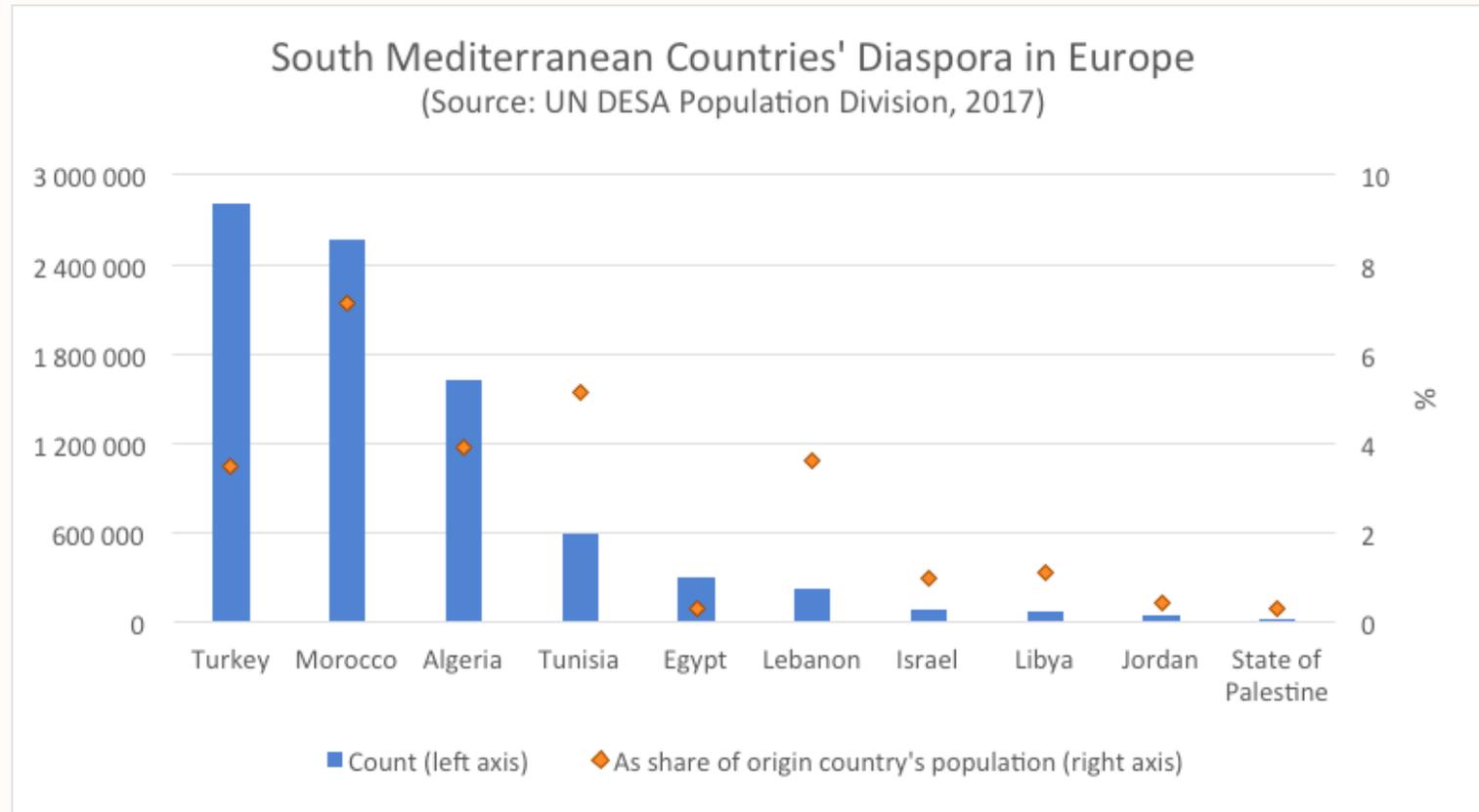
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# FURTHER ASPECTS OF INTEGRATION – HUMAN MOBILITY

→ Migratory flows to Europe contribute to Mediterranean integration through human capital mobility

The knowledge and skills [individuals] possess that enable them to create value in the global economic system

*The World Economic Forum*



# FURTHER ASPECTS OF INTEGRATION – MIGRATION

- Quality services
- Effective logistics
- Business environment

Necessary fundamentals  
to climb the value-  
added ladder

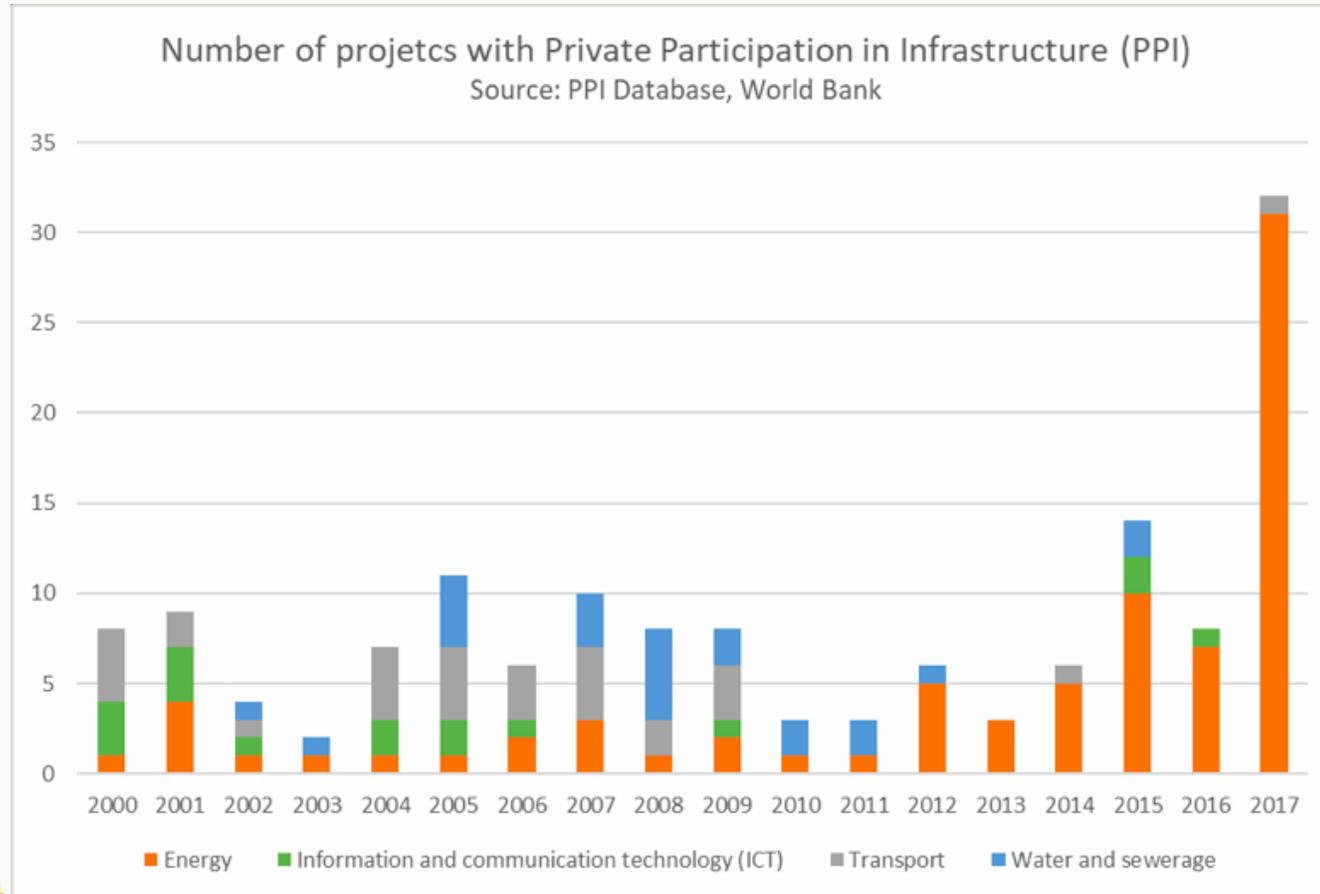
**Mediterranean diaspora  
could be a network to**

- Provide a **bridge between Mediterranean exporters and the local** information needed
- Transfer **knowledge** and **know how**, and **FDIs**
- Transfers **intangibles**
- Facilitate **immigrants' integration** into the host countries and promote **local development** in their countries of origin



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# PUBLIC PRIVATE PARTNERSHIPS IN MENA: THE EXAMPLE OF INFRASTRUCTURE



→ The state can actively create wealth through industrial policies involving partnerships with the private sector

→ Public-Private Partnerships (PPPs) consist in an important contribution to regional trade and climate change adaptation

→ The number of infrastructure projects has increased through PPPs, mainly in the energy sector



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# CMI: A DECADE OF MEDITERRANEAN PARTNERSHIPS FOR KNOWLEDGE & ACTION

The CMI is the only Mediterranean institution gathering governments, international development institutions, local authorities and civil society

- **Partnerships and knowledge**
- Knowledge for **policy action**
- **Flagship reports**
- High level **policy dialogues**
- **Membership** (4th MoU)
- Partnerships with **technical institutions**

"The concept of integration requires further analysis, taking into consideration the **latest developments, forces and challenges** currently affecting the Mediterranean region"

- Responding to **development challenges**
- Knowledge for **policy action**
- **Learning networks & communities of practice**
- Influencing the **Mediterranean agenda**

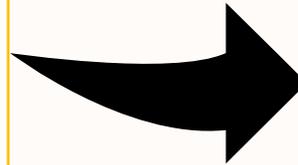


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# MEDITERRANEAN INTEGRATION IN THE 21<sup>ST</sup> CENTURY

## Three global forces affecting the definition of integration

- **Globalization**
- **Climate change**
- **Technological revolutions**



Responses should **respect identities and disparities** between countries while **consolidating the position of the region** within the global space.



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# TOWARDS SOCIO-ECONOMIC INTEGRATION IN THE MEDITERRANEAN: THE CMI VISION

## ECONOMIC EFFICIENCY

**... through market liberalization & free trade**

- Gradually liberalizing trade and non-trade barriers
- Diversifying and up-scaling
- Increasing attractiveness for investors
- Fostering public private alliances

## INCLUSION

**... preventing social & territorial inequalities resulting from market liberalization**

- Reducing arising social imbalances through safety nets
- Build territorial cohesion
- Developing and supporting infrastructures in territories under climate threat
- Building overall resilience to climate change

## CONVERGENCE

**...of living standards & per capita income**

- Fostering North-South linkages and co-development
- Promoting human capital investments and mobility
- Wide-spreading institutional change
- Fostering even access to new technologies

# FOSTERING TRADE LIBERALIZATION WHILE REDUCING SOCIAL & REGIONAL UNBALANCES

- Absence of large cohesion funds
- Difficult relocation of factors between sectors and regions

Implement proactive measures

TRADE LIBERALIZATION CAN HELP STIMULATE GROWTH BUT MAY ALSO EXACERBATE **INEQUALITY**

IT IS ESSENTIAL TO **ADDRESS**:

Local Economic Development

Governance

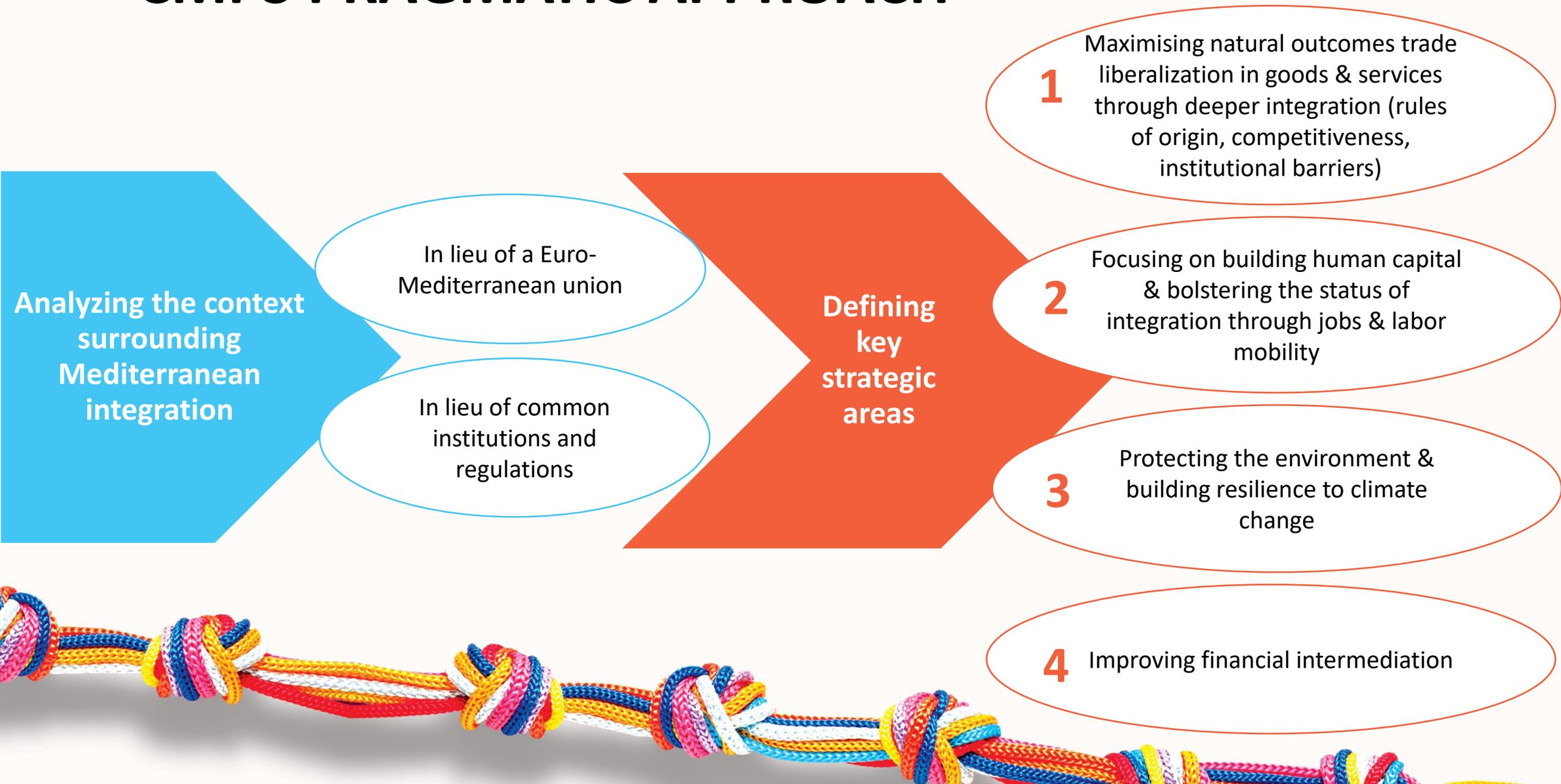
Public spending efficiency & equity

Investment promotion



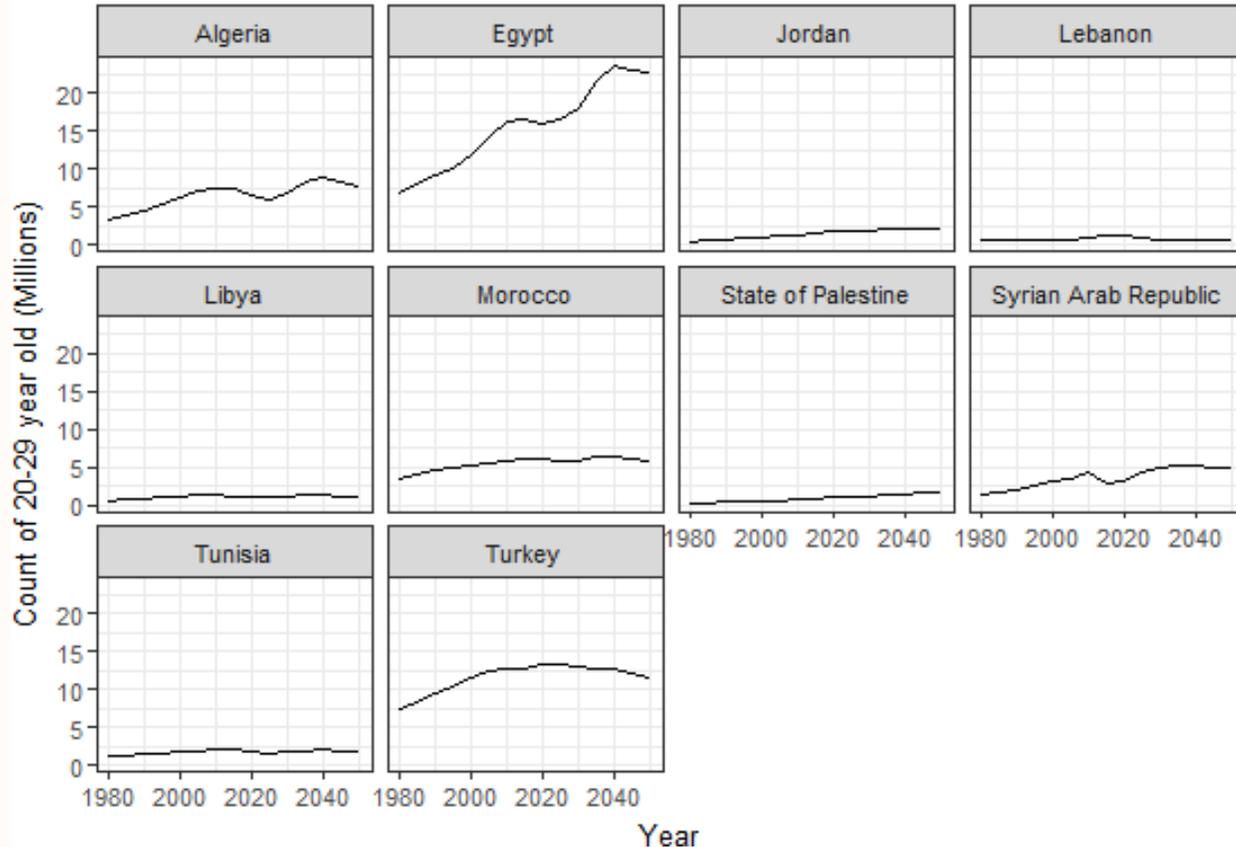
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# CMI'S PRAGMATIC APPROACH



# INVESTING IN HUMAN CAPITAL

Investment in human capital will be crucial as the flow of new labor market entrants will keep increasing in several countries



Source: UN DESA World Population prospects, 2017

For the Mediterranean to benefit from its demographic growth, it is essential to **offer youth education, work and social commitment** without **gender-based discrimination**



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# DEVELOPING HUMAN CAPITAL: REGIONAL EDUCATION INTEGRATION & DEVELOPMENT OF PROFESSIONAL TRAINING

PERSONAL  
DEVELOPMENT

Taking advantage of contact with other cultures

SOCIALIZATION

Accessing international universities and  
improving diplomas' quality

EMPLOYABILITY

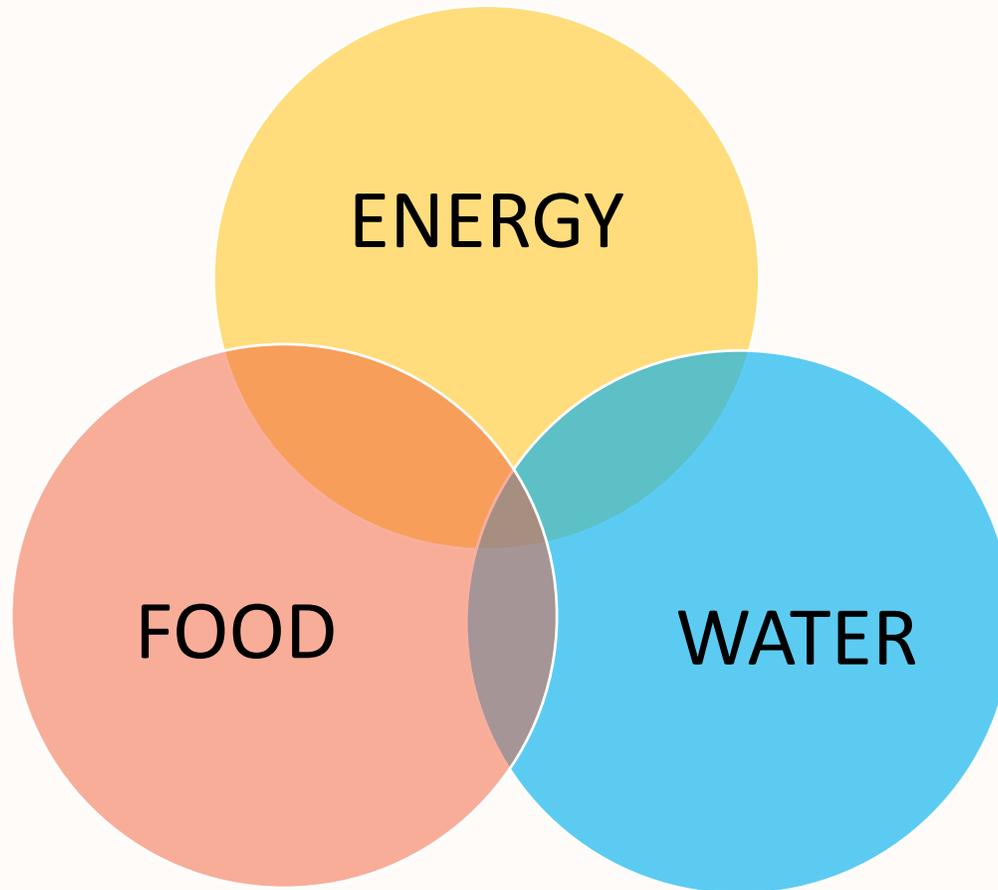
Meeting the increasingly specific demands of  
the labor market

Enhancing  
attractiveness  
of the  
Mediterranean  
for foreign  
investment



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# PROVIDING REGIONAL RESPONSES TO CLIMATE CHANGE



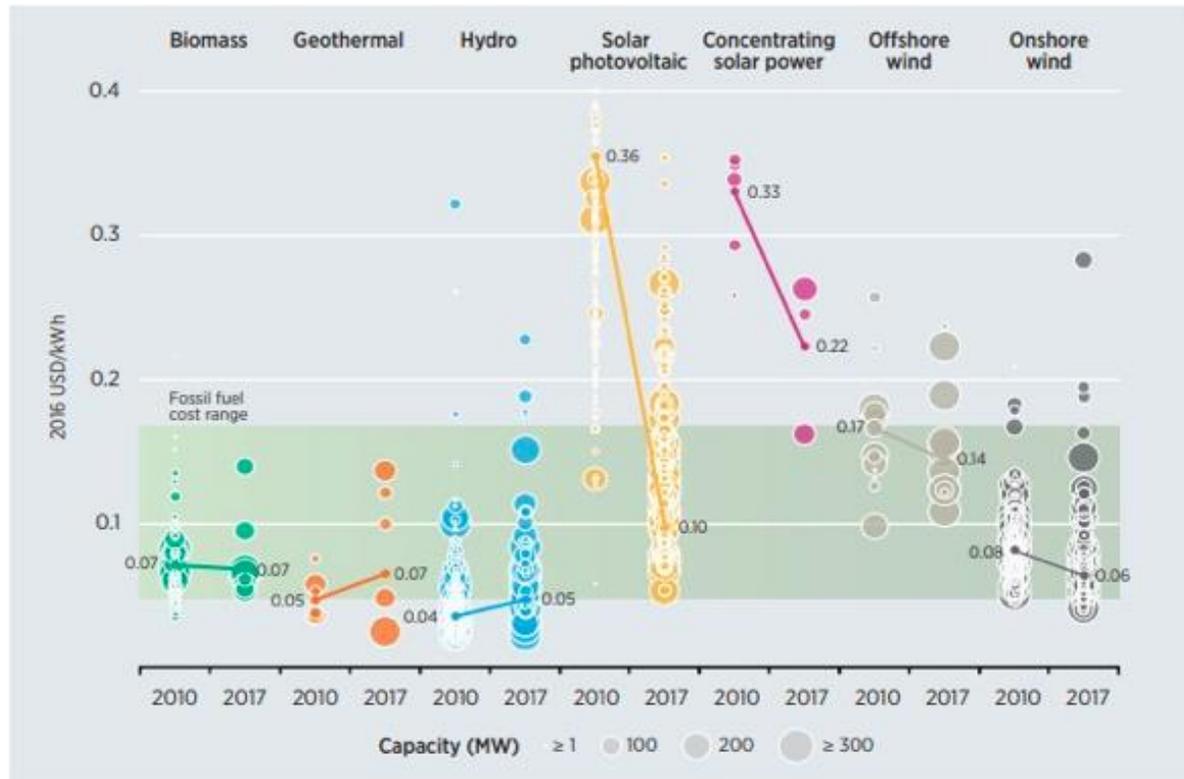
Three **indissociable** key sectors for **ecological transitions** to be fostered by Mediterranean cooperation with the technical and financial support of the European partners and others



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# DEVELOPING A EURO-MEDITERRANEAN ENERGY MARKET

Figure ES.1 Global levelised cost of electricity from utility-scale renewable power generation technologies, 2010-2017



Source: IRENA Renewable Cost Database.

Note: The diameter of the circle represents the size of the project, with its centre the value for the cost of each project on the Y axis. The thick lines are the global weighted average LCOE value for plants commissioned in each year. Real weighted average cost of capital is 7.5% for OECD countries and China and 10% for the rest of the world. The band represents the fossil fuel-fired power generation cost range.

→ Connecting countries of the southern shore, which are rich in **carbon-free energy resources**, to countries of the northern shore which have a strong appetite for carbon-free electricity

→ Investing in **efficient power plant operation** and reserve sharing to **reduce power system costs** and therefore consumer prices



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# IMPROVING ACCESS TO FINANCE

Offer better access to capital for companies by diversifying investors' portfolios

Improve balance between supply & demand at regional levels  
&  
leverage international financial institutions

Allow introduction of new financial products via installation of foreign banking expertise



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# CONCLUSION

**While maintaining key Mediterranean integration principles, a new impetus is needed in light of global phenomena:**

- Deeper trade integration
- Economic diversification
- Reduction of social and regional disparities

**Promoting co-development based on strategic projects of common interest**

**Additional financing efforts needed to scale up existing country & sub-regional initiatives in energy, water, human capital sectors:**

- Summit of the Two Shores could provide a new impulse to Mediterranean integration