REGIONAL INTEGRATION IN THE UNION FOR THE MEDITERRANEAN: **PROGRESS REPORT**

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Union pour la Méditerranée
الاتحاد من أجل المتوسط

PRIORITY AREA **TRADE**

Trade in goods made up **35%** of the region's GDP in 2018.

But trade is **unevenly distributed:** **94%** of merchandise exports is accounted for by EU states.

70% of cargo trade in the Mediterranean is **between European ports,** 15% between Europe and North Africa, and only **5% between MENA countries.**

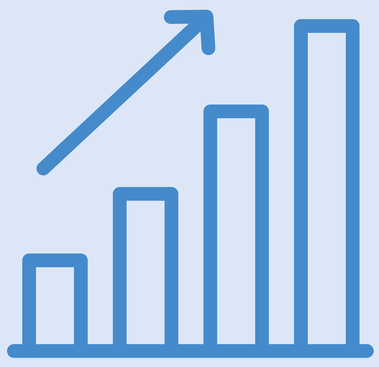
Trade agreements have reduced tariffs on traded goods over time.

But there is lack of agreements on **trade in services.**

*Trade in services accounts for **25%** of global trade flows, and could be a key engine for economic development.*

RECOMMENDATIONS

Increase collaboration on **trade regulations, including more ambitious agreements** on trade in services.



Increase cooperation to **reduce trade costs** e.g. border cooperation, reduced administrative burdens, regulatory transparency and digitalised procedures.

Develop **policies to support industrial diversification, including** skills development and digitalisation to promote more South-South trading links.

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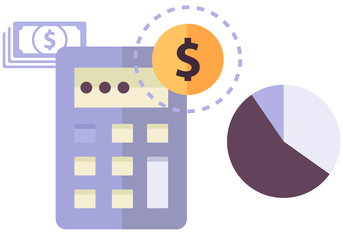
PRIORITY AREA **FINANCE**

REMITTANCES

Remittances, or money transfers, are a significant form of financial exchange between the **MENA and Balkan countries on the one hand, and EU countries, Israel and Turkey** on the other.

On average, **remittance inflows represent** **10.4%** of GDP in the Western Balkans and **7.8%** in the MENA region against **0.8%** in the EU.

This is likely underestimated due to remittances sent through informal channels.



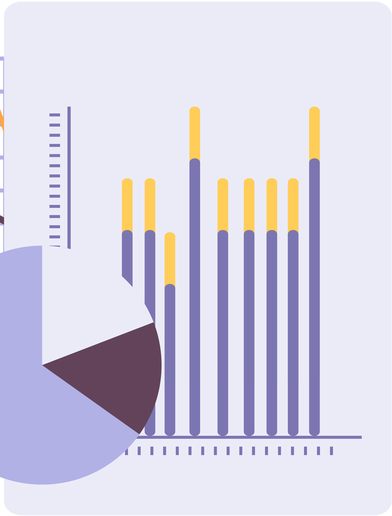
FOREIGN DIRECT INVESTMENT

EU countries are the main senders and receivers of foreign direct investment (FDI). **The MENA and Western Balkans regions are net receivers of foreign investments** and have a limited presence as foreign investors.

On average, **68%** **of investment stock in a reporting economy from the UfM** comes from another UfM member state.

E-COMMERCE

In 2017, only **8%** of SMEs in the wider MENA region **had an online presence** compared to **80%** in the United States and only **1.5%** **of retailers were online.**



RECOMMENDATIONS

Improve effective formal channels for remittances to **reduce costs** and avoid losses to informal channels, supporting greater **financial literacy and inclusion.**

Reduce regulatory restriction to FDI in key sectors like **transport and energy connectivity.**

Focus on **digitalisation** as a means of improving the **efficiency** of both remittances and ecommerce, by **strengthening infrastructure** for digital payments.

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PRIORITY AREA **INFRASTRUCTURE**

TRANSPORT

Gaps in transport infrastructure in the MENA and Western Balkans regions **limit trade efficiency** and participation.

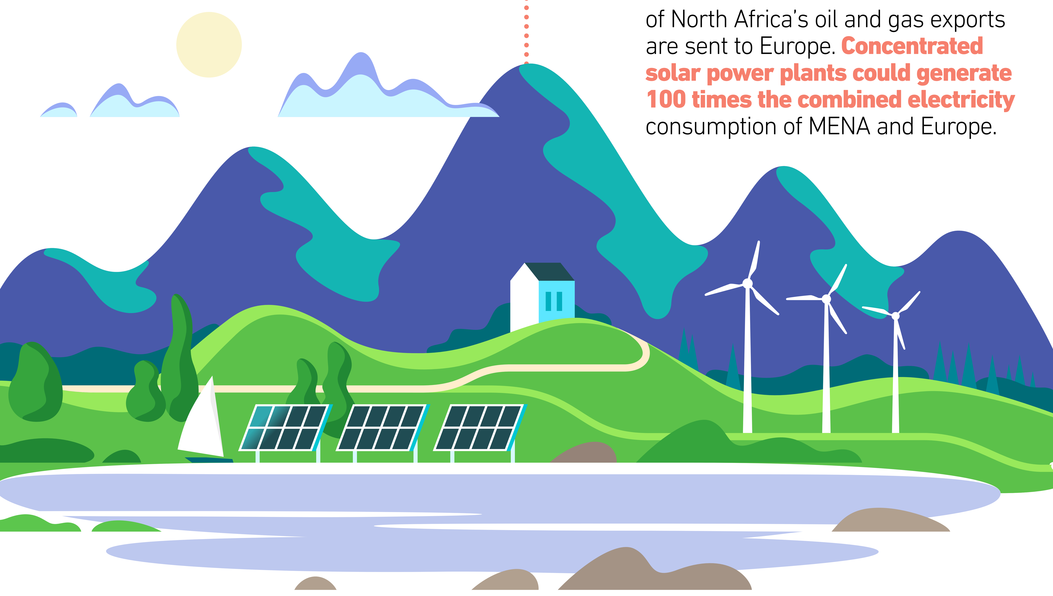
It is estimated that the **MENA region** over the next 5 to 10 years will require over **7%** of the annual regional GDP to maintain existing and create new infrastructure.

ENERGY

Energy consumption in the Southern Mediterranean could increase by **37% by 2040** with one half being driven by an **increase in electricity consumption.**

Southern economies are expected to rely on **gas** and oil to generate electricity at least **until 2030**

Over **60%** of North Africa's oil and gas exports are sent to Europe. **Concentrated solar power plants could generate 100 times the combined electricity** consumption of MENA and Europe.



RECOMMENDATIONS

Increase **investments** in transport and energy infrastructure.

Improve **capacity and efficiency of ports** in their role as **national or regional gateways,** linked with inland areas, special economic zones and research centres and universities.

Promote reforms in the power sector to **encourage competition,** entry of **private investors** and the development of **renewable energies.**

Cooperate on international tools and instruments to ensure **quality, compatibility and inter-operability** of infrastructure networks across the region.

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PRIORITY AREA **MOVEMENT OF PEOPLE**

TOURISM

In 2019, tourism accounted for over **15%** of GDP and **10%** of total employment in some Mediterranean countries.

The UfM region is among the **most important tourism destinations worldwide.**

71% of tourist flows are directed towards European Mediterranean countries, **but arrivals in MENA destinations grew by 10% between 2017 and 2018 to reach 87 million tourists.**

The majority of tourists in UfM countries are **intra-regional.**

WORKER MIGRATION

By 2030, 39 million additional youth will **arrive on the labour market in the South Mediterranean,** while in Europe retirees are outpacing new workers.

At the regional level, the **share of foreign-born labour force among all workers** increased from **10% in 2010 to 12% in 2019**

RECOMMENDATIONS

Design **circular migration schemes** to ensure benefits for all parties.

Invest in **skills development** and transferability to enable greater participation of Southern Mediterranean youth in **mobility schemes** between UfM countries.

Harmonise national **qualifications frameworks** in the region, and develop cooperation between institutions.

Expand the reach of **mobility schemes** to target new categories of migrants, including **tertiary education students** and **young, highly skilled professionals.**

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PRIORITY AREA **RESEARCH AND HIGHER EDUCATION**

RESEARCH

There is more North-South scientific cooperation than South-South, although there are exceptions (e.g. Morocco-Israel).

Funding from abroad plays an important role in R&D. In EU countries it is between **5 and 10%;** in the South, except Israel & Palestine, **it is 5% or less.**

Between 1981 and 2014, the disciplinary focus in scientific collaboration in the Southern Mediterranean moved slightly away from chemical and petroleum engineering towards life sciences.

HIGHER EDUCATION

The Southern Mediterranean is the world's 2nd-youngest region. In Egypt, Jordan and Tunisia, **women outnumber men in tertiary education graduates, but remain disproportionately affected by unemployment.**

Research and higher education can contribute to **economic growth** when linked to national industry, including manufacturing and services.

Constant interaction between **education, research and innovation** makes economically viable innovation possible.

RECOMMENDATIONS

Promote **investment in research infrastructure** at the national level.

Encourage and facilitate **student mobility** as a vehicle for directing research towards common problems.

Facilitate the diffusion and uptake of **digital technologies for science and education,** such as open science platforms, to enable countries to take advantage of new opportunities for regional co-operation – especially in the context of the COVID-19 pandemic.

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