



5th Foundation Conference



“Sharing Knowledge across the Mediterranean”

Jordan, 1 - 3 March 2010

*Knowledge mobility: essential for the establishment of a
knowledge economy.*

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Background: the EIB and FEMIP



- **The EIB: the bank of the European Union**
 - created in 1957 by the Treaty of Rome
 - finances investments that further European policies

- **FEMIP: Facility for Euro-Mediterranean Investment and Partnership**
 - created in October 2002 by the Barcelona European Council (March 2002)
 - strengthens the EIB's activity in the Mediterranean (1974)
 - **key player in the development of the Mediterranean region:**
 - ✓ all financial products: loans of EUR 10.1bn and technical assistance amounting to EUR 115m
 - ✓ a priority: private sector development
 - ✓ a lever: public policy reform



Economic situation of the Mediterranean partner countries (MPCs) – 1

The results of 15 years of the Barcelona Process (1995-2010)

- ❖ **Stabilisation of the macro-economic framework of the MPCs**
 - budget deficit control (except in Egypt, Lebanon and Jordan)
 - inflation control, improved tax receipts, etc.
 - modernisation and streamlining of the banking sector; creation of a financial sector ; reform of the central banks

- ❖ **Opening up to the international markets**
 - attractiveness for foreign direct investment (FDI)
 - trade development and modernisation of the regulatory framework
 - (relative) liberalisation of the economy
 - prudent policy of opening up the capital account (except in Turkey and Egypt)

- ❖ **The beginning of economic convergence between the two shores of the Mediterranean:**
 - the North-South income gap is beginning to close
 - beginnings of labour specialisation in the Mediterranean (especially in Morocco and Tunisia)



Economic situation of the Mediterranean partner countries (MPCs) – 2

Imperfect results:

- ❖ **Asymmetric dependency** between the North and the South
(see: foreign trade structure)
- ❖ **Strong growth (5-6% a year over 2000-2006)**
but insufficient to meet demographic and urban challenges
- ❖ **Poor regional integration, especially South-South**
(cost: - 2% of growth/year)
- ❖ **A real youth unemployment rate of about 30% due to:**
 - the demographic bell curve which peaks in 2030
 - the inadequate development capacities of SMEs and of the private sector
 - training systems that are not in line with the labour market
 - Weak linkage between universities, FDI and businesses



EFFECTS of the global crisis on the MPCs (2008-2009)

Non-financial contamination: the MPCs are having to **adapt rapidly to the recession in the developed countries.**

- ❖ **Widespread decline in external flows** (on which these countries are highly dependent)
 - reduction in foreign trade (- 20/25%)
 - fall in FDI (- 20/40% excluding energy)
 - decrease in tourist revenues (- 8/15%)
 - decline in migrant remittances (- 18%)

- ❖ **Deterioration of budget balances** → indebtedness → decline in reserves → financing of the economy in jeopardy

- ❖ **Eventually, if the recession persists, deterioration of the banking system** (increase in bad and doubtful debts)

However, **MPC economies are highly resilient**: economic recovery will probably be more rapid and stronger than in the OECD countries.



Challenges in the period up to 2025-2030



- **Demographic fact:** 30 to 50 million new jobs need to be created
- **Urban fact:**
100 million additional urban dwellers = EUR 100bn of investment
- **Energy fact:** to tackle climate change and urbanisation =
EUR 100bn of investment
- **Transport:** to achieve regional integration = EUR 40bn

Mobilising private capital and ensuring the transfer of technology



Inadequate European economic aid to the Mediterranean

- ❖ **Insufficient public development aid:**
EUR 8bn a year (of which EUR 4bn from the EU and its Member States)
- ❖ **The Euro-Mediterranean Partnership = inadequate provision:**
free trade area + EUR 16bn over 2007-2013
- ❖ **Union for the Mediterranean (UfM):** a promising initiative but which has not yet managed to create investors' confidence.

Forge **economic solidarity**: move from sub-contracting to co-contracting: the Knowledge Society (knowledge-based economy - KBE)



Knowledge mobility to promote regional integration and labour specialisation in the Mediterranean

- ❖ **Reform of the education chain**
 - basic knowledge to be achieved in primary education; knowledge trunk for secondary education
 - identification of the professions of the future (higher education)
 - access to language training

- ❖ **Networking of training and research establishments**
 - universities and vocational training institutions
 - researchers' communities and research centres
 - technology platforms and competitiveness clusters

- ❖ **Mobility of people to disseminate knowledge and balance the labour market at regional level**
 - linking the mobility of people (students, researchers, entrepreneurs) to the achievements in paths of excellence
 - labelling of institutions to facilitate the granting of visas



Raising awareness in the Mediterranean



- **Experience of Tunisia and Morocco:**
build-up of competitiveness rather than build-up of capital
- **KBE strategies** in several Arab countries:
Jordan, Egypt, Syria, Lebanon, Saudi Arabia, UAE, etc.
- **Support from international organisations**
 - **EIB, World Bank**
 - **CMI:** Marseille Centre for Mediterranean Integration
(2 clusters: SELM and KEIT)
 - **ISESCO:** Tunis Conference, 1-3 December 2009
go to website: <http://go.worldbank.org/OP3GO6L200>
- **Support from the Union for the Mediterranean (UfM)**
 - ministerial seminar on migration, Paris, 14 December 2009
Grants and visas for students; labelling of training centres



A difficult change to achieve



The transition to a KBE is a conscious choice to open up to the outside world and to competition.

It is difficult because:

- it is seen as a challenge to the States' **sovereignty of the states**: mobility of people, language choices, opening-up of borders, etc.
- it calls into question the **classic institutional frameworks of societies**: content of training courses, economic freedom, autonomy of universities, etc.
- it brings about **short-term distortions**, to achieve better long-term balances: labour specialisation by questioning traditional employment.
- it requires **large-scale investment** to enhance the performance of education and business infrastructure.



Thank you for your attention



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