Chapter 6
Mediterranean Neighbourhood: The Key Triptych Energy-Water-Agriculture

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Abstract Along with political unrest since the Arab spring, the stakes of the Mediterranean neighbourhood are numerous: social booming disparities, gender gap, numeric illiteracy, critical case of water supply and agricultural land, difficult decentralisation and state de-concentration. But opportunities are still wider: the Mediterranean is the only neighbourhood whose population and GDP's world share is growing; the rent economy is (slowly) shifting towards a more productive economy with a rising role of clusters; huge investment needs mean huge opportunities for European investors. Secondly, the chapter assesses the trends in economic

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P. Beckouche et al. (eds.), *Atlas of Challenges and Opportunities in European Neighbourhoods*, DOI 10.1007/978-3-319-28521-4_6

regional integration ("regionalisation"), showing that the Euro-Mediterranean missing link remains the productive integration. It estimates the importance of the European aid and the normative convergence of norms and standards between the two sides of the Mediterranean ("regionalism"). Its strategic recommendations stress four needs: (i) a common water policy so as to avoid water wars; a food security and agricultural policy; a Euro-Mediterranean Energy Community; turning the "migration" vision to a "mobility" strategy. In the very difficult transition of Arab neighbours, time calls for a political boldness in Euromed cooperation.

6.1 Stakes

Contrary to what the European public opinion often thinks and to what Muslim fundamentalists advocate, the South and East Mediterranean partner countries (Map 6.1) are far from constituting one whole unified territory.

6.1.1 The Only Neighbourhood Whose Population and GDP's World Share Is Growing

There are large differences between the various countries of the Mediterranean neighbourhood—between Israel and all the other much less developed countries; between Turkey and the Arab countries; between countries whose population will soon be a hundred million and countries of less than ten; between oil and gas providers and

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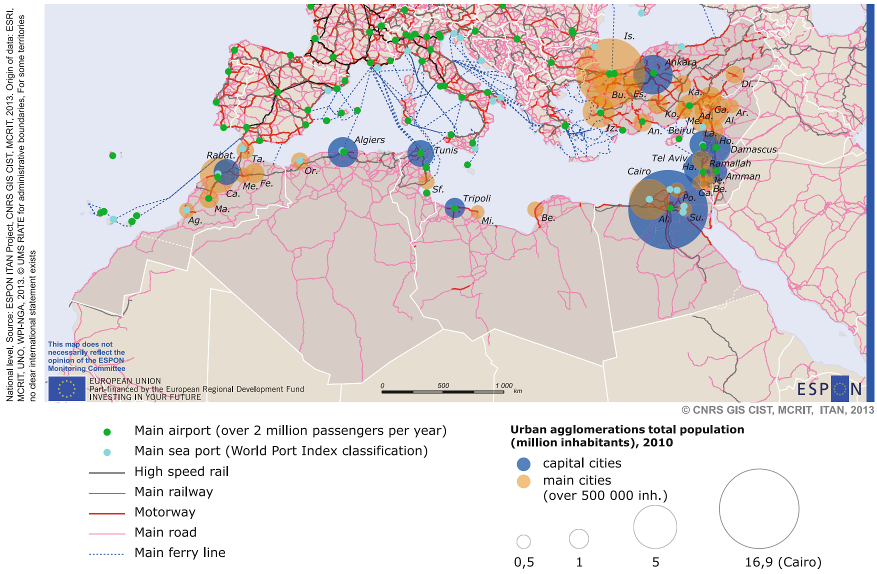


Map 6.1 The Mediterranean neighbourhood

energy importers; between Maghreb and Mashreq; between countries at war and less affected countries; between the occupied Palestinian territory and the rest of Mashreq because the Palestinian case has absolutely no equivalent. Still, some common features can be highlighted. This neighbourhood is the only one whose share in the world's population and GDP is rising. The annual growth rate of its GDP is impressive even though still far from the growth rates that made the south-eastern Asian Dragons and Tigers key countries of the booming East Asian region a few decades ago. With 285 million inhabitants, the Mediterranean neighbours are by far the premier European neighbourhood and this will increasingly be the case. In 2025, the Mediterranean number could be around 340 million, and 460 with the Arabic peninsula and Iraq that is to say the Arabic immediate lengthening of the Mediterranean neighbours. Another asset of this neighbourhood is its natural resources, namely energetic.

The bad news is (i) the environmental sharp stakes of this area, in particular the water issue thus the agricultural issue since agriculture consumes the three quarters of available water there. (ii) The energetic transition, which is not granted. The business-as-usual scenario foresees a Mediterranean energy mix largely dominated by hydrocarbons, with low energetic efficiency and poorly sustainable urban growth (urban sprawl, choice of car transport…). (iii) The economic and political transition, which is on its way but could take a very long time, with conflicts and wars. (iv) As Sect. 2 showed, a neighbourhood less and less connected to Europe, especially the East Mediterranean where the influence of the Gulf countries is growing, with declining common social, cultural and political references with Europe.

Figure 6.1 shows that the vast majority of the remittances that arrive in Morocco come from Europe which means intense flows of migrants and money but also information, ideas and references. Youssef Courbage (Courbage and Todd 2007)

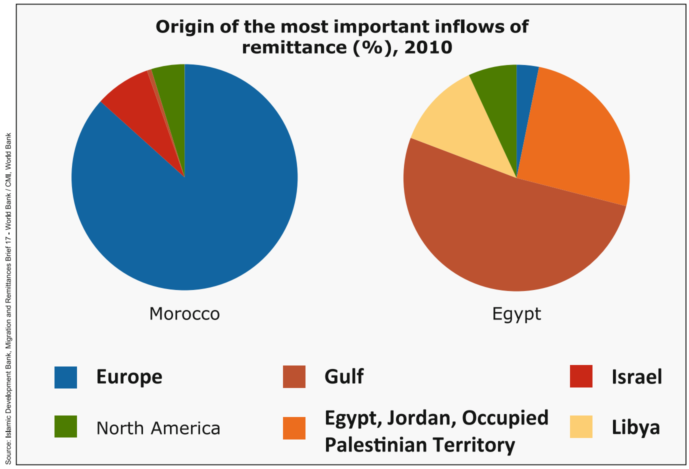


Fig. 6.1 The eastern Mediterranean evades European influence. The case of remittances, 2010

considers the mobility flows between Maghreb and Europe one driver of the acculturation between the two sides of the Mediterranean, including transformation of the Maghreb's family structures, namely the rapid decline of the fertility rate. On the contrary, a tiny part of the remittances that arrive in Egypt come from Europe; this is a good proxy for measuring the European contrasted influence upon the western and eastern Mediterranean partner countries. Most of remittances coming to Mashreq countries are from the Gulf.

Territories are hardly at the top of these countries' political agenda, because they are rarely seen as an asset for development. When the relation between territories and development is taken into account, it is all too often according to the rent economy that characterizes the Mediterranean neighbours—be it tourism, real estates, hydrocarbons revenues, Suez Canal's revenues, remittance or international aid, due to the lack of a modern production system except in Turkey. When the first Tunisian revolutionary government took office in January 2011, they were struck by the importance of the territorial divide that had been highlighted by the social unrest. The revolution had broken out in Sidi Bouzid, a city of the derelict inner Tunisia. The Tunisians themselves had not taken into account the dimension of territorial inequality; hence it has become a critical issue of the on-going political transition.

The organisation of space in the South and East of the Mediterranean is marked by the concentration of the settlements on a narrow littoral margin of the territory, including a significant rural density—at least in territories fit for agriculture—and a rapid urban growth. This neighbourhood is experiencing, at the same time, major challenges in its rural areas (rising pressure on agricultural land, impact of the rainfall shortage, risks of a straight food trade liberalisation with Europe, high rural density especially in Morocco and Egypt), and major challenges in its urban areas. Today Mediterranean partner countries' cities count 190 million inhabitants and four more million every year. The population's urban rate was 64 % in 2004, it will be over 75 % in 2025.

The transport networks are incomplete (Map 6.1). Despite on-going progress, for example the Maghreb coastal motorway project (without connection yet between

Morocco and Algeria), huge infrastructures remain to be built, in particular in the railway networks. The map displays impressive contrasts—spectacular in Egypt—between the urbanised space and the arid lands. The only exception to this pattern is Turkey, were the inner Anatolia benefits from an overall network of transport and cities that somehow meshes the territory, within the country and with the EU thanks to the territorial continuity permitted by the Istanbul bridges—a major difference with the Arab countries. In this neighbourhood, the various political discrepancies entangle the transnational links between Morocco and Algeria, between Egypt, Israel and the occupied Palestinian territory, and now between Syria and its neighbours.

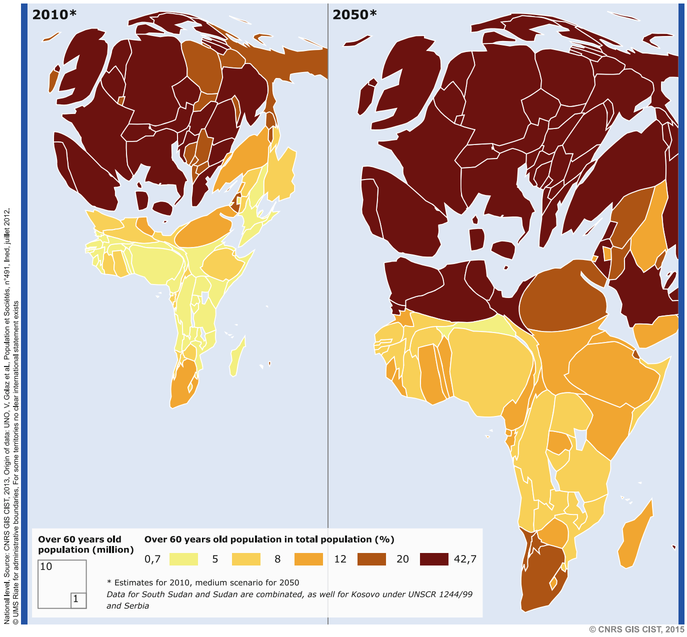
6.1.2 Demographic Gift: Territorial Impacts

The Mediterranean neighbour countries are experiencing the "demographic gift" phase, during which a country benefits from a large number of young adults ("youth bulge") who are available for their country's development without bearing the burden of a large amount of younger any longer (ending of the numerous family phase) and of elder (on-going raising of the life expectancy thanks to the development of the country). The young adults are ready for development—or for unrest if the country does not offer them the jobs they need. Many revolutions in history have occurred in this peculiar demographic gift moment; as did the Arab spring.

The important "oldies boom" is well-known in Europe and its Eastern neighbourhood. This can be considered a burden, when it comes to the pensions and health expenditures. It can be considered an asset, when it comes to know-how in a knowledge economy where a rising part of skills are incremental and develop with age, up to a certain extent. The aging of both Europe and the Eastern neighbourhood means a convergence of social structure and possible cooperation. Pension reform in the East can be inspired by the various solutions within the European Union; the health care issue can bring exchange of experiences of public policies, institutional and personal medical staff cooperation, and business links in the field of drugs or medical equipment. What is less known is the coming oldies boom in the Mediterranean neighbourhood, especially in North Africa where the demographic transition and the decline of the birth rate are strikingly rapid. The speed of this demographic transition will raise the financial and health problem in respect of the elder population in the coming decades. This suggests avenues for a new possible cooperation with Europe. Today's oldies boom is European, West and East; tomorrow it will clearly expand in the Mediterranean (Map 6.2).

6.1.3 Addressing Social Booming Disparities, Gender Gap and Numeric Illiteracy

The Mediterranean neighbour countries display the highest rates in the world for the gender gap in activity (a very low percentage of women are officially active) and in

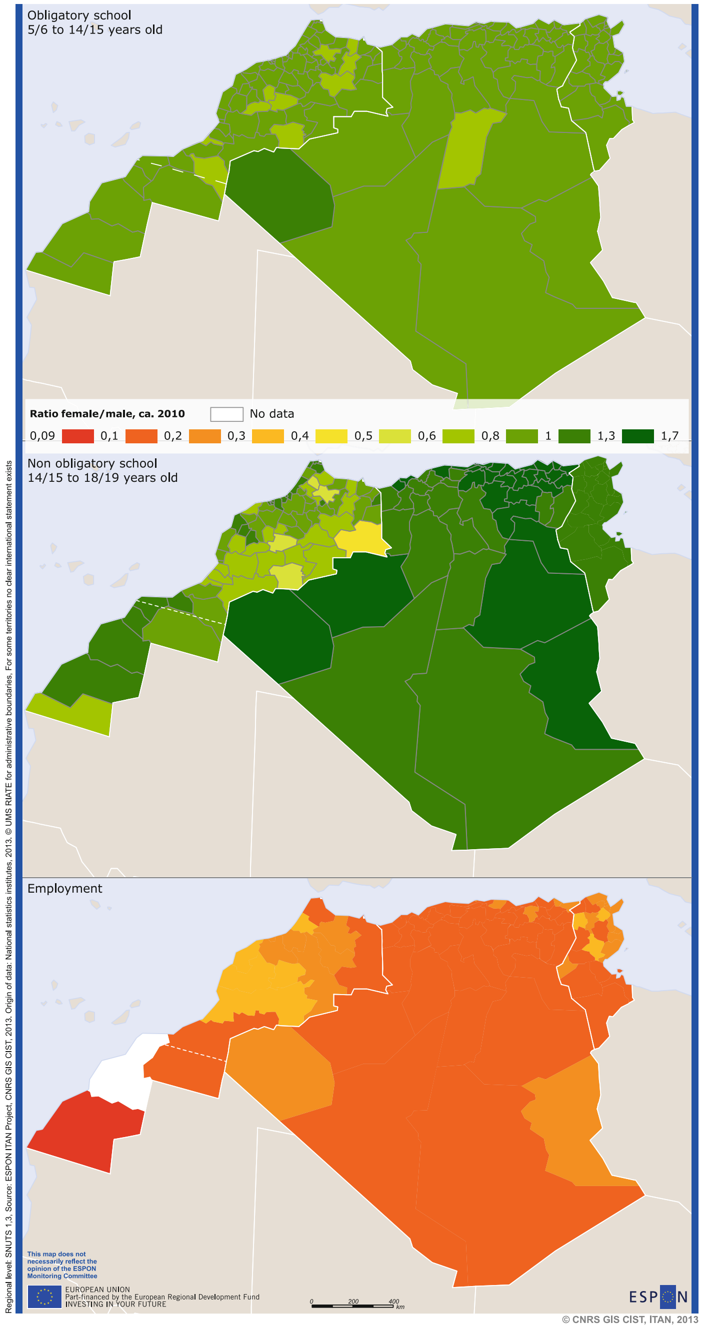


Map 6.2 Population 60 and over in 2010 and 2050: the coming oldies boom in North Africa. *Source* Valerie Golaz, Ined

employment (11 points between the two unemployment rates). In North Africa, 41 % of young females of 15–24 year old are unemployed. This gender issue is of high significance, for two reasons:

(i) The tangible situation of women proves difficult. Women in rural areas have terribly low figures in terms of literacy and access to the labour market. Map 6.3 shows, in the case of Maghreb, that the access of girls to education has dramatically improved, but that it will take a long time before their access to the labour market becomes equal to that of men. The contrast is striking in Algeria where there are many more girls in the secondary education than boys but where young women' access to the labour market confronts many obstacles. This contrast is particularly strong in the East and in the largest cities—Algiers, Oran, Constantine—which promises further clashes when these more and more educated girls want to take their place in national activity.
(ii) The status of women vis-à-vis men has a lot to do with the cultural and symbolic closeness of those Mediterranean neighbours vis-à-vis Europe where equality between individuals, whatever their gender, is the very foundation of the social contract.

Indeed, the huge need for employment in this neighbourhood goes far beyond the gender issue. In the twenty coming decades, these countries would need the creation of at least forty million jobs just to avoid an increase of the unemployment



Map 6.3 The gender issue viewed through access to education and to the labour market. Case of Maghreb

rate. The employment of the young is the main focus of the “Trade and investment” panel of the Parliamentary Assembly of the Mediterranean, which gathers representatives of countries of the Euro-Mediterranean region. In its latest report (PAM 2014), this panel states that 28 % of the young active are unemployed in the South and East Mediterranean partner countries, and this unemployment rate is foreseen to rise in the coming years. A large proportion of graduate young adults cannot find any jobs, due to the inadequacy of the training system for the labour market and to the scarcity of job creation. It should be added that a lot of 15–18 year olds drop out of school without finding a job. As a result, 40 % of 15–24 year old Moroccans are allegedly neither at school nor at work.

For income analysis, this time we take the example of Near East. In Israel, many of the geographical differences are driven by the “ethnic”—read “religious”—composition of the area. The greater the share of Palestinians (the major areas of Palestinian settlements are in the northern district of Israel where 700,000 Palestinians live), ultraorthodox Jews, and Mizrahi Jews in a district, the poorer the district is and the lower the socioeconomic standing of its population. In 1995 as at the end of the 2000s, household income was higher in the Central district, then the West Bank and Tel Aviv, and lowest in Jerusalem, the South and the North. The median household income of Palestinian families of Israel in 1995 was about 60 % of that of Jewish households; in 2008 it was 54 %. Note that this Jewish/Palestinian gap in household income is underestimated because it is not adjusted for household size. This rising territorial disparity is to be linked with the rising social disparity which has been booming in the last two decades in Israel. In that field, the country is much more like the US trajectory where the richest 1 % of Americans has come to earn more than 15 % of the national income, than like the European and especially the Scandinavian pattern. In that sense too, a Near East country seems to move away European standards.

In the occupied Palestinian territory, the highest daily wage is registered in Jerusalem metropolitan area including Ramallah and Bethlehem, with 109 NIS in the Jerusalem governorate whilst the lowest is in Khan Younis governorate in the southern Gaza Strip with 56 NIS, that is to say an enormous gap. The construction of the Wall encompassing the whole Jerusalem area will then hamper the economic development of the occupied Palestinian territory in which the Jerusalem metropolitan area plays a leading role—as indeed in many countries of the world, namely developing countries, where the capital city is the driver of national development.

Jordan remains a poor country. According to the Jordan Poverty Reduction Strategy 2013, 36.9 % of Jordanian families are considered to be in poverty or floating just above the poverty line. Most poverty pockets are located in sparsely populated desert areas; very low average incomes per family are found in the remote periphery of Amman: Madaba, Balqa’ and Zarqa. As food still accounts for one third of Jordan households’ expenditure, the population is very sensitive to variations in commodity prices and to the removal of subsidies on basic foodstuffs. The abrupt removal of subsidies is likely to lead to social unrest, as was the case during the spring of 1989 in the impoverished and neglected southern parts of Jordan, as well as in 1998 and 2002 in Ma‘an, and in 2012 with huge demonstrations. Moreover, income inequality has risen in the last period, with a growing contrast between the Amman governorate and the rest of the country. This inequality is as high as in the occupied Palestinian territory, and bigger than in Israel which comparably proves less uneven (Fig. 6.2). In Jordan, analysis at a more local scale worsens the picture: the income rise seems concentrated in the western Amman city, where most of the well-off neighbourhoods are situated (Fig. 6.3). Map 6.4 shows the added value of the pioneer ITAN database, which allows international comparison at a local scale.

We return to the Maghreb to illustrate the IT issue. It is both social (notion of "numeric illiteracy"), economic (access to the knowledge economy), and political (see the importance of the connexion to Europe of the revolutionary leading

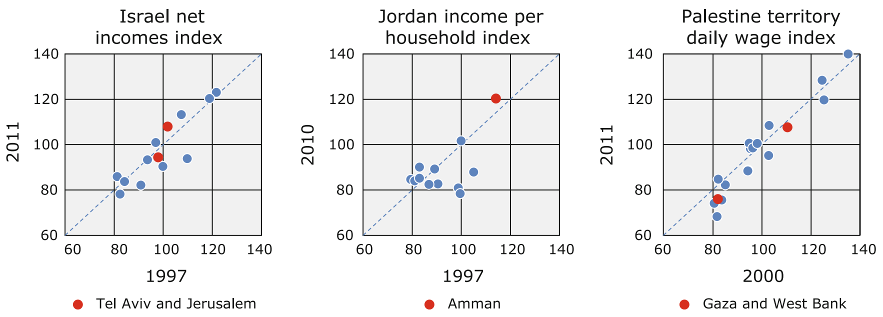
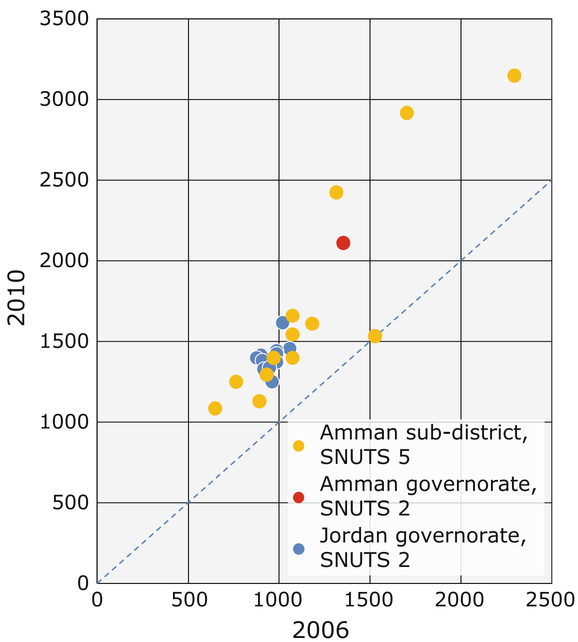
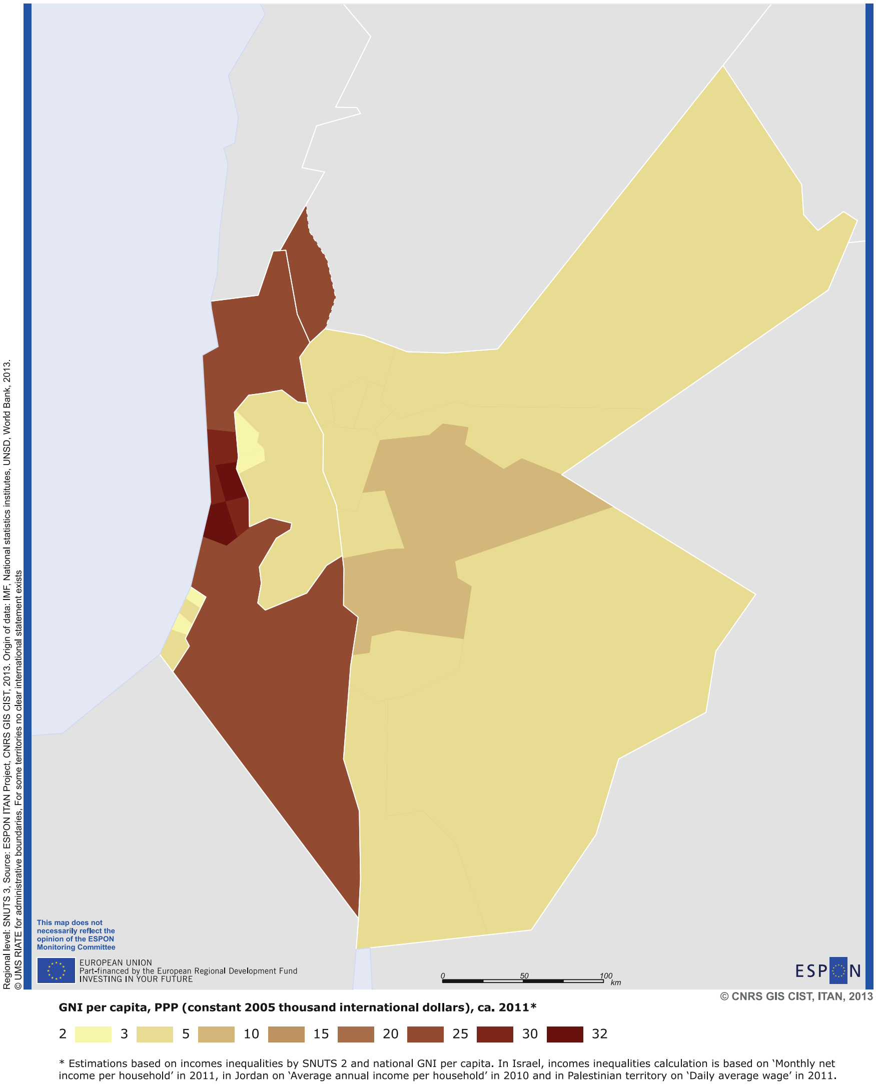


Fig. 6.2 Local income disparities in the Near East (national average = 100). oPt and Jordan still more unequal than Israel in terms of geographical disparities

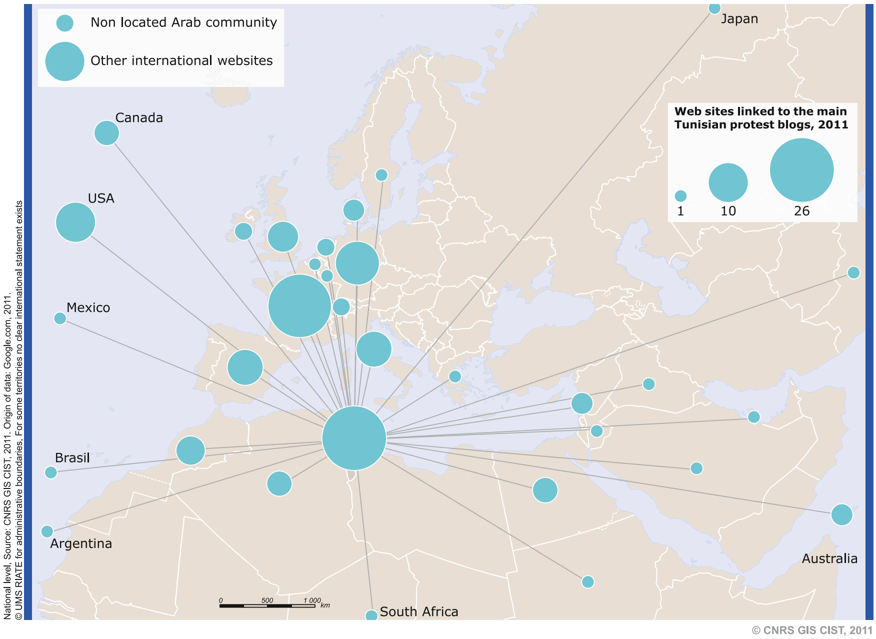
Fig. 6.3 Average income in Jordan governorates and in Amman sub-districts, 2006–2010





Map 6.4 Income inequality in the Near East (Israel, occupied Palestinian territory, Jordan), ca 2011

bloggers in Tunisia, Map 6.5). Currently, many Mediterranean projects deal with telecommunications, for instance in the *e*-commerce field or international *e*-learning cooperation. These projects depend on the development and use of broadband facilities. To date, these countries are quite well equipped when it comes to mobile phones (with major international buyouts in the recent years), but less so for internet users. The prospects for telecommunication markets are impressive. Despite the

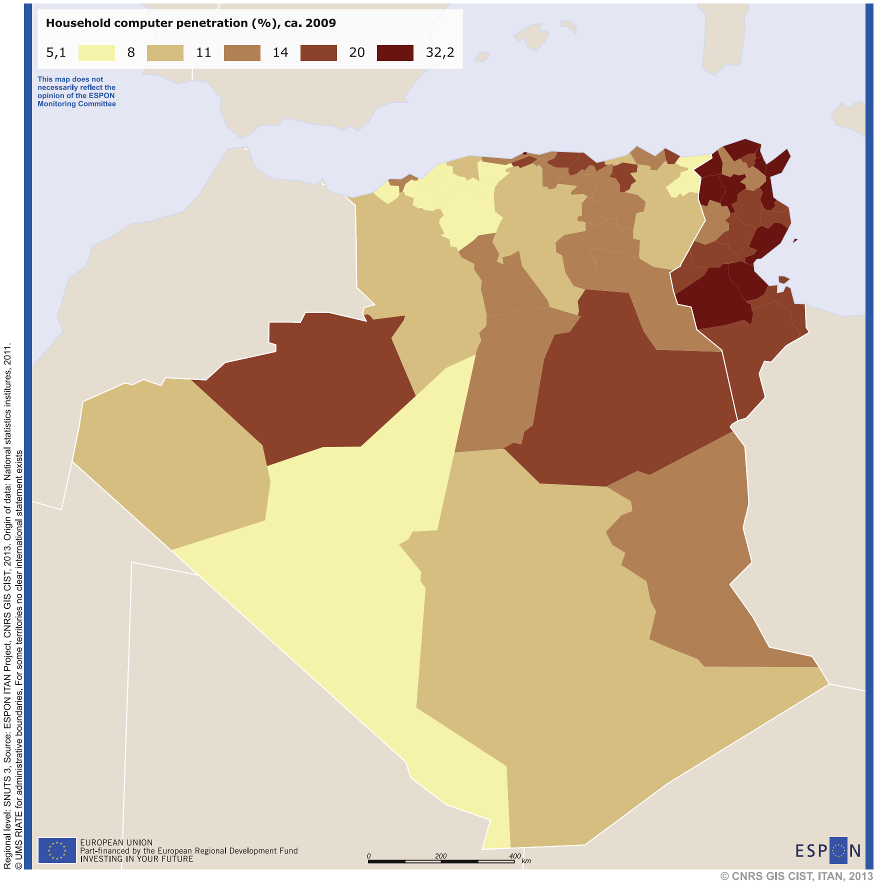


Map 6.5 Connected with Europe. The international links of the Tunisian revolutionary leading bloggers at the beginning of 2011. *Source* Giraud and Severo (2011)

lack of fixed telephone main lines, which could hamper the rise of internet and *e*-services in the long run, the proportion of broadband subscribers is booming. Yet, Map 6.6 shows the households' under-equipment in computer in many areas of Algeria and Tunisia, especially in the former. Compared to the dualistic Algerian figure where the coastal large urban regions contrast with the inner country, the equipment of the national territory is better in Tunisia. Still, only one household out of ten has a computer in the Kasserine, Beja and Zaghouan Tunisian governorates in inner Tunisia; one can imagine than in the rural parts of these governorates the rate could not reach 5 %.

6.1.4 Territories and Economic Issues: Small but Rising Role of Clusters, Huge Investments Needs

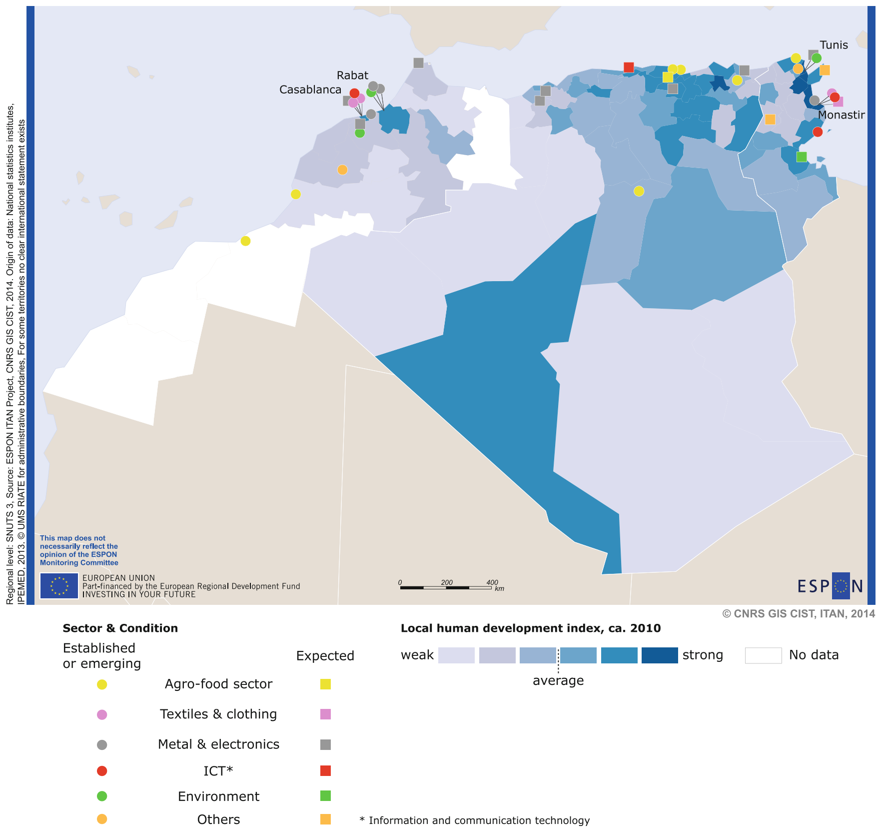
Territories have much to do with economic development. Clusters can be of great help in the shift towards an innovative productive economy. Turkey, Tunisia and Morocco are developing science parks and clusters (Map 6.7), along with Israel of course which is very far ahead among the Mediterranean neighbours. The European Investment Bank (EIB) sees a priority axis of its strategy in the area in such clusters and innovation.



Map 6.6 The key role of IT in the Mediterranean integration. "Numeric illiteracy" in Tunisia and Algeria, 2011

In these countries, urbanisation hardly turns into an engine for development. Urbanisation is at the same time a risk (concentration of people left behind) and an opportunity: when properly planned and managed, cities are a major means for economic innovation. Besides, the Arab neighbour territories suffer from low land tenure security, lack of cadastre and land registry, and under-investment in the basic infrastructures: water sanitation, waste facilities, urban and inter-urban transport, poor logistic efficiency because bureaucracy and corruption extend the delivery times.

The EIB forecasts that in the coming decades, the need to finance energy, facilities and urban services of the Mediterranean partner countries should be approximately $250 bn: 100 billion for energy, 110 for urban facilities such as water, sanitation, waste, local transports, education, health; 20 for national and international transport (ports, airports, motorways). And it should be added the



Map 6.7 Clusters in Maghreb

financial need for SMEs in order to help them create the millions of jobs that they need.

The *Observatoire Méditerranéen de l'Energie*[1] (2011) estimates that this "energy 100 bn" figure is seriously under evaluated. In the 1970s, the per capita energy consumption differential between the southern and the northern sides of the Mediterranean stood at 1:8; by 2000 it had fallen to 1:4, and within ten years it is expected to fall to 1:2. The financial need for the sole electricity sector (power generation and transport lines that should be constructed up to 2020) is $150 bn. For the gas sector, numbers are huge: in the region, an international gas pipe costs roughly $10 bn, an LNG plant, the equipment and pipes linked to it, can cost up to

[1]This non-profit Association counts thirty two leading Mediterranean energy companies from fourteen countries. Its main objective is to promote cooperation of the companies operating in the Mediterranean region, making energy a key element for regional integration.

$1 bn. To summarise, the overall cost of energy infrastructures in Mediterranean neighbour countries is closer to $200 bn than 100.

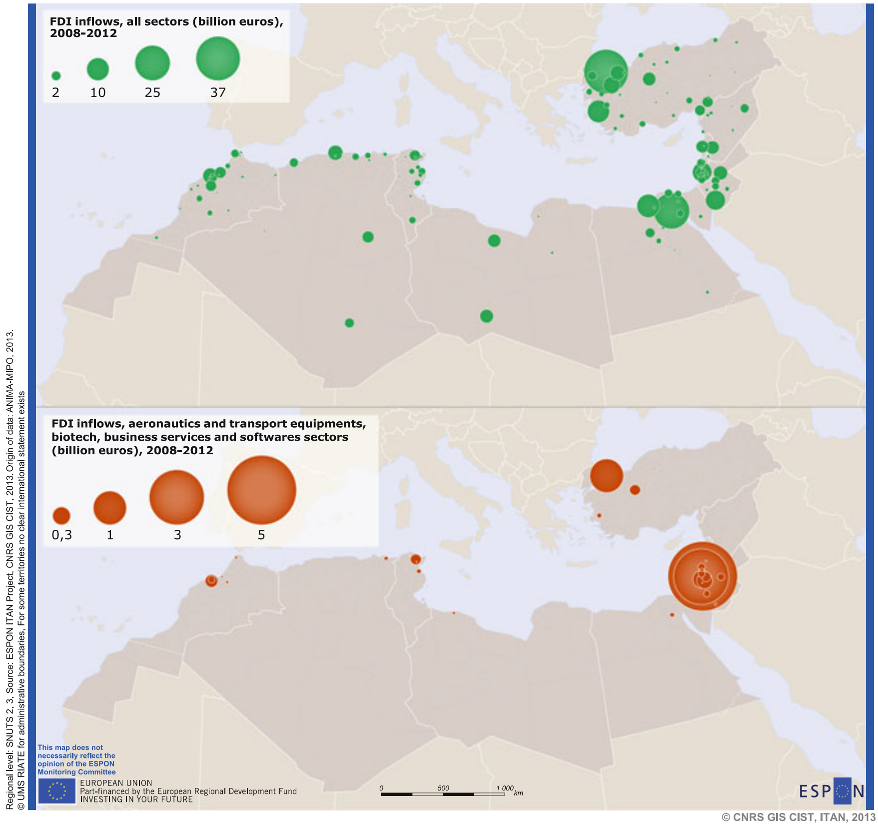
The *Plan Bleu*[2] estimates that the required amount to meet the need for access of all Mediterranean neighbourhood's people to fresh water is at least €15 bn, and 35 bn for sanitation. Even if it mobilises many donors and has an emblematic dimension, the EU's sanitation programme "Horizon 2020" will not cover it since its budget is around 3 bn. Moreover, the cost of the adaptation of this neighbourhood to climate change could reach $40 bn in the two coming decades. This represents at, the same time, a tremendous stake and a major opportunity for business.

Can those countries finance such enormous amounts? For the time being, except Turkey and of course Israel, they remain very far from the European investment average per capita, even if the gap is reducing. Related to GDP, investment in Mediterranean neighbour countries remains lower than in India and much lower than in China; nevertheless, the amount has doubled during the 2000s. This is confirmed by foreign direct investments (FDI) inflows, which were less than 3 billion dollars annually in the early 1990s, 7 in the late 1990s, and 30 in 2007–2008 for the sole Arab partner countries, before the European crisis and then the Arab spring backlash.

A lesson derived from the Anima database on FDI used in the ITAN project, is that inflows do not only go to the richest areas. Indeed the large cities appear as major targets, but the geography is much wider spread than one could have thought. This means two things: (i) attracting foreign investment has become a shared goal and practise in these countries, confirming the Mediterranean partner countries' general openness to international exchange; (ii) FDIs are more inclusive than feared. In these countries, a tough debate has emerged between those in favour of international, namely European, influence upon their economy, and opponents saying that such FDI create too low a number of jobs and have no actual spill over effect on SMEs and territories. At least according to Map 6.8, one can say that this territorial argument is not obvious.

That being said, the second map, focusing on advanced manufacturing and services sectors, is limited to the leading metropolitan areas: Israel as a whole, Istanbul, and to some extent Casablanca and Tunis. At least, this proves that these countries can henceforward attract something other than low tech factories such as the clothing industry. The rising foreign investment in the automotive (see Renault car plant in Tangier-Med) and aerospace industries suggest that these Mediterranean partner countries could be regarded with an eye different from the classic "periphery" vision highlighted above. They could become the "Tigers" of the European region.

[2]The Plan Bleu has been launched by the UNEP Barcelona Convention for the Protection of the Marine Environment and the Coastal Region of the Mediterranean in 1976. Its objective is to contribute to raising awareness of Mediterranean stakeholders and decision makers concerning environment and sustainable development issues in the region, by providing future scenarios to assist in decision-making.



Map 6.8 The local FDI inflows in the Mediterranean neighbour countries. Not only large urban areas, not only low tech. *Source* FDI 2008–2012 Anima—MIPO/cartography by CIST

6.1.5 Environment: The Critical Case of Water and Agricultural Land

According to the IPCC's scenarios and along with north-western India, the impact of climate change in the coming century will not be harder anywhere in the world than in the Mediterranean area (Hallegatte et al. 2009). Today, 35 million people in these countries do not have access to sanitation facilities, 20 million to fresh water. The water shortage will become harder; the arid part of this territory could then increase, agricultural modernisation could be insufficient for tackling the utmost dependence of these countries vis-à-vis food imports.

A research programme spearheaded by Inra-Cirad (2009) tracks the long-term trends of six major regions of the world and provides scenarios for agriculture and food through to 2050. Between 2003 and 2050 the population of the Middle East and North Africa (MENA) region is set to have 70 % more people; food and agricultural demand (expressed in energy equivalents: vegetable and animal kilocalories) is expected to rise by 80 %; due to expected improvements in product quality, the market in value terms will rise from 100 to 200 % over the period. MENA, some parts of which were ancient Rome's grain basket, has become the world region with the highest level of food stress: in 2003, the gap between local resources and consumption hit 54 % of the total supply, and by 2050 it is expected to more than double. On a per capita basis, by 2050 the gap will be three times greater than in sub-Saharan Africa. Three factors explain this food supply crunch: the scarcity of land available for agriculture; climate degradation and particularly the dramatic water shortage; institutional weaknesses that are hampering technical and managerial progress in the sector (Figs. 6.4, 6.5). The regional instability has a major impact too, especially on Irakian and Syrian agriculture.

Table 6.1 gives the numbers for cereal production and imports, according to four scenarios. The first scenario is the baseline and drives to a production per inhabitant of 80 % compared to that of the 2000s, and to almost doubled imports. The third (severe climate change scenario) and the fourth (food trade total liberalisation) lead to imports multiplied by three compared to that of the 2000s. The combination of severe climate change and straight liberalisation (S3+S4) would lead to mushrooming imports. The only scenario where production per inhabitant does not diminish and where imports remain bearable, is that of a deep Euro-Mediterranean cooperation. Given the still great share of agriculture in employment in the various Mediterranean partner countries, it is easy to understand that the future of their rural

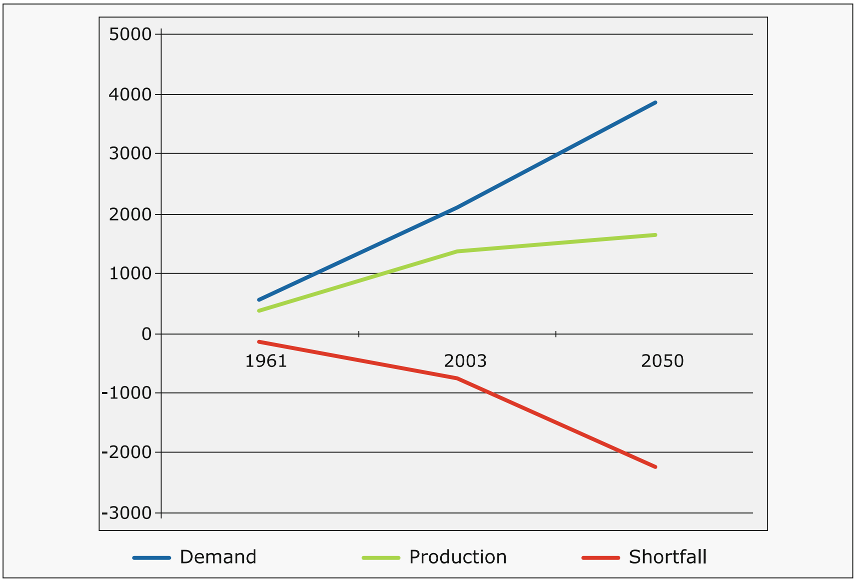


Fig. 6.4 2050 outlook for agro-business in the Middle-East and North Africa (in vegetable and animal kilocalories per day). *Source* Inra-Cirad (2009): *Agrimonde*

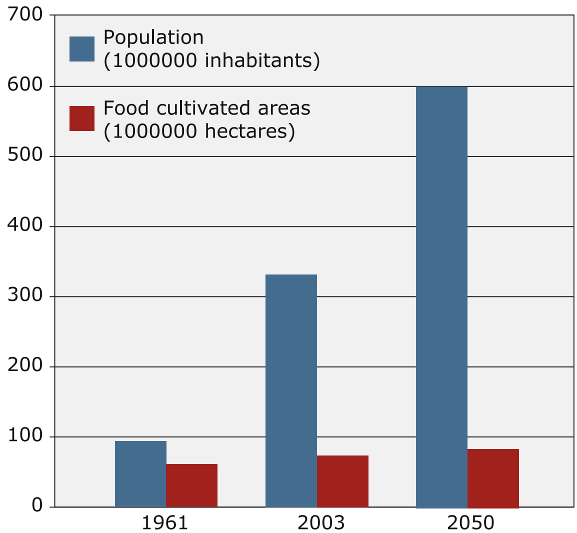


Fig. 6.5 Population and agricultural land 2050 outlook for MENA countries. *Source* Inra-Cirad (2009): *Agrimonde*

Table 6.1 Cereals production and imports in the Mediterranean neighbour countries (except Turkey) in 2030

	Production			Imports
	Million t	kg/inhab.	Index	Million t
Average 2000/2007:	77	261	100	37
Scenarios 2030				
S1—Baseline trend	78	210	81	62
S2—Euro-Mediterranean deep cooperation	95	256	98	45
S3—Severe climate change	47	126	48	93
S4—Total food trade liberalisation	51	138	53	89
S3 + S4—Worst-case scenario	24	66	25	116

Notes
Imports estimated as the difference between consumption and production. We take into account the average consumption per inhabitant of the 2000–2007 period
Source Cheriet et al. (2010)

territories will largely depend on Euro-Mediterranean cooperation. Even in countries such as Algeria where agriculture plays a minor role, this is a key issue because the state, thanks to its recent *Politique de Renouveau Agricole et Rural*, wants to reduce its dependence upon food imports and to enhance its agricultural sector which had been left behind in the first decades of the republic.

6.1.6 *Difficult Decentralisation*

The success of the Islamic parties since the Arab spring is largely due to the state's deficiencies in local territories, progressively offset by Islamist associations. The decentralisation issue has long been entangled in this contradiction: authoritarian regimes did (do) not want to empower local governments in order to avoid empowering the Islamists, but by avoiding doing so, they hamper necessary local development.

Municipalities are ancient institutions in the Arab world since they were launched in the mid-19th century at the time of the Ottoman modernisation (*Tanzimat*). They were reinforced by the European states during the colony or mandate period, on English or French patterns that were, in most cases, incorporated by independent states (Tourret and Wallaert 2010). During the last decade, the Arab partner countries have enhanced their decentralisation and given more responsibilities to local authorities but before the Arab spring, decentralisation remained viewed by the regimes as a risk for security and for national unity vis-à-vis the Berber regionalism (Morocco, Algeria), the Islamist danger (Egypt) or communitarian fragmentation (Near East). Everything changed after the Arab spring with a general call for a genuine decentralisation.

At a higher scale, that of regions, the only country that launched a credible reform is Morocco; but even there the country analysis shows that the state representative, the Wali, holds the real regional power. As a matter of fact, Arab neighbours would need a better regional de-concentration of state power, as an indispensable stage before decentralisation. The problem is that they did not manage the former whereas the already have to set up the latter (Beckouche 2011a).

The Arab country which is most likely to launch a real decentralisation might be Tunisia. The new constitution (2014) acknowledges decentralisation as a key principle of governance. Local authorities (municipalities, districts and regions) now have legal personality, and administrative and financial autonomy. They can also run decentralized cooperation—that is to say international cooperation with foreign counterparts. If the foreseen reform actually comes into force, it will open large fields of cooperation, in particular with European local authorities who have a strong background in the fields of planning, public services delivery and local democracy.

6.2 Regionalism and Regionalisation in the Euro-Mediterranean Space

6.2.1 *Regionalisation: The Euro-Mediterranean Missing Link Is Productive Integration*

Over the last fifteen years, Mediterranean partner countries' exports have certainly increased exponentially, but imports have increased even more. With the exception of the hydrocarbon-producing countries, merchandise trade surpluses have declined dramatically since 2001, particularly in relation to Europe, evidence that their production systems have not been adapted to the new global environment. According to the *Forum euroméditerranéen des instituts de sciences économiques* (FEMISE) reports, their technological level of exports has not shifted towards more labour and technology-intensive products. The proportion of intra-industry trade has grown only slowly with Europe, demonstrating that despite recent advances we still have far to go in value sharing between the northern and southern Mediterranean.

In a study on the European Euro-Mediterranean policy's assessment, Beckouche (2011b) shows that, for five countries studied (Morocco, Tunisia, Egypt, Jordan and Syria), Official Development Assistance (ODA) received from the European Union corresponded to less than 0.3 % of their GDP in 2008, in contrast to other sectors that play a determining role in external balances: tourism revenue (8.5 % of GDP), migrant remittances (6.1 %), FDI (5.3 %) and, negatively and most significantly, the collapse of the trade balance (−13.9 %). It has become clear, especially since the early 2000s, that the economic future of the Arab countries is dependent on the international positioning of their production systems (trade balance and FDI). Neither tourism revenue nor migrant remittances, much less European subsidies, can offset declines in this area.

Even more troublesome, Europe's share in the foreign trade of Mediterranean partner countries appears to have reversed for all countries with the exception of Morocco (stagnation). One would think that the gradual establishment of the Euromed free-trade area would lead Mediterranean partner countries to greater openness amongst themselves and to the rest of the world. In reality, however, a large part of this extra-regional openness is due to the handicaps of Euro-Mediterranean integration: (i) poor North-South production integration (with the exception of Turkey), (ii) high non-tariff barriers preventing access to European agricultural and other markets and even greater barriers to the markets of individual Mediterranean partner countries, (iii) technical (inadequate quality of cross-border infrastructures) and monetary (limited currency convertibility) obstacles to trade between these economies in spite of the Agadir and GAFTA agreements between Arab countries, (iv) poor liberalisation of services.

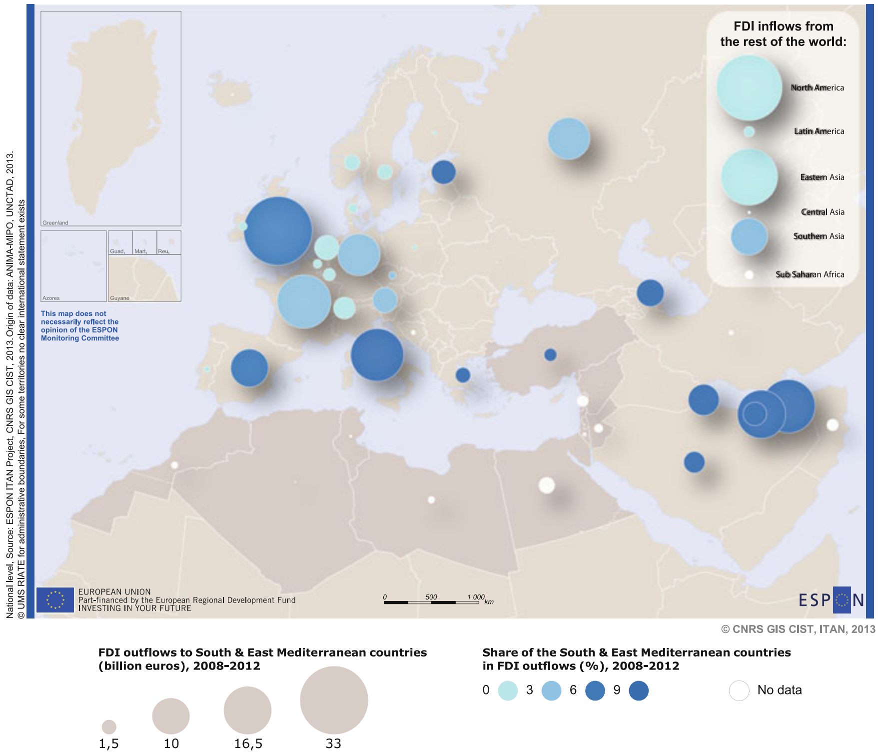
Since the Barcelona process launched in 1995, the impact of the Euromed agreements on regional trade has been positive but limited and declining over time due to (i) gradual elimination of the multi-fibre agreement that these Mediterranean economies once enjoyed in comparison to Asian countries, (ii) the EU's signing of preferential agreements with central and eastern Europe and (iii) the effects of the EU's restrictive policy concerning agricultural trade (Abdallah 2011). In goods trade as well as in FDI flows, South-South exchanges in the Mediterranean neighbourhood have improved but remain low. The South-South market fragmentation serves as a further disincentive for FDI in the region. The European share in Mediterranean partner countries' FDI inflows has declined from more than 50 % a decade ago to barely one third in 2010. Moreover, FDI amounts have fluctuated at the mercy of a small number of major transactions typically associated with privatisations. Only Turkey has successfully leveraged its FDI inflows as a virtuous circle of technological intensification on the part of investors to increase the export competitiveness of their operations in Turkey. In the other Mediterranean partner economies, FDI is directed excessively into tourism, real estate or one-off (by their nature) privatisation transactions and has not had the catalytic effect experienced in countries that support FDI inflows with strong savings and production-oriented economies. These figures help in understanding the overall low connection between Europe and its neighbours, as shown in Chap. 2.

The Anima database confirms the previous statement derived from UNCTAD data. In the period 2008–2012, FDIs to the Mediterranean neighbours were significant only for the Gulf countries, Turkey and Italy. For the major western European countries, this neighbourhood represents less than 9 % of the FDI outflows target and even less than 6 % for France, Germany, Netherlands, and Belgium (Map 6.9).

Related to the productive economy issue, three main topics were overlooked in Barcelona. The first is financial and monetary cooperation with respect to foreign exchange, an issue pushed to the forefront during the international financial crisis—even though banking consortia bringing together institutions on both shores are beginning to appear. Second is agriculture, despite the constant claim of the Ciheam.[3] Last but not least is professional mobility, recognition of credentials, professional qualifications and facilitation of movement within Euro-Mediterranean regional labour markets. In particular, Europe is losing the battle for attracting the Mediterranean neighbours' qualified labour forces particularly in the eastern Mediterranean. For example, only 1 out 6 high-level Jordanian students enrolled abroad, come to Europe; the majority of the high skilled East Mediterranean people living abroad live in northern America. This is all the more unfortunate in that except singular countries such as Lebanon, outmigration of skilled people could be win–win and not a brain drain. It is impossible to speak of any Euro-Mediterranean, and further, Euro-Med-Africa regional integration with so many obstacles to people's movements (see Map 6.10 on deaths while crossing the Mediterranean). In short, integration of the Mediterranean continues to be more trade-oriented than production-oriented. Economic integration has been weak overall and shallow rather than deep by any definition.

Primary responsibility for these shortcomings falls directly on the neighbours' regimes. Growth there has been more quantitative than qualitative due to the poor quality of national policies in the areas of training, research and technology and weak productivity gains. It is far from sufficient to offset problems of underemployment, including amongst the highly skilled. Competition has admittedly become more open, but there is still a long way to go both internationally, since the Arab countries remain amongst the most protectionist worldwide, and within their

[3]The International Centre for Advanced Mediterranean Agronomic Studies (CIHEAM) is an intergovernmental organisation composed of thirteen member states (Albania, Algeria, Egypt, France, Greece, Italy, Lebanon, Malta, Morocco, Portugal, Spain, Tunisia and Turkey). It promotes multilateral cooperation in the Mediterranean in the fields of agriculture, food, fishery and rural territories.



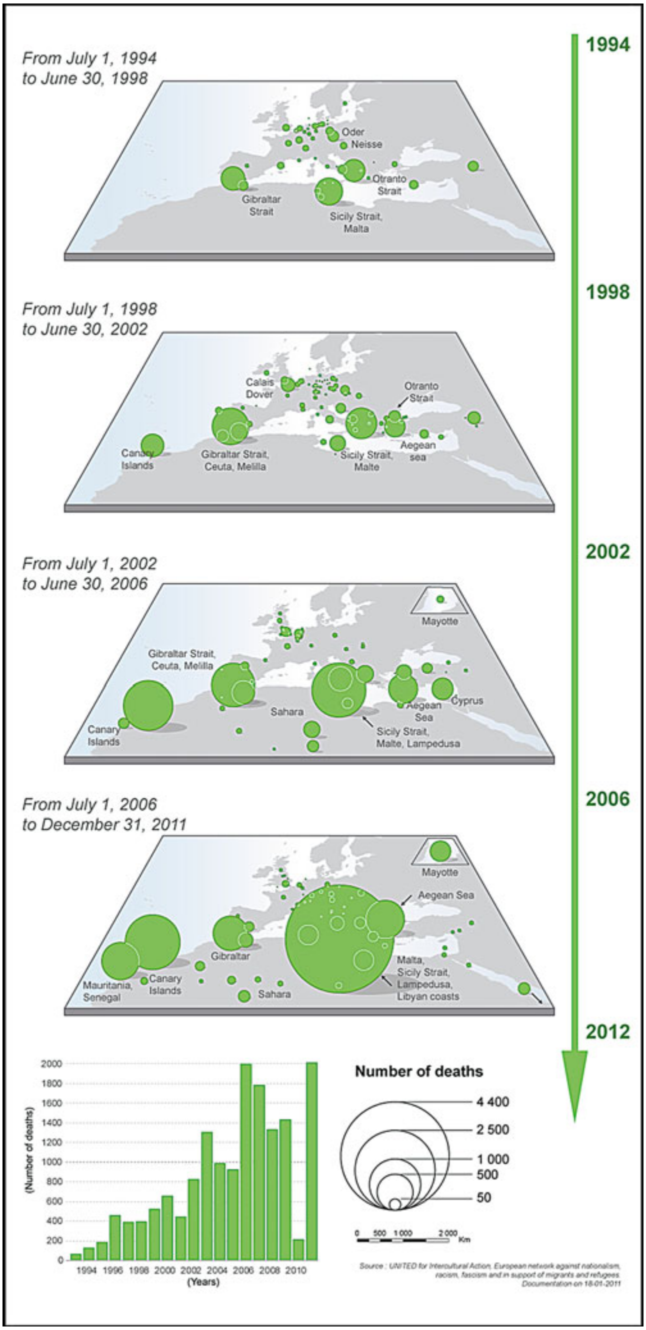
Map 6.9 Origin of FDI in Mediterranean neighbour countries and importance of these targets for investors, 2008–12

countries where markets continue to lack transparency. This openness has consequently failed to generate sufficient impact to stimulate job creation, one of the main challenges of the economic democracy ushered in by the Arab Spring.

6.2.2 Regionalism: European Aid Too Small and Too Scattered to Really Impact the Mediterranean

Did European donors address the regional de-integration in the Mediterranean? The answer is threefold, and it is negative: subsidies are small, scattered, and hardly focused on the productive system modernisation.

EU member states have reduced their share of aid to the Mediterranean neighbourhood primarily to the benefit of Africa for the last decade or more. Compared to EU member states, the European Commission places greater emphasis on its neighbourhoods. However, taking into account the dramatically higher level of aid from member states (at the end of the 2000s $43 billion, $48 billion including



Map 6.10 Number of deaths across the Mediterranean, 1994–2011

Norway and Switzerland) than directly from the EU ($13 billion), the geography of European aid viewed as a whole does not reveal any neighbourhood strategy. In reality, European aid is massive to recent (Central Europe) and potential *member states* and dramatically less to countries of its neighbourhood policy. The latter are consequently left squeezed between the prevailing logic of accession and Europe's determination to be a global actor aiding all the regions around the world.

The European Commission's financing of Euromed is for the most part dependent on the European Neighbourhood and Partnership Instrument (ENPI), although numerous other European funds are also involved for Official Development Aid (ODA). A geographic breakdown of the application of total EU funds to development is difficult to establish. We could calculate the consolidated disbursements of total EU funds to the Mediterranean for the year 2009: the amount is €1.2 billion, that is to say 11.5 % of all EU aid (compared to 6.5 % in 2000, we are speaking here of the official Mediterranean neighbourhood that is to say without Turkey). Expressed in Euros per capita, however, the future member states stand out clearly as the primary target of the EU's aid policy. To these subsidies are to be added subsidised loans from the European Bank for Reconstruction and Development (EBRD) and the EIB, but the latter organisations undervalue the Mediterranean neighbourhood. If we consolidate the entire financial resources of the EU (net balance of the EU operating budget for member states, ODA from the EU namely thanks to the ENPI, EIB and EBRD commitments), €261 per capita goes to new member states, €145 per capita to future member states of the former Yugoslavia and €45 to Turkey, €26 to the eastern European neighbourhood, but only €13 to Mediterranean counterparts (and falling) and just €11 excluding Palestine—much less than to Russia and only slightly more than to Central Asia. In contrast to the hopes that presided over its launch, the Union for the Mediterranean (UfM) is not currently contributing any additional private financing, with the bulk of UfM community funding provided under the European neighbourhood policy. Nonetheless, international donors are beginning to step up, notably for the Mediterranean Solar Plan, with private investors possibly not far behind.

Not only is this European Aid too small, it is also too scattered to impact territories and societies. The economic and financial pillar of Barcelona offered multiple lines of action to the Association Agreements through which the Euromed policy has been implemented, such as gradual establishment of a free-trade area, deep regional integration, modernisation of SEMC production structures, social development to minimise the effects of economic openness, promotion of women's role in development and so forth. During the second phase of the program (MEDA II funding, 2000–2006), the scope of possible actions expanded further due to the reinforcement of the "security pillar". However, the MEDA II evaluation report (European Commission 2009) made numerous simultaneous recommendations, amongst them maintaining budget support of institutional reforms, strengthening justice, upholding democratisation and human rights, promoting expansion of the role of civil society, increasing the allocation of resources to capital investment in SMEs and responding to regional "crucial questions". The European neighbourhood policy, for its part, confirmed these ambitious directions. The ENPI

(2007–2013) plaid a role in all development areas: trade, environment, climate change, peace and security, agriculture, fishing, social aspects (health, education, professional training), employment and labour, migration, research and innovation, information society, sound governance, taxation—not to mention consideration of the gender balance, children's rights and defence of indigenous peoples!

To which actors has the funding been in fact allocated? A large share of this funding takes the form of budget support: 36 % during MEDA II and 38 % with the ENPI (some sources being associated with even higher proportions). The private sector received only 10–20 %. Although agriculture accounts for one-fourth of the GDP in most SEMCs, it was almost entirely overlooked. Before the Arab spring the European Commission's Mediterranean policy was therefore characterized as follows: a low financial priority, for a varied range of actions across an extremely broad scope and, for the most part, taking the form of budget support for various ministries.

Launched after the Arab Spring during the G8 summit of Deauville in May 2011, the Deauville partnership associates the EU, international donors such as the World Bank, the IMF or the African Development bank, and Arab sovereign funds. The promised money (at that time one spoke of tens of billions dollars) was supposed to support the Arab countries in transition. Since then, some European programmes have indeed been enhanced such as FP7 and Erasmus Mundus in the Mediterranean, European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) programme in particular in Tunisia, and the mandate of the EDRB has been enlarged to the Mediterranean countries in transition. The Mach 2013 Communication on the new Neighbourhood Policy of the European Union (2013) proposed to raise the European money to the neighbourhoods by 22 % in 2014–2020. It is too soon to measure the impact of the money that will be actually dedicated to the Mediterranean neighbour regions.

6.2.3 Regionalism: A Slow but a Real Trend Toward Regional Deep Integration

In spite of all this, the Mediterranean neighbourhood policy has already had four positive political outcomes. First is the practice taken up by the governments of countries within the region of interacting with one another either at a ministerial level. Second is openness to international commerce in the form of both trade and FDI, thanks to the Agreements with the EU. The third positive outcome is this macroeconomic stabilisation of the Mediterranean neighbour economies since the 1980s. Fourth, and not least, is the steps taken towards deep integration between the two Mediterranean shores in the following concerted regulations:

- Financial markets: regulators have established a Euro-Mediterranean network.
- Environment: initiatives date as far as 1975 and the launch of the UNEP Mediterranean Action Plan. However, little progress has since been made on

one of that project's symbolic objectives, pollution reduction in the Mediterranean Sea. The UfM has made a priority of pollution control in the Mediterranean, confirming the importance of the environmental theme to regional integration. On the other hand, the environment could also become a source of discord between the two shores as environmental standards increasingly create a non-tariff barrier blocking European markets to agricultural exporters in third countries including Mediterranean (e.g. possible European penalisation of food imports that would have used road transport).

– Energy: the Barcelona process ministers opted in 2003 to move towards integrated gas and electricity markets between the Mediterranean neighbours and Europe. National agencies responsible for energy savings and renewable energy formed a regional network called MEDENER. The UfM's decision, in 2008, to launch the Mediterranean Solar Plan presumes a certain heightening of cooperation in this regard, whether in terms of solar production, electrical interconnection infrastructures or regulatory aspects.
– Transport: the Euromed Transport Forum has led to a joint master plan for transport infrastructures (2007) destined to cover the entire regional territory and for financing of the first elements of this system. The UfM's Motorways of the Sea project is an extension of this action.

Since the rise of the Arab Spring, the European Union calls for a renewed Mediterranean partnership; it will clearly no longer be based on public aid. Aid will remain necessary to help countries engaged in a difficult transition such as Tunisia, but the regional strategy can no longer rely on subsidies. Is the UfM, which was launched in order to promote private projects, the solution? One could estimate that a juxtaposition of projects will not be sufficient. On-going political and academic debates are discussing (i) political conditionality: from now on, no Mediterranean neighbour should be supported by European money if it is not involved in a genuine democratisation and the rule of law; (ii) stronger support of the production system, better convergence of economic norms and standards, and constitution of a Euro-Mediterranean development bank. Several years ago, the European Commission (2011) had launched accurate prospects in its communication of March 8th 2011: liberalisation of professional mobility, substantial increase of EIB's loans, enlargement of the EBRD's mandate to Mediterranean neighbours, and project of a "Euro-Mediterranean Community of Energy": will it be followed up?

6.3 Strategic Synthesis: Time to Political Boldness in the Euromed Process

Four fields appear of utmost importance in the relationship between the EU and its Mediterranean neighbourhoods: water, agriculture, energy, mobility.

6.3.1 Avoiding Water Wars

Of course, water is a very local resource, but a regional cooperation could turn it from a political threat into an economical asset. Notwithstanding the impact of global warming, the Mediterranean is already experiencing problems in local access to water and sanitation that at times lead to water conflicts. Yet water could become the cornerstone of a high-level economic channel and an ambitious international cooperation program. The priorities are well known: efficient use of water and water demand driven management; improved local and national governance in order to obtain clear contracts of water supply; pricing that is economically appropriate, territorially efficient and socially fair; legal and financial security of investments to facilitate public-private partnerships, especially for sanitation.

Since 1976, Mediterranean water issues have been at the centre of numerous debates, and yet results have not made much progress. What the region needs is better coordination and the involvement of all concerned actors i.e. not only Water ministers but also Agriculture since agriculture uses the three quarters of these countries' water, and Urban planning authorities as well as operators and local authorities.

What could be designed is a Mediterranean Water Agency (Comair et al. 2010). Its role would be to coordinate the actions of the numerous institutions and NGOs focusing on water in the Mediterranean. The Agency's charter would echo the common principles about pricing and clear contracts which would need to be respected to receive funding from public and private international donors. Its missions would be information, promotion of new water practices for agriculture, exchange of experience and expertise, vocational training and research, hydro diplomacy that is mediation on trans-boundary waters. When it comes to its governance, a Euro-Mediterranean Water Council could group representatives of Heads of State of participating countries, major towns in the region and directors of NGOs and institutions working with water in the Mediterranean, to determine the Agency's strategic lines. In a second phase, the running of the Agency itself and its executive decisions could be entrusted to professionals representing basins or other relevant areas—and not the public water administration alone—covering all actions necessary for integrated water and sanitation management.

Is it idealistic? It is not: the Mediterranean neighbours adapt their regulation closer to the EC Water Framework Directive. They set up water supply agencies according to European patterns. They acknowledge that they need European kno-whow. Conversely, European stakeholders acknowledge that there are business opportunities in the Mediterranean, that a good local governance of water management is an excellent way to promote citizens' participation and democracy, and to avoid possible water wars.

6.3.2 The Need for a Food Security and Agricultural Policy

The issue of food will become a crucial problem for the Mediterranean neighbours owing to (i) growing population in the South and East of the Mediterranean, with almost 400 million people to feed by 2030; (ii) rising nutritional imbalances and diseases linked to the gradual abandoning of the Mediterranean diet made up of fruits, vegetables, olive oil and fish; (iii) deteriorating ecosystems, global warming, reduction of available farming land and water resources, with serious effects on the potential of local production, which currently provides more than 25 million jobs in the region.

The consequence for these countries is a rising biological and economic food deficit, increased dependency on imports coming from instable international markets. It has to be remembered that the political unrest in Tunisia began a couple of years ago with riots due to bread prices. If nothing is done, further social, economic and ecological disasters are inevitable. Europe needs to go beyond the discussions on Euro-Mediterranean free trade agreements that have been dragging on for thirty years (Fig. 6.6). Experts and scientists discuss the idea of a new Mediterranean policy for agriculture and food based on Europe's half-century CAP experience: (i) encouraging more local food production through significant investment in R&D and training, and by setting up inter-professional channels, plus regulations to improve product quality; (ii) promoting the Mediterranean diet by educating, developing geographic labels and setting up communication plans around the world with a view to conquering markets; (iii) creating regional food security by stimulating North-South and South-South complementarities via mid-term supply contracts, security stocks of strategic products (cereals and oleaginous plants) and—why not?—Euro-Mediterranean commercial preference for all food products.

Is it idealistic? It is not: the central European states' membership has been prepared and accompanied by a strong commitment of the EU vis-à-vis their agricultural and rural modernisation. Why would not the methods of the CAP be adapted to the Mediterranean neighbours, as it has begun to be thanks to the ENPARD programme?

6.3.3 A "Euro-Mediterranean Energy Community"?

Euro-Mediterranean policy orientations in this field are threefold:

– Energy security: the goal is to make both supplies and commercial markets secure. Securing supplies is as relevant for European countries as it is for Mediterranean neighbours that do not produce hydrocarbons. In partner countries, ten million people still have no access to energy and their demand for primary energy is set to rise by 5 % per year up to 2030; in particular, electricity demand is increasing at 6–8 % per year, with critical supply situations in countries like Egypt. A deep regional integration would imply that an agreement between Euro-Mediterranean countries relates to supply security as a whole, both South-North and South-South. The issue of securing markets calls for preserving long-term gas agreements, which the European commission has hitherto not wanted to accept for the sake of liberalism and a strong belief in spot markets. The energy world has only experienced producers' organisation (OPEC): could a brand new organisation that would associate producers and consumers not be experienced at a macro-regional level?

– Industrial development: we said that energy represents considerable industrial potential for the whole region. A technological and industrial co-development project could be set up, provided that Euro-Mediterranean countries can transcend shallow commercial relationships. The UfM could be a useful vehicle for such cooperation, which would positively balance Gazprom's increasing negotiating power on the European market.
– Environmental protection: the EU's Climate and energy package 2008 directive sets an ambitious ceiling on European energy consumption with a minimum share of 20 % of renewable energy in 2020. Its Article 9 is a potentially important cooperation tool, since EU countries will be authorized to include in their energy balance renewable energy produced outside the EU notably from Mediterranean neighbours—hence the Mediterranean Solar Plan. These countries are also making an effort by adopting environmental measures, although these remain insufficient. The countries of the two shores of the Mediterranean could very well adopt similar objectives and ceilings of their energy consumption balance, and jointly promote new financing tools for carbon reduction.

Is it idealistic? It is not: notwithstanding the huge Mediterranean markets in the energy field and the envisaged projects (MSP, Desertec, Medgrid), Europe will be increasingly dependent upon energy imports, imperatively needs to secure its procurement and not to rely excessively on Russia. Besides, the environmental impact of any poor energy transition would not respect any border: it is in the interest of the whole Euro-Mediterranean region to complement this transition in a collaborative way (Ben Abdallah et al. 2013).

6.3.4 From "Migration" to "Mobility"

Such policy orientations suppose a real professional mobility in the region, instead of the counterproductive and humiliating hard visa regimes that prevail in the Euro-Mediterranean area. The political stake is to move from an administrative migration approach to an economic approach based on mobility (Beckouche and Lebras 2011). Is it idealistic?

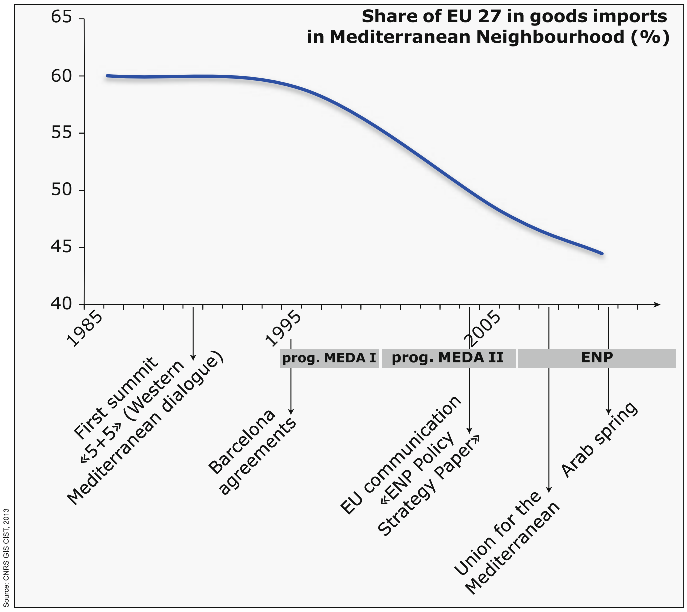


Fig. 6.6 Agreements *v*. real integration with the EU— Mediterranean neighbourhood

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