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Rethinking the Mediterranean Strategic Agenda in an Evolving Environment

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Summary

The Euro-Mediterranean Partnership was initiated with the aim to build a space of shared prosperity and security among all the countries in the region. The achievement of this objective, however, continues to be challenged by several geopolitical, economic and social factors. In such a context, there is now a greater urgency to adapt the approach and the instruments, thus allowing Euro-Mediterranean partners to seize opportunities towards an effective area of shared stability and prosperity.

Transforming the Euro-Mediterranean basin into a common area of peace and stability that guarantees a zone of shared prosperity between the two shores of the Mediterranean was the main objective of the Barcelona Process signed in November 1995. Twenty years later, and even if there were some positive improvements in terms of trade, investment and engaged reforms, the objective of building an area of shared prosperity is far from being achieved (Jordán, 2015). Actually, the Mediterranean basin is still a space of old unresolved geopolitical problems, in particular the Israeli-Palestinian conflict, to which new crises are added such as those ongoing in Libya and Syria after the Arab spring and rising terrorism attacks in the North and the South of the basin. These political factors are hampering human development in the southern countries of the basin. In addition, irregular migration is still a persistent concern that results from the gap between European countries and their partners in the region in terms of income per capita and living conditions but also from the lack of opportunities provided by the southern Mediterranean economies. Furthermore, south-south relations are suffering from a low integration process and a weak political commitment.

Against this background, prosperity of the Mediterranean space is facing serious multidimensional impediments ranging from political to economic and social factors. It is therefore more pressing than ever before to explore the opportunities to be seized and challenges to be faced in order to achieve the old objective of shared prosperity but on the basis of a new vision of the Mediterranean space. In this context, think tanks and research institutions can play a central role in offering a useful platform for dialogue and knowledge sharing that can facilitate cooperation and promote the shaping of collective initiatives that are necessary to face common regional issues.

I. Security in the Mediterranean: a space of shared “instability”

Representing one of the most dynamic highways of trade and an important link between continents, the Mediterranean has emerged since ancient times as a strategic area of cultural exchange and a real cradle of civilizations. However, nowadays, the security in this basin and in neighboring countries is at the heart of all current debates on international security policy-making. In the southern,

flank of Europe, euro-zone policy makers are not only challenged by the austerity that has contributed to dramatic contractions in output and an increase in unemployment, especially among the youth, but they also have to manage turbulent regional developments directly affecting the security of the region. Hence, while the European Union is struggling with one of its worst migrant crisis in modern times, the broadcasted images from Lampedusa, Calais, and more recently, Macedonia, Greece and Hungary, are increasingly urging government officials, policy-makers, and the international community to look at alternative strategies to tackle this pressing humanitarian dilemma.

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Current EU policies to stop these migration flows seem close to failure and are definitely not discouraging migrants from risking their lives to make their way towards an uncertain future in Europe. In fact, controversial methods of closing down the borders and deporting enterers are just not enough for dealing with the reality of the pushfactors that constitute the true motives behind these migration flows. The past years have therefore, emphasized the close interconnectedness between the social, political and economic spheres to maintain stability and security; a mechanism that provides a solid platform for the implementation of tangible development initiatives. For instance, in her remarks before the Security Council on the security situation of the Mediterranean in May 2015, Frederica Mogherini, the high representative of the European Union, has called for the shared responsibility of regional states to tackle security issues within the Mediterranean and the importance of cooperative measures to address the real roots of growing regional insecurity and signs of destabilization.

Beyond the lawlessness and the escalating violence taking place in some countries of origin, migrants and refugees are generally drawn to Europe with hopes of better and decent living conditions that could provide them with a secured life and access to their basic daily needs (housing, education, work, access to healthcare, security, food ...). Thus, besides the security threat posed by terrorist groups in a number of regional states, the initial destabilizing signs of fragility resulted from socioeconomic, political development and governance flaws. In this regard, the heightened border security concerns that Europe is facing highlight the necessity to address real development issues that undermine the

achievement of sustainable stability in the southern shores of the Mediterranean. Ensuring human security and establishing sustainable initiatives by enabling a proactive regional cooperation is a central priority in order to restore stability and to foster prosperity through development policies that explicitly promote inclusive growth outcomes.

II. Socio-economic level: Weak South-North convergence and insufficient South-South integration

1. Trade Trends in Southern countries: an excessive dependency over EU and weak South-South integration

The EU is the first economic partner for the Southern countries in the Mediterranean, with a structural commercial surplus in favor of the EU. During the period 2004-2014 where almost all the bilateral trade agreements were in force, the commercial deficit of southern Mediterranean countries with the EU, which is structural, has widened heavily to almost 45 billion Euros instead of 30 billion. By country, the trends are almost the same except for energy producers in the region, namely Algeria and Libya, which mainly run commercial surplus. Actually, the importance of the southern shore as major supplier of energy might increase substantially, as Europe is implementing a new energy strategy that intends, along other aims, to diversify its suppliers and reduce its dependence over Russian resources.

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Besides, the region still does not represent a substantial foreign market for the European products or major supplier, as the shares in total exports and total imports of the EU are respectively around 8.6% and 10.5% in 2014. By contrast, the southern economies rely much more on the European Market in terms of exports and imports, almost half of their trade is with Europe, while South-South trade flows are still limited. Intra-regional trade in the Mediterranean is less than 6% of total trade, a level that remains one of the lowest in the World¹.

2. Southern Countries' Economic Development: a slow catching up process and structural impediments

Disparities are still quite notable between the EU and its southern neighbors despite a slightly positive trend of convergence in recent years. The major gap identified is in terms of GNI per capita. In fact, most of southern countries that have signed trade agreements with EU

1. European Commission assessment.

did not show significant improvement in their economic welfare. In 1990, GNI per capita was 3.4 times higher in the EU than in the Southern Mediterranean area and decreased to 2.8 in 2014. Given their economic development stage, these countries should have witnessed higher growth rates of their economic activity. Turkey might be one of the rare countries in this region having achieved a significant improvement of its GNI per capita that moved from only 30% of EU's level in 1990 to more than 50% in 2014.

The global financial and economic crisis had also exacerbated the situation as the policy of austerity and the weak recovery in Europe involved more cyclical uncertainty and weaker foreign demand for southern Mediterranean partners. Consequently, many southern Mediterranean countries suffered from a negative impact on their growth performances.

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Actually, the rates of youth unemployment in this region are among the highest in the developing countries (Ilan Chet et al. 2015), with a proportion of 25% in North Africa and 19% in the Middle East. Women are significantly affected by unemployment, which reflects the magnitude of Gender inequality problems in this area. Even worse, tertiary education graduates are the most concerned by unemployment, which means that higher education does not guarantee employment in the southern Mediterranean. This problem is observed in particular in some countries like Tunisia and Morocco where there is a serious mismatch between education sector and skills required in the labor market.

Against this background, it is well known that the lack of opportunities in the South implies many other problems in these societies such as poverty, economic vulnerability, social exclusion, violence, extremism and therefore a higher probability of adverse effects on the northern Mediterranean countries, namely migration and insecurity issues.

III. Opportunities to seize and Challenges to face

Despite the tremendous impediments in the Mediterranean basin, there are many opportunities to take in order to achieve the ultimate objective of a space of shared prosperity:

- According to the concept of conditional convergence, southern countries have a huge

potential of growth and catching-up if they succeed to accelerate their **structural transformation**. This goal requires a transition towards more diversified production sector, with high proportion of sophisticated and high added-value products. It also implies that southern Mediterranean countries have to improve the access and the quality of education, to stimulate investment and entrepreneurship, to build competitive economies with a good positioning in the regional and global value chains.

- Southern Mediterranean countries are also characterized by the important demographic proportion of **young people** (15-24 years) that represents more than 30% of the total population. This feature represents a real opportunity to seize by investing in this abundant human capital through education and vocational training that would increase their employability and reduce their social exclusion. Such a policy would address the problem of the lack of opportunities in the South and consequently would be an effective tool to mitigate the side effects in terms of violence, terrorism, illegal migration, etc.

- Improving **south-south integration** in the Mediterranean basin should be a priority in the agenda with a higher political commitment. On one hand, Southern partners have the responsibility of creating spaces of complementarity between their trade structures and their production sectors to maximize south-south trade and to benefit from a larger market. On the other hand, European countries should continue to open their own markets to exports from the south. European Union should also deal with trade integration with southern countries according to a regional view rather than negotiating multiple bilateral agreements with partner countries individually (Alessandrini, 2015). European countries should finally provide more assistance (financial and technical) to enhance south-south integration in terms of trade, infrastructure and logistics investment, financial platforms, etc. as North Africa could be considered as a gate to a larger and more promising market for Europeans, which is the sub-Saharan Africa, the last frontier of growth. Accelerating the process of Integration is essential for a more efficient and sustained growth, in particular for Mediterranean countries and in general for economies in MENA region that remain among the least integrated. In such a context, trade integration can provide an effective supporting role to enhance competitiveness and economic development, but only if it is a part of a wider process of domestic reforms².

2. Uri Dadush (2015), «Economic integration in the time of turmoil» - Policy Brief 15/16 - OCP Policy Center.

- In the long term, southern Mediterranean has to be prepared to a big challenge, namely, **food security**. Actually, the region will have to face water scarcity in the future, coupled with other factors such as urbanization and desertification. To mitigate this risk of food insecurity, southern countries should improve productivity in their agricultural sector and adopt tools that enable them to increase efficiency of water utilization in the region. North African countries should also contribute to enhance productivity in sub-Saharan agriculture that could represent a real opportunity for them to diversify and secure food imports.

- **Energy security** is another common point of in-terest for both the North and the South in the Mediterranean basin. Europe is expected to remain dependent on foreign energy (6% of global energy production and 13% of energy consumption) and should certainly continue to make efforts in terms of diversification of suppliers (Russian crisis), improving energy-mix, developing renewable and alternative sources, enhancing energy efficiency, etc. On the Southern side of the Mediterranean, there are huge potentials that are still underdeveloped in particular in the fields of solar and wind electricity where Morocco could be considered as a good example in the region. However, it should be emphasized that recent political instability and violence have raised the problem of the sustainability of energy security in the region for Europe and southern partners. These developments should push European countries to play an active role in maintaining political stability and supporting reforms in order to improve governance, inclusive growth and economic prosperity in the south (Bahgat, 2015).

- The last point concerns the role of civil society. The focus could be made on two actors; the diaspora and Think-Tanks:

- Enhancing relationship between countries of origin in the south and the **Diaspora** living in Europe could be an effective way to strengthen North-South integration and mutual tolerance. Those links could be built through remittances, investment projects

but also through civil associations, joint cultural activities, family ties (marriage). In addition, southern Mediterranean countries are “beginning to develop diaspora policies to use migrants as agents of influence in their host countries through the attention they garner in the host country: this is the case of Turkey and Morocco” (Wenden, 2015).

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- Regarding **think-tanks**, they have the potential and the freedom to further debates and discussions on subjects and issues of common interest between the North and the South of the Mediterranean basin. Through their diversified activities (analytical work, roundtables, conferences, training), think-tanks are able to increase awareness of policy-makers and citizens in both sides of the region about the most relevant challenges shared by the euro-Mediterranean countries. Think-tanks could also play a critical role in these societies by preparing a new generation of leaders and policy-makers with efficient skills in political and economic management and at the same time a good analytical background that enable them to a better understanding of the most relevant economic, geopolitical and social issues.

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