



BRIDGING THE MEDITERRANEAN: FOR AN ENLARGED, COMPREHENSIVE AND EQUITABLE INTEGRATION BETWEEN THE EU AND ITS SOUTHERN NEIGHBOURS

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Introduction

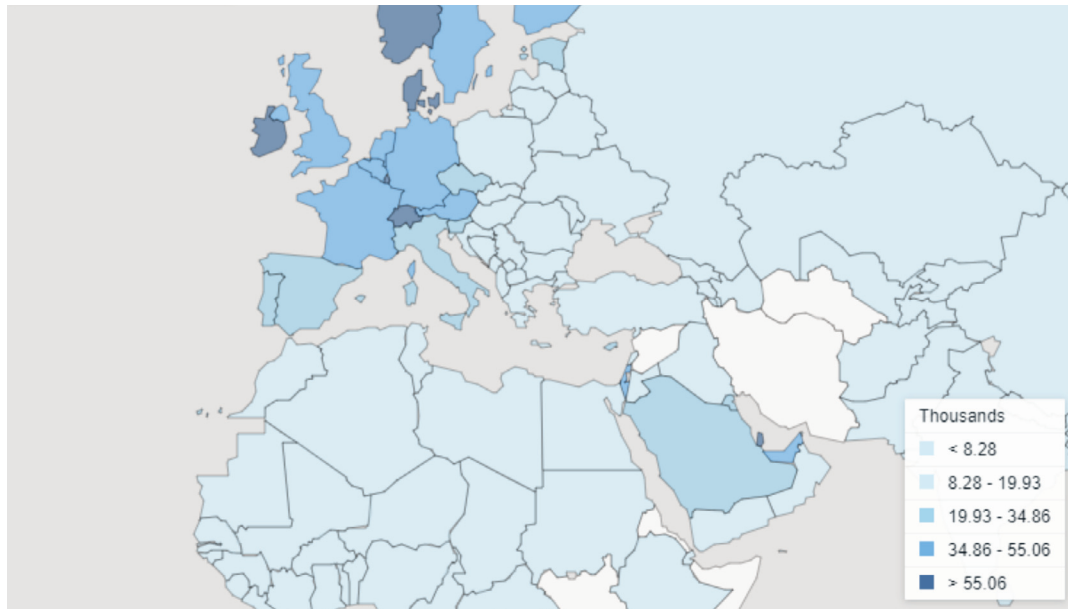
The European Union (EU) cooperation treaties with the Southern Mediterranean Countries (SMCs) have grown in successive layers to become, over time, a comprehensive and multi-layered corpus comprising integration pacts in security, economy, environment and culture. Since 2003, a geopolitical concern gave birth to the European Neighbourhood Policy (ENP),¹ which associates a broad spectrum of partner countries with the EU. Those countries are supposed to be selected on the basis of political stability and economic resilience criteria in order to accelerate their development by strengthening their ties with the EU. Therefore, the Euro-Mediterranean area encompasses a wide diversity of countries with different levels of development.

25 years after the Barcelona Declaration for a regional integration around the Mediterranean, the prosperity differential is still marked between the southern and northern shores, with a wide dispersion of gross domestic product (GDP) per capita, from

¹ The ENP comprises Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Palestine, Syria, Tunisia and Ukraine. Its aim is to strengthen prosperity, stability and security for all.

less than €3,000 to more than €100,000 as shown in figure 1. This partly explains the mistrust of the SMCs regarding the ENP, illustrated by the reluctance of some of them to endorse the Deep and Comprehensive Free Trade Agreement.²

Figure 1. GDP per capita in current USD (2019)



Source: World Bank (2019).

The COVID-19 pandemic may present a new opportunity to reinvigorate the ENP. Indeed, the Joint Communication on a Renewed Partnership with the Southern Neighbourhood released in February 2021 proposes “a new ambitious and innovative Agenda for the Mediterranean, drawing for the first time on the full EU toolbox and the ground-breaking opportunities of the dual transition to green and digital economy.” This is a crucial step forward to relaunch cooperation and realise the untapped potential of the region. The press release highlighted the perspective of the post-COVID-19 recovery as an opportunity for Europe and the Mediterranean region to commit to a common and people-centred agenda and the actions necessary for its implementation.

Even if the EU formally establishes a direct and permanent dialogue with its southern neighbours, issues of governance, rule of law, macroeconomic stability and business environment remain on the agenda. How is it that no SMC has developed its own vision on the subject? Does this represent a sign of trust or mistrust towards their northern neighbours? And, above all, how do we define a good neighbourhood in times of austerity and a global health crisis?

Behind these questions lie differences and misunderstandings that, on both sides of the Mediterranean Sea, prevent the establishment of a community of destiny with close political, economic and security ties based on mutual interests. This community of destiny is a necessary endeavour but, at the same time, insufficient due to an asymmetric issue. On the one hand, the European North is an economically and politically integrated bloc in the form of the EU, but faces an ageing population and almost exhausted natural resources.

² It concerns free trade, both in the reduction of customs duties and of non-tariff barriers, both on services and industrial goods or raw materials, including agricultural.

On the other hand, the Southern Mediterranean is politically fragmented with weak regional integration but with a young population and plenty of natural resources just waiting to be exploited.

The EU seeks to protect itself but also to protect its southern neighbours by emphasising the security aspects of its cooperation policy. However, the Southern Mediterranean remains an unstable region characterised by many conflicts and tensions, especially since the so-called “Arab Spring”, which helped generate an incessant South-North migration flow to Europe.

The asymmetry between the two sides can also be translated into economic terms: the EU is a leading global trade and industrial power that has gained influence and weight with its enlargement strategy. According to the last Trade Policy Review of the European Commission (2021), the EU records more than €2,000 billion in intra-EU trade, which is far more than the cumulative GDP of all the SMCs combined. Given this powerful dynamic, the ENP can be perceived as establishing South-North economic dependence without strengthening South-South ties.

Starting from the agenda proposed in the renewed ENP, this policy brief seeks to clarify the EU’s perspective and explore to what extent it could lead to an effective regional integration with a balanced power between the North and the South. It also proposes several bridges to consolidate the EU’s achievements while offering new opportunities for inclusive development in the South. These bridges need to be designed and built up by both partners. In addition to funding, the EU can bring a major asset: its political economic institutions, which could be duplicated or extended to the southern neighbours as a guarantee for an enlarged, comprehensive and equitable integration.

COVID-19 as a catalyst for a neighbourhood paradigm shift

The global health crisis has hit all countries and has shown disparities in health and social protection systems as well as gaps in economic resilience. Already economically vulnerable, the countries of the Middle East and North Africa (MENA) region have also experienced a sharp decline in their GDP, estimated globally at -3.4% in 2020 according to the International Monetary Fund (2021). It is less than the Eurozone, whose GDP fell by 6.8% during the same period. But everything suggests that the recovery will be more tedious for the MENA countries (OECD, 2020).

Thus, this crisis has confirmed the need for greater solidarity at all levels, including healthcare and the economy. The EU has pledged support for the World Health Organization’s COVAX plan and has mobilised more than €2.3 billion for the southern neighbourhood in its budget.

Fair access to the vaccine for low-income countries is not the only remedy to the pandemic. Several countries have tried to respond with technology. More specifically, most SMCs showed great openness to innovation to contain the devastating effects of COVID-19, for example by including the use of digital applications for contact tracing. In Tunisia, the Ministry of Health partnered with Wizzlabs, a start-up specialised in digital marketing, and launched in record time a dedicated mobile application called “E7mi.tn” to detect and localise the propagation of the virus.

However, a digital divide, including social gaps and disparities in personal data protection regulations, has prevented anti-COVID-19 applications from scaling up and even less from crossing borders in the SMCs and between the EU and the Southern Mediterranean.

Impediments are more linked to regulatory standards than to technology infrastructure. At this level, the new ENP agenda can address the need to accelerate public administration reform to create a more efficient and effective innovation ecosystem.

Get out of the “carrot and stick” logic

The ENP has traditionally conditioned financial support on a reform plan, covering governance and business environment. Providing funding to economies undermined by a weak public sector does not help to strengthen citizen participation and accountability. This is why the involvement of the EU in political and economic reforms in neighbouring countries needs to rely on setting up an alignment between the political economic institutions. Only an enlarged, comprehensive and equitable integration approach will bring this alignment and facilitate collegial governance on the community of destiny.

To this end, it is worth considering a new funding approach, allowing each Mediterranean Partner Country to contribute up to its level of economic development (in proportion to its GDP for instance) in bridging projects it will co-design and co-implement. This funding approach can be illustrated through the Association Agreement concluded between the EU and Tunisia in 2016. The agreement enabled Tunisia, as the first African and Arab country, to access the status of a full member with a contribution share of €1.2 million in the budget of the European Research and Innovation programme Horizon 2020. Since the launch of this programme, Tunisian organisations have submitted 452 project proposals (amounting to a total of €146.3 million). Out of these, 73 projects amounting to €12.21 million worth of funding and involving the participation of 90 Tunisian organisations were selected. This example shows the power of co-funding in mobilising researchers and the private sector in addressing scientific challenges and reducing technological divides in alignment with the regional priorities.

In December 2020, the EU launched the Digital for Development (D4D) Hub, inaugurating a new era for a more global digital cooperation. The D4D Hub is the key tool to induce an unprecedented level of coordination, advancing multi-stakeholder dialogue to leverage expertise and resources and share best practices (ETTg, 2020). As the D4D Hub’s first operational regional component, the “AU-EU D4D Hub” advances new digital partnerships and investments for a fair and inclusive African digital economy.

The principal bridge: tele-education for all

Job creation is largely based on access to education and the dissemination of knowledge, with possibilities for large-scale job creation in the development of learning platforms and their interconnection with professional circles (spheres of competence). In fact, increasing university exchange programmes not only enriches teaching but also stimulates cultural proliferation, which fosters innovation. In this respect, the EU’s Erasmus+ programme³ represents a first bridge that has already made it possible to strengthen academic and cultural links and exchanges between societies. By extension, it is possible to consider similar programmes in a digital format, where students from both shores can register for free and remotely pursue academic activities.

The European Digital Education Action Plan 2021-2027 is an inspiring reference for tele-education. Indeed, Centres of Vocational Excellence have been launched to create local

³ Erasmus+ is the EU’s programme for education, training, youth and sport in Europe. With a budget of €14.7 billion, Erasmus+ offers more than four million Europeans the opportunity to study, train and gain experience abroad.

“skills ecosystems” and improve up- and re-skilling (EC, 2020). Multiplying tele-education bridges and opening the access will help to meet the expectations in terms of employability and human development in the neighbourhood. This initiative can be easily duplicated in the South and supported by private funding within the framework of an open global cooperation to tackle the digital gender divide and the urban-rural gaps when it comes to connectivity and digital skills. There is still a need to share the political incentives for a greater labour participation of women in southern neighbourhood countries (UN-ESCWA, 2020).

The e-citizenship bridge

With the advent of the digital age, the ENP agenda takes on a new dimension and becomes more accessible to southern partners. Thus, Euro-Mediterranean networks, of which many are in education and scientific research, are proliferating and becoming more visible and effective. These virtual spaces are organised and expanding around common values. They are instilling the sense of belonging to a “Euro-Mediterranean Nation”. Giving access to knowledge and sharing common concerns in the region is a first step towards e-citizenship, which can lean on the EU Action Plan on Human Rights and Democracy for 2020-2024. This is the cement that consolidates democratic values, respect for human rights and the rule of law in the neighbourhood.

Establishing a formal e-citizenship will allow an enhanced political participation. Some countries like Estonia or Finland have already experienced the transposition of political institutions into the digital domain. When adopted and generalised, the Euro-Mediterranean e-citizenship will give the right to travel virtually and to set up a digital business whenever there is a fit in the neighbourhood. It will take the form of a “digital passport” recognised by all partner countries. At the same time, even if taxes may change according to the requirements of each country, unified and transparent common fiscal rules should be adopted in order to favour the loyal market competition and the advent of the crypto-economy.

Net zero carbon ecosystems to fight against climate change

COVID-19 has raised awareness about environmental issues and their consequences on climate change. It also demonstrated nature’s capacity to recover once human activity slows down. The pandemic and resulting border shut-downs raised questions about the limits of unbridled globalisation. Thus, to anticipate unconventional types of risks like the pandemic, global supply chains are called to be re-engineered in order to shorten production cycles and distribution timelines as well as carbon footprint.

No country will be able to face climate change by acting alone. The EU wants to set a good example of green transition policy and is actively promoting instruments to preserve biodiversity and mitigate climate change within the framework of international conventions. By endorsing this cause, the Southern Mediterranean would benefit from technology transfer and financing vehicles addressing issues related to climate change, along with joint environmental and climate-focused reforms.

Without delay, a strategy of net zero carbon ecosystems could be engaged under an adaptation of a special jurisdiction status (e.g., innovation technology parks, protected green zones, etc.). This will help attract investments based on cutting-edge technologies and develop innovative business models around the green economy. The first net zero carbon ecosystem will serve as pilot projects proving state-of-the-art knowledge to the

whole region. Scaling up the model will require dedicated impact funds that need to multiply in the neighbourhood.

Extra-territorial jurisdictional transposition

Early observations related to the crisis have revealed that governments in the Euro-Mediterranean area are taking too much time to try to align their public policies and to synchronise their efforts to face an acute crisis. The participative approach based on a centralised governance model has shown its limits. As seen earlier, the digital could open new spaces of dialogue and democratic participation built on new rules in step with e-citizenship. A proactive and permanent dialogue between communities in the neighbourhood will support and give more credibility to the dialogues between states in the region.

As mobility remains one of the critical rights of the ENP, a global network of free e-zones could be imagined to refrain the irregular migration phenomenon. The new EU Pact on Migration and Asylum, which refocuses on tailor-made and mutually beneficial partnerships, would be enhanced by adding the option of virtual migration with a specific extra-territorial and jurisdictional framework. This will open new perspectives to neighbourhood populations who are looking for business opportunities without crossing the borders. This would help reach the goal of securing migration flows and opening a pathway for a shared prosperity with a limitation of human displacement in both directions.

Virtual migration should of course allow temporary physical travels, including displaced persons or refugees. In the case of the latter, remaining virtually active in a free e-zone attached to their homeland could be very valuable. This will not only maintain a link with their community of origin but, to some extent, will also strengthen the economy of their home country.

The African dimension of the ENP

As the African Continental Free Trade Area entered into force in 2019, the EU finds itself in the vicinity of the most promising economic bloc in the world. In order to unleash its economic potential, Africa needs to promote its intra-continental trade, investment and economic diversification. This converges with the agenda of the ENP, which already has agreements with a lot of countries in Africa. The EU's recalibrated relationship with Africa is still in its infancy and should go beyond the stage of political dialogue with the African Union (AU) by implementing economic partnership agreements and sustainable investment decisions in all areas, in particular in infrastructure.

The partnership between the EU and the AU will definitely contribute to the advent of a digital market in the neighbourhood as a tool for sustainable development. In this perspective, North African countries are invited to play a decisive role to weave deeper ties with sub-Saharan Africa. For that, the Organisation of Economic Cooperation and Development (OECD) identified four priority areas (AU & OECD, 2021) to accelerate the digital transformation in Africa:

- Ensure universal access to the digital solutions most suited to local contexts;
- Digitalisation as a leverage for productivity, especially for small and medium-sized enterprises;

- Develop skills specific to the fourth industrial revolution and in line with the markets of the 21st century;
- Coordinate the various digital strategies at continental, regional, national and local levels to better prioritise, implement, monitor and evaluate progress.

In that direction, the EU's external investment plan for sub-Saharan Africa, launched in 2017, supports sustainable investments in Africa and in the Southern Mediterranean neighbourhood while inducing reforms to improve the business environment and investment climate. The biggest challenge in Africa remains to accelerate the realisation of the investment projects, as highlighted by the President of Ghana, Nana Akufo-Addo, during the 33rd Ordinary Summit of the AU, held in February 2020 in Addis Ababa. He also called for the establishment of the African Central Bank, the African Monetary Fund, the African Investment Bank and the Pan-African Stock Exchange. These are all useful institutions for consolidating an enlarged, comprehensive and equitable ENP. It also highlights the importance of building common political economic institutions as a sustainable transformation of the neighbourhood.

Conclusion

The ENP is not just another step towards a classic rapprochement through trade and investment. It is a societal project with a new approach of the community of destiny. Promoted through a perspective of green and digital transition, the ENP will lean on innovative instruments to better involve people in the crystallisation of a neighbourhood space where the digital divide, social gaps and climate change are of major concern. This will accompany on the ground the rise of innovative business models made possible thanks to virtual and enlarged ecosystems.

In the global pandemic context, EU-southern neighbours are more than ever invited to implement appropriate institutions and to embark on a development trajectory that meets the needs and aspirations of their citizens. The EU could share what it has done best so far, namely a good governance that is well established in its political economic institutions, nurtured in the tradition of transparency and ethics.

Finally, neighbourhood is not only about aligning policy between two blocs but building up a new space for free expression of a broader democracy with a common economic space, the only way to impulse new levers of a shared prosperity. The bridges identified in this policy brief are strategic initiatives that, once exploited, will boost the insertion of EU southern neighbours into regional and global value chains.

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