

The Mediterranean in 2030

Routes to a better future

Summary of the book *Tomorrow, the Mediterranean. Scenarios and projections for 2030* produced with the "Mediterranean 2030" consortium.

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INTRODUCTION

A region in progress

THE MEDITERRANEAN BASIN has developed a fabric of economic, political and human relations that lend it a definite regional dimension. The raid of the Arabic revolts came to remind that this dynamics could also take the shape of a political convergence. Structurally nevertheless, the Mediterranean integration is highly varied, depending on the country or sub-region concerned. The European Union plays a central role for all Mediterranean countries, which might be members or future members, or have established agreements and privileged economic relationships with it. Although Latin Europe, the Adriatic countries (Western Balkans), the Middle East and the Maghreb display geographical continuity, from an economic, institutional and socio-cultural point of view, their heterogeneity is obvious. The Mediterranean is in progress and is the object of political and private investment. The motivation behind such investment might be grounded in economics, politics, citizenship, society, ecology or culture, depending on countries and their inhabitants. But these initiatives all tend to weave closer what history has done and undone, to accelerate the income dynamics of the region and to speed up its global ranking as compared to world economic giants.

This region is subjected to strong uncertainties on its future, whether it is national or collective: the deepest crisis that Europe has ever known since the 1930s reaches today not only the springs of its recovery but questions its own construction (in particular the economic governance of the Euro zone). This economic and institutional crisis also affects the countries of the Adriatic promised to an integration that the community uncertainties and the starts of the Greek crisis handicap. The Arabic revolts engage a powerful reforming impulse but pull countries into a phase of inevitably long transition which does not exclude backlashes or plunging certain States into a phase of reaction with impacts in terms of stability and economic growth to more or less short term.

FINALLY, NATURALLY, the regional integration suffers itself from these uncertainties: uncertainty regarding the growth of the leading economic partner in the region – the European Union;

uncertainty regarding the extent of economic and political reforms in both North and South; uncertainty about whether States bordering the Mediterranean are willing to have a common destiny, with Europe struggling to preserve its former solidarity and force of attraction, and Arab solidarity regaining a certain force thanks to its democratic aspirations and its position at the centre of international, and not just Euro-Mediterranean, attention. Although the spotlight is currently on the turbulence upsetting the European Union and the Arab Mediterranean, one way of reducing uncertainty is to get back to the structural trends and envisage the upshots of Euro-Mediterranean growth and long-term regional integration.

Economies of SEMC have taken advantage of global growth drawn by emerging countries. Yet, their growth remains low.

AT FIRST SIGHT, the diagnosis is not particularly favourable to Mediterranean integration. Income convergence between countries in the Mediterranean basin is not significant. Exchanges of goods and capital have made less progress within the region than with other global trade zones (e.g. emerging countries). The growth of investment flows coming from the Gulf

States has strongly influenced the Mediterranean Arab countries towards developing real estate, telecommunications and, to a lesser extent, financial services. The diversification of exchanges of goods and capital could represent an opportunity if it was accompanied by a rise in both quality and technology, resulting in productivity gains that encourage growth and employment. It is undeniable that the centrifugal dynamics of Europe have not led to a major investment flow (foreign direct investments stagnate at around 2%) sparking off significant technological transfers, nor to industrial joint processing comparable to that organized with Eastern European countries or within emerging Asia.

Southern and Eastern Mediterranean economies have taken advantage of past dynamics of global growth drawn by emerging countries. Yet, the growth of Southern and Eastern Mediterranean countries (SEMC) remains low in comparison with that of the world's most dynamic geographical areas. Europe's demographic slowdown and weak productivity gains mean that it has entered into a low-level zone. In 2030, India and China's

Cairo, 29 January
2011,
demonstration in
order to ask for
the departure of
President Hosni
Moubarak.



ASMA WAGUIH/REUTERS

combined population will be 3 billion, representing 25% of global GDP, compared with 12% today and only 3% in 1990. This shift in the world economy brings with it brand-new market opportunities as well as the possibility of global income convergence and an exit from poverty. But it also brings the risk of marginalizing the least dynamic regions. The Mediterranean region could thus be confronted with a weakening of its capacity to influence international regulations that will affect its future as economies continue to look outwards. China and America's handling of an exit from the crisis indicates a move away from multipolarity. This domination of States continents and emerging markets could have the effect of imposing a more unequal and less protective social model on the Mediterranean region, in the race to be the

most attractive. The consequence would be to maintain low work conditions in the South and accentuate labour market duality and fears of outsourcing in the North. Although emerging countries' economic power will equal that of advanced countries by 2030, income per inhabitant will not experience the same progression: they will be rich as a whole, but individually poor, thus increasing the global workforce competition.

Regional synergies to enhance

Same aspirations

YET, THERE ARE CLEAR REGIONAL complementary features. First of all, the Mediterranean region is a place where individuals' collective preferences converge, due to the high level of migration, and where the circulation of ideas and people goes hand in hand with more homogenous lifestyles and aspirations. In the last twenty years, this convergence has manifested itself in different ways, most obviously in southern and eastern Mediterranean shores. The rise of individualism has modified the relationship to others leading to a less emphasis on the extended family and a mistrust of institutions, which are victims of the same disaffiliation as in Europe. Fertility patterns are close to those in Europe and aspirations to freedom and well-being are translated by a desire to emigrate, most radically amongst the young. This convergence of aspirations becomes today famous in the demands stemming

from Arabic revolts of a bigger freedom of expression and participation but also from a more equalitarian distribution of the benefits of growth.

This way, the Arabic revolts question the idea of a shock of civilizations (S. Huntington) as well as the forms of votecatching and paternalism which have always prevailed. In the future, one of the major stakes lies in the capacity of the reformed regimes, whether they are revolutionary or not, to increase participation in the economic and political system and to organize the circulation of elites by the establishment of political competition. It also lies in the capacity of Europe to accompany this movement by basing it on real convergences and in the respect of differences. Because the Arabic revolutions also show a reconciliation of peoples with their aspirations, a request of dignity (this Arabic word of *karama* was on all the lips from Tunisia to Egypt or Libya) which does not go without a legiti-

mate pride and the demand of a fairer treatment, including by the European partners. In Europe, this major transformation imposes not only to strengthen the partnership dimension of the policy implemented in the region but also to respect even more the cultural differences. Just as Europe has built a nation from nations, the Mediterranean should be built on its cultures and be a “rendez-vous” of civilisations⁽¹⁾.

A larger and more qualified active population in SEMC

CORRELATIVELY, there is a demographic synergy between an ageing Europe, facing a probable drop in workforce numbers affecting potential growth, and the South and East Mediterranean countries where high numbers of more qualified young people are entering the job market due to the investment done in education (by 2030, between 20% and 60% of the population of many countries will have been educated to secondary level or above). In 2030, 40% of the potential workforce will be on the East and South shores of the Mediterranean and 60% in Europe (including the Western Balkans), compared with 30% and 70% today. In the future, the politically viable count unit will be one billion inhabitants. The EU27 with its current boundary will stagnate around 500 million. The Euro-Mediterranean region would help approach this target.

An uncertain work dynamics

ALTHOUGH IN THE FUTURE there will be a larger workforce in the South, work dynamics remain uncertain. Maintaining the current rate of job creation in Europe (1.3%) would result in a workforce deficit of 40 million by 2030, even if working lives are extended. Symmetrically, maintaining rates of job creation in SEMC (2%) will not be sufficient in 2030 to substantially reduce unemployment rates and “formal” inactivity, which are both high in the region (including a significant economic share of informal “subsistence” work). Although additions from one side will not automatically make up for lacks on the other side, due to both compartmentalized labour markets and restrictive migration policies, two factors argue for greater mobility within the region: (i) it could compensate for the weaknesses of intra-European mobility and make up sec-

torial labour deficits (caring professions, hotels and catering, construction work); (ii) it could strengthen qualification levels of workers from the South and the Balkans and their capacity to adapt to the needs of the economy, and encourage more circular migration to the detriment of “permanent” migration and brain drain.

Natural resources become scarcer

THE SYNERGIES OF natural resources also make the case for greater regional integration. Such synergy is obviously energy-related, not just because of fossil energy, but more especially due to the natural availability of renewable resources in SEMC (e.g. solar potential is significant, wind speed in the South ranges from 6 to 11 m/s). It could also be agriculture-based: Europe being more crop- and meat-centred, with relatively abundant arable land and water resources but with now marginal agricultural employment, and the South maintaining high rural work figures but with Mediterranean production threatened by water stress, rampant urbanization and the impact of climate change. Paradoxically, although the Mediterranean diet is esteemed in Europe, cereal crops are the mainstay of consumption in the South and East Mediterranean. Complementarities between consumption and natural resources will be reinforced in 2030: in the South by a population and income growth increasing its cereal consumption and in the North by a concern for diet (obesity), which will move food choices towards fruit and vegetables. Once again, the resources of some countries will not automatically fulfil the requirements of others in a global market where emerging powers fuel the market and attempt to get hold of increasingly scarce natural resources.

From a supply logic to an efficient demand logic

THESE SYNERGIES should not be limited to asymmetrical complementary trade, the South being a supplier of natural resources and primary goods with low added value and the North providing sophisticated, more expensive goods. “Natural” resources are themselves not only sources of “maldiction” but also tend to become scarcer, which increases their comparative short-term benefits and imposes a transition that shall already be largely underway by 2030. Whatever the availability of natu-

(1) *Le rendez-vous des civilisations*, Y. Courbage, E. Todd (2007).



Load of containers of fruits and vegetables on the Havre's harbour. Transport and distribution services go hand in hand with food industry adding a high added value to products.



ral resources, which varies greatly from country to country, supply logic should be replaced by an efficient demand logic. This is true for energy and the environment, where the solution to scarcer resources (water and energy) and environmental security depends just as much, if not more, on the “savings” that can be made (e.g. lower energy intensity, water supply management), than it does on technological progress and fossil fuel alternatives. Regarding agriculture, pursuing a supply logic would lead to the disappearance of food-producing farming and reveal difficult rural, social and environmental challenges. In the North, it would tend towards intensive farming, which is detrimental to employment, rural development and ecological balance.

Moving from a supply logic to a demand logic involves encouraging the creation of solvent markets rather than maintaining the economies catching up with Europe in a demeaning sub-contracting role differentiated only by wage levels. Instead of transforming such countries into low-cost platforms intended for the common market (a role already fulfilled by Turkey and Croatia and to a lesser extent the Maghreb), the emphasis should be on proximity, which guarantees quality (particularly for health and the environment), and responsiveness. The rising trend of transportation costs in the mid-term (insufficient oil substitutes) and their environmental impact, the chronic resurgence of health-related incidents linked to importing low-cost goods, the increased variability of demand and the convergence of consumption patterns on both sides of the Mediterranean all confirm this hypothesis. The decision to tighten up location choices on a regional basis could lead to the progressive reduction of differences in salary and work conditions. Greater mobility of labour would

Taking into account the increasing synergies between goods and services could lead to a more harmonious regional integration.

be an additional factor in the tendency to curb wage inequality, reinforcing the social acceptability of Mediterranean offshoring and outsourcing.

More synergies between goods and services

IN THIS CONTEXT, renewal of the regional production organization shall also involve services, which all countries can provide. This not only means promoting each country’s comparative advantages – with Europe specializing in services with high added value, and South and East Mediterranean countries specializing in service support (e.g. tourism, transport and telecommunications with a slight progression in medical and financial services) – it also involves increasingly synergies between goods and services, leading to more deep-rooted and harmonious regional integration. There are no services without goods, as illustrated by the boom in mobile phone industry (physical goods and related services). In the same way, transport and distribution services go hand in hand with

food and energy industries. Services add the highest levels of value to mass-produced goods, produced cheaply in different places round the world. In addition, the exchange of services fosters the harmonisation of standards that, along with multilateral trade liberalization, are the first obstacles to trade. Services impose the circulation of people, through the provision of services or freedom of establishment, thus promoting the convergence of skills and wages. In the long term, they will allow a development less focus on possessing physical goods and allowing a lower consumption of natural resources.

Taking up common challenges

THE MEDITERRANEAN ECONOMIES are confronted with a political and social crisis of an unequalled scale, on the background of protest against the crisis of austerity imposed on European populations, and of a revolution in the Arab countries where the populations are opposed as much to the political authoritarianism as to the unequal redistribution of the wealth. The European solidarity is worsened by the extent of the crisis of the debts of certain countries, questioning the community capacity to adopt a coordinated answer and cracking the community consensus. The hypothesis of an explosion of the Euro zone, henceforth evoked, bring up the spectre of the division and marginalization of certain nations. But, at the same time, the very strong interdependence of the European economies, could, on the contrary, push to a deepening of the European integration that has been slowed down since the last enlargements.

On the other shore of the Mediterranean, the Arabic world is in the grip of a powerful movement of revolt which reaches even the Israeli shore. If the contagion effect is a fact, implying reforms even in the countries which did not overthrow their leaders, following the example of Morocco, the long-term impact of these transitions is uncertain. They can lead to a middle-term instability, either that the revolutions and the reforms come along with starts, or that the repression plunges certain countries into a potential long-lasting internal confrontation, as in Syria. They may also modify only marginally the political and economic balances, maintaining the acquired advantages without promoting a real traffic of elites. On the contrary, they can encourage a tremendous movement of reform allowing the emergence of new economic and political elite, releasing the productive energies and making participate a largest number of people in a new dynamics of growth, on the Turkish model.

The similarity of the slogans between the Tunisian, Madrid and Israeli streets shows that a certain continuum exists between the peoples of this region and that their fate is not impervious. The solutions to the challenges faced by the countries of the region are partially common and could be better solved if envisaged in a more partnership way.

Productivity gains will be crucial to future growth, both in the North and in the South.

Improving productivity gains

FIRST OF ALL, and it is one of the major impulses of the Arab revolts, Mediterranean economies do not create enough jobs. South and East Mediterranean rentier economies' low employment performances can be explained by their tendency towards weak entrepreneurship and innovation, the public sector's predominance over the private one and the importance of the informal sector (from 20 to 30% of non-agricultural GDP in Algeria, Morocco and Egypt, according to the OECD). In Europe, just as it is catching up the technological gap with the United States, the working population has dropped to an extent that cannot be made up by investment alone. Overall, productivity gains will be crucial to future growth, both in the North and the South. These productivity gains will be achieved through three fundamental factors: a distinct improvement in human capital (in the South) and a better easiness of movement for the workforce, a rationalized organization of production and improved performances in technology and innovation. In these three domains, the bases of existing cooperation would be worth reinforcing, thus accelerating the transfer of technology and know-how.

A greater energy restraint

MEDITERRANEAN economies must also adapt to greater energy restraint and the preservation of natural resources. For hydrocarbon-producing economies, this will involve thinking beyond oil (apart from Libya, oil and gas production should peak in 2020-2025). Importing countries should reduce the constraints linked to the important weight of the energy in their growth. All should rather decrease their energy intensity and favour an environment – friendlier economy. If nothing is done, even taking into account the progress made and current projects for developing renewable energy sources, energy demand in the South and East will be enough to cancel out efforts made in Europe to fight climate change.

Although the effects of climate change are set to be more severe in the Mediterranean than in the world as a whole, countries in North Africa, the Middle East and the Adriatic will have less means to pro-

Cereal field in Algeria. The 2008 food crisis put the focus on agricultural and rural life issues in the Mediterranean region.



protect themselves (income effect), even though they have contributed little to global warming (their greenhouse gas emissions, although rising, are well below European averages). These negative effects will add to the already difficult agroclimatic conditions in South and East Mediterranean (pressure on water resources of over 100% according to Plan Bleu, use of farming land of over 80% by 2030 according to the FAO, urbanization will have rise by 60% according to the United Nations at this horizon). In this context, a more sustainable development calls for the transfer of mainly European technologies and skills to promote eco-activities and the rationalized use of natural resources. Ecotechnologies are today's market opportunities and they could find a foothold in the Mediterranean, particularly in countries that need to create new installations rather than upgrade old ones. Their cost, often still higher than that of less sober technologies, will need public incentives, possibly involving a regional "sharing" of funding with the aim of establishing a kind of environmental equity.

Regulate trade and secure supplies

IN ADDITION TO THE predicted worsening of agroclimatic conditions in the Mediterranean, the 2008 food crisis put the focus on agriculture and rural life issues. The Arabic revolts, and in particular the Tunisian revolution, came to remind the territorial disparities of development which affect essentially the rural areas. In this context, States have to rethink agricultural policies and food security, to try to regulate trade and secure supplies. The halt of rural densification South and East of the Mediterranean in 2015 and the reform of the European CAP by 2013 should constitute ideal opportunities for reorganizing farming within a Euro-Mediterranean framework. This would include ensuring food safety for inhabitants, strengthening agricultural systems that produce local jobs and revenues, and organizing intensive

farming to respect the environment. Quality management could prevail over quantity management, with labelling for Mediterranean products, highlighting the "services" they provide in terms of health, nutritional and environmental quality, proximity and culture. This kind of development would lead to more added value for Mediterranean production and accelerate North-South investment in agriculture, the professionalization of different types of production and improve farmers' qualifications. This more "Mediterranean" orientation for agricultural

policy could be compensated by a contribution from cereal production to set up a form of market price stability and a supply guarantee by constituting security stocks and setting up a North-South agreement.

More qualified migrants

THE LAST CHALLENGE is that "Mediterranean" migration is set to continue in the short and medium term but they will ease in the longer term (at the end of our foresight in 2030). In the next twenty years, factors encouraging migration from SEMC and the Balkans will remain (e.g. demographic and income differences between the two shores, economic emergence which encourages the migration of middle classes who risk losing status, political crises) but certain facts due to a premature demographic transition (Tunisia, Turkey) or an already finished one (Croatia, Serbia) will go to the sense of a "migratory transition" and a weakening of emigration on behalf of mobility. In the North of the Mediterranean, the attractive factors of migration will also persist (demographic slow-down, labour

With labelling for Mediterranean products, quality management could prevail over quantity management.



shortage in Europe, income growth and the desire to attract highly qualified workers) and they will become more marked in the South, that will become ground of immigration because of the increase of its standard of living and a slowing down of growth of its working population.

At the same time, the nature of migratory flows will have evolved: Mediterranean migrants will become more educated than in the past, with migration perceived as only part of a process to increase skills and qualifications (experience, acquisition of diplomas), involving return trips. This type of “qualification-

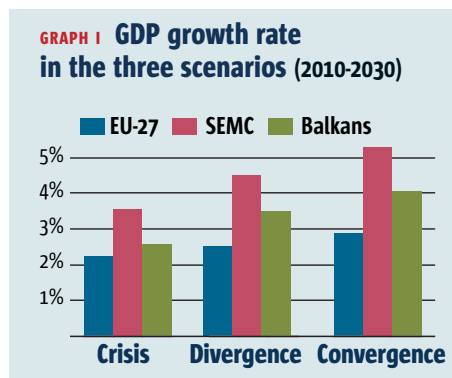
based” migration will only be easier if some preconditions are guaranteed regarding the transportability of rights and the recognition of qualifications. On this condition, a policy of Mediterranean mobility could value a migratory potential without degrading the situation of the countries of departure (brain drain). It would anticipate a long-term evolution where the countries of South and East Mediterranean will progressively reduce their contribution of low qualified workers to become receivers of migrants coming from their nearness, as showed by the Libyan exodus in Tunisia.

Possible scenarios for the future

NEVERTHELESS, THESE complementarities and long-term challenges let remain many uncertainties, on the rhythm of the anticipated evolutions, on the role of the regional integration and on the political voluntarism to face it. To limit these political, economic and social uncertainties, three scenarios have been elaborated, among which the impacts on growth, employment, migrations, energy and agriculture have been analyzed and quantified.

The first scenario continues the past trends of ill-assorted insertion of the countries of the region in a world economy pulled by emergent countries, stressed by strategies of competitive deflation (wage restraint and restrictive monetary policies) and by a successful political transition in countries already in a catching-up process with Europe. The second scenario envisages a deepening of the economic crisis of Latin Europe and a transition struck in the Arabic Mediterranean area, leading to a slowing down of Latin Europe and North Africa and a blocking of institutional answers. The third scenario, a proactive and soundly cooperative one, feigns the partial extension of the mechanisms of European solidarity to the whole Mediterranean basin, authorizing unprecedented dynamics of convergence in the region.

These scenarios try to describe likely and differentiated evolutions, without drawing a scenario of



SOURCE: CAS - IPEMED, 2011

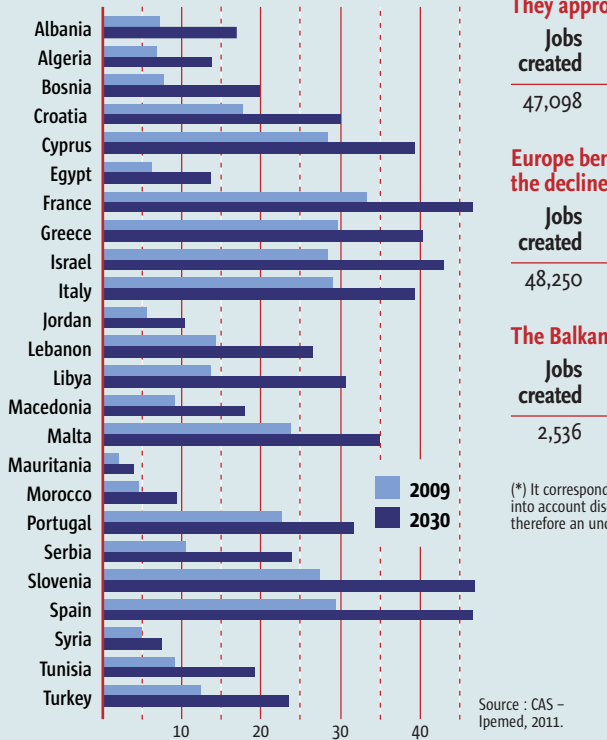
a Mediterranean total unhooking or full convergence. The heterogeneousness of the countries of the region so much in their productive specializations, their demographic context, their political evolution or their institutional anchoring seem to go against a totally coherent dynamic. The variations of growth in the different scenarios have been maintained in a “reasonable” range (GRAPH 1).

“Mediterranean divergences” scenario

A CONTINUATION OF PAST TRENDS (European growth rates under 2% per year, close to 3-4% in South and East of the Mediterranean and in the Balkans) would not be conducive to Mediterranean convergence. The upset in the world economy’s dynamics in benefit of Asia could produce an accentuation of divergences, with winners and losers at national and regional level. In this scenario, growth, drawn by emerging countries, will reinforce competition to the detriment of purchasing power and domestic demand. Because of international competition, countries are under pressure to reduce their internal costs in order to restore economic competitiveness through a combination of tight monetary policy and wage restraint. The industrial specializations of the Western Balkans and the South Mediterranean will approach those of Eastern European countries, turning them into a new low-cost plat-

“Mediterranean divergences” scenario

GRAPH II GDP per capita (2009-2030)
(thousands of dollars, purchasing power capacity)



form for the European Community and providing emerging countries with a good position for penetrating the EU market. World economy's dynamics, more than Mediterranean one, benefit the most competitive economies that have already been catching up: Croatia, Serbia and Turkey, and to a less extent Tunisia and the other Balkans countries, would get closer to the per capita income of Portugal; deepening the gap with other North African countries (Algeria and Egypt) and the Middle East (Lebanon and Jordan) whose growth would be less dynamic (GRAPH II). The Arabic revolt pulled, in this perspective, a positive dynamics only in the first country in revolution, Tunisia; the rentier dimension of the economies and the preservation of the vote-catching having prevailed in the other Mediterranean Arabic countries. In Europe, potential growth of Greece and Portugal is also weakened by the difficulties of their balance of payment and public debt, increasing both intra-Mediterranean and intra-European divergence. The Euro-Mediterranean process makes progress in terms of agricultural and commercial liberalization. The liberalization of services is limited to some service provisions, without going as far as freedom of establishment, lending weight to labour selection based on qualifications.

DIVERGENCES SCENARIO

The swing of the economic dynamics on behalf of Asia can heighten the divergences with losers and winners.

TABLE I Employment (2007-2030) (thousands)

MCs benefit from an improved labour market situation. They approach the EU's 2007 levels.

Jobs created	Annual rate Annual No	Active pop.	Jobs	Unem- ployed	Non-active pop.	Activity rate	Unemploy- ment rate*
47,098	2.15% 2,050	133,036	121,909	12,113	141,327	48.5%	9.1%

Europe benefits from input of active workers that limits the decline on its active population.

Jobs created	Annual rate Annual No	Active pop.	Jobs	Unem- ployed	Non-active pop.	Activity rate	Unemploy- ment rate*
48,250	0.87% 2,100	283,710	267,219	16,490	148,717	65.6%	5.8%

The Balkans converge rapidly.

Jobs created	Annual rate Annual No	Active pop.	Jobs	Unem- ployed	Non-active pop.	Activity rate	Unemploy- ment rate*
2,536	1.4% 110	11,466	9,360	1,105	9,243	53.1%	10.6%

(*) It corresponds to the number of people who have worked in the formal sector and can no longer do so. This rate does not take into account disguised unemployment linked to under-employment, nor signing-up conditions for the unemployed. It is probably therefore an under-estimate.

Source : FEMISE, 2011

The intra-regional exchanges progress with a slower rhythm than the one of the rest of the world, whereas the sub-regional trade (Arabic or from the Maghreb) rest low, comparable to what it is today.

Labour productivity increase is higher in European countries strongly affected by the financial crisis (Spain, Greece, Italy and Portugal). It stays at the same trend level in the rest of Europe, in the Adriatic countries and those of the South and East of the Mediterranean. Employment and activity rates would increase but remain low due to the race to competitiveness. Productivity gains come from a substitution of labour by capital. Above all, these rates will mostly be unequally distributed between the countries thus enhancing the Mediterranean divergence: unemployment would decrease but remain high in the South and East of the Mediterranean and the Balkans (9% to 10%) (TABLE I). Europe would manage to partially make up for its loss of activity by facilitating migration mostly for qualified workers (EU Blue Card) and by means of a slight extension of working life (pension reform). Labour market duality would remain marked in North and South, emphasizing inequality between a globalized elite integrated in world trade, compared with low-qualified workers subject to increased flexibility in the North and a drop in working conditions and wages in the South.

The weight of the informal sector remains important in particular in the South and East of the Mediterranean region and in the Adriatic countries, even if it slightly declines because of the decline of

rural employment, which represents a significant part of the informal employment, and the dynamics of the activities turned to the export. The same trend is observed for the non-agricultural informal employment in SEMC (except Mauritania) which will go from 43.5% of the total employment in 2000, according to the OECD, to 40.5% in 2020, with considerable differences between countries; informality being reduced in a higher measure in countries having known a strong growth of their informal employment after the liberal reforms in the 1990s (Egypt, Algeria) and continuing to grow in those where it progressed in the years before the crisis (Turkey, Morocco).

Migratory pressure is fed by the “losers” of the modernization-globalization process, and in particular young graduates. Qualified migration is facilitated while non-qualified migration remains very restrictive and temporary, under the cover of circular migration. Migration is also geographically selective: a migratory flow is essentially established between the EU and catching up countries, which attract themselves more and more migrants from the nearby countries (sub-Saharan Africa, the CIS, Asia). Migrants’ remittances continue to play an essential stabilizing role in non-European Mediterranean economies. Community migratory policies strongly remain national preventing the circulation of migrant workers and the acquisition of “transferable” skills: qualifying migration remains the exception.

In this context, the Mediterranean Sea’s position as a world-economy transit site would be accentuated, benefiting from new opportunities for developing trade yet with deeper impacts in terms of pollution, loss of biodiversity and paving the coastline. This scenario would further emphasize the duality of economies and territories (marginalization of inland areas, coastline development) and lead to the development of export outlets for industry and agriculture to the detriment of production for domestic markets. The increase of the energy and food demand and the urbanization raise the environmental pressures in the South and East of the Mediterranean. The pressure on water resources becomes unbearable and the contribution to the climate change worrisome. The stabilization of CO₂ emissions in Europe is, indeed, more than balanced by increased demand in the South led by the augmentation of the population, its standard of living and the sector-based composition of the growth. If, in 2030, the difference of energy

consumption per capita between both shores remains (30% lower in the South), the dependence on fossil fuels of the SEMC will imply a very strong growth of their CO₂ emissions (of about 100%), even reported to the amount of inhabitants. This is mainly due to a lower progress of renewable energies and energy efficiency in these countries than in Europe.

For agriculture, productivity gains and pressure on arable lands mark the disappearance of production of food crops. Rural zones only attract few activities for the benefit of littoral zones, thus accentuating rural exodus in the South and agricultural concentration in the North. The part of agriculture in GDP strongly decreases, except in Turkey, on behalf of big exploitations intended for the export. The Euro-Mediterranean agricultural decline would be accompanied by a strong penetration of suppliers from the rest of the world (meat and cereal crops). While strictly “Mediterranean” production (fruit and vegetables, olive oil and wine) that had not received labelling would be under stiff competition from products from afar (Chile, Australia, Brazil and China).

Scenario of “crisis in the Mediterranean region”

THE 2008 CRISIS COULD CONTRIBUTE TO making the picture even more negative. South European countries are the most weakened by the crisis. They are caught up in an unfavourable debt spiral which increases the default risk – and thus the interest rate on government debt – and hampers the potential of growth. Their demand’s growth and recovering could be hold back by consolidating public finances (decrease in public transfers and raising taxes) which would lead to a trend and level of income that is lower than in the past. From then on, the crisis of Latin Europe goes together with a retreat of its exchanges and investments in the neighbouring countries (Balkans and South Mediterranean).

North Africa, strongly disadvantaged by this retreat (because of a strong commercial dependence with Mediterranean Europe), suffers from a long-lasting instability bound to an incomplete political transition. The Machrek, Turkey and the Balkans succeed in limiting the effects of the crisis thanks to the transfers of capital coming from Northern Europe and the emerging countries looking for low-cost investments in a high-yield zone. A kind of Mediterranean convergence through the bottom would

CRISIS SCENARIO
With the 2008 crisis, a marginalization of Mediterranean countries takes place with an increase of the income that is lower than in the past.



“Crisis in the Mediterranean region” scenario

GRAPH III GDP per capita (2009-2030)
(thousands of dollars, purchasing power capacity)

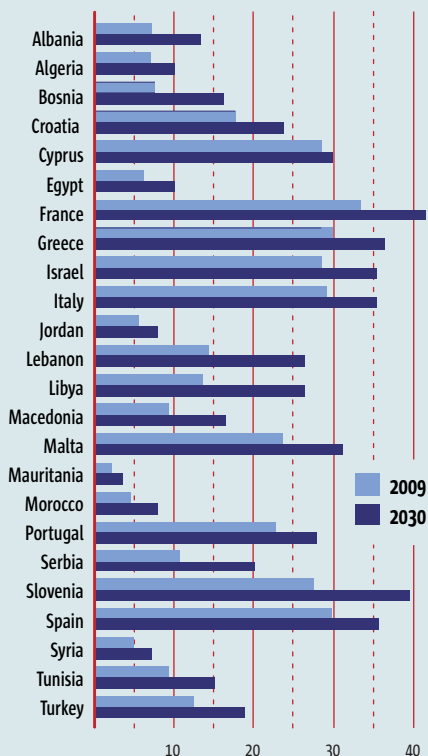


TABLE II Employment (2007-2030) (thousands)

SEMCs struggle to maintain a labour market balance nevertheless socially unsatisfactory

Jobs created	Annual rate Annual No	Active pop.	Jobs	Unem- ployed	Non-active pop.	Activity rate	Unemploy- ment rate*
28,600	1.42% 1,240	117,322	103,411	13,804	157,040	42.8%	11.8%

EU27 struggles to retain its potential and becomes more “continental based”

Jobs created	Annual rate Annual No	Active pop.	Jobs	Unem- ployed	Non-active pop.	Activity rate	Unemploy- ment rate*
34,292	0.63% 1,490	270,480	253,261	17,219	161,948	62.5%	6.4%

Stabilisation of the Balkans

Jobs created	Annual rate Annual No	Active pop.	Jobs	Unem- ployed	Non-active pop.	Activity rate	Unemploy- ment rate*
1,957	1.10% 80	9,947	8,781	1,166	9,762	50.5%	11.7%

(*) It corresponds to the number of people who have worked in the formal sector and can no longer do so. This rate does not take into account disguised unemployment linked to under-employment, nor signing-up conditions for the unemployed. It is probably therefore an under-estimate.

Source : FEMISE, 2011.

work in this way, where all the countries catching up with Europe would get close to European Mediterranean income levels (GDP per capita for Turkey and Serbia reaching 80% of the one of Portugal), but with a marked European divergence (GRAPH III). The hysteresis effects of the crisis are focused on South Europe, which experiences a durable slowdown of its growth and a sustained weakness of its productivity gains, whereas the rest of Europe would remain anchored to the growth of emerging markets. In this scenario, Germany would overtake France in per capita income. Slovenia would reach a higher per capita income than Spain.

This context of crisis is unfavourable to the Euro-Mediterranean institutional integration and threatens the European cohesion. The Euromed process would remain limited (no further liberalisations) and planned enlargement postponed indefinitely. The UFM would lack of projects and the liberalization of services would be hindered by fears of social dumping. The sub-regional trade suffers from the instability of the Arabic Mediterranean Sea and its part in the exchanges, nevertheless weak, still diminishes.

Southern European countries are the victims of a hysteresis effect stemming from the economic crisis, which has deskilled labour with a definitive loss of human capital, translated by stagnating or falling

employment rates, which remain relatively stable in Northern and Eastern Europe. Latin European economies are creating fewer jobs than the Northern ones, with weaker activity rates (average of 53.5% compared to 62.5%), and higher unemployment (7.7% compared to 6.4%) (TABLE II). The Maghreb countries are feeling the effects of the European Mediterranean crisis and are ensuing instability more than countries in the Machrek and the Adriatic. Their employment rates are rising more slowly than the general trend. In the South, activity rates are therefore generally under 50%, with an average drop of several points. Official unemployment rates have stabilized at around 12%, but most jobs remain informal. Non-agricultural informal employment stays at the 2000 level. Morocco reaches a rate close to the one of Latin America (more than 65%) and Algeria and Egypt stay at a level around 40%. With an average annual job creation rate of 1.2 million, social indicators are stagnating at best. Existing divides are deepening and social tensions are set to persist due to this dynamics poor in employment creation.

In this context, migration pressure remains high and is fed by the conflicts and political instability that accompany difficult transition periods. On the other hand, the crisis in the European Mediterranean has the effect of maintaining tight restrictions on migration (in terms of circulation and recognition of qualifications). European countries' migration balance continues its trend (United Nations medium scenario): the drop in the active population is mitigated by the retirement age reform and low growth makes these countries less attractive to migrants.

سلاسل القيمة الاقتصادية الجديدة في البحر الأبيض المتوسط

Istanbul's harbour. According to the convergence scenario, Turkey becomes a moving plate of the Euro-Mediterranean trade.



Although demand from emerging countries continues to raise energy prices and food goods, this imported inflation does not indicate an activity overload, but eats further into household incomes in a depressed economic context (i.e. stagflation). Sluggish growth is insufficient to limit the negative environmental impacts of energy consumption because of the low progress in energy efficiency (in the Arabic Mediterranean and the Balkans), the lack of renewable energy development and the continued use of fossil energy. Although CO₂ emissions drop by 10% in 20 years due to the crisis in Europe, they rise sharply in countries South and East of the Mediterranean.

Regarding agriculture, the dichotomy of intensive farming for export alongside under-equipped subsistence crop farming continues in the absence of productivity gains. Water conflict intensifies. Food dependency and rural poverty go hand in hand and accentuate social imbalances, fuelling a vicious circle of instability.

Scenario of the “Mediterranean convergence”

A DIFFERENT FUTURE COULD exist for the Mediterranean, involving neither divergence nor marginalization, hinged on proactive political action shared by all inhabitants in a multipolar context of international regulations. A stronger and richer economic growth in terms of employment involves promoting the integration of production systems by developing Mediterranean synergies and extending certain means of redistribution and social protection to the whole of the Mediterranean. In a regionally integrated system (establishment of the four EU freedoms, access to the European domestic market and standardized norms allowing the emergence of a regional preference system) internal levers for growth could result in increased regional

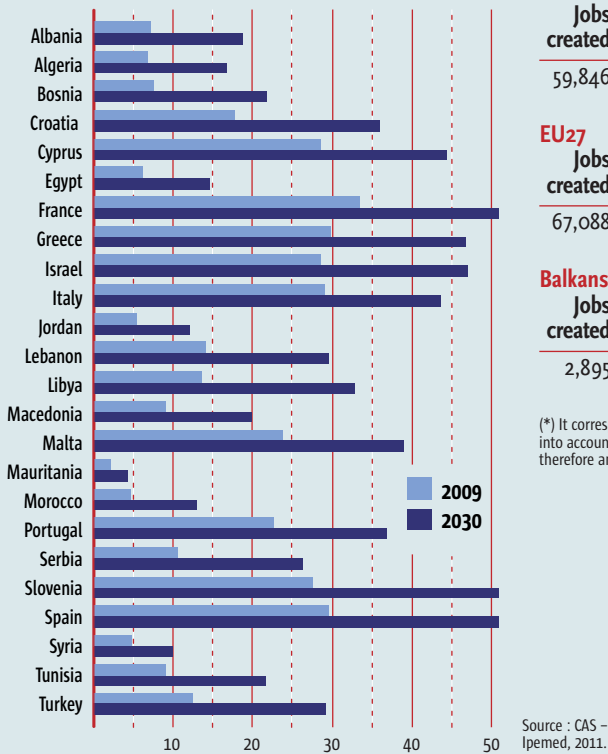
productivity and employment in all countries, if accompanied by a geographical redistribution of the production and a sharing of the added value allowed by the opening of certain enhanced cooperation to South and East Mediterranean countries. Such a scenario presumes that the political transition in the Arab Mediterranean has not only liberated a positive dynamics in the South, but has led to closer convergence with Europe, and a rapprochement based not just on economic interest but on a political and value-based community.

Due to this soundly cooperative scenario, all the Mediterranean region benefits from a total factors productivity increase and supports its competitiveness with lower social costs than in the “Mediterranean divergences” scenario. A regional convergence dynamics emerges then. Diffusion of technology through imitation and knowledge as well as capital transfers leads to a productivity catch up. In promoting a more equitable and redistributive growth, domestic demand increases in non-European countries bordering the Mediterranean which provides growing market opportunities. South Europe benefits from this development and, to a less extent, the other European countries. This dynamics strongly increase the sub-regional trade, offering henceforth opportunities of emerging and deep markets. The countries of the Adriatic, taken by Croatia and Serbia, pull Bosnia, Macedonia and Albania. The intra-regional trade in the Middle East and in the Maghreb develops all the more strongly as exchanges crossed with the Gulf are to be added to the more deepened relations established with the Mediterranean and European neighbours. In this context, Turkey becomes an indispensable interface and a moving plate of the Euro-Mediterranean trade.

All countries in the region (apart from Mauritania) would then attain per capita incomes of over USD 10,000 by 2030. Slovenia may equal Spain in per capita income and Croatia gets close to Portu-

“Mediterranean convergence” scenario

GRAPH IV GDP per capita (2009-2030)
(thousands of dollars, purchasing power capacity)



gal. Egypt and Morocco triple their per capita income and get in the convergence path. Turkey’s and Serbia’s per capita income reaches over USD 25,000 by 2030 (GRAPH IV).

Activity rates in Southern and Eastern Mediterranean countries and in Adriatic States get close to those of Europe, where the migrant’s number is able to compensate for domestic labour shortages and to supply consumer markets. In the South, the informal market strongly reduces its size (more than 10 points in average, the part of the informal employment on the total employment of Turkey and Tunisia getting closer to the level of Eastern Europe transition countries, i.e., 22%), unemployment rates go under 9% and more than 2.6 million jobs are created every year, enhancing social stability (TABLE III). In Europe, labour markets are close to full employment and recruitment tensions are lightened by an easier migration. Immigration also supports a strong domestic consumption and contributions paid by active immigrant workers help limit the enlargement of the duration of activity (moderate deferment of retirement ages).

Employment opportunities offered by Southern and Eastern Mediterranean countries and the Balkans become sufficient to limit brain drain. For

TABLE III Employment (2007-2030) (thousands)

SEMCs							
Jobs created	Annual rate Annual No	Active pop.	Jobs	Unem-ployed	Non-active pop.	Activity rate	Unemploy-ment rate*
59,846	2.6% 2,600	145,886	134,657	11,229	128,477	53.2%	7.7%
EU27							
Jobs created	Annual rate Annual No	Active pop.	Jobs	Unem-ployed	Non-active pop.	Activity rate	Unemploy-ment rate*
67,088	1.2% 2,920	303,019	286,057	16,961	129,409	70.1%	5.6%
Balkans							
Jobs created	Annual rate Annual No	Active pop.	Jobs	Unem-ployed	Non-active pop.	Activity rate	Unemploy-ment rate*
2,895	1.5% 130	10,601	9,719	882	9,107	53.8%	8.3%

(*) It corresponds to the number of people who have worked in the formal sector and can no longer do so. This rate does not take into account disguised unemployment linked to under-employment, nor signing-up conditions for the unemployed. It is probably therefore an under-estimate.

Source : FEMISE, 2011.

CONVERGENCE SCENARIO

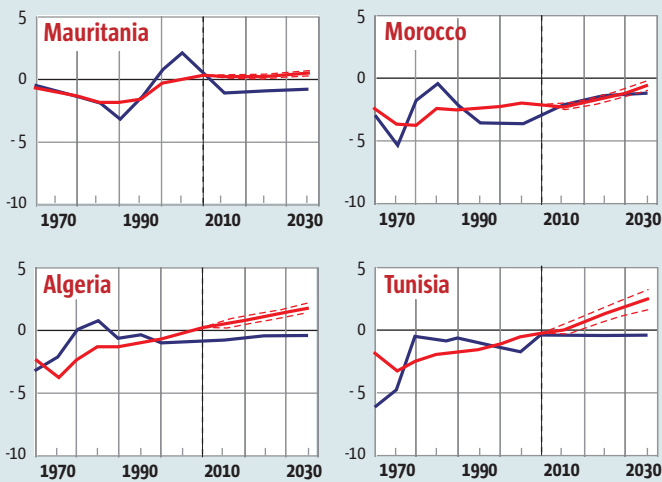
A dynamics of convergence takes place with an increase on productivity and employment.

migrants, the question of returning to their country becomes relevant, thus the migration become more circular and qualifying. The SEMC and Adriatic countries’ take benefits of these comes-backs, as the Korean example did in the 60’s, which involve a cumulative economical dynamics. Croatia, Serbia, Turkey, Tunisia and Algeria end their “migratory transition” in 2030: they become migrant “net receivers” countries and stop being sending countries (GRAPH V). The migration balance of Latin Europe increases due to migrants coming from other countries outside the Mediterranean region.

For energy, the convergence scenario facilitates better progress in energy efficiency and significant development of renewable energy sources thanks to regional cooperation and technology transfers. 16% of energy demand is met by renewable energy sources in 2030 (24% in Latin Europe, including the Balkans, but only 8% in the SEMC), compared with 12% in the crisis scenario and 10% in the divergence scenario. Energy-saving measures have been put in place, not just in European Union countries, but also in the South: prevention campaigns, creation of an “energy saving” label, energy-efficient buildings, etc. The convergence scenario represents 14% of supplementary wealth for the region cumulated with 5% less energy in comparison with the divergence scenario, which is far from negligible. The same goes for CO2 emissions. Although the crisis and divergence scenarios are very similar in terms of carbon intensity, the convergence scenario makes it possible to reduce this intensity by 20% with, let us not forget, an increased level of wealth. Another positive effect is that energy dependence is reduced



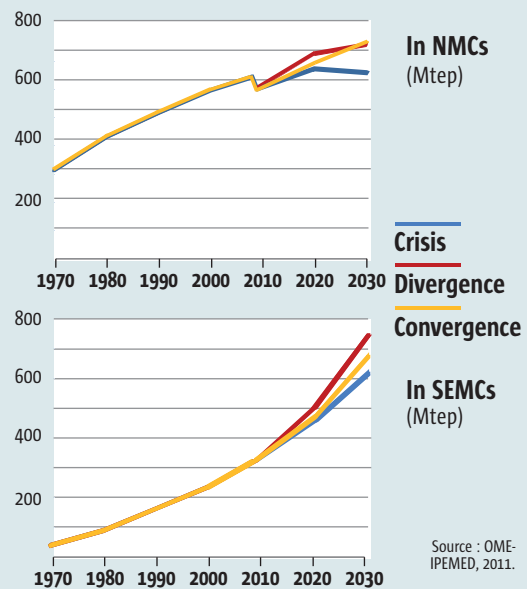
GRAPH V Prediction of the net migration rates (in ordinates) in the Maghreb (1965-2030)



The blue line refers to the original UN's time series of net migration rates. The red line describes the theoretical predicted values of net migration rates according to model 2. The vertical dotted line in the graphics indicates the boundary between the UN's estimated net migration rates and the projected ones.

Source: Giambattista Salinari – CARIM, 2010

GRAPH VI Evolution of the demand of primary energy in 2030



Source : OME-IPEMED, 2011.

in this scenario and energy inflation is partially curbed. Despite efforts made, the impact of growth on climate change nevertheless remains worrying: from 2020, CO₂ emissions from SEMC overtake those of Northern Mediterranean countries (NMC) even though energy consumption per inhabitant remains lower (GRAPH VI).

In a context of accelerated industrialization and development in SEMC and the Balkans, agriculture's share of GDP drops sharply. Rural exodus is contained, however, because of the development of non-farming rural activities (e.g. tourism, real estate) and a food-processing chain that stimulates jobs in industry and services (e.g. transport, distribution, quality). Access to investment, creation of storage capacity, alert mechanisms and the availability of seed also help to modernize crops subsistence farming and limit the negative impacts of fluctuating prices. In addition, the labelling of Mediterranean products guarantees agricultural competitiveness based on quality.

An alternative to the convergence scenario

THE CONVERGENCE SCENARIO with the catching-up of the income levels of Southern and Eastern Mediterranean countries and, to a lesser extent, of Adriatic countries, could be driven by an endogenous growth of North Africa and the Middle East and not by a more marked European will. The wind of reform which blows in the South and a largest participation of people in the productive process would release a national economic dynamics and

would also authorize a regional integration multiplying the effects of anticipation, creation of business and economies of scale as so many positive externalities of the regional integration. A commercial liberalization on the scale of the Great Arab Free Trade Agreement – GAFTA (Arab countries including the States of the Gulf Cooperation Council) or amplifying the Agadir agreements (involving Egypt, Jordan, Morocco, Tunisia and the Palestine territories) could be coupled, from then on, with the implementation of common projects in agriculture, energy, tourism or health. Common financing of investments, at least in North Africa and at the best including the Gulf countries, would allow using the oil and gas incomes in purposes of regional development. An institutionalization process set up on a regional or sub-regional basis (Maghreb, Middle East) or in a variable-geometry gathering, at first, a small number of States, would allow the region to define common positions in international negotiations, and in particular in those with Europe. While the Arabic commercial liberalization has already led to an increase of the intra-regional trade of about 30%⁽²⁾, a deep integration involving a harmonization of standards and regional investments will have an even bigger impact.

This economic dynamics in the South could take two different forms concerning its relation with the European Union. It could have a domino effect on Member States economies and certainly encourage EU political voluntarism towards the region. The EU

(2) See articles from J. Abidi and N. Péridy.

could, in this respect, participate in projects co-financed at the regional level and accelerate the rhythm of negotiations for an access to the internal market and even for accession, in the case of candidate countries. The intensification of certain North-South bilateral relations could go in the same direction renewing doubtlessly the principles of the Euro-Mediterranean negotiations and centring them more on investments. But this econo-

Economic dynamics in the South could have a domino effect on Member States' economies or bring about a relative distance between the two shores.

mic dynamics of the South could also bring about a relative distance between an integrated southern shore on the one side and, on the other, the European Union.

This scenario, not very plausible at the end of 2010, has won in probability thanks to the Arab revolutions. It has not been analysed by the "Mediterranean 2030" consortium in the present document and could be subject to further analysis.

Nine recommendations to promote convergence

TO OBTAIN CONVERGING regional performances that are more socially and territorially balanced an integration of the production systems is needed. It is not enough to simply open up trade, since this has a limited impact in a global economy. Liberalizing services could be a more vigorous growth factor as well as an alternative of migration, but trade and work dynamics cannot be reinforced without a standardization of norms, without which liberalization shall remain limited, as shall its potential to create income. In addition, encouraging internal levers for growth must involve rehabilitating social welfare systems, which are guarantees of sustained consumption and public support to allow people and goods to stand up to intensified global competition. Seen this way, setting up a Mediterranean "ecosystem" is the condition for its autonomy and growth. From then on, a number of recommendations centring on the major challenges and Mediterranean convergence factors are proposed:

1. Invest in human capital by encouraging mobility (authorise temporary migration for services under contract and projects co-funded by the UFM) and qualifications (create a common base, a Euro-Mediterranean network of vocational training courses and establish recognition-accreditation of skills and diplomas; ErasmusMed, etc.).
2. Accelerate the transfer of knowledge, skills and technology by (i) encouraging the emergence of Euro-Mediterranean competitiveness and research clusters in sectors with high growth or rich in employment (information and communication technologies for services, farming and energy effi-

ciency techniques, etc.); (ii) narrowing down location choices to the region: setting up a system of regional preferences, going beyond free trade, and based on social, health and environmental quality criteria would contribute to accelerating the transfer of capital and know-how.

3. Create a common institutional area accompanied by financial transfers, an advanced status including funds inspired by the philosophy of accession funds to the domestic market (with the progressive establishment of the four freedoms of movement for goods, capital, services and people) and pursue discussions on accession for EU candidate countries.
4. Engage 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 skills level and service quality for the provision of services.
5. Select UFM projects (co-funding) based on job creation potential and/or energy restraint.
6. Create a Mediterranean environment fund aimed at strengthening the capacity to adapt to climate change in South and East Mediterranean countries and the Balkans. It will also finance renewable energy transport's infrastructure and public transport as an alternative to roads, clean development projects that reduce greenhouse gas emissions, and projects for rationalizing water demand and energy efficiency, particularly in the building sector.

7. Set up a Mediterranean investment bank, based on the same principles as the EIB, and designed to encourage funding for SMES, which are key to the creation of wealth and jobs.

8. Enlarge transport networks in the South Mediterranean to facilitate South-South commercial exchanges, with a particular focus on multimodal transport to better optimize logistical costs.

9. Draw up a common food security policy (mutualized insurance for agricultural risk; constitution of security stocks and emergency intervention systems) and a rural development policy (tangible and intangible infrastructures for industries; managerial and technological training courses).

“Mediterranean 2030” FORESIGHT

Mediterranean 2030 : a foresight project for the Mediterranean region

► In 2009, IPEMED has undertaken, in partnership with specialised Euro-Mediterranean organisations (CARIM, CIHEAM, FEMISE, OME) an extensive foresight project whose aim is to rally, within the “Mediterranean 2030” consortium, institutional and private-sector foresight bodies (15 countries are represented) to the task of building a common

vision of the Mediterranean in 2030. The project has a scientific and economic objective: elaborate joint, region-wide diagnostics and projections in the fields of energy, agriculture, water, population, migration. But more importantly, a political and pedagogical objective: to foster and encourage long-term cooperation

between officials responsible for foresight, to disseminate foresight methodology throughout the Mediterranean region and to be a tool for decision making. The works of the consortium are animated and coordinated by Cécile Jolly, analyst at the CAS and Macarena Nuño, project officer at IPEMED.



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