

MEDPRO

## Newsletter

Thinking Ahead for the Mediterranean



## Mediterranean Prospects

Prof. Jean Louis Reiffers -  
President of Scientific  
Council and Coordinator  
of FEMISE

Prospective analysis is a difficult exercise in itself, rather like the ancient oracles of the Mediterranean. Undertaking this exercise in a region as particular as the Euromed is a challenge, but one that is crucial to the dynamics of our region in the next few years. There are several reasons for this, three of which I would like to mention in an editorial for the first issue of the MEDPRO newsletter. The first is that this 'zone' encompassing European and South Mediterranean countries is now considered as a region: Euromed, despite huge developmental imbalances between the countries themselves, illustrated by the loss of 10 years in life expectancy when crossing the Gibraltar Straits. Our experience of the last 15 years underlines how far the discourse has evolved – in a way that is not merely semantic. We have shifted from 10 third countries from the Mediterranean to the Union for the Mediterranean (UfM) bringing together 44 countries. Indeed, despite the region's fragmentation, since 1995 and the Barcelona Process, the Euromed enjoys an embryonic political discussion forum, strengthened in 2008 by the creation of the UfM. It is true that the UfM did not put an end either to explicit or latent conflicts and that this dialogue is now reduced to its simplest form. Nevertheless, attitudes have changed and notwithstanding the variable geometry of the partnership, Euro-Mediterranean dialogue has been institutionalized, based on multilateralism and co-decision, which was not the case in the past. Hence it will be useful to think about how this partnership will evolve in the next 20 years, considering the socio-economic consequences of different alternatives.

The second fundamental reason can be found in the fact that this institutional evolution corresponds to the tangible interdependence between the two shores of the Mediterranean. Both sides of the 'region' share a geographical, historical, cultural and human proximity, translating into important migration dynamics. Economically, one only needs to look at trade flows (Europe enjoys one of its highest regional trade surpluses with the Southern Mediterranean); tourist flows and financial transfers from migrants – these last two allow the southern countries to offset their trade deficit. This de facto economic interdependence is strongly reinforced by people's aspirations. All surveys targeting young people (who account for 30% of the total southern shore population) corroborate the attractiveness of the northern shore.

The third reason behind the importance of the prospective exercise puts people at the centre of the analysis; and is related to the 20 year time horizon chosen by MEDPRO. It is in this period that on the one side the active population will peak while on the other side the (legal) working age population will decline, so that we can construct a region based on complementarity, bearing the foundations of win-win cooperation. If we let this opportunity go, we need to be aware that reversal will be difficult. At the heart of prospective analysis is the question of people and skills mobility, a crucial question and one that makes or breaks countries. It is a grand ambition that MEDPRO will strive to meet.

## What future for the Mediterranean?

Dr. Rym Ayadi,  
Senior Research Fellow,  
CEPS and Overall Coordinator  
of MEDPRO



The Southern Mediterranean region is today still fragmented – on economic, social and political grounds. Can we ever speak about a single region when data only confirm the low levels of South-South integration, major disparities in per capita incomes, desynchronized demographic developments, divergent levels of human development and major regional inequalities?

These disparities deepen when comparisons are made with European countries. Nevertheless, the countries of the South Mediterranean do share certain common characteristics. On the political level, the dramatic changes since decolonization have resulted in apparent stability that was anchored by the region's authoritarian regimes. On the economic level, despite a high growth potential, these countries still suffers from high unemployment rates; the majority are net energy importers, with the exception of Algeria and Libya; their share in capital inflows amounts to a mere 5% of worldwide foreign direct investment and their underdeveloped infrastructure (energy, transport and telecommunications) needs colossal modernization. On the social level, all these countries have a huge but underutilized labour market potential; high levels of unemployment among skilled people; under-developed health, social protection and education systems. In the environment and energy fields, the region will have to face water scarcity, jeopardizing agriculture and food security, increased electricity and energy demand with an under-developed potential in renewable energy sources, as well as increased desertification, water and air pollution.

In a nutshell, the future of the South Mediterranean faces serious challenges, ranging from political instability and conflict, inefficient and fragmented governance, high potential of social unrest to a disconnect between the financial sector and the real economy and education and labor market, and environmental pressures. It is therefore crucial to start thinking about the economic and social sustainability in the region, as well as to deeply rethink the future of EU-south Mediterranean relations in a global world. Most notably, continuous development in the four pillars of human, social, economic and political capital and the dynamics and interaction between them need to be ensured while optimizing the use of natural resources under the environmental constraints. By focusing on and examining the trends, the opportunities and challenges in each of them, MEDPRO-Mediterranean Prospects, a consortium of 17 reputable institutions from both shores of the Mediterranean, led by the Brussels-based Centre for European Policy Studies, will build and assess a number of possible scenarios up to 2030. These scenarios stem from individual developments and dynamic interactions between the political, economic, social, human and resource pillars of wealth creation in the region, as well the potential for more integration distance from the EU. All these scenarios will be assessed within a context of geopolitical uncertainty that renders the right political choices difficult but nevertheless possible to aspire for maybe a better future.



## Geopolitics and governance in the Mediterranean

Dr. Nathalie Tocci,  
Senior Fellow, Istituto Affari  
Internazionali (IAI)



Forecasts about the Mediterranean in terms of economic, social and human development are premised on a critical assumption: the continuation, *mutatis mutandis*, of the status quo in political and governance terms. Indeed, in recent decades, the regimes in the Southern Mediterranean have demonstrated a remarkable resilience. Despite the manifold challenges faced at the domestic, regional and international levels, the political and governance structures in the Mediterranean have held firm. But can we assume that this will continue to be the case? WP2 on governance and geopolitics questions this assumption. It does so by drawing a critical distinction between stability and sustainability. In other words, today's stability may not hold in a thirty-year perspective if the ongoing political and governance processes are in fact unsustainable. And the status quo does not appear to be sustainable in the decades ahead due to the cumulative effect of multiple challenges confronting the countries of the region. In the first paper of this WP, we set out a conceptual framework that will be applied to the analysis of the prospects of sustainable development in the Southern Mediterranean. By exploring the concept of 'sustainability' and its determinants, it is argued that in the long run it will become increasingly difficult to sustain the current configuration of state power against the backdrop of deteriorating socio-economic conditions, and above all of increased domestic political and social unrest.

## Turkey: Tacit acceptance of the economic locomotive in the Arab Middle East

Javier Albarracin, Responsible for  
Socioeconomic Development, Institut  
Europeu de la Mediterrania (IEMed)



Over the last decade Turkey has become an active and powerful trading state whose main vector of international behaviour has evolved from a hard-security approach to a cooperative one, based on increasing interdependence through economy and trade. Since the AKP came to power in 2002, there has been an economic process of modernization 'à la turca' based on a triple diversification: spread of economic development to more cities all around the country; competitive diversification of new and traditional productive sectors, and an exponential diversification of foreign economic relations. These factors have stocked a growing need for new business frontiers in Turkey's economy; being as it is the natural partner for the economies of the Middle East. By cooperating with Turkey, these economies expect a 'spill over' effect from Turkey's socio-economic gains of recent years.

In July 2010, a multilateral regional free trade agreement was signed between Turkey, Syria, Jordan and Lebanon, the so-called 'Close Neighbours Economic and Trade Association Council' (CNETAC). It envisages the establishment of a visa-free area, as well as advancing in the cooperation in trade, transport, tourism and energy. This agreement implies an asymmetric economic win-win relationship. The Arab economies are supposed to win due to the potential positive synergies in investment and employment it can generate, but Turkish entrepreneurs might win more, due to their higher competitiveness and internationalization. Given the commitment of the four governments to develop CNETAC, it could be the first step to a broader economic cooperation scheme in the Middle East that other countries such as Egypt or Iraq might join in the middle term.



## MEDPRO: Energy and mitigation of climate change

Dr. Manfred Hafner, Coordinator Energy  
Security of Supply Activities,  
Fondazione Eni Enrico Mattei (FEEM)

As far as energy is concerned, there is a high degree of complementarity between Europe and the MED11 countries. While Europe has a high GDP/capita level, large and increasing energy needs it has, few energy resources, but a high availability of capital and technology. The MED11 countries on the other hand are characterized by a low GDP/capita level but a huge need for socio-economic development, high energy resources (both hydrocarbon and renewable), constraints on financing and low availability of capital and technology.

Some MED11 countries are indeed already major hydrocarbon suppliers to Europe and considerable infrastructure has already been put in place in this respect between North Africa and Europe. However, most MED11 countries are net energy importers and all have a huge need for socio-economic development, for which the availability of energy and particularly electricity is a prime condition. Different future development paths can be envisaged, some of which are more sustainable than others. All the MED11 countries have huge renewable energy potential.

In MEDPRO we study the mid-to long-term energy supply trends in the Mediterranean region and their implications for Europe, as well as future development trends as far as domestic supply-demand energy scenarios are concerned, including climate change mitigation potential. This is done with both a bottom-up approach (based on collecting national strategies: projects and policies) as well with a top-down approach (with a general equilibrium model).



## Emerging from the crisis

Dr. Leonor Coutinho,  
Research Fellow, Cyprus  
Center for European and  
International Affairs

(CCEIA) and Prof. Marek Dabrowski, President of the Management Board, Center for Social and Economic Research (CASE)

The recent global financial crisis hit the entire world economy but the degree of negative impact was uneven across individual regions and countries. If we compare five major economies of the Southern Mediterranean region (Egypt, Israel, Jordan, Morocco and Turkey) with four major EU Mediterranean economies (France, Greece, Italy and Spain) we find that the Southern Mediterranean region grew faster before the crisis, became hit by the crisis later, and started to rebound earlier and at more rapid pace: by the end of 2009, quarter on quarter real GDP growth in the five Southern Mediterranean countries considered was about 2%, while in the EU the level was close to -2%.

If we exclude Turkey (which has strong trade links with the EU market through a customs union) from the South Med group, these differences are even more visible. Similar disparities can be detected in employment figures. While in the EU employment increased 1 percentage point between Q3 2009 and Q1 2010, it increased an average of 3 percentage points over the same period in Egypt, Israel, Morocco and Turkey. However, although output and employment growth seem to have rebounded in the MED region, since the financial crisis unemployment rates remain at or close to 2-digit levels, and countries still face big challenges of macroeconomic stability: inflation rates have been very volatile in the region in recent years. For example, in Syria for inflation went from 4.7% in 2007, to 15.2 in 2008, while for 2009 the figure reached to 2.8%.

These and other economic policy issues will be analyzed within the research agenda of WP5 on "Economic development, trade and investment".



## Prospects for a political settlement and stability in the Middle East

Dr. Samir Abdallah, Director General, Palestine Economic Policy Research Institute (MAS)

The Palestinian struggle for an independent Palestinian state has succeeded in strengthening the international consensus in support of an end to Israeli occupation. Moreover, the United States government's acknowledgement of the negative impact of the Palestinian-Israeli conflict on its foreign policy has raised Palestinian and Arab hopes for a political settlement. However, the Obama administration's efforts to facilitate peace talks have had little impact on bringing about progress in the settlement of the conflict.

Israeli settlement expansion activity, which accelerated under the new Israeli ultra-right government, coupled with the demand for recognition of a Jewish state have only delayed the reopening of negotiations. Continued settlement activity indicates Israel's unwillingness and lack of readiness to end the conflict. For the Palestinian government, the Palestinian National Authority (PNA), and the Palestinian Liberation Organization (PLO) any further negotiations with Israel under these conditions would prove futile and dangerous: it would not only lessen their credibility with the Palestinian people, but strengthen the position of extremist elements in Palestinian politics and greatly reduce the possibility of a two-state solution.

In addition, the absence of peace has further delayed international regional integration processes such as the Union for the Mediterranean, which brings together 43 countries of the Mediterranean in order to advance regional development. In effect, the moribund 'peace process' has done little to move forward the goals of regional peace, stability and prosperity that the Barcelona Process laid out in 1995.

As a result, without a political settlement in the near future, the region's instability will only be prolonged. To avoid this, the international community must either attempt to persuade the Israeli government to stop settlement activities and accept the relevant United Nations resolutions, or employ UN Security Council tools to bring about the implementation of the long-awaited peace settlement.



## Education in the MENA Region

Dr. Alia El Mahdi,  
Prof. of Economics, Dean, Faculty  
of Economics and Political Science  
(FEPS) Cairo University

In the wake of independence in the 60s, the MENA countries realized that the improvement of the education system was a top priority, given the low levels of literacy and the modest educational attainment levels in the region. Since then, most strategies and socio-economic plans have stressed the importance of raising enrolment ratios in primary and secondary education, lowering the dropout rates, increasing teacher-student ratios, lowering the numbers of pupils in the class and eliminating gender gaps.

The achievement of these goals could not have been possible without allocating sufficient funds to public expenditure for this purpose. With time, more emphasis was placed on the introduction of new technologies in the education process; the improvement of curricula and the training of teachers.

However, the degree of success in achieving the different goals varied from one country to another. The degree of sustainability in educational policies and the public expenditure allocated to the sector mattered and affected the performance achieved by the different countries.

Recent data from the Human Development Reports and the Global Competitiveness Reports make it clear that several positive changes are taking place in the countries in question, but also indicate that several challenges still have to be met now and in the future.

Positive performance could be seen in enrolment rates in primary and secondary education, literacy rates, and in closing the gender gap. However, relatively modest achievement was realized in areas such as tertiary education, contribution to technological advancement, the rate of overall competitiveness in higher education and training, innovation and technical readiness. In fact, the four pillars that reflect education in the competitiveness index of the World Economic Forum seem to represent the weaker components of the index, and cause the modest performance of whole index in most of these countries.

## Mediterranean 2030? Institut de Prospective Economique du Monde Méditerranéen (IPEMED)



IPEMED – Institut de Prospective Economique du Monde Méditerranéen – in partnership with specialized Euro-Mediterranean organizations (Consortium pour la Recherche Appliquée en Migrations Internationales, CRAM; International Centre for Advanced Mediterranean Agronomic Studies, CIHEAM; Forum Euro-Méditerranéen de Sciences Economiques, FEMISE; Observatoire Méditerranéen de l'Energie, OME) launched a foresight project in April 2009: "Méditerranée 2030". Its aim is to rally institutional and private-sector foresight bodies in the Mediterranean region to the task of building a common vision of the Mediterranean by 2030. Three regional scenarios emerge from this exercise: 1) A marginalization scenario, if current trends persist, income gaps between countries would not have closed, specialization in South and Eastern Mediterranean countries will remain confined to low-quality, low tech products, environmental pressures will increase and the employment issue will not be solved; 2) A divergence scenario, even more threatening than the previous one, where disparate integration of certain countries into the global economy would strongly emphasize the duality of economics and territories; 3) - However, another scenario is possible, the "top-down convergence scenario", based on proactive political action and multipolar international regulations. A stronger economic growth in terms of employment would involve developing Euro-Mediterranean synergies, extending certain means of redistribution and strengthening competitiveness. This scenario implies a reinforced institutional framework and fostering the harmonization of norms. In a regionally integrated system, with enhanced cooperation open to all Mediterranean countries, internal levers for growth could result in increased regional productivity and employment.



### Past events

**MEDPRO: Milan meeting.** On 2-3 November 2010, the Fondazione Eni Enrico Mattei (FEEM) hosted the second Scientific Workshop of the Mediterranean Prospects (MEDPRO) in Milan. The meeting aimed to assess work progress and to elaborate on the methodology.

**MEDPRO: Cairo meeting.** On 29-30 June, 2010, the Faculty of Economics and Political Sciences of Cairo University (FEPS) hosted the first implementation meeting of MEDPRO. The meeting covered methodological issues related to demography, education, social protection and migration. Researchers from ITCEQ, MAS and FEPS gave a glimpse into the demographic situation and state of education in Egypt, Palestine and Tunisia.

**Kick-off meeting: Brussels.** On 14-15 April 2010, CEPS hosted the kick-off meeting of MEDPRO. The meeting introduced the conceptual issues of the project and defined a common and coordinated approach to the foresight study.

### Forthcoming events



On 10-11 February 2011, Istituto di Studi per l'Integrazione dei Sistemi (ISIS), will host the first Scenario-Building Committee Meeting of MEDPRO in its Rome headquarters. The meeting aims to discuss the partial scenarios produced in MEDPRO work packages.

### MEDPRO Researchers in conferences

In May 2010, **Dr Rym Ayadi**, the Coordinator of MEDPRO, presented the project at a high-level meeting on the Mediterranean 2030, organized by IPEMED and IACE in Hammamet, Tunisia.

In October 2010, **Dr. Rym Ayadi** gave a speech about the future of access to finance in the Mediterranean in MedaFinance 2010 in Cairo, financed under EU-funded invest in med program.

**Dr. Manfred Hafner** presented the first MEDPRO results concerning "North-African Solar Electricity for Europe: Does it make sense?" at the "Asian-Europe Environment Forum 2010 Conference" in Munich on 1-3 September 2010, where a specific workshop dealt with solar-thermal energy including Desertec and Gobitec.

### MEDPRO Publications free download at [www.medpro-foresight.eu](http://www.medpro-foresight.eu)

#### MEDPRO launched a new series of commentaries

*First commentary on the Tunisian revolution: An opportunity for democratic transition; By Rym Ayadi, Silvia Colombo, Maria Cristina Paciello and Nathalie Tocci, January 2011.*

*Implications of violent conflicts and neo-authoritarianism on state sustainability, Silvia Colombo, MEDPRO Technical Paper, October 2010.*

The paper explores the various changes that have taken place over the last two decades and that have contributed to create the current situation of apparent stability. It moves on to assess the conditions under which this situation may become unsustainable due to the emergence of political, economic, social and external challenges. This exercise aims at presenting a number of stylized scenarios on the future of the region.

### MEDPRO in a nutshell

<b>Title</b>	MEDPRO – Prospective analysis for the Mediterranean Region
<b>Funding Scheme</b>	Collaborative Project (CP): small or medium-scale focused research project
<b>Coordinator</b>	Dr. Rym Ayadi, Centre for European Policy Studies (CEPS) rym.ayadi@ceps.eu
<b>Duration</b>	1 April 2010 – 31 March 2013 (36 months)
<b>Contact e-mail</b>	medpro@ceps.eu
<b>Short Description</b>	MEDPRO explores the challenges the countries in the South Mediterranean region, from Morocco to Turkey, will have to cope with in the next decades. The project will undertake a foresight analysis to consider the interactions between development and Euro-Mediterranean cooperation in the fields of geopolitics; demography; education; social protection; energy; climate change; trade and finance. The outcome of this exercise will be to provide the best scientific underpinning for future policy decisions to be taken at both domestic and EU levels within the European Neighborhood Policy (ENP) and Union for the Mediterranean frameworks (UfM).
<b>Partners</b>	16 (13 countries)
<b>Consortium</b>	Centre for European Policy Studies, <b>CEPS</b> , Belgium; Center for Social and Economic Research, <b>CASE</b> , Poland; Cyprus Center for European and International Affairs, <b>CCEIA</b> , Cyprus; Fondazione Eni Enrico Mattei, <b>FEEM</b> , Italy ; Forum Euro-Méditerranéen des Instituts de Sciences Economiques, <b>FEMISE</b> , France ; Faculty of Economics and Political Sciences, <b>FEPS</b> , Egypt; Istituto Affari Internazionali, <b>IAI</b> , Italy; Institute of Communication and Computer Systems, <b>ICCS/NTUA</b> , Greece; Institut Europeu de la Mediterrania, <b>IEMed</b> , Spain; Institut Marocain des Relations Internationales, <b>IMRI</b> , Morocco; Istituto di Studi per l'Integrazione dei Sistemi, <b>ISIS</b> , Italy; Institut Tunisien de la Compétitivité et des Etudes Quantitatives, <b>ITCEQ</b> , Tunisia; Mediterranean Agronomic Institute of Bari, <b>MAIB</b> , Italy; Palestine Economic Policy Research Institute, <b>MAS</b> , Palestine; Netherlands Interdisciplinary Demographic Institute, <b>NIDI</b> , Netherlands; Universidad Politécnica de Madrid, <b>UPM</b> , Spain; Centre for European Economic Research, <b>ZEW</b> , Germany
<b>Website</b>	<a href="http://www.medpro-foresight.eu">www.medpro-foresight.eu</a>
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