

SHIFTING PARADIGMS: OPPORTUNITIES FOR A DEEPER EURO-MEDITERRANEAN INTEGRATION IN A CHANGING WORLD

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**Annual Conference 2023 of the Euro-Mediterranean Forum of Institutes of Economic Sciences
(FEMISE)
co-organised by the European Institute of the Mediterranean (IEMed)
and the Economic Research Forum (ERF)**

Context

The global economy is undergoing major geopolitical and economic paradigm shifts. In addition to its profound political ramifications, the war on Ukraine has exacted major economic and social development costs on the global economy, especially for a developing world that is still reeling from the impact of the COVID-19 pandemic. Furthermore, climate change's impacts are intensifying and threatening the environment and societies with the poorest paying the heaviest price.

Within this context, the Euro-Mediterranean region has an important role to play as a major centre of global trade, connecting three continents of the world. In fact, while representing only 1% of the world's waters, the Mediterranean Sea generates around 15% of global maritime traffic and 20% of related economic value, making it a fundamental global economic and social crossroads. It has become even more central today following the discovery of giant natural gas fields in the Eastern Mediterranean.

As such, and as the countries in the Euro-Mediterranean region are facing their new and existing challenges and resetting their priorities, new opportunities are emerging towards deeper Euro-Mediterranean integration. For the Southern Mediterranean countries (SMC), the consequences of climate change, slow economic growth and increasing youth unemployment are particularly challenging. Nonetheless, there is a huge potential for the SMCs to exploit their comparative advantages to position themselves to meet economic, climate and human development challenges, while developing and strengthening a robust reciprocal, self-reinforcing, win-win partnership with the EU. Naturally, the SMCs' youth will need to be the centrepiece of such a strategy and should be amongst the main beneficiaries of the envisaged deepening cross-Mediterranean integration.

Hence, as global geopolitics is shifting, the Euro-Mediterranean relations could be on the threshold of a new era where the two shores are working closer together to build a more

resilient and sustainable region. The present common challenges in the region demand such integration and cooperation between North and South.

Against this backdrop, the objectives of the FEMISE annual conference of 2023 are threefold:

- To bring forward issues that are of concern to the Euro-Mediterranean region and more precisely to explore how to **turn challenges into opportunities** for a deeper and closer partnership;
- To exchange on how to build a Euro-Mediterranean region that is **better integrated and resilient to shocks** while putting its **young population** at the heart of this partnership to allow them to play their role as the Mediterranean Change-Makers
- To explore ways through which this deeper integration between the EU and SMCs, notably enhanced trade and investments, could lead to better opportunities for the youth and contribute to “Jobs through Trade and Investment in the Southern Neighbourhood.” the Team Europe’s Initiative

More specifically, the FEMISE annual conference will address the following issues within its 4 plenary sessions:

Plenary 1: Towards a Greater Euro-Mediterranean Regional Integration: Rebalancing the Geopolitical Landscape with Economic Opportunities

The Mediterranean region is witnessing a new era of changing geopolitical landscape. Given the central role that this region is playing in global trade, economic and social development, it will be important to enhance its integration to secure its place within the global trends while meeting common challenges.

A general view of the status of the Euromed partnership highlights the most pressing economic agenda: from on-going challenges such as climate related issues, high levels of unemployment (especially among the youth), slowed economic and social development; to new crises caused by the on-going war in Ukraine, such as disruptions of value chains, energy shortages and food insufficiency, while most countries are still not fully recovered from the impact of the COVID-19 pandemic. In fact, these challenges and the ramifications of the war on Ukraine have already rekindled renewed interest in robust cooperation between both sides of the Mediterranean on trade, regional value chains and investment in renewable energy.

The recently renewed EU partnership with the Southern Neighbourhood released in 2021 is an opportune building block, as it sets a new approach and agenda, in response to the emerging economic and social challenges and the evolving landscape of countries’ priorities. However, the recent geopolitical shifts, including the war on Ukraine, have somehow distracted the EU from its Southern Neighbourhood. Given the changing geopolitical landscape, the geo-economic importance of the Euro-Mediterranean should be clearly reaffirmed. A deeper cooperation must be a priority, if the region is to consolidate its position as a major player.

The Euro-Mediterranean region would benefit from fostering a strategic partnership by encompassing sustainable development goals and strengthening its historic, cultural and natural ties. The current geopolitical shifts can certainly be balanced by the great opportunities the region offers in terms of trade and investments to boost a recovery that is fundamentally sustainable environmentally, economically and socially.

This plenary will address issues including:

- The geopolitical paradigm shifts: what impact on the EU-Med region? How to bring the focus of the EU back to the Southern Neighbourhood?



- How can the region strengthen its presence in this changing world? What role to play? What's at stake?
- How can the region position itself as a major player within the shifting geopolitics?
- Deepening the EU-Med integration: what is the major strategy of the EU? What is missing from the SMCs point of view?
- To what extent the twin transitions (green and digital) are drivers of regional integration?

Plenary 2: A Better Integrated Euro-Mediterranean Region to Meet Common Challenges: Enhancing the Region's Resilience Through Regional Value Chains

The recent disruptions in the global supply chains due to the COVID-19 pandemic, followed by the shortages in energy and food supplies induced by the war in Ukraine, have shown the vulnerability of the global supply networks to external shocks. It also revealed the dependency of many countries on a few concentrated sources as providers for various essential imports from goods (e.g. manufacturing and intermediate goods, food and agriculture products) and energy supplies. The idea of near-shoring gained momentum as it reduces risks and strengthens the resilience of supply chains.

This represents an opportunity for the SMCs as they become candidates for such a near-shoring vis-a-vis Europe. This is a win-win situation for both shores as it will not only enhance their regional trade (SMCs hold only 4.6% of EU total trade in 2021 and has been decreasing in relative terms) but will open new opportunities for cooperation on issues such as gas and energy supplies while reaching out further to SMCs' neighbours.

The benefits of enhancing the EU-Med regional value chain are various among which:

- The EU will be able to diversify sources of their imports and reduce supply chains' risks.
- It will support the integration of the SMCs in the regional value chain, which will have a positive impact on decent job creation, growth and competitiveness and will help restore structural imbalances. It is worth mentioning that, according to [a study conducted by FEMISE and CMI](#), there are as many as 400 goods that are exported by SMCs and at the same time imported by EU countries, but only not between each other.
- It will offer new opportunities for a better South-South integration. With only 5% of intra-regional trade from their total trade, the SMCs have a long way to go in terms of enhancing their own trade cooperation.
- It will open new opportunities for energy supplies for Europe. While the EU is relying on gas imports from Russia, new gas discoveries in the Mediterranean Sea mean that further cooperation between the two shores in this field will be more than opportune, alongside the development of clean and renewable energy interconnections.
- Enhanced trade between regional actors in the agrifood industry as a response to the growing vulnerability of Mediterranean countries in terms of food insecurity.

In addition, great potentials have been identified in Africa particularly following the African Continental Free Trade Area (AfCFTA), and the North African countries (part of the SMCs) can position themselves as gatekeepers between Africa and the EU, providing yet another opportunity of strengthening their collaboration through trans-Mediterranean corridors. A better Euro-Mediterranean integration can bring closer relations EU-Med-Africa as neighbours of neighbours.

This plenary will address issues including:

- How can shortening the RVC bring benefits to the Euro-Mediterranean integration?

- How can the SMCs be prepared to better integrate in the RVCs and attract quality FDI, including from the EU?
- How to ensure that the development of RVCs leads to decent job creation, growth, and sustainability in the SMCs?
- How to boost relations with the African continent? How to benefit from the AfCFTA? What sectors?
- Can further openness to Africa boost Euro-Mediterranean relations? Are there losers and winners?

Plenary 3: Towards a Green Transition of the Euro-Mediterranean region: Challenges and Opportunities on the Way to Resilient Net-Zero Economies

Putting the **green transition** at the heart of the Euromed partnership, while finding solutions to sustainability challenges will help the region progress in achieving its goals in terms of resilience, prosperity and development.

The Mediterranean is considered a **climate change** vulnerable "hot spot" as the Euro-Mediterranean region is warming 20% faster than the world average. This raises the alarm about the impact that climate change and other environmental shifts will have on ecosystems and agriculture and their negative implications on socioeconomic conditions, human security, displacements and various dimensions of wellbeing. Hence, it is essential to accelerate the green transition in the region to ensure a sustainable and inclusive development pathway.

In addition, the war on Ukraine has made access to **energy** more difficult and costly especially for energy-importing countries. The conflict has led the EU to devise a new plan, the REPowerEU, to reduce dependence on energy imports from Russia while ensuring energy security in a highly inflationary context. This plan gives a potential role to the Southern Neighbourhood as an increasingly important supplier. This will not only ensure the diversification of gas supplies but will speed up the energy transition through renewable energy, including as one of the three major green hydrogen corridors. At the same time, the energy transition provides the opportunity for a number of SMCs to turn from being importers to suppliers of energy thanks to their unique potential to produce renewable and clean energy. As the challenge of decarbonisation appears daunting, it is time to speed up this transition, investing in crucial infrastructures and multiplying the interconnections to achieve a carbon-neutral region in the upcoming decades. This could bring a new chapter to the Euro-Med partnership which will be based on joint benefits towards achieving the green transition, including promising perspectives of decent job creation.

At the same time, the Southern Mediterranean **food security systems**, already weakened by climate change, have been deeply affected by the war in Ukraine. In a region where food security lays at the basis of socioeconomic welfare and political stability, regional cooperation and integration are necessary to reduce vulnerabilities and increase resilience. Working together on climate change issues and sustainable food policies (agriculture and trade) can only be beneficial for both sides of the Mediterranean.

This plenary will address issues including:

- What potentials for the SMCs to expand their **energy production** and become an alternative energy supplier to the EU? What challenges for energy cooperation?
- What are the challenges facing Southern Mediterranean countries in the transition to a **green economy** and what are the right economic policies to accelerate the transition? The role of the private sector?
- What are the implications of the **EU Green Deal and the Net Zero Industry Act** on the Euromed relations?
- What policies, incentives and regulations are needed to encourage the adoption of **green principles by the private sector, especially MSMEs**?

- What potentials for green investment and its impact on decent job creation? What is the role of youth and civil society?
- What policies to ensure better sustainable and resilient food systems for the region?

Plenary 4: Towards a Youth-Driven Euro-Mediterranean Region: Policies to Boost Training, Entrepreneurship, and Innovation

How can the youth be the main beneficiaries of the policies to deepen regional integration to enable them to play their role as agents of change and innovation, helping the countries of the region to meet new and existing socioeconomic and sustainability challenges?

The Euro-Mediterranean region is home to the youngest population in the world with one in three people under 25 years old and more than half of the population under 30 years old (UfM, 2022). While youth can be among the most vulnerable, they are also the most creative and innovative and they aspire to a better future for their region. Thus, they deserve to be the main beneficiaries of a deeper regional integration with better education, matching jobs, and mobility opportunities.

As the world is shifting towards more sustainable development models and green and digital markets are emerging, opportunities are unfolding for SMCs' youth to engage in **green and digital entrepreneurial activities** in sectors such as green or blue technology, sustainable agriculture, water management, social economy, etc. These types of activities will not only reduce youth unemployment (currently one of the highest in the world reaching 26% in SMCs) but will also contribute to finding solutions to persistent challenges within their communities and help advance the green and digital transitions. However, many obstacles are still facing entrepreneurs (particularly young ones) such as funding, market access, scaling-up and lengthy procedures (according to a number of interviews conducted by FEMISE with young entrepreneurs in the context of THE NEXT SOCIETY project).

Unleashing the potential of the Mediterranean youth can only be achieved by boosting their **innovation and creativity**, providing them with the needed support in terms of **education, skill-enhancement, training** and with the **tools and knowledge to ensure their social, economic and financial inclusion**. Some initiatives exist such as the Union for the Mediterranean (UfM) Youth Strategy 2030 vision to *Strive to make them full actors of the socio-economic life and make the region a resilient space of prosperity and development where no one is left behind.*

This plenary will address issues including:

- How can the youth be the main beneficiaries of the policies to deepen regional integration? How can greater trade and investment across the region increase decent job opportunities for the youth?
- What specific policies are most likely to solve the youth unemployment challenge?
- What are the best policies to address sectoral skills mismatching in SMCs?
- What are the main challenges facing the social, economic, and financial inclusion of the youth?
- And how to better integrate the Youth in the EU-Med societies?
- How to better promote youth entrepreneurship, particularly in the green, digital and innovative sectors?