

Thinking Ahead  
for the Mediterranean

## MEDPRO - Prospective Analysis for the Mediterranean Region

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### Report of the MEDRPO Final Conference Brussels, February 26<sup>th</sup> 2013



*After three years of research, at the Final Conference of MEDPRO on February 26th, Researchers presented the project's final results, scenarios and policy recommendations to an audience of EU policymakers, civil society representatives and high-level stakeholders of Euro-Mediterranean relations. The Final Conference closes the series of High Level Stakeholder Engagement meetings and introduces the Euro-Mediterranean Economists Association (EMEA) which will continue the work initiated in MEDPRO and follow-up on the developments in Euro-Mediterranean affairs.*

#### Welcome session

MEDPRO Coordinator and CEPS Senior Fellow Dr. Rym Ayadi welcomed participants and presented the project to the audience. MEDPRO is a independent research network composed of 17 institutions from the EU and the Southern and Eastern Mediterranean<sup>1</sup> region aimed at undertaking a foresight analysis in the areas of geopolitics and governance; demography, health and ageing; human capital, social protection, inequality and migration; energy and climate change; management of environment and natural resources; economic development, trade, investment; financial services and capital markets; and, scenarios for regional integration and cooperation with the EU. MEDPRO is funded under EU's FP7 Programme through a € 2.6 mln from the European Commission and € 1 mln from participating institutes resources.

<sup>1</sup> The region is composed of Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Palestine, Tunisia, and Turkey



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The project started in March 2010 and soon after the initiation of research, the “Arab Spring” erupted, providing the network with an unprecedented occasion to think ahead of the Mediterranean region and contribute decisively to the socioeconomic development plans being drafted while being a strategic tool for policymakers in the coming years.

The Final Conference closes the project and a cycle of 3 High Level meetings with policymakers, academics and civil society representatives from both shores of the Mediterranean who participated actively in discussing the results of the research over the past months on the occasion of High Level Stakeholders meetings in Tunis (November 2012) and Cairo (January 2013).

**European Commission’s Scientific Officer Dr. Domenico Rossetti Di Valdalbero** followed the session with a brief presentation of EU’s forward looking activities, their history and MEDPRO’s positioning within these initiatives. In 1989, E.C. President J. Delors created the “Cellule de Prospective” an interdisciplinary “think tank” composed of Member States’ (MS) representatives tasked with conducting prospective studies on diverse aspects of EU integration in collaboration with research centers and organizations specialized in long term planning. E.C. Presidents R. Prodi and J.M Barroso successively renamed the body- today known as the Bureau of European Policy Analysts (BEPA)- and expanded its mandate to include wider economic, political and societal foresight analyses. These activities translate into long term policy orientations such as the EU Budget, the EU 2020 Strategy and Commission Communications such as the Transport 2050 Communication. 7<sup>th</sup> Framework Programme Social Sciences and Humanities Program (FP7 SSH) including foresight analyses are also key components of EU’s forward looking activities<sup>2</sup>.

As far as the Mediterranean is concerned, besides MEDPRO, the region has been the focus of the EUROMED 2030 Expert Group. Published weeks before the onset of the Arab Spring, the report<sup>3</sup> called for a unified policy towards the region and highlighting that socioeconomic development was an imperative for the Southern Mediterranean countries to reduce risks for the neighboring countries. As entrenched authoritarianism and poor socioeconomic conditions are at the roots of the Arab Spring, EU’s policies towards the region are now deeply being

<sup>2</sup> For more information on FP7 SSH research projects, see: <http://cordis.europa.eu/fp7/ssh/>

<sup>3</sup> For a copy of the report, which was published in December 2010, see [ftp://ftp.cordis.europa.eu/pub/fp7/ssh/docs/euromed2030-long-term-challenges\\_en.pdf](ftp://ftp.cordis.europa.eu/pub/fp7/ssh/docs/euromed2030-long-term-challenges_en.pdf).



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**Opening address: Dr. Marcus Cornaro, Deputy Director General DG Development and Cooperation (DEVCO, E.C.)**

questioned and the design of future policy options for mutual benefit requires going beyond conventional thinking more than before, a challenge MEDPRO strives to meet.

In his opening address<sup>4</sup> Dr. M. Cornaro, thanked the MEDPRO Coordinator and researchers for their work and invitation before presenting E.C.'s assessment of the situation in the region and providing with insights on the new projects being implemented to facilitate the socio economic and political transition of the Southern Mediterranean. As highlighted by recent developments, the situation in the region remains very fluid and heterogeneous, whereas all countries will have to meet the interrelated challenges of sustainable growth and job creation to safeguard stability. To illustrate the importance of these challenges, Dr. Cornaro recalled that unemployment rates are among the highest in the world, exceeding sometimes 25% and 18 million new jobs will have to be created in the next decade to absorb new labor market entrants in the region. The Arab Spring prompted a rethinking of EU's policies in the region highlighted in the Commission Communications "A partnership for Democracy and Shared Prosperity with the Southern Mediterranean"<sup>5</sup> and "A New Response to a Changing Neighbourhood"<sup>6</sup> adopted respectively in March and May 2011. Consistently with the new approach towards the region and the adoption of the differentiation principle, the EU stands ready to support its partners in the region provided they commit to the implementation of political and economic reforms.

This change of approach entailed an adaptation of many projects already committed to the region as well as the design of new ones revolving chiefly around the promotion of economic growth, job creation, democracy building, governance and justice reform. For example, in addition to negotiating Deep and Comprehensive Free Trade Agreements (DCFTAs) with the region to foster trade integration, 100 € mn were invested in programmes supporting youth employment and SMEs development in 2011 and 2012 in Algeria, Egypt, Jordan, Morocco and Tunisia and two new instruments aimed at supporting the democratic developments in the region, the Civil Society Facility (CSF)<sup>7</sup> and the European Endowment for Democracy

<sup>4</sup> The full text of Dr. Cornaro's and other Keynote Speakers will be available in the final issue of the MEDPRO Newsletter.

<sup>5</sup> For the full text of the Communication see : [http://ec.europa.eu/euromed/docs/com2011\\_200\\_en.pdf](http://ec.europa.eu/euromed/docs/com2011_200_en.pdf)

<sup>6</sup> The full text is available under this link: [http://ec.europa.eu/world/enp/pdf/com\\_11\\_303\\_en.pdf](http://ec.europa.eu/world/enp/pdf/com_11_303_en.pdf)

<sup>7</sup> For more information on the CSF, see: [http://ec.europa.eu/enlargement/tenders/support-for-civil-society/civil-society-facility/index\\_en.htm](http://ec.europa.eu/enlargement/tenders/support-for-civil-society/civil-society-facility/index_en.htm)



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(EED)<sup>8</sup> were created. Also, EU financial institutions, the European Investment Bank scaled up its operations in the region and can provide up to € 1.7 bn in loans and the European Bank for Reconstruction and Development (EBRD) saw its mandate expanded allowing the bank to undertake operations in the region. Dr. Cornaro also noted that the paradigm was shifting in these countries since they were receiving increased funding from Arab countries. In this new configuration, the EU wants to work more with the Gulf Cooperation Council (GCC)<sup>9</sup> and Arab donors to understand their policies with a view to eventually work jointly for the socioeconomic development of the region.

Dr. Rym Ayadi remarked that MEDPRO analyses showed the region needed much more than what the E.C. was currently offering within a structured approach based on short, medium and long term actions. For example, while DCFTAs are useful in addressing barriers to trade and creating an Euro-Mediterranean FTA, they can only bring benefits in the longer term. Over the short term in her view, what is necessary is a stronger political message – a coherent vision to anchor the democratic transitions and to drive the region towards a sustainable path.

### Keynote speech by H.E. Ambassador Sergio Piazzi, Parliamentary Assembly of the Mediterranean (PAM)

After Dr. M. Cornaro's opening address, H.E. Ambassador S. Piazzi presented the PAM to the audience. The PAM is the forum where the Parliaments of the region come together and operate to reach common objectives towards the creation of the best political, social, economic and cultural environment and conditions for the countries in the region. It is a regional interstate organization, an Observer at the General Assembly of the United Nations and enjoys a specific international juridical status. The Assembly plays a fundamental role as an organization rooted as a complementary asset to the work of other regional and international bodies entrusted with the responsibility to foster security, stability and peace in the Mediterranean.

Over a short period, PAM has established itself as the main actor in parliamentary diplomacy in the region, and its commitment to the founding principles and its Charter, is guaranteed by the continued support of all its member parliaments. Through the PAM, political dialogue and understanding between the Member States and their citizens is strengthened notably through initiatives seeking to foster and build confidence among Mediterranean States; guarantee regional security, stability; consolidation the endeav-

<sup>8</sup> For more information on the EED, see : [http://europa.eu/rapid/press-release\\_IP-13-17\\_en.htm](http://europa.eu/rapid/press-release_IP-13-17_en.htm)

<sup>9</sup> The Gulf Cooperation Council comprises Bahrain, Kuwait, Oman, Qatar, United Arab Emirates and Saudi Arabia.





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ors of Mediterranean States; and presentation of opinions and recommendations to national parliaments and governments, regional organizations and international fora.

Reaching these objectives entails deep and regular cooperation with various authorities. With the E.C., cooperation with Neighborhood Policy and Enlargement Commissioner Mr. Stefan Fule and Vice President Mr. Antonio Tajani is frequent through high level meetings dedicated to youth and entrepreneurship in the region. PAM plans to deepen cooperation with the E.C. and especially with DG DEVCO and Research. In addition to relations with the E.C., PAM also participates in Inter-Parliamentary Union, the Arab Inter-Parliamentary Union the Council of Europe, the NATO, the Islamic Conference, and the Maghreb Union among many others; while also assisting and supporting Turkey and Southern-Eastern European Cooperation; and, working with the GCC and the Arab League.

The Arab Spring, must, in the view of S. Piazzini be perceived as an opportunity for the region to change and move from the current impasse of gangrening corruption and inequality to a sustainable model of development. In this regard, PAM will work to facilitate this transition through appropriate means. For example, the institution already used its contacts to facilitate a cease-fire between Israel and Hamas, and it assists the newly elected Libyan Parliament.

S. Piazzini noted that in the aftermath of the Arab turmoil, Europe launched number of projects most notably aimed at facilitating MSMEs operating environment; and in his view, over the long term, the conclusion of deep and comprehensive FTAs will be an excellent tool for upgrading the region's capacities. However, working in the Southern and Eastern Mediterranean from a European perspective is not easy due to the complexity in the region; as policies have to factor the involvement of external actors. For example, EU Member States maintain strong networks of bilateral relations, so does the USA through the Deauville Partnership. In this regard however, Southern European Member States have increasingly recourse to the G8 in order to overcome what is perceived as a "German obstruction" in the region, when talks were being held to create a dedicated development assistance institution for the Mediterranean.

Highlighting PAM's importance, the EBRD has chosen the institution as the political partner for the implementation of the Deauville Partnership. The UN economic cluster has also invited the institution to its headquarters for a meeting to harness investment in infrastructure;



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**Keynote speech by Fathallah  
Sijilmassi, Secretary General of  
the Union for the Mediterranean  
(UfM)**

though FDI attraction, and political stability. Eventually, PAM wants to gather Members of Parliament and economic actors such as investment promotion agencies and donors around a series of meetings of sectoral groups.

F. Sijilmassi, first recalled that despite UfM's creation in 2008, the Southern and Eastern Mediterranean region is in EU's priorities since 1995 and the Barcelona Process. Enacted in 1995 shortly after the conclusion of the Oslo Accords, the process rested on the pillars of political, economic and socio-cultural cooperation. Progress under the three was uneven and below expectations. On the political front, there has not been a significant progress regarding the Israeli Palestinian conflict, despite indications and attempts to restart the process. On the economic side, results were less negative. The main outcome of the Barcelona Process was the signature of Association Agreements between individual countries in the Southern and Eastern Mediterranean and the EU. If this bilateral track somewhat succeeded, the regional approach under this framework was a failure. Social and cultural cooperation was based on the intuition that human and cultural relations ought to be at the center of Euro-Mediterranean relations. Yet, quickly after launching the Barcelona Process, this pillar became rapidly focused on migration issues; a set of subjects political in nature, preventing progress to be achieved under this pillar.

The UfM was created partly to alleviate these deficiencies; especially in as far as political cooperation is concerned through a highly relevant framework gathering the Southern and Eastern Mediterranean together with Israel. At the same time, the EU's decision to create a Neighborhood Policy and not a set of different sub regional policies was a positive decision. If UfM's membership structure is the institution's number 1 asset, its number 2 asset lies in its project focused approach.

In F. Sijilmassi's view, after being set and having an operational secretariat, the UfM seeks to overcome the deficiencies of the Barcelona Process and foster regional cooperation. As shown by the experience of other regions and chiefly the EU, regional integration can bring important economic benefits. Having an increased growth and providing quality jobs is crucial in a region like the Southern and Eastern Mediterranean where unemployment is sometimes endemic and is set to increase without bold policy actions. Whether the UfM will succeed or not in pushing regional cooperation forward is unknown, but according to F. Sijilmassi, a positive development lies



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in EU's decision to assume the Northern Co-Presidency. This has allowed the UfM to coordinate regional cooperation while at the same time being member of the Deauville Partnership Steering Committee Transition Fund.

Besides, the UfM also works on flagship projects meaningful for the region. Examples are the Gaza desalinization capacity, where the European Investment Bank (EIB), the Saudi Islamic Development Bank and other donors are involved. Currently, the governance study for the project is under finalization and it is expected to have an agreement at the end of the year. Another example of regional integration project is the Trans-Maghreb Highway, seeking to link the highway networks of Algeria, Morocco, and Tunisia. Despite political problems between these countries, the project has been labeled by these countries, and hence, approved.

The third pillar of UfM's work lies in the support to civil society. The newest pillar of the institution seeks to respond to the youth, employment and gender equality challenges of the region. While it is clear the UfM will not be able to solve the employment challenge in the region, it can make a decisive contribution to it through the sum and coordination of initiatives.

**Dr. Rym Ayadi (CEPS)** recalled that in order for co-ownership to materialize in the current context, UfM projects would have to somewhat be adapted based on the needs of the region. At the same time, given the implication of Arab donors, she wondered whether there was scope for integrating the GCC in the UfM.

According to F. Sijlmassi, the dimension of co-ownership was not yet fully captured and that pedagogy was needed. He noted that currently, despite the crisis, there are more financial resources than projects to finance, and that there was no à priori limitation for a presence of the GCC in the UfM's. In his view, given the region's relations with the rest of the Arab world, they should have a presence in the Union's institutional setting especially given their implication in financing projects. Also, while praising EU's capacity to act as a motor of regional cooperation, F. Sijlmassi urged it to go beyond a relation based on Official Development Assistance (ODA) and to consider the region as a natural partner capable of bringing positive economic benefits. To make his point clear, F. Sijlmassi recalled the Enlargement experience: while many doubted on EU's 'absorptive capacity' it turned to be an important economic success.



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### MEDPRO framework and alternative scenarios

Following the welcome session, the opening address and Keynote speeches, **Dr. Rym Ayadi and Carlo Sessa (Istituto di Studi per l'Integrazione dei Sistemi, ISIS)** presented the MEDPRO qualitative analysis framework and recalled its key underlying assumptions: future accumulation of wealth and the road towards patterns of sustainable development would be only possible through cooperation with the EU. As a result, besides a business as usual scenario (BaU, alternatively referred to as the Reference scenario hereafter), the scenarios framework envisaged 3 other possible scenarios:

1. Under a Threats scenario, SEMCs fail to anchor in sustainable patterns of development, current conflicts in North Africa and the Middle East spread, resulting into a halt of Euro-Mediterranean cooperation. Trade levels decrease due to increased barriers, and economic development is significantly slowed down due to infrastructure dilapidation, with GDP growth decreasing.
2. The EU-MED Union scenario posits SEMCs will fully implement the European “acquis”, hence creating a powerful Euro-Mediterranean economic region with an important influence on the world stage. Governance is significantly enhanced, countries are commercially integrated with themselves and the rest of the world, infrastructure is upgraded, total factor productivity increases and drives economic performance in an upward trend. As a result GDP increases.
3. Under the EU-MED Alliance scenario, countries in the region meet the challenge of sustainable development, and conclude agreements with the in restricted areas such as trade, education, research etc.

These visions of the future should not be seen as rigid, since the future Euro-Mediterranean relations will be influenced by a number of country specific and contextual factors, resulting in deviations from these stylized storylines.





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### Session 1: Demography, human capital, inequality and migration

**Dr. George Groenewold** and his team at the **Netherlands Interdisciplinary Demographic Institute (NIDI)** used the scenarios framework to find what this implied for demographic developments and chiefly on the working age population. Results show that across all scenarios, the population in the SEMCs will grow between 69 and 83 million people by 2030. In contrast, EU population growth will be of much smaller magnitude with a total increase of 21 million people only. In addition to these divergences across the Northern and the Southern shores of the Mediterranean, changes in population are not homogeneous across countries. Egypt for example is expected to witness the most important growth in working age population with an increase from 63% in 2010 to peak levels of 68% in 2040-2050 whereas the working age population in Tunisia will decline. In as far as the EU is concerned; the population decline will be the most important in Germany. While there seems to be a demographic complementarity between the two regions in as far as demographic developments are concerned, many obstacles need to be overcome: migration policies would have to change, SEMCs would need to devise policies addressing the skills mismatch with the EU; and reduce the cultural gap among others.

**Prof. Alia El Mahdi (Faculty of Economics and Political Sciences of the Cairo University, FEPS, Egypt)** followed by presenting MEDPRO results on education, inequality and female labor force participation. In the field of education<sup>10</sup>, past reforms in the region have been quantitative in nature, and government efforts have concentrated in increasing gross enrollment rates in primary in order to ensure the twin objective of increasing literacy rates among younger cohorts and close the gender gap in access to school. Today, these objectives have been widely attained, but the past focus on education “quantity” has resulted in a situation where the skills mismatch is important and leads to high unemployment, especially among youth. Consequently, and as working age population is set to increase in the coming decades, future education reforms need to be qualitative in nature and rather focus on enhancing teaching curricula<sup>11</sup> and concentrating on what the job market needs.

The importance of education is further underlined when analyzing the region’s patterns of inequality, as education

<sup>10</sup> MEDPRO Report on Education and Social protection can be accessed here : <http://www.medpro-foresight.eu/publication/education-and-social-protection-systems-southern-and-eastern-mediterranean-countries>

<sup>11</sup> For an analysis of returns to education in the Southern and Eastern Mediterranean, see : <http://www.medpro-foresight.eu/publication/measuring-returns-education-and-human-capital-southern-mediterranean>



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level is found to be the most important determinant of income inequality<sup>12</sup>. Despite the important levels of inequality in the SEMCS and their stagnation since the 1990s, the region appears nevertheless to be more egalitarian than other parts of the world such as Latin America. Of particular importance in the region is the question of subsidies: largely used as a means to contain social instability, research proves they benefit mostly to high income households while exerting important pressures on public finances that further constrain governments in designing effective policies to address the roots of inequality. The results of the prospective analysis are somewhat counter-intuitive: under an optimistic scenario where GDP growth is positive and average consumption growth is of 2%, the middle-class is expected to shrink in the region; while under the pessimistic scenario, the opposite happens, illustrating the fact that high income individuals concentrate growth benefits. As a consequence of these trends, governments will have to concentrate on creating pro-poor policies in the region while giving a particular attention to education quality and employment.

The research has also provided evidence on the existence of a U-shaped relationship between female labor force participation (FLP) and economic growth<sup>13</sup>. This implies that as GDP rises, first, women exit the labor market, until a threshold beyond which their participation increases. In comparison with other developing and developed countries, it appears that region-specific factors exert an important influence on female labor force participation in the SEMCs. Estimates for Egypt show that a lower FLP would lead to a loss of 0.20% GDP by 2030; whereas a higher rate would drive GDP up by 1.1% per annum until 2030.

In the area of migration, **Dr. Sergio Carrera (CEPS)** gave an overview of EU's policy responses to the Arab Spring. Brussels-based institutions responded with a mix of measures consisting in increasing border control and prevention of illegal migration<sup>14</sup>. This has translated into a reinforcement of Frontex and Europol logistical capabilities, as well as promises by European Commission President J.M.D Barroso to provide North African governments with a total of € 400 million development aid conditional

<sup>12</sup> The Technical Report on Inequality in the Southern and Eastern Mediterranean can be found here: <http://www.medpro-foresight.eu/publication/inequality-southern-mediterranean-survey-selected-countries>

<sup>13</sup> The Technical Report can be accessed here : [www.medpro-foresight.eu/publication/female-labour-force-participation-and-economic-development-southern-mediterranean-country](http://www.medpro-foresight.eu/publication/female-labour-force-participation-and-economic-development-southern-mediterranean-country)

<sup>14</sup> MEDPRO's report on EU's migration policy after the Arab Spring can be accessed here: <http://www.medpro-foresight.eu/publication/eu-migration-policy-wake-arab-spring-what-prospects-cu-southern-mediterranean-relations>



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on accrued cooperation in fighting illegal migration. Also, the Arab Spring has led to an increased intergovernmentalization of EU's migration policies, as witnessed by the Franco Italian dispute whereby France decided to restore border controls with Italy. As security grounded measures and conditionality seem to be EU institutions top priority the likelihood of a genuine mobility partnership with SEMCs seems low. This is partly due to EU's institutional architecture, where Directorate General Justice and Home Affairs (DG HOME) leads the discussions on migration instead of the European External Action Service (EEAS). Under the current framework, Member States Interior Ministries' officials travel abroad to meet foreign officials and discuss migration related issues, instead of diplomats, who have a broader knowledge of issues. As a result, in talks about capacity building, securitization of migration is always prioritized over the policy responses tackling the roots of migration; and, as long as this division of labor remains, there will be no genuine mobility partnerships. Within MEDPRO's prospective framework, the Alliance scenario is optimal for migration if partners are equal, and conditionality on border control, readmission and the like is abandoned. In EU's institutional architecture, this implies a growing role of the EEAS and a consistent strategy, as currently, too many competing agendas and diverse actors undermine the policy coherence.

**Prof. Abdelhamid El Zoheiry (Heliopolis University, Egypt)** reacted on education and demography highlighting that innovation was a key means to meet the demographic challenge in the region. He regretted that the current EU framework programmes, despite being open to SEMCs are too oriented towards EU priorities. In his view, the EU should move from an official development assistance point of view on research cooperation and called for the development of a vision based on co-ownership involving SEMCs in the design and funding of programmes.



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### Session 2: Scenarios for energy and climate change in the Eu- roMed in 2030

**Prof. Pantelis Capros (E3M Lab, Institute for Communication and Computer Studies, national Technical University of Athens, ICCS/NTUA, Greece)** presented the main characteristics of the modeling exercise and the salient facts of energy scenarios. For the MEDPRO project, the E3M lab developed a special version of the GEM-E3 model<sup>15</sup>, simulating the price-formation for end-users of energy; estimating the energy quantities demanded and supplied by the main energy system actors; while incorporating energy related CO<sub>2</sub> emissions, environmental policies instruments and emission abatement technologies. The model takes exogenous inputs for macroeconomic, demographic and sectoral activity projections as well as international primary fuel prices and has been used in conjunction with the PRIMES model<sup>16</sup> for the EU in order to construct the reference and alternative scenarios. Under the EU-MED Alliance scenario, it is assumed that SEMCs participate in EU's efforts to reduce climate change through the Emission Trading System (ETS) and the ensuing facilitation of investment in renewable energy sources (RES) and infrastructure development. Results for this scenario show that by 2025, RES exports to the EU reach a level of 60 twh/year<sup>17</sup>, from a current near-zero level. The following years, see export capacities increase massively and in 2030 14.5% of the region's total electricity generation is exported, meeting 6.4% of EU's electricity demand. Investment needs for infrastructure upgrade under this scenario amount to a total of € 649 bn (an increase of 33% from the reference scenario, but power generation costs as well as variable costs decrease respectively by 22 and 69% from the reference scenario). Under this scenario, net hydrocarbon imports of the region decrease by approximately 150 mtoe<sup>18</sup> by 2030 and CO<sub>2</sub> emissions remain contained compared to the reference scenario. The performance of Southern and Eastern Mediterranean energy systems is better in the EU-MED Union scenario, as hydrocarbons imports decrease by approximately 240 mtoe by 2030 and CO<sub>2</sub> emissions stand 29% lower than in the reference case. For this performance to be reached, investment costs would amount to € 698 bn, but variable costs would decrease by more than 70% compared to the reference case. The results highlight the region's potential in developing RES to export electricity thanks to active government support, a favorable investment climate and cooperation with the EU in low carbon

<sup>15</sup> For more information about the GEM-E3 model, see: [http://www.e3mlab.ntua.gr/e3mlab/index.php?option=com\\_content&view=category&id=36&Itemid=71&lang=en](http://www.e3mlab.ntua.gr/e3mlab/index.php?option=com_content&view=category&id=36&Itemid=71&lang=en)

<sup>16</sup> For more information about the PRIMES Model, visit: <http://ec.europa.eu/environment/air/pollutants/models/primes.htm>

<sup>17</sup> Tera Watt per hour/day

<sup>18</sup> Million Tons of Oil Equivalent





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technologies. While investment costs in this scenario are high, total costs show a marked decrease from the reference scenario. In contrast, the Threats scenario appears to be the most costly, since demand for hydrocarbons increases, RES development is slower, and export capacities are deteriorated due to a lack of investment in infrastructure.

In the view of **Dr. Manfred Hafner (Fondazione Eni Enrico Mattei, FEEM, Italy)** Euro-Mediterranean cooperation in energy has been a success story: the exports of hydrocarbons from North Africa and the investment of EU companies in the region created many interdependencies that cannot be reversed. On the contrary, these can be further developed as the region remains still underexplored and the likelihood of discovering new oil and gas fields in the coming years is high. Besides, not only the region is rich in hydrocarbons<sup>19</sup>, but the SEMCS have a big potential in producing renewable energy sources (RES). Developing RES will be all the more important since electricity demand is exploding, and future trends point at the need to mitigate climate change while supporting population and GDP growth. The development of RES will not however crowd out gas, as it will still continue to play an important role in power generation over the coming years, as solar and wind power production develops<sup>20</sup>. Given the environmental, economic and financial constraints at play in the region, meeting the growing electricity demand will require actions both on the demand and supply side. In this regard, clean development mechanisms as well as interconnections within the region and with the EU can be an integral part of the solutions for the SEMCs. Euro-Mediterranean cooperation in energy gave birth to a number of initiatives such as the Mediterranean Solar Plan and Desertec and many are being currently developed between EU Member States and individual SEMCS countries. While many of these are big scale initiatives, achieving the twin objectives of mitigating climate change impacts and meeting the growing energy demand will require the promotion of small scale initiatives such as warm water applications, enforcement of energy efficiency norms in urbanization, decentralized energy etc. In addition to these initiatives, particular attention should be given to the interconnections between Southern Mediterranean Countries, the GCC and the EU.

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<sup>19</sup> For an outlook of hydrocarbons in the Southern and Eastern Mediterranean, refer to: <http://www.medpro-foresight.eu/publication/outlook-oil-and-gas-southern-and-eastern-mediterranean-countries>

<sup>20</sup> For a detailed analysis of RES potential and power generation in the region, see : <http://www.medpro-foresight.eu/publication/outlook-electricity-and-renewable-energy-southern-and-eastern-mediterranean-countries>



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The EU can play a decisive role in Southern Mediterranean countries' energy systems, provided it jointly adopts and implements with Energy Ministers of the region the Euro-Mediterranean Roadmap for Energy; which revolves around 6 pillars:

1. The need for an energy transition in the region
2. Subsidies' reform
3. Energy efficiency and demand side management
4. RES potential
5. Regional interconnections and markets
6. Financing of Southern Mediterranean countries transition

**Leonidas Kioussis (DG Energy, E.C.)** highlighted that most of the elements presented by Prof. Capros and Dr. Hafner were taken into account and discussed by the E.C. In his view, developing win-win cooperation between the EU and the SEMCs in the field of energy requires first the EU to complete the internal energy market while developing a more committed partnership with the region. This partnership will need to address the high costs of production stemming from high-risk premia; while assessing the real energy export capacities to the EU. Indeed, the investment costs presented by Prof. Capros are high and despite the availability of targeted instruments for the region and the growing implication of donors such as the EIB and the EBRD, more funding is needed. In view of the next Energy Ministers Meeting, L. Kioussis mentioned that for these prospects to materialize, the EU is engaged in promoting the creation of sound regulatory frameworks in the region; strengthening the financial support tools available; fostering the upgrade of energy transmissions systems; supporting industrial development plans; and supporting capacity building.

**Dr. Francesco Bosello (FEEM)** followed the session and recalled that the objective of this strand of MEDPRO's research is to analyze and evaluate the criticalities connected to the management of (selected) environmental and natural resources in SEMCS countries, their impact on long-term economic growth and sustainable development in the region. To do so the research focused on the following 5 tasks:

1. Assessment of the role of ecosystem/biodiversity in determining tourism attractiveness in coastal areas



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and possible evolution in the presence of climate change

2. Assessing potential impacts of climate change on agricultural activity (yields) through crops water requirements
3. Assessing social economic and environmental factors determining water uses in SEMCS countries now and in perspective
4. Providing an overall economic assessment of these aspects through computable general equilibrium modeling
5. Offering a methodological /theoretical framework to discuss adaptation strategies

With regards to the region's touristic attractiveness, the econometric analyses found that biodiversity is an important determinant of tourist arrivals in the region; and hence, losses in biodiversity can imply non-negligible costs for the tourist industry. Due to the importance of tourism in Southern and Eastern Mediterranean economies and its contribution to employment and foreign currency earnings, the region's tourism policy should focus on preserving natural resources, instead of focusing on price control measures. Indeed, ecosystems' preservation seems a particularly cost effective adaptation strategy: in Turkey, Tunisia, Morocco and in the rest of the region, aggregate, economic gains stemming from the avoided decrease in tourism demand alone are sufficient to justify full preservation (obviously ecosystem protection should not be decided only to make tourists happier). However full preservation (moving from the BaU to the Union scenario) would require an effort from 6 to 20 times higher on average than that of the reference scenario. Such a resource reallocation can be problematic and would be facilitated by an enhanced international cooperation and financial support. Nonetheless this may be challenging in countries like Egypt, Morocco and Tunisia which are already largely dependent upon foreign support to finance conservation expenditure. The EU can sustain directly SEMCs' protection efforts through bilateral agreements, but also taking the opportunity offered by the climate change adaptation finance established in Copenhagen and iterated in Doha Conferences of Parties on international climate change agreements.



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**Dr. Nicola Lammadalena (Mediterranean Agromomic Institute of Bari, MAIB, Italy)** noted that the research on agriculture starts from the observation that climate change impacts in the Mediterranean basin will be particularly pronounced, especially as regards precipitations, which are expected to decrease dramatically in the area, threatening agricultural activities and calling for an assessment of climate impact and possible adaptation strategies. The results of the analysis show that crop yields could decrease dramatically due to the new weather conditions: in some countries by more than 15%. Avoiding the drawbacks of these new climatic and agricultural conditions requires both demand side and supply side measures. On the one hand, governments should promote research to develop a better understanding of the issues at stake; provide incentives for high efficiency irrigation systems; set up capacity building programs for specifically designed institutions or water use and management; while promoting new modes of life aimed at water saving. On the supply side, not only new infrastructures such as dams and canals need to be built, but older ones need to be modernized, while new and unconventional sources of water need to be explored.

**Prof. Consuelo Varela Ortega (Universidad Politecnica de Madrid, UpM, Spain)** recalled that water resources management will be all the more important as demand will increase in the future. This calls for an integrated vision for water and agricultural policies in the Southern and Eastern Mediterranean. Technical and agronomic considerations need to be coupled with economic, social, and institutional factors to design and implement sound and efficient policies. In a future of sustainable Euro-Mediterranean relations (Union and Alliance scenarios), large GDP growth, population expansion and trade development, can result in more water being demanded; but policies that support structural change, technological improvement and better governance, will counterbalance this trend, reduce overall water consumption and conserve renewable water resources. Under these two scenarios, policies that mitigate the large water consuming trends of the past and policies directed to the support of irrigated crop production need to complement irrigation expansion with improvements in the efficiency of water management practices.





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**Dr. Oliver Schenker (Zentrum for Europäische Wirtschaftsforschung, ZEW, Germany)** highlighted the main recommendations in as far as adaptation strategies to climate change are concerned. First, the governments' roles will be essential in supporting constant monitoring, anticipatory adaptation and planning as well as in fostering awareness raising on climate change, through the development of communication campaigns, the facilitation of information exchange and the creation of early warning systems. Second, for adaptation strategies to work, governments will also have to remove barriers to private adaptation strategies through the enactment and implementation of dedicated legislation and incentives. Third, when transboundary resources are concerned (for example in the Nile basin), international coordination efforts and common adaptation policies will be necessary. Fourth, given the socio-economic situation of the region, importance should be given to equity issues, through a priori devised compensation systems (for example, consumption differentiated tariffs for water conditional on households' income.). Fifth, the development of a sound institutional setting and the involvement of stakeholders in the definition of adaptation policies will also be key in order to ensure measure are promptly implemented and facilitate private adaptation strategies.

In the view of **Claude Ayache, (European Institute for Innovation and technology, EIIT)** support to education, research and innovation in the field of energy, climate change mitigation and adaption is essential. For these efforts to be fruitful, the support mechanisms will have to be adapted to the realities of the Southern and Eastern Mediterranean region and not be excessively geared to EU priorities in these aspects.

**Keynote speech: H.E. Ambassador Senen Florensa, President of the Executive Committee (IEMed, Spain)**

H.E. Ambassador S. Florensa opened the third session with a keynote speech assessing the outcomes of Euro-Mediterranean relations and their future challenges in the context of the Post Arab Spring. Since 1995 and the Barcelona Process, the EU and the SEMCs have tried to build a common area of peace, security, and prosperity, but 15 years later, the general perception is that progress has fallen short of expectations. Ossified regimes left the vast majority of the population on the side lines and EU's support did not allow for social transformations and was perceived rather as a factor allowing regimes to perpetuate authoritarian practices. However, the Arab democratic revolutions should not be seen as the failure of Euro-Mediterranean policies, but rather as the expression of their success. While it is



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still too early to predict their outcome, there is a high likelihood that on the long term, these civil movements will go in the direction of real democratization and opening.

Currently, EU's neighborhood is more diversified than ever, and it is important to understand the changes that drove to the Arab Spring. In this regard, SEMCs will realize the EU is a key partner, and the EU will have to change its policies towards the region to cope with its new realities, for example with the growing importance of Islamism in the region's politics. Even if some of these movements worry observers, one should not forget that revolutionary episodes across the world have shown that movements not entrenched in radicalization always gained more support in the population.

Coping with these new realities requires the EU and the international community to step up their support the emerging democracies. Their economic situation is particularly complicated and the continued clashes between civil movements and authorities are dangerous. For these reasons, Euro-Mediterranean relations need to be re-launched and become more ambitious. Both Commission Communications initiate the move towards a rethinking of Euro-Med policies, but substantial funding for increased cooperation is required and it is urgent to single out the particular nature of the Mediterranean. Patience in the region will also be as important: the fall of the Berlin wall and the Enlargement have led to ten years of recession followed by another ten years of prosperity. For the region, this would entail 10 years of skinny cows before the fat cows come.

Support for the region entails not only a reinforcement of bilateral relations, but also scaling up regional relations, which implies more involvement of EU institutions in the process. Until today, the UfM has been excessively influenced by Sarkozy's willingness to rationalize Euro-Mediterranean relations. Moving in the right direction implies transforming the UfM into the main tool for Euro-Mediterranean regional relations. If the 1<sup>st</sup> step has been taken by assuming the Northern Co-Presidency, the EU needs now to get more involved in the Secretariat and adopt sub regional policies for the Maghreb<sup>21</sup> and the Mashrek<sup>22</sup> to avoid getting trapped in the Israeli-Palestinian conflict and halt cooperation.

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<sup>21</sup> Maghreb countries are Algeria, Libya, Morocco and Tunisia

<sup>22</sup> Mashrek countries are Egypt, Jordan, Lebanon, Palestine and Syria



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### Session 3 Scenarios for economic and Euromed cooperation in 2030

**Prof. Pantelis Capros (E3M Lab, ICCS/NTUA)**, presented the methodological characteristics of the scenario assessment exercise. First, researchers have computed the reference scenario and then the alternative scenarios (Union, Alliance and Threats) based on assumptions regarding governance, interest rates, investment etc. provided by all MEDPRO researchers; to calculate the deviations from the reference scenario and their impact in a second step. It is important to note that the model does not look at the likelihood of each scenario, but gives a forecast of what would economies look like after structural changes. Consequently, the model results depend on the assumptions under each scenario. Some novelties were introduced in the GEM-E3 model for the SEMCs: first, total factor productivity (TFP) is driven by infrastructure investment and human capital accumulation; second, for the purposes of the project, infrastructure comprises of water sanitation, electricity, transport and information and communication technology; third, risk premia influence investment and financing through governance; fourth, interest rates decrease with financial sector integration; fifth, trade liberalization and decrease in non tariff measures (NTMs) reduces trade costs and increases efficiency; sixth, labor productivity increases and demographic trends are driven by changes accompanying growth; seven, new growth is simulated while maintaining sustainability of public budget and trade balance by country. The results give projections of economic aggregates at the country and scenario levels.

The quantitative modeling exercise shows that under the reference scenario growth is driven by consumption of scarce resources at the detriment of long term sustainability failing to exploit the region's full growth potential due to market fragmentation, inadequate institutional capacity; and an overall lack of integration between different countries productive sectors hampering the emergence of scale economies. In contrast, under the EU-MED Union scenario, investment in infrastructure and capital increase 2030 GDP by 7.03% compared to the reference scenario. This result highlights the existence of synergies and governance together with institutional factors have the biggest impact on growth. As regards the infrastructure needs of the region, these are financed by ODA from the EU and emerging countries (Brazil, India, Russia and China) as well as by domestic resources through tax levies and a closed current account constraint. Results show that orientation of the region's external economic relations matters as the multiplier effect associated with EU's



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ODA is higher than for other donors. The importance of cooperation with the EU is further confirmed under the EU-MED Alliance scenario, industrial output increased by 4% only compared to 7% in the Union scenario. The threats scenario entails important losses for countries in the region as institutional reform does not materialize having an important negative impact on investment, labor force is discouraged, and infrastructure is deteriorated.

**Dr. Luc De Wulf, (CASE)** gave an overview of the work under MEDPRO's research devoted to growth, trade, investment and sectoral analyses. With the exception of Israel, all SEMCs are upper and middle income countries; throughout the 1980s their economic performance has been disappointing but it slowly improved during the 1990s and growth rates picked up by the turning of the century. The region's economic performance has varied greatly depending on the countries and the period considered which gave rise to a number of social challenges. MEDPRO research has showed that the region's drivers of growth are to be found in a stable macroeconomic framework and containing inflation; a stable fiscal policy; and trade openness<sup>23</sup>. Although high; inflation rates in the region have not been dramatically high by international standards; and, with the exception of Libya, all countries have been running fiscal deficits endangering macroeconomic stability. As regards trade openness, there is scope for significant improvement as the region is one of the world's less integrated despite the number of free trade agreements (FTAs) it concluded. In as far as the impact of the international financial crisis is concerned, the region's lack of commercial and financial integration acted as a buffer, isolating countries from negative spillover effects. However, the Arab Spring has an important cost on the region's economies as witnessed by the decreases in international reserves and the growing risks of currency devaluation. Recommendations for macroeconomic policies revolve around the need to reform the current subsidies' schemes, as they exert an excessive pressure on countries' fiscal balances; increase openness and attract more FDI inflows; and, resume current employment policies based on increasing public sector employment. A notable effort also needs to be done by the region's governments to reach a stable and transparent business environment through the adoption and implementation of sound legislative frameworks. This latter point will be key for much needed infrastructure in-

<sup>23</sup> For an analysis of the determinants of growth and macroeconomic stability, see : <http://www.medpro-foresight.eu/publication/determinants-growth-and-inflation-southern-mediterranean-countries>





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vestment as SEMCs show a general deficit in infrastructure that translates into lower rates of economic growth.

As regards trade barriers, **Dr. Ahmed Farouk Ghoneim (CASE)** recalled that MEDPRO research has shown that the use of non tariff barriers (NTBs) in the region was important<sup>24</sup>. Under a scenario of complete removal of NTBs, trade flows between the EU and the SEMCs could increase up to 60%. As a roadmap for a better commercial performance, SEMCs should achieve integration between them, and remove selectively NTBs after performing a cost benefit analysis. Indeed, NTBs such as Sanitary and Phytosanitary Standards (SPS) are suitable for public health concerns, but others such as pre-shipment inspections might in turn exert a distortive effect on trade. Another important point relates to the use of standards and technical barriers to trade (TBT): while their use might be beneficial for a country's companies since it allows them to enter foreign markets, they can be detrimental in the absence of mutual recognition agreements (MRA) between trading partners. Concluding such MRAs in the region appears hence to be an important means to facilitate trade and deeper integration in the region. Finally, a particular attention should be given to logistics improvement, since the current characteristics in the region's transport exerts an important cost on trade.

Reacting on the region's current situation, **Dr. Bassem Kamar (International University of Monaco, Monaco)** notes that the failure of economic transition will lead to a failure of the political transition and vice versa. He took the example of Egypt, where the revolution and the absence of political reforms has resulted in a lower investment rate, meager tax revenues, increases in the public sector's wage bill due to massive public employment programs, which coupled with important subsidies has left the country in a perilous situation highlighted by the increase from 8.5% deficit in 2011 to a possible 12-13% in 2013. The current situation could trigger a debt crisis or a worsening of financial repression due to increased recourse to the domestic market to finance the ever growing deficit. Current developments are even more worrying as the Central Bank's reserves have dropped dramatically due to capital flight of 10 \$bln: they now stand at 13.6 \$bln, less than 3 months of imports. In his view, it is urgent to negotiate a donors' meeting for the country as it already happened in 2002 in order to provide a funding package from a pool of donors

<sup>24</sup> MEDPRO scenarios on shallow and deep integration with the EU can be accessed here : <http://www.medpro-foresight.eu/publication/shallow-vs-deep-integration-southern-mediterranean-scenarios-region-2030>



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to stabilize the situation and the market's expectations.

**Pierre Deusy (European External Action Service, EEAS)** showed skepticism towards modeling exercises, since they assumed continuity in agents' behavior. In his view, the EU stands ready to support the countries in the region, but the main hurdle is governments in the region are not sure about the directions they are taking. He noted also that trade integration with the EU was a point worth considering by the region, since it will bring in much needed productivity gains.

**Dr. Henry Marty Gauquier (European Investment Bank, EIB, Luxembourg)** called on being cautious about the positive effects of trade liberalization since experience has showed that liberalization experiences showed they were accompanied by a rising inequality. He also noted that before engaging in a large scale partnership with the region, changes in public opinions in the EU and in the Southern and Eastern Mediterranean were necessary. In his view, besides Morocco, all other countries were experiencing severe problems as illustrated by the Egyptian and Tunisian governments which remain trapped in interior politics at the expense of creating a far reaching reform and development agenda; and Jordan and Lebanon were experiencing negative spillovers from the Syrian war. He noted that in the current context, EIB's top priority was not on emergency lending but rather on the provision of technical and institution building assistance. This is especially the case since much needed investment in the region and infrastructure financing would only be possible once regulatory frameworks and institutional capacity are upgraded. Besides, the bank is prioritizing operations for MSMEs and the real economy as well as the requirements for the implementation of public private partnership frameworks. Dr. H. Marty Gauquier also noted the Deauville Partnership failed to bring results up to expectation due to the lack of political governance after the US elections.



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### Session 4: Status quo of political transitions in the Southern Mediterranean and long term policy implications

**Roberto Aliboni (Istituto Affari Internazionali, IAI, Italy)**, recalled the key assumption under MEDPRO's work in the area of geopolitics and governance, that the democratization of the SEMCs would entail moving from stability to State sustainability<sup>25</sup>. The latter concept refers to what "deep democracy" should entail: rule of law, freedom of expression and equality. In the Southern and Eastern Mediterranean context, moving from a paradigm based on stability to one based on sustainability would provide the grounds for developing deeper Euro-Mediterranean relations while providing a framework capable of addressing several of the region's key challenges. However, R. Aliboni remarked that two years after the outbreak of popular uprisings in Egypt and Tunisia, the conditions for creating sustainable States are all but present: on the contrary, rather than reinforcing state sustainability, the revolutions have until now resulted in a weakening of these States. The current state of affairs in the region bears important resemblances with the situation in Eastern Europe after the fall of Communism. It took several years for these countries to meet the three essential conditions of State sustainability, namely: free and authoritative elections; no takeover of the majority; and no exercise of monopoly of violence by the majority. Currently, these conditions are not met, and it rather seems that the uprisings have brought about an apparently irreconcilable struggle between Islamists and non Islamists which outcome is for now unpredictable.

In the view of **Dr. Ahmed Driss (Centre des Etudes Méditerranéennes et Internationales, CEMI, Tunisia)** the situation in Tunisia is much worse than one year ago. According to him a series of elements cast shadows on the Tunisian transition: first, the country lacks a culture of democracy and the ruling party does not seem to accept freedom. He regrets that for example discussions on whether the judiciary should be independent or not have dominated discussions at the Assembly. Second, there seems to be confusion in the country about opposition and enemies. Third, rule of law is far being respected as according to Dr. Driss some abrogated texts are still being applied while new texts already voted are not being implemented. Fourth, the ruling party's domination over the administration is problematic as it increasingly tends to resemble the former Rassemblement Constitutionnel Démocratique (RCD, the party of former rules Zine El Abidine Ben Ali). Overall, the tendency of the ruling party is problematic because it weakens institutions and increasingly comprises its legitimacy.

<sup>25</sup> MEDPRO's Technical Report on State Sustainability is available here: <http://www.medpro-foresight.eu/publication/southern-mediterranean-between-changes-and-challenges-its-sustainability>



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**Dr. Amr El Shobaky (Al Ahram Center for Political and Strategic Studies, ACPSS, Egypt)** shares several of these points of view regarding the situation in Egypt. In his view, the country bears the risk of becoming a failed State if no prompt action is undertaken. As in Tunisia, the ruling party has put his members in several key administrative positions at the expense of wider representativeness and that he has assumed extensive powers without checks and balances. These characteristics are further complicated by a number of cleavages in Egyptian contemporary society (Islamist vs Secularist; young vs. old, urban vs. rural; men vs. women) and by the current incapacity to turn the protest movement into a politically organized force.

According to **Dr. Samir Abdallah (Palestine Economic Policy Research Institute, MAS, Palestine)** the situation in Palestine is also unsustainable due to the continuing occupation. According to him, the Oslo Accords contain the seeds of unsustainability since they established the Palestinian Authority but gave it limited resources to survive and administer the territories under its responsibility: it receives less than 80% of tax revenues, it has only 40% of land and 20% of water resources. The Palestinian economy is afloat by international donors, but since the 2000 Intifada, the situation worsened considerably. Dr. S. Abdallah recalled that Israelis need to suspend settlement policies and negotiate a two State solution with Palestine, especially as the number of Palestinians will soon outnumber Israelis, creating further challenges to the sustainability of both countries.

**Jawad Kerdoudi (Institut Marocain des Relations Internationales, IMRI, Morocco)** gave a contrasting view of the political developments in his country, where the “Moroccan Exception” has prevailed over the revolutionary wave of the Arab Spring. As the Movement of the 20<sup>th</sup> February took the streets demanding political reforms, The King Mohammed VI reacted quickly to popular demands by putting on referendum a new Constitution under which he ceded some of his powers by stipulating that the head of Government would be nominated by the King among the ruling coalition among other provisions. The country’s priorities have not been changed; the Arab Spring has not triggered any change of policy vis à vis the EU or the US and on the economic front, the promotion of FDI and liberalism are on top of the agenda.



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### Conclusions and Policy recommendations

**Dr. Rym Ayadi (CEPS)**, noted that the cost of inaction towards the Mediterranean would be too high and that the EU needs to take bold and resolute actions towards the region in order to anchor it on sustainable patterns of development. Model based simulations under the MEDPRO framework show that under a Red Transition towards a Threats scenario by 2030 would entail a 12% loss in GDP for the region without affecting much the situation in the EU. However, as well highlighted by some attendants to this meeting, model based simulations are imperfect and fail to address numerous real world interactions that can eventually have important impacts. Given the Southern and Eastern Mediterranean proximity to the EU, taking resolute action for a partnership based on co-development and a common vision of development in the areas of geopolitics and governance; demography, health, ageing, human capital, inequality, and migration; energy and climate change; management of environment and natural resources, trade, investment and financial services is essential.

Dr. R. Ayadi also announced that MEDPRO work will continue through the **Euro-Mediterranean Economists Association (EMEA)**<sup>26</sup>. Founded by Dr. R. Ayadi, Dr. B Kamar (International University of Monaco, Monaco), Prof. Sami Mouley (Ecole Supérieure des Sciences Economiques et Commerciales de Tunis, ESSECT, Tunisia) and Dr. Leonor Coutinho (Europrism, Cyprus) EMEA aims at contributing to the transitions in the Southern and Eastern Mediterranean by gathering leading economists and high-level experts to think of how to anchor the Euro-Mediterranean in a sustainable growth path. EMEA serves as a leading forum for debate on the political and socio-economic reforms in the region with a view to promote sustainability and regional economic integration.

### Concluding remarks

**Mr. Alar Olljum (EEAS)** thanked MEDPRO Coordinator for inviting him to conclude the meeting and recalled EU's response to the Arab Spring which is currently topped by the Syrian conflict and the situation in the Middle East. EU institutions have been engaged since the beginning of the Syrian conflict through the provision of humanitarian assistance and pressures on the Assad regime. The Middle East region is of particular concern to EU authorities due to the potential of spillover of the Israeli-Palestinian conflict and negotiations should resume without delay. Not only is the situation in the Middle East preoccupying, since the crisis in Mali and Sahel has brought to surface many challenges faced by the EU in its Southern and Eastern Mediterranean Neighborhood.

<sup>26</sup> <http://www.euromed-economists.org>





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These challenges notwithstanding, the EU has also been actively engaged with other countries such as Jordan and Morocco, where ruling monarchs have engaged in reforms. Within its new approach, the EU has not only increased grants available to the countries in the region but it has also stepped up its technical assistance support and redirected technical and financial assistance to the new emerging priorities of supporting democratic transitions through increased support and capacity building for CSOs. Mr. A. Olljum recalled that many challenges remained regional in nature, thus requiring a fundamentally regional approach. In this regard, the Arab Spring has led to a strengthened cooperation between the Arab League and EU institutions. Finally, he reckoned that transitions were all but easy and called on for being ready for more setbacks, but notwithstanding the challenges the EU wants to be a strong partner for the Arab world whose value added remains in standing next to the people.

**Dr. Anelli Pauli (Deputy Director General, DG Research and Innovation, E.C.)** closed the meeting by acknowledging that carrying out MEDPRO's research in the midst of the Arab Spring was a challenging task. While the region is going to be at the forefront of numerous challenges in the coming years, it remains a very diverse and fertile region on historical and human grounds. As today's researchers and speakers have shown, there are almost as many convergence as divergence points with the EU, urging SEMCs and the EU to look together at the future, starting with job creation. Dr. A. Pauli, announced that RD efforts between the two shores of the Mediterranean will be strengthened in the future thanks to the approved multiannual financial framework of the EU which foresees an increased budget for the Southern Mediterranean region. She emphasized that in the current context, the pillars of the Barcelona Process were more valid than ever and work towards achieving an area of peace, stability and shared prosperity was more necessary than ever. In this regard, EU's RD activities will not become a fortress for the Southern and Eastern Mediterranean: on the contrary, efforts in research, education and student mobility will be key in advancing towards the goals of the Barcelona Process.