
Future of Socio-Economic Developments in the Mediterranean







GMF- Naples 04 December 2014

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Professor, HEC Montreal**

Uneven global recovery continues...

Real GDP Growth Projections

(Percent change from a year earlier)

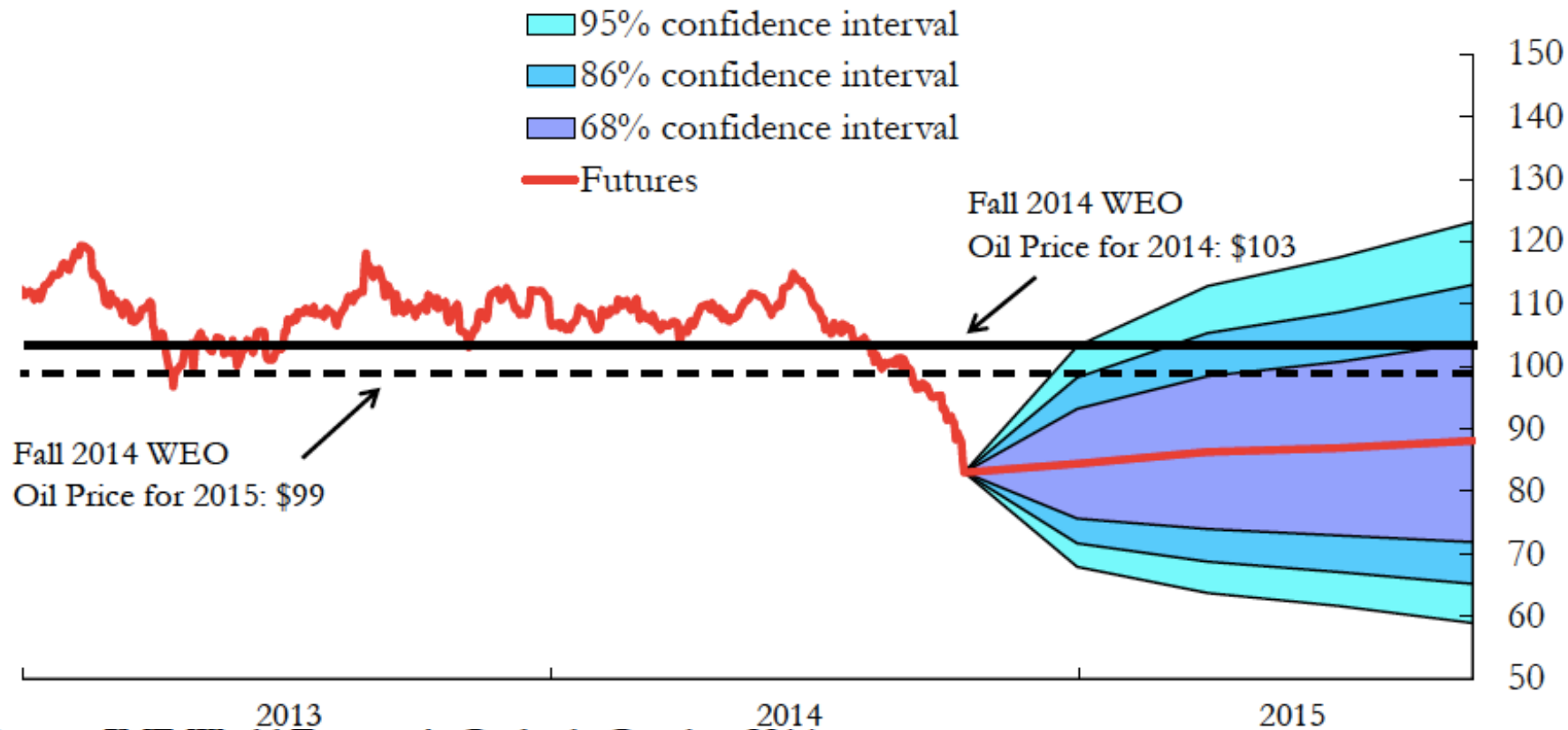
						
	World	U.S.	Euro Area	Emerging markets	China	Russia
2014	3.3	2.2	0.8	4.4	7.4	0.2
Revision from Spring 2014	-0.3	-0.6	-0.3	-0.5	-0.2	-1.1
2015	3.8	3.1	1.4	5.0	7.1	0.5
Revision from Spring 2014	0.0	0.1	-0.1	-0.4	-0.2	-1.8

Source: IMF, World Economic Outlook, October 2014.

Oil Prices declined considerably, with risks and opportunities...

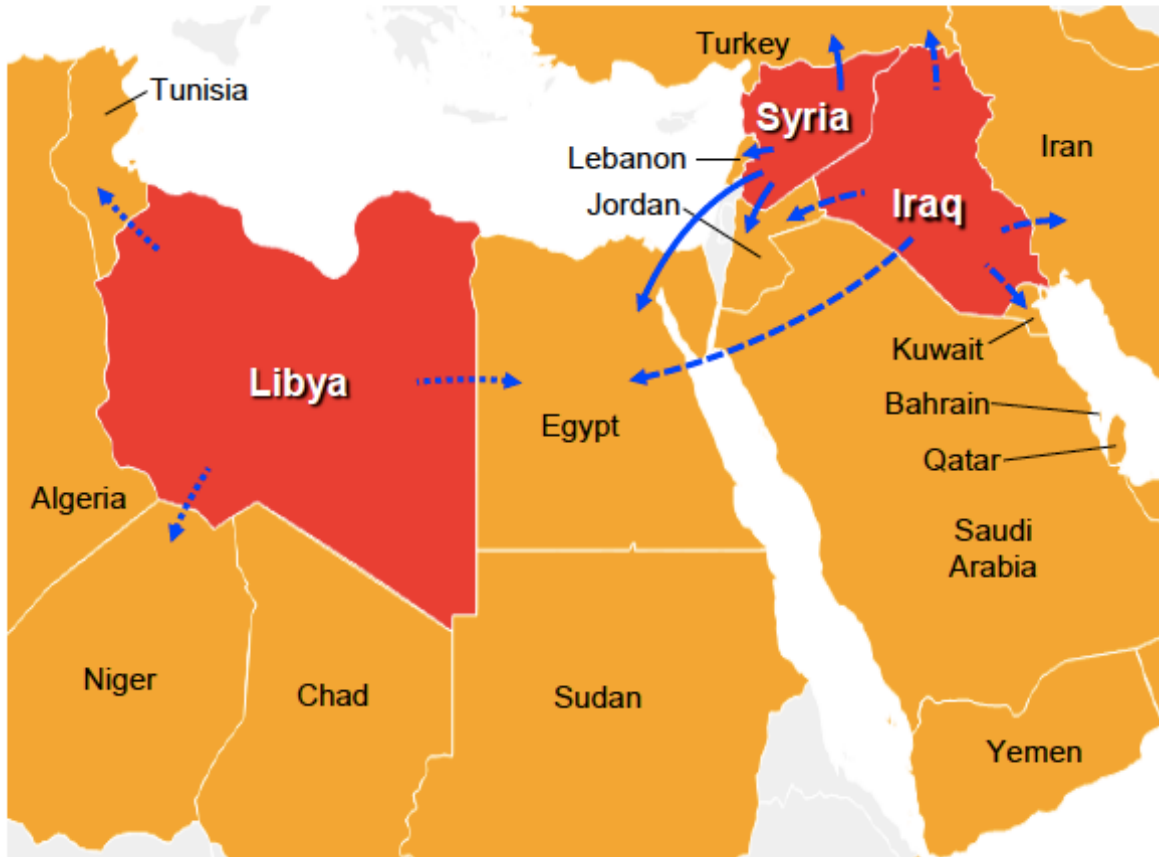
Brent Crude Oil Price¹

(U.S. dollars per barrel)



Source: IMF, World Economic Outlook, October 2014.

Deepening conflicts in the ME with regional spillovers



- ❑ 11 million refugees and internally displaced persons
- ❑ Sectarian violence and political spillovers
- ❑ Disruptions to bilateral and transit trade
- ❑ Setbacks for tourism and investment

Decades of Euro-Mediterranean Partnership: What Future Scenarios?

www.medpro-foresight.eu

www.euromed-economists.org



WP 9 - Scenarios for regional integration and cooperation with the EU

EU-MED FORMS OF COOPERATION

Failure

**EU-MED
UNION
("Integration")**

Success

**REFERENCE SCENARIO
(BAU until 2010)**

Inter-governmentalization of
Euro-Med relations
through bilateral agreements among
EU Member States and MED-11
countries

I

"GREEN"
PROSPECT

**SUSTAINABLE
DEVELOPMENT OF AN
ENLARGED
"EU-MED" UNION**

EU-MED Union: common market
and frameworks of action on key
topics (e.g. R&D, migrations, trade,
energy, water)

II

"RED"
PROSPECT

**THE EURO-
MEDITERRANEAN
AREA UNDER THREATS**

Weakening and failure of
cooperation schemes; regional
conflicts in the Mediterranean

IV

"BLUE"
PROSPECT

III

Sustainability:
increase of
total EU-MED
wealth

**SUSTAINABLE
DEVELOPMENT**

**SUSTAINABLE
CO-DEVELOPMENT OF
EU & MED SUB-REGIONS**

Differentiated multilateral agreements
between the EU and MED-11/Arab
regions to enhance cooperation on key
topics

Failure

**EU-MED Alliance
("Collaboration")**

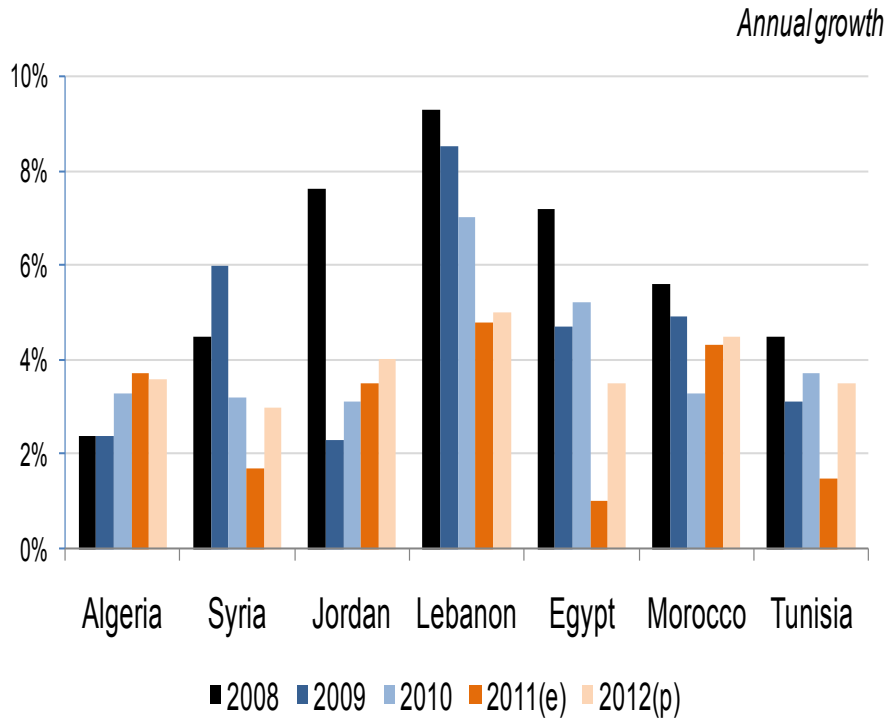
Success

Unsustainable BAU Scenario.....

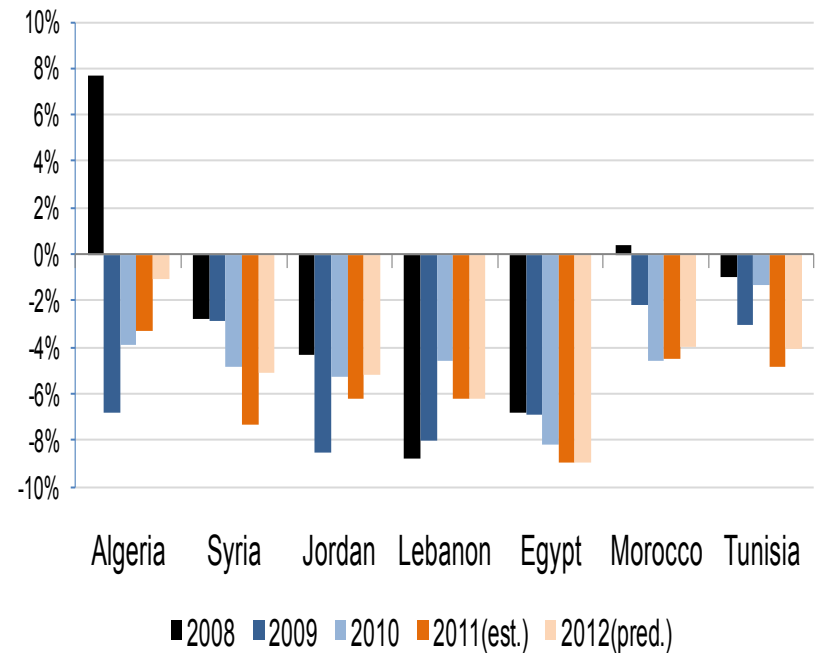
Region*	GDP				Population		GDP per Capita	
	bn US \$		% of World		AGR		US \$ 2010	
	2010	2030	2010	2030	2010-2030	2010-2030	2010	2030
SEMC	1,610	3,564	2.7	3.0	4.1	1.3	5,741	9,861
Rest of the Arab World	1,349	3,053	2.2	2.6	4.2	1.2	11,192	19,799
EU27	17,462	23,695	28.8	20.2	1.5	0.2	34,893	45,529
Emerging Asian Economies	8,840	34,572	14.6	29.5	7.1	0.8	2,855	9,541
World	60,556	117,072	100	100	3.4	1.0	8,951	14,106

Macro. and Econ. Conditions

GDP growth has generally declined



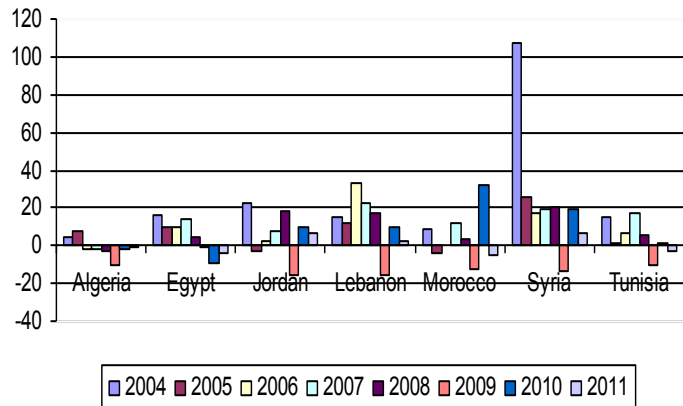
Fiscal balances generally worsened



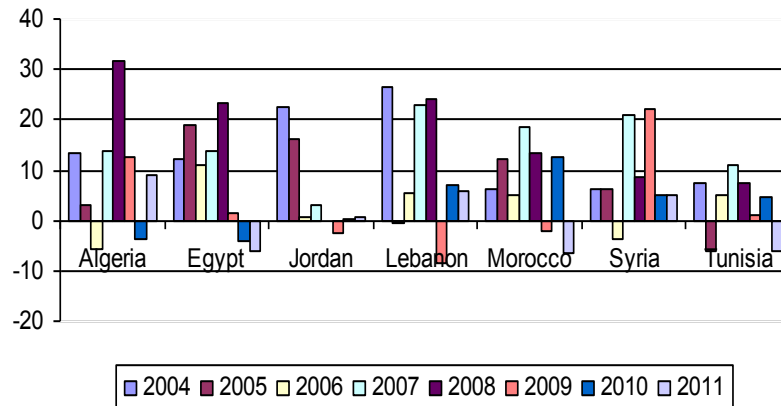
Source: World Bank, *MENA Economic Developments & Prospects*, Sep. 2011

Fin. and Econ. Conditions

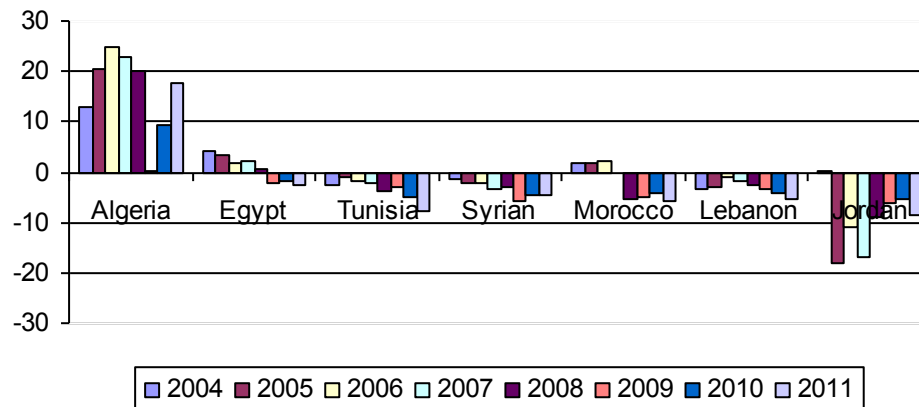
Export of goods (% change)



Import of goods (% change)

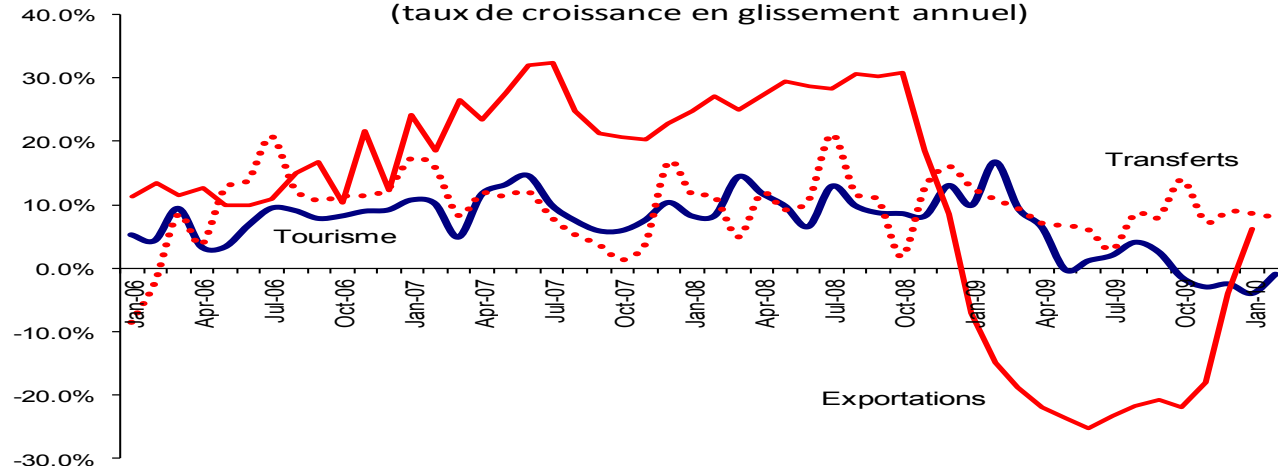


Current account balance (% of GDP)

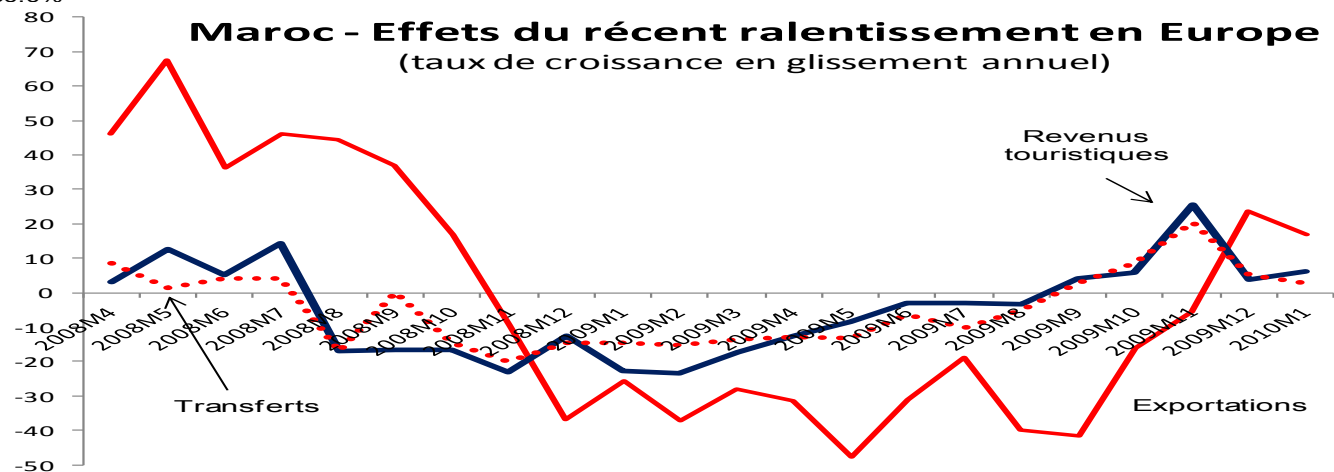


Fin. and Econ. Conditions

Tunisie - Effets du récent ralentissement en Europe
(taux de croissance en glissement annuel)

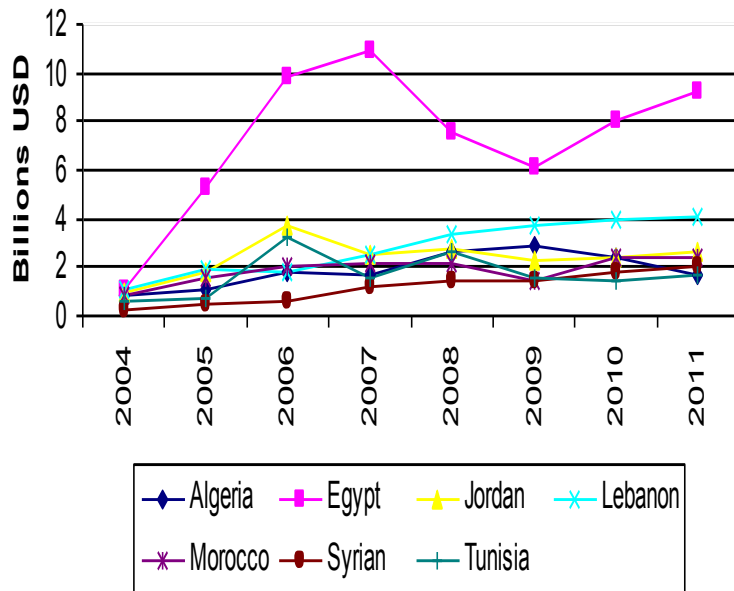


Maroc - Effets du récent ralentissement en Europe
(taux de croissance en glissement annuel)

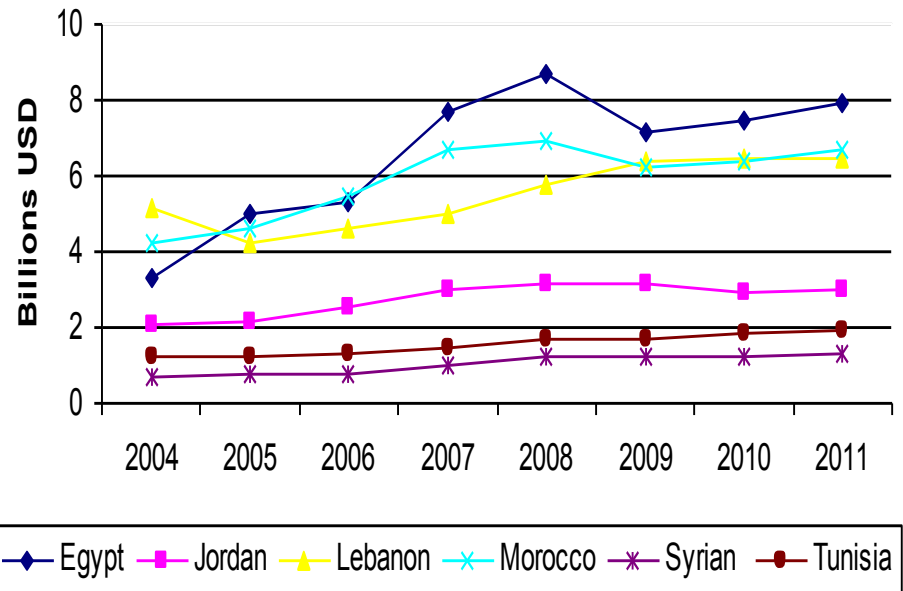


Fin. and Econ. Conditions

Foreign Direct Investment (Net)

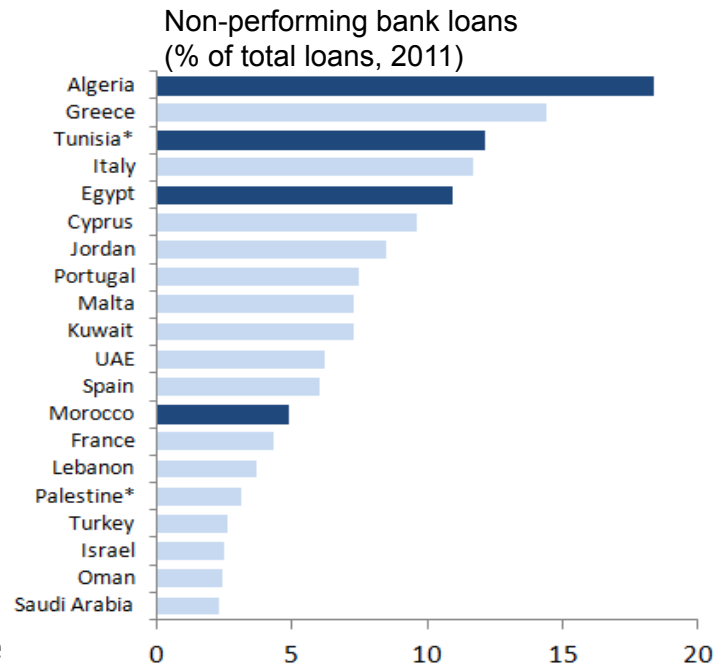
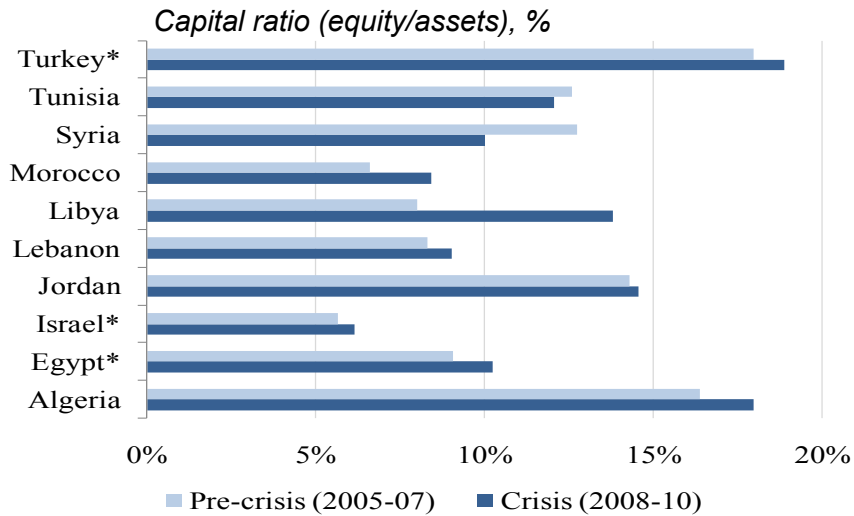
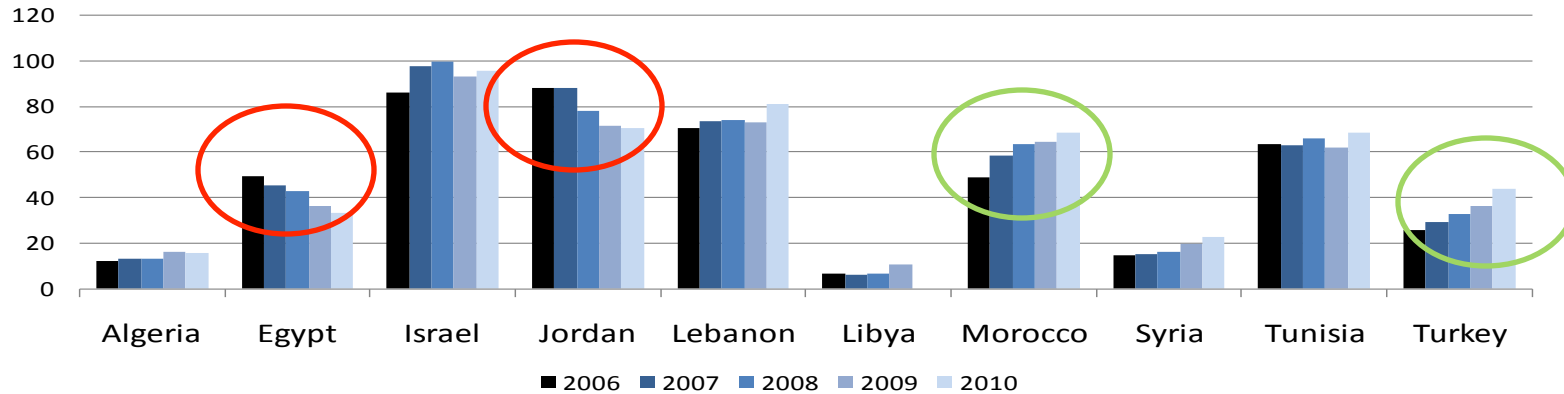


Remittances Inflows



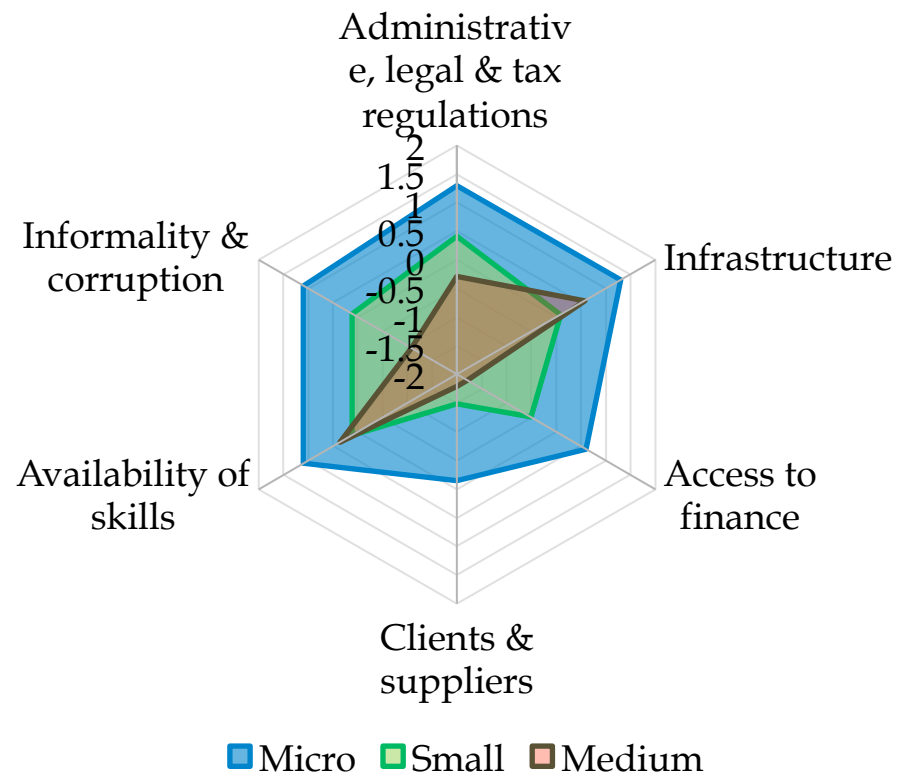
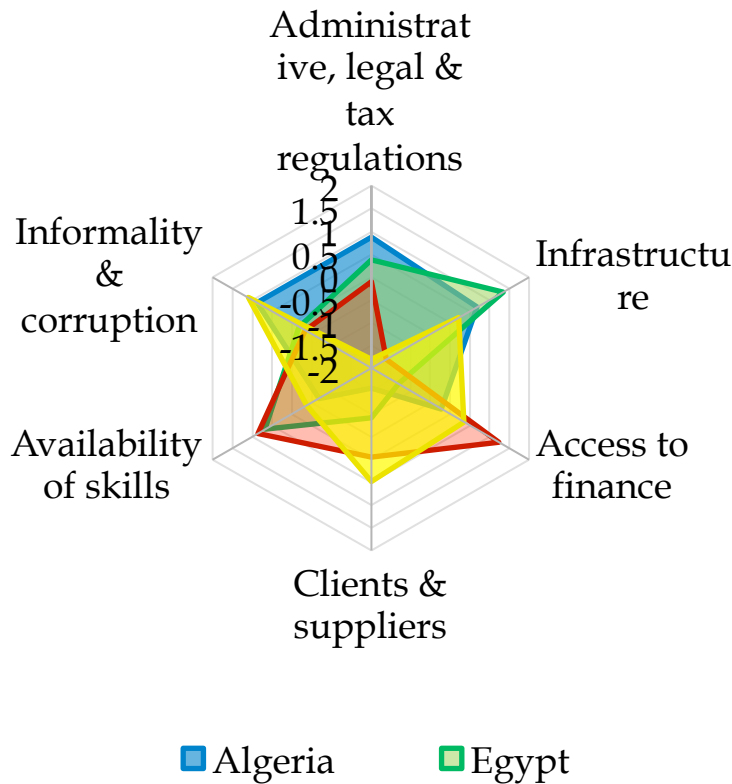
Fin. and Econ. Conditions

Credit to private sector, % of GDP



Fin. and Econ. Conditions

Obstacles Micro-, Small- and Medium-Sized Enterprises with High-Growth Potential



Fin. and Econ. Conditions

Algeria			Egypt		Morocco		Tunisia	
1	Informality & corruption	32	Infrastructure	33	Access to finance	33	Informality & corruption	9
	Labour costs associated with hiring formal employees	30	Electricity: Outages	34	Overdraft facility	33	Informal gifts to accomplish simple administrative tasks	21
	Informal gifts to accomplish simple administrative tasks	32	Electricity: Frequency variations	56	Bank loan	34	Labour costs associated with hiring formal employees	25
	Informal gifts to secure government contracts	36	Roads & transport: Quality	60	Non-bank loan	42	Informal gifts to secure government contracts	26
2	Administrative, legal & tax regulations	32	Availability of skills	41	Availability of skills	37	Clients & suppliers	13
	Quality standards & certification	11	Relevance of curricula taught at school	38	Availability of leadership skills	21	Competition from imports	17
	Registering a copyright/trademark	19	Availability of other job-related skills	45	Availability of problem-solving skills	29	Access to export credit	21
			Availability of numerical & technical skills	50	Availability of critical-thinking skills	30	Lower foreign demand	21
3	Infrastructure	34	Administrative, legal & tax regulations	44	Clients & suppliers	47	Access to finance	13
	Water: Outages	35	Tax regulations	50	Competition from imports	33		
	Water: Access to clean water	41	Foreign investment regulations	57	Access to import credit	36		
	Internet: Slow speed	42	Import and export regulations	57				

Note: The table shows the most severe obstacles per area by both country and size. The respondents were asked to rate the different obstacles. The resulting scores have been averaged and converted into a 0 to 100 scale index, 0 being most-, 50 moderately- and 100 being least difficult.

No EU Strategic Policy Action is leading to...

Red Transition



Changes from QI, cumulatively over 2015-2030				
	MED11		EU27	
	in b\$ 2007 value	in %	in b\$ 2007 value	in %
Gross Domestic Product	-5239.02	-12.71	-21.20	-0.01
Investment	-1223.14	-13.42	-34.61	-0.05
Private Consumption	-3316.87	-13.26	-397.88	-0.21
Exports	-2074.43	-20.76	41.71	0.06
Imports	-1375.42	-13.10	-369.59	-0.47
Employment	-	-12.86	-	-0.12
Real Wages	-5239.02	-12.71	-21.20	-0.01

Source: GEM-E3-MEDPRO

A Sustainable Euro-Mediterranean Policy Agenda would have led to...

Blue Transition

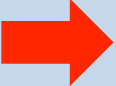




Green Transition



Cumulative changes up to 2030 in bn\$(2007) relative to the Reference scenario	SEMC			EU		BRICs	
	QII	QIII	QN	QII	QN	QIII	QN
Additional cumulative investment	1066	701	1072				
<i>Financed by</i>	711	449	585	361	361	252	126
Additional cumulative GDP	2896	1905	3368	1321	1493	470	189
Decomposition of GDP gains by driver							
Infrastructure	1429	844					
Labour	213	98					
Risk	944	583					
Trade	310	228					

Towards a Comprehensive Long-Term Euro-Mediterranean Policy Agenda

	 RED TRANSITION	 BLUE TRANSITION	 GREEN TRANSITION
New approaches recommended as a result of MEDPRO research	<p>For the EU to provide a strong political message of a vision for the SEMCs towards more sustainable transitions (blue and green) with short and long term actions</p>	<p>Comprehensive socio-economic agreements will be mutually agreed towards a sustainable future that is agreed by the EU and the partner country (and/or region)</p> <p>Regional economic and financial integration, human development programmes and targeted mobility partnerships should be encouraged</p>	<p>Progressive completion of the Euro-Med Economic Area</p> <p>Focus on:</p> <p>A Euro-Mediterranean energy transition strategy</p> <p>A Euro-Mediterranean environment adaptation strategy</p>



Follow-up of MEDPRO: The Euro-Mediterranean Economists Association (EMEA)

A deep interest galvanized by the Arab spring and the willingness to contribute decisively to the transition process in the Southern and Eastern Mediterranean encouraged MEDPRO Coordinator Dr. Rym Ayadi and the project's Partners to found the Euro-Mediterranean Economists Association.

Mission:

The wave of recent Arab uprisings has created new uncertainties and challenges in the Mediterranean region. A profound transition process of varying magnitudes is underway. Its outcome will be determined by the interaction between a number of political, socio-economic and geopolitical factors calling both on governments and external actors to redesign and implement new and specific strategies able to cope with the new realities unfolding in the region.

Aimed at contributing to an understanding of the changing realities in the region, the Euro Mediterranean Economists Association- EMEA brings together leading economists and high-level experts to think for the future of the Euro - Mediterranean. It serves as a leading forum for debate on the political and socio-economic reforms in the south and east Mediterranean with the aim of promoting sustainability and regional economic integration. It will strive to contribute to the rethinking of the Euro-Mediterranean policies in view of the new dynamics of a multi-polar world.

Goals:

- To monitor and to contribute to the reform processes in the political, economic and social agendas
- To identify trends, signals and analyze uncertainties and prospects
- To provide recommendations on the future of regional integration and Euro Mediterranean policies
- To disseminate new political and socio-economic thinking and views through a regular flow of publications and public events
- To develop a network of excellence of economists and high level experts in the Euro-Mediterranean region

Activities:

- Develop an observatory of socio-economic reforms and prospects
- Develop a Euro Mediterranean Economic Council-EMEC

Thank you!

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