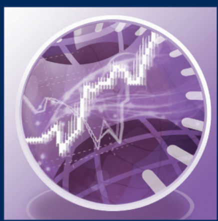
WORLD SCENARIO SERIES

WORLD ECONOMIC FORUM

COMMITTED TO
IMPROVING THE STATE
OF THE WORLD

Scenarios for the Mediterranean Region

World Economic Forum
91-93 route de la Capite
CH-1223 Cologny/Geneva
Switzerland
Tel.: +41 (0)22 869 1212
Fax: +41 (0)22 786 2744
E-mail: contact@weforum.org
www.weforum.org

REF: 011011

Content

Preface

The *Scenarios for the Mediterranean Region* project began in August 2010 with the objective of exploring the long-term evolution of regional dynamics and the role of the private sector in the Mediterranean region, looking out to the year 2030. The project drew on the World Economic Forum's deep expertise in multistakeholder scenario thinking, competitiveness analysis and our long-standing engagement with the wider Europe and Middle East and North Africa (MENA) region.

Since the project's inception, the Mediterranean region has experienced significant social, political and economic transformation. Examples of this include widespread social protests and change of governments in southern Mediterranean countries, and grave concerns about fiscal health, banking systems and stagnant growth across a number of northern Mediterranean countries that are also members of the Eurozone.

These events, which have created significant uncertainty for markets, policy-makers and individuals in the short term, make it even more important today to consider how these changes and the underlying trends and uncertainties that shape the region may play out in the long term.

This report outlines three sets of critical uncertainties that will shape the business and political environments of the region in the long term, with significant implications for country and regional competitiveness.

Over the course of 50 interviews and a number of workshops conducted at the World Economic Forum on the Middle East and North Africa 2010 in Marrakech and the Annual Meeting 2011 in Davos-Klosters, these uncertainties were combined with forward-looking analysis of Forum data from the *Global Competitiveness Report 2011-2012* to produce three challenging scenarios for the Mediterranean in 2030. These scenarios not only provide an engaging perspective of possible futures for the region, but they also provide a useful strategic tool for testing public and private sector strategies, and serve as a communication tool to highlight key risks and opportunities facing Mediterranean countries in the long term.

Most importantly, this report and the research on which it is based indicate that these uncertainties are sensitive to the decisions made by stakeholders today, particularly with regard to the potential for increased coordination across countries, sectors and social groupings.

At this time of great social, political and economic uncertainty, there are huge gains to be made by focusing on the opportunities of collaborative innovation in the long term. Yet, there are equally significant risks should regional leaders and their populations take paths that ignore these opportunities and fail to levy the region's human and natural resources in an effective and sustainable manner.

We hope you find this report informative and thought-provoking and that it will become a basis for meaningful and productive strategic conversations between stakeholders of the region.

Børge Brende
Managing Director
Government Relations and Constituents Engagement

Executive Summary

Current State of the Mediterranean Region

- The Mediterranean today is a highly fragmented region, composed of a wide variety of subregional groups, exposing one of the sharpest divides in GDP per capita in the world.
- Recent economic trends, however, indicate a gradual change in regional economic dynamics: fiscal pressures have negatively affected northern Mediterranean growth rates while economic reforms and greater openness to trade have been associated with surging growth rates in several southern Mediterranean countries, before the developments of 2011 again diminished the short-term growth outlook.
- Trade patterns across the region are varied. While north-south trade across the Mediterranean is strong, southern Mediterranean countries have the lowest levels of trade integration globally between neighbouring countries, with on average only 5.7% of their total trade being conducted within the southern Mediterranean region.

Competitiveness Trends

- Competitiveness varies significantly among the countries of the region, with rankings from 18th to 98th out of 142 countries listed in the Forum's *Global Competitiveness Report 2011-2012*.
- In comparison to other regional groupings, such as the North American Free Trade Agreement (NAFTA) region, the competitiveness of the Mediterranean as a whole lags behind considerably across all areas, but in particular with respect to market size, innovation, labour market efficiency and financial market development.
- Given the region's stage of development, competitiveness gains would be realized through greater regional integration of goods and labour markets, coordination on shared infrastructure, more efficient and transparent institutions, and educational systems that are attuned to the needs of business.

Key Uncertainties for the Future

- ***Regional politics:*** The evolution of national and regional governance systems is critical to how collective challenges are assessed and managed. The level of political dialogue and willingness to cooperate along both south-south and north-south vectors will have a particularly powerful impact on the region.
- ***Regional resource management:*** Many countries in the region face scarcity in terms of food, water, agricultural land and/or energy, exacerbated by rapid population growth rates in southern Mediterranean countries. How the region as a whole manages access to and use of scarce resources could have significant impacts on economic growth and social stability.
- ***Regional labour markets:*** The challenges of economic growth, unemployment and migration are all influenced by how human capital will develop and flow across the region in the coming two decades.

Challenging Scenarios for the Region in 2030

- ***MediterrAfrica rising:*** With Europe turning inward as it struggles to deal with long-term demographic challenges, the southern Mediterranean countries look to sub-Saharan Africa, sharing the benefits of strong growth across the continent through close south-south integration.
- ***Resource famine:*** Robust growth across the Mediterranean occurs as economic development is prioritized at the expense of sustainable resource management, resulting in severe shortages of food, water and energy, and accompanying social crises across much of the region.
- ***Green mobility:*** Following a challenging period where competitiveness suffers across both northern and southern Mediterranean countries, a new lease on life is given to political and economic integration in the Mediterranean with the creation of an integrated regional labour market and the advent of a regional renewable energy partnership.

Implications for Stakeholders

- The diversity of the Mediterranean region is currently expressed in fragmentation, but this diversity is also a great opportunity in terms of complementarities, which have so far been underexplored. Whichever scenario may materialize, it is clear that cooperation and complementarities hold large gains for the region's competitiveness.

Section 1

The Mediterranean Region in 2011

Section 1

The Mediterranean Region in 2011

1. The Regional Context for Competitiveness

1.1 Countries and Economic Indicators

Despite its long history of interactions, the Mediterranean today is a highly fragmented region. It is composed of various subregional groups such as members of the European Union, EU accession candidates, members of the Arab League or the Arab Maghreb Union, to name but a few.

Against this background of multiple regional identities, this report is concerned with the future competitiveness of the countries bordering the Mediterranean. It focuses primarily on two sets of countries and their economic, political and social interactions: EU member states that border the Mediterranean (referred to as Northern Mediterranean countries) and those countries of the Middle East and North Africa region that have entered into the Euro-Mediterranean Partnership agreement with the EU (referred to as Southern Mediterranean countries[1]) (See Figure 1).

The basic economic situation further underscores this picture of fragmentation. The Mediterranean spans across one of the sharpest divides in GDP per capita in the world. With an average GDP per capita of US$ 28,283, Northern Mediterranean countries are among the world's richest and most advanced economies.[2] The regional average for Southern Mediterranean countries stands at US$ 5,426, representing a wealth gap higher than 1:5, slightly above the gap between the United States and Mexico.[3]

The EU has launched various initiatives to increase interactions across the Mediterranean, all of which have largely lagged behind their ambitious goals. In 1995, the EU launched the Euro-Mediterranean Partnership with the explicit aim to establish a "common area of peace, stability and shared prosperity". In 2004, policy-makers sought to upgrade these processes with the launch of the European Neighbourhood Policy (ENP), complemented as of 2008 with the creation of the Union for the Mediterranean. With upheavals spreading through large parts of the Southern Mediterranean region as of the beginning of 2011, the effectiveness and long-term orientation of these policies are now surrounded by severe uncertainties.

Recent economic trends also indicate a gradual change in regional economic dynamics. Fiscal pressures are increasingly affecting the growth prospects of Northern Mediterranean countries while economic reforms and greater openness to trade have been associated with surging growth rates in several Southern Mediterranean countries.

The IMF's World Economic Outlook indicates a mere 0.6% annual average real growth rate for Northern Mediterranean countries from 2007-2011, contrasting with close to 5% on average for Southern Mediterranean countries. The developments of 2011, however, diminished the short-term growth outlook for several Southern Mediterranean countries.

Figure 1: Northern and Southern Mediterranean countries

Source: World Economic Forum

[1] For the purposes of the competitiveness analysis in this report, we exclude Israel, Turkey and the Palestinian Authority from the category of Southern Mediterranean countries. Libya, while part of the Southern Mediterranean region, is not covered by the Global Competitiveness Report 2011-2012.

[2] GDP per capita ranges from US$ 19,746 (Malta) to US$ 41,019 (France) across the Northern Mediterranean region.

[3] Eurostat, 2010.

Countries of the region expose very different trade profiles. Some Southern Mediterranean countries are almost exclusively dependent on the EU market for exports while others have an almost negligible exposure to the EU (see Figure 2).

While the average share of Southern Mediterranean exports directed to the EU was 47% in 2007, Morocco's and Tunisia's exports to the EU account for over 70% of their total trade volume; in Algeria and Syria it accounts for approximately 45%; in Egypt just about 30%; and in Jordan only 3% of total exports.

Concurrently, Southern Mediterranean countries comprise the world's region with the lowest levels of trade integration between neighbouring countries, with an average 5.7% of their total trade being conducted within the Southern Mediterranean region.

The proliferation of overlapping trade agreements and limited changes to the basic composition of trade pose a challenge to further market integration in the region.
Despite the EU's ambition to create a Euro-Mediterranean free trade area, the EU's trade with the region is currently based on a series of bilateral trade agreements. In addition to these bilateral deals with the EU, Southern Mediterranean countries have signed the Pan Arab Free Trade Area in 2005. Some members (Egypt, Jordan, Morocco and Tunisia) have also signed the Agadir Agreement in 2006, which sets out more ambitious targets for the removal of trade barriers.[4] However, even if these different isolated initiatives further trade flows in the region, Southern Mediterranean exports to the EU continue to remain focused on low value-add areas such as textiles and clothing (30%) and fuel products (25%).[5]

While the EU market is the overwhelming economic reference point for the region, new actors are emerging as important economic and trade partners. This includes the Gulf countries, but also China and to a lesser extent India and Brazil. Turkey plays special role in the region as it has extensive and, to a degree, complementary trade patterns with both EU and Southern Mediterranean countries.

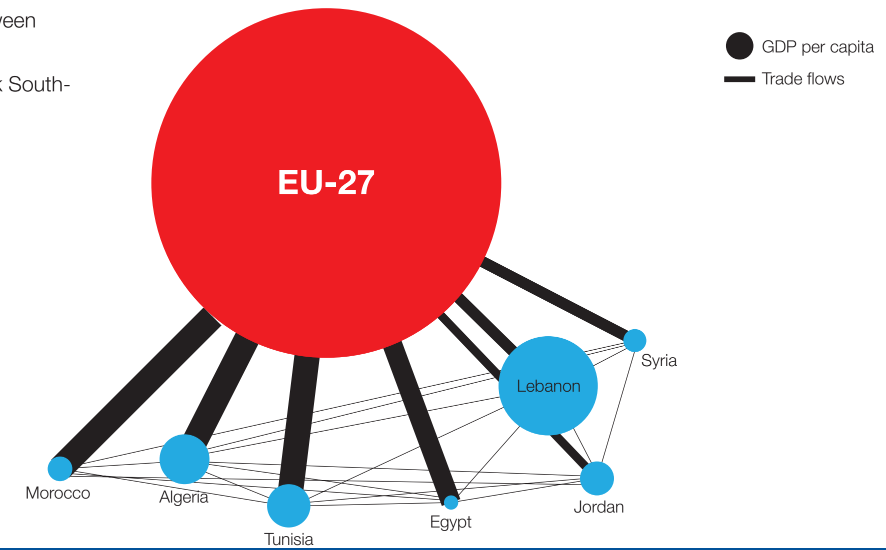
1.2 Competitiveness Trends

Similarly to what is reflected in the basic economic indicators, **competitiveness varies significantly among the different countries of the region.**

The World Economic Forum defines competitiveness as the set of institutions, policies and factors that determine the level of productivity of a country. The level of productivity, in turn, sets the sustainable level of prosperity that can be earned by an economy. In other words, more competitive economies tend to be able to produce higher levels of income for their citizens. The productivity level also determines the rates of return obtained by investments (physical, human and technological) in an economy.

Figure 2: GDP per capita and trade flows in the Mediterranean region

- A paramount wealth gap between North and South
- Strong North-South, but weak South-South trade



Source: World Economic Forum

[4] For an in-depth assessment of regional economic integration in the Mediterranean region, see De Wulf, L. and Maliszewska, M. "Economic Integration in the Euro-Mediterranean Region". Center for Social and Economic Research and Centre for European Policy Studies, http://trade.ec.europa.eu/doclib/docs/2009/october/tradoc_145214.pdf, 2009.
[5] Martin, I. Economic Integration in the Mediterranean: Beyond the 2010 Free Trade Area. In IEMed Mediterranean Yearbook.

Despite some common features, in competitiveness terms, Northern Mediterranean countries are a highly diverse grouping. France enters the top 20 in 18th place while Greece occupies a low 90th rank out of 142 economies.

Although there are differences, the region's key strengths rest on sophisticated businesses in many countries that are able to adopt new technologies quickly and efficiently as well as on the good quality of transport, energy and telephony infrastructure.

At the same time, the competitiveness of Northern Mediterranean countries would benefit from more flexible labour regulations that would stimulate job creation, and more innovative activity, which is currently rather low in many countries given their advanced stage of development. As recent events have shown, competitiveness cannot be significantly enhanced without serious efforts to consolidate the fiscal situation, while preserving growth-enhancing investments.

The competitiveness assessment for Southern Mediterranean countries also shows strong differences between their levels of competitiveness. Tunisia, for example, is ranked 40th place compared to Syria in 98th.

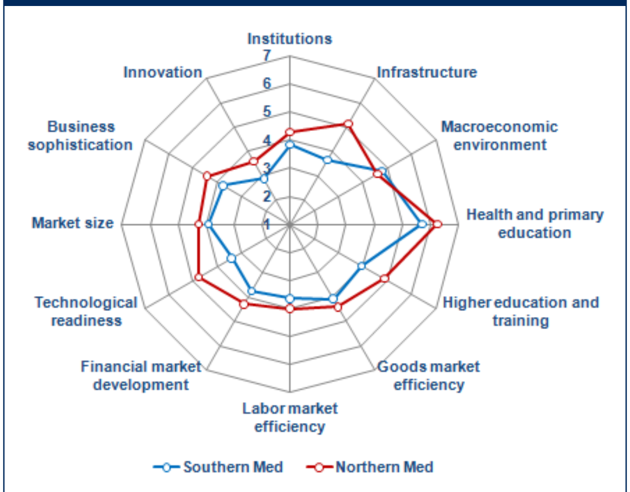
Despite their heterogeneity, the Southern Mediterranean countries share common strengths. They benefit from healthy and mostly literate populations and the economies are large enough to allow economies of scale. But, many countries from the region struggle with institutions that are inefficient and insufficiently transparent, and have goods markets that lack dynamism and a healthy level of competition. This stifles business activity and entrepreneurship.

Other weaknesses relate to the nexus of rigid labour markets, educational systems that are not attuned to the needs of business and a lack of meritocratic incentives in the work environment (see Figure 3). These elements will need to be addressed on a priority basis to increase competitiveness as well as reduce social inequality in the region.

In comparison to other regional groupings, such as NAFTA, the competitiveness of the Mediterranean region as a whole lags behind considerably across all areas. This is particularly true with respect to market size, innovation, labour market efficiency and financial market development (see Figure 4).

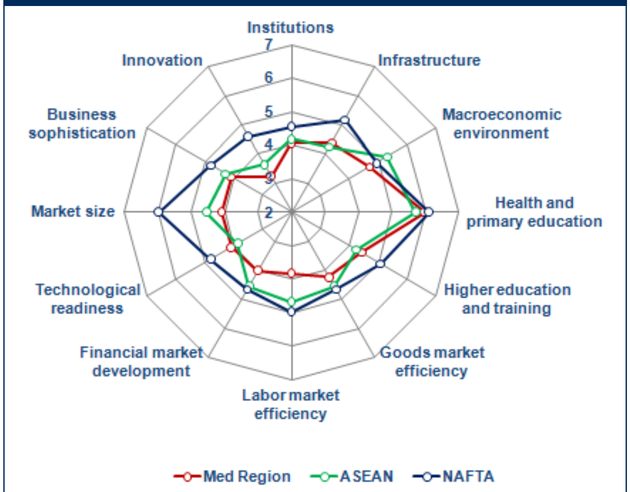
The region fares somewhat better in comparison to the Association of Southeast Asian Nations (ASEAN) region. The Mediterranean region is more adept at utilizing latest technologies for productivity improvements, infrastructure is somewhat better developed and populations are healthier and more educated in terms of basic skills.

Figure 3: Competitiveness Indicators, Northern and Southern Mediterranean



Source: World Economic Forum (GCI 2011)

Figure 4: Competitiveness Indicators, Mediterranean, ASEAN, NAFTA



Source: World Economic Forum (GCI 2011)

2. The Long-term Uncertainties and Policy Choices for the Region

2.1 Key Uncertainties for the Future

The World Economic Forum measures competitiveness at the national level. However, actions and decisions related to improving national competitiveness take place within a wider economic and political context that is beyond the control of individual countries. This context creates constraints but also offers opportunities for national decision-makers and industry players who seek to contribute positively to productivity and growth via improved competitiveness.

Through a series of in-depth interviews and scenario workshops involving a wide range of regional stakeholders and experts, the Forum uncovered three key uncertainties affecting the long-term development of the region as a whole.

Despite the extreme diversity of the countries in the Mediterranean, these long-term challenges bind the region together in a community of shared destiny. This could also be turned into a community of opportunities, if differences are seen as a source of complementarities rather than divergence.

Individual countries and actors can successfully respond to these and also act in ways that make some outcomes likely – everyone influences, but no single actor can control the outcome. Furthermore, the three challenges are also closely interrelated, with developments in one influencing developments in the other areas.

Regional Politics

Will regional politics in the Mediterranean be cooperative or fragmented?

The evolution of national and regional governance systems is critical to how collective challenges are assessed and managed. Protracted political conflicts have heavily constrained cross-border interactions across the region. From the Western Sahara and the Middle East conflicts to Cyprus, regional politics remain highly fragmented, particularly in the Southern, but also in the Northern Mediterranean region

While there is no conflict between the northern and southern shores of the Mediterranean, north-south politics in the Mediterranean have often exposed more signs of fragmentation than cooperation. European initiatives towards the region have largely failed to change this picture. In addition, this political context has negatively affected the region's ability to create momentum around crucial economic and social reforms.

Regional Resource Management

Will regional resource management be sustainable and complementary or unsustainable and competing?

Many countries in the region face scarcity in terms of food, water, agricultural land and/or energy, exacerbated by rapid population growth rates in Southern Mediterranean countries. How the region as a whole manages access to and use of scarce resources could have significant impacts on economic growth and social stability. The Mediterranean is one of the most water-scarce regions in the world. The wider MENA region has a per capita water availability of around 1,100 cubic metres per year (compared to a worldwide average of 7,000 cubic metres).

Against this, the region has to sustain a rapidly growing population with increasingly resource-intensive consumption habits. Combined with the interlinkages of water challenges with the region's food and energy supply (both of which are highly unequally distributed), the management of natural resources provides one of the most fundamental long-term challenges for the entire region. While there are significant complementarities across the region, such as between energy-rich and consumer-driven economies, these complementarities are currently not fully exploited.

Regional Labour Market

Will the regional labour market be efficiently or inefficiently managed?

High unemployment and demographic change that affects the region in different ways make the management of the regional labour market a key uncertainty for the Mediterranean region.

Youth unemployment is extremely high across the region, standing at 23.6% on average in Southern Mediterranean countries and reaching peaks of up to 40% in Northern Mediterranean countries such as Spain. Overall, unemployment rates in North Africa are among the highest in the world at 9.9% in 2009 and an estimated 9.8% in 2010, according to the International Labour Organization (ILO).

At the same time, Northern and Southern Mediterranean countries have mirroring demographic profiles, with the Southern Mediterranean having the third fastest-growing population in the world; the working age population having grown by 27.8% between 2000 and 2010 and projected to continue at similar levels for years to come.
Current growth rates are unlikely to provide sufficient

jobs for these numbers of new entrants to the job market. The ILO warned in early 2011 that this will leave a "lost generation of unemployed young people."[6] Demographic trends in Northern Mediterranean countries, however, indicate a drastically shrinking working population over the coming decades, providing for significant potential complementarities in labour market management across the shores of the Mediterranean.

2.2 Policy Choices in a Context of Uncertainty

The scenarios presented in the following section are based on possible policy actions (or inactions) in response to the three key challenges for the region: politics, resource management and labour market. These actions, in turn affect the competitiveness of individual countries and the region as a whole. For each scenario, we therefore present a projection of indicators of competitiveness to give stakeholders an assessment of the possible future consequences of today's policy choices.

We hope that exploration of the three scenarios will allow regional actors to better understand the consequences of their actions and policy choices. While the key uncertainties for the region remain, these insights will allow stakeholders to make more informed decisions today about how they would like to shape the context for national and regional competitiveness in the future.

What are scenarios?

Scenarios are stories about the future. They represent relevant, plausible, challenging and divergent stories about the future context for an issue and its stakeholders. One cannot expect any given scenario to come true as it stands. Scenarios are not predictions, preferences or forecasts. Rather, the process of developing and using scenarios is intended to help actors generate learnings and insights, both from exploring each scenario individually and from comparing and contrasting them.

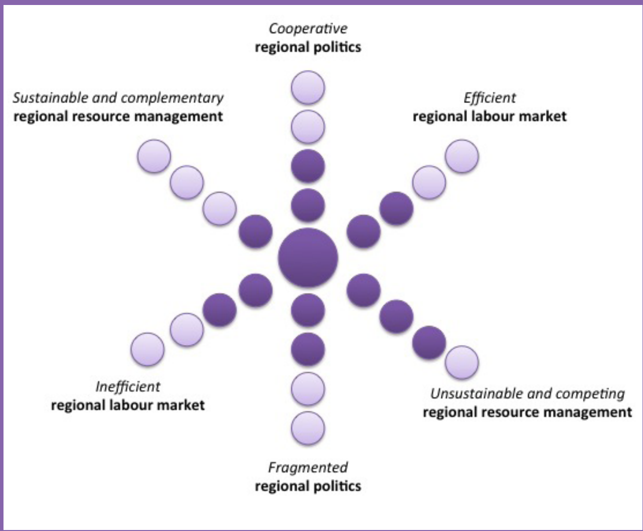
[6] Global Employment Trends 2011. Geneva: International Labour Organization.

Section 2

Scenarios for the Mediterranean Region in 2030

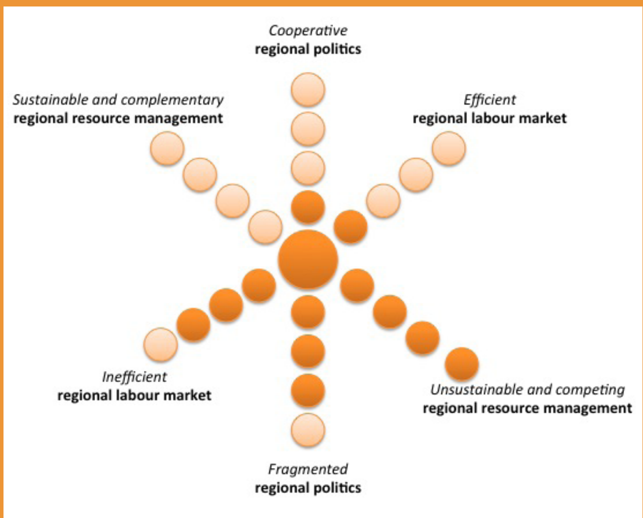
Scenario Overview

MediterrAfrica Rising



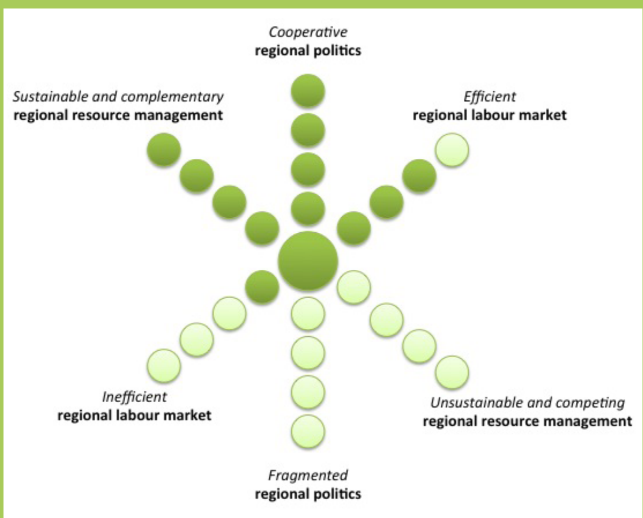
- **Regional politics:** While northern and southern shores of the Mediterranean are divided, Southern Mediterranean countries increase south-south cooperation to benefit from growth in Africa.
- **Regional resource management:** Sustainability is a concern for governments of the region, but remains a low priority as Northern and Southern Mediterranean countries focus on meeting their populations' economic and social expectations.
- **Regional labour market:** While new growth opportunities allow for higher rates of job creation in Southern Mediterranean countries, population growth makes youth unemployment a constant challenge.

Resource Famine



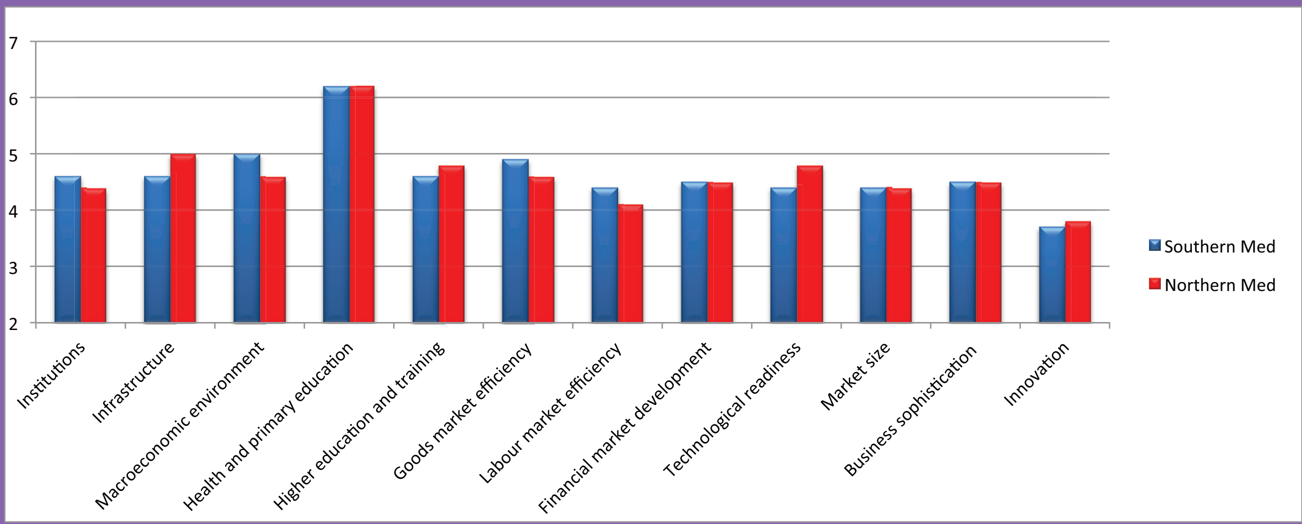
- **Regional politics:** Euro-Mediterranean cooperation remains haphazard and piecemeal; Southern Mediterranean countries maintain bilateral political divergences and fail to create deeper cross-border political cooperation.
- **Regional resource management:** Sustainability is not a policy objective in Southern Mediterranean countries and governments focus purely on short-term economic growth; Northern Mediterranean countries use regional assistance within the EU to fight resource challenges.
- **Regional labour market:** Neither Northern nor Southern Mediterranean countries focus on regional complementarities in labour market management.

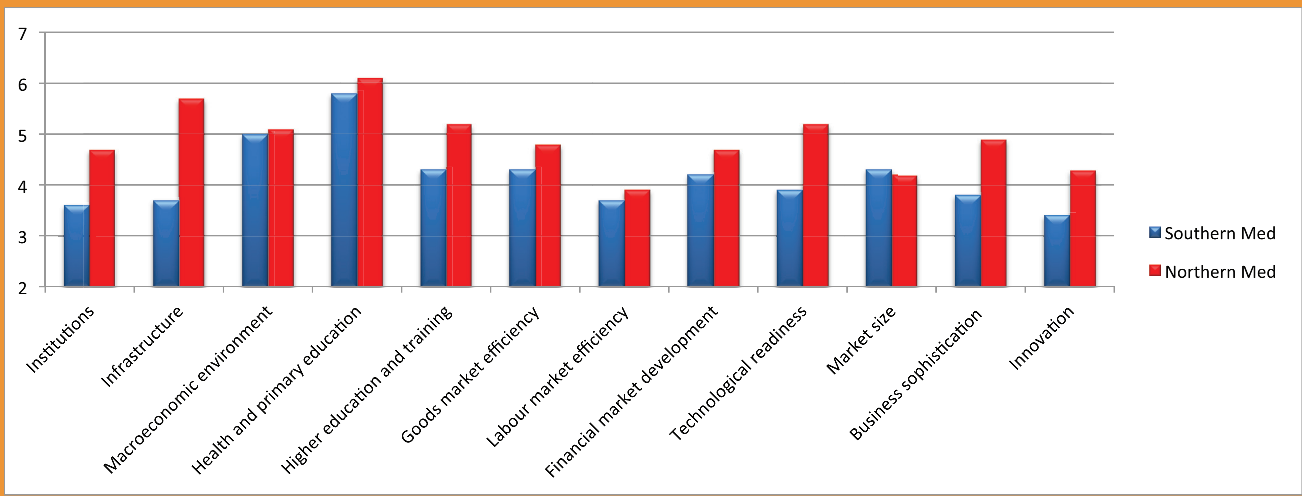
Green Mobility

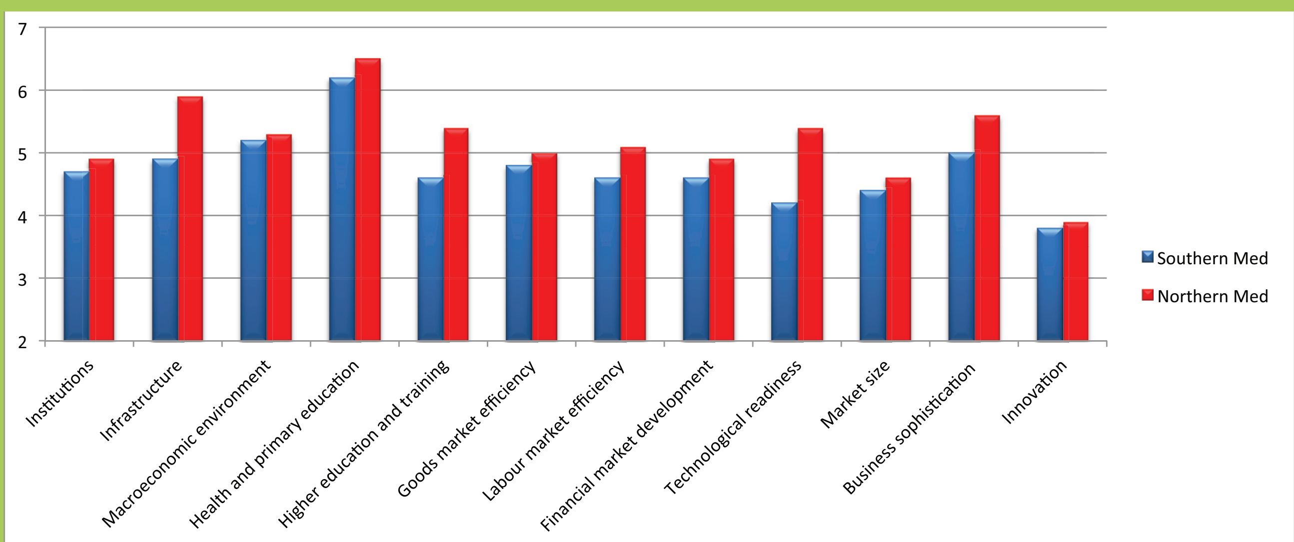


- **Regional politics**: After a period of crisis and neglect, both shores of the Mediterranean create a new north-south partnership, drawing on regional complementarities in renewable energy and labour markets.
- **Regional resource management:** Sustainability and renewable energy become the key enabler of the renewed regional partnership.
- **Regional labour market:** Regional labour market complementarities become a central pillar of the renewed regional partnership.

Competitiveness in 2030 (see explanation on p. 16)







A note on competitiveness indicators in 2030

The graphs depicting competitors indicators in 2030 on the previous page do not constitute formal predictions nor quantitative modelling of future regional competitiveness. Instead, these represent plausible shifts in indicators given the influence of long-term uncertainties and policy choices as described in the following three scenarios, building on the qualititative approach of the World Economic Forum's multistakeholder scenario planning methodology. Over long time periods, complex systems such as the political economy of the Mediterranean region will inevitably evolve in suprirsing and challenging ways. It is exactly these plausible, yet challenging outcomes that this work seeks to explore.

For each scenario we assume specific policy actions (or lack thereof) in relation to the key uncertainties described above: regional politics, regional resource management and regional labour markets. We also took into account other exogenous factors emerging from the scenario-building process, such as external sources of geopolitical, economic and environmental instability.

These drivers represent a regional context for competitiveness that influences the pillars of the Forum's competitiveness assessment in different ways. For example, more cooperative regional politics could improve institutional strength across the region through the creation of regional checks and balances and opportunities to benefit from policy and process exchange. Policies related to resource management via large investments and capital inflows into infrastructure could positively affect indicators linked to infrastructure, the macroeconomic environment and possibly technological readiness.

MediterrAfrica Rising

- Greater political and economic integration of Southern Mediterranean countries with sub-Saharan Africa, the BRIC economies and one another support increases in indicators for institutions, infrastructure, goods market efficiency, technological readiness and business sophistication.
- Inward looking policies and ongoing fiscal challenges in Northern Mediterranean countries cause stagnation in competitiveness across all pillars, particularly limiting indicators for macroeconomic environment, technological readiness and innovation.

Resource Famine

- Despite initial gains in competitiveness due to economic reform, failure to address long-term resource challenges traps Southern Mediterranean countries into a cycle of declining competitiveness and contraction, limiting the indicators for institutions, infrastructure, technological readiness and innovation.
- Northern Mediterranean countries face similar resource challenges, but their responses drive improvement in indicators for infrastructure, technological readiness and innovation.

Green Mobility

- Unprecendent levels of labour mobility and investments in energy infrastructure linking Northern and Southern Mediterranean countries enhance most indicators for competitiveness across the region. Particular gains are realized in insittutions, infrastructure, higher education and training, labour market efficiency and business sophistication.

MediterrAfrica Rising

MediterrAfrica Rising

The divided shores of the Mediterranean

Look South, Young Arab

For much of the 20th century and the first decade of the 21st, the southern shores of the Mediterranean tended to look to their northern neighbours for opportunity, capital and, to a certain extent, models of development. While the Maghreb and Levant still retain the vestiges of historical affiliation with Europe today, after 20 years of radical change in the region and across the world, young Arabs, businesses and governments in the Southern Mediterranean are today increasingly looking south to find sources of economic growth and future prosperity.

This 180-degree turn has been driven by three factors. The first of these is the robust (if patchy) growth exhibited across Africa between 2010 and 2030, which surprised many commentators in terms of how rapidly countries such as Angola, Tanzania and Mozambique achieved increases in both productivity and output. Second is the fact that Mediterranean countries from North Africa and the Levant have been able to capture large gains from this growth by aggressively expanding political, trading and technology-based relationships with strategic sub-Saharan nations, supporting the region's recent "green revolution". The third factor is Europe's steady demographic and economic decline over the same period, a phenomenon accompanied by more inward-looking policies and a declining appetite for regional integration.

MediterrAfrica: Sub-Saharan growth lifts up the North

If the global growth role model of the 1960s to 1990s was the Asian "tigers", and their successor from the 1990s to 2020 the BRICs, the leading model for the 2020s has been captured by the African "cheetahs", the fast-growing countries of sub-Saharan Africa (see chart on next page). With Africa's GDP having reached US$ 3 trillion in 2028, it has now surpassed the economic size of France. This impressive growth over the past two decades has radically shifted the continent's image from one dominated by aid dependency to the current cliché of a land of opportunity for the next generation of entrepreneurs.

Similar to the dynamics of emerging markets in Asia and Latin America over the previous decade, multinational companies have been fighting to capture the greatest shares of fast-growing consumer markets from Dakar to Windhoek, and from Khartoum to Nairobi.

In this scramble, the Maghreb and Levant business community has enjoyed something of a local advantage, having ventured into Africa earlier and more decisively than many of their competitors from Europe and elsewhere, often aided by capital from the Gulf countries. Indeed, these businesses found the operating conditions in some of the African markets very similar to their past experiences in their home countries, an asset they were keen to capitalize on. As a result, companies from North Africa are now among the key drivers and beneficiaries of the economic boom that is taking hold across the continent. Naturally, it is not just the Maghreb countries that are taking advantage of Africa's rise – Chinese and Turkish companies are very much part of this drive towards southern markets and very strong competitors in many of Africa's growth economies.

The New Champions

The world's fastest-growing economies, annual average GDP growth, %

2011-2020		2021-2030	
Angola	**11.1**	**Tanzania**	**9.2**
China	9.1	**Ghana**	**8.9**
Turkey	8.9	**Angola**	**8.7**
India	8.7	**Turkey**	**8.5**
Tanzania	**8.2**	India	7.9

Regional trade between Southern Mediterranean and sub-Saharan countries has risen to such levels that Goldman Sachs, the investment bank, last week published a study entitled *"Dreaming with MediterrAfrica: The Path to 2050"*, a clear reference to the bank's seminal analysis on the BRICs. The study foresees growth rates of over 8% for Southern Mediterranean countries to persist for the rest of this decade as a result of new ties with the sub-Saharan growth motor.

Feeding Africa: The new green revolution

One of the sources of this continued growth is MediterrAfrica's role in driving Africa's ongoing green revolution, which has raised agricultural output to new levels across the continent. Massive new investments in infrastructure and the associated improvement in effective regional supply chains and water supply have paved the way for Africa to more effectively reap the benefits from its vast agricultural potential and uncultivated land.

These increases in productivity have been accompanied by shifts up the value chain for African companies, which are increasingly involved in process and packaging as well as producing raw materials. In addition to investments from Asia, this trend has been supported by surging local demand from Africa's growing middle class, in particular in places such as Nigeria and South Africa, as well as consistently high global prices for commodities.

The link to the Mediterranean comes from the fact that one of the biggest enabling factors for these shifts has been tighter regional integration. This allowed for the development of unprecedentedly cheap fertilizer, flowing south from North Africa, and supported the rapid industrialization of a previously fragmented agricultural sector. A watershed moment was the political rapprochement between Morocco and Algeria in 2021, a move that very few observers thought possible two decades ago. As Juan Andani, policy analyst at IFRI, the French foreign policy think tank, argues "the joint venture between Morocco's leading phosphate producer Asfar Al-Maghreb and Algeria's energy giant DZEnergy was an historic deal that not only brought the two countries closer together, but also made it the most competitive producer of fertilizer worldwide, directly benefiting Africa's agricultural sector as a result."

The politics of trade

While a significant portion of this expansion of regional trade and integration both within and between North Africa and sub-Saharan Africa can be ascribed to the pioneering role played by a rejuvenated business sector following the Arab Spring of 2011, political changes in the region also played their part.

The surge of entrepreneurial activity that the Mediterranean region experienced in the years following the social and political turmoil of 2011 was accompanied by the increasing inclination of political leaders in the region to cooperate with their neighbours. The new generation of leaders in the Maghreb and Levant recognized that the region shares a range of challenges related to social and economic inclusion as well as to the environment, creating significant incentives for collaboration across state borders. The mending of political ties, as experienced by the Algerian-Moroccan partnership treaty, clearly enabled the private sector to play its positive role in expanding regional trade.

Some observers even argue that an economic union in North Africa is now a plausible scenario, not least to connect Maghreb economies to the increasingly integrated African economic blocks in eastern and southern Africa. Some have therefore compared the Moroccan-Algerian phosphate deal with the creation of the European Coal and Steel Community in the 1950s, a political project leading to ever deeper regional integration. This might be wishful thinking, but even the fact that such a project is being discussed is an encouraging sign for the region.

North Africa's gain, Europe's pain

Even in the absence of such a far-reaching move, Andani argues that with its orientation towards African markets, the phosphate deal is a clear political sign that North African leaders see the best chances for their countries' economic growth in the south. This should be cause for concern in Europe. If in 2010, Morocco's largest trading partner was the EU, accounting for 60% of the Maghreb country's total trade, those numbers have now plummeted to less than 40%. Indeed, when North African leaders talk about the economic future of their countries, there is hardly any mention of their former best friends in Paris, Madrid, Rome and Brussels.

This is unfortunate. In an interesting reversal of the prevailing view 20 years ago, it is now those countries on the northern shores of the Mediterranean that would benefit most from greater integration with their dynamic and fast-growing neighbours to the south. Over the past decade, Europe has not only continued its gradual economic decline that was first exposed by the fiscal crises that rocked the continent in the late 2000s, but also increasingly alienated the young generation in the Arab world with its mixed response to the freedom-seeking upheavals of 2011 and relentlessly growing anti-immigrant sentiments in most European countries. While Europe was focused on fixing its economic fundamentals and its leaders increasingly concerned over popular resistance to the required fiscal tightening, it had little to offer to the young generation of Arabs that, at that time, were still looking to Europe for their political and economic futures.

Today, most European countries have contained the fiscal imbalances that occupied them for the past two decades, having made deep spending cuts and reforms to social systems in the late 2010s and early 2020s. Yet they are still grappling with increasingly imminent demographic challenges, expressed in particular through workforce shortages across a wide variety of sectors and the persistent financial burden of supporting those elderly citizens who remain grandfathered in underfunded pension and healthcare systems.

This newspaper has long argued for a return to sensitive and sustainable immigration policies as one way of easing the burden of ageing populations in Europe. Qualified workers from North Africa have been discouraged not just by comparatively lower growth in Europe, but also by the anti-immigrant sentiment that continues to dominate the political discourse and the ongoing administrative barriers and uncertainties linked to the right to work and live in the EU.

Abdelkader Farjan, a mechanical engineer from Tripoli, states: “I was educated in Germany and spent several years in France with Peugeot, but I don’t see a comfortable future for me or my children in Europe. Wages might still be higher, but the quality of life is lower. Germany and France have become much less welcoming societies compared to when I first went there as a student in the late 1990s.”

The gradual weakening of the rules governing the free flow of people in Europe has also made it more difficult for non-EU citizens to benefit from and contribute to the internal market.

EurAfrica: A new project for the North

It is now 20 years since the Arab Spring, which many saw as the moment when Europe awoke to discover a region of optimism and boundless opportunity on its doorstep. Some would argue that at the time Europe’s fiscal and social pressures as well as its internal political divisions did not allow it fully to engage with a buoyant and optimistic neighbourhood from the Maghreb to the Levant. However, today Europe has yet another chance to engage with a rising Mediterranean region and in the process also participate in sub-Saharan Africa’s remarkable growth story.

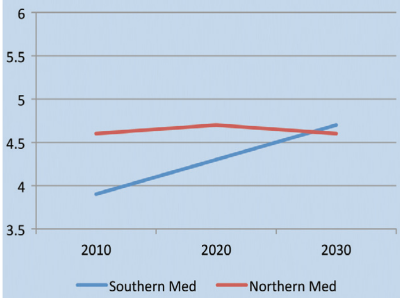
Europe may have missed out on being the first mover, with East Asian and North African countries already well established across the continent. But given Europe’s historic links to the region, its need for educated workers and sheer economic size, it is not just young Arabs who should be looking south – it is the political and economic leaders in Europe at large. The MediterrAfrican growth story could easily also become a EurAfrican success, with European technology and markets creating opportunities to further spur Africa’s amazing emergence as a global economic power.

This potential is demonstrated most dramatically by the fact that Southern Mediterranean countries are now, on average, more competitive than Northern Mediterranean countries. They are seen as stronger institutionally and have improved significantly in financial market development and business sophistication. Northern Mediterranean countries have fallen behind, something that needs urgently to be addressed.

If not, there is a danger that the 2011 prediction of Richard Gowan, then analyst at the European Council on Foreign Relations, might be correct: “The EU may be on the road to becoming a sort of strategic suburbia, a collection of small, quiet and obsessively inward-looking communities suspicious of the outside world.”

Divided shores?

Competitiveness of Northern and Southern Mediterranean countries since 2010



Resource Famine

Resource Famine

Unsustainable growth wreaks havoc in the Mediterranean

A Region Paralysed by Resource Challenges

Food and energy shortages continue to wreak havoc across North Africa and the Levant. After a tumultuous summer that has seen the region swept with violent food and water protests, an awkward realization is emerging: the leadership in North African countries needs to deal with exactly the same issues that brought them to power during the Arab Spring two decades ago.

This is ironic. No other generation of leaders has epitomized the hopes and aspirations of the Southern Mediterranean region as strongly as the one that emerged from the popular uprisings that brought down Tunisian and Egyptian presidents Zine El Abidine Ben Ali and Hosni Mubarak, respectively, 20 years ago this month, in January 2011. Unfortunately, as the current unrest shows, no other generation of leaders has left hopes so thoroughly unrealized.

The cost of this disappointment has been huge for the entire Mediterranean region. Most analysts focus on the current costs of social and political unrest, which have cut investment flows by 30% between 2025 and 2029 and led to a dramatic fall in tourist numbers. Less discussed are the core drivers of this unrest, namely the resource crises affecting the Mediterranean region that represents a far more worrying and deeper threat to regional prosperity. While countries in North Africa and the Levant have a long history of water shortages, recent shortages in food, energy and water were created more by a failure of policy and regional cooperation than an absolute lack of resources.

Attempts by Southern Mediterranean countries to tackle supply and demand mismatches contrast strongly with the experience of their northern neighbours in Spain, Italy and Greece. Facing similar, albeit more limited, shortages themselves, these countries drew heavily on cross-border cooperation and made significant investments in a variety of resource management strategies to increase efficiency. Looking to the sources of this divergence offers some hints to how the current crisis may eventually be resolved.

Sacrificing sustainability for economic growth

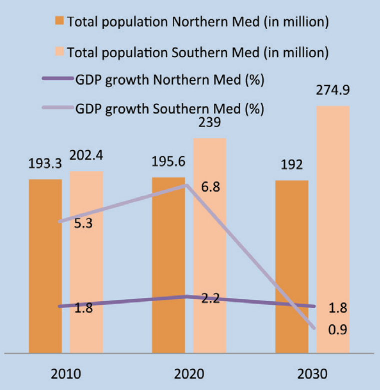
Dubbed *Generation 11* by its sympathizers, the diverse group of political actors who emerged after the Arab Spring of 2011 enacted policies that quickly became far more pragmatic than idealistic. While observers were rapidly disappointed with the new generation's inability to create a more open and inclusive political environment, solace was taken by the fact that, by and large, they presided over a decade of unprecedented economic growth as of the mid-2010s.

In many countries of the region, this was spurred by greater private sector dynamism and a focus on economic, if not political, liberalization. Only 10 years ago, the World Economic Forum's Arab World Competitiveness Report 2020 called this new approach by the Arab liberalizers "a step-change in the region's competitiveness trend, marked by significantly improved public sector and labour market efficiency." By unlocking new consumer-based growth and an expansion of both services and the industrial sector, governments effectively profited from the economic aspirations of their growing populations. But satisfying economic hopes while ignoring political ones was doomed to disappoint in the long term, particularly when the basis for growth ignored the complex challenges surrounding the region's inefficient use of local and global resources.

Insatiable demand, fundamentally constrained supply

With sustainability being present as a slogan but absent as a guiding principle for political decision-making across the region, the economic growth that followed the tumultuous years of 2011-2013 translated into a rapid rise in resource use. Keen to keep populations quiescent and to maintain growth, leaders generally refrained from applying regulations or market mechanisms that would raise the price of water and energy to businesses or consumers. While investment in new technologies did increase the efficiency of some sectors in the form of material consumption per unit of GDP, any gains from technology were overwhelmed by the expansion of material-intensive sectors and rapid GDP growth rates overall.

A growth impasse?



As a result, while possessing some of the lowest levels of water availability per capita, the region is still characterized by high levels of energy and water intensity. This creates conditions that seem almost designed to exhaust regional resources as rapidly as possible. Worse, despite the years of plenty that began in the late 2010s, there was a dearth of investment in the sectors that could ameliorate this situation – physical infrastructure, for example.

Recent data from Stockholm's Global Resources Survey shows that the supply of locally-available natural resources in North Africa and the Levant plummeted over the past decade; mineral reserves, electricity availability, water and viable agricultural land have all experienced significant declines. While regional policy-makers have tended to blame global warming for many of these trends, the reality is that regional mismanagement has created the current situation of resource rationing between industrial, government and residential uses.

By neglecting physical infrastructure and avoiding the hard decisions required to enact behavioural change, policy-makers in the region have created a resource-based Catch-22 – unable to reduce their population's resource consumption, but simultaneously unable to assure the continued supply of the necessities of life at an acceptable cost. For some countries, particularly Libya and Algeria, the Gulf-style model of exchanging oil for food and water is a convenient, if temporary, stop-gap solution. However, for the hydrocarbon importers, the link between food, energy and water use is a particularly treacherous one, exacerbating recent macroeconomic challenges.

Food-energy-water: A vicious cycle

Regional resources have been exhausted more quickly than many expected partly because policy-makers ignored the complex interdependencies between water, energy and food. With water and energy both critical inputs for the region's food supply, and water an input to energy and industrial production as well as an important commodity in its own right, these three resources are tightly interconnected. Unfortunately, the public institutions for dealing with agriculture, energy policy and water management remain largely uncoordinated, hindering efforts to increase efficiency and magnifying the unintended consequences of even well-intended policies.

Tunisia's new al-Nour dual-purpose power and desalination plant, presented as a solution to Tunisia's chronic water shortages when it began operating in 2019, is a telling example of the complex dilemma facing policy-makers. Last month's seizure of the compound by Greenpeace, the environmental activist group, has highlighted that food, energy and water are tightly connected even with the most modern technology. "The highly saline outflows from the al-Nour plant have damaged the quality of coastal waters to the point of destroying fish stocks, the Tunisian fishing industry and local seafood availability," according to Nouria Ait-Abderrahim of Greenpeace Maghreb.

Resource scarcity, regional unrest and conflict

With governments no longer able to ensure an adequate supply of resources at subsidized prices, last summer rationing was introduced for most food and energy importers across the region, restricting access to electricity, water, fuel and food.

This in turn has created significant social and political instability in all Southern Mediterranean countries, with protests bringing economic activity largely to a standstill since July 2030.

One major issue is that the burden of resource scarcity seems to have been unevenly spread within countries. Protestors complain that not only did local elites benefit most from the last 15 years of economic growth, they now enjoy privileged access to electricity and material inputs for personal and business needs.

While social unrest between economic classes is once again a major challenge for governments, risks related to the deterioration of bilateral relations between countries are even more worrying. Tensions between Egypt and Sudan over water control along the Nile have severely escalated in recent months. Khartoum remains suspicious of the alleged terrorist attack that damaged Sudan's recently upgraded Merowe Dam and bilateral relations are at an all-time low.

This pattern of internal unrest and regional tension is repeated across the region, particularly where hydrocarbons or water sources are transboundary, such as with the Euphrates and Jordan rivers, often enacting a new phase within old conflicts. The result is a double curse. Not only do these conflicts add to the governance challenges faced by these countries, but also they hinder the kind of bilateral and regional relationships that would provide the most promising approach towards the resource scarcity challenges in the region.

Europe: Struggling with the consequences of relative success

Despite facing similar resource shortages as their southern and eastern counterparts, Northern Mediterranean countries have been better prepared to deal with them, mostly thanks to their ability to benefit from cooperation with their neighbours. The EU's common water management and renewable energy policy has been lauded by experts as one of the most progressive integrated resource policies worldwide and is showing traction in reducing the effects of droughts in southern Spain and Italy, albeit at an estimated cost of 0.4 percentage points of annual GDP growth. A ramp-up in investment in infrastructure and consumer education programmes has improved both energy and water efficiencies in the agricultural, industrial and consumer sectors.

What Europe as a whole is finding far more difficult to cope with are the migration flows resulting from the worsening resource crisis elsewhere in the Mediterranean. The number of people seeking to enter the European Union, in particular via Morocco, Libya and Turkey, has risen sharply. According to Oxford Consulting, the public sector advisory group, 80% of the increase represents migrants seeking what they are terming "ecological refuge".

The social and political response in Europe to these increases has not been positive. In a context of strained social security systems and ageing populations, it might be rational to welcome additions to the labour force, particularly in the form of educated migrants seeking more stable locations in which to apply their skills. Nevertheless, anti-immigrant policies have dominated the political discourse in Europe, and leaders have found it hard to achieve a common voice that would enable the EU to manage the increasing flow of people as adeptly as it has managed the declining flow of water and energy.

Unfortunately, this lack of a common voice has hindered the implementation of policies that would alleviate the resource pressures that have exacerbated the migration challenge in the first place. European Commission projects aimed at creating integrated resource management programmes and improving critical infrastructure in North Africa have remained piecemeal and isolated.

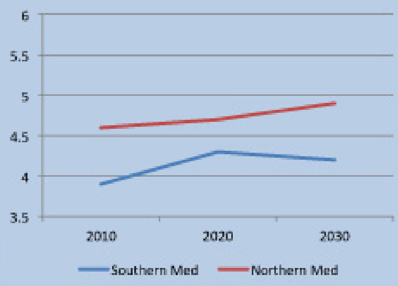
The Mediterranean region: A hopeless case?

Looking back to the optimism that characterized the region throughout much of the first decade following the 2011 uprisings, it is hard to avoid the sense that the long-awaited change was simply another turn of the wheel. This is particularly clear when looking at competitiveness indicators in the region over the last 20 years. While the Northern Mediterranean countries have shown marginal improvement, Southern Mediterranean countries have stagnated. Indicators for the strength of institutions, infrastructure, technology, education and labour markets have barely moved since 2010.

This paper has repeatedly warned that failure to deal with the emerging risks of resource vulnerability have the ability to turn even the richest countries into shadows of their former selves, especially when coupled with unwillingness to engage in constructive cooperation across the region.

A dead end for the South?

Competitiveness of Northern and Southern Mediterranean countries since 2010



Green Mobility

Green Mobility

The surprising success of the new partnership initiative

Mediterranean Labour and Renewable Energy Partnership

If for much of the first two decades of the 21st century the Mediterranean region was the sick man in Europe's neighbourhood, stridden by conflicts, unemployment and political stagnation, this month's three-year anniversary of the *Mediterranean Labour and Renewable Energy Partnership (MELREP)* marks a turning point in what could be an unprecedented revival. Should recent trends continue, the 2030s are likely to solidify the renaissance of the Mediterranean that has become a beacon of hope and opportunities for the more than 400 million people living around its shores. In the words of Turkish Foreign Minister, Ali Yilmaz, this means that for the first time, these inhabitants "can now genuinely call the Mediterranean *'mare nostrum'*".

What makes this new era of Mediterranean cooperation so promising is the grand bargain struck between Northern and Southern Mediterranean leaders three years ago. Building on a gradual shift in mentality on both shores of the Mediterranean, MELREP formalized and integrated a series of encouraging, but fragmented pilot projects and policy experiments attempting to take advantage of technological and labour complementarities. As a result, the region has experienced unprecedented levels of labour mobility and massive co-investments in solar energy and social infrastructures.

After a series of unsuccessful initiatives to spur Euro-Mediterranean cooperation over the past decades, this new partnership for the first time seems to have the right ingredients for success: genuine political will on all sides combined with increasing public understanding of the deal's benefits that have come to underpin the enthusiasm about new regional growth opportunities.

Yet, despite widespread optimism about the prospects of these new initiatives transforming the Mediterranean into a new global growth engine, political leaders should not be too quick to celebrate. MELREP is still in its infancy and significant challenges remain. These become apparent when taking a deeper look at the difficult history of Euro-Mediterranean initiatives and at the genesis of this new partnership.

A necessary partnership in difficult times

Signing MELREP was in itself a significant step forward for the region, the achievement of which was neither swift nor easy. According to a recent report by the Arab Academy of Social Sciences (AASS), the Abu Dhabi-based think tank, the shifts in government policies and societal perceptions that enabled MELREP were driven first and foremost by the depth of economic and social challenges faced by countries on both shores of the Mediterranean throughout much of the 2010s and early 2020s.

On the European side of the equation, the fiscal crises experienced in parts of the Northern Mediterranean between 2010 and 2014 created significant stress on both banking systems and public finances, leading to capital shortages and hindering growth in the Eurozone. These crises signified the start of a more inwardly-focused Europe, losing some if its confidence and ability to engage in regional leadership, and also coincided with the rise of anti-immigrant sentiment in many European countries.

The European demographic picture and persistent problems and pain created through its reverberations in European societies, along with the bustling economic growth witnessed in Turkey – among the fastest-growing economies in the world over much of the 2010s – changed the way Europeans looked at the countries in its neighbourhood. As Mehmet Özgir, head of the Euro-Turkey Coalition, the advocacy group created by German industries to support industrial cooperation between Turkey and the EU, argues, "When we started our campaign to rotate senior leaders between businesses in between Germany, France and Turkey in 2012, European employees reacted in disbelief. At that time, people could hardly believe that Turkey could be a career move." But the success of this and other schemes to expose Europeans to the business opportunities in the wider region have, according to the AASS report, gradually challenged the dominant views in Europe that have long seen its southern neighbourhood as more of a security risk than an economic opportunity.

North Africa and the Levant meanwhile dealt with their own set of challenges. Despite the positive drive of political change that swept though North Africa in the early 2010s, countries largely failed to achieve the social and economic turnaround their populations expected. Growth in these countries averaged less than 3% (compared to an emerging market average of 5.5%) over the decade 2012-2022, which sharply contrasted with the great expectations young people from the region had of their new leaders in solving the challenges of youth unemployment and fulfilling demands for higher living standards. These voices were only made louder by the mature civil society sector in these countries, which gave shape and direction to the popular aspirations, demanding more significant measures than the existing incremental reforms to industrial and trade policies that failed to sufficiently invigorate the private sector or address income disparities. Growth was further inhibited by low levels of demand in Europe, the region's dominant export market, as a result of fiscal austerity and slow recovery.

MELREP at a glance

- ❑ SOLAR: Integrate and scale up solar energy infrastructure
- ❑ SOLAR+: Offset and concession framework to finance future renewable energy investments
- ❑ THE GRID: Smart grid investment programme for electricity load balancing and resilience
- ❑ AVERROES: Erasmus-like programme to exchange students across the region, supplemented by internship and work-exchange programmes
- ❑ BLUE CARD: Smart, skills-based immigration scheme

Capitalizing on cooperation

As the AASS scholars argue, unfulfilled promises on one side of the Mediterranean and increasing pain from the demographic crisis, coupled with European re-perception of its southern neighbourhood, "created the conditions for a new Euro-Mediterranean agreement, based on mutual respect and true partnership." With governments and populations on all shores of the Mediterranean able to view regional integration in a more sober and strategic light, labour and energy were obvious fields for greater cooperation.

Franco Arturo, lead researcher of an EU task force that assessed the opportunities related to energy and labour partnerships in the region, attributes the political acceptance of the controversial plans to a new spirit of pragmatism on all shores of the Mediterranean, stating that "we deliberately based the recommendations on very practical policy challenges. Europe's demographic and energy needs and its technological lead in the solar and wind power industries created an obvious link with North Africa's climatological assets and employment and technology challenges." The proposal that emerged from the task force promised the creation of business opportunities for European industries, training of North African engineers and managers through circular skills development programmes in Europe, and the build-up of regional infrastructure for renewable energy creation, providing the region with additional energy options.

A combination of new energy technologies (linking concentrated solar photovoltaic and natural gas systems with new connections to the integrated European grid) and institutional learnings from earlier experiments raised expectations that scaling investments to meet both domestic and European energy demand would be possible.

Success at attaining final agreement on MELREP was achieved by the sensitive political leadership exercised by Italian Prime Minister Emilia Nerotti and Egyptian President Mohamed Fahmy, who together championed the proposals on a restless tour of shuttle diplomacy to broker agreement from the region's core governments. As the AASS report highlights, "Nerotti's leadership style embodies the spirit of mutual respect, openness and joint opportunities that is the foundation of this new initiative".

A promising start, but not out of the woods yet

The first assessment of this new initiative is clearly positive. Heavy investments have created an unprecedentedly optimistic environment for large-scale renewable energy projects across the region. Furthermore, the impact of improved labour mobility under the new rules for migration might be even more significant than the benefits to energy security. Improved labour market efficiency has contributed to higher economic growth across the region, with average growth rates for all Mediterranean countries over the three-year period 2028-2030 reaching a soaring 5.8% compared with only 2.8% for 2025-2027.

Other competitiveness indicators have also been bolstered by MELREP. Capital inflows, particularly into infrastructure projects, have enhanced macroeconomic stability and financial market development. Investments in technology and skills development have significantly improved measures of business sophistication across the Southern Mediterranean countries.

Nonetheless, the full benefits of MELREP have yet to be realized. More work remains in upgrading infrastructure to the latest smart grid technology, and improving energy storage sites to manage the different timing of peaks in supply and demand. More importantly, populist voices are starting to challenge the new labour mobility in the region. Some in Europe remain skeptical of the effectiveness and sustainability of the policy, arguing that the influx of workers is crowding out opportunities younger generations in the Northern Mediterranean countries.

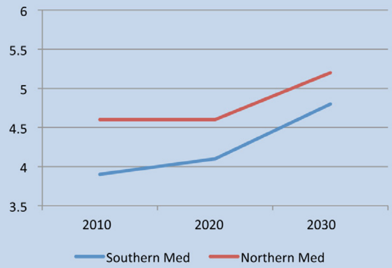
Furthermore, the recent economic growth spurt could, counter-intuitively, endanger rather than strengthen MELREP in the long term by tempting countries to "stop taking their antibiotics mid-course". If it was the collective challenges faced by the region that made cooperation possible, as those challenges recede, will other, more divisive disagreements re-emerge?

The art of the long view

The early success of the Mediterranean Labour and Renewable Energy Partnership should be an incentive for leaders to continue pursuing further benefits of this cooperation. It is clear that long-term competitiveness of the two regions is significantly enhanced through the complementarity of their economies, but, it is also clear that the path to realizing these benefits will often entail short-term sacrifices and prudent politics. It is to be hoped that politicians on both sides will be able to adopt a long-term view and sustain this vision for the region with enough energy to survive the challenges lying ahead.

Cooperation paying off?

Competitiveness of Northern and Southern Mediterranean countries since 2010



Section 3 Conclusions

Conclusions

The analysis presented in this report indicates that a wide variety of strategic options exist for the future competitiveness of the Mediterranean region, and that the choice between these options is to a large extent dependent on policy actions by the different actors, both northern and southern.

While the region's diversity is currently expressed by high levels of political, economic and social fragmentation, it also boasts a reservoir of opportunities. If managed well, the region's diversity could equally become a source of complementarities, growth and development that none of the stakeholders have so far managed to seize.

All three uncertainties that form the basis of the scenarios (regional politics, regional resource management and regional labour markets) highlight this dialectic between the threat of fragmentation and the opportunity of convergence. What makes them stand out as key uncertainties for the region is that they all cannot be addressed by individual countries alone. While in the short term, governments may be able to ward themselves off against the consequences of these uncertainties, turning them into opportunities for the long-term competitiveness of the region depends on the concerted action from all sides.

A positive-sum strategy that increases the competitiveness outlook for the entire Mediterranean region requires engagement and cooperation along three dimensions:

Cross-border

Political cooperation between Mediterranean countries is a key stumbling block for competitiveness of the region, particularly with regard to resource management and labour market reform. Wider and deeper efforts are required both in terms of south-south and north-south cooperation to more effectively seize regional complementarities and create momentum behind these important social and economic reform agendas.

Cross-society

Widening disparities across economic strata as well as intergenerational divides affect the region's ability to realize its full productive potential. Strategies to increase cross-society cooperation could go a long way at addressing socioeconomic tensions and labour-market deficiencies in the region.

Cross-sector

The business community has an opportunity to lead the region on a sustainable growth path that capitalizes on regional complementarities and actively manages trade-offs created by scarce resources. More far-reaching cross-sector collaboration could go a long way at demonstrating the gains from cooperation and create significant opportunities for more effective allocation of financial and human capital.

Key questions for stakeholders:

Policy-makers:
- **What constructive steps could be taken to facilitate greater regional collaboration?**
- **What can be done to enhance cooperation through incremental steps?**

Business leaders:
- **How can industry players take better advantage of regional market potentials?**
- **Which business models could best seize on regional complementarities?**

Civil society leaders:
- **How can civil society play a greater role in local and regional decision-making?**
- **How can growth be more equitably distributed throughout society?**

Annex

Annex 1 - About Scenarios

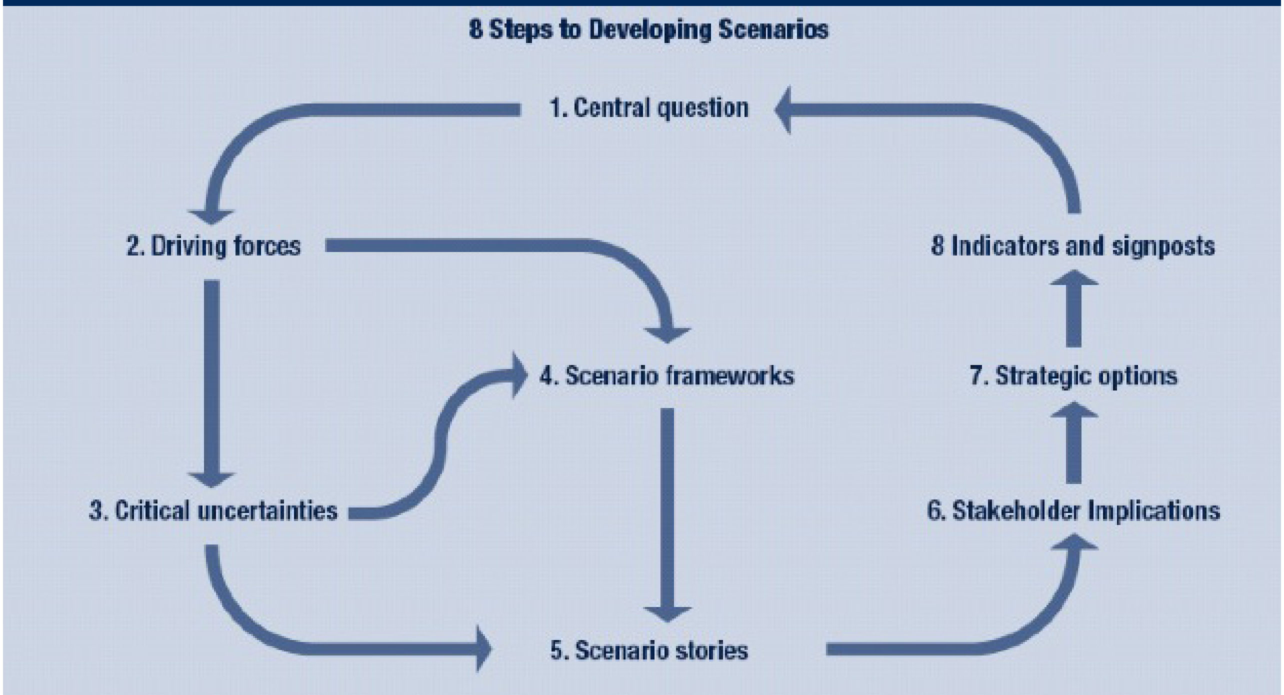
How have the Scenarios for the Mediterranean been developed?
The Scenarios for the Mediterranean have been developed through a year-long process, which has brought together over 100 stakeholders from the private sector, government, academia, and international and non-governmental organizations in numerous discussions and face-to-face workshops. These used the World Economic Forum's approach to developing scenarios and strategic options, as shown below.

How can scenarios be used?
Scenario thinking is a powerful strategic management tool that can be used in the private, public and non-profit sectors as well as in a multistakeholder context. While scenarios are often used for their ability to provide decision-makers with tools to anticipate potential hazards, they have also proven to be a powerful tool for proactively creating opportunity in the form of new businesses, new markets and the forging of new connections by freeing thought from the constraints of the past.

Scenarios can enrich learning as well as decision-making at both the organizational and individual level. In particular, they provide leaders with the ability to:

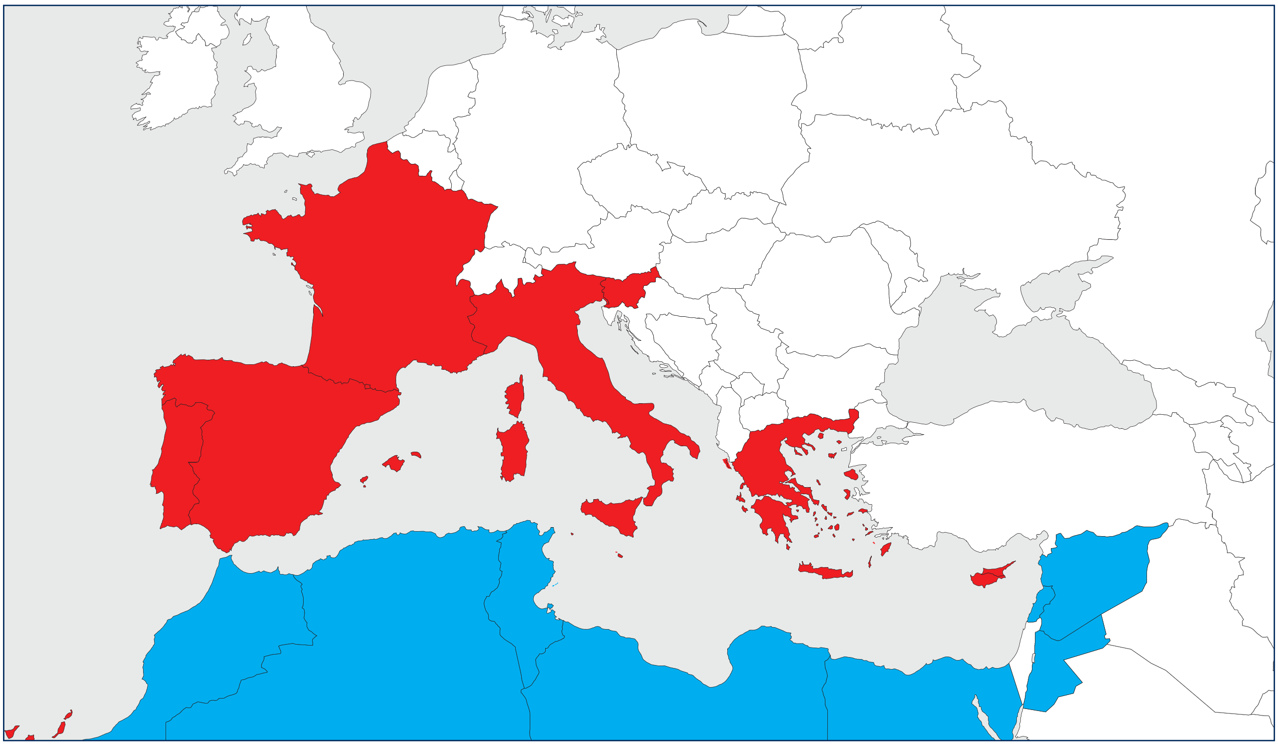
- **Enhance a strategy's robustness** by identifying and challenging underlying assumptions and established wisdom
- **Make better strategic decisions** by discovering and framing uncertainties, leading to a more informed understanding of the risks involved with substantial and irreversible commitments, and contributing to strong and pre-emptive organizational positioning
- **Improve awareness of change** by shedding light on the complex interplay of underlying drivers and critical uncertainties, and enhancing sensitivity to weak and early signals of significant changes ahead
- **Increase preparedness and agility** for coping with the unexpected by making it possible to visualize possible futures and mentally rehearse responses
- **Facilitate mutual understanding and collaborative action** by providing different stakeholders with common languages and concepts in a non-threatening context, thereby opening the space for creating robust, effective and innovative multistakeholder strategic options

The World Economic Forum's Approach to Scenario and Strategic Option Development



Source: GBN, World Economic Forum

Annex 2 - Basic Economic Indicators



	Population (millions) 2010	GDP (US$ billions) 2010	GDP per capita (US$) 2010
Northern Med countries			
France	62.6	2,582.5	41,019
Italy	60.1	2,055.1	34,059
Spain	45.9	1,409.9	30,639
Cyprus	0.9	23.2	28,237
Greece	11.2	305.4	27,302
Slovenia	2.0	47.9	23,706
Portugal	10.7	229.3	21,559
Malta	0.4	8.3	19,746
Israel	7.3	213.1	28,686
Turkey	75.7	741.9	10,399
Southern Med countries			
Libya	6.5	74.2	11,314
Lebanon	4.3	39.2	10,044
Jordan	6.5	27.5	4,500
Algeria	35.4	160.3	4,435
Tunisia	10.4	44.3	4,200
Morocco	32.4	103.5	3,249
Syria	22.5	59.3	2,877
Egypt	84.5	218.5	2,789

Source: International Monetary Fund 2011; UNFPA 2010

References and Further Reading

- Abulafia, D. *The Great Sea, A Human History of the Mediterranean*, London: Oxford University Press, 2011.
- De Wulf, L. and Maliszewska, M. Economic *Integration in the Euro-Mediterranean Region*. September, 2009. Center for Social and Economic Research and Centre for European Policy Studies.
- *Global Employment Trends 2011*. Geneva: International Labour Organization.
- Martin, I. Economic Integration in the Mediterranean: Beyond the 2010 Free Trade Area. In *IEMed Mediterranean Yearbook, 2010*.
- *Water Scarcity Challenges in the Middle East and North Africa (MENA)*. 2006. New York: United Nations Development Programme.
- *Making the Most of Scarcity: Accountability for Better Water Management Results in the Middle East and North Africa.* 2007. Washington DC: World Bank.
- *Tapping a Hidden Resource, Energy Efficiency in the Middle East and North Africa.* 2009. Washington DC: World Bank.
- *Potential of Energy Integration in Mashreq and Neighboring Countries.* 2010. Washington DC: World Bank.
- *The Global Competitiveness Report 2009-2010.* Geneva: World Economic Forum.
- *Energy Vision Update 2010: Towards a More Energy Efficient World.* 2010. Geneva: World Economic Forum (2010).
- *The Middle East and North Africa at Risk.* 2010. Geneva: World Economic Forum.
- *The United Nations World Water Development Report 3: Water in a Changing World.* 2009. Paris: World Water Assessment Programme.

Acknowledgements

This publication synthesizes the ideas and contributions of many individuals whom the project team would like to thank for contributing so generously their time, energy and insights.

We would like to thank the Members of the **Steering Board** who have offered their guidance and advice throughout the project:

Anass Alami	Director-General	Caisse de Dépôt et de Gestion (CDG), Morocco
Nizar Baraka	Minister of Economic and General Affairs of Morocco	Morocco
Marcos Bulgheroni	Executive Vice-Chairman	Energy Developments and Investments Corporation (EDIC), Italy
Yves de Chaisemartin	Chairman and Chief Executive Officer	Altran Technologies, France
Imad Fakhoury	Minister of State for Mega Projects of the Hashemite Kingdom of Jordan (2009-2011)	Jordan
Philippe de Fontaine Vive Curtaz	Vice-President	European Investment Bank (EIB), Luxembourg
Arnold Goldman	Chairman and Founder	BrightSource Energy, USA
Henry Guaino	Special Adviser to the President of the Republic of France	France
Bassim Jaï Hokimi	President	Atlamed, Morocco
Andres Ortega	Director, Policy Unit	Office of the Prime Minister of Spain
Carlo Pesenti	Chief Executive Officer	Italcementi, Italy
Ziga Turk	Secretary-General	Reflection Group, Brussels

We would also like to thank Members of the Forum’s **Global Agenda Councils** as well as other experts who helped to shape the content of the report by sharing their insights and experience on the region. In particular, we would like to thank (in alphabetical order):

Masood Ahmed	Director, Middle East and Central Asia Department	International Monetary Fund (IMF), Washington DC
Gilles Bertrand	Member of Cabinet	European Commissioner for the European Neighbourhood Policy, Brussels
Fatih Birol	Chief Economist	International Energy Agency, Paris
Frans Bouwen	Director, External Relations	The Hague Process on Refugees and Migration, Netherlands
Jorge Calvet	Chairman and Chief Executive Officer	Gamesa Corporación Tecnológica, Spain
Moncef Cheikh Rouhou	Professor of International Finance	HEC School of Management, France
Arslan Chikhaoui	Chairman	Nord-Sud Ventures, Algeria
Luc De Wulf	Team leader	Prospective Analysis for the Mediterranean Region, Belgium
Ozlem Denizmen	Executive Vice-President	Dogus Strategy, Dogus Group, Turkey
Ndiame Diop	Lead Economist and Country Manager	World Bank, Tunisia

Gonzalo Escribano	Professor of Applied Economics and Economic Policy	UNED Madrid, Spain
Philippe Fargues	Director, Migration Programme	European University Institute, Italy
José W. Fernandez	US Assistant Secretary of State for Economic, Energy and Business Affairs	
Haizam Amirah Fernández	Researcher	Real Instituto Elcano, Spain
Senen Florensa	General Director	IEMed, Spain
Nabila Freidji	Founder and Chief Executive Officer	Cash One, Morocco
Leonello Gabrici	Head of Unit Euro-Med and Regional Issues	European Commission, Brussels
Javier Garcia-Martinez	Founder and Director	Rive Technology, Spain
Francis Ghiles	Senior Research Fellow	CIDOB Foundation, Barcelona
Jean-Louis Guigou	General Delegate	Institut de Prospective Economique du Monde Méditerranéen (IPEMED), France
Julien Hawari	Editor-in-Chief	Arabies Trends, United Arab Emirates
Nezha Hayat	Member of the Management Board	Société Générale Maroc, Morocco
Sir Mohammad Jaafar	Chairman and Managing Director	Kuwaiti Danish Dairy Company, Kuwait
George Joffé	Research Fellow	Cambridge University, United Kingdom
Ian Lesser	Executive Director	German Marshall Fund of the United States, Brussels
Javier López Madrid	Chief Executive Officer	Grupo Villar-Mir, Spain
Alejandro Lorca	Professor of Economic Analysis	Autonomous University of Madrid, Spain
Gema Martin Muñoz	Director-General	Casa Árabe e Instituto Internacional de Estudios Árabes y del Mundo Musulmán, Spain
Mustapha Mekidèche	Vice-President	Conseil National Economique et Social (CNES), Algeria
Helga Mizzi	Director, External Relations and Mediterranean Affairs	Ministry of Foreign Affairs, Malta
Rainer Münz	Head, Research & Development	Erste Group Bank, Austria
Paul Naar	Executive Vice-President Food	Cargill, Belgium
Ana Palacio	Partner	Palacio y Asociados, Spain
Demetrios Papademetriou	President and Board Member	Migration Policy Institute (MPI), USA
Volker Perthes	Director	Stiftung Wissenschaft und Politik (SWP), Germany
Cosimo Risi	Coordinator, Euro-Mediterranean Dialogue	Ministry of Foreign Affairs, Italy
Enric Sala	Explorer-in-Residence	National Geographic, USA
André Sapir	Professor of Economics	Free University of Brussels (ULB), Belgium
Uriel Savir	President	Peres Center for Peace, Israel

Daniel Shapiro	Founder and Director	Harvard International Negotiation Program, Harvard Law School, USA
Eduard Soler i Lecha	Investigador Principal	CIDOB, Spain
Mark Spelman	Global Head of Strategy	Accenture, United Kingdom
Federico Steinberg	Principal Researcher	Real Instituto El Cano, Spain
William Lacy Swing	Director-General	International Organization for Migration (IOM), Geneva
Abdel Hamid Temmar	Minister of Prospective and Statistics of Algeria	
Sandy Thomas	Head, Foresight	Government Office for Science, United Kingdom
Sinan Ulgen	Chairman	Centre for Economic and Foreign Policy Studies (EDAM), Turkey
Juergen Wild	Chief Executive Officer	M+W Group, Germany
Angela Wilkinson	Director	Futures Programmes, Smith School of Enterprise and the Environment (SSEE), United Kingdom
Alain Wouters	Managing Director	Whole Systems, Belgium
Richard Youngs	Director-General	Fundación para las Relaciones Internacionales y el Diálogo Exterior (FRIDE), Spain
Tarik M. Yousef	Chief Executive Officer	Silatech, Qatar
Cuneyd Zapsu	Chairman	Cuneyd Zapsu Danismanlik, Turkey

In addition, the project team expresses its gratitude to the following colleagues from the **World Economic Forum** for their advice and support throughout the project (in alphabetical order):

Benat Bibao
Andrew Bishop
Jennifer Blanke
Tareq Bouchuiguir
Denise Burnet
Roberto Crotti
Matthew Miller
Martin Nägele
Florian Ramseger

Managing Board

Klaus Schwab
Robert Greenhill
Børge Brende
Alois Zwinggi
Lee Howell

Project Team

The Scenarios for the Mediterranean project team includes the following individuals at the World Economic Forum (in alphabetical order):

Project Team:	Nicholas Davis, Associate Director, Deputy Head of Strategic Foresight
	Céline Devouassoux, Team Coordinator, Strategic Foresight
	Margareta Drzeniek, Director, Centre for Global Competitiveness and Performance
	Miroslav Dusek, Acting Director, Middle East and North Africa
	Kristel Van der Elst, Director, Head of Strategic Foresight
	Sofiane Khatib, Associate Director, Middle East and Africa Membership
	Darko Lovric, Project Manager, Strategic Foresight
	Stephan Mergenthaler, Project Manager, Strategic Foresight
Publishing:	Kamal Kimaoui, Director, Head of Production and Design Floris Landi, Graphic Designer Mark Schulman, Editor, World Economic Forum USA

WORLD ECONOMIC FORUM

COMMITTED TO
IMPROVING THE STATE
OF THE WORLD

The World Economic Forum is an independent international organization committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional and industry agendas.

Incorporated as a not-for-profit foundation in 1971, and headquartered in Geneva, Switzerland, the Forum is tied to no political, partisan or national interests. (www.weforum.org)