REGIONAL INTEGRATION IN THE MEDITERRANEAN - IMPACT AND LIMITS OF COMMUNITY AND BILATERAL POLICIES

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DIRECTORATE B

POLICY DEPARTMENT

IN-DEPTH ANALYSIS

REGIONAL INTEGRATION IN THE MEDITERRANEAN - IMPACT AND LIMITS OF COMMUNITY AND BILATERAL POLICIES

Executive Summary

The economic integration of the south and east Mediterranean partner countries with Europe has made very little progress, just as relations between them are not showing signs of development. The immediate periphery of the Union has not yet become a dynamic area of trade with Europe, and Community aid, which is focused on the commercial aspects, has not managed to stimulate sufficient economic growth in its neighbours to absorb new entrants on to the labour market. This lack of regional economic dynamism is in contrast with the intensity of human relations which has developed over a long period due to the presence of an essentially North African and Turkish diaspora in Europe and the North-South tourist traffic to the Mediterranean, which are undervalued. While the Arab revolutions are a reminder that the movement of ideas and people goes hand in hand with a greater homogeneity of lifestyles and aspirations from a democratic and social viewpoint, little has been done in a Euro-Mediterranean context to encourage this movement, particularly from a social and political standpoint. We should therefore redirect the priorities of European aid from a commercial emphasis to a truly industrial policy and set out a political and social priority for the region.
This In-Depth Analysis was requested by the European Parliament's Committee on Foreign Affairs.

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INTRODUCTION

After the Arab revolutions and at a time when Europe has not yet achieved economic and institutional consolidation following the recession, Euro-Mediterranean integration deserves to be evaluated and rethought on the basis of these structural changes. From the point of view of the Mediterranean partner countries, the Arab revolutions and the European crisis have changed the situation and the keys to regional integration. Three changes are evident. Firstly, south-south integration has become an urgent necessity for the post-revolutionary countries: they must restore the confidence of domestic and foreign investors, meet the social and economic expectations of their populations by increasing salaries and strengthening social protection – which increases deficits and the wariness of investors – and also find new markets to make up for the European slowdown. From this point of view, setting up a more integrated market on the borders of Europe and Africa may regenerate the economic fabric and increase cross-border professional opportunities, by increasing activity and employment. Secondly, the deterioration of budget balances (debt, loss of markets, slowdown in external revenue – direct foreign investments, payments from emigrant workers, revenue from tourism) has led to a call on foreign aid. With European and American aid budgets affected by the crisis, and faced with some reluctance in western public opinion with regard to Islamist governments, the Gulf monarchies have become essential partners. The ‘Deauville partnership' confirms this situation. Finally, the consequences of the Arab revolutions, which vary greatly from country to country, and in particular the eruption of the Syrian conflict, have caused a distinction between a more stable North Africa (including Egypt), despite the unresolved challenges of political transition, and a Middle East that is undermined by both the Israeli-Palestinian conflict and now by the Syrian civil war.

On the European side, the financial and political consolidation requires a refocusing of priorities and more efficient financing. In this context, the south and east Mediterranean countries are a major economic, social and political issue. Restoring European competitiveness will be achieved by internal reforms but also by setting up a lower cost subcontracting area based on the model that Germany had with Eastern Europe. Euro-Mediterranean regional integration is also a condition of the spread of Europe’s influence abroad and its ability to have a say in major world choices, given the emergence of the continental States (United States, BRIC) and the major regional alliances (Americas, Asia). Furthermore, the strategic reorientation of the United States towards Asia means that Europe has to invest more in the security and stability of those countries. Finally, its policy must now take into account new political partners after the Arab revolutions and it must support the democratic processes that are taking place.

These developments certainly have an impact on European policy in favour of Euro-Mediterranean integration. This policy was based on economic priorities, such as the signature of association agreements (the framework being the free trade agreement) or setting up common projects within the UfM (Union for the Mediterranean) (intended to strengthen common socio-economic infrastructures: energy, transport, training, etc.). It now has to deal with a political transformation which it must support, and it has to involve new partners. The very nature of the Arab revolutions, which were driven by social and territorial inequality, must also have more emphasis at the heart of EU policies. The introduction of the SPRING and ENPARD (European Neighbourhood Programme for Agriculture and Rural Development) programmes reflects this change in direction. European Union (EU) policy has also essentially taken on the vector of bilateral agreements and aid without managing to change the asymmetric ‘centre/periphery' relationships (North-South) or to strengthen sub-regional cooperation (South-South). It now has to strengthen North-South and South-South regional integration while taking into account the diversity of situations country by country. New vectors and programmes must now be
identified in order to do this and/or those already in existence must be used more effectively in a different way.

This study, in order to analyse the economic, political and social consequences of Community policies in favour of Euro-Mediterranean integration, will look firstly at the situation and prospects for cooperation and regional integration after the Arab revolutions and the European crisis. Secondly, it will endeavour to determine to what extent Community policies have contributed over and above mere geographical proximity. It will then identify the obstacles and challenges to North-South and South-South cooperation, whether these obstacles are economic, political, institutional or socio-cultural. It will evaluate the policies (association agreements, advanced status), the programmes (neighbourhood) and the financial instruments European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD) in the light of the objectives of regional integration. Finally, the study will aim to identify the vectors and programmes that are most effective in promoting integration and will propose paths of reform that are both institutional and operational, taking into account their political and financial feasibility.
PART I – THE STATE OF EURO-MEDITERRANEAN INTEGRATION

The Euro-Mediterranean Partnership aims to strengthen trade between the EU and the countries of its southern border. From the beginning, it has favoured the economic route, as economic liberalisation is seen as a precursor to political reform. The purpose of the free trade agreements was to move from preferential treatment for the Arab countries of the Mediterranean to a reciprocal agreement. This was designed to stimulate competition and trade, to encourage investment and technology transfers and, ultimately, to boost the economies of those countries while improving their business climates. Stimulating growth creates employment and increases income per head. It should have the effect of encouraging the emergence of a middle class able to alter the socio-political equilibrium and demand greater participation in political life. As such, the incentive to migrate to European shores, for social as much as for political reasons, would be reduced. The idea was for regional integration also to be strengthened at a South-South level, with closer ties with the EU being intended to encourage the creation of a large market in the South that would be more integrated and more stable.

The aforementioned partnership is based on the signing of association agreements involving free trade with Europe in the field of industry. It is not uniform in shape but varies according to country. Agreements are in force with all the countries with the exception of Syria. Countries negotiate a schedule bilaterally with the EU for dismantling of tariffs and for the associated assistance. The first two countries to sign, Tunisia and Morocco, now engage in industrial free trade with Europe. They gained the status of candidate for advanced status which allows them to participate in the internal market for a fixed-term. The partnership also involves a political and social dialogue. This is challenging on account of ongoing, serious geo-political problems, of the authoritarian nature of partner states and, today, difficult and conflict-ridden political transitions. In social questions, the issue of migration takes precedence over all others. It remains a bone of contention. Europe wants the Southern and Eastern Mediterranean countries to take the role of policing migratory flows, including those from sub-Saharan Africa. This conflicts with the desire of governments in Arab countries of the Mediterranean to encourage movement of persons. Their reasons are economic, relating to the largest generations of new entrants to the labour market, and also political, concerning the burden of refugees on their soil.

20 years after the Barcelona Process, and ten years after the integration of Mediterranean partner countries into the European neighbourhood policy, renewing and streamlining the assistance tools for the region, where does regional integration stand?
AN ECONOMIC INTEGRATION THAT HAS MADE LIMITED PROGRESS

The promotion of trade, North-South and South-South, and investment is at the foundation of the Euro-Mediterranean Partnership agreements. It is the focus of the most significant aspect of EU aid to the regions, including development of infrastructures: transport, energy and telecommunications. The results seem disappointing when compared to the initial ambition, together with the energy and funds invested.

1.1 Asymmetrical North-South trade and a limited impact on growth

In economic terms, regional North-South integration has made limited progress. In both investment and business, Mediterranean partners are of little importance in European trade. At the same time, while Europe retains a predominant position in trading agreements and direct foreign investments in the economies of the Southern and Eastern Mediterranean, this has nevertheless been reduced over the past ten years, to the benefit of other partners. Economic liberalisation and cooperation have not succeeded in upgrading the economies of the EU’s southern border, or in reducing their income gap. It was the social inequalities caused by the latter that provoked the wave of Arab uprising troubling that part of the world today.

Studies on the commercial impacts of Euro-Mediterranean free trade generally agree.¹ They all point to the creation of a trade that has principally benefited the EU, stimulating EU exports to Mediterranean partner destinations. Conversely, the latter have seen little benefit from this trade enlargement. This is because trade liberalisation has, thus far, excluded agricultural goods and services, and has not allowed their manufactured goods, already duty-free, to penetrate EU markets. In sum, the EU is still benefiting from a broadly surplus trade balance with the non-oil producing countries of the Mediterranean (Table 1).

Table 1. EU-Mediterranean partners trade balance 2010-2012, billions of euros

<table>
<thead>
<tr>
<th>Year</th>
<th>EU imports</th>
<th>EU exports</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>132.5</td>
<td>148.9</td>
<td>16.4</td>
</tr>
<tr>
<td>2011</td>
<td>131.4</td>
<td>161.3</td>
<td>29.8</td>
</tr>
<tr>
<td>2012</td>
<td>154</td>
<td>174.5</td>
<td>20.5</td>
</tr>
</tbody>
</table>

Source: Eurostat

Trade between the EU and countries of the Southern and Eastern Mediterranean has generally been on a downward trend since 2004. This has been to the advantage of other protagonists of globalisation, China and Russia. The region’s market share in the EU has not developed but remained static at three per cent, five per cent if we include Turkey. While the EU’s share in the trade of its Mediterranean partners is much more significant, it has decreased in the last ten years, to the advantage of emerging countries. These include China in particular and, to a lesser extent in trade within the region, Turkey. Maghrebi trade is still largely directed towards the EU owing to the strong bilateral relations with the Latin countries of Europe, i.e. France, Spain and Italy. Nevertheless, the region as a whole is today trading to a greater extent with the rest of the world. In the European market, Mediterranean partners

have suffered competition from emerging countries with low labour costs in the area of industrial products, and competition from Russia in energy sources. Conversely, in agri-foodstuffs, exports from Mediterranean partners to European markets have increased, with the exception of Tunisia.

This diversion of trade towards markets other than Europe could be considered the result of greater international integration of those economies. This has been fostered by the signing of trade agreements: multilateral World Trade Organisation (WTO), regional (Greater Arab Free Trade Agreement (GAFTA) and the Agadir Agreement), and bilateral (Turkey, United States). Above all, the diversion of trade is a sign of the limited effect of trade agreements on the growth of these countries and on Euro-Mediterranean integration. The effects of trade liberalisation may be neutralised, or counterbalanced, by agreements with other countries or other geographic areas. Furthermore, such liberalisation generally produces only very limited effects on income and growth. In the case of the Mediterranean partners, contrary to what happened in Eastern Europe, trade liberalisation has not led to a boosting of sectors and subsequent economic upgrade. Productive specialisations remain concentrated on sectors of limited added value. Consequently, there is fierce competition from countries with low labour costs.

The initial aim of trade liberalisation was to increase the encouragement of significant growth in productive investment, both European and foreign (see the chapter on investment). Such investment in the area would have been able to produce knock-on effects on employment and the spread of technology. The limited technological content of exports (Graph 1) is a sign of a productive specialisation lacking in innovation, at the same time as a stagnation on the part of innovation in production. The technological content has tended to decrease over time. Consequently, the employment content of the growth has been insufficient to absorb the new entrants to the job market. This is especially true for those with qualifications for tertiary teaching. Their number is far higher than that of posts available, and the latter generally require few or no skills.

**Graph 1. Share of advanced technology exports, in % of exports of manufactured products, 2004-2011**

![Graph 1](source: World Development Indicators 2012, World Bank)

The free trade and economic cooperation agreements were also intended to strengthen the competitive aspect of these economies and reduce their income gap. However, it is clear that economic openness led instead to incomes remaining the same; although where once they came from the state, they have now become commercial. Being close to power remains a necessary condition for having access to financing. The benefits of growth have therefore been unequally distributed, given that the increase in revenue has not served to strengthen redistribution mechanisms. The Arab uprisings demonstrated a desire to break away from an inequitable distribution of wealth and a weak means of job creation, as much as from an autocratic method of government.
In sum, the area immediately surrounding the EU is not yet a dynamic trading area with Europe. This is the case, whether it can be attributed to weaknesses in EU policy or to the neighbouring countries themselves and their geo-political problems.

1.2 A South-South integration that remains hampered by political obstacles

Economic integration between partner countries of the Southern and Eastern Mediterranean themselves has made very limited progress. Maintaining tariff and non-tariff customs barriers, and the lack of trans-border infrastructures, discourages trade and hampers the development of investment, national and foreign, on account of the limited size of markets. The economies of the region are not complementary and lack diversification. They are focused on market segments that are competitive in terms of sector, e.g. tourism and textiles, and of range, with limited or average added value. It is this situation, rather than the barriers to trade, that explains the intrinsic weakness.

As such, the regional trade agreements, which have been developed over many years, have had little impact. Indeed, some of them exist only on paper, e.g. the Arab Maghreb Union. Signed in 2004, the Agadir Agreement established free trade between Egypt, Jordan, Morocco, Palestine and Tunisia. It entered into force in 2007. Signed in 1997, the Greater Arab Free Trade Area (GAFTA) extends far beyond the Southern and Eastern Mediterranean countries. It entered into force in 2005 for a certain number of countries, and was implemented in full in 2013. However, these agreements have not produced the expected knock-on effects on development of trade within the region. Often limited to manufactured goods, as in the case of agreements with the EU, consequently they suffer from the same weaknesses. The manufactured goods traded are limited in volume and diversification. They have had a limited impact on generating trade and, in the case of the Agadir Agreements, seem to have had the effect of diverting trade flows to the benefit of countries not party to the agreement. The latter have been able to insist on taking advantage of the accumulation of pan-Euro-Mediterranean rules of origin that are part of the agreement, which itself benefited from EU assistance. Indeed, this regional accumulation of rules of origin resulted in an administrative complexity that managed to hamper trade.

Trade between Mediterranean partners therefore progressed slowly, rising from an average of 3.3% to 4% in 2010. Differences within the region are nevertheless apparent: Egypt accounts for the largest share of South-South exchanges, while the countries of the Maghreb are characterised by their extreme weakness (Graph 2). There is latent hostility, on account of the Western Sahara, between the two most populous countries of the Maghreb: Algeria and Morocco. This explains the gradual reduction in trade and the failures of the Arab Maghreb Union. The impossibility of a partnership between these two countries interrupts the expanse of Maghrebian geographic continuity. It leaves Morocco isolated against the confines of the Atlantic and limits its physical exchanges with the rest of the area. This situation is all the more harmful given that South-South trade is stronger between neighbours who share borders. Leaving aside informal trade, such cross-border trade represents, in effect, the heart of South-South commerce.

Graph 2. Trade between Mediterranean partners

Imports within the region, in % of trade, 2004-2010
Exports within the region, in % of trade, 2004-2010

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3 Latest available figures
4 Leaving aside trade with the closest neighbours that share a common border, the percentage of trade within the region is disappearing almost entirely, falling to a regional average of 1.4% of exports. Rates for Egypt and Tunisia are 5.2 and 0.2 percent respectively.
With regard to economic cooperation between states in the region, it has been reduced to its most basic manifestation. In the Maghreb, competition (Tunisia, Morocco) and political hostilities (Algeria, Morocco) have combined to limit any economic cooperation. Europe cannot be held accountable for tensions of a national nature between North African states. Nevertheless, the bilateral policy of the EU has tended to reinforce non-cooperative aspects, with each nation preferring to conduct its own negotiations with Europe for advantages over its neighbours. European companies have sometimes fallen victim to this, when a decision to set up in a country provokes the ire of the neighbouring capital. However, those companies have also taken advantage, profiting from the lack of unity to sell projects that would have benefited from being available to all, e.g. in the energy field particularly, cf. Areva selling EPRs to the whole of the Maghreb.

Conversely, Egypt and, above all, Turkey have put more investment into regional cooperation. Turkey has negotiated trade agreements with all the states of the region excepting Algeria. Its companies have not only invested in the oil-producing countries, such as Libya, but also in other economies. Before the Arab uprisings, cross-border trade and the presence of Turkish SMEs were apparent in Syria. At the same time, Turkish investments were being developed in Egypt, especially in the textiles sector: with the subcontracting of clothing manufacture facing strong competition from Asian exports. Since then, Turkey has refocused on the central Maghreb, i.e. Morocco, less affected by difficult political transitions.

As such, economic cooperation has made little progress. This is true both between the EU and its Mediterranean partners and between the countries of the region themselves. Previous policy, in both North and South, particularly emphasised trade policies, even though trade was primarily based on productive specialisations and specific instances of economic cooperation. The proliferation of trade agreements has actually led to negative results due to an accumulation of rules that are largely inconsistent in application and scope. These exacerbate the administrative difficulties for exporters in terms of destinations (Maps 1 and 2).

Source: Comtrade
SIGNIFICANT FACTORS OF PROXIMITY AND HUMAN RELATIONS EXACERBATED BY THE ARAB UPRISINGS

2.1 A region more integrated through people than through goods and capital

The countries that neighbour Europe are less integrated with it through goods, services and capital than through people in the form of migration, tourism and personal relationships. This is demonstrated by the size of migratory flows from the southern and eastern shores of the Mediterranean compared with European direct foreign investment flows to those countries (see the chapter on migrations). There are some 6 million nationals from countries of the Southern and Eastern Mediterranean settled, largely, in the EU15 countries [Member States prior to 2004] (Graph 3). Added to these are the descendents of immigrants who are today more numerous than their parents in France. Members of that immigrant community often maintain close ties with their country of origin, as shown by the size of the revenues earned abroad remitted to their families back in their countries.

Similarly, interpersonal relations can be very strong between Southern and Eastern Mediterranean countries. Migratory flows are a clear indication of this in the Middle East and Egypt, which host 1.3 million of their neighbours, not including the Palestinians. Conversely, these migration figures, which are low in North Africa, show little of the depth of interpersonal relations in the Maghreb. There,
individuals often share the same family histories but were separated territorially by the creation of nation states.

While some Europeans are settled in the countries of the Southern and Eastern Mediterranean, mainly in the Maghreb and Turkey, it is largely due to the tourist flows that mobility is directed from North to South. According to the UN World Tourism Organisation (UNWTO), tourism was greatly revived in 2013 in the Maghreb, in Tunisia especially, as well as in Egypt and Jordan. Meanwhile Turkey became the world’s sixth most popular destination. Conversely, Lebanon continues to suffer on account of the Syrian conflict. Tourist markets are especially concentrated on developed economies, with those kinds of tourists preferring closer destinations. Europe is the world’s principal source of tourists and tourism in the region is largely European or regional, from neighbouring countries and the Gulf.

Graph 3. Nationals of Mediterranean partner countries settled in the EU15*, by number, 2007

* Excluding the United Kingdom
Sources: Eurostat and the French population census

2.2 Yet a social question largely overlooked

This fluidity contrasts with the very restrictive policies concerning mobility in both North and South. Movements within the Maghreb have tended to decrease with fewer cultural and university exchanges. Sharing a language and common culture is an impetus to exchanges that remains significantly undervalued. At political level, rivalries between states, unresolved conflicts and regional leadership ambitions have thwarted the vague attempts at South-South unity, in the Maghreb and in the Near East.

Similarly, the Euro-Mediterranean Partnership has largely undervalued this human and cultural dimension. The Euro-Mediterranean University project, EMUNI, within the framework of the Union for the Mediterranean (UfM), together with the ‘Anna Lindh foundation’ project have certainly gone some way to closing the gap in social and cultural terms. The same can be said of new undertakings initiated by the UfM, including the Mediterranean Office for Youth aiming to develop the mobility of Euro-Mediterranean students, the Euro-Mediterranean Junior Erasmus Programme, and the cultural television channel for the Mediterranean. But these continue to face difficulties regarding the movement of persons. From this point of view, the demands of controlling migratory flows constitute a permanent obstacle to any project intending to increase exchanges between the two shores.

The Arab revolutions have served to remind us that the movement of ideas and people went hand-in-hand with a greater homogeneity of lifestyles and aspirations in social and democratic terms. Yet little has been done within a Euro-Mediterranean framework to encourage this movement, especially in social and political affairs (see below).
PART II – EUROPEAN AID PRIORITIES

Although there has been little progress in terms of Euro-Mediterranean integration, it still underlies the priorities and institutional framework of European aid. The picture is nonetheless more positive for economic integration than it is for social and, in particular, political integration, in which little investment had been made prior to the Arab uprisings.

3 INSTITUTIONAL AND FINANCIAL FRAMEWORK

3.1 Complex institutional framework

The Euro-Mediterranean Partnership works on the basis of a complex institutional framework comprising two forms of cooperation: bilateral – which takes the form of Association Agreements – and multilateral (see Figure 4). The Euro-Mediterranean Conference, comprising foreign affairs ministers, monitors application of the Barcelona Declaration and defines actions. The Euro-Med Committee, comprising representatives of the European Commission, Member States and the Mediterranean countries, at senior official level, is responsible for the overall management and monitoring of multilateral cooperation.

Figure 4. Institutional Framework of the Euro-Mediterranean Partnership

Data source: Evaluation of the EU’s support to neighbourhood policy regions (2013)

Since 2003, the Euro-Mediterranean Partnership has been based on the European Neighbourhood Policy, which was originally designed for European countries that were not within Community territory. The aim of this policy was to define a ‘framework for the Union’s relations with those neighbouring countries that do not currently have the perspective of membership of the EU, and, in the long term, it envisages access to the internal market for member countries of the Eastern Partnership and the Euro-Mediterranean Partnership. It provides the framework for financial cooperation between the EU and its neighbours.

The Neighbourhood Policy is also backed by the Union for the Mediterranean (which includes all the coastal Mediterranean countries and the EU), focusing on regional projects involving several countries

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5 Morocco, Algeria, Tunisia, Libya, Egypt, Israel, the Palestinian Authority, Lebanon, Jordan and Syria

6 Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia and Ukraine

7 The Union for the Mediterranean brings together the 28 EU Member States and 15 partners in the southern Mediterranean, Africa and the Middle East: Albania, Algeria, Bosnia-Hercegovina, Egypt, Israel, Jordan, Lebanon, Mauritania, Monaco, Montenegro, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey
and co-financed by its members. The UfM is a project bank without independent financing capacity. It currently approves and identifies projects which are then funded from other sources, essentially still the EU or bilateral aid from European countries, since the Mediterranean partners are often reluctant to make a financial contribution.

The overall institutional system is complicated and the division of tasks is unclear. The Union for the Mediterranean has the advantage of focusing on actual projects and making them ‘visible’. It has also facilitated better coordination of Community policies with those of the Member States. However, the allocation of funding is still largely determined within a bilateral framework (see below), leaving the UfM little margin for manoeuvre for the implementation of regional projects. Also, bilateral aid provided by Member States is still not very well coordinated, even though countries tend to prefer bilateral aid because it is easier for them to identify their partners and priorities. The fact that the bilateral process is separate from regional cooperation and involves different partners makes the situation even more opaque. Lastly, despite the ‘Deauville Partnership’, actions involving other donors, particularly the US and the Gulf States, are not very well coordinated.
3.2 Lesser financial commitment than in the case of the Eastern Partnership, but which has been stepped up after the Arab Spring

The European Neighbourhood and Partnership Instrument (ENPI) is the geographical instrument for providing financial aid to partner countries, which also have access to thematic funds. European aid in the form of grants (not including subsidised loans) to the region is funded to the tune of 91% by geographical budget lines and only 9% by thematic instruments (see Table 2). A significant proportion of Community aid takes the form of budget support, with the rest comprising calls for tender. The Commission has also set up a programme to support institutions by offering administrative exchanges that facilitate improved management of public institutions\(^8\). This assistance in the form of aid or

\(^8\) Three instruments are involved here: twinning, TAIEX (Technical Assistance and Information Exchange) and SIGMA (Support for Improvement in Governance and Management)
technical assistance is complemented by subsidised loans from the EIB. Since 2012, when the ‘Deauville Partnership’ was formed to bring together donor countries (America, Gulf, Europe) to help Arab countries in transition following the 2011 uprisings, the EBRD has also been investing in four countries in the region (Egypt, Jordan, Morocco and Tunisia). Table 2 summarises the funding (loans and grants) available to the Mediterranean partners.

In absolute terms, the distribution of financial aid from Europe under the Neighbourhood Policy, which involves the most significant amounts, appears to favour the Mediterranean partners: 1/3 of credits go to members of the Eastern Partnership, with the other 2/3 going to the south coast of the Mediterranean. This distribution has been extended for the new Community budgetary commitment 2014-2020 but is still subject to discussion within the Member States (with some northern and eastern European countries arguing for increased investment in the Eastern Partnership). In relative terms (per capita amount), however, the distribution is markedly less favourable to the Mediterranean partners. Without taking account of support for the Palestinian Territories, which largely takes the form of humanitarian aid, countries in the Mediterranean Basin receive less support than their Eastern counterparts: €3.2 per person a year compared with €4.4 in the East in the case of the Neighbourhood Instrument. If one takes account of all aid (thematic and regional) granted to the two regions targeted by the Neighbourhood Policy, the gap is even wider: €4.2 per person in the South compared with €7.9 in the East (between 2004 and 2010)\(^9\).

After the Arab Spring, the amounts allocated to the Neighbourhood Policy were revised upwards to reflect the EU’s commitment: additional funding of EUR 1.2 billion was granted to the ENPI, on top of the EUR 5.7 billion already set aside for the period 2011-2013. Two thirds of these credits were granted to the EU’s partners in the Mediterranean region; an additional one billion euros was made available for new loans to the region from the EIB, on top of an existing 4 billion credit line; and it was decided that the EBRD field of action should be extended to allow it to invest up to EUR 2.5 billion a year in the public and private sectors in the region, in order to support the creation and development of businesses, as well as the financing of infrastructures.

In cooperation with the IMF, the European Union has also set up Macro-Financial Assistance (MFA) programmes targeting the south coast of the Mediterranean. Launched in 1990, MFA is a financial aid for third countries having short-term difficulties with their balance of payments, and has been granted to Egypt (EUR 500 million), Jordan (EUR 200 million) and Tunisia (between EUR 200 and 300 million).

\(^9\) EuropAid (2013), Evaluation of the European Union’s Support to two European Neighbourhood Policy Regions (East and South), Final Report Volume 1, Brussels: European Commission, June 2013
Table 2: EU financial aid instruments for the Mediterranean partners

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<tr>
<td>European Neighbourhood and Partnership Instrument (ENPI)</td>
<td>Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Morocco, Moldova, the Palestinian Authority, Russia, Syria, Tunisia, Ukraine</td>
<td>EUR 1.6 billion</td>
<td>EUR 11 181 billion</td>
<td>EUR 18.2 billion</td>
</tr>
<tr>
<td>European Instrument for Democracy and Human Rights (EIDHR)</td>
<td>All countries except EU Member States and the industrialised countries</td>
<td>EUR 160 million</td>
<td>EUR 1 104 billion</td>
<td>EUR 1 333 billion</td>
</tr>
<tr>
<td>Environment and sustainable management of natural resources, including energy (ENRTP)</td>
<td></td>
<td></td>
<td></td>
<td>EUR 470 million</td>
</tr>
<tr>
<td>Non-State actors and local authorities in development</td>
<td></td>
<td></td>
<td>EUR 702 million for the period 2011 to 2013.</td>
<td></td>
</tr>
<tr>
<td>Food Security Thematic Programme (FSTP)</td>
<td></td>
<td></td>
<td>EUR 925 million</td>
<td></td>
</tr>
<tr>
<td>Migration and Asylum</td>
<td></td>
<td>EUR 205 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investing in people</td>
<td></td>
<td>EUR 541 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facility for Euro-Mediterranean Investment and Partnership (FEMIP)</td>
<td>Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia, and soon Libya</td>
<td>EUR 1 446 billion</td>
<td>EUR 10 119 billion</td>
<td></td>
</tr>
<tr>
<td>EBRD</td>
<td>Egypt, Jordan, Morocco, Tunisia, and soon Libya</td>
<td>EUR 2.5 billion of investment per year in the medium term (anticipated target)</td>
<td>Since 2012</td>
<td>financed by EUR 1 billion from the Bank’s net profit</td>
</tr>
</tbody>
</table>

Data source: European Commission

There might be grounds to fear that the crisis in the Ukraine will lead to a review of the distribution of funds under the Neighbourhood Policy. Germany, Poland and Sweden are very committed to the stabilisation of non-EU Europe and might argue for a rebalancing that would go against the interests of the Mediterranean partners.

4 AID PRIORITIES THAT ARE ESSENTIALLY ECONOMIC

4.1 Aid that is mostly bilateral

The principle of the Neighbourhood Policy is based on integration in line with the progress achieved by each partner. This principle is not favourable to the sub-regional level (South-South), with bilateralism being encouraged by the nature of Community financial aid. Some 90% of ENPI funds is used to finance bilateral actions, that is, specific national initiatives, and regional actions involving at least two partners.
The remaining 10% is spent on regional actions (cross-border cooperation, neighbourhood investment facility to finance infrastructures).

The Mediterranean partners' attitude reinforces this state of affairs. When dialoguing with Europe and other powers, particularly the US, each country seeks to negotiate preferential treatment and is at pains to distinguish itself from its neighbours. This approach has changed little since the Arab uprisings, with incomplete transitions temporarily weakening countries in which there has been a change of regime. In economic terms, this is being reflected in non-cooperative strategies, exacerbated by the lack of diversity in the region's production systems: oil exporters are competing for markets, and even the more diversified economies have similar export industries (tourism, textiles, agri-business) offering products of a similar nature.

Lastly, bilateral aid is taking precedence because of the on-going Arab-Israeli conflict which, ever since the early days of the Barcelona Process, has hampered all attempts at north-south and south-south regional cooperation. Although Israel is the region's richest and most industrialised country, whose complementarities with the catching-up economies might have driven growth in the Mediterranean, it is the country that trades least with its neighbours (see Figure 2 above). Institutionally, repeated impasses act as a heavy brake on the processes set in place, with some Arab countries refusing to sit down with the Jewish state. In this respect, it is vital to take a pragmatic stance and construct a region with a variable geometry in terms of projects, rather than seeking the elusive Holy Grail of regional harmony.

This means that, despite the added value of the regional dimension of the Euro-Mediterranean Partnership (particularly as regards bilateral aid), it is still the poor relation of Community aid to the region.

4.2 Emphasis on competitiveness with mitigated results

Aid to the region has focused primarily on the improvement of economic conditions, 40% of the region's geographic and thematic aid being used for this purpose. The emphasis has been on free trade (upgrading of businesses), on south-south trade (support for implementation of the Agadir agreements) and on investment promotion. Investment promotion has essentially used the Facility for Euro-Mediterranean Investment and Partnership, which provides funding for infrastructures. However, as shown by the current state of regional integration, the impact on trade and investment has been limited.

While Community aid has improved access to funding, it continues to struggle to reach SMEs/SMIs and to encourage economic projects likely to have a significant consequential impact on job creation. After the Arab revolts, a new instrument targeting SMEs, SANAD (“support”, in Arabic), was implemented (August 2011), in cooperation with the German bank KFW. Having a value of EUR 20 million, it provides funding for businesses which are too small to have access to banks and too large to benefit from micro-credit. It is designed to overcome the difficulties which the European banks (EIB and EBRD) have in funding these small structures.

The SMEs/SMIs which in the main constitute the entrepreneurial fabric of the south and east Mediterranean economies have also benefited from aid for improving their procedures and enabling them to take on European and international competition after the opening-up of trade. However, corporate governance has nevertheless barely seen any improvement. The competitiveness of businesses suffers from an absence of a clear legal framework and the continuation of patronage-based relationships, which favour a certain economic elite and impede the emergence of new classes of entrepreneurs. They also experience difficulties in breaking into European markets as a result of non-tariff barriers to trade. The standardisation of products is, effectively, an essential factor in accessing
international markets. It is particularly difficult for small structures which have few resources and limited access to information.

Conversely, significant progress has been achieved in terms of infrastructures. The FEMIP has funded projects in four sectors: energy, transport and telecommunications, the environment, and social infrastructures (health infrastructures, educational equipment, social housing). The first two sectors have been the primary beneficiaries, to the detriment of the environment (with the notable exception of the desalination plant in Gaza, which is due to become operational in 2017) and social amenities. At a bilateral level, the loans allocated have been focused on three countries: Egypt followed by Morocco and Tunisia. Regional projects have also been undertaken. Two such projects are particularly noteworthy. The trans-Maghreb motorway (estimated cost of EUR 670 million) is due to be completed in 2015 and will cross Mauritania, Morocco, Algeria, Tunisia and Libya, fostering not only intra-Maghrebian trade but also trade with the rest of Africa. Construction of a Jordanian rail network, scheduled for 2017, will in turn connect Jordan with the Turkish network and therefore with Europe.

There are significant outstanding requirements in terms of the infrastructures needed to deal with the growth of the population and its needs, to facilitate trade and to provide these economies with a sound structural base enabling them to become competitive. The budgetary weakness of these countries means that they cannot currently finance such requirements. The difficulty in borrowing to finance infrastructures with very long-term profitability means that a public guarantee has to be obtained.

4.3 Weakness of social and political initiatives

The Euro-Mediterranean partnership also has a political and social dimension, which errs both through lack of ambition and by insistence on the security dimension, to the detriment of human exchanges. The political aspect in the broad sense accounts for only 18% of Community financial cooperation targeting the Mediterranean partners.

The political powerlessness of the EU has been emphasised on several occasions as a result of the maintenance of the sovereignty of Member States, which makes it difficult to put in place a common foreign policy, particularly a defence policy. Notwithstanding the appointment of a specific EU representative for the Southern Mediterranean region in July 2011, the EU, even further in crisis, seems to be less able than at the time of enlargement to the East to support the political and economic reforms implemented by its neighbours (the Ukrainian revolution, the Arab revolutions).

A freeze of personal assets was of course implemented during the revolutions in Egypt, Libya, Syria and Tunisia, together with prohibitions on travel and controls on deliveries of weapons where necessary. But in addition to Europe’s inability to intervene in the Syrian conflict, which contrasts with European engagement in Ukraine, Europe’s lack of solidarity in relation to refugees forced by political unrest and conflict towards the Mediterranean coasts of the EU has reinforced the perception of a lack of interest on the part of the Community.

The Arab Spring nevertheless brought the need for cooperation of a more political nature back to the top of the agenda. Through the intermediary of its High Representative for Foreign Affairs and Security Policy on 8 March 2011, and then on 25 May in the same year, the EU presented two programmes aiming to strengthen democracy and prosperity on the southern shores of the Mediterranean, translating into a greater financial commitment more closely targeting political and social priorities. It set two priorities in this respect: the extension of institutional reform (drafting democratic constitutions, setting up an independent judiciary, freedom of the press and encouraging the dynamism of civil society) and cohesive, sustainable economic development. A programme supporting political and democratic reform in the southern Mediterranean, implemented by the Council of Europe, was adopted on 22 December 2011 and a Civil Society Facility for the neighbourhood was created, almost half of the
funds of which (EUR 12 million out of EUR 26.4 million granted in 2011) were allocated to the southern shores of the Mediterranean. Its aim is to strengthen the ability of civil society to promote reform.

A new support fund for partnership, reform and inclusive growth has also been launched: the SPRING programme offering EUR 350 million. The initiatives supported by this programme focus on urgent socio-economic challenges faced by the countries concerned (60% of the funds) and on assistance with the process of democratic transition (40% of the funds). Funding takes place on the basis of an assessment of a country’s democratic progress, based on the “more for more” principle. The greater a country’s commitment to working towards political and institutional modernisation, the higher the funding. Since the launch of the programme, Egypt, Jordan, Morocco and Tunisia have received funding.

Emphasis has also been placed on mobility. EUR 30 million was paid out in 2011 and 2012 under the Erasmus mundus programme to of students in the region. The Tempus programme, designed to support the modernisation of higher education in southern Mediterranean countries and cooperation with European establishments, has seen its funding increase over the same period. “Mobility Partnerships” aiming to relax visa procedures and combat illegal immigration have also been set up (see sectoral paper on migration).

Despite these belated advances, Community social and political action has remained limited over the past financial year on the whole. The issue of human rights has met with resistance on the part of authoritarian regimes and a lack of interest at a European level, with the absence of any clear and consistent policy, reflecting Europe’s difficulty in reconciling its democratic values with its interest in fostering stability. The Arab revolts were a reminder of the limitations of this approach. Between 2004 and 2010, EUR 8.5 million was allocated to human rights and democracy in the Mediterranean, through thematic or geographic programmes (bilateral)\(^{10}\).

Cooperation in the field of “Justice, security and migration” related principally to migration issues, in the sum of almost EUR 30 million between 2004 and 2010, essentially within the framework of the global approach and partnership with Africa. Border management absorbed these funds almost entirely. Europe is therefore funding its own security in preference to a policy of mobility between the two shores.

\(^{10}\) EuropAid (2013), op. cit.
PART III – OUTLOOK AND PROPOSED REFORMS

In this context, the priorities for Euro-Mediterranean cooperation have now been confirmed for the next commitment period. They are essentially based on two areas: the extension of trade liberalisation opening up access to the internal market for certain countries (which reflects the advance status currently granted to Morocco and Tunisia) and mobility partnerships remaining focused on border management rather than trade. These priorities therefore take little account of the changes caused by the Arab revolts and the outcome of previous policies. Accordingly, they need to be adapted with a view to moving from a commercial strategy to a genuine industrial policy and giving political and social priority to the region.

5 A NECESSARY CHANGE IN STRATEGIC PRIORITIES

5.1 Overcoming the commercial challenges to achieve an industrial strategy

While industrial free trade is in force in all countries except Syria, bilateral negotiations have been initiated on the dismantling of tariffs on agricultural and fish products (Egypt, Israel, Jordan, Morocco, Tunisia) and on the liberalisation of services and the right of establishment (Egypt, Israel, Morocco, Tunisia). The EU also wishes to set up deep and comprehensive free trade areas to enable the countries on the southern shore of the Mediterranean to gradually become economically integrated into the internal market. In December 2011 the Commission was granted a mandate to negotiate with four States – Egypt, Jordan, Morocco and Tunisia – with a view to signing a deep and comprehensive free trade agreement.

Nevertheless, there is no certainty that the liberalisation which is under way or expected from the agricultural and services trade between the Mediterranean partners and the EU will have more intense effects on the growth and move upmarket of these countries’ specialisations, enabling the countries’ negative trade balance with the EU to be rebalanced. In these sectors, as in industrial matters, the southern and eastern Mediterranean economies effectively remain dominated by low added value segments such as food-processing in which the logistics chain and sanitary safety are not always managed, or services, in which tourism and call centres take precedence over services to more productive businesses (advice, research). An increase in trade alone of itself cannot bring about a move upmarket which requires long-term investment based on a strategy allocating public and private funding to a small number of sectors with potential. A simulation carried out by CEPII demonstrates that more extensive regional liberalisation, including agriculture and services, would have only limited impact on trade with the south and east Mediterranean economies, being less effective than increased commercial integration on a global scale. Its impact on long-term growth remains marginal, increases in GDP being below 1% on a cumulative basis over more than 10 years (in 2025)\(^\text{11}\).

Theoretically, however, dynamic increases in trade (the spread of technology and the effect of training leading to increased productivity) are likely to be more marked in relation to services. Although services are generally less “tradeable” than goods, their volume far exceeds manufacturing production in both the south and north of the Mediterranean. They can also be the breeding ground for more circular migration, the source of exchange of know-how and improved qualification of the labour force, ensuring swifter advances in professional skills in the south.

In relation to agriculture, the effects are more of a contrast. A mutual opening up of the north and south Mediterranean markets, without any protection clause for the less advanced economies, would prejudice countries in which the agricultural sector has remained focused on primary activities, having relatively underdeveloped agribusiness transformation activities, such as Morocco. They would suffer on account of the loss of preferential access to the European market without being able to move upmarket, to the benefit of neighbouring countries, particularly Tunisia and Egypt, which would reinforce their agribusiness specialisation. Generally speaking, a symmetrical opening up would primarily have the consequence of extending the food dependence of all Mediterranean countries and would only marginally improve their trade deficit with the EU.

Beyond the purely commercial dimension, it is therefore necessary to prioritise the funding of tangible economic projects, to increase support for innovation which is still very weak and to implement procedures to facilitate a simplified Euro-Mediterranean standardisation process. This is because agricultural products and services require a far more intensive standardisation process than industrial products. Unless care is taken, the next steps in liberalisation could lead to an increase in the trade deficit.

In relation to agriculture, support for rural development is necessary in order to preserve the rural fabric which continues to be the lifestyle and a resource for a majority of the inhabitants in certain countries (Morocco, Egypt, Turkey). In this regard, the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) is due to take effect in 2014. Open to countries participating in the neighbourhood policy, including the eastern countries, it is based on the experience of pre-accession instruments set up in this field: Special Accession Programme for Agriculture and Rural Development (SAPARD) and the Instrument for Pre-Accession Assistance in Rural Development (IPARD). Sufficient resources need to be made available to the Mediterranean partner countries in relation to agriculture to avoid the impoverishment of rural areas and inflation of agricultural materials, a major source of instability, as shown by the food riots in 2007.

Europe therefore needs to move away from a strategy which has focused on the commercial dimension to start prioritising economic and agricultural development.

5.2 The need for political and social support in a context of increased fragmentation of the region

In relation to politics, the Syrian crisis has served as a reminder of the difficulties of the EU in adopting a strong and consistent position, three years after the outbreak of the conflict. Its relative inertia regarding the events in Egypt in the summer of 2013 also illustrates this difficulty in offering a political response. The suspension of arms exports to Cairo cannot serve as a crisis recovery plan. Whilst the Union has the instruments and resources, it needs to be more proactive than in the past.

After the Arab revolts, Europe cannot merely offer the south and east Mediterranean region deep and comprehensive free-trade agreement and bilateral Mobility Partnerships. Support for the democratic process under way is a decisive factor. As stated by Fethi Benslama12, the Arab revolutions have caused a setback in the paradigm of identity. The return of repression observed during the political transitions and which was embodied in some way by the Islamic victories not only brought this debate into existence but more importantly demonstrated that the principal demands were social, economic and political. The failure of the Islamic governments, whether as a result of their authoritarian status in the eyes of Egyptian muslim Brotherhood or as a result of their poor economic and social management,

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achieved in just a few years what thirty years of authoritarianism had been unable to initiate. The Islamists became political parties like any others and their assertion of identity did not meet the expectations of the populations. In this context, it is crucial to provide logistical and political support for the transitions under way.

From this perspective, Community aid must focus on the countries undergoing transition and extend the “more for more” strategy already in place. It must take into account the increased fragmentation of the zone resulting in a de facto breakdown between the Middle East on one side, which for a long time has been drawn into the conflicts, North Africa and Egypt on the other, with Jordan, spared until now, acting as a buffer. The region’s monarchies have withstood the situation, pursuing the slow reform of institutions without revolutionary upheaval. Tunisia has completed the first stage in its transition, whereas Egypt is torn between authoritarianism and Islamism and Libya has not found a central State capable of uniting the populations.

Further, Community policy must take into account the very high social expectations demonstrated by the Arab revolts. The creation of jobs and adaptation of skills (initial and continuous training) must be at the centre of Community policies and assistance needs to be provided with the emergence of a social democracy. Such an objective cannot be achieved without substantially modifying the European approach to mobility. Mobility must become a challenge not of border control but of exchanges of know-how, circulation of ideas and shared values. Europe has remained cautious on migration and the mobiliity partnerships negotiated today always focus on immigration control. However, mobility is a condition of the exchange and of the concrete implementation of projects, and the option to come and go also ensures that there will be a limit on immigration with settlement. For immigrants, the guarantee of being able to leave whilst retaining their residence permit would constitute significant progress in this regard.

This option is all the more achievable given that the socio-demographic conditions in the south and east Mediterranean countries are changing. They have entered a phase of demographic transition which is a precursor to a reversal of the migration trend: whilst the differential in revenue and the lack of employment prospects remain migration incentives, the ageing of the population is, conversely, a factor discouraging migration which prevails in the medium term. A forecast of migratory flows conducted up to 2030 accordingly indicates that the countries which entered demographic transition the earliest (Tunisia and Turkey) will by that year have completed their migratory transition and will be receiving more migrants than they are expatriating (they will have net positive migration). The opportunity should therefore be seized to accelerate mobility without fearing a surge of migration. Whilst conflicts (and political crises) will always be a source of migratory flows which are unpredictable by nature, the movement of people in times of peace could be facilitated without the socio-economic equilibrium of the host countries being affected.

THE REFORM PROPOSALS

Although the European crisis means that significant increases cannot be made in the amounts of aid for the south and east Mediterranean region, the commitments made need to be confirmed. The south and east Mediterranean region is of crucial importance to Europe. Economically, it offers possibilities of fragmentation of the value chain in a limited geographic framework, which is culturally and socially closer and could enable Europe to regain competitiveness. Demographically, its young population complements an ageing Europe and the network of interaction which is already in place is a dynamic factor which could be built on. Finally, assistance for transitional countries which have overturned their

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authoritarian regimes requires Europe to give political support, democracy being one of the Union's fundamental values. Likewise, the region's growing instability also requires investment in the field of security.

If the sums of Community aid cannot be changed, for now, the aid can be redistributed. The countries having advanced status could also access Community funds other than the regional and thematic instruments of which they already benefit. Lastly, certain reforms are less costly where it is a case of institutional simplification, political management or mobility.

6.1 A reallocation of funds in favour of multilateral aid and support for transitional countries

It is necessary to emphasise the multilateral dimension of Community aid and policy, in view of the challenges and the financial sums required.

Although a bilateral approach is required, in view of the diversity of the partners, it is however possible to consider fields which are important to the European neighbourhood policy, such as energy, transport, the environment, rural development, the information society, research cooperation, public health, financial services, etc., which are of equal interest to the partner countries and which could be approached in a multilateral context. From this perspective, it is necessary to allocate a higher sum to joint projects and to extend their thematic scope. This package merits management by the UfM which is suited to this task on the basis of its partnership dimension and insistence on concrete projects. This division of tasks between the bilateral reserved to the Commission and the regional reserved to the UfM would have the benefit of clarifying the institutional arrangements and facilitating recourse to the Community funds of the UfM.

Beyond the regional dimension, it is necessary to go further and emphasise the transregional dimension of Community policy, including more distant partners in it. The mobility partnership already includes the African continent. Africa could also be more closely involved in the security dimension of Community policy, encouraging a Europe-Maghreb Africa partnership on the Sahel. Certain economic and infrastructure projects (trans-Saharan) could usefully be dealt with by the regional dimension of the partnership.

The principal lenders, the United States and the Gulf, should be further included in budgetary support for the region's economies. Such budgetary support is necessary at a time when public deficit is increasing, threatening the macro-economic stability regained in the 2000s. Improved multilateral coordination would reinforce the macro-financial assistance mechanism providing transitional aid in the case of serious difficulty but also implementing coordinated budgetary aid of higher amounts. The 'Deauville partnership' is undoubtedly the forum for such discussion and cooperation.

Lastly, the "more for more" strategy needs to be reinforced by focusing on allocation of aid to the transitional countries. Countries experiencing conflict or undergoing difficult transitions should receive differentiated treatment in terms of humanitarian aid and assistance for fragile States and with reconstruction. They should benefit above all from more political treatment and from the adoption of a firmer stance in favour of democracy.

6.2 Reinforcing the social dimension and fostering mobility

The strong social dimension of the Arab revolts requires a portion of the funds to be reallocated in favour of this objective. There are four vital priorities in this regard:

1. Helping to implement redistribution mechanisms which are more equitable and more rational in economic terms (unemployment insurance, mechanisms in relation to return to work and
training for jobseekers, a system providing assistance to the most underprivileged rather than a non-redistributive subsidy for bare essentials).

2. Helping to implement a social democracy in the Mediterranean partner countries through the intermediary of cooperation which is not only administrative (as is already the case in relation to twinning with Tunisia for example) but also involves the social partners.

3. Investing in human capital by encouraging people to obtain qualifications (creation of a common base; Euro-Mediterranean network of vocational training courses and recognition-accreditation of skills and diplomas, ErasmusMed, etc.), by increasing vocational training exchanges between businesses from the north and south and by setting a target number of students from Mediterranean partner countries in European universities, alongside a scholarship system.

4. Fostering mobility by creating a residence permit which is “permanent” over a 10-year period, by making it easier to obtain visas for trade in services (authorising temporary migration for services under contract and projects co-funded by the UfM) and withdrawing visas for stays of less than one month, following the example of the policy adopted for the eastern partnership.

6.3 Conducting an industrial and agricultural policy in relation to the partners, rather than a commercial policy

The economic policy in relation to the region must extend beyond the purely commercial dimension and prioritise improvement of productive bases and job creation. A true industrial and agricultural policy needs to be implemented in relation to the Mediterranean. Such a policy should set itself objectives in terms of job creation, allowing projects to be selected on the basis of their potential in this regard. It could adopt the following priorities and approaches:

1. Allowing European structural funds to provide assistance to European States which invest in countries due to gain access to the internal market. The Industrial Pact presented at the European Council in February 2014 would also gain from incorporating this approach 14.

2. Accelerating the transfer of knowledge, skills and technology by fostering the emergence of clusters and of Euro-Mediterranean research on sectors with potential or offering significant employment opportunities (information technology and communication technology for services, agricultural techniques and energy efficiency, health, etc.).

3. Providing further support for rural development (tangible and intangible distribution chain infrastructures; management and technology training) with a view to developing activities stabilising rural populations.

4. Supporting social business initiative which has a strong rural dimension in certain countries (Morocco) and also has the benefit of combating rural poverty.

5. Engaging a Mediterranean certification process, initially covering services and agriculture, with a Mediterranean label guaranteeing health quality (establishment of a health agency) and environmental quality for farming, and a level of skill and quality of service for the provision of services.

14 Sutour, S. et al. 2013. La politique méditerranéenne de l’Union européenne après le printemps arabe [Mediterranean policy of the European Union after the Arab spring], Paris: Senate information report, October
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